

To:
Financial Supervision Commission
Investment Activity Supervision Department
16 Budapest Str.
Sofia

Cc:
Bulgarian Stock Exchange - Sofia AD
6 Tri Ushi Str.
Sofia

31 March 2022

Re: Annual individual (audited) financial statements of First Investment Bank AD as at 31 Dec 2021

Dear Sirs,

In compliance with the requirements of the Public Offering of Securities Act (POSA) and the regulations for its implementation, in our capacity as public company and issuer of bonds admitted for trading at a regulated market, we hereby submit the audited individual financial statements of First Investment Bank AD as at 31 December 2021, containing

- ✓ Audited individual financial statements as at 31.12.2021 and notes thereto, accompanied by the auditors' report as per Art. 100m, para. 4(1) of POSA;
- ✓ 2021 Annual Report of First Investment Bank pursuant to Art. 100m, Para. 4(2) of POSA;
- ✓ Declaration under Art. 100o, para. 4(4) of POSA;
- ✓ Information on First Investment Bank under Annex 11 to Ordinance №2 of the Financial Supervision Commission on the prospects of public offering and admittance for trade on a regulated market of securities and for the disclosure of information.

We are also sending you the Disclosure Policy of First Investment Bank and the Score Card for assessment of corporate governance in Bulgaria.

Sincerely,

(signed)

Nikola Bakalov
Chief Executive Officer
Chairman of the MB

(signed)

Svetozar Popov
Executive Director
Member of the MB

FIRST INVESTMENT BANK AD
INDIVIDUAL FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2021
WITH INDEPENDENT AUDITORS' REPORT THEREON

Individual statement of profit or loss and of other comprehensive income for the year ended 31 December 2021

| <i>in thousands of BGN</i> | Note | 2021 | 2020 |
|--|------|----------------|----------------|
| Interest income | | 308,556 | 292,160 |
| Interest expense | | (45,412) | (59,511) |
| Net interest income | 6 | 263,144 | 232,649 |
| Fee and commission income | | 143,015 | 116,250 |
| Fee and commission expense | | (24,150) | (20,401) |
| Net fee and commission income | 7 | 118,865 | 95,849 |
| Net trading income | 8 | 15,380 | 11,991 |
| Other net operating income | 9 | 11,368 | 10,344 |
| TOTAL INCOME FROM BANKING OPERATIONS | | 408,757 | 350,833 |
| Administrative expenses | 10 | (179,441) | (181,842) |
| Allowance for impairment | 11 | (122,494) | (93,660) |
| Other income/(expenses), net | 12 | 4,754 | (31,750) |
| PROFIT BEFORE TAX | | 111,576 | 43,581 |
| Income tax expense | 13 | (11,493) | (4,700) |
| NET PROFIT | | 100,083 | 38,881 |
| Other comprehensive income for the period | | | |
| Items which should or may be reclassified as profit or loss | | | |
| Revaluation reserve of investments in securities | | (8,968) | 3,701 |
| Total other comprehensive income | | (8,968) | 3,701 |
| TOTAL COMPREHENSIVE INCOME | | 91,115 | 42,582 |

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 5 to 75.

The financial statements have been approved by the Managing Board on 30 March 2022 and signed on its behalf by:

Nikola Bakalov
Chief Executive Officer

SVETOZAR POPOV
Executive Director

Yanko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated 30/03/2022
Nedyalko Apostolov
Partner

BDO Bulgaria OOD

Tsvetana Stefanina, Manager
Registered auditor
responsible for the audit

Atina Mavridis
Partner

ECOVIS AUDIT BG OOD

Rayna Stefanova
Registered auditor
responsible for the audit

Individual statement of financial position as at 31 December 2021

| <i>In BGN '000</i> | Note | 2021 | 2020 |
|--|-------------|-------------------|-------------------|
| ASSETS | | | |
| Cash and balances with Central Banks | 14 | 1,868,853 | 2,060,496 |
| Investments in securities | 15 | 1,482,699 | 1,132,106 |
| Loans and advances to banks and other financial institutions | 16 | 87,412 | 106,085 |
| Loans and advances to customers | 17 | 6,315,581 | 6,038,889 |
| Property and equipment | 18 | 75,881 | 72,972 |
| Intangible assets | 19 | 13,831 | 14,678 |
| Derivatives held for risk management | | 1,042 | 5,110 |
| Repossessed assets | 21 | 450,987 | 706,042 |
| Investment Property | 22 | 732,850 | 414,021 |
| Investments in subsidiaries | 23 | 45,873 | 44,872 |
| Rights of use assets | 24 | 77,725 | 139,837 |
| Other assets | 25 | 116,136 | 97,721 |
| TOTAL ASSETS | | 11,268,870 | 10,832,829 |
| LIABILITIES AND CAPITAL | | | |
| Due to banks | 26 | 29,879 | 14,340 |
| Due to other customers | 27 | 9,425,251 | 9,100,155 |
| Liabilities evidenced by paper | 28 | 106,271 | 104,151 |
| Financial liabilities at fair value through profit or loss | | 2,164 | - |
| Hybrid debt | 29 | 320,733 | 267,579 |
| Derivatives held for risk management | | 2,166 | 410 |
| Deferred tax liabilities | 20 | 26,608 | 21,286 |
| Current tax liabilities | | 1,332 | 12 |
| Lease liabilities | 24 | 77,785 | 139,868 |
| Other liabilities | 30 | 7,817 | 7,279 |
| TOTAL LIABILITIES | | 10,000,006 | 9,655,080 |
| Issued share capital | 31 | 149,085 | 149,085 |
| Share premium | 31 | 250,017 | 250,017 |
| Statutory reserve | 31 | 39,861 | 39,861 |
| Revaluation reserve of investments in securities | | 6,545 | 15,513 |
| Revaluation reserve on property | | 4,500 | 4,500 |
| Other reserves and retained earnings | 31 | 818,856 | 718,773 |
| TOTAL SHAREHOLDERS' EQUITY | | 1,268,864 | 1,177,749 |
| TOTAL LIABILITIES AND GROUP EQUITY | | 11,268,870 | 10,832,829 |

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 5 to 75.

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Nedyalko Apostolov
Partner

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responsible for the audit

Atina Mavridis
Partner

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Rayna Stefanova
Registered auditor
responsible for the audit

Individual statement of cash flows for the year ended 31 December 2021

| <i>In BGN '000</i> | 2021 | 2020 |
|---|------------------|------------------|
| Net cash flow from operating activities | | |
| Net profit | 100,083 | 38,881 |
| Adjustment for non-cash items | | |
| Allowance for impairment | 122,493 | 93,660 |
| Net interest income | (263,145) | (232,649) |
| Depreciation and amortization | 11,379 | 12,435 |
| Tax expense | 11,433 | 4,703 |
| (Profit) from sale and write-off of tangible and intangible fixed assets, net | (11) | (71) |
| Loss/(Profit) from sale of other assets, net | 6,025 | (1,179) |
| (Positive) revaluation of investment property | (30,340) | (2,312) |
| | (42,083) | (86,532) |
| Change in operating assets | | |
| Decrease in financial assets at fair value through profit or loss | (1,914) | 1,289 |
| (Increase) in financial assets at fair value in other comprehensive income | (241,685) | (97,962) |
| (Increase)/decrease in loans and advances to banks and financial institutions | (4,109) | 1,062 |
| (Increase) in loans to customers | (491,458) | (344,016) |
| Decrease of other assets | 47,765 | 7,327 |
| | (691,401) | (432,300) |
| Change in operating liabilities | | |
| Increase/(decrease) in deposits from banks | 15,539 | (10,708) |
| Increase in amounts owed to other depositors | 342,450 | 424,557 |
| Net (decrease) in other liabilities | (60,371) | (6,660) |
| | 297,618 | 407,189 |
| Interest received | 346,863 | 268,560 |
| Interest paid | (62,497) | (67,717) |
| Dividends received | 401 | 374 |
| Tax on profit, paid | (3,853) | (314) |
| NET CASH FLOW FROM OPERATING ACTIVITIES | (154,952) | 89,260 |
| Cash flow from investing activities | | |
| (Purchase) of tangible and intangible fixed assets | (13,464) | (11,333) |
| Sale of tangible and intangible fixed assets | 34 | 132 |
| Sale of other assets | 14,037 | 13,496 |
| (Increase) of investments | (117,365) | (188,276) |
| NET CASH FLOW FROM INVESTING ACTIVITIES | (116,758) | (185,981) |
| Financing activities | | |
| Increase/(decrease) in borrowings | 4,238 | (5,805) |
| Increase in subordinated liabilities | 53,068 | - |
| Capital increase through newly issued shares | - | 39,085 |
| Increase of share premium reserve of newly issued shares | - | 153,017 |
| NET CASH FLOW FROM FINANCING ACTIVITIES | 57,306 | 186,297 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (214,404) | 89,576 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD | 2,130,044 | 2,040,468 |
| CASH AND CASH EQUIVALENTS AT THE END OF PERIOD | 1,915,640 | 2,130,044 |

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 5 to 75.

The financial statements have been approved by the Managing Board on 30 March 2022 and signed on its behalf by:

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Chief Executive Officer

SVETOZAR POPOV
Executive Director

Yanko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated
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Individual statement of shareholders' equity for the year ended 31 December 2021

| <i>In BGN '000</i> | Issued share capital | Share premium | Other reserves and retained earnings | Revaluation reserve of investments in securities | Revaluation reserve on property | Statutory reserve | Total |
|---|----------------------|----------------|--------------------------------------|--|---------------------------------|-------------------|------------------|
| Balance at 01 January 2020 | 110,000 | 97,000 | 679,892 | 11,812 | 4,500 | 39,861 | 943,065 |
| Total comprehensive income for the period | | | | | | | |
| Net profit for the year ended 31 December 2020 | - | - | 38,881 | - | - | - | 38,881 |
| Other comprehensive income for the period | | | | | | | |
| Revaluation reserve of investments in securities | - | - | - | 3,701 | - | - | 3,701 |
| Share capital increase | | | | | | | |
| Capital increase through newly issued shares | 39,085 | - | - | - | - | - | 39,085 |
| Share premium reserve of newly issued shares | - | 156,339 | - | - | - | - | 156,339 |
| Decrease of premium reserve related to capital issue expenses | - | (3,322) | - | - | - | - | (3,322) |
| Balance as at 31 December 2020 | 149,085 | 250,017 | 718,773 | 15,513 | 4,500 | 39,861 | 1,177,749 |
| Total comprehensive income for the period | | | | | | | |
| Net profit for the year ended 31 December 2021 | - | - | 100,083 | - | - | - | 100,083 |
| Other comprehensive income for the period | | | | | | | |
| Revaluation reserve of investments in securities | - | - | - | (8,968) | - | - | (8,968) |
| Balance as at 31 December 2021 | 149,085 | 250,017 | 818,856 | 6,545 | 4,500 | 39,861 | 1,268,864 |

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 5 to 75.

The financial statements have been approved by the Managing Board on 30 March 2022 and signed on its behalf by:

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Chief Executive Officer

SVETOZAR POPOV
Executive Director

Yanko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated 30/03/2022
Nedyalko Apostolov
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Notes to the financial statements

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, at 37 Dragan Tzankov Blvd. Finance

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.

The Bank has foreign operations in Cyprus - a branch.

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

In 2020, the composition of the Managing Board changed, as follows:

- Mr Nikola Bakalov (currently Chief Executive Officer) was appointed as member of the Bank's Managing Board and Executive Director after approval from the Bulgarian National Bank; he has been performing these functions since this circumstance was listed in the Commercial Register and Register of NPLE with the Registry Agency on 7 February 2020. On 25 March 2020 he was appointed as Chief Executive Officer.
- The circumstance that Mr Nedelcho Nedelchev was no longer member of the Bank's Managing Board and Chief Financial Officer was registered in the Commercial Register and Register of NPLE on 14 April 2020 after approval from the Bulgarian National Bank.
- The circumstance that Mr Jivko Todorov was no longer member of the Bank's Managing Board was registered in the Commercial Register and Register of NPLE on 22 April 2020 after approval from the Bulgarian National Bank.
- Ms Ralitsa Bogoeva (Executive Director) was appointed as member of the Bank's Managing Board and Executive Director after approval from the Bulgarian National Bank; she has been performing these functions since this circumstance was listed in the Commercial Register and Register of NPLE with the Registry Agency on 29 May 2020.
- Mr Ianko Karakolev (Managing Board member) was appointed as member of the Bank's Managing Board after approval from the Bulgarian National Bank; he has been performing this function since this circumstance was listed in the Commercial Register and Register of NPLE with the Registry Agency on 25 June 2020.

Notes to the financial statements

1. Basis of preparation, continued

Statute, continued

- **Supervisory Board**

- Mr Evgeni Lukanov – Supervisory Board chairperson
- Mr Jordan Skortchev – Supervisory Board member
- Mr Georgi Mutafchiev - Supervisory Board member (deceased on 03.07.2021, delisted as member on 13.12.2021)
- Ms Radka Mineva – Supervisory Board member
- Ms Maya Georgieva – Supervisory Board member
- Mr Jyrki Koskelo – Supervisory Board member

At 31 December 2021 the total number of employees was 2,466 (31 December 2020: 2,524).

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

(b) Statement of compliance

The separate 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 Bank'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

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.

The present financial statements of the Bank are not consolidated. These individual financial statements form an integral part of the consolidated financial statements. Information about the basic earnings per share is given in the consolidated financial statements.

(d) New standards, amendments and interpretations effective as of 01 January 2021

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:

- Amendments to IFRS 4 Insurance Contracts – deferral of the effective date of IFRS 9 effective as of 1 January 2021, adopted by the EU, date of approval 15 December 2020, published in the Official Journal on 16 December 2020.
Amendments to IFRS 9, IAS 39, IFRS 4, IFRS 7 and IFRS 16 Interest Rate Benchmark Reform – Phase 2, effective as of 1 January 2021, adopted by the EU, date of approval 13 January 2021, published in the Official Journal on 14 January 2021.
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions after 30 June 2021, effective as of 1 April 2021, adopted by the EU, date of approval 30 August 2021. Published in the Official Journal on 31 August 2021.
- Amendments to IFRS 17 Insurance Contracts issued on 18 May 2017, adopted by the EU on 19 November 2021, published in the Official Journal on 23 November 2021, effective as of 1 January 2023.

Notes to the financial statements

1. Basis of preparation, continued

(d) New standards, amendments and interpretations effective as of 01 January 2021, continued

- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, effective as of 1 January 2022, adopted by the EU, date of approval 28 June 2021, published in the Official Journal on 2 July 2021.

The adoption of these amendments to the existing standards has not led to any changes in the Bank's accounting policies.

(e) Documents issued by IASB/IFRICs not yet endorsed by the European Commission

These new or revised standards, new interpretations and amendments to existing standards that at the reporting date are already issued by the International Accounting Standards Board have not yet been endorsed by the EU and therefore are not taken into account by the Company in preparing these financial statements.

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current, effective as of 1 January 2023, not yet adopted by the EU.
- Amendments to IAS 1 Presentation of Financial Statements, IFRS Practice Statement 2: Disclosure of Accounting Policies, effective as of 1 January 2023, not yet adopted by the EU.
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimate, effective as of 1 January 2023, not yet adopted by the EU.
- Amendments to IAS 12 Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction, effective as of 1 January 2023, not yet adopted by the EU.

2. Significant accounting policies

(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 Bank 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 to the amortised cost of the financial asset.

(ii) *Fees and Commissions*

Fee and commission income arises on financial services provided by the Bank and is recognised in profit or loss when the corresponding service is provided.

Notes to the financial statements

2. Significant accounting policies, continued

(a) Income recognition, continued

(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 Bank.

(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 of subsidiaries

Investments in subsidiaries are stated at cost, minus the accrued impairment.

(c) Foreign currency transactions

(i) *Functional and presentation currency*

The financial statements are presented in Bulgarian leva, which is the Bank'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 functional currency of the foreign operations in Cyprus is determined by the management to be the Euro. In determining the functional currency of the foreign operations, the Bank takes into account the fact that they are carried out as an extension of the reporting entity.

(d) Financial assets

(I) *Recognition*

The Bank recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Bank 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.

Notes to the financial statements

2. Significant accounting policies, continued

(d) Financial assets, continued

(i) *Interest income, continued*

The Bank 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 Bank'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 Bank'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 Bank does not designate any debt instrument as at fair value through profit or loss to remove or significantly reduce an accounting mismatch.

Notes to the financial statements

2. Significant accounting policies, continued

(d) Financial assets, continued

(v) Capital instruments at fair value through other comprehensive income

The Bank 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) 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 Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Bank 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 Bank 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 Bank 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 Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price. The Bank which holds portfolios of financial assets and financial liabilities is exposed to market risk and credit risk. If the Bank 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 Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Notes to the financial statements

2. Significant accounting policies, continued

(d) Financial assets, continued

(vii) *Derecognition*

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the Bank 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 Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank 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 Bank 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 Bank 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 in debt instruments held by the Bank 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 Bank 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.

2. Significant accounting policies, continued

(g) Securities borrowing and lending business and repurchase transactions

(i) *Securities borrowing and lending*

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 Bank 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

Notes to the financial statements

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) Borrowings

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 Bank 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 Bank 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 Bank recognizes 12-month expected credit loss as loss allowance when there is no significant increase in the credit risk since the initial recognition of the financial asset. When there is a significant increase in credit risk since initial recognition, expected credit losses for the whole 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 - 4 |
| • Equipment | 10 - 50 |
| • Fixtures and fittings | 10 - 15 |
| • Motor vehicles | 20 |
| • Leasehold Improvements | 2 - 50 |

Notes to the financial statements

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 acquired by the Bank 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 Bank 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 Bank 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 a 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 Bank agrees to pay, at a stipulated future date, a draft drawn on it for a specified amount. The Bank's acceptances primarily arise from documentary credits stipulating payment to be made a certain number of days after receipt of required documents. The Bank 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 Bank enters into off-statement of financial position commitments such as guarantees and letters of credit. The Bank 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.

Notes to the financial statements

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 Bank 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.

The actual results may differ from the Management's assumptions, estimates and judgements and in rare cases correspond fully to the preliminary result estimates.

In preparing the present individual financial statements the Management's estimates in applying the Bank's accounting policies and the main sources of uncertainty of the approximate accounting valuations do not differ from those disclosed in the individual financial statement for the previous year.

Information on the valuations and the valuation uncertainty, for which there is a significant risk of change as of 31 December 2021 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, 18 - 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, 15, 17 – 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 Bank'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 15, 17 – 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 bank has recognised provisions for pending court cases. The Bank 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.

Notes to the financial statements

2. Significant accounting policies, continued

(s) 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 Bank 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).

(t) Income taxes

The Bank 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 Bank 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.

(u) 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 Bank'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 Labour Code.

According to these regulations in the LC, when a labour 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 Bank 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.

Notes to the financial statements

2. Significant accounting policies, continued

(u) Employee benefits, continued

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 Bank 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 Bank 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.

(v) Leases

(i) The Company as lessee

For new contracts concluded on or after 1 January 2019 the Bank 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 Bank 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 Bank 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 Bank has the right to direct the use of the identified asset throughout the period of use.

The Bank 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 Bank as lessee

On the commencement date of the lease contract the Bank 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 Bank, 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 Bank 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 Bank also reviews the right-of-use assets for impairment, where such indicators exist.

On the commencement date of the lease contract the Bank 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.

Notes to the financial statements

2. Significant accounting policies, continued

(v) Leases, continued

(i) The Company as lessee, continued

As of 01.01.2019 the Bank 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 Bank 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 Bank is a party as a tenant, the Bank 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 Bank would exercise that option. With relation to this the Bank 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 Bank uses an interest rate consisting of the risk-free interest rate and a surcharge reflecting the credit risk related to the Bank 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.

Notes to the financial statements

2. Significant accounting policies, continued

(v) Leases, continued

(i) *The Company as lessee, continued*

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 Bank 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 Bank'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 Bank as lessor no significant changes were found in comparison to the previous IAS 17. The Bank 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 Bank recognises as asset a receivable under the contract in an amount equal to the net investment in the lease. During the lease term the Bank 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 an operating lease, the Bank recognises lease payments as revenue on a linear basis.

As lessor, the Bank 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.

Notes to the financial statements

3. Risk management disclosures

A. Trading activities

The Bank maintains active trading positions in a limited number of non-derivative financial instruments. Most of the Bank's trading activities are customer driven. In anticipation of customer demand, the Bank 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 Bank to provide customers with money market products at competitive prices.

The Bank 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:

Notes to the financial statements

| | 31 December | 2021 | | | 31 December |
|----------------------------|-------------|---------|-----|------|-------------|
| <i>in thousands of BGN</i> | 2021 | average | low | high | 2020 |
| VaR | 0.0 | 0.4 | 0.0 | 38.4 | 0.0 |

B. Non-trading activities

Below is a discussion of the various risks the Bank 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 Bank will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises in the general funding of the Bank'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 Bank 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 Bank 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 transposed in the Law on the Recovery and Restructuring of Credit Institutions and Investment Intermediaries, 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 adequately manage liquidity risk, the Bank monitors cash flows on a daily basis.

As part of the liquidity risk management, the Bank 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

| <i>In BGN '000</i> | 31 December 2021 | 31 December 2020 |
|---|---------------------|---------------------|
| Balances with BNB | 1,411,085 | 1,576,768 |
| Current accounts and amounts with other banks | 447,818 | 498,097 |
| Unencumbered government securities | 783,637 | 637,904 |
| Gold | 2,765 | 2,598 |
| Total liquid assets | 2,645,305 | 2,715,367 |

Notes to the financial statements

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 2021 the thirty largest non-bank unguaranteed depositors represent 7.82% of total deposits from other customers (31 December 2020: 6.17%).

One of the main ratios used by the Bank for managing liquidity risk is the ratio of liquid assets to total borrowings from other clients.

| | 31 December 2021 | 31 December 2020 |
|---|------------------|------------------|
| Ratio of liquid assets to total borrowings from other clients | 28.07% | 29.84% |

The following table provides an analysis of the financial assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment.

Maturity table as at 31 December 2021

| in thousands of BGN | Up to 1 Month | From 1 to 3 Months | From 3 months to 1 year | More than 1 year | Maturity not defined Indefinite Maturity | Total |
|---|--------------------|-----------------------|-------------------------------|---------------------|---|------------------|
| Assets | | | | | | |
| Cash and balances with Central Banks | 1,868,853 | - | - | - | - | 1,868,853 |
| Financial assets at fair value through profit or loss | 241,046 | - | - | - | 24,359 | 265,405 |
| Financial assets at fair value through other comprehensive income | 901,155 | - | - | - | - | 901,155 |
| Financial assets at amortised cost | - | - | - | 316,139 | - | 316,139 |
| Loans and advances to banks and other financial institutions | 77,792 | 5,909 | 963 | 2,748 | - | 87,412 |
| Loans and advances to customers | 750,511 | 158,518 | 1,082,893 | 4,323,659 | - | 6,315,581 |
| Other trading assets | 1,042 | - | - | - | - | 1,042 |
| Total financial assets | 3,840,399 | 164,427 | 1,083,856 | 4,642,546 | 24,359 | 9,755,587 |
| Liabilities | | | | | | |
| Due to banks | 29,879 | - | - | - | - | 29,879 |
| Due to other customers | 5,580,080 | 1,125,734 | 2,203,384 | 516,053 | - | 9,425,251 |
| Liabilities evidenced by paper | 4 | 34,257 | 3,992 | 68,018 | - | 106,271 |
| Financial liabilities at fair value through profit or loss | - | - | - | 2,164 | - | 2,164 |
| Hybrid debt | - | - | - | 320,733 | - | 320,733 |
| Other financial liabilities, net | (81) | 2,853 | (606) | - | - | 2,166 |
| Total financial liabilities | 5,609,882 | 1,162,844 | 2,206,770 | 906,968 | - | 9,886,464 |
| Net liquidity gap | (1,769,483) | (998,417) | (1,122,914) | 3,735,578 | 24,359 | (130,877) |

The table shows investments at fair value through other comprehensive income and fair value through profit or loss 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.

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(i) Liquidity risk, continued

The Bank 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.

Maturity table as at 31 December 2020

| in thousands of BGN | Up to 1 Month | From 1 to 3 Months | From 3 months to 1 year | More than 1 year | Maturity not defined Indefinite Maturity | Total |
|---|--------------------|-----------------------|-------------------------------|---------------------|---|------------------|
| Assets | | | | | | |
| Cash and balances with Central Banks | 2,060,496 | - | - | - | - | 2,060,496 |
| Financial assets at fair value through profit or loss | 240,808 | - | - | - | 23,083 | 263,891 |
| Financial assets at fair value through other comprehensive income | 668,385 | - | - | - | - | 668,385 |
| Financial assets at amortised cost | - | - | - | 199,830 | - | 199,830 |
| Loans and advances to banks and other financial institutions | 85,823 | 4,387 | 755 | 15,120 | - | 106,085 |
| Loans and advances to customers | 796,401 | 214,808 | 752,038 | 4,275,642 | - | 6,038,889 |
| Other trading assets | 724 | - | - | 4,386 | - | 5,110 |
| Total financial assets | 3,852,637 | 219,195 | 752,793 | 4,494,978 | 23,083 | 9,342,686 |
| Liabilities | | | | | | |
| Due to banks | 14,340 | - | - | - | - | 14,340 |
| Due to other customers | 4,914,768 | 1,119,837 | 2,480,948 | 584,602 | - | 9,100,155 |
| Liabilities evidenced by paper | 8 | 20 | 3,857 | 100,266 | - | 104,151 |
| Hybrid debt | - | - | - | - | 267,579 | 267,579 |
| Other financial liabilities, net | 104 | 306 | - | - | - | 410 |
| Total financial liabilities | 4,929,220 | 1,120,163 | 2,484,805 | 684,868 | 267,579 | 9,486,635 |
| Net liquidity gap | (1,076,583) | (900,968) | (1,732,012) | 3,810,110 | (244,496) | (143,949) |

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(i) Liquidity risk, continued

The following table provides a remaining maturities analysis of the financial assets and liabilities of the Bank as at 31 December 2021 based on the contractual undiscounted cash flows.

| In BGN '000 | Up to 1 Month | From 1 to 3 Months | From 3 months to 1 year | More than 1 year | Total |
|---|------------------|--------------------|-------------------------|------------------|-------------------|
| Financial assets | | | | | |
| Cash and balances with Central Banks | 1,868,853 | - | - | - | 1,868,853 |
| Financial assets at fair value through profit or loss | 265,405 | - | - | - | 265,405 |
| Financial assets at fair value through other comprehensive income | 901,155 | - | - | - | 901,155 |
| Financial assets at amortised cost | 49,884 | 97,804 | - | 170,666 | 318,354 |
| Loans and advances to banks and other financial institutions | 77,792 | 5,909 | 963 | 2,748 | 87,412 |
| Loans and advances to customers | 750,989 | 159,695 | 1,108,958 | 5,152,216 | 7,171,858 |
| Total financial assets | 3,914,078 | 263,408 | 1,109,921 | 5,325,630 | 10,613,037 |
| Financial liabilities | | | | | |
| Due to banks | 29,879 | - | - | - | 29,879 |
| Due to other customers | 5,580,109 | 1,125,791 | 2,203,799 | 516,525 | 9,426,224 |
| Financial liabilities at fair value through profit or loss | - | - | - | 2,164 | 2,164 |
| Liabilities evidenced by paper | 4 | 34,313 | 4,008 | 70,615 | 108,940 |
| Hybrid debt | - | - | 227,406 | 138,137 | 365,543 |
| Total financial liabilities | 5,609,992 | 1,160,104 | 2,435,213 | 727,441 | 9,932,750 |
| Derivatives held for risk management | | | | | |
| Outgoing cash flow | 52,622 | - | - | - | 52,622 |
| Incoming cash flow | 50,023 | 639 | 606 | - | 51,268 |
| Cash flow from derivatives, net | (2,599) | 639 | 606 | - | (1,354) |

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(i) Liquidity risk, continued

The table shows investments at fair value through other comprehensive income and fair value through profit or loss 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 following table provides a remaining maturities analysis of the financial assets and liabilities of the Bank as at 31 December 2020 based on the contractual undiscounted cash flows.

| In BGN '000 | Up to 1 Month | From 1 to 3 Months | From 3 months to 1 year | More than 1 year | Total |
|---|------------------|--------------------|-------------------------|------------------|-------------------|
| Financial assets | | | | | |
| Cash and balances with Central Banks | 2,060,496 | - | - | - | 2,060,496 |
| Financial assets at fair value through profit or loss | 263,891 | - | - | - | 263,891 |
| Financial assets at fair value through other comprehensive income | 668,385 | - | - | - | 668,385 |
| Financial assets at amortised cost | - | - | 39,150 | 166,001 | 205,151 |
| Loans and advances to banks and other financial institutions | 85,823 | 4,387 | 755 | 15,120 | 106,085 |
| Loans and advances to customers | 796,943 | 216,447 | 772,921 | 5,119,718 | 6,906,029 |
| Total financial assets | 3,875,538 | 220,834 | 812,826 | 5,300,839 | 10,210,037 |
| Financial liabilities | | | | | |
| Due to banks | 14,340 | - | - | - | 14,340 |
| Due to other customers | 4,914,965 | 1,120,233 | 2,484,188 | 588,347 | 9,107,733 |
| Liabilities evidenced by paper | 8 | 20 | 3,875 | 103,537 | 107,440 |
| Hybrid debt | - | - | 27,577 | 291,223 | 318,800 |
| Total financial liabilities | 4,929,313 | 1,120,253 | 2,515,640 | 983,107 | 9,548,313 |
| Derivatives held for risk management | | | | | |
| Outgoing cash flow | 2,587 | 308 | - | 46,923 | 49,818 |
| Incoming cash flow | 733 | 1 | - | 48,896 | 49,630 |
| Cash flow from derivatives, net | (1,854) | (307) | - | 1,973 | (188) |

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(i) Liquidity risk, continued

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 risk
Interest rate risk in the banking book (IRRBB)

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 Bank'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. In the case of floating rate assets and liabilities the Bank 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 Bank 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 Bank following a standardised shock of +100bp/-100bp as at 31 December 2021 is BGN +16 458/+33 288 thousands

The interest rate risk on the Bank's net interest income one year forward following a standardised shock of +100bp/-100bp as at 31 December 2021 is BGN -3 022/+1 925 thousands.

| Effect in BGN '000 | Net interest income | | Equity | |
|------------------------|---------------------|-----------------|-----------------|-----------------|
| | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| 2021 | | | | |
| as at 31 December | (3 022) | 1 925 | 16 458 | 33 288 |
| Average for the period | (2 918) | 2 320 | 4 482 | 37 489 |
| Maximum for the period | 270 | 4 105 | 16 458 | 50 855 |
| Minimum for the period | (5 134) | (250) | (4 218) | 24 204 |
| 2020 | | | | |
| as at 31 December | 711 | (452) | 18 847 | 11 397 |

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(ii) Market risk, continued
Interest rate risk, continued
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 the interest rate risk in the banking book (IRRBB) or by the expected credit / (jump to-) default risk. Only those instruments in the bank's book which are reported at market value are subject to credit spread risk.

Similar to the interest rate risk arising from non-trading book activities, for credit spread risk the Bank calculates the risk arising from potential changes in two aspects: how it affects net interest income and how it affects the Bank'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 Bank's economic value as at 31 December 2021 amounted to BGN (35,757) thousand, and the effect on the net interest income amounted to BGN 589 thousand.

| | Net interest income | Equity |
|------------------------|------------------------|----------|
| Effect in BGN '000 | | |
| 2021 | | |
| as at 31 December | 589 | (35,757) |
| Average for the period | 535 | (33,858) |
| Maximum for the period | 748 | (31,377) |
| Minimum for the period | 391 | (37,010) |
| 2020 | | |
| as at 31 December | 280 | (28,881) |

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(ii) Market risk, continued
Interest rate risk, continued

The following table indicates the effective interest rates at 31 December 2021 and the periods in which financial liabilities and assets reprice.

| <i>in thousands of BGN</i> | Fixed rate instruments | | | | | |
|---|-------------------------------|----------------------------------|--------------------------|-------------------------------------|------------------------------------|-------------------------|
| | Total | Floating 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 | 733,912 | 728,044 | - | - | 5,868 | - |
| Financial assets at fair value through profit or loss | 236,550 | - | 236,550 | - | - | - |
| Financial assets at fair value through other comprehensive income | 901,155 | 26,014 | 875,141 | - | - | - |
| Financial assets at amortised cost | 316,139 | - | 52,166 | 97,655 | 1,765 | 164,553 |
| Loans and advances to banks and other financial institutions | 24,727 | 13,089 | 11,638 | - | - | - |
| Loans and advances to customers | 5,560,650 | 5,154,011 | 8,831 | 19,868 | 98,702 | 279,238 |
| Total interest-bearing assets | 7,773,133 | 5,921,158 | 1,184,326 | 117,523 | 106,335 | 443,791 |
| Liabilities | | | | | | |
| Due to banks | 29,879 | 29,879 | - | - | - | - |
| Due to other customers | 9,403,584 | 4,250,411 | 1,308,002 | 1,125,734 | 2,203,384 | 516,053 |
| Liabilities evidenced by paper | 103,633 | 95,663 | - | - | - | 7,970 |
| Hybrid debt | 372,906 | - | - | - | - | 372,906 |
| Total interest-bearing liabilities | 9,910,002 | 4,375,953 | 1,308,002 | 1,125,734 | 2,203,384 | 896,929 |

The table shows investments at fair value through other comprehensive income and fair value through profit or loss 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.

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(ii) Market risk, continued
Interest rate risk, continued

The following table indicates the effective interest rates at 31 December 2020 and the periods in which financial liabilities and assets reprice.

| <i>in thousands of BGN</i> | Fixed rate instruments | | | | | |
|---|-------------------------------|----------------------------------|--------------------------|-------------------------------------|------------------------------------|-------------------------|
| | Total | Floating 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 | 518,526 | 518,526 | - | - | - | - |
| Financial assets at fair value through profit or loss | 236,499 | - | 236,499 | - | - | - |
| Financial assets at fair value through other comprehensive income | 668,385 | 24,011 | 644,374 | - | - | - |
| Financial assets at amortised cost | 199,830 | - | - | - | 39,150 | 160,680 |
| Loans and advances to banks and other financial institutions | 30,030 | 16,198 | 10,877 | - | 2,955 | - |
| Loans and advances to customers | 5,328,404 | 5,045,885 | 1,797 | 18,970 | 93,645 | 168,107 |
| Total interest-bearing assets | 6,981,674 | 5,604,620 | 893,547 | 18,970 | 135,750 | 328,787 |
| Liabilities | | | | | | |
| Due to banks | 14,340 | 14,340 | - | - | - | - |
| Due to other customers | 9,078,370 | 3,507,226 | 1,385,757 | 1,119,837 | 2,480,948 | 584,602 |
| Liabilities evidenced by paper | 104,151 | 100,899 | - | - | - | 3,252 |
| Hybrid debt | 267,579 | - | - | - | - | 267,579 |
| Total interest-bearing liabilities | 9,464,440 | 3,622,465 | 1,385,757 | 1,119,837 | 2,480,948 | 855,433 |

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(ii) Market risk, continued
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 Bank 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 its financial statements is the Bulgarian lev, the Bank's financial statements are affected by movements in the exchange rates between the Bulgarian lev and currencies other than the Euro.

The Bank'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 Bank that are not denominated in the presentation currency of the Bank. These exposures were as follows:

| <i>in thousands of BGN</i> | 2021 | 2020 |
|-----------------------------|-------------|-------------|
| Monetary assets | | |
| Euro | 4,257,869 | 4,333,726 |
| US dollar | 520,564 | 560,693 |
| Other | 154,806 | 149,862 |
| Gold | 2,765 | 2,598 |
| Monetary liabilities | | |
| Euro | 3,513,821 | 3,522,779 |
| US dollar | 521,197 | 557,448 |
| Other | 154,565 | 149,865 |
| Gold | 2,246 | 2,172 |
| Net position | | |
| Euro | 744,048 | 810,947 |
| US dollar | (633) | 3,245 |
| Other | 241 | (3) |
| Gold | 519 | 426 |

In respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Bank 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 Bank by failing to discharge an obligation. The Bank 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.

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(iii) Credit risk, continued

The table below sets out information about maximum exposure to credit risk:

| <i>In thousands of BGN</i> | Loans and advances to other customers | | Loans and advances to banks and balances with central banks | | Investment in debt securities | | Off balance sheet commitments | |
|-----------------------------|---------------------------------------|-----------|---|-----------|-------------------------------|-----------|-------------------------------|---------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Carrying amount | 6,315,581 | 6,038,889 | 1,708,813 | 1,990,640 | 1,453,794 | 1,104,714 | - | - |
| Amount committed/guaranteed | - | - | - | - | - | - | 818,028 | 762,885 |

The Bank'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 2021

| Class of exposure | Gross amount of loans and advances to customers | Allowance for impairment | <i>in thousands of BGN</i> |
|-----------------------|---|--------------------------|--|
| | | | Carrying amount of loans and advances to customers |
| Performing | | | |
| Collectively impaired | 5,465,509 | (74,890) | 5,390,619 |
| Nonperforming | | | |
| Collectively impaired | 234,814 | (74,763) | 160,051 |
| Individually impaired | 1,078,998 | (314,087) | 764,911 |
| Total | 6,779,321 | (463,740) | 6,315,581 |

31 December 2020

| Class of exposure | Gross amount of loans and advances to customers | Allowance for impairment | <i>in thousands of BGN</i> |
|-----------------------|---|--------------------------|--|
| | | | Carrying amount of loans and advances to customers |
| Performing | | | |
| Collectively impaired | 5,054,851 | (71,807) | 4,983,044 |
| Nonperforming | | | |
| Collectively impaired | 251,862 | (108,117) | 143,745 |
| Individually impaired | 1,243,055 | (330,955) | 912,100 |
| Total | 6,549,768 | (510,879) | 6,038,889 |

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(iii) Credit risk, continued

Distribution of trade receivables and impairment as adjustment for financial assets (receivables from customers) according to the requirements of IFRS9:

| | 31/12/2021 | | 31/12/2020 | |
|--|---|--------------------------|---|--------------------------|
| | 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) | 4,538,726 | (12,689) | 4,053,162 | (12,184) |
| Exposures with significant increase of credit risk after the initial recognition (phase 2) | 926,783 | (62,201) | 1,001,689 | (59,623) |
| Non-performing (impaired) exposures (phase 3) | 1,313,812 | (388,850) | 1,494,917 | (439,072) |
| Total | 6,779,321 | (463,740) | 6,549,768 | (510,879) |

Exposures classification into risk classes reflects the management's estimate regarding credit risk and the loans recoverable amounts.

As at 31 December 2021 the gross amount of overdue loans and advances to customers measured as exposures 90+ days overdue is BGN 931,502 thousand (31 December 2020: BGN 777,984 thousand).

In addition, the Bank 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.

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iii) Credit risk, continued

Total economic sector credit risk concentrations in loans and advances to customers are presented in the table below:

| <i>in thousands of BGN</i> | 2021 | 2020 |
|----------------------------|------------------|------------------|
| Trade | 718,868 | 797,401 |
| Industry | 1,296,309 | 1,277,091 |
| Services | 643,781 | 718,263 |
| Finance | 182,494 | 126,931 |
| Transport, logistics | 248,112 | 229,666 |
| Communications | 149,011 | 147,613 |
| Construction | 390,458 | 367,674 |
| Agriculture | 238,102 | 180,456 |
| Tourist services | 280,646 | 264,840 |
| Infrastructure | 443,981 | 425,495 |
| Private individuals | 2,176,590 | 2,003,581 |
| Other | 10,969 | 10,757 |
| Allowance for impairment | (463,740) | (510,879) |
| Total | 6,315,581 | 6,038,889 |

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 Bank 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 2021 with total exposures outstanding amounting to BGN 207,934 thousand (2020: BGN 198,704 thousand) - ferrous and non-ferrous metallurgy, BGN 80,060 thousand (2020: BGN 85,933 thousand) - mining industry and BGN 72,319 thousand (2020: BGN 81,708 thousand) - power engineering.

The Bank has extended loans, confirmed letters of credit and granted guarantees to 7 individual clients or groups (2020: 6) with each individual exposure exceeding 10% of the capital base of the Bank, 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 1,245,214 thousand, i.e. 82.02% of tier 1 capital (2020: BGN 801,104 thousand which represented 52.01% of tier 1 capital).

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iii) Credit risk, continued

As at 31.12.2021 no loans were extended by the Cyprus Branch, and as at 31.12.2020 their gross balance-sheet value was BGN 1,018 thousand.

The Bank'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 | |
|-----------------------------|--|---------------------------|------|
| | | 2021 | 2020 |
| Repurchase agreements | Tradable securities | 99% | 97% |
| Loans and advances to banks | None | - | - |
| Mortgage loans | Real estate | 267% | 273% |
| Consumer lending | Mortgage, warrant, financial and other collateral | 87% | 51% |
| 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 | 537% | 467% |

3. Risk management disclosures, continued
B. Non-trading activities, continued
(iii) Credit risk, continued

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 149,695 thousand (2020: 162,527 thousand BGN).

| <i>In BGN '000</i> | 2021 | 2020 |
|---------------------------------|------------------|------------------|
| Mortgage | 1,652,995 | 1,615,658 |
| Pledge of receivables | 1,996,537 | 1,815,413 |
| Pledge of commercial enterprise | 14,395 | 17,385 |
| Securities | 31,060 | 51,888 |
| Bank guarantees | 3,750 | - |
| Other guaranties | 2,624,371 | 2,583,556 |
| Pledge of machines | 41,839 | 38,677 |
| Money deposit | 79,096 | 30,804 |
| Unsecured | 185,583 | 233,860 |
| Total | 6,629,626 | 6,387,241 |

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.

| <i>In BGN '000</i> | 2021 | 2020 |
|----------------------------------|------------------|----------------|
| Loan to value (LTV) ratio | | |
| Less than 50% | 202,678 | 172,855 |
| 51% to 70% | 308,260 | 250,723 |
| 71% to 90% | 425,094 | 398,105 |
| 91% to 100% | 20,202 | 21,766 |
| More than 100% | 77,630 | 74,668 |
| Total | 1,033,864 | 918,117 |

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iii) Credit risk, continued

Loans to corporate customers

The loans to corporate customers constituting individually significant exposures 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 Bank requests corporate borrowers to provide it. The Bank takes collateral in the form of a first charge over real estate, floating charges over all corporate assets, and other liens and guarantees.

The Bank 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 Bank requires provision of additional collateral within a certain timeframe.

As at 31 December 2021 the net carrying amount of individually impaired loans to corporate customers amounts to BGN 825,285 thousand (2020: BGN 959,853 thousand) and the value of collateral held against those loans amounts to BGN 790,560 thousand (2020: BGN 909,784 thousand).

The Bank constantly monitors the risk of default on already given loans and if there is available data for potential or actual problems, the Bank prepares an action plan and takes measures for managing the possible unwanted results, including restructuring of the 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 market interest rates, repayment schedule, upon a client request, and others.

Loans renegotiated through the year

in thousands of BGN

| Type of renegotiation | 2021 | | 2020 | |
|---------------------------------|---|--------------------------|---|--------------------------|
| | 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 | 232,459 | 8,543 | 372,355 | 10,218 |
| Change of maturity | 119,847 | 6,133 | 116,737 | 5,452 |
| Change in repayment instalments | - | - | 5 | - |
| Change of interest rate | 6,896 | - | 5,235 | - |
| Change due to customers request | 47,386 | 171 | 32,747 | 25 |
| Other reasons | 58,330 | 2,239 | 217,631 | 4,741 |
| Loans to companies | 1,856,010 | 75,570 | 2,615,119 | 216,949 |
| Change of maturity | 229,270 | 2,013 | 150,620 | 1,617 |
| Change in repayment instalments | 45,160 | 240 | 323,823 | 1,330 |
| Change of interest rate | 21,809 | - | 13,831 | 5 |
| Change due to customers request | 885,746 | 37,708 | 582,102 | 24,277 |
| Other reasons | 674,025 | 35,609 | 1,544,743 | 189,720 |
| Total: | 2,088,469 | 84,113 | 2,987,474 | 227,167 |

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iii) *Credit risk, continued*

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: Corporate Banking, SME financing, Retail Banking, and Loan Administration, while the problem assets management is performed by the Impaired Assets Department.

(iv) *Government debt exposures*

The Bank carefully manages the credit risk associated with government debt.

The table below shows the carrying amount of the government debt portfolio by country issuer. The assets are presented without any allowance for impairment. The Bank does not recognise allowance for impairment against the government debt exposures which are measured at amortised cost as at 31 December 2021 and 31 December 2020 as well as those at fair value through other comprehensive income.

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(iv) Government debt exposures, continued
in thousands of BGN
31 December 2021

| Portfolio | Bulgaria | Lithuania | Latvia | Slovakia | USA | Romania | Italy | Spain | Portugal | Hungary | Croatia | Israel | European Union | Ireland | Saudi Arabia |
|---|----------------|---------------|-----------|--------------|----------------|---------------|--------------|---------------|---------------|---------------|--------------|---------------|----------------|---------------|---------------|
| Financial assets at fair value through profit or loss | 15 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Financial assets at fair value through other comprehensive income | 414,481 | 44,010 | 64 | 2,158 | 155,011 | 80,442 | 1,807 | 20,974 | 19,891 | 15,340 | 7,651 | 3,916 | 561 | 19,101 | 10,037 |
| Financial assets at amortised cost | 164,553 | - | - | - | - | - | - | - | - | - | - | 52,166 | - | - | - |
| Total | 579,049 | 44,010 | 64 | 2,158 | 155,011 | 80,442 | 1,807 | 20,974 | 19,891 | 15,340 | 7,651 | 56,082 | 561 | 19,101 | 10,037 |

In BGN '000
31 December 2020

| Portfolio | Bulgaria | Lithuania | Latvia | Slovakia | USA | Romania | Italy | Spain | Portugal | Hungary | Croatia | Israel | European Union |
|---|----------------|---------------|-----------|--------------|----------------|---------------|---------------|---------------|---------------|---------------|--------------|---------------|----------------|
| Financial assets at fair value through profit or loss | 15 | - | - | - | - | - | - | - | - | - | - | - | - |
| Financial assets at fair value through other comprehensive income | 323,285 | 45,950 | 67 | 2,216 | 143,432 | 53,028 | 10,478 | 21,535 | 20,433 | 15,520 | 7,835 | - | 596 |
| Financial assets at amortised cost | 116,191 | - | - | - | - | - | - | 39,150 | - | - | - | 44,488 | - |
| Total | 439,491 | 45,950 | 67 | 2,216 | 143,432 | 53,028 | 10,478 | 60,685 | 20,433 | 15,520 | 7,835 | 44,488 | 596 |

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(iv) Government debt exposures, continued

Maturity table of government debt securities by country issuer as at 31 December 2021

in thousands of BGN

| Country issuer | Up to 1 Month | From 1 to 3 Months | From 3 months to 1 year | From 1 to 5 years | Over 5 years | Total |
|-----------------------|--------------------------|-----------------------------------|--|------------------------------|-------------------------|------------------|
| Bulgaria | - | 55,548 | 20,752 | 260,122 | 242,627 | 579,049 |
| Lithuania | - | - | - | 44,010 | - | 44,010 |
| Latvia | - | - | - | 64 | - | 64 |
| Slovakia | - | - | - | - | 2,158 | 2,158 |
| USA | 34,537 | 86,336 | - | 34,080 | 58 | 155,011 |
| Romania | - | - | 23,546 | 45,416 | 11,480 | 80,442 |
| Italy | - | - | - | - | 1,807 | 1,807 |
| Spain | - | - | - | 20,974 | - | 20,974 |
| Portugal | - | - | - | - | 19,891 | 19,891 |
| Hungary | - | - | - | - | 15,340 | 15,340 |
| Croatia | - | - | - | 7,651 | - | 7,651 |
| Israel | 52,166 | - | 3,916 | - | - | 56,082 |
| European Union | - | - | - | - | 561 | 561 |
| Ireland | - | - | - | - | 19,101 | 19,101 |
| Saudi Arabia | - | - | - | - | 10,037 | 10,037 |
| Total | 86,703 | 141,884 | 48,214 | 412,317 | 323,060 | 1,012,178 |

Maturity table of government debt securities by country issuer as at 31 December 2020

In BGN '000

| Country issuer | Up to 1 Month | From 1 to 3 Months | From 3 months to 1 year | From 1 to 5 years | Over 5 years | Total |
|-----------------------|--------------------------|-----------------------------------|--|------------------------------|-------------------------|----------------|
| Bulgaria | - | 8,383 | - | 228,100 | 203,008 | 439,491 |
| Lithuania | - | - | - | - | 45,950 | 45,950 |
| Latvia | - | - | - | 67 | - | 67 |
| Slovakia | - | - | - | - | 2,216 | 2,216 |
| USA | 39,846 | 103,586 | - | - | - | 143,432 |
| Romania | - | - | - | - | 53,028 | 53,028 |
| Italy | - | - | - | - | 10,478 | 10,478 |
| Spain | - | - | 39,150 | - | 21,535 | 60,685 |
| Portugal | - | - | - | - | 20,433 | 20,433 |
| Hungary | - | - | - | - | 15,520 | 15,520 |
| Croatia | - | - | - | 7,835 | - | 7,835 |
| Israel | - | - | - | 44,488 | - | 44,488 |
| European Union | - | - | - | - | 596 | 596 |
| Total | 39,846 | 111,969 | 39,150 | 280,490 | 372,764 | 844,219 |

Notes to the financial statements

3. Risk management disclosures, continued

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 Bank 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.

In 2020, as disclosed in Note 31, the Bank completed successfully its capital increase by issue of new shares which led to an increase of share capital by BGN 39,085 thousand and of premium reserve by BGN 153,017 thousand, net of issue costs.

Additional Tier 1 capital

The instruments of Additional Tier 1 capital include hybrid debt (see note 29).

Tier 2 Capital

As at 31 December 2021 the Bank has no instruments classified as Tier 2 Capital.

Notes to the financial statements
3. Risk management disclosures, continued
C. Capital adequacy, continued
Total own funds
2021
2020
In thousands of BGN
Common Equity Tier 1 capital

| | | |
|---|---------|---------|
| Paid up capital instruments | 149,085 | 149,085 |
| (-) Indirect shareholding in Common Equity Tier 1 capital instruments | (30) | (40) |
| Premium reserves | 250,017 | 250,017 |
| Other reserves | 758,634 | 719,753 |
| Accumulated other comprehensive income | 11,045 | 20,013 |

Adjustments of Common Equity Tier 1 capital

| | | |
|--|----------|----------|
| (-) Intangible assets | (13,831) | (14,678) |
| Transitional adjustments of Common Equity Tier 1 capital | 130,113 | 177,342 |
| (-) Other deductions | (21,024) | (15,547) |

Common Equity Tier 1 capital
1,264,009
1,285,945
Additional Tier 1 capital instruments

| | | |
|-------------|---------|---------|
| Hybrid debt | 254,258 | 254,258 |
|-------------|---------|---------|

Tier 1 Capital
1,518,267
1,540,203
Tier 2 Capital

-

-

Total own funds
1,518,267
1,540,203

Notes to the financial statements

3. Risk management disclosures, continued

C. Capital adequacy, continued

The Bank 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 risk weighted assets for credit, market and operational risk.

The Bank calculates the requirements for credit risk for its exposures in banking and trading portfolios based on a 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 Bank calculates also capital requirements for market risk for foreign currency and commodity instruments in trading book and banking book.

The Bank calculates capital requirements for operational risk by application of the standardized approach. In this approach the Bank 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 Bank 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 Bank has complied with the regulatory capital requirements throughout the period.

Capital adequacy level is as follows:

Notes to the financial statements
3. Risk management disclosures, continued
C. Capital adequacy, continued

| In BGN '000 | Balance sheet/notional amount | | Risk exposures | |
|--|-------------------------------|-------------------|-------------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Risk weighted exposures for credit risk | | | | |
| Balance sheet assets | | | | |
| Exposure class | | | | |
| Central governments or central banks | 2,469,808 | 2,465,244 | 13,224 | 8,897 |
| Multilateral development banks | 83 | 57 | - | - |
| International organizations | 344 | - | - | - |
| Institutions | 374,520 | 394,044 | 164,487 | 109,092 |
| Corporates | 2,542,742 | 2,259,989 | 2,148,344 | 2,172,735 |
| Retail | 1,439,002 | 1,306,865 | 939,040 | 860,414 |
| Secured by mortgages on immovable property | 1,726,307 | 1,652,584 | 650,092 | 646,180 |
| Exposures in default | 924,620 | 1,055,844 | 987,927 | 1,109,944 |
| Collective investments undertakings | 2,705 | 2,694 | 2,705 | 2,694 |
| Equity | 71,993 | 69,529 | 91,588 | 87,621 |
| Other items | 1,736,660 | 1,631,171 | 1,490,409 | 1,456,024 |
| Total | 11,288,784 | 10,838,021 | 6,487,816 | 6,453,601 |
| Off balance sheet items | | | | |
| Exposure class | | | | |
| Institutions | - | - | 41 | 343 |
| Corporates | 340,015 | 284,262 | 42,406 | 49,526 |
| Retail | 447,503 | 443,856 | 4,320 | 4,947 |
| Secured by mortgages on immovable property | 29,167 | 33,929 | 6,060 | 7,317 |
| Other items | - | - | 11 | 9 |
| Total | 816,685 | 762,047 | 52,838 | 62,142 |
| Derivatives | | | | |
| Exposure class | | | | |
| Central governments or central banks | - | - | - | - |
| Institutions | 44 | 4,722 | 22 | 2,333 |
| Corporates | 3,821 | 156 | 3,821 | 156 |
| Other items | 2,246 | 746 | 2,246 | 746 |
| Total | 6,111 | 5,624 | 6,089 | 3,235 |
| Total risk-weighted exposures for credit risk | | | 6,546,743 | 6,518,978 |
| Total amount of exposures to market risk | | | 4,713 | 5,525 |
| Amount of exposures for deferred risk | | | 523,913 | 547,363 |
| Total amount of risk exposures | | | 7,075,369 | 7,071,866 |
| Capital adequacy ratios | Equity | | Capital ratios % | |
| | 2021 | 2020 | 2021 | 2020 |
| Common Equity Tier 1 capital | 1,264,009 | 1,285,945 | 17.86% | 18.18% |
| Tier 1 Capital | 1,518,267 | 1,540,203 | 21.46% | 21.78% |
| Total own funds | 1,518,267 | 1,540,203 | 21.46% | 21.78% |

Notes to the financial statements

3. Risk management disclosures, continued

D. Other risks - Covid-19

(i) *General information on Covid-19 and impact on the economy*

With relation to the pandemic of Covid-19 (coronavirus) which reached a global scale at the end of February and the beginning of March 2020 and then continued in various stages of different intensity throughout 2020 leading to a significant plunge in financial activity worldwide, the Bank analysed, based on the currently available data, the potential impact on its financial position and in particular on the models used in accordance with IFRS 9.

This disclosure is in compliance with the requirements of IFRS 7 and IFRS 9, as well as with the recommendations issued by the European Securities and Markets Authority (ESMA).

It should be noted that as at the date of preparation of these individual financial statements the economic activity is not yet fully recovered and there is no sufficiently stable statistical information available - neither on the real impact on the Bulgarian and the global economy, nor on significant forecasts for their recovery in the following months.

(ii) *Development of the Covid-19 pandemic (coronavirus)*

On 13 March 2020 the National Assembly of the Republic of Bulgaria issued a resolution introducing a state of emergency which lasted until 13 May 2020. Similar measures were introduced by all EU member states, and by Bulgaria's main trade partners (outside the EU). Subsequently, after the state of emergency was ended, the government of the Republic of Bulgaria introduced a state of epidemics which has lasted until the end of the financial year and continues to the date of issue of these individual financial statements.

As a result of the measures imposed by governments worldwide, a significant part of the economic activity in various countries was stayed, and in addition, much of the international trade was impeded.

Despite the fact that lockdown measures were eased and then re-introduced, the international financial institutions and the international credit agencies are foreseeing significant economic impact in the shorter term, with expectation that the overall growth levels of the economy would recover in 2021-2022.

The Bank's management has analysed the expected impact both on economic growth, and on the credit quality of countries to which it has exposures, and the analysis is shown below.

Impact on economic growth

The table below shows information on the expected economic growth in the Republic of Bulgaria, as per data published by the International Monetary Fund, including forecasts made after the start of the Covid-19 pandemic.

| | Historical data (%) | | Forecast data (%) | | | |
|---------------------|---------------------|-------|-------------------|------|------|------|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Economic GDP growth | 3.4% | -4.2% | 4.5% | 4.4% | 4.0% | 3.6% |

The table below shows information on the expected economic growth in the Eurozone countries (which are Bulgaria's main external market), as per data published by the International Monetary Fund, including forecasts made after the start of the Covid-19 pandemic.

Notes to the financial statements

3. Risk management disclosures, continued

D. Other risks - Covid-19, continued

(ii) *Development of the Covid-19 pandemic (coronavirus), continued*

| | Historical data (%) | | Forecast data (%) | | | |
|---------------------|---------------------|--------|-------------------|-------|-------|-------|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Economic GDP growth | 1.50% | -6.30% | 5.00% | 4.30% | 2.00% | 1.60% |

As seen from the figures above, the Management takes into account the possible short-term risks for the overall development of the economy of the Republic of Bulgaria and its major trade partners, noting that in some markets the expected drop in GDP would be significant; however, the Management also takes into account the general expectations for recovery in the 2021-2022 period, with expectations for return to the average forecasted growth pre-Covid-19 growth levels, as a result of the measures taken by the governments for vaccination and for stimulating economic activities.

Impact on credit ratings

As a result of the expected economic consequences of the slower overall activities, some rating agencies downgraded the outlook on long-term debt positions, both with regard to sovereign debt, and with regard to corporate debt positions. The table below shows information on the change in credit ratings (including Outlook) awarded to the Republic of Bulgaria by Fitch Ratings.

| | As at 21.01.2022 | |
|----------------------|-------------------------|----------------|
| | <u>Rating</u> | <u>Outlook</u> |
| Republic of Bulgaria | BBB | Positive |

At present, despite the overall downgrading of outlooks and the limited number of credit rating downgrading of a number of countries, the Management is of the opinion that it is not possible to make a sufficiently sustainable and reliable assessment of the impact which the Covid-19 situation may have before a longer period of time has elapsed, during which symptoms of overall credit quality impairment may occur – both for investments, and for the general environment in which the Bank operates.

(iii) *Analysis of the impact on the IFRS 9 model*

The Bank's management has analysed the expected impact on the overall IFRS 9 model; detailed results from the analysis are presented below. It should be noted that the analysis was focused on:

- Assessment of impairment of the credit quality of counterparties
- Assessment of the potential impact on expected credit loss from exposures to counterparties

The overall conclusion of the Bank's Management is that as at the time of issue of these statements, in the shorter term a significant impairment of counterparties' credit quality is not expected due to:

Notes to the financial statements

3. Risk management disclosures, continued

D. Other risks - Covid-19, continued

(iii) *Analysis of the impact on the IFRS 9 model, continued*

- The measures taken by the government of the Republic of Bulgaria, the governments of other countries, including with respect to the existing private moratoria, which currently do not lead to additional indications of significantly impaired credit quality of counterparties. The Management continues to monitor strictly for the occurrence of long-term impairment indications, and the general temporary potential liquidity problems of counterparties caused directly by Covid-19 (coronavirus) are not considered as indications for impaired credit quality.
- At present, despite the overall downgrading of outlooks and the limited number of credit rating downgrading of a number of countries, the Management is of the opinion that it is not possible to make a sufficiently sustainable and reliable assessment of the impact which the Covid-19 situation may have before a longer period of time has elapsed, during which symptoms of overall credit quality impairment may occur – both for investments, and for the general environment in which the Bank operates.

As regards the model for calculating expected credit loss, the Management considers that it is not possible to make a significant change of the overall model because of the lack of stable data. Nevertheless, the Management takes into account the possible short-term risks for the overall development of Bulgaria's economy, and the fact that the expected drop in GDP might significantly affect some industries, but also takes into account the general expectations for speedy recovery in the 2021-2022 period and return to the average forecasted pre- Covid-19 growth levels.

(iv) *Moratorium on loans*

In April 2020 the Bulgarian National Bank approved the "Procedure for Deferral and Settlement of Liabilities Payable to Banks and their Subsidiaries – Financial Institutions in relation to the state of emergency enforced by the National Assembly on 13 March 2020 as a result of the COVID-19 pandemic" prepared by the Association of Banks in Bulgaria (ABB); later, in July and in December 2020, BNB approved the extension of the validity of this documents and amendments to it. The document is a private (non-legislative) moratorium within the meaning of the Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02) adopted by the European Banking Authority (EBA); pursuant to it the deferral of such exposures does not automatically lead to their reclassification due to restructuring or default.

Some of the Bank's borrowers also used this moratorium, and the total amount of renegotiated exposures was BGN 1,264,685 thousand, gross of impairment (BGN 1,235,915 thousand net of impairment), and as at 31 December 2020 the total amount of renegotiated exposures covered by the moratorium on loan payments was BGN 337,220 thousand, gross of impairment (BGN 335,775 thousand net of impairment).

As at 31.12.2021 no exposures were covered by the moratorium.

The table below shows information on exposures renegotiated within the moratorium which at 31 December 2020 benefitted from it based on borrower type:

Notes to the financial statements
3. Risk management disclosures, continued
D. Other risks - Covid-19, continued
(iv) Moratorium on loans, continued

| <i>In BGN '000</i> | Total value of the loan portfolio | | | Renegotiated within the moratorium | | |
|---|--|---------------------------------|-----------------------|---|---------------------------------|-----------------------|
| | Gross value | Allowance for impairment | Amortised cost | Gross value | Allowance for impairment | Amortised cost |
| Large enterprise | 2,618,826 | (214,852) | 2,403,974 | 217,791 | (202) | 217,589 |
| Medium enterprise | 1,039,260 | (138,471) | 900,789 | 37,082 | (288) | 36,794 |
| Small business | 505,348 | (42,115) | 463,233 | 19,257 | (102) | 19,155 |
| Micro enterprise | 349,338 | (11,170) | 338,168 | 21,932 | (227) | 21,705 |
| Households | | | | | | |
| - Consumer loans | 951,254 | (65,547) | 885,707 | 14,802 | (158) | 14,644 |
| - Mortgage loans | 918,117 | (15,681) | 902,436 | 23,462 | - | 23,462 |
| - Credit cards | 162,527 | (23,043) | 139,484 | 2,894 | (468) | 2,426 |
| - Other programmes and collateralised financing | 5,098 | - | 5,098 | - | - | - |
| Total | 6,549,768 | (510,879) | 6,038,889 | 337,220 | (1,445) | 335,775 |

The table below shows information on exposures renegotiated within the moratorium which at 31 December 2021 were still benefitting from it based on the IFRS 9 phase in which the exposure is classified:

| | Total value of the loan portfolio | | | Renegotiated within the moratorium | | |
|--|--|---------------------------------|-----------------------|---|---------------------------------|-----------------------|
| | Gross value | Allowance for impairment | Amortised cost | Gross value | Allowance for impairment | Amortised cost |
| Exposures without increase of credit risk after the initial recognition (phase 1) | 4,053,162 | (12,184) | 4,040,978 | 300,858 | (451) | 300,407 |
| Exposures with significant increase of credit risk after the initial recognition (phase 2) | 1,001,689 | (59,623) | 942,066 | 34,820 | (570) | 34,250 |
| Total | 5,054,851 | (71,807) | 4,983,044 | 335,678 | (1,021) | 334,657 |

Notes to the financial statements

4. Segment Reporting

Segment information is presented in respect of the Bank'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 Bank operates principally in Bulgaria, but also has operations in Cyprus.

In presenting information on the basis of geographical segments, revenue and operating income is allocated after interbranch eliminations based on the location of the Bank branch that generated the revenue. Segment assets and liabilities are allocated after interbranch eliminations based on their geographical location.

| <i>In BGN '000</i> | Bulgarian operations | | Foreign operations | | Total | |
|--------------------------------------|----------------------|-------------------|--------------------|-------------------|-------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Interest income | 308,538 | 292,081 | 18 | 79 | 308,556 | 292,160 |
| Interest expense | (42,114) | (59,500) | (3,298) | (11) | (45,412) | (59,511) |
| Net interest income | 266,424 | 232,581 | (3,280) | 68 | 263,144 | 232,649 |
| Fee and commission income | 134,350 | 111,824 | 8,665 | 4,426 | 143,015 | 116,250 |
| Fee and commission expense | (23,978) | (20,373) | (172) | (28) | (24,150) | (20,401) |
| Net fee and commission income | 110,372 | 91,451 | 8,493 | 4,398 | 118,865 | 95,849 |
| Net trading income | 13,466 | 10,526 | 1,914 | 1,465 | 15,380 | 11,991 |
| Administrative expenses | (176,452) | (179,184) | (2,989) | (2,658) | (179,441) | (181,842) |
| | 31.12.2021 | 31.12.2020 | 31.12.2021 | 31.12.2020 | 31.12.2021 | 31.12.2020 |
| Assets | 10,809,481 | 10,805,491 | 459,389 | 27,338 | 11,268,870 | 10,832,829 |
| Liabilities | 9,432,473 | 9,288,211 | 567,533 | 366,869 | 10,000,006 | 9,655,080 |

Notes to the financial statements

4. Segment Reporting, continued

The table below shows assets and liabilities and income and expense by business segments as at 31 December 2021.

*in thousands of
BGN*

| Business | Assets | Liabilities | Net interest income | Net fee and commission income | Net trading income | Other net operating income |
|------------------------------|-------------------|--------------------|----------------------------|--------------------------------------|---------------------------|-----------------------------------|
| Corporate Banking | 3,220,981 | 1,295,897 | 99,688 | 31,971 | - | 206 |
| Small and medium enterprises | 865,240 | 502,868 | 31,485 | 20,401 | - | 135 |
| Retail Banking | 2,229,360 | 7,631,288 | 150,146 | 66,032 | - | 3,071 |
| Treasury | 3,440,006 | 106,063 | (4,723) | 870 | 15,380 | 1,085 |
| Other | 1,513,283 | 463,890 | (13,452) | (409) | - | 6,871 |
| Total | 11,268,870 | 10,000,006 | 263,144 | 118,865 | 15,380 | 11,368 |

5. Financial assets and liabilities

Accounting classification and fair values

The Bank's accounting policy on fair value measurements is set out in Note 2(d)(vi).

The Bank 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 data 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.

Notes to the financial statements

5. Financial assets and liabilities, continued Accounting classification and fair values, continued

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 Bank 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 Bank 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 Bank 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 Bank 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 Bank has an established control framework with respect to the measurement of fair values. This framework includes a 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;
- proposal of new models and changes to existing models is made by the Risk Analysis and Control Division and approved by the Management Board;
- calibration of models against observed market transactions;
- analysis and investigation of significant daily valuation movements;

Notes to the financial statements

5. Financial assets and liabilities, continued Accounting classification and fair values, continued

- 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 Management 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 thousands of BGN

| 31 December 2021 | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|------------------|
| Financial assets at fair value through profit or loss | 4,507 | 260,884 | 14 | 265,405 |
| Financial assets at fair value through other comprehensive income | 855,570 | 45,585 | - | 901,155 |
| Derivatives held for risk management, net | 1,042 | - | - | 1,042 |
| Total | 861,119 | 306,469 | 14 | 1,167,602 |
| Financial liabilities at fair value through profit or loss | - | 2,164 | - | 2,164 |

In BGN '000

| 31 December 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|----------------|
| Financial assets at fair value through profit or loss | 4,320 | 259,557 | 14 | 263,891 |
| Financial assets at fair value through other comprehensive income | 644,374 | 24,011 | - | 668,385 |
| Derivatives held for risk management, net | 724 | 3,976 | - | 4,700 |
| Total | 649,418 | 287,544 | 14 | 936,976 |

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

Notes to the financial statements
5. Financial assets and liabilities, continued
Accounting classification and fair values, continued
In BGN '000

| 31 December 2021 | Level 1 | Level 2 | Level 3 | Total fair values | Total balance sheet value |
|--|----------------|------------------|------------------|--------------------------|----------------------------------|
| Assets | | | | | |
| Cash and balances with Central Banks | - | 1,868,853 | - | 1,868,853 | 1,868,853 |
| Financial assets at amortised cost | 318,404 | - | - | 318,404 | 316,139 |
| Loans and advances to banks and other financial institutions | - | 87,412 | - | 87,412 | 87,412 |
| Loans and advances to | - | 924,962 | 5,499,390 | 6,424,352 | 6,315,581 |
| Total | 318,404 | 2,881,227 | 5,499,390 | 8,699,021 | 8,587,985 |
| Liabilities | | | | | |
| Due to banks | - | 29,879 | - | 29,879 | 29,879 |
| Due to other customers | - | 5,580,080 | 3,845,582 | 9,425,662 | 9,425,251 |
| Liabilities evidenced by paper | - | 106,253 | - | 106,253 | 106,271 |
| Hybrid debt | - | 320,733 | - | 320,733 | 320,733 |
| Total | - | 6,036,945 | 3,845,582 | 9,882,527 | 9,882,134 |

In BGN '000

| 31 December 2020 | Level 1 | Level 2 | Level 3 | Total fair values | Total balance sheet value |
|--|----------------|------------------|------------------|--------------------------|----------------------------------|
| Assets | | | | | |
| Cash and balances with Central Banks | - | 2,060,496 | - | 2,060,496 | 2,060,496 |
| Financial assets at amortised cost | 207,740 | - | - | 207,740 | 199,830 |
| Loans and advances to banks and other financial institutions | - | 106,085 | - | 106,085 | 106,085 |
| Loans and advances to | - | 1,055,845 | 5,105,857 | 6,161,702 | 6,038,889 |
| Total | 207,740 | 3,222,426 | 5,105,857 | 8,536,023 | 8,405,300 |
| Liabilities | | | | | |
| Due to banks | - | 14,340 | - | 14,340 | 14,340 |
| Due to other customers | - | 4,914,768 | 4,191,036 | 9,105,804 | 9,100,155 |
| Liabilities evidenced by paper | - | 104,165 | - | 104,165 | 104,151 |
| Hybrid debt | - | 267,579 | - | 267,579 | 267,579 |
| Total | - | 5,300,852 | 4,191,036 | 9,491,888 | 9,486,225 |

Notes to the financial statements
5. Financial assets and liabilities, continued
Accounting classification and fair values, continued

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

| <i>in thousands of BGN</i> | 2021 | 2020 |
|--|-----------------|-----------------|
| Interest income | | |
| Accounts with and placements to banks and financial institutions | 311 | 511 |
| Revenue from interest on liabilities | 50 | - |
| Large enterprise | 89,510 | 86,700 |
| Medium enterprise | 32,515 | 30,872 |
| Small business | 17,968 | 18,897 |
| Micro enterprise | 22,832 | 15,015 |
| Households | 127,522 | 123,142 |
| Debt instruments | 17,848 | 17,023 |
| | 308,556 | 292,160 |
| Interest expense | | |
| Deposits from banks | (2) | (9) |
| Deposits from other customers | (9,131) | (26,352) |
| Liabilities evidenced by paper | (738) | (786) |
| Hybrid debt | (27,634) | (27,541) |
| Interest on assets cost | (7,897) | (4,798) |
| Lease agreements and other | (10) | (25) |
| | (45,412) | (59,511) |
| Net interest income | 263,144 | 232,649 |

For 2021 the recognized interest income from individually impaired financial assets (loans to customers) amounted to BGN 40,830 thousand (2020: BGN 29,640 thousand).

Notes to the financial statements
7. Net fee and commission income
in thousands of BGN

| | 2021 | 2020 |
|--------------------------------------|-----------------|-----------------|
| Fee and commission income | | |
| Letters of credit and guarantees | 3,387 | 2,381 |
| Payment operations | 23,890 | 18,936 |
| Customer accounts | 36,840 | 32,744 |
| Card services | 36,405 | 31,339 |
| Other | 42,493 | 30,850 |
| | 143,015 | 116,250 |
| Fee and commission expense | | |
| Letters of credit and guarantees | (593) | (462) |
| Payment systems | (2,895) | (2,315) |
| Card services | (16,433) | (14,090) |
| Other | (4,229) | (3,534) |
| | (24,150) | (20,401) |
| Net fee and commission income | 118,865 | 95,849 |

8. Net trading income
in thousands of BGN

| | 2021 | 2020 |
|--------------------------------------|---------------|---------------|
| Net trading income arises from: | | |
| - Debt instruments | 32 | (51) |
| - Equities | 200 | (120) |
| - Foreign exchange rate fluctuations | 15,148 | 12,162 |
| Net trading income | 15,380 | 11,991 |

9. Other net operating income
In BGN '000

| | 2021 | 2020 |
|--|---------------|---------------|
| Other net operating income arising from: | | |
| - net income/(expense) from transactions and revaluation of gold and precious metals | 1,169 | 574 |
| Rental income | 5,702 | 5,740 |
| - Debt instruments | 1,058 | 1,583 |
| - Equities | 27 | 2,188 |
| - income from management of assigned receivables | 3,075 | 162 |
| - Gain on administration of loans acquired through business combination | 337 | 97 |
| Other net operating income | 11,368 | 10,344 |

Notes to the financial statements
10. Administrative expenses

| <i>in thousands of BGN</i> | 2021 | 2020 |
|---|----------------|----------------|
| General and administrative expenses comprise: | | |
| - Personnel cost | 65,440 | 61,877 |
| Amortization of equipment and tangible fixed assets | 11,379 | 12,435 |
| Rights of use assets | 33,915 | 33,838 |
| - Advertising | 8,176 | 9,307 |
| -Telecommunication, software and another computer maintenance | 12,265 | 11,931 |
| - Other expenses for external services | 48,266 | 52,454 |
| Administrative expenses | 179,441 | 181,842 |

Personnel costs include salaries, social and health security contributions under the provisions of the local legislation. At 31 December 2021 the total number of employees was 2,466 (31 December 2020: 2,524).

The amounts accrued in 2021 for services provided by the registered auditors for independent financial audit amounted to BGN 569 thousand. The amounts accrued in 2020 for services provided by the registered auditors for independent financial audit amounted to BGN 331 thousand. There are no amounts accrued in 2021 for other services unrelated to audit and provided by the registered auditors. (For 2021: BGN 153 thousand)

11. Allowance for impairment

| <i>in thousands of BGN</i> | 2021 | 2020 |
|---------------------------------|------------------|-----------------|
| Write-downs | | |
| Loans and advances to customers | (152,369) | (133,522) |
| Off balance sheet commitments | (769) | (490) |
| Reversal of write-downs | | |
| Loans and advances to customers | 30,381 | 39,998 |
| Off balance sheet commitments | 263 | 354 |
| Impairment cost, net | (122,494) | (93,660) |

The expense for impairment in 2021 and 2020 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 Bank in recognising the risk of loss for certain individually impaired exposures.

12. Other income/(expenses), net

| <i>in thousands of BGN</i> | 2021 | 2020 |
|--|--------------|-----------------|
| (Loss)/profit from the sale and write-off of assets acquired as collateral | (6,041) | 1,547 |
| Revaluation of investment property | 30,340 | 2,312 |
| Income/(expense) from sale of investment property | 16 | (368) |
| Dividend income | 401 | 374 |
| Cost of guarantee schemes | (22,202) | (34,608) |
| Income/(expense) for provisions for pending court cases | 508 | (69) |
| Other income, net | 1,732 | (938) |
| Total | 4,754 | (31,750) |

Notes to the financial statements

13. Income tax expense

| | | |
|------------------------------|-----------------|----------------|
| <i>In BGN '000</i> | 2021 | 2020 |
| Current taxes | (6,171) | 98 |
| Deferred taxes (See Note 20) | (5,322) | (4,798) |
| Income tax expense | (11,493) | (4,700) |

Reconciliation between tax expense and the accounting profit is as follows:

| | | |
|--|----------------|---------------|
| <i>in thousands of BGN</i> | 2021 | 2020 |
| Accounting profit before taxation | 111,576 | 43,581 |
| Corporate tax at applicable tax rate (10% for 2021 and 10% for 2020) | 11,158 | 4,358 |
| Effect of tax rates of foreign subsidiaries and branches | 110 | 313 |
| Tax effect of permanent tax differences | 177 | 29 |
| Other differences | 48 | - |
| Income tax expense | 11,493 | 4,700 |
| Effective tax rate | 10.30% | 10.78% |

14. Cash and balances with Central Banks

| | | |
|---|------------------|------------------|
| <i>in thousands of BGN</i> | 2021 | 2020 |
| Cash on hand | | |
| - in BGN | 189,399 | 135,249 |
| - in foreign currency | 58,053 | 40,692 |
| Balances with Central Banks | 1,455,801 | 1,620,906 |
| Current accounts and amounts with foreign banks | 165,600 | 263,649 |
| Total | 1,868,853 | 2,060,496 |

15. Investments in securities

| | | |
|--|------------------|------------------|
| <i>In thousands of BGN</i> | 2021 | 2020 |
| Bonds and notes issued by: | | |
| Bulgarian Government | | |
| - denominated in BGN | 367,761 | 258,766 |
| - denominated in foreign currencies | 211,288 | 180,725 |
| Foreign governments | 433,129 | 404,728 |
| Corporates | 317,559 | 236,484 |
| Foreign banks | 124,057 | 24,011 |
| Other issuers – equity instruments | 28,905 | 27,392 |
| Total | 1,482,699 | 1,132,106 |
| Of which financial assets: | | |
| at fair value through other comprehensive income | 901,155 | 668,385 |
| at amortised cost | 316,139 | 199,830 |
| at fair value through profit and loss | 265,405 | 263,891 |
| Total | 1,482,699 | 1,132,106 |

A portion of the reported bonds of the Bulgarian and of foreign governments amounting to BGN 83,314 thousand (BGN 86,103 thousand in 2020) are subject to a Total Return Swap Agreement.

At the end of 2021, as at the end of 2020, no securities were subject to repurchase agreements.

Notes to the financial statements
16. Loans and advances to banks and other financial institutions
(a) Analysis by type

| <i>in thousands of BGN</i> | 2021 | 2020 |
|----------------------------|---------------|----------------|
| Placements with banks | 38,727 | 34,094 |
| Other | 48,685 | 71,991 |
| Total | 87,412 | 106,085 |

(b) Geographical analysis

| <i>in thousands of BGN</i> | 2021 | 2020 |
|--|---------------|----------------|
| Domestic banks and financial institutions | 22,164 | 39,570 |
| Foreign banks and other financial institutions | 65,248 | 66,515 |
| Total | 87,412 | 106,085 |

17. Loans and advances to customers

| <i>in thousands of BGN</i> | 31/12/2021 | | |
|---|--------------------|---------------------------------|-----------------------|
| | Gross value | Allowance for impairment | Amortised cost |
| Large enterprise | 2,243,447 | (142,067) | 2,101,380 |
| Medium enterprise | 1,250,249 | (149,960) | 1,100,289 |
| Small business | 549,802 | (57,490) | 492,312 |
| Micro enterprise | 501,076 | (42,835) | 458,241 |
| Households | | | |
| - Consumer loans | 1,048,171 | (46,295) | 1,001,876 |
| - Mortgage loans | 1,033,864 | (10,977) | 1,022,887 |
| - Credit cards | 149,695 | (14,116) | 135,579 |
| - Other programmes and collateralised financing | 3,017 | - | 3,017 |
| Total | 6,779,321 | (463,740) | 6,315,581 |

| <i>In BGN '000</i> | 31.12.2020 г. | | |
|---|----------------------|---------------------------------|-----------------------|
| | Gross value | Allowance for impairment | Amortised cost |
| Large enterprise | 2,618,826 | (214,852) | 2,403,974 |
| Medium enterprise | 1,039,260 | (138,471) | 900,789 |
| Small business | 505,348 | (42,115) | 463,233 |
| Micro enterprise | 349,338 | (11,170) | 338,168 |
| Households | | | |
| - Consumer loans | 951,254 | (65,547) | 885,707 |
| - Mortgage loans | 918,117 | (15,681) | 902,436 |
| - Credit cards | 162,527 | (23,043) | 139,484 |
| - Other programmes and collateralised financing | 5,098 | - | 5,098 |
| Total | 6,549,768 | (510,879) | 6,038,889 |

Notes to the financial statements
(a) Movement in impairment allowances
in thousands of BGN

| | |
|---------------------------------------|----------------|
| Balance as at 01 January 2021 | 510,879 |
| Additional allowances | 152,369 |
| Amounts released | (30,381) |
| Write-offs | (170,781) |
| Other | 1,654 |
| Balance as at 31 December 2021 | 463,740 |

18. Property and equipment

| <i>in thousands of BGN</i> | Land and Buildings | Fixtures and fittings | Motor vehicles | Assets under Construction | Leasehold Improvements | Total |
|----------------------------|---------------------------|------------------------------|-----------------------|----------------------------------|-------------------------------|----------------|
| Cost | | | | | | |
| At 01 January 2020 | 22,208 | 138,341 | 6,575 | 14,463 | 65,393 | 246,980 |
| Additions | - | 251 | - | 10,920 | 67 | 11,238 |
| Disposals | - | (3,181) | - | (56) | (1,388) | (4,625) |
| Transfers | - | 3,495 | 57 | (9,013) | 125 | (5,336) |
| At 31 December 2020 | 22,208 | 138,906 | 6,632 | 16,314 | 64,197 | 248,257 |
| Additions | 4,035 | 24 | - | 9,403 | - | 13,462 |
| Disposals | - | (11,782) | - | - | (4,369) | (16,151) |
| Transfers | - | 6,778 | - | (8,574) | 130 | (1,666) |
| At 31 December 2021 | 26,243 | 133,926 | 6,632 | 17,143 | 59,958 | 243,902 |
| Amortisation | | | | | | |
| At 01 January 2020 | 5,278 | 117,598 | 6,314 | - | 40,383 | 169,573 |
| Accrued during the year | 807 | 6,672 | 120 | - | 2,677 | 10,276 |
| On disposals | - | (3,176) | - | - | (1,388) | (4,564) |
| At 31 December 2020 | 6,085 | 121,094 | 6,434 | - | 41,672 | 175,285 |
| Accrued during the year | 807 | 5,643 | 110 | - | 2,304 | 8,864 |
| On disposals | - | (11,763) | - | - | (4,365) | (16,128) |
| At 31 December 2021 | 6,892 | 114,974 | 6,544 | - | 39,611 | 168,021 |
| Carrying amount | | | | | | |
| At 01 January 2020 | 16,930 | 20,743 | 261 | 14,463 | 25,010 | 77,407 |
| At 31 December 2020 | 16,123 | 17,812 | 198 | 16,314 | 22,525 | 72,972 |
| At 31 December 2021 | 19,351 | 18,952 | 88 | 17,143 | 20,347 | 75,881 |

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 Bank'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

Notes to the financial statements

the fair value at the end of the reporting period. As at 31 December 2021 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.

18. Property and equipment, continued

| Assessment methodology | Significant unobservable inputs | Connection between key unobservable inputs and fair value |
|---|---|--|
| <p>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.</p> | <p>1. Expected market growth of rent (4.5-6.8%, weighted average 5.6%). 2. Period for cancellation (6 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%).</p> | <p>The fair value will increase (decrease) where:</p> <ul style="list-style-type: none"> • 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). |
| <p>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.</p> <p>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%.</p> | <p>1. Expected market growth of property (5-10%, weighted average 7.5%). 2. Time required to effect the sale (6 months on average after the offer is placed). 3. Transaction success rate (90-95%, weighted average 92.5%). 4. Location (1.0-1.05, weighted average 1.025). 5. Property status (1.0-1.1, weighted average 1.05).</p> | <p>The fair value will increase (decrease) where:</p> <ul style="list-style-type: none"> • 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 |

Notes to the financial statements
19. Intangible assets
in thousands of BGN

| | Software and licences | Total |
|----------------------------|------------------------------|---------------|
| Cost | | |
| At 01 January 2020 | 40,157 | 40,157 |
| Additions | 95 | 95 |
| Disposals | (1) | (1) |
| Transfers | 5,336 | 5,336 |
| At 31 December 2020 | 45,587 | 45,587 |
| Additions | 2 | 2 |
| Transfers | 1,666 | 1,666 |
| At 31 December 2021 | 47,255 | 47,255 |
| Amortisation | | |
| At 01 January 2020 | 28,751 | 28,751 |
| Accrued during the year | 2,159 | 2,159 |
| On disposals | (1) | (1) |
| At 31 December 2020 | 30,909 | 30,909 |
| Accrued during the year | 2,515 | 2,515 |
| At 31 December 2021 | 33,424 | 33,424 |
| Carrying amount | | |
| At 01 January 2020 | 11,406 | 11,406 |
| At 31 December 2020 | 14,678 | 14,678 |
| At 31 December 2021 | 13,831 | 13,831 |

20. Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 10%.

Deferred income tax assets and liabilities are attributable to the following items:

| <i>In BGN '000</i> | Assets | | Liabilities | | Net | |
|-------------------------------------|---------------|----------------|--------------------|---------------|---------------|---------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Property, equipment and intangibles | - | - | 2,800 | 2,677 | 2,800 | 2,677 |
| Investment Property | - | - | 23,675 | 20,617 | 23,675 | 20,617 |
| Tax loss | - | (2,089) | - | - | - | (2,089) |
| Other | (201) | (253) | 334 | 334 | 133 | 81 |
| Net tax (assets)/liabilities | (201) | (2,342) | 26,809 | 23,628 | 26,608 | 21,286 |

Movements in temporary differences in 2021 at the amount of BGN 5,322 thousand are recognised in the profit for the year.

21. Repossessed assets
in thousands of BGN

| | 2021 | 2020 |
|------------------------------|----------------|----------------|
| Land | 249,612 | 467,564 |
| Buildings | 187,962 | 204,079 |
| Machines, plant and vehicles | 12,596 | 33,594 |
| Fixtures and fittings | 817 | 805 |
| Total | 450,987 | 706,042 |

Notes to the financial statements
21. Repossessed assets, continued

Reposessed 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 18.

22. Investment Property

in thousands of BGN

| | |
|---|----------------|
| Balance as at 01 January 2021 | 414,021 |
| Additions | 197 |
| Transferred from repossessed assets | 290,975 |
| Revaluation of investment property to the fair value recognised at transfer | 30,340 |
| Write-offs upon sale | (2,683) |
| Balance as at 31 December 2021 | 732,850 |

23. Investments in subsidiaries

Investments in subsidiaries (see Note 36) are as follows:

in thousands of BGN

31/12/2021

| Entity: | % held | Acquisition cost | Allowance for impairment | Carrying amount |
|--|--------|------------------|--------------------------|-----------------|
| First Investment Finance B.V., Netherlands | 100% | 3,947 | - | 3,947 |
| Diners Club Bulgaria AD | 94.79% | 5,443 | - | 5,443 |
| First Investment Bank – Albania Sh.a. | 100% | 23,420 | - | 23,420 |
| Debita OOD | 70% | 105 | (104) | 1 |
| Realtor OOD | 51% | 78 | (74) | 4 |
| Fi Health Insurance AD | 59.10% | 3,315 | - | 3,315 |
| Balkan Financial Services EAD | 100% | 7,743 | - | 7,743 |
| Turnaround Management EOOD | 100% | - | - | - |
| Creative Investment EOOD | 100% | - | - | - |
| Lega Solutions EOOD | 100% | - | - | - |
| AMC Imoti EOOD | 100% | - | - | - |
| MyFin EAD | 100% | 2,000 | - | 2,000 |
| Total | | 46,051 | (178) | 45,873 |

in thousands of BGN

31/12/2020

| Entity: | % held | Acquisition cost | Allowance for impairment | Carrying amount |
|--|--------|------------------|--------------------------|-----------------|
| First Investment Finance B.V., Netherlands | 100% | 3,947 | - | 3,947 |
| Diners Club Bulgaria AD | 94.79% | 5,443 | - | 5,443 |
| First Investment Bank – Albania Sh.a. | 100% | 23,420 | - | 23,420 |
| Debita OOD | 70% | 105 | (104) | 1 |
| Realtor OOD | 51% | 77 | (74) | 3 |
| Fi Health Insurance AD | 59.10% | 3,315 | - | 3,315 |
| Balkan Financial Services EAD | 100% | 7,743 | - | 7,743 |
| Turnaround Management EOOD | 100% | - | - | - |
| Creative Investment EOOD | 100% | - | - | - |
| Lega Solutions EOOD | 100% | - | - | - |
| AMC Imoti EOOD | 100% | - | - | - |
| MyFin EAD | 100% | 1,000 | - | 1,000 |
| Total | | 45,050 | (178) | 44,872 |

Notes to the financial statements
24. Rights of use assets
in thousands of BGN

| | |
|--|----------------------|
| At 01 January 2021 | 139,837 |
| Amortisation | (33,915) |
| Effect of modification to lease terms and expectations on lease term | (28,197) |
| At 31 December 2021 | <u>77,725</u> |

Lease liabilities

| | |
|--|----------------------|
| At 01 January 2021 | 139,868 |
| Lease payments | (33,915) |
| Effect of modification to lease terms and expectations on lease term | (28,168) |
| At 31 December 2021 | <u>77,785</u> |

Right-of-use assets recognised by the Bank are the branches and offices in various towns in Bulgaria and Cyprus, as well as the buildings in which the Bank's headquarters are located - lines Upon completing the initial recognition, the Bank analysed and took into account information on the expected duration of the period in which the Bank will be using the assets. In 2021 some of these expectations changed and as a result the Bank reviewed its initial assessment and recognized a decrease in the right-of-use assets in the amount of BGN 28,197 thousand, and in lease liabilities in the amount of BGN 28,168 thousand.

In the assessment of right-of-use assets and lease liabilities, the Bank 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:

| <i>In BGN '000</i> | Maturity analysis of lease liabilities | | |
|---------------------|---|--------------------------|--------------|
| | To 1 year | From 1 to 5 years | Total |
| At 01 January 2021 | 31,080 | 108,788 | 139,868 |
| At 31 December 2021 | 19,527 | 58,258 | 77,785 |

Notes to the financial statements
25. Other assets

| <i>in thousands of BGN</i> | 2021 | 2020 |
|----------------------------|----------------|---------------|
| Deferred expense | 14,779 | 10,596 |
| Gold | 2,765 | 2,598 |
| Other assets | 98,592 | 84,527 |
| Total | 116,136 | 97,721 |

26. Due to banks

| <i>in thousands of BGN</i> | 2021 | 2020 |
|----------------------------|---------------|---------------|
| Term deposits | - | - |
| Payable on demand | 29,879 | 14,340 |
| Total | 29,879 | 14,340 |

27. Due to other customers

| <i>in thousands of BGN</i> | 2021 | 2020 |
|------------------------------------|------------------|------------------|
| Retail customers | | |
| - current accounts | 2,275,583 | 1,819,473 |
| - term and savings deposits | 4,718,411 | 5,055,784 |
| Businesses and public institutions | | |
| - current accounts | 1,996,496 | 1,709,538 |
| - term deposits | 434,761 | 515,360 |
| Total | 9,425,251 | 9,100,155 |

28. Liabilities evidenced by paper

| <i>in thousands of BGN</i> | 2021 | 2020 |
|---|----------------|----------------|
| Acceptances under letters of credit | 3,388 | 6,776 |
| Debt related to agreements for full swap of profitability | 74,018 | 73,742 |
| Financing from financial institutions | 26,227 | 23,633 |
| Liabilities related to a structured investment product | 2,638 | - |
| Total | 106,271 | 104,151 |

28. Other borrowed funds, continued

Financing from financial institutions through extension of loan facilities can be analysed as follows:

in thousands of BGN

| Lender | Interest rate | Maturity | Amortised cost as at 31 December 2021 |
|--|----------------------|-------------------------|--|
| European Investment Fund – JEREMIE 2 | 0% - 1.087% | 30/09/2025 | 2,731 |
| Bulgarian Bank for Development AD Manager of financial instruments in Bulgaria fund | 1% - 1.583% | 15.03.2027 - 30.11.2028 | 15,525 |
| | 0% | 31/12/2033 | 7,971 |
| Total | | | 26,227 |

Notes to the financial statements
In BGN '000

| Lender | Interest rate | Maturity | Amortised cost as at 31 December 2020 |
|---|----------------------|-------------------------|--|
| European Investment Fund – JEREMIE 2 | 0 % - 1.136% | 30/09/2025 | 4,244 |
| Bulgarian Bank for Development AD | 1% - 1.583% | 15.03.2027 - 30.11.2028 | 16,137 |
| Manager of financial instruments in Bulgaria fund | 0% | 31/12/2033 | 3,252 |
| Total | | | 23,633 |

29. Hybrid debt
in thousands of BGN

| | Principal amount | Amortised cost as at 31 December 2021 |
|---|-------------------------|--|
| Hybrid debt with principal EUR 40 mio | 78,233 | 84,910 |
| Hybrid debt with principal EUR 60 mio | 117,350 | 123,840 |
| Hybrid debt with principal EUR 30 mio | 58,675 | 58,829 |
| Hybrid debt with principal EUR 27.133 mio | 53,068 | 53,154 |
| Total | 307,326 | 320,733 |

In BGN '000

| | Principal amount | Amortised cost as at 31 December 2020 |
|---------------------------------------|-------------------------|--|
| Hybrid debt with principal EUR 40 mio | 78,233 | 84,910 |
| Hybrid debt with principal EUR 60 mio | 117,350 | 123,840 |
| Hybrid debt with principal EUR 30 mio | 58,675 | 58,829 |
| Total | 254,258 | 267,579 |

The bonds under the four instruments are registered, dematerialized, interest-bearing, perpetual, unsecured, freely transferable, non-convertible, deeply subordinated and without incentive to redeem.

The four hybrid instruments fully comply with the requirements of Regulation 575/2013 and are included in the additional tier 1 capital.

As at 31.12.2021 for the amount of EUR 27,133 thousand (equivalent to BGN 53,068 thousand) issued through a capital instrument, an issue of perpetual, non-cumulative, uncollateralized, deeply subordinated, freely transferrable, non-convertible bonds registered in two tranches – on 22 December 2021 and on 29 December 2021 - with Clearstream Banking S.A. under a common ISIN code XS2419929422, the Bank has not submitted an application to the Bulgarian National Bank for inclusion of the amount in the Bank's additional tier 1 capital within the meaning of Article 52 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012.

Notes to the financial statements
30. Other liabilities

| <i>in thousands of BGN</i> | 2021 | 2020 |
|---|--------------|--------------|
| Liabilities to personnel | 1,289 | 1,328 |
| Provisions for pending court cases | 523 | 1,031 |
| Impairment on off balance sheet commitments | 1,343 | 838 |
| Other payables | 4,662 | 4,082 |
| Total | 7,817 | 7,279 |

The provisions for pending court cases were calculated on the basis of the Bank's expectations (using internal and external experts) regarding the outcome of these court cases.

31. Capital and reserves
(a) Number and face value of registered shares as at 31 December 2021

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 (as at 31 December 2019: BGN 97,000 thousand).

(b) Shareholders

The table below shows those shareholders of the Bank holding shares as at 31 December 2021 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 2021, as in the previous year, the Bank did not distribute dividends.

Notes to the financial statements

32. Commitments and contingent liabilities

Contingent liabilities

The Bank 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.

| <i>in thousands of BGN</i> | 2021 | 2020 |
|---|----------------|----------------|
| Bank guarantees | 161,233 | 179,964 |
| Unused credit lines | 644,288 | 556,694 |
| Letters of credit | 12,507 | 26,227 |
| Total | 818,028 | 762,885 |
| Impairment on off balance sheet commitments | 1,343 | 838 |

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. The contingent loan is a framework agreement for collateral management under numerous loan transactions made with one or more clients. The contingent loan does not lead to an obligation of the Bank to extend specific financial instruments. The conclusion of a specific loan transaction with the Bank client, e.g. extension of a loan or overdraft, contingent liabilities, such as bank guarantees and letters of credit, is subject to a separate decision and approval of the Bank.

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:

| <i>In BGN '000</i> | 2021 | 2020 |
|--|------------------|------------------|
| Cash and balances with Central Banks | 1,868,853 | 2,060,496 |
| Loans and advances to banks and financial institutions with original maturity less than 3 months | 46,787 | 69,548 |
| Total | 1,915,640 | 2,130,044 |

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.

| <i>In BGN '000</i> | 2021 | 2020 |
|--|-------------|-------------|
| FINANCIAL ASSETS | | |
| Cash and balances with Central Banks | 1,866,440 | 1,805,611 |
| Investments in securities | 1,350,821 | 992,806 |
| Loans and advances to banks and other financial institutions | 79,671 | 77,874 |
| Loans and advances to customers | 6,193,428 | 5,944,279 |
| FINANCIAL LIABILITIES | | |
| Due to banks | 15,916 | 6,528 |
| Due to other customers | 9,242,419 | 8,717,998 |
| Liabilities evidenced by paper | 104,227 | 106,260 |
| Hybrid debt | 272,944 | 268,898 |

Notes to the financial statements
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 <i>In BGN '000</i> | Parties that control or manage the Bank | | Enterprises under common control | |
|---|--|--------|-------------------------------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Loans | | | | |
| Loans outstanding at beginning of the period | 1,769 | 2,327 | 84,580 | 20,908 |
| Loans issued/(repaid) during the period | 1,746 | (558) | (914) | 63,672 |
| Loans outstanding at end of the period | 3,515 | 1,769 | 83,666 | 84,580 |
| Deposits and loans received: | | | | |
| At beginning of the period | 13,275 | 11,718 | 113,352 | 118,118 |
| Received/(paid) during the period | 450 | 1,557 | 11,998 | (4,766) |
| At the end of the period | 13,725 | 13,275 | 125,350 | 113,352 |
| Deposits placed | | | | |
| Deposits at beginning of the period | - | - | 2,955 | 18,748 |
| Deposits placed/(matured) during the year | - | - | 2,913 | (15,793) |
| Deposits at end of the period | - | - | 5,868 | 2,955 |
| Other receivables | | | | |
| At beginning of the period | - | - | 17,565 | 16,790 |
| Received/(paid) during the period | - | - | 472 | 775 |
| At the end of the period | - | - | 18,037 | 17,565 |
| Other borrowings | | | | |
| At beginning of the period | - | - | 100 | 100 |
| Received/(paid) during the period | - | - | 320 | - |
| At the end of the period | - | - | 420 | 100 |
| Off-balance sheet commitments issued by the Bank | | | | |
| At beginning of the period | 1,031 | 975 | 3,412 | 4,235 |
| Issued/(expired) during the period | 30 | 56 | (620) | (823) |
| At the end of the period | 1,061 | 1,031 | 2,792 | 3,412 |
| Lease liabilities | | | | |
| At beginning of the period | - | - | - | - |
| Received/(paid) during the period | - | - | 1,513 | - |
| At the end of the period | - | - | 1,513 | - |

Notes to the financial statements
35. Related party transactions, continued

| Type of related party | Parties that control or manage the Bank | | Enterprises under common control | |
|----------------------------|---|------|----------------------------------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| <i>In BGN '000</i> | | | | |
| Interest income | 24 | 25 | 3,089 | 3,325 |
| Interest expense | 8 | 10 | 547 | 22 |
| Fee and commission income | 16 | 14 | 1,082 | 368 |
| Fee and commission expense | 4 | 3 | 296 | 295 |

The key management personnel received remuneration of BGN 10,863 thousand for 2021 (2020: BGN 10,087 thousand), and other related parties received BGN 1,882 thousand (2020: BGN 1,985 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.

(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 2021 the share capital of the company is BGN 610 thousand, and the Bank's shareholding is 94.79%.

(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 2021 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%.

36. Subsidiaries, continued**(d) Debita OOD and Realtor 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:

1. Realtor OOD - 70%, i.e. 1.050 shares for the Bank and 30%, i.e. 450 shares for FFBH OOD.
2. Realtor OOD - in liquidation - 51%, i.e. 765 shares for the Bank and 49%, i.e. 735 shares for FFBH OOD.

The companies 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 Debita OOD include acquisition, servicing, management and disposal of receivables and the related consultancy services; 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.

(e) 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 2021 the share capital of the company is BGN 5,000 thousand, and the Bank's shareholding is 59.10%.

(f) 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. The winding-up proceedings will continue with a notice in the Commercial Register and Register of Non-for-Profit Legal Entities published by the appointed liquidator to all creditors after expiry of the legally stipulated term of the notice to the revenue agency.

Notes to the financial statements

36. Subsidiaries, continued

(g) 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.

(h) 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 2021 the capital of the company is BGN 500 thousand, and the Bank is the sole owner.

(i) MyFin EAD

At its meeting held on 21 March 2019 the Bank'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 Managing Board decision was approved by the Supervisory Board on 27 March 2019. On 19 April 2019 the Bank 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.

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:

- 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.

Notes to the financial statements

37. Post balance sheet events, continued

- 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 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 Bank's exposure to counterparties from Russia, Ukraine and Belarus is insignificant.

As at the time of preparation of these financial statements, the Management did not expect that as a whole the crisis would have immediate significant impacts on the Bank's operations.



ACTIVITY REPORT 2021

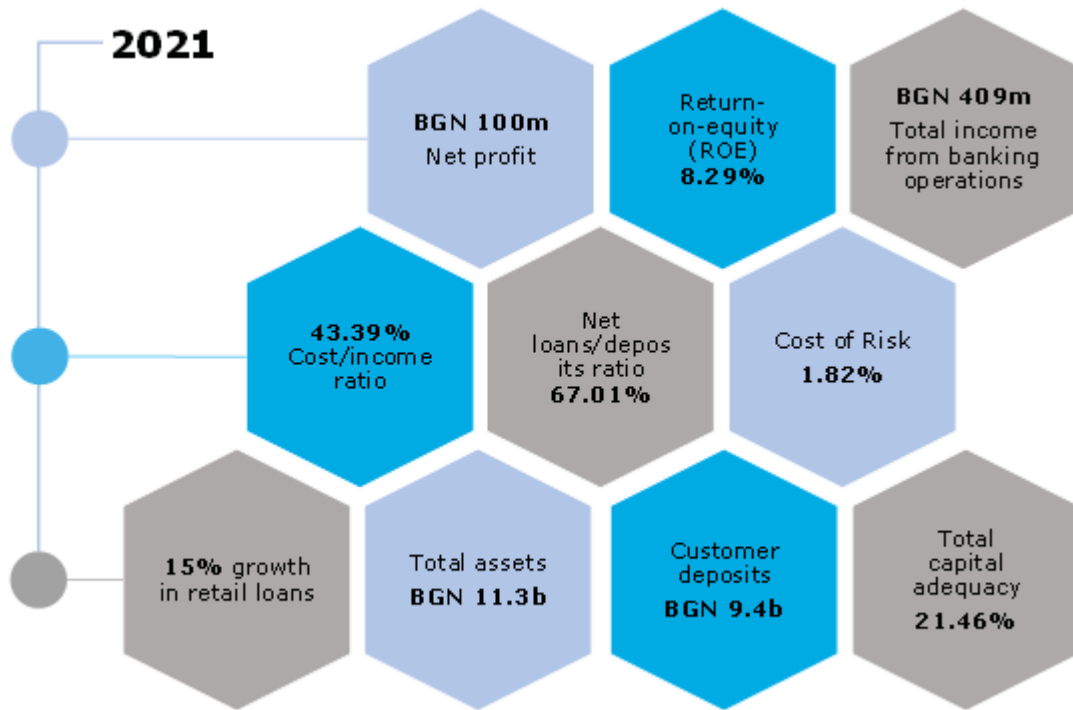
(ON AN INDIVIDUAL BASIS)

OF FIRST INVESTMENT BANK AD

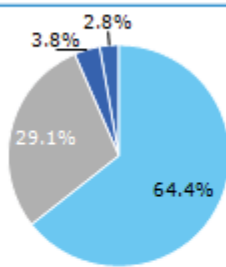
MARCH 2022

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



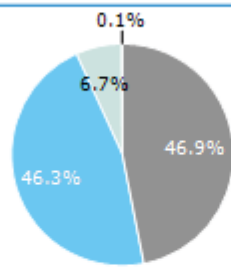
OPERATING INCOME BY TYPE OF INCOME



2021

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

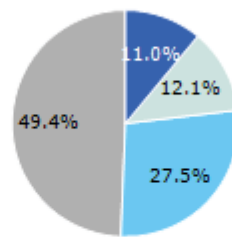
LOANS FOR INDIVIDUALS



2021

- Consumer loans
- Mortgage loans
- Credit cards
- Others

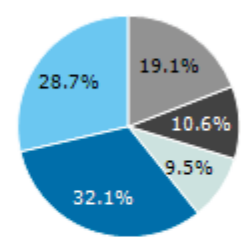
LOANS FOR CORPORATES



2021

- Micro enterprises
- Small companies
- Middle companies
- Large companies

PORTFOLIO BY SECTORS



2021

- Industry
- Trade
- Services
- Individuals
- Others

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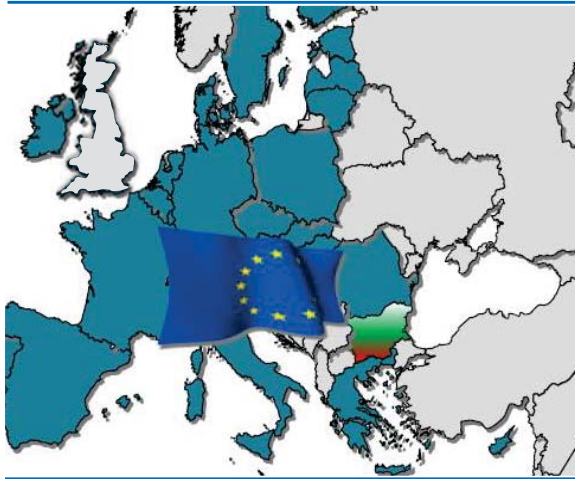
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MACROECONOMIC DEVELOPMENT

REPUBLIC OF BULGARIA

INDICATORS



| | |
|---|-------------------------|
| Population | 6,52 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% |
| Moody's | Baa1, stable |
| Fitch Ratings | BBB, positive |
| S&P | BBB, stable |

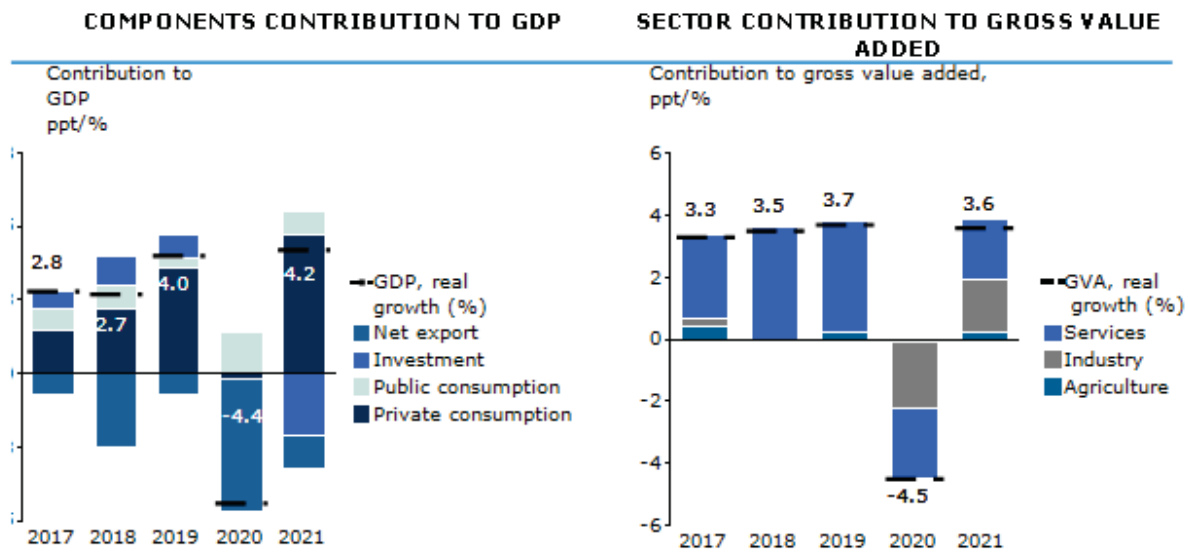
In 2021, the Bulgarian economy reported signs of recovery from the pandemic related to the spread of COVID-19. The participation of Bulgaria in the European Exchange Rate Mechanism II and the Banking Union, together with the current currency board system and the fiscal policy, contributed to macroeconomic stability.

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|---------|---------|---------|---------|---------|
| Gross domestic product (BGN million) | 132,744 | 119,951 | 120,395 | 109,964 | 102,741 |
| Gross domestic product, real growth (%) | 4.2 | (4.4) | 4.0 | 2.7 | 2.8 |
| - Private consumption, real growth (%) | 8.0 | (0.4) | 6.0 | 3.7 | 2.5 |
| - Public consumption, real growth (%) | 4.0 | 8.3 | 2.0 | 5.4 | 4.3 |
| - Investments, real growth (%) | (11.0) | 0.6 | 4.5 | 5.4 | 3.2 |
| - Net exports, real growth (%) | (2.3) | (6.7) | (1.2) | (4.0) | (1.6) |
| Inflation, at period-end (%) | 7.8 | 0.1 | 3.8 | 2.7 | 2.8 |
| Average annual inflation (%) | 3.3 | 1.7 | 3.1 | 2.8 | 2.1 |
| Unemployment, at period-end (%) | 4.8 | 6.7 | 5.9 | 6.1 | 7.1 |
| Current account (% of GDP) | (2.1) | (0.3) | 1.9 | 0.9 | 3.3 |
| Trade balance (% of GDP) | (5.0) | (3.2) | (4.7) | (4.8) | (1.5) |
| International reserves of BNB (BGN million) | 67,666 | 60,334 | 48,574 | 49,037 | 46,279 |
| FDI in Bulgaria (% of GDP) | 1.5 | 3.7 | 2.7 | 1.7 | 3.1 |
| Gross external debt (% of GDP) | 61.8 | 64.6 | 61.3 | 66.1 | 71.8 |
| Government and government guaranteed debt (% of GDP) | 25.0 | 24.6 | 19.8 | 21.8 | 24.9 |
| Consolidated budget balance (% of GDP) | (3.0) | (2.9) | (1.0) | 0.1 | 0.8 |
| USD exchange rate (BGN for USD 1) | 1.73 | 1.59 | 1.74 | 1.71 | 1.63 |

Sources: NSI, BNB, MF, Employment agency

For 2021, the country's gross domestic product increased by 4.2% YOY (2020: -4.4%), as main positive drivers were the private consumption at 8,0% (2020: -0.4%), as well as the public consumption (2021: 4,0%; 2020: 8,3%), as a result of the continued fiscal measures taken at the state level to counteract the consequences of the pandemic.

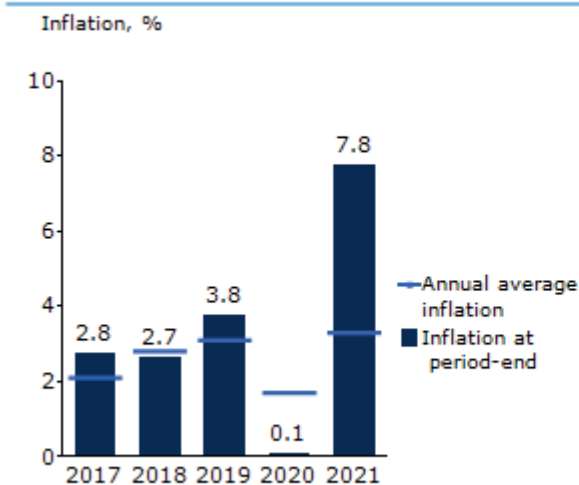
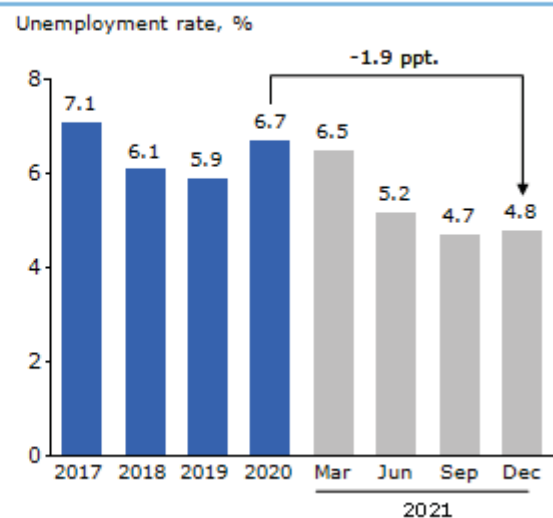
Net exports decreased by 2.3% YOY (2020: -6.7%), and fixed capital investments were down by 11.0% for 2021 (2020: +0.6%), due to limitations in trade, as well as movement of people, goods and services, as a result of the coronavirus crisis.



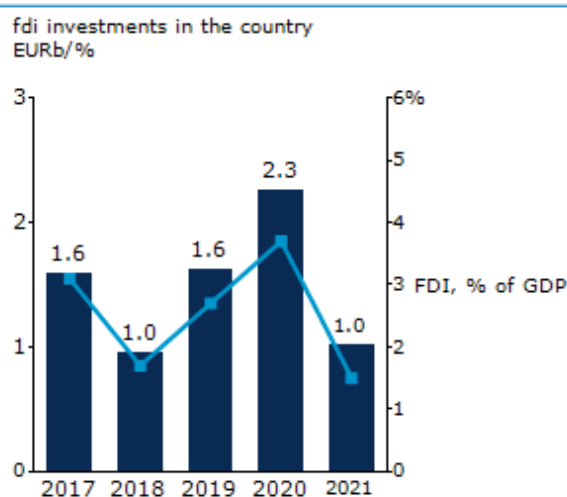
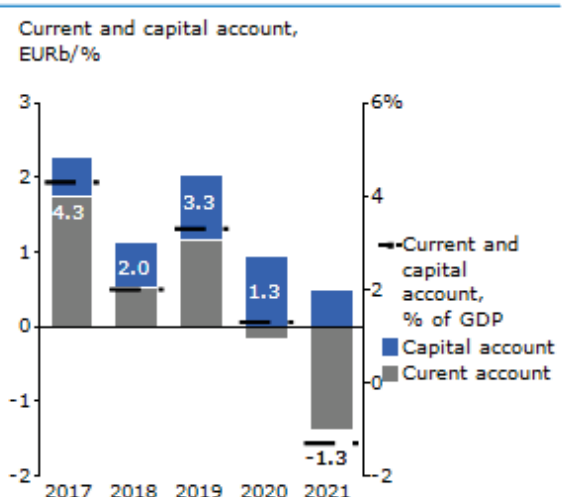
In 2021, gross value added in the economy increased by 3.6% (2020: -4.5%), with positive trends observed in all major areas of activity, including in the industrial sector, which increased by 6.6% for the period (2020: -8,2%) and more specifically in the mining and processing industry (2021: 9.4%), at the expense of construction which was down (2021: -7.8%; 2020: -1.0%).

Positive driver for the value added had also the services sector, which increased by 2.8% (2020: -3.3%), and in particular in the finance and insurance sectors (2021: 7.7%), telecommunications (2021: 6.3%), real estate transactions (2021: 4.7%), public administration and healthcare (2021: 3.3%). The trade, transport and tourism sectors reported a decline of 2.5%, which remained among the hardest hit by the restrictions imposed related to the continued pandemic situation. An increase of 6.1% was reported in the agricultural sector (2020: -3.3%), mainly influenced by plant-growing sectors, incl. cereals and industrial crops and to a lesser extend by stock-breeding sectors.

In 2021, the labor market reported signs of recovery, as the unemployment rate declined to 4.8% at the end of the year (2020: 6.7%), reflecting the positive expectations of companies in terms of investment and costs. The total number of employed persons amounted to 3,081 thousand in the fourth quarter of 2021, with the employment rate (for persons aged 15-64) amounting to 68.5%. As of the end of December 2021, 64% of the workforce was employed in the services sector, 30% in industry and 6% in agriculture. The programs for job retention in the country through subsidized employment (incl. the so-called "60/40" measure) continued, which envisaged compensation in the most affected sectors, such as transport, tourism and the hospitality industry.

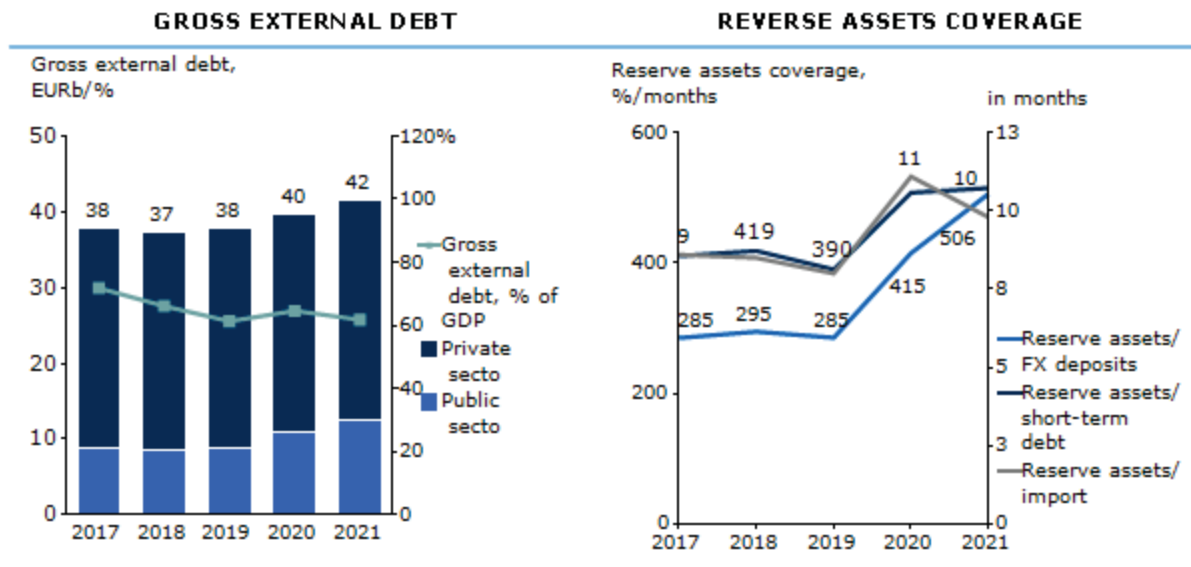
INFLATION

UNEMPLOYMENT RATE


During the year, inflation in the country followed an upward trend, as the average annual inflation in 2021 amounted to 3.3% (2020: 1.7%), and inflation at the end of the period reached 7.8% (2020: 0.1%). The influence was wide-spread across components, with main effect of energy products and food in an environment of significant increase in the prices of basic raw materials (natural gas, oil and other) on the international markets. The increase in prices in the non-food sector reached 9.5%, including transport (22.2%), which group has a major relative weight (35%) in the consumer basket. Influence on the increase had also the food products (8.8%), services (4.5%) and catering (6.8%). Harmonized inflation, which is one of the price stability criteria for joining the Eurozone, was 6.6% at the end of 2021 (2020: 0.0%) and 2.8% on average for the period (2020: 1.2%).

FDI INVESTMENTS IN THE COUNTRY

CURRENT AND CAPITAL ACCOUNT


For 2021, foreign direct investment in the country amounted to EUR 1,036 million or 1.5% of GDP (2020: EUR 2,273 million or 3.7% of GDP). Such dynamics mainly reflect higher revenues from reinvested earnings, at the expense of investments in equity and debt instruments (financial, bond and trade loans). By country, most investments were attracted from Luxembourg (EUR 455 million), followed by Germany (EUR 285 million) and Austria (EUR 213 million).

The accelerated increase in imports (28.6% for 2021 YOY to EUR 37,574 million) compared to exports (25.4% to EUR 34,205 million) led to increase in the trade deficit amounting to EUR -3,368 million or -5.0% of GDP at the end of 2021 (2020: EUR -1,945 million or -3.2% of GDP). As a result, the current and capital account deficit increased to EUR 1,381 million or 2.1% of GDP YOY.



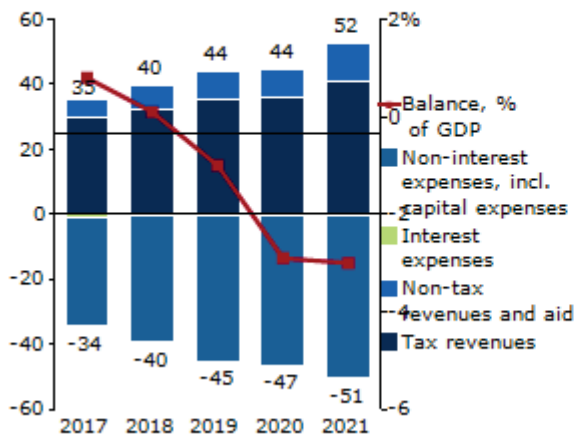
The country's gross external debt increased to EUR 41,529 million at the end of 2021, or 61.8% of GDP (2020: EUR 39,627 million or 64.6% of GDP), with more pronounced dynamics in the public sector as a result of the continued fiscal measures taken to counter the COVID-19 pandemic. Public external debt reached 18.7% of GDP by December 2021 (EUR 12,554 million), remaining among the lowest in the EU. Total government and government-guaranteed debt, including debt issued on the domestic market, amounted to 25.0% of GDP by the end of 2021 (2020: 24.6%), compared to average levels around 80% for the EU and euro area countries. The BNB reserve assets covered 515.1% of the short-term debt by the end of 2021 (2020: 507.9%) and 506.0% of the foreign currency deposits (2020: 415.4%) in the country.

In 2021, the consolidated budget reached a deficit of BGN 3,910 million or 3.0% of GDP at the end of the year (2020: BGN 3,533 million or 2.9% of GDP), reflecting the higher growth of costs relative to revenues. Expenditures under the consolidated fiscal program increased by 17.6% to BGN 56,251 million (2020: BGN 47,850 million), mainly due to the increase in non-interest expenses as a result of the continued socio-economic measures taken to minimize the effects of the coronavirus crisis, including payments under the 60/40 subsidized employment measure, payments to front-line workers in the fight against the pandemic, expenditure on medicines and vaccines, monthly allowances for pensioners and payments to businesses and farmers.

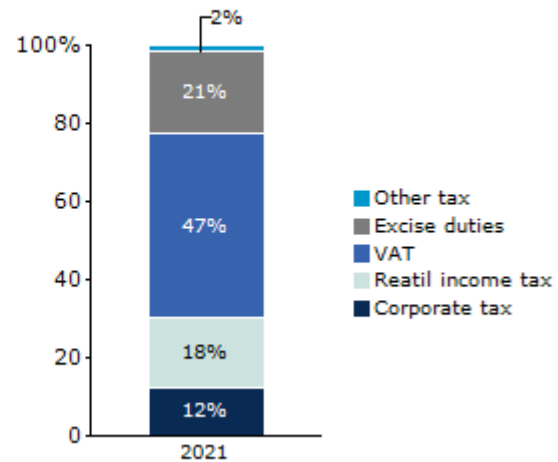
Tax revenues also increased, albeit at a slower pace: 14% YOY to BGN 40,876 million as of December 2021, as an increase was reported in all main components, incl. personal income tax (by 15.7% to BGN 4,839 million), corporate tax (by 25.5% to BGN 3,406 million), VAT revenues (by 17.8% to BGN 12,979 million) and excise duties (by 4.0% to BGN 5,660 million). Revenues from social security contributions also increased, amounting to BGN 12,230 million as of December 2021, of which BGN 8,841 million were social security contributions and BGN 3,389 million health insurance contributions.

CONSOLIDATED BUDGET

Budget, BGNb/%



STRUCTURE OF TAX REVENUES



During the year Fitch Ratings (BBB, positive outlook) and Standard & Poor's (BBB, stable outlook) confirmed the credit rating of Bulgaria, as a result of the maintained macroeconomic stability, gradual recovery of the economic activity and easing the negative effects and consequences related to COVID-19 pandemic to the economy in the country, as well as expectations on future development and integration in the Euro Area countries.

Since 2020, the Bulgarian lev is officially part of the European Exchange Rate Mechanism (ERM) II, while maintaining the current currency board system in the country.

Expectations for 2022 include continuing processes for gradual elimination of the consequences of the COVID-19 pandemic, taking into account the risks related to global uncertainties due to the emerging geopolitical tensions from the conflict in Ukraine and its potential effects. The estimates of the Ministry of Finance are for real GDP growth of 3.4-4.8% for the period 2022-2024, and those of the Bulgarian National Bank are of 3.6-4.5% for the period 2022-2023.

BANKING SYSTEM

In 2021, the banking system in Bulgaria reported increased results and stable development, driven by the gradual recovery of economic activity and consumer demand in the context of the ongoing pandemic. Contributors were the good pre-crisis key indicators, including high levels of liquidity and capital adequacy well above the regulatory requirements, which contributed to the continuation of lending in line with market demand and maintaining confidence in the system. The processes of integration with the European regulatory framework continued to have an additional impact on the development of banking policies. Since 2020 Bulgaria is part of the Banking Union through participation in the Single Supervisory Mechanism (SSM) and the Single Restructuring Mechanism (SRM).

In order to further strengthen the system and ensure buffers against the negative effects of the coronavirus, in January 2021 the Bulgarian National Bank continued some of the measures aimed at further increasing the capital of banks, including through requirements for capitalization of profits.

| in % / change in p.p. | 2021 | 2020 | 2019 | 21/20 | 20/19 |
|--|--------------------|-------|-------|--------|--------|
| CET 1 ratio | 21.66 | 21.69 | 19.04 | (0.28) | 2.65 |
| Tier 1 capital ratio | 22.04 | 22.10 | 19.50 | (0.31) | 2.60 |
| Capital adequacy ratio | 22.62 | 22.74 | 20.16 | (0.38) | 2.58 |
| Leverage ratio | 10.61 ¹ | 10.74 | 10.55 | (0.13) | 0.19 |
| Liquidity coverage ratio (LCR) | 274.1 | 279.0 | 269.9 | (4.9) | 9.1 |
| Loans/deposits ² | 69.38 | 69.04 | 72.17 | 0.34 | (3.13) |
| Return-on-equity (ROE) | 8.93 ¹ | 5.31 | 11.63 | 3.62 | (6.32) |
| Return-on-assets (ROA) | 1.10 ¹ | 0.66 | 1.47 | 0.44 | (0.81) |
| Non-performing loans and advances ³ | 4.60 | 5.65 | 6.48 | (1.05) | (0.83) |

Source: Bulgarian National Bank

The total capital ratio for the system amounted to 22.62% by the end-2021 (2020: 22.74%), while the CET 1 ratio to 21.66% (2020: 21.69%), as the indicators were significantly above the regulatory requirements. Contributing factor to the dynamics was the higher growth in risk-weighted assets, compared to those in the relevant components of the own funds. The leverage ratio, comparing Tier 1 capital to the total on- and off-balance sheet exposures of banks, was 10.61% as of September 2021, compared to 10.74% as of 31.12.2020.

With respect to the reported levels of growth in lending and the cyclical risks on the real estate market, during the year BNB increased twice the level of the countercyclical capital buffer from 0.5% to 1.0% effective from October 2021 and to 1.5% as of January 2023. During the year the BNB announced its annual review of the buffer for Other Systemically Important Institutions (O-SIIs) and identified as such eight banks for which individual levels were set in the range of 0.50% to 1% for 2021 and 2022. In 2021, the systemic risk buffer remained unchanged at 3% of banks' risk exposures in Bulgaria.

Liquidity in the system remained high, reflecting the consistent conservative risk management and the increased deposit base. The liquidity coverage ratio (LCR), correlating the liquidity buffers maintained

¹ Data as of 30 September 2021

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).

by banks against net outflows over a period of 30 calendar days, increased to 274.1% at the end of 2021 (2020: 279.0%), which is well above the minimum requirement of 100%. The ratio of liquidity buffer to balance sheet assets for the system was 30.6% at the end of December 2021.

In 2021, the banking system realized a net profit of BGN 1,416 million, compared to BGN 815 million a year earlier. An increase was reported in all main sources of income, incl. in the net interest income and net fee and commission income, as well as decrease in the impairment charges, which reached BGN 594 million for the period (2020: BGN 876 million).

| BGN million/ change in % | 2021 | 2020 | 2019 | 21/20 | 20/19 |
|-------------------------------|-------|-------|-------|--------|--------|
| Net interest income | 2,757 | 2,649 | 2,746 | 4.1 | (3.5) |
| Net fee and commission income | 1,241 | 1,039 | 1,106 | 19.4 | (6.1) |
| Administrative expenses | 1,784 | 1,677 | 1,664 | 6.4 | 0.1 |
| Impairment | 594 | 876 | 431 | (32.2) | 103.4 |
| Net profit | 1,416 | 815 | 1,675 | 73.7 | (51.4) |

Source: Bulgarian National Bank

Net interest income for 2021 increased by 4.1% to BGN 2,757 million (2020: BGN 2,649 million) against a backdrop of continuing low interest rates, while net fee and commission income – to BGN 1,241 million (2020: BGN 1,039 million), providing a solid contribution to profit and forming 27.9% of the total operating revenues of the system (2020: 25.0%). The achieved financial results accounted for return on assets (ROA) of 1.10% for the first nine months of 2021 (2020: 0.66%) and return on equity (ROE) of 8.93% for the same period (2019: 5.31%)

Total balance sheet assets increased by 9.2% YOY to BGN 135,410 million as of December 2021 (2020: BGN 124,006 million). Loans and advances had a predominant share in the balance sheet structure at 58.2% of total assets (2020: 58.9%), followed by cash and balances with central banks – 21.0% (2020: 21.9%) and investments in securities at 16.7% (2020: 14.6%), which included mainly government securities.

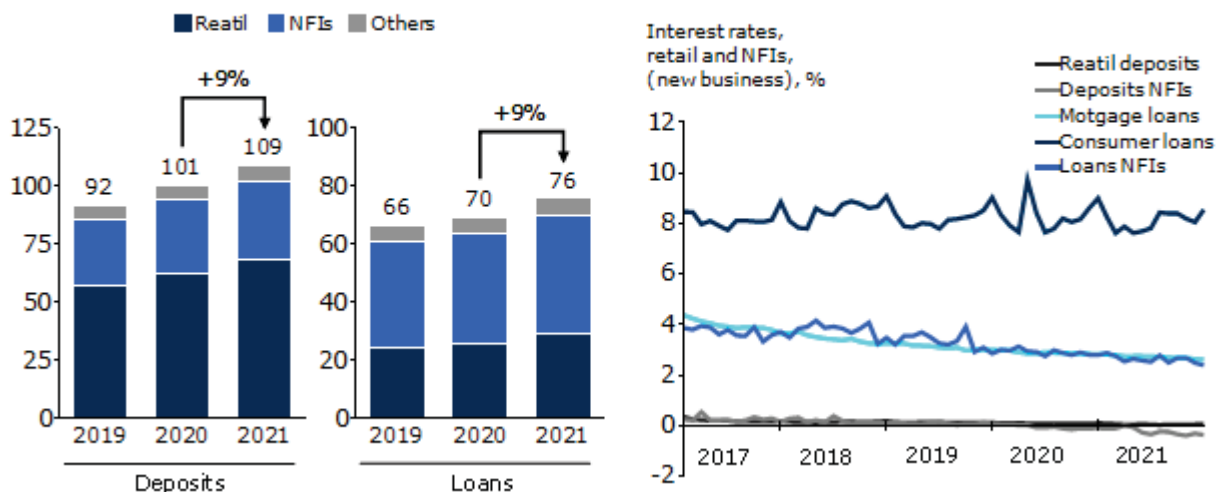
Lending activity in 2021 increased with more pronounced dynamics in households, compared to non-financial corporations. Residential mortgage loans increased by 15.0% to BGN 15,815 million (2020: BGN 13,752 million), while consumer loans – by 11.0% to BGN 14,304 (2020: BGN 12,882 million) at the end of December 2021. Loans to non-financial corporations retained their major share at 53.1% of total loans to customers, reaching BGN 40,286 million (2020: BGN 38,042 million).

The share of non-performing loans and advances continued to decrease, reaching 4.60% of gross loans and advances as of December 2021 (2020: 5.65%). For comparability with previous periods it is calculated using a broad definition of loans and advances, including cash balances with central banks and other demand deposits. Loans to non-financial corporations accounted for the largest share in the structure of non-performing loans (63.7%), followed by loans to households (33.8%) and other financial corporations (2.4%).

| BGN million / change in % | 2021 | 2020 | 2019 | 21/20 | 20/19 |
|--|---------|---------|---------|-------|-------|
| Assets | 135,410 | 124,006 | 114,201 | 9.2 | 8.6 |
| Loans to non-financial corporations | 40,286 | 38,042 | 36,573 | 5.9 | 4.0 |
| Loans to individuals, including: | 29,468 | 25,882 | 24,193 | 13.9 | 7.0 |
| - Mortgage loans | 15,815 | 13,752 | 12,487 | 15.0 | 10.1 |
| - Consumer loans | 14,304 | 12,882 | 12,427 | 11.0 | 3.7 |
| Deposits from non-financial corporations | 34,374 | 31,701 | 28,150 | 8.4 | 12.6 |
| Deposits from individuals | 68,107 | 62,636 | 57,616 | 8.7 | 8.7 |

Source: Bulgarian National Bank

In 2021, the application of prepared by the Association of Banks in Bulgaria (ABB) and approved by Bulgarian National Bank Procedure for deferral and settlement of payments due to banks and their financial institution subsidiaries in connection with the COVID-19 pandemic continued according to the terms and conditions of its implementation. The document constitutes a non-legislative moratorium within the meaning of the European Banking Authority (EBA) Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02), according to which the application of the general payment moratorium in itself should not lead to reclassification of the exposure as forborne (either performing or non-performing). As of 31 December 2021, the moratorium was applied to deferrals on the amount of BGN 8,255 million, representing 10.9% of the system's gross loan portfolio. Of these, BGN 6,481 million were exposures to businesses and BGN 1,774 million to households.

LOANS AND DEPOSITS (BGNm)
INTEREST RATES ON DEPOSITS AND LOANS


In 2021, borrowed funds in the banking system (excluding credit institutions) continued their upward trend, growing by 8.6% to BGN 109,365 million as of December 2021 (2020: BGN 100,671 million) despite the low interest rate environment, reflecting the confidence in the system and uncertainty of the environment. An increase was reported both in deposits of non-financial corporations (by 8.4% to BGN 34,374 million) and of households (by 8.7% to BGN 68,107 million), retaining a dominant share of 62.3% of all attracted funds. In the currency structure of borrowed funds, the share of BGN deposits increased to 63.7% as of December 2021 (2020: 61.9%) at the expense of EUR deposits, which

decreased to 29.2% (2020: 31.0%), and those in other currencies remained unchanged at 7.1% (2020: 7.1%).

During the year, the downward trend in interest rates continued in line with the dynamics in the EU and Eurozone countries. In 2021, interest rates on deposits (new business⁴) of households and non-financial corporations fell on average (volume weighted) to 0.06% and -0.17%, respectively (2020: 0.09% and -0.04%). A decrease was also reported in interest rates on loans (new business⁵): for non-financial corporations – down to 2.60% on average for the period (2020: 2.91%), for mortgage loans – to 2.71% (2020: 2.88%) and for consumer loans – to 8.08% (2020: 8.20%).

At the end of December 2021, there were 25 credit institutions operating in the country, including 7 branches of foreign banks, as the consolidation processes in the system continued, following the global trends for demanding optimizations in the structure and efficiency of banking institutions on the backbone of intense competition and pressure from new providers of financial services.

The significant banking institutions (according to the ECB criteria) in the country accounted for 66.1% of bank assets as of September 2021, the less significant banking institutions – for 30.6%, while the branches of foreign banks – 3.3%

Among the main challenges to banks remain dealing with the uncertainties – political and economic, caused by the international circumstances, overcoming the consequences of COVID-19 pandemic, developments with respect to digitalization and cybersecurity, as well as the volume of regulations affecting the competitive advantages of banks, incl. the MREL requirements and those with respect to sustainability (ESG factors).

REGULATORY FRAMEWORK DEVELOPMENTS

In 2021, a number of regulatory changes were realized, with more important being the following:

At the beginning of the year, changes were made to the Law on the Recovery and Resolution of Credit Institutions and Investment Firms, transposing the requirements of Directive (EU) 2019/879 (BRRD II). The changes introduced minimum requirements for own funds and eligible liabilities (MREL), calculated individually for each bank as a percentage of the total risk exposure amount (TREA) and the leverage ratio exposure measure (LRE), with a deadline for reaching the set minimum requirements by 1 January 2024

Changes in the Law on Credit Institutions harmonized the possibilities for the regulator to impose additional capital requirements on credit institutions, as well as to issue recommendations for additional equity in order to cover losses in stressful situations. In this regard, a new Ordinance No. 8 of the BNB on Capital Buffers, the Combined Buffer Requirement, Restrictions on Distributions and the Guidance on Additional Own Funds was adopted, which also regulates the leverage ratio buffer requirement.

In 2021, taking into account the development of innovative schemes of payment, amendments were made to the Law on Payment Services and Payment Systems. Regulated were the so called “instant payments”, which are performed under the SEPA Instant Credit Transfer scheme of the European Payments Council.

During the year, changes were made to Ordinance No. 7 of the BNB on the Organization and Risk Management of Banks, harmonizing the requirements regarding materiality thresholds for credit

⁴ Term deposits in BGN up to 1 year

⁵ Loans in original maturity in BGN

obligations past due, as well as the provisions for managing interest rate risk in the banking book and outsourcing risk.

Changes were also adopted to Ordinance No. 4 of the BNB on the Requirements for Remunerations in Banks, further regulating the persons falling within the scope of the remuneration policy, as well as introducing exemptions from requirements for deferral, retention or payment of variable remuneration in instruments in accordance with the principles of proportionality. The EBA Guidelines on sound remuneration policies under Directive 2013/36/EU (EBA/GL/2021/04) were also revised.

During the period, Ordinance No. 21 of the BNB on the Minimum Required Reserves Maintained with the Bulgarian National Bank by Banks was amended, changing the definition of excess reserves, which is assumed to be any excess of holdings in reserve assets over the required amount of minimum required reserves.

Changes were made with a view to refining texts and optimizing processes concerning the centralized registers maintained by the BNB, regulated in Ordinance No. 22 on the Central Credit Register and Ordinance No. 12 on the Register of Bank Accounts and Safe Deposit Boxes.

In 2021, the development and improvement continued of the regulatory framework governing the requirements for the activities of public companies and other issuers of securities. A new Ordinance No. 2 of the FSC was adopted on the initial and subsequent disclosure of information in public offering of securities and admission of securities to trading on a regulated market. The changes stem from amendments to the Public Offering of Securities Act (POSA), introducing into national law measures for the implementation of Regulation (EU) 2017/1129 on the prospectuses.

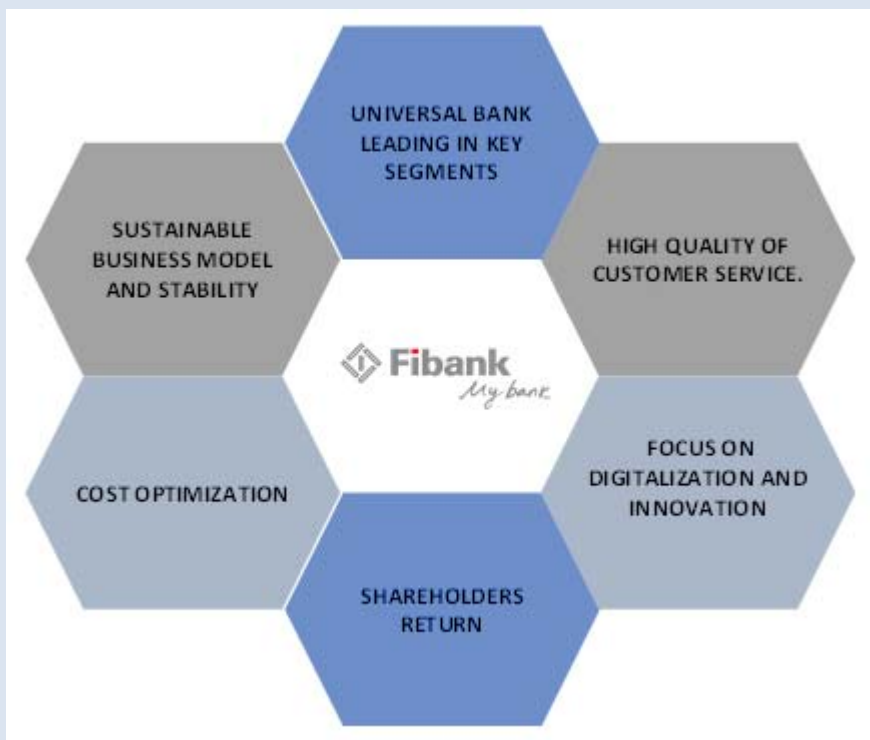
In 2021, the European legal framework governing the activities of credit institutions was supplemented and further developed with revised Guidelines of the European Banking Authority (EBA), which were adopted by the BNB for implementation in the country. Revised were the Guidelines on internal governance under Directive 2013/36/EU (EBA/GL/2021/05), the Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2021/06), the Revised Guidelines on major incident reporting under Directive (EU) 2015/2366 (PSD2) (EBA/GL/2021/03), as well as the Guidelines on customer due diligence и factors that firms should consider when assessing the money laundering/terrorist financing risk associated with a business relationship or occasional transaction.

With a view to meeting the objectives of the European Union for implementation of the UN 2030 Agenda for Sustainable Development, as well as to achieving climate neutrality by 2050, in 2021 the environmental regulatory framework continued to evolve.

In early 2021, the implementation began of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector („Sustainable Finance Disclosure Regulation“), introducing harmonized disclosure requirements on the integration of sustainability risks into investment decision-making and investment advice. During the year, delegated regulations supplementing Regulation (EU) 2020/852 on the taxonomy were adopted, specifying the content and presentation of information to be disclosed by undertakings concerning environmentally sustainable economic, as well as the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation.

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](#)“.

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.


PARTICIPATIONS AND 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 POSITION⁶

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

MARKET SHARE⁷

-  8.32% of bank assets in Bulgaria
-  9.34% of loans in the country
 - 10.84% of corporate lending
 - 8.56% of consumer lending
 - 6.37% of mortgage lending
-  8.69% of deposits in the country
 - 10.27% of deposits from individuals



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 2021 First Investment Bank had a total of 127 branches and offices: 126 branches and offices, including a Head Office, covering the territory of Bulgaria and a foreign branch in Cyprus.
-  Fibank maintains diversification of the distribution channels, which constantly enhance in accordance with technological development and customer needs.



SUBSIDIARIES

As at 31 December 2021, First Investment Bank AD had twelve subsidiary companies: First Investment Bank - Albania Sh.a., Diners Club Bulgaria AD, Fi Health Insurance AD, MyFin EAD, First Investment Finance B.V., Debita OOD, Realtor OOD – in liquidation, Balkan Financial Services EAD, Creative Investment EOOD, Lega Solutions EOOD, Turnaround Management EOOD – in liquidation, and AMC Imoti EAD.

In 2021, the capital of the subsidiary MyFin EAD was increased from BGN 1 million to BGN 2 million in order to develop its activity and offer new services to customers

During the year, decisions were made to terminate the activity of the subsidiaries Realtor OOD and Balkan Financial Services EAD and liquidation proceedings were opened for these companies. In January 2022, pursuant to the decision to close the subsidiary Turnaround Management EOOD, the company was deleted from the Commercial Register.

For further information regarding subsidiary companies, see Note 36 “Subsidiaries” of the Standalone Financial Statements for the year ended 31 December 2021.

AWARDS 2021

- ◆ First Investment Bank was awarded as Digital Bank of the Year – Bulgaria by the international Global Brands Magazine for its contribution to the development of innovations and ensuring a secure and reliable digital banking system.
- ◆ For yet another year, Fibank won the Favorite Brand award and the first place in the Financial Institutions category of the My Love Marks consumer rating.
- ◆ Fibank received the Golden Heart Award of Business Lady Magazine for its consistent policy in the field of corporate social responsibility.



FIRST INVESTMENT BANK: DATES AND FACTS

| | |
|-----------|--|
| 1993 | <ul style="list-style-type: none"> ◆ 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. |
| 1994-1995 | <ul style="list-style-type: none"> ◆ The Bank developed and specialized in servicing corporate clients. |
| 1996 | <ul style="list-style-type: none"> ◆ First Investment Bank 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 | <ul style="list-style-type: none"> ◆ 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 | <ul style="list-style-type: none"> ◆ 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 | <ul style="list-style-type: none"> ◆ 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. ◆ The Bank opened a foreign branch in Tirana, Albania offering banking services to Albanian companies and individuals. |
| 2000 | <ul style="list-style-type: none"> ◆ First Investment Bank started developing its business in the field of retail banking. Deposits from private individuals grew 2.3-fold. |
| 2001 | <ul style="list-style-type: none"> ◆ 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 | <ul style="list-style-type: none"> ◆ Fibank was named “Bank of the Client” in the annual rating of ‘Pari’ daily. |
| 2003 | <ul style="list-style-type: none"> ◆ Products and services to individuals became the focus of the Bank’s activities. Loans to individuals increased over five times during the year. ◆ Fibank was named “Bank of the Client” for the second time in the annual rating of ‘Pari’ daily. |
| 2004 | <ul style="list-style-type: none"> ◆ The Bank expanded its infrastructure. The branch network expanded by 27 new branches and offices, the ATM network more than doubled. ◆ Fibank was awarded the prize “Financial Product of the Year” for its Mortgage Overdraft product. |
| 2005 | <ul style="list-style-type: none"> ◆ 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 | <ul style="list-style-type: none"> ◆ Fibank was named “Bank of the Client” for the third time in the annual rating of ‘Pari’ daily. ◆ First Investment Bank received a syndicated loan, to the amount of EUR 185 million, organised by Bayerische Landesbank, in which 33 banks participated. ◆ The Bank’s share capital was increased from BGN 20 million to BGN 100 million by transforming retained profits into new shares. |

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| 2007 | <ul style="list-style-type: none"> ◆ 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 | <ul style="list-style-type: none"> ◆ 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 | <ul style="list-style-type: none"> ◆ Fibank started offering the sale and redemption of investment diamonds. ◆ First Investment Bank offered a new Internet service “My Fibank”, which provides e-statements on bank accounts and credit cards. |
| 2010 | <ul style="list-style-type: none"> ◆ 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 | <ul style="list-style-type: none"> ◆ 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 | <ul style="list-style-type: none"> ◆ Fibank was granted “Bank of the Year“ award from “Bank of the Year” Association, with the best complex performance. ◆ The Bank signed an agreement with the European Investment Fund 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 | <ul style="list-style-type: none"> ◆ 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 hybrid debt (two bonds emissions) to the total amount of EUR 100 million, included in the Tier I capital. ◆ Clients were provided with the opportunity to purchase online products of investment gold and other precious metals. ◆ Maya Oyfalosh was elected Executive Director of First Investment Bank AD. |
| 2014 | <ul style="list-style-type: none"> ◆ 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 | <ul style="list-style-type: none"> ◆ First Investment Bank realized a joint project with the IFC for upgrading Fibank’s risk management and corporate governance systems in accordance with the principles of the Basel Committee and the recognized international standards. |

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| | <ul style="list-style-type: none"> ◆ 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. ◆ With a view to maintaining an open line of communication with investors and enhancing dialogue with minority shareholders, a Club of investors was created. ◆ First Investment Bank was distinguished by the global organization Superbrands as the strongest brand among financial institutions in Bulgaria. |
| 2016 | <ul style="list-style-type: none"> ◆ 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 | <ul style="list-style-type: none"> ◆ Fibank created its integrated e-banking platform My Fibank, using a single customer service channel (Omnichannel). ◆ First Investment Bank joined as direct participant the Pan-European Automated Clearing House STEP2 SEPA Credit Transfer (SCT). ◆ 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 | <ul style="list-style-type: none"> ◆ 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 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. ◆ Fibank signed a COSME+ agreement with the Bulgarian Development Bank for the financing of SMEs. |
| 2019 | <ul style="list-style-type: none"> ◆ First Investment Bank successfully placed a hybrid instrument (bond issue) totaling EUR 30 million. ◆ Fibank was among the leading banks to join the global SWIFT gpi solution, which significantly improves the speed and traceability of cross-border transfers. ◆ 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 | <ul style="list-style-type: none"> ◆ 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 in support of individuals and SMEs for overcoming the consequences from the COVID-19 pandemic. |

HIGHLIGHTS 2021

JANUARY

- ◆ Video consultation: a new customer service regarding credit products for individuals, available at www.fibank.bg and through My Fibank electronic banking.
- ◆ New gold and silver heart-shaped medallion bars, produced by the Swiss refinery PAMP following a conceptual design by Fibank.
- ◆ Fibank extended the deadline for customer requests for deferral of obligations under the moratorium on loan repayments related to the COVID-19 pandemic.



FEBRUARY

- ◆ Consumer loan from Fibank: provided entirely online for individuals, also featuring the option for remote signing of documents.
- ◆ Bank employees from around the country took part in the second edition of Fibank & Cook Academy: a project conducted online with the participation of renowned culinary experts.

MARCH

- ◆ The Bank provided the option to remotely apply for mortgage loans, available through the My Fibank mobile application.
- ◆ More functionalities were added to digital banking, allowing the use of new services and making online purchases.
- ◆ Fibank's Smart Lady program in support of women entrepreneurs and micro-enterprises was further developed, with funded projects exceeding BGN 85 million.

APRIL

- ◆ Fibank was the first in the country to offer innovative smart watch payments using the Fitbit Pay service and digitized cards issued by the Bank.
- ◆ A branch digitalization project was launched, involving electronic signing of documents in the branch network of the Bank.
- ◆ The necessary organization was set up to implement sustainability requirements taking into account the environmental, social, and governance (ESG) factors in the Bank's activities, including in relation to strategic planning, risk management framework, internal governance and disclosure.



MAY

- ◆ The rating agency Fitch Ratings confirmed its credit ratings assigned to First Investment Bank.
- ◆ The option was provided for online opening of a current account with debit card through the Bank's newly developed portal <https://smetka.fibank.bg/>.
- ◆ Fibank introduced a new BPM (Business Process Management) system for managing processes in retail lending.

JUNE

- ◆ A regular annual general meeting of the shareholders of First Investment Bank was held. The meeting decided to capitalize the net profit for 2020 and elected a new independent member and chairman of the Audit Committee of the Bank.
- ◆ The Sustainable Lady Fund was set up, a joint initiative with Mastercard as part of Fibank's Smart Lady program to support innovative green projects for women entrepreneurs.
- ◆ Fibank was among the first banks in the country to join the Recovery Program of the Fund Manager of Financial Instruments in Bulgaria in support of micro and SMEs affected by the COVID-19 outbreak.



JULY

- ◆ Debit Mastercard Platinum was launched for the premium segment, offering a number of benefits including a virtual assistant application (AskPLEEZ!) and concierge services.
- ◆ New features were added to My Fibank e-banking, including online application for Easy Loan overdrafts.
- ◆ A new human resources management system was introduced, enabling more efficient human capital management in the Bank.



AUGUST

- ◆ A regular meeting with minority shareholders was held as part of the Bank's consistent policy for transparency, open dialogue and providing feedback.
- ◆ More favorable conditions were introduced for the credit card cashback program in the premium segment, featuring return of up to 1% of the payments made over a 6-month period.
- ◆ An initiative in support of people with short stature was implemented, as well as actions to facilitate the use of ATM terminals of the Bank by blind people.
- ◆ Information security processes and systems were improved, including by introduction of a new data control system.

SEPTEMBER

- ◆ A new silver coin dedicated to the Year of the Tiger was launched, developed jointly with the New Zealand Mint.
- ◆ The Bank further improved its policies in the field of internal governance, including with regard to the composition of committees and councils to the Management Board.
- ◆ Fibank continued to develop its debit cards for children and teens by offering new competitive terms and including microcards and payment wearables.



OCTOBER

- ◆ New products were developed for retail and business customers: the Gold Portfolio and the Eco Portfolio, linked respectfully to the price of gold and to green bonds.
- ◆ Fibank was awarded by Global Brands Magazine for its contribution to innovation and digital banking, strengthened its image as an internationally recognized digital bank.
- ◆ First Investment Bank was among the pilot banks to join the Blink scheme for instant payments in BGN operated by BORICA AD.

NOVEMBER

- ◆ First Investment Bank offered the Gold Account: an innovative product for purchase, sale and keeping of dematerialized gold (XAO).
- ◆ An agreement was signed with the Fund of Funds for granting loans to farmers under the Financing in Rural Areas financial instrument.
- ◆ MyCard was launched: a new virtual credit card with pre-approved credit limit, issued entirely online through the My Fibank mobile application.



DECEMBER

- ◆ New credit products for business customers were developed: Green Transport, Green Energy - Free Market and Green Energy - Own Use, in implementation of sustainable development initiatives.
- ◆ Two tranches were successfully subscribed of the Bank's one-year program for issuance of hybrid instruments with a total amount of up to EUR 100 million, eligible for additional Tier 1 capital.
- ◆ A decision was made to move the headquarters of the Bank to Sofia Tech One, a new and modern building certified for sustainability as Excellent under the BREEAM.



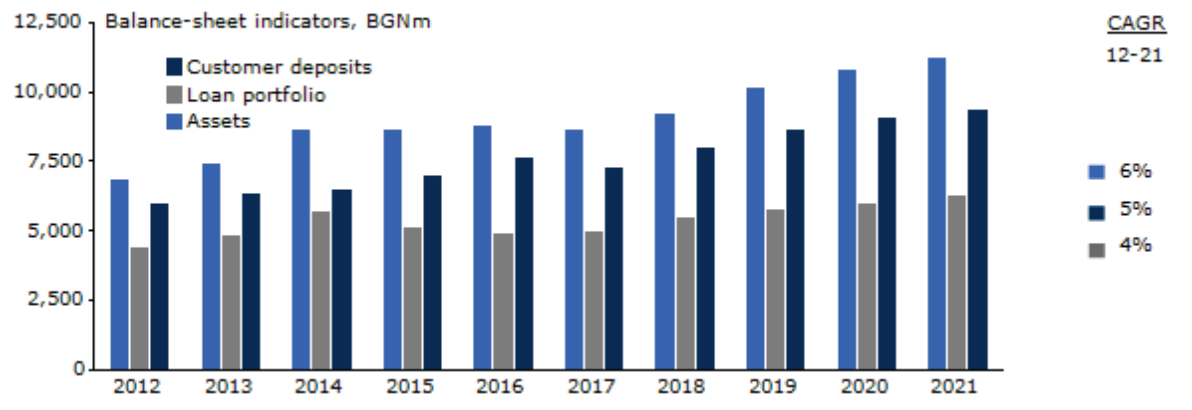
FINANCIAL REVIEW

KEY INDICATORS

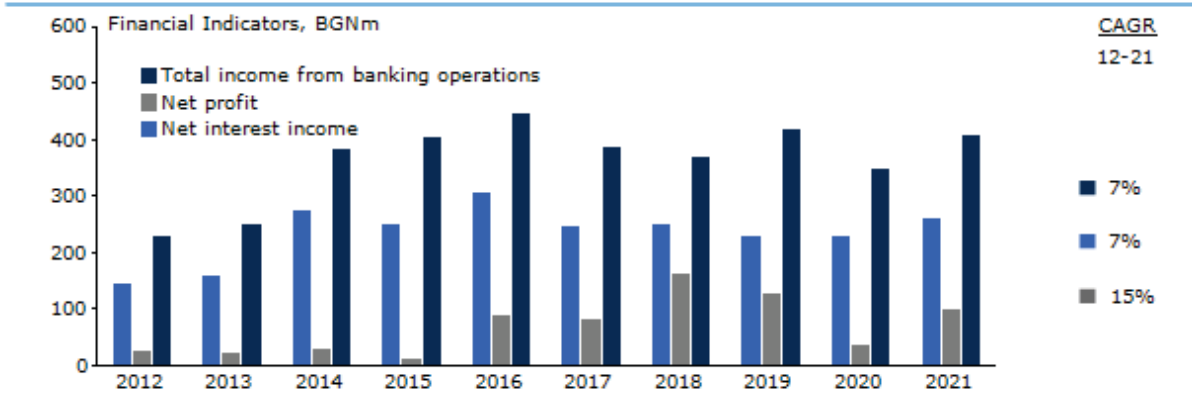
| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|------------|------------|------------|-----------|-----------|
| Financial indicators (BGN thousand) | | | | | |
| Net interest income | 263,144 | 232,649 | 230,696 | 250,885 | 247,578 |
| Net fee and commission income | 118,865 | 95,849 | 103,230 | 93,546 | 98,851 |
| Net trading income | 15,380 | 11,991 | 14,929 | 12,279 | 15,435 |
| Total income from banking operations | 408,757 | 350,833 | 420,785 | 372,363 | 389,314 |
| Administrative expenses | (179,441) | (181,842) | (209,157) | (202,315) | (196,635) |
| Impairment | (122,494) | (93,660) | (117,490) | (82,500) | (77,511) |
| Net profit | 100,083 | 38,881 | 129,221 | 164,138 | 85,466 |
| Balance-sheet indicators (BGN thousand) | | | | | |
| Assets | 11,268,870 | 10,832,829 | 10,200,031 | 9,237,837 | 8,642,571 |
| Loans and advances to customers | 6,315,581 | 6,038,889 | 5,776,915 | 5,525,957 | 5,018,298 |
| Loans and advances to banks and fin. inst. | 87,412 | 106,085 | 79,576 | 125,472 | 54,402 |
| Due to other customers | 9,425,251 | 9,100,155 | 8,684,001 | 8,021,439 | 7,338,375 |
| Other borrowed funds | 106,271 | 104,151 | 109,723 | 118,156 | 118,517 |
| Hybrid debt | 320,733 | 267,579 | 267,615 | 208,786 | 208,786 |
| Shareholders' equity | 1,268,864 | 1,177,749 | 943,065 | 812,913 | 929,284 |
| Key ratios (in %) | | | | | |
| Capital adequacy ratio | 21.46 | 21.78 | 18.80 | 16.31 | 16.18 |
| Tier 1 capital ratio | 21.46 | 21.78 | 18.80 | 16.31 | 16.16 |
| CET 1 ratio | 17.86 | 18.18 | 15.00 | 13.37 | 13.08 |
| Leverage ratio | 13.26 | 13.79 | 12.13 | 11.26 | 11.55 |
| Liquid assets/deposits from customers | 28.07 | 29.84 | 27.43 | 27.09 | 26.26 |
| Liquidity coverage ratio (LCR) | 230.36 | 236.84 | 198.25 | 251.43 | 320.22 |
| Net stable financing ratio (NSFR) | 137.42 | 132.35 | 130.38 | 134.23 | 136.52 |
| Net loans/deposits ratio | 67.01 | 66.36 | 66.52 | 68.89 | 68.38 |
| Cost of risk | 1.82 | 1.40 | 1.86 | 1.59 | 1.38 |
| Net interest income/total income from banking operations | 64.38 | 66.31 | 54.83 | 67.38 | 63.59 |
| Cost/income ratio | 43.39 | 56.99 | 44.43 | 46.28 | 53.31 |
| Resources (in numbers) | | | | | |
| Branches and offices | 127 | 134 | 144 | 155 | 156 |
| Staff | 2,466 | 2,524 | 2,572 | 2,651 | 3,045 |

SUSTAINABLE DEVELOPMENT

BALANCE-SHEET INDICATORS



FINANCIAL INDICATORS



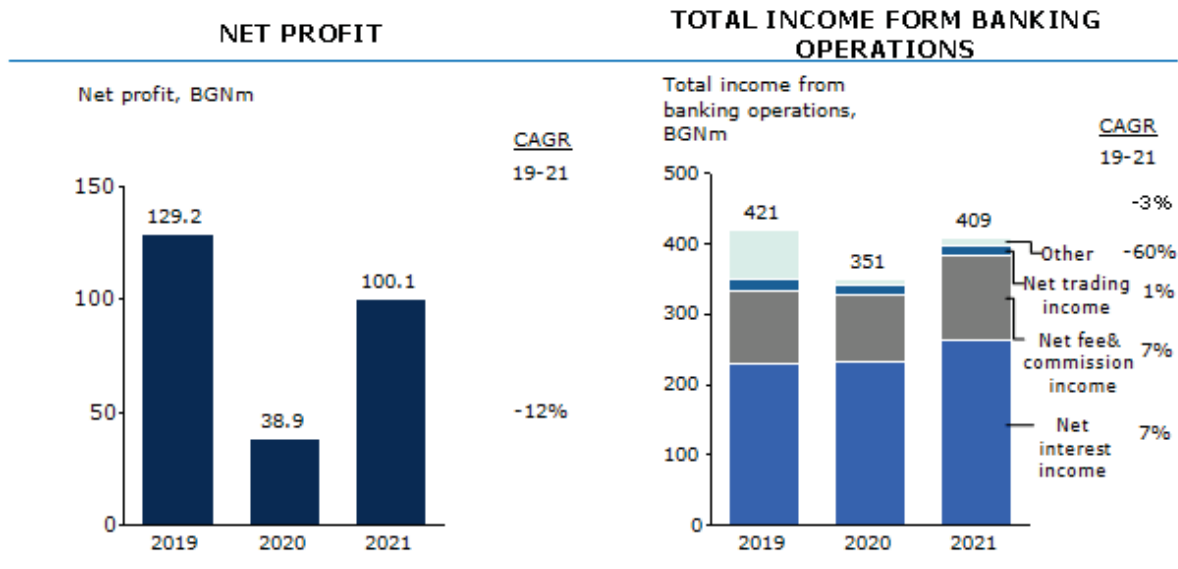
The factors related to climate change and sustainable development (ecologica, social and governance - ESG), has increasing reflection on business activities and lead to changes in business models. Their implementation in all processes is fundamental for the long-term development of the Bank. It is extremely important also for adequate response to market expectations, support of clients and the community as a whole. In 2021, First Investment Bank undertook important steps (organization, roadmap) for implementing the requirements, reflecting ESG factors in the activity, its strategic planning and business strategy, risk manadement framework and internal governance. *For more information see section „Sustainable development“.*

CREDIT RATING

First Investment Bank has public ratings issued by the international rating agency Fitch Ratings. In May 2021, Fitch Ratings fully affirmed the credit ratings of First Investment Bank as follows: long-term rating “B” with a negative outlook, short-term rating “B”, viability rating “b”, support rating “5” and support rating floor “NF” (No Floor).

FINANCIAL RESULTS

In 2021, First Investment Bank reported increased financial results and sustainable development in the context of the ongoing COVID-19 pandemic and its consequences. Net profit increased to BGN 100,083 thousand compared to BGN 38,881 thousand a year earlier, as a result of higher operating income and the development of credit policies, as well as optimization of administrative costs. Total income from banking operations increased to BGN 408,757 thousand (2020: BGN 350,833 thousand) with an increase in all main sources of income. The return on equity (after taxes) reached 8.29%, and the return on assets (after taxes) – 0.91%.



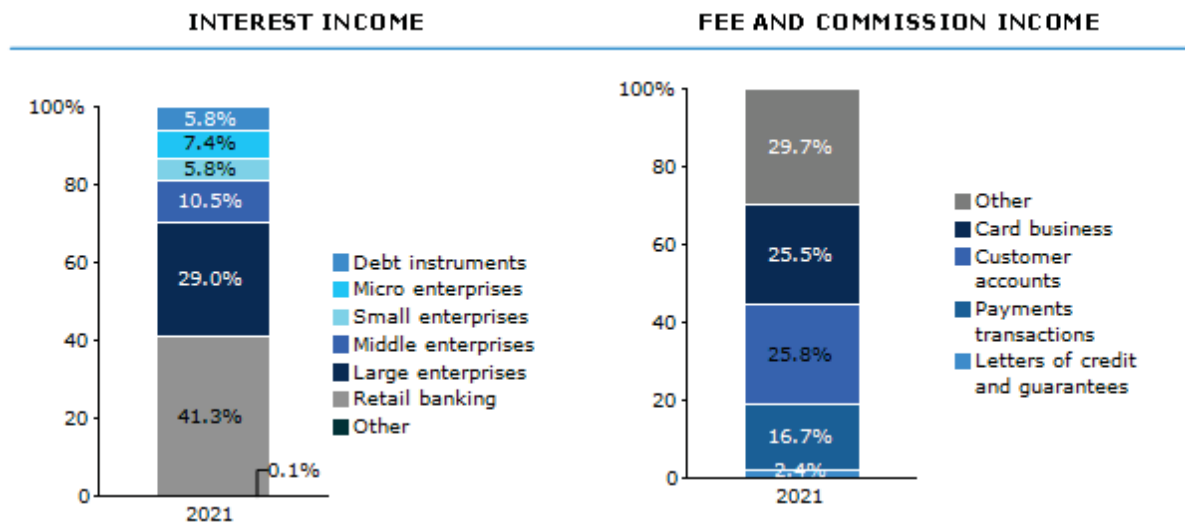
In 2021, net interest income increased to BGN 263,144 thousand (2020: BGN 232,649 thousand), remaining the main source of income for the Bank and accounting for 64.4% of total operating income (2020: 66.3 %). Fibank's operations abroad (Cyprus branch) had an insignificant share of the Bank's net interest income.

For the reporting period, interest income increased to BGN 308,556 thousand (2020: BGN 292,160 thousand), as an increase in all major business segments, incl. the households segment (2021: BGN 127,522 thousand; 2020: BGN 123,142 thousand) and of enterprises⁸, incl. large enterprises (2021: BGN 89,510 thousand; 2020: BGN 86,700 thousand), small and middle enterprises предприятия (2021: BGN 50,483 thousand.; 2020: BGN 49,769 thousand) and microenterprises (2021: BGN 22,832 thousand; 2020: BGN 15,015 thousand). An increase was also reported in the debt instrument investments (2021: BGN 17,848 thousand; 2020: BGN 17,023 thousand), used as an additional source of interest income.

In interest expenses the trend from the previous years was preserved, with a decrease reported in expenses on customer deposits: BGN 9,131 thousand compared to BGN 26,352 thousand a year earlier. During the year First Investment Bank maintained interest rates on deposit products in line with the market conditions and competitive environment, as well as with the high liquidity levels. An increase was reported in interest expenses on hybrid debt (2021: BGN 27,634 thousand; 2020: BGN 27,541 thousand).

⁸ According to Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises determined on the basis of annual turnover as follows: microenterprises - up to BGN 3.9 million; small enterprises - up to BGN 19.5 million; medium-sized enterprises - up to BGN 97.5 million.

thousand), as well as on assets (2021: BGN 7,897 thousand; 2020: BGN 4,798 thousand), which include mainly expenses related to excess reserves and on nostro accounts, held in foreign banks. The net interest margin of the Bank amounted to 3.27% for the period.



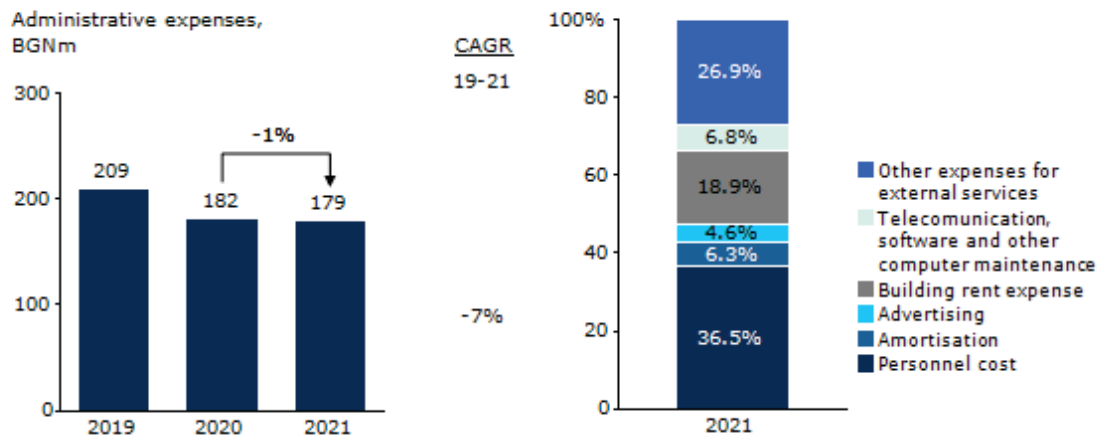
Net fee and commission income for 2021 amounted to BGN 118,865 thousand compared to BGN 95,849 thousand for the previous year, forming 29.1% (27.9% banking system average) of total income from banking operations (2020: 27.3%) and providing a solid contribution to operating profit. Fibank's operations abroad (Cyprus branch) formed 7.2% of net fee and commission income (2020: 4.6%). An increase was reported in all major sources of income, incl. payment transactions (2021: BGN 23,890 thousand; 2020: BGN 18,936 thousand), customer accounts (2021: 36 BGN 840 thousand; 2020: BGN 32,744 thousand), card services (2021: BGN 36,405 thousand; 2020: BGN 31,339 thousand), letters of credit and guarantees (BGN 2021: 3387 thousand; 2020: BGN 2,381 thousand), as well as for other services (2021: 42 493 thousand BGN; 2020: 30 850 thousand BGN), including such related to credit activity. The increase was influenced by the consistent policy and actions of the Bank for development in the field of cross-selling and stimulating the commission income, as well as the expanded customer base and increased collection of fees.

For 2021, net trading income amounted to BGN 15,380 thousand (2020: BGN 11,991 thousand), the increase mainly due to higher income from foreign currency transactions, which amounted to BGN 15,148 thousand BGN, compared to BGN 12,162 thousand a year earlier. Net income was also reported in debt and equity instrument transactions, totaling BGN 232 thousand for the period compared to net expenses of BGN 171 thousand for the previous year. The relative share of net trading income remained insignificant at 3.8% of total income from banking operations (2020: 3.4%).

The other net operating revenues amount to BGN 11,368 thousand, compared to BGN 10,344 thousand the year earlier, as the increase was mainly due to higher income from management of assigned receivables (2021: BGN 3,075 thousand; 2020: BGN 162 thousand) as a result of the sales of portfolios of non-performing exposures realized during the year, as well as higher income from transactions and revaluations of gold and precious metals.

Over the year, administrative expenses decreased to BGN 179,441 thousand, compared to BGN 181,842 thousand a year earlier, influenced mainly by lower costs for external services (2021: BGN 48,266 thousand; 2020: BGN 52,454 thousand), for advertising (2021: BGN 8,176 thousand; 2020: BGN 9,307 thousand) and for depreciation of property, plant and equipment (2021: BGN 11,379 thousand; 2020: BGN 12,435 thousand), as a result of measures taken to optimize the efficiency of operations. At levels close to the previous year remained the costs of depreciation of right-of-use assets (2021:

BGN 33,915 thousand; 2020: BGN 33,838 thousand), as well as those related to telecommunications, software and other computer support (2021: BGN 12,265 thousand; 2020: BGN 11,931 thousand). An increase was reported in personnel costs (2021: BGN 65,440 thousand; 2020: BGN 61,877 thousand), as part of the consecutive actions to establish the Bank as a preferred employer and to retain qualified staff and key employees. For the period, cost/income ratio decreased to 43.39% on a individual basis (2020: 56.99%).

ADMINISTRATIVE EXPENSES
STRUCTURE OF ADMINISTRATIVE EXPENSES


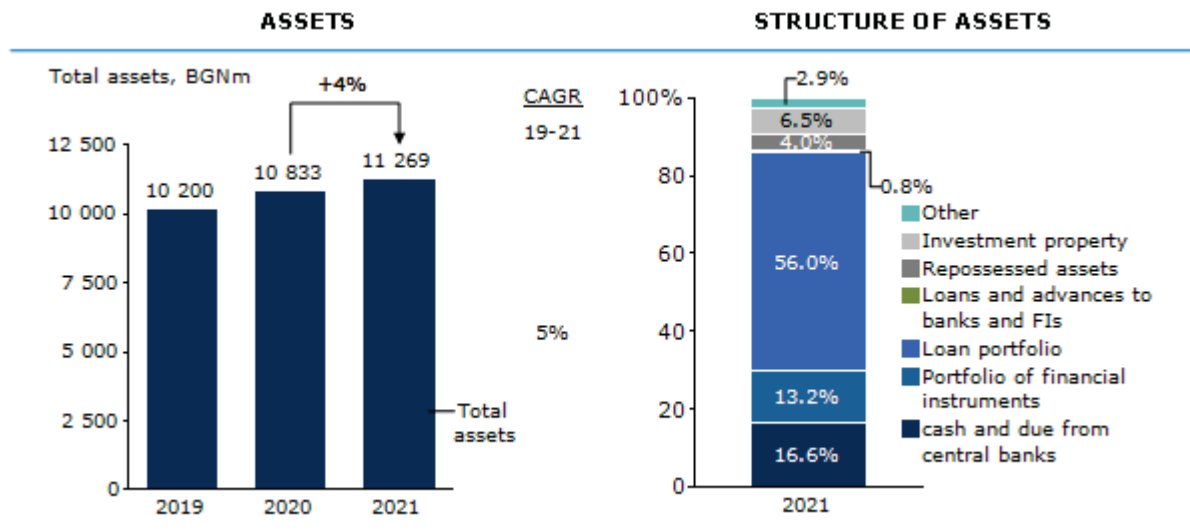
During the year additional write-downs were made on loans, off-balance sheet commitments amounting to BGN 153,138 thousand, while BGN 30,644 thousand impairment losses were reversed. As a result, net impairment for 2021 amounted to BGN 122,494 thousand (2020: BGN 93,660 thousand). *For more information see the "Risk Management" section.*

For the period, First Investment Bank reported other income (net) in the amount of BGN 4,754 thousand, compared to net expenses of BGN 31,750 thousand a year earlier, which was influenced by the reported additional income in connection with the revaluation of investment property in the amount of BGN 30,340 thousand. This position included also contributions made by the Bank to guarantee schemes, including deposit insurance funds, for restructuring and investor compensation (2021: BGN 22,202 thousand; 2020: BGN 34,608 thousand).

For more information see the Individual Financial Statements for the year ended December 31, 2021.

BALANCE SHEET

In 2021, the total assets of First Investment Bank increased by 4.0% to BGN 11,268,870 thousand, compared to BGN 10,832,829 thousand a year earlier. The dynamics reflected the development of the lending portfolio, the optimization of balance sheet items and the increase of borrowed funds in line with the changes in the external environment and market conditions. Fibank maintained its leading position among banks in the country, ranking fifth in terms of assets (2020: fifth) by the end of 2021, with a market share of 8.32% on an individual basis (2020: 8.70%).



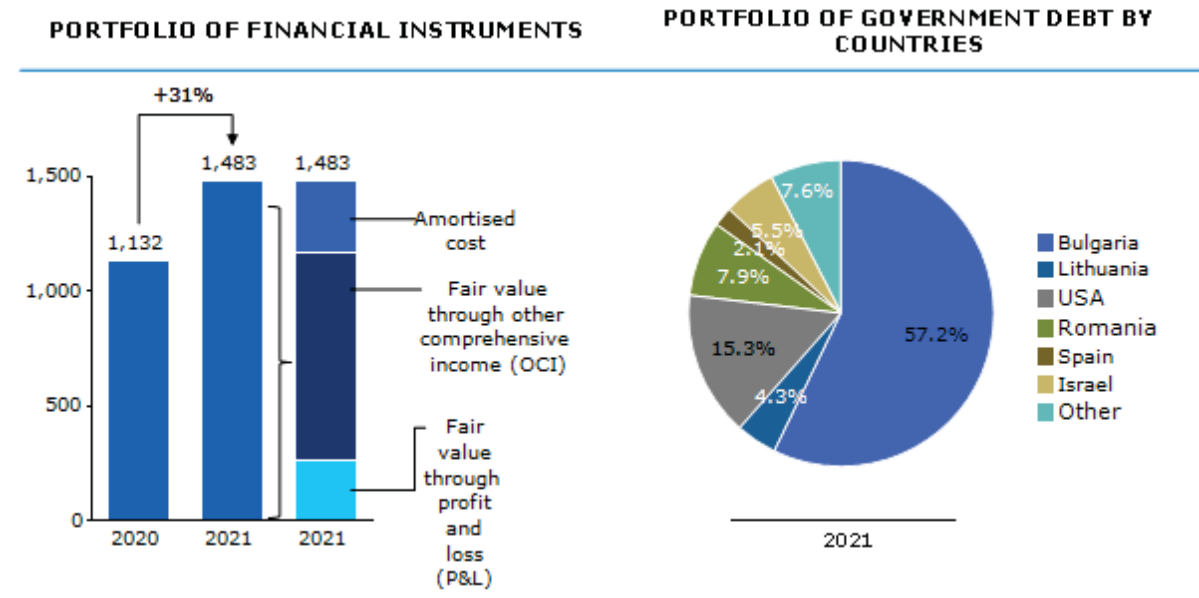
In the structure of the Bank's assets, loans and advances to customers retained their major share at 56.0% of total assets (2020: 55.7%), followed by cash and receivables from central banks at 16.6% (2020: 19.0%) and investments in securities at 13.2% (2020: 10.5%). The share of repossessed assets were down to 4.0% (2020: 6.5%) at the expense of investment property (2021: 6.5%; 2020: 3.8%), which are estimated that can generate additional profitability for the Bank. The loan/deposit ratio amounted to 67.0%, in accordance with the conservative risk management policy.

Cash and receivables from central banks decreased to BGN 1,868,853 thousand compared to the levels of the previous year (2020: 2,060,496 thousand) as a result mainly of a decrease in receivables from central banks (2021: 1,455,801 thousand BGN; 2020: BGN 1,620,906 thousand), as well as on the current account balances with foreign banks (2021: BGN 165,600 thousand; 2020: BGN 263,649 thousand). First Investment Bank managed its cash according to customer needs and with a view to maintaining optimal returns. At the end of 2021, cash on hand amounted to BGN 247,452 thousand compared to BGN 175,941 thousand a year earlier.

Loans and advances to banks and financial institutions amounted to BGN 87,412 thousand at the end of the period (2020: BGN 106,085 thousand), as a decrease was reported in receivables from local banks and financial institutions (2021: BGN 22,164 thousand; 2020: BGN 39,570 thousand) and to lesser degree in those from foreign banks and institutions (BGN 2021: 65,248 thousand; 2020: BGN 66,515 thousand).

The securities investment portfolio increased to BGN 1,482,699 thousand at the end of the year (2020: BGN 1,132,106 thousand), managed according to market conditions and with a view to generating additional income, while maintaining proper balance between risk and return. An increase was reported in all major types of instruments, incl. Bulgarian government securities (2021: BGN 579,049 thousand; 2020: BGN 439,491 thousand) and foreign governments (2021: BGN 433,129 thousand,

2020: BGN 404,728 thousand).), as well as bonds and notes issued by foreign banks (2021: BGN 124,057 thousand; 2020: BGN 24,011 thousand) and by the enterprises (2021: BGN 317,559 thousand; 2020: BGN 236,484 thousand).



In accordance with the requirements regarding business models and the IFRS 9 criteria for classification and valuation of financial assets in the Bank's portfolios, BGN 901,155 thousand of the securities portfolio are measured at fair value through other comprehensive income (2020: BGN 668,385 thousand), BGN 265,405 thousand – at fair value through profit or loss (2020: BGN 263,891 thousand), and BGN 316,139 thousand – at amortized cost (2020: BGN 199,830 thousand). Investments in subsidiaries increased to BGN 45,873 thousand at the end of the period, compared to BGN 44,872 thousand a year earlier, as a result of the capital increase of the subsidiary Myfin EAD.

As of 31 December 2021, Fibank's operations abroad (Cyprus branch) formed 4.1% of the Bank's assets and 5.7% of the liabilities. The policy for development of the Cyprus branch's activities is focused on the micro and small business segment, as well as retail banking.

Reposessed assets decreased to BGN 450,987 thousand (2020: BGN 706,042 thousand) at the expense of investment properties (2021: BGN 732,850 thousand; 2020: BGN 414,021 thousand), as a result of transferred during the year reposessed assets in the amount of BGN 290,975 thousand, as well as revaluation made during the transfer in the amount of BGN 30,340 thousand. For the period properties sold in the amount of BGN 2,683 thousand were written off.

Other assets of the Bank amounted to BGN 116,136 thousand (2020: BGN 97,721 thousand), including deferred expenses, gold and other receivables. The right-of-use assets amounted to BGN 77,725 thousand at the end of the year (2020: BGN 139,837 thousand).

For more information see the Individual Financial Statements for the year ended December 31, 2021.

LOAN PORTFOLIO

LOANS

In 2021, the net loan portfolio of First Investment Bank increased by 4.6% to BGN 6,315,581 thousand (2020: BGN 6,038,889 thousand), in line with the objectives for business development placing a priority on the retail, micro and SME segments.

| In BGN thousand / % of total | 2021 | % | 2020 | % | 2019 | % |
|------------------------------|------------------|------------|------------------|------------|------------------|------------|
| Households | 2,234,747 | 33.0 | 2,036,996 | 31.1 | 1,926,283 | 30.7 |
| Microenterprises | 501,076 | 7.4 | 349,338 | 5.3 | 323,850 | 5.2 |
| Small enterprises | 549,802 | 8.1 | 505,348 | 7.7 | 496,059 | 7.9 |
| Medium enterprises | 1,250,249 | 18.4 | 1,039,260 | 15.9 | 1,088,347 | 17.3 |
| Large enterprises | 2,243,447 | 33.1 | 2,618,826 | 40.0 | 2,441,869 | 38.9 |
| Gross loan portfolio | 6,779,321 | 100 | 6,549,768 | 100 | 6,276,408 | 100 |
| Impairment | (463,740) | | (510,879) | | (499,493) | |
| Net loan portfolio | 6,315,581 | | 6,038,889 | | 5,776,915 | |

Growth was reported in loans to households, which increased their share to 33.0% of the gross portfolio (2020: 31.1%), as well as in micro-enterprises - up to 7.4% (2020: 5.3%), small enterprises - up to 8.1% (2020: 7.7%) and medium-sized enterprises - up to 18.4% (2020: 15.9%), structured according to the EU criteria⁹ for customer segmentation, which together form 33.9% (2020: 28.9%) of total loans at the end of the year. A decrease was reported in large enterprises segment as their share fell to 33.1% of the gross portfolio (2020: 40.0%). As of December 31, 2021, First Investment Bank ranked sixth by loan portfolio size among banks in the country, with a market share of 9.34% (2020: 9.91%).

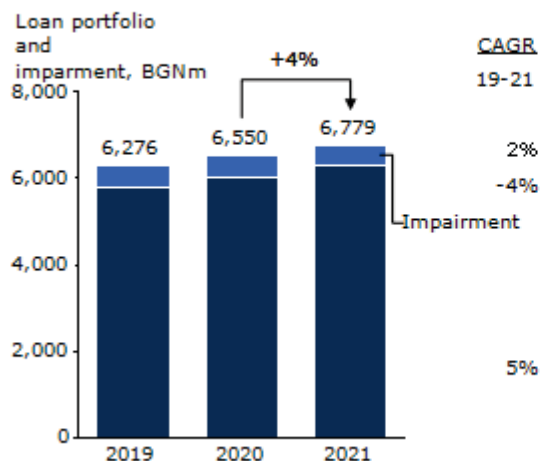
| In BGN thousand / % of total | 2021 | % | 2020 | % | 2019 | % |
|------------------------------|------------------|------------|------------------|------------|------------------|------------|
| Loans in BGN | 4,048,836 | 5.7 | 3,633,729 | 55.5 | 3,366,813 | 53.6 |
| Loans in EUR | 2,481,510 | 36.6 | 2,685,447 | 41.0 | 2,771,026 | 44.2 |
| Loans in other currency | 248,975 | 3.7 | 230,592 | 3.5 | 138,569 | 2.2 |
| Gross loan portfolio | 6,779,321 | 100 | 6,549,768 | 100 | 6,276,408 | 100 |
| Impairment | (463,740) | | (510,879) | | (499,493) | |
| Net loan portfolio | 6,315,581 | | 6,038,889 | | 5,776,915 | |

In the currency structure of the loan portfolio, loans in BGN increased to BGN 4,048,836 thousand (2020: BGN 3,633,729 thousand) or 59.7% of the total portfolio (2020: 55.5%). A decrease was reported in loans in euro to BGN 2,481,510 thousand at the end of the period (2020: BGN 2,685,447 thousand).

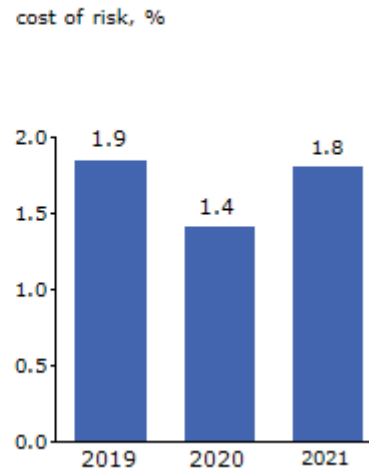
⁹ According to Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises determined on the basis of annual turnover as follows: microenterprises - up to BGN 3.9 million; small enterprises - up to BGN 19.5 million; medium-sized enterprises - up to BGN 97.5 million.

thousand), or a share of 36,6% (2020: 41.0%) 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 248,975 thousand (2020: BGN 230,592 thousand), forming 3.7% of total loans (2020: 3.5%).

LOAN PORTFOLIO AND IMPAIRMENT



COST OF RISK

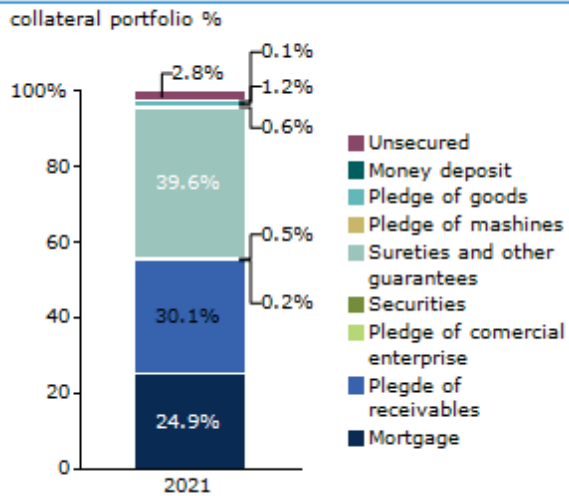
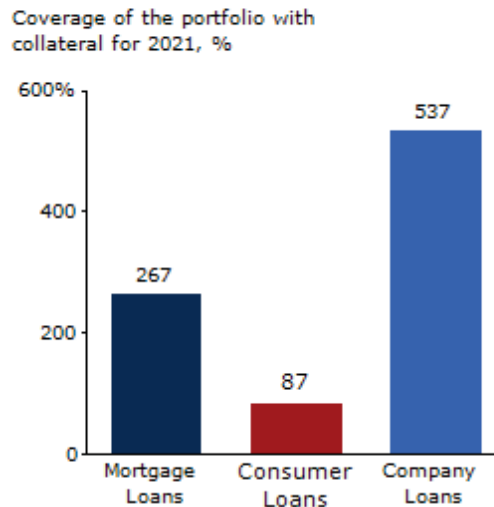


At the end of the period, impairment charges for potential losses on the loan portfolio amounted to BGN 463,740 thousand compared to BGN 510,879 thousand a year earlier. In 2021, additional impairment was recognized in the amount of BGN 152,369 thousand, impairment losses in the amount BGN 30,381 thousand were reversed, and BGN 170,781 thousand were written off.

During the year, First Investment Bank applied the approved Procedure for deferral and settlement of payments due to banks applied in the light of the COVID-19 crisis (private moratorium) in accordance with its terms and conditions, applying the provisional principle that the application of the general payment moratorium in itself should not lead to reclassification of the exposure as forborne. *For more information see the [Risk Management](#) section.*

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.

As of the end of 2021, the type of collateral having the largest share in the Bank's portfolio were sureties and other guarantees – 39.6%, followed by pledges of receivables – 30.1% and mortgages – 24.9%.

LOAN PORTFOLIO BY TYPE OF COLLATERAL

COVERAGE OF THE PORTFOLIO WITH COLLATERAL


For more information on credit risk, see Note 3 "Risk Management" of the Individual Financial Statements for the year ended December 31, 2021.

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 | | |
|-------------------------------|---|--------|--------|----------------------------------|---------|---------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| In BGN thousand | | | | | | |
| Loans | 3,515 | 1,769 | 2,327 | 83,666 | 84,580 | 20,908 |
| Deposits and loans received | 13,725 | 13,275 | 11,718 | 125,350 | 113,352 | 118,118 |
| Deposits placed | - | - | - | 5,868 | 2,955 | 18,748 |
| Other receivables | - | - | - | 18,037 | 17,565 | 16,790 |
| Other borrowings | - | - | - | 420 | 100 | 100 |
| Off-balance sheet commitments | 1,061 | 1,031 | 975 | 2,792 | 3,412 | 4,235 |
| Leasing liabilities | - | - | - | 1,513 | - | - |

| Type of related party | Parties that control or manage the Bank | | | Enterprises under common control | | | |
|----------------------------|---|------|------|----------------------------------|-------|-------|-------|
| | In BGN thousand | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| Interest income | | 24 | 25 | 38 | 3,089 | 3,325 | 1,359 |
| Interest expense | | 8 | 10 | 3 | 547 | 22 | 28 |
| Fee and commission income | | 16 | 14 | 19 | 1,082 | 368 | 374 |
| Fee and commission expense | | 4 | 3 | 2 | 296 | 295 | 562 |

For more information regarding related party transactions, see Note 35 "Related party transactions" of the Individual Financial Statements for the year ended December 31, 2021.

CONTINGENT 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 reporting period the total amount of off-balance sheet commitments amounted to BGN 818,028 thousand, compared to BGN 762,885 thousand a year earlier. The increase was mainly due to unused credit lines, up to BGN 644,288 thousand (2020: BGN 556,694 thousand) at the expense of bank guarantees, down to BGN 161,233 thousand (2020: BGN 179,964 thousand) and letters of credit – down to BGN 12,507 thousand (2020: BGN 26,227 thousand).

For more information on off-balance sheet commitments, see Note 32 "Contingent liabilities" of the Individual Financial Statements for the year ended December 31, 2021.

ATTRACTED FUNDS

In 2021, attracted funds from customers increased by 3,6% and reached BGN 9,425,251 thousand (2020: BGN 9,100,155 thousand), remaining the main source of funding for the Bank and forming 94.3% of total liabilities (2020: 94.3%). First Investment Bank offers savings products and package programs tailored to market conditions and customer needs. As at 31 December 2021, the Bank ranked fifth by deposit size among banks in Bulgaria (2019: fifth) with a market share of 8,69% on individual basis (2020: 9.06%).

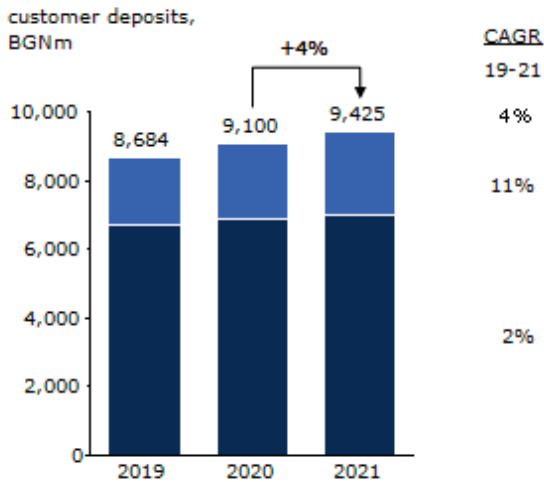
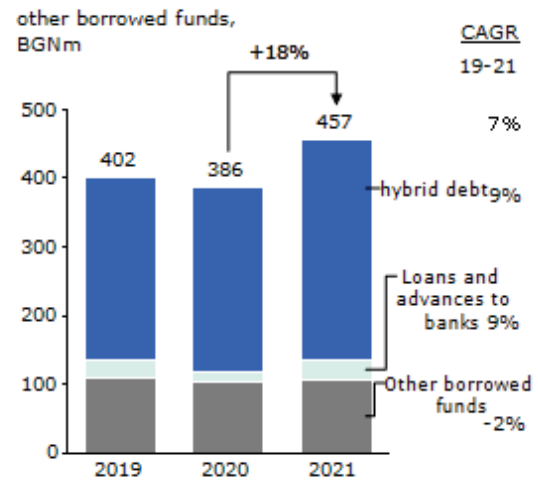
Deposits of individuals increased by 1.7% to BGN 6,993,994 thousand at the end of the period compared to BGN 6,875,257 thousand a year earlier. They retained a major share of total borrowings at 74,2% (2020: 75.6%). The currency structure of retail deposits is dominated by BGN funds accounting for 46,2% of all borrowings (2020: 45.4%), followed by funds in euros at 22,6% (2020: 24.8%) and in other currencies at 5.4% (2020: 5.4%).

| In BGN thousand / % of total | 2021 | % | 2020 | % | 2019 | % |
|--|------------------|-------------|------------------|-------------|------------------|-------------|
| Attracted funds from individuals | 6,993,994 | 74.2 | 6,875,257 | 75.6 | 6,723,937 | 77.4 |
| In BGN | 4,352,688 | 46.2 | 4,127,979 | 45.4 | 4,032,395 | 46.4 |
| In EUR | 2,131,028 | 22.6 | 2,255,006 | 24.8 | 2,187,186 | 25.2 |
| In other currency | 510,278 | 5.4 | 492,272 | 5.4 | 504,356 | 5.8 |
| Attracted funds from corporate, state-owned and public institutions | 2,431,257 | 25.8 | 2,224,898 | 24.4 | 1,960,064 | 22.6 |
| In BGN | 1,400,350 | 14.9 | 1,346,566 | 14.8 | 1,296,304 | 14.9 |
| In EUR | 883,292 | 9.4 | 681,256 | 7.5 | 525,002 | 6.1 |
| In other currency | 147,615 | 1.6 | 197,076 | 2.2 | 138,758 | 1.6 |
| Total attracted funds from customers | 9,425,251 | 100 | 9,100,155 | 100 | 8,684,001 | 100 |

In accordance with the 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 13.5% to BGN 2,431,257 thousand (2020: BGN 2,224,898 thousand) as a result of the Bank's consistent policy of cross-selling, development of transaction business in line with modern technologies and the European payment infrastructure, and building lasting customer relationships. By the end of 2021 their relative share increased to 25,8% of total borrowings from customers (2020: 24.4%). As regards the currency structure, funds in BGN attracted from corporates and public institutions formed 14.9% of all borrowings (2020: 14.8%), followed by those in euros at 9.4% (2020: 7.5%) and in other currencies at 1.6% (2020: 2.2%).

Other borrowings increased to BGN 106,271 thousand as of December 31, 2021 compared to BGN 104,151 thousand a year earlier, as a result mainly to the received financing (2021: BGN 26,227 thousand; 2020: BGN 23,633 thousand) and the liabilities related to structured products, which the Bank started to offer during the period in compliance with 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 section „[Capital](#)“.*

CUSTOMER DEPOSITS

OTHER BORROWED FUNDS


The received financing mainly include financing from Bulgarian Development Bank AD: BGN 15,525 thousand (2020: BGN 16,137 thousand), from the Fund Manager of Financial Instruments in Bulgaria (Fund of Funds): BGN 7,971 thousand (2020: BGN 3,252 thousand), as well as from European Investment Fund under the JEREMIE 2 initiative: BGN 2,731 thousand (2020: BGN 4,244 thousand) For more information, see the "[Europrograms](#)" section. At the end of the year, the amortized value of debt related to total return swap agreements amounted to BGN 74,018 thousand (2020: BGN 73,742 thousand) and confirmed letters of credit – BGN 3,388 thousand (2020: BGN 6,776 thousand).

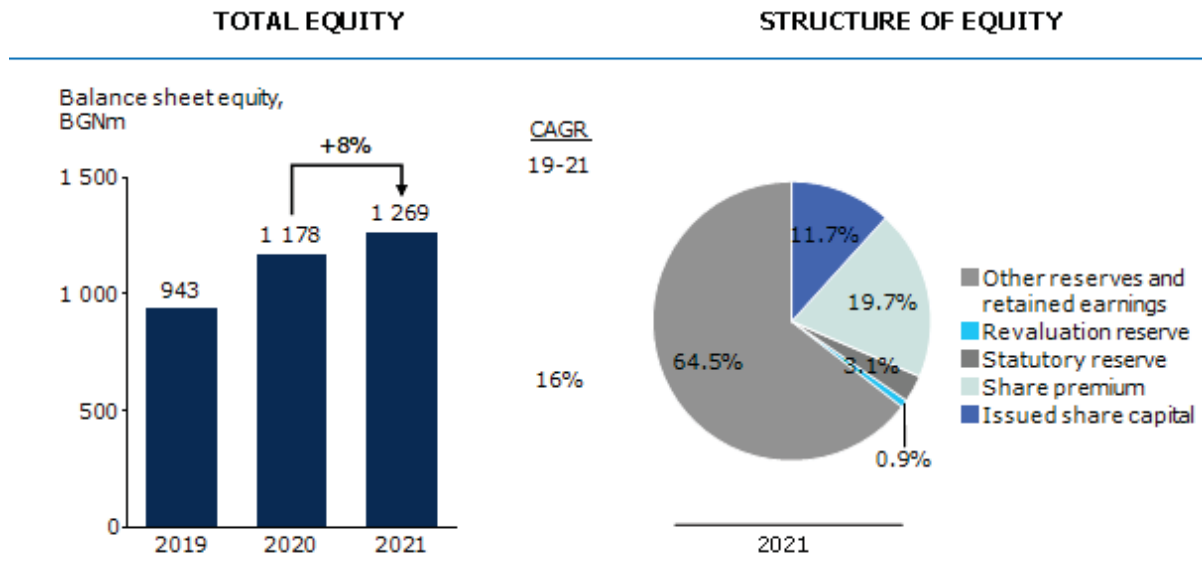
For 2021, liabilities due to banks amounted to BGN 29,879 thousand, compared to BGN 14,340 thousand a year earlier.

Lease liabilities amounted to BGN 77,785 thousand at the end of the year (2020: BGN 139,868 thousand), as a result of a decrease in leasing payments and the reported effect of changes in leasing conditions and the lease term.

For more information on borrowings see the *Individual Financial Statements for the year ended December 31, 2021*.

CAPITAL

As of December 31, 2021 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.



The balance sheet equity of First Investment Bank increased by 7.7% to BGN 1,268,864 thousand (2020: BGN 1,177,749 thousand), also influenced by the increase in other reserves and retained earnings, which reached BGN 818,856 thousand at the end of the period (2020: BGN 718,773 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 amounted to BGN 1,264,009 thousand (2020: BGN 1,285,945 thousand). The Tier 1 capital amounted to BGN 1,518,267 thousand (2020: BGN 1,540,203 thousand). The total regulatory capital amounted to BGN 1,518,267 thousand compared to BGN 1,540,203 thousand a year earlier.

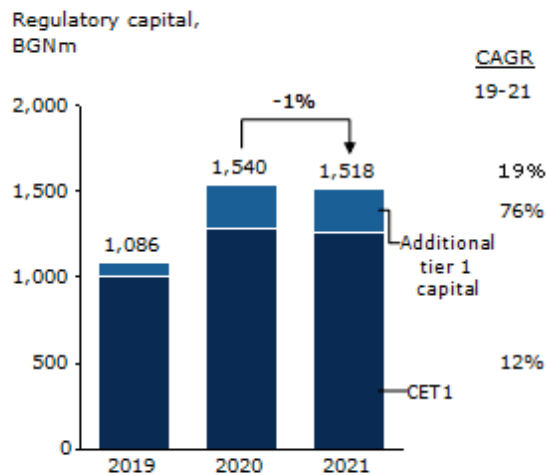
In December 2021, First Investment Bank structured a one-year program for the issuance of hybrid instruments (perpetual, non-cumulative, unsecured, deeply subordinated, freely transferable, non-convertible bonds) meeting the requirements for additional Tier 1 capital to replace existing issues of hybrid instruments issued by the Bank. The program envisages separate issues, the coupon interest rate for each being determined individually according to market conditions. The minimum nominal value per bond is EUR 100,000, with an option for additional investment above that amount at an increment of EUR 1,000 or a multiple of EUR 1,000.

At the end of the year, the Bank successfully issued as private placement two tranches under the program (ISIN: XS2419929422), the first in the amount of EUR 17.133 million and the second in the amount of EUR 10 million. There was high investor interest, with the minimum subscription amount

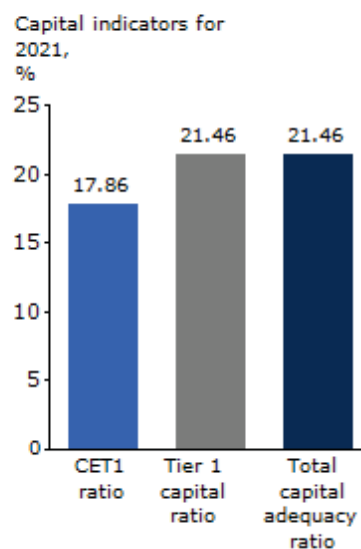
for the issue to be considered successful being exceeded more than three times (for the first tranche) and two times (for the second tranche). The global bonds have been accepted for clearance through Clearstream Banking S.A, with a view to subsequent admission to trading on a regulated market on the Luxembourg Stock Exchange (LuxSE).

As of 31 December 2020, First Investment Bank also has three other hybrid instruments issued (bond issues) with original principal of EUR 40 million (ISIN: BG2100008114) and EUR 60 million (ISIN: BG2100022123) and EUR 30 million. (ISIN: BG2100023196), which are included in the additional Tier 1 capital of the Bank. The issues are admitted to trading on a regulated market on the Luxembourg Stock Exchange (LuxSE). At the end of the reporting period, the amortized cost of hybrid debt amounted to BGN 320,733 thousand (2020: BGN 267,579 thousand). *For more information, see Note 29 "Hybrid Debt" of the Individual Financial Statements for the year ended 31 December 2021.*

REGULATORY CAPITAL



CAPITAL ADEQUACY IN 2021



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 2021, the eligible capital of First Investment Bank, 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 1,518,267 thousand.

Pursuant to Regulation (EC) 2017/2395 of the European Parliament and of the Council of 12 December 2017 for amending Regulation (EC) 575/2013, the banks have been provided with the option to choose to apply transitional measures for mitigating the impact of the introduction of IFRS 9 on regulatory own funds. With these a five-year term is being defined for gradual introduction during which banks can add a specific amount to the common equity tier 1, calculated in accordance with the approach chosen (the so-called static approach or static approach with dynamic part included) and in accordance with the coefficients for transitional arrangements in the amount of 0.85 for 2019, 0.70 for 2020, 0.50 for 2021 and 0.25 for 2022

In this regard, it was decided during the transitional period until 2022, First Investment Bank to apply the measures under Article 473a of Regulation (EU) No 575/2013, including the additional relief provided for in paragraph 4 - the so-called dynamic part of the transitional treatment.

CAPITAL REQUIREMENTS

At the end of 2021, First Investment Bank reported stable capital ratios as follows: common equity Tier (CET1) ratio 17.86%, Tier 1 capital ratio 21.46% and total capital adequacy ratio 21.46%, exceeding the minimum regulatory capital requirements.

| In BGN thousand / % of risk exposures | 2021 | % | 2020 | % | 2019 | % |
|---------------------------------------|------------------|-------|------------------|-------|------------------|-------|
| CET 1 capital | 1,264,009 | 17.86 | 1,285,945 | 18.18 | 1,003,004 | 15.00 |
| Tier 1 capital | 1,518,267 | 21.46 | 1,540,203 | 21.78 | 1,257,262 | 18.80 |
| Own funds | 1,518,267 | 21.46 | 1,540,203 | 21.78 | 1,257,262 | 18.80 |
| Total risk exposures | 7,075,369 | | 7,071,866 | | 6,686,583 | |

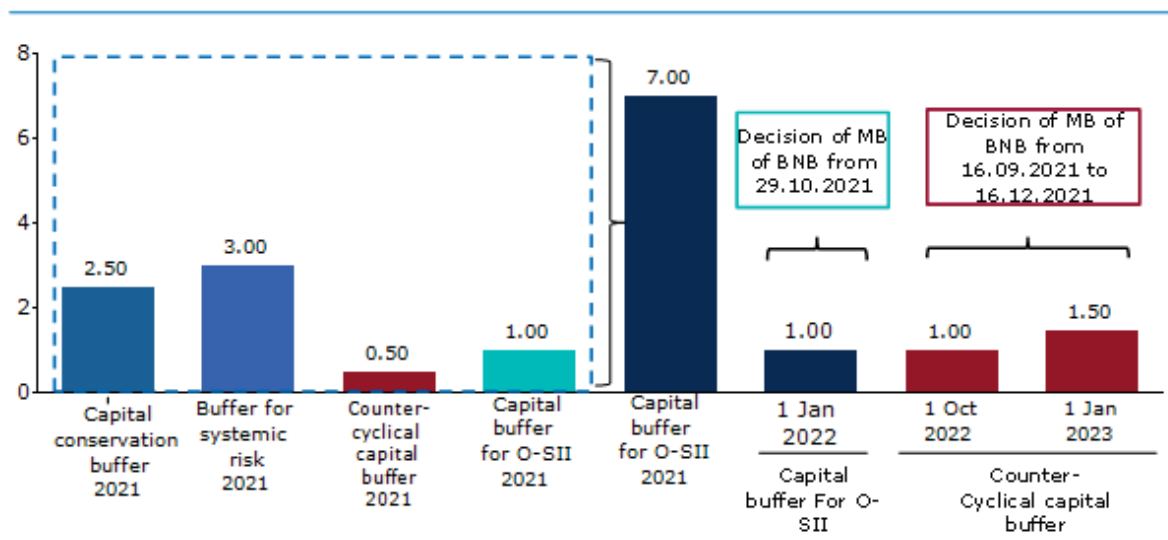
The reported capital ratios resulted from the application of comprehensive and targeted measures regarding the implementation of capital levers in key areas, including successful subscription of a new public issue of shares, retention of profit, inclusion of the issued debt-capital (hybrid) instrument 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, 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.

CAPITAL BUFFERS

Types of capital buffers, maintained by the Bank



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 buffer for systemic risk covered by common equity tier 1 capital with the aim for decreasing the effect of potential long-term non-cyclical system or macroprudential risks in the banking system in the country. In 2021 the level of the

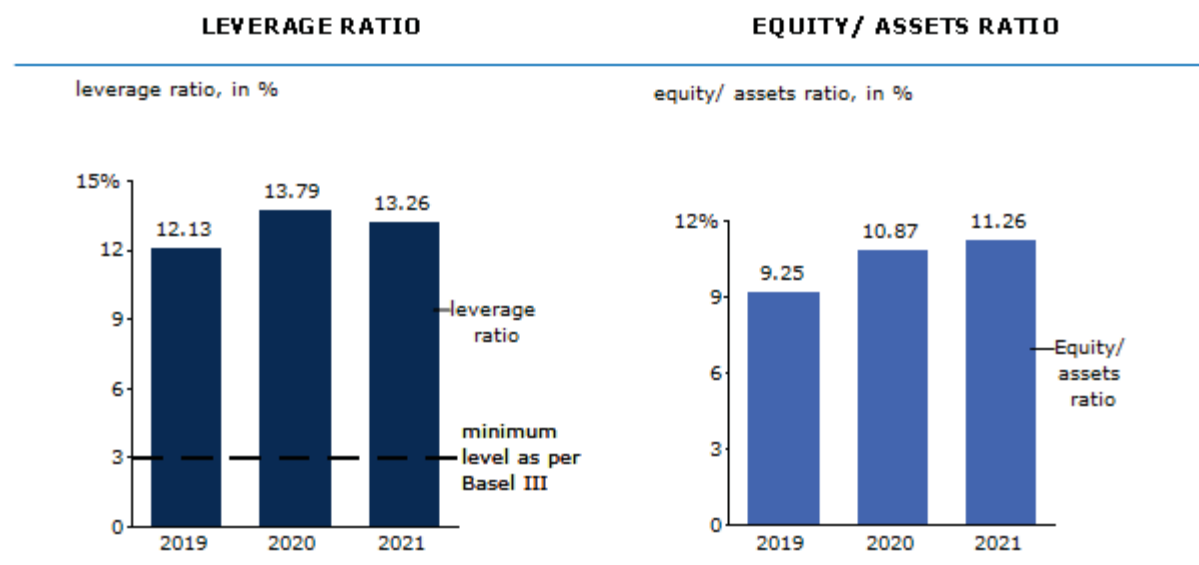
capital buffer for systemic risk applicable to all banks in Bulgaria remained unchanged at 3% of the total risk exposures in the country.

With the aim for protection of the banking system against potential losses arising from accumulated cyclical systemic risk in periods of excessive credit growth, the banks in Bulgaria, incl. Fibank maintains 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 2021 a decision was made to increase it from 0.5% to 1.0% in force from 01.10.2022, as well as to 1.5% in force from 01.01.2023

In addition, the determined by BNB other systematically important institutions (O-SII) in the country among which 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 applicable for Fibank buffer for O-SII on an individual and consolidated basis, determined as a share of the total value of the risk exposures, is in the amount of 1.0% for 2021 and 2022.

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.



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 2021 the leverage ratio amounted to 13,26% on an unconsolidated basis compared to 13.79% for the previous period.

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), 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).

The deadline for meeting the minimum requirements is 1 January 2024. In order to ensure gradual accumulation of equity and eligible liabilities, intermediate target levels have been set (as at 1 January 2022 and 1 January 2023) to be reached by institutions.

In 2021, First Investment Bank developed new structured products in preparation for fulfillment of the minimum requirements for own funds and eligible liabilities (MREL). The Gold Portfolio and Eco Portfolio products, designed for both individuals and business customers, are linked respectively to the price of gold and to green bonds and are structured in line with the requirements for maturity, collateral, 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 see the Individual Financial Statements as at 31 December 2021.

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.

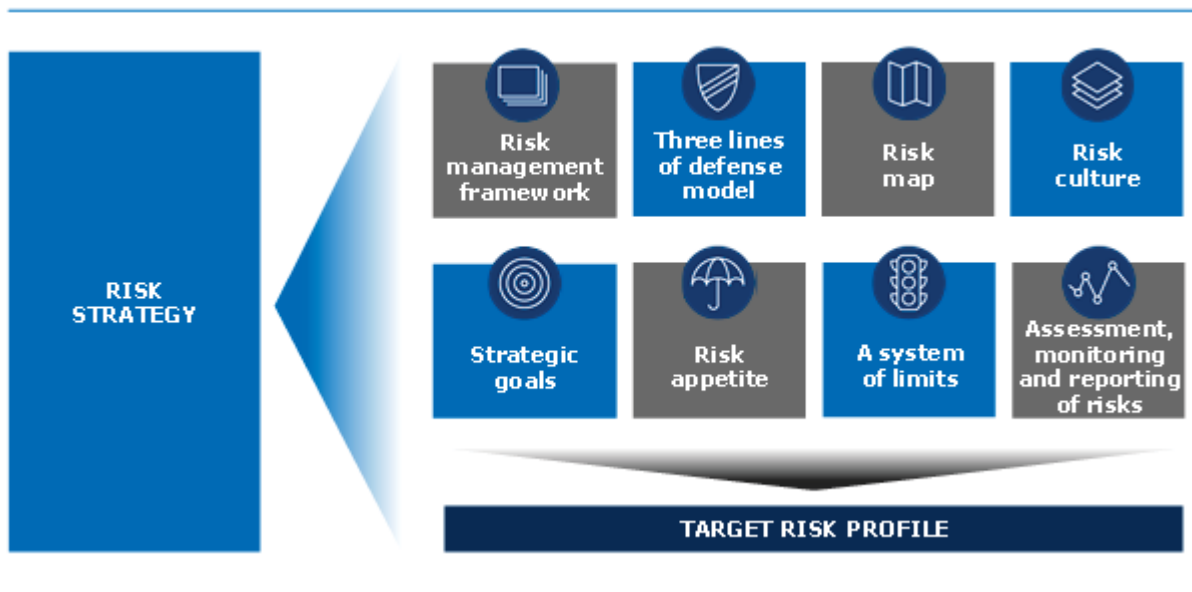
In 2021, the Bank operated in accordance with its updated three-year Risk Management Strategy and Risk Appetite Framework, aiming to maintain a moderately low level of risk in accordance with its development targets and to further increase the protection mechanisms against risks inherent in banking, taking into account the challenges posed by the COVID-19 pandemic and its consequences. The Bank continued to pursue its objectives for reduction and management of non-performing exposures and its long-term priorities for reduction and effective realization of non-interest-bearing assets in accordance with the Strategy for Reduction of Non-performing Exposures and Repossessed Assets and the Operational Plan for its implementation, taking into account the continuing difficulties of the environment and investor interest resulting from the uncertain global situation and the coronavirus pandemic

First Investment Bank appreciates the importance of sustainable development issues. In this regard, during the year the necessary organization was set up and a roadmap prepared for implementing the requirements, taking into account the environmental, social, and governance (ESG) factors in the overall activity of the Bank, including those related to strategic planning and business strategy, risk management framework and internal governance.




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.

In 2021, as part of the annual review, the risk strategy was updated in accordance with the Risk appetite framework and the Bank's business plan. With respect to its risk profile, the strategy is focused on priority development in the retail and SME segments, as well as constantly maintaining an effective control environment for existing business processes, accompanied by active management of operational risk, maintaining an adequate level of unencumbered liquid assets, and limiting the assumed market risk within the current levels.



RISK APPETITE FRAMEWORK

In 2021, as a part of annual review, First Investment Bank updated the **Risk appetite framework**, which 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 2021, a medium-low level of risk appetite is 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 within 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 are the specific **risk indicators and limits** (for example the total capital ratio, the common equity Tier 1 ratio, loan to deposit ratio, liquidity 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.

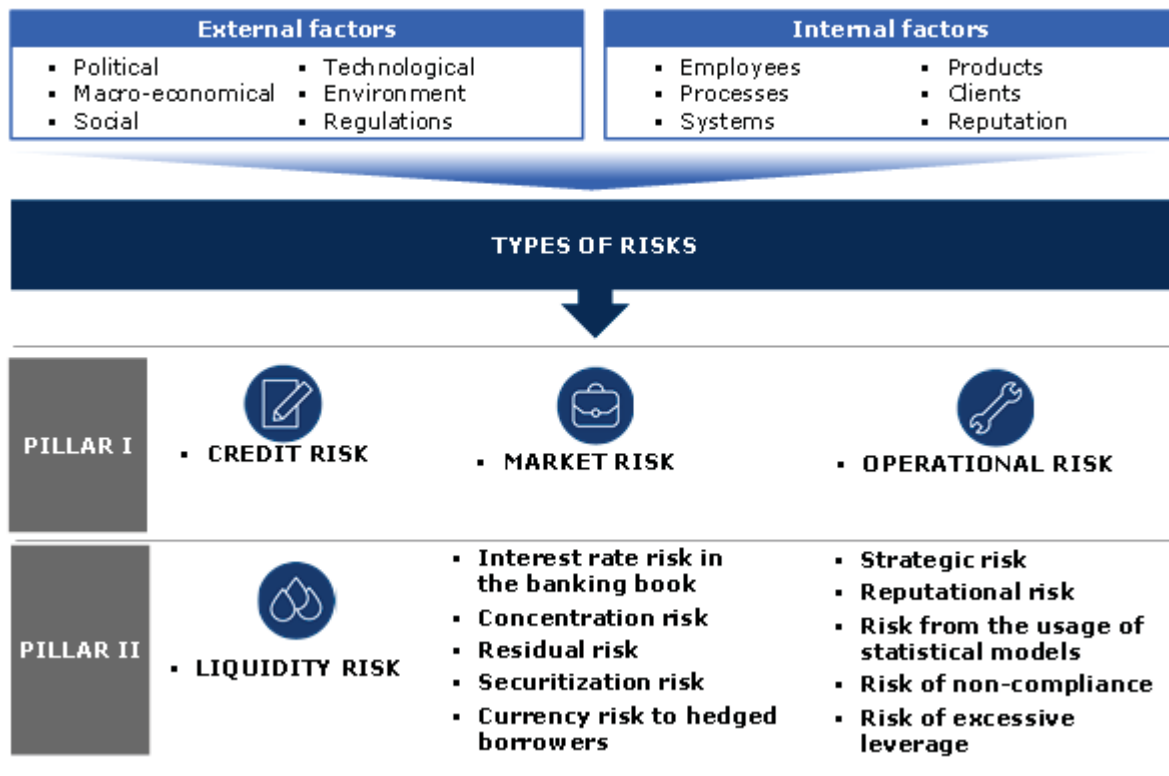
The risk appetite framework is subject to review by the Managing Board and approval from the Supervisory Board once a year or more often, if needed, in accordance with the business environment dynamics. It is part of the annual process for defining the strategy and planning within the Bank.



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 and the EBA Guidelines on internal governance.

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

subordination to the Chief Executive Officer, with direct reporting to the Risk Committee and/or the Supervisory Board. The Chief Executive Officer 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.

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.

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. As at 31 December 2021, the Risk Committee 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. 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 SME 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. 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 Corporate 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. 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. 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, Compliance – Specialized Monitoring and Control, specialized unit Compliance – investment services and activities and Data protection officer (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 in the Bank. 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 the customer satisfaction in the Bank in relation to customer complaints.

The Compliance – Specialized Monitoring and Control department carries out the Bank's activities related to the prevention of money laundering and financing of terrorism as a specialized office under Art. 106 of the Law on Measures against Money Laundering (LMAML), and exercises control over the application of requirements for combating and preventing fraud.

The specialized unit Compliance – investment services and activities 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 part of the compliance function there is a Data protection officer – *for further information see section „[Personal Data Protection](#)“.*



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 Individual Financial Statements for the year ended 31 December 2021.

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 2021, First Investment Bank updated its recovery plan, calibrating the recovery indicators in line with the regulatory requirements and current macroeconomic environment, so as to provide for accountability and efficiency in the management of risks and financial resources of Bank. In connection with the minimum requirements for own funds and eligible liabilities, new measures/options and indicators were added, structured as a percentage of the total risk exposure amount (TREA) and the leverage ratio exposure measure (LRE). Aggregate information concerning the overall recovery capacity was further elaborated, including with regard to the time aspect and the effects of measures on capital and liquidity.

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, 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.

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.

The primary mechanisms and tools for the management of different types of risk are summarized below:



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.

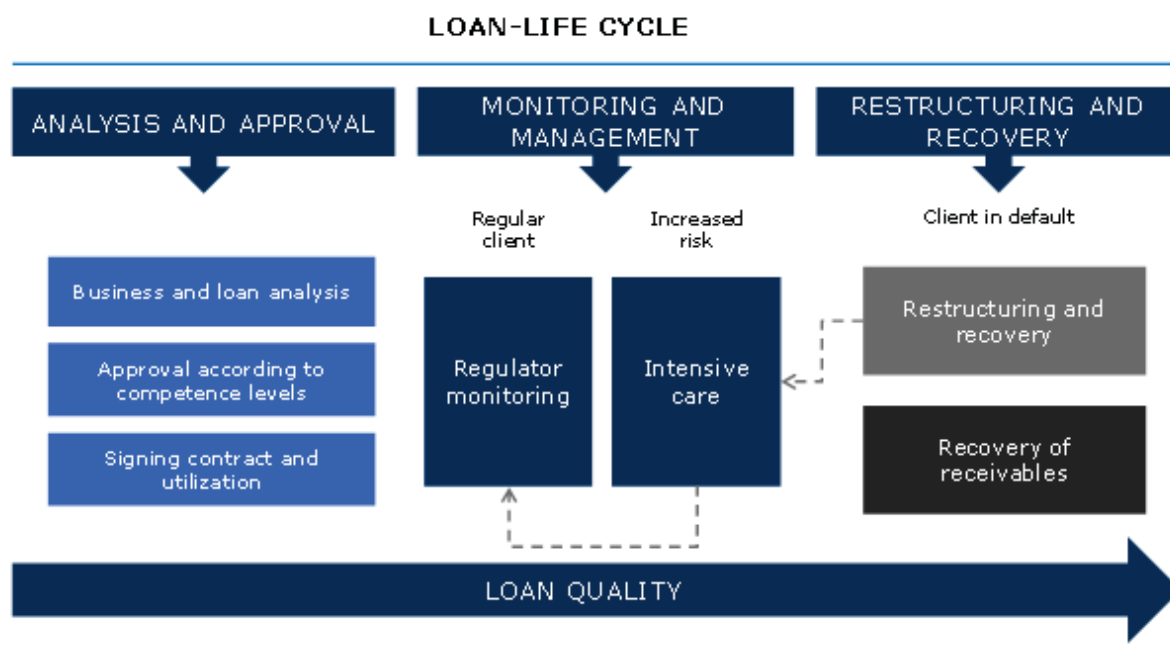
First Investment Bank manages credit risk by applying internal limits on exposures, on customers/counterparties, types of instruments, industry sectors, markets, by written rules and procedures, by internal rating and scoring models, as well as by procedural requirements in the originating and managing 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 impairment and the provisioning of risk 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 loan process in First Investment Bank is automated through a Workflow system integrated with the main information system of the Bank, which includes controls and authority levels when considering transactions. Approved transactions are administered centrally by the Loan Administration department, applying the "four eyes" principle“.

In 2021, the Bank introduced a new advanced Business Process Management (BPM) system for processing retail loan applications (New Workflow). It covers the steps of accepting loan applications, giving opinions, approving and granting new loans to individuals, as well as renegotiating the terms of existing ones, with integrated applicable limits and levels of authority for granting/renegotiating different types of loans exposures.



In 2021, changes were made in the levels of authority for approval of credit transactions, mainly in order to optimize the internal decision-making processes when restructuring exposures, including with regard to the competences of the Restructuring Committee as a collective management body and of

the departments involved. The composition of the Restructuring Committee was optimized, raising its level by the inclusion of two members of the Management Board. During the year changes were also made in the guidelines for acceptance and processing of documents for lending to individuals and micro-enterprises, with the aim of their further improvement. In connection with the requirements of the private moratorium approved by the BNB, the terms for renegotiation of credit transactions were extended in the corresponding methodology.

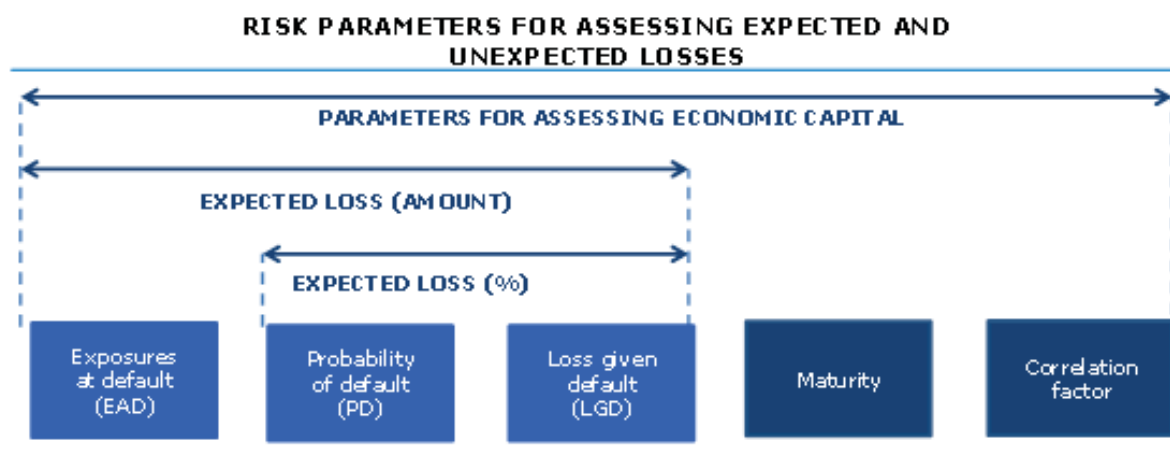
First Investment Bank maintains systems for the ongoing administering and monitoring of different portfolios and exposures to credit risk, including aiming at recognizing and managing exposures in default and performing adequate value adjustments for credit risk. Considering the impact of the economic 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, including with respect to the early warning signals. During the period were updated signals for probability of delay/overdue in order to creditworthiness assessment and to indicate 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. During the year were developed the internal rules for management of deteriorating exposures, with the aim at stimulating the activities referred to the intensive credit management according to the Rules for process transfer of credit exposures and the different phases of the life-cycle of the loan.

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.



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.

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 2021 the internal rules for management of collaterals are enhanced, incl. by implementing the requirements for appraisers rotation after surtain number of successive valuations of the same asset, in accordance with Guidelines on loan origination and monitoring (EBA/GL/2020/06).

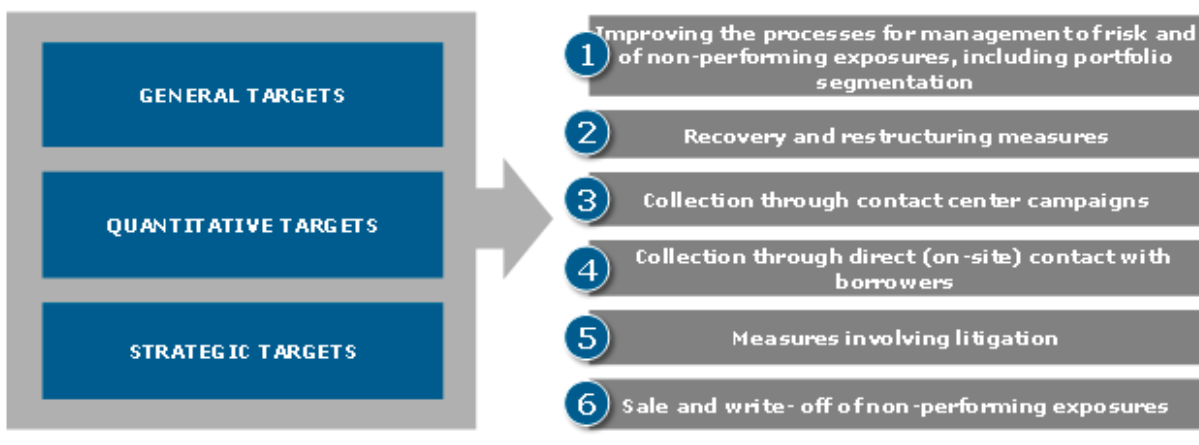
PROBLEM EXPOSURES AND STRATEGY FOR THEIR REDUCTION

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 also a specialized system for the integrated management of problem assets, which includes all stages for monitoring and recovery of receivables. During the year the internal processes and rules were updated, aiming more effective management of problem and restructured exposures.

Among the strategic priorities of the Bank regarding its risk profile is reducing the portfolio of nonperforming exposures, as in this regard a **Strategy for reduction of nonperforming exposures and repossessed assets** for the period 2021-2023 was developed and adopted, 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 forboren exposures (EBA/GL/2018/06). In 2021, the Bank continued to follow the set goals and priorities in it, which 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 offered;
- ❖ 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



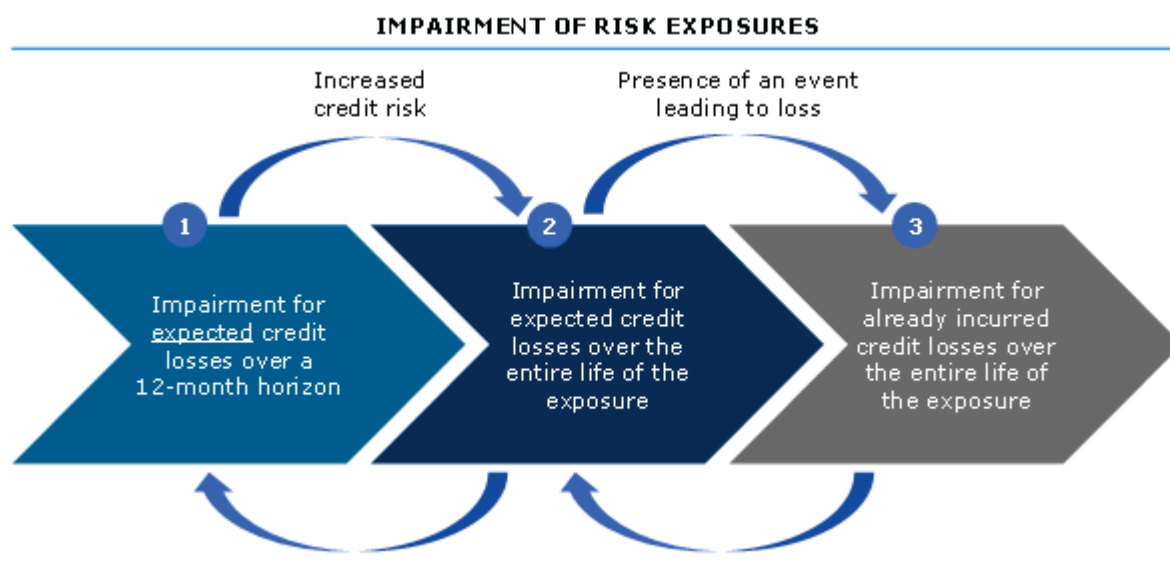
During the year, two sales were made of non-performing retail portfolios (consumer loans, credit cards and overdrafts) amounting to a total of BGN 43 million, and consistent actions and measures were continued to reduce problem exposures by improved collections and write-offs. As a result, net non-performing exposures decreased by 12.1% or by BGN 181,105 thousand YOY. As at 31 December 2021, the nonperforming loan (NPL) ratio calculated in accordance with the requirements of the European Banking Authority decreased by 2.1 percentage points to 15.5% of gross loans and advances under the FinREP financial reporting framework, and under the broader definition of nonperforming exposure (NPE) ratio it decreased by 2.4 percentage points to 13.2% of gross loans and advances and debt instruments other than held for trading.

In 2021, First Investment Bank continued to apply the Procedure for deferral and settlement of liabilities payable to banks and their financial institution subsidiaries in connection with the COVID-19 pandemic, prepared by the Association of banks in Bulgaria and approved by the BNB, in line with the terms and conditions of its application. The document represents private moratorium under the

meaning of EBA Guidelines on legislative and non-legislative (private) moratoria on loan repayments applied in the light of COVID-19 crisis (EBA/GL/2020/02), according to which in managing loan exposures, incl. their qualification as nonperforming the Bank applies the temporary measure stating that deferral on such exposures shall not lead to their re-classification under the form of restructuring or default.

IMPAIRMENT AND PROVISIONING OF RISK EXPOSURES

With respect to **impairment and provisioning** of risk exposures, First Investment 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.



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 forbore 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.

In 2021, the Bank updated its internal rules for provisioning and impairment, aiming to comply with the new requirements on materiality thresholds according the Ordinance No 7 of BNB on the organization and management of risks in banks, as well as implementing in the systems of the Bank of the definition of default in line with the Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013 (EBA/GL/2016/07).

For more information on credit risk, see note 3 “Risk Management” from the Individual Financial Statements for the year ended 31 December 2021.



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.

In 2021, the Bank enhanced its approaches by applying 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.

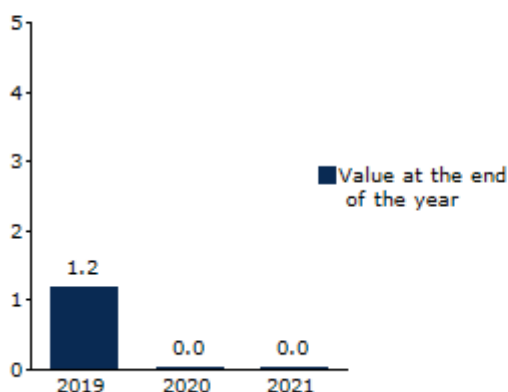
POSITION RISK

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.

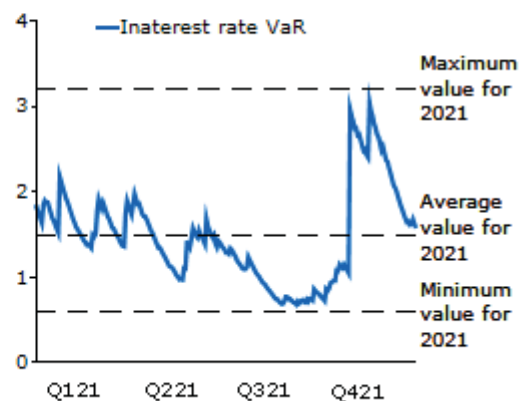
It is the policy of the Bank to maintain an insignificant trading portfolio in accordance with the criteria of Regulation (EU) № 575/2013. Therefore, it does not calculate capital requirements for interest rate and pricing risk in this portfolio.

INTEREST RATE VaR FOR THE PORTFOLIO OF DEBT INSTRUMENTS

1-day 99% interest rate VaR



Interest rate VaR for 2021, BGNm



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

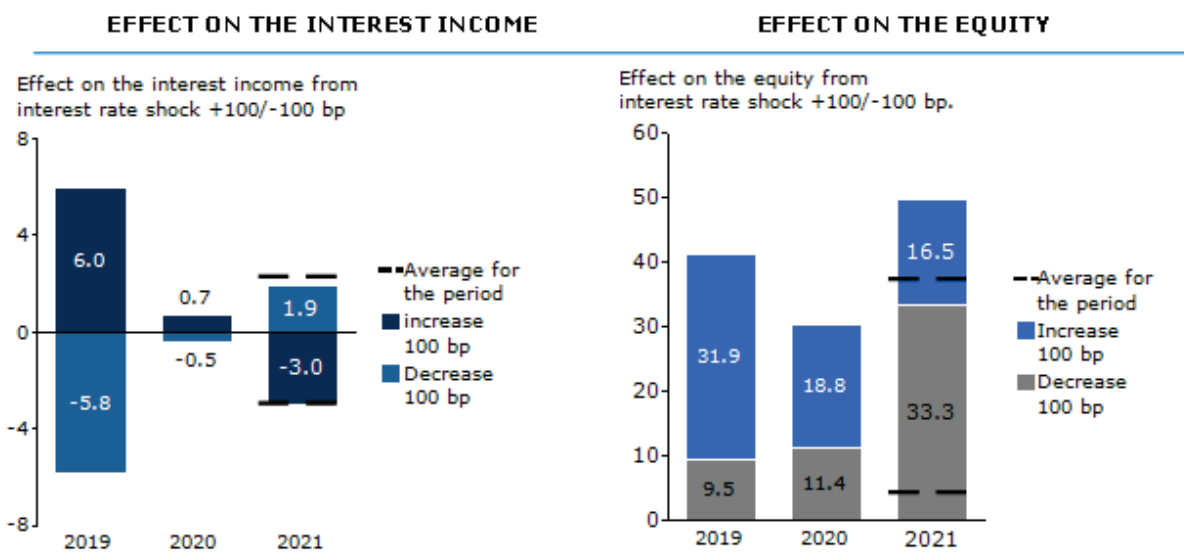
occur over a specified horizon under normal market conditions, due to the adverse changes in the market rates, if the positions remained unchanged for the specified time interval.

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 is 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 mismatch between the interest rate sensitivity of assets and liabilities in compliance with the EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02) and the requirements of Ordinance No 7 of the BNB on Organisation 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.



As at 31 December 2021 the interest rate risk on the economic value of the Bank (IRRBB) following a standardized shock of +100/-100 bp was BGN +16.5/+33.3 million, while on the net interest income one year forward was BGN -3.0/+1.9 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 Individual Financial Statements as at 31 December 2021.



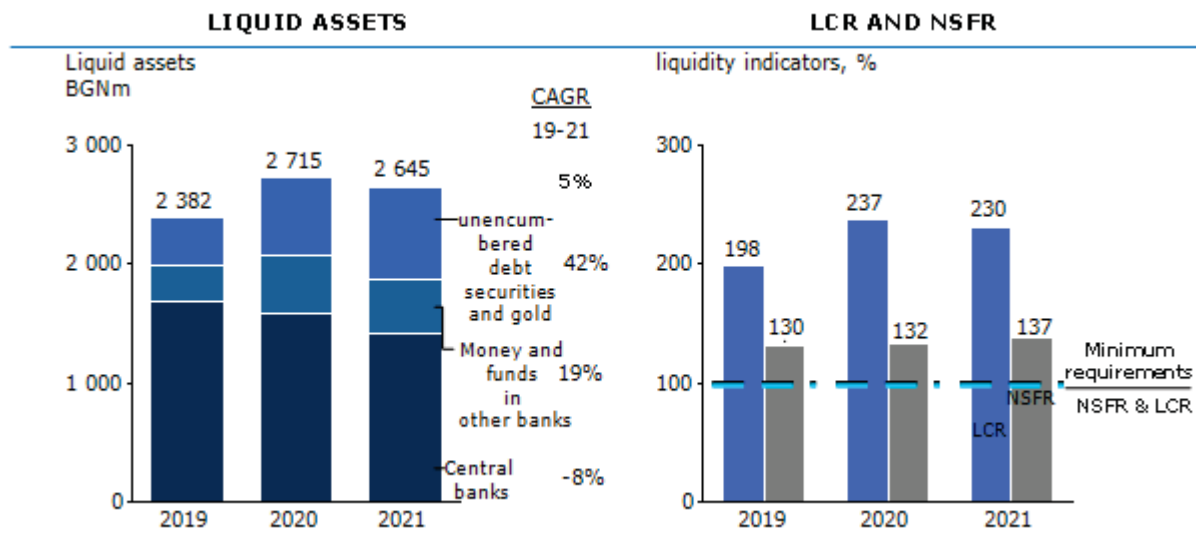
LIQUIDITY RISK

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.

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.



During the reporting year Fibank maintained an adequate volume of liquid assets, as at 31 December 2021 the ratio of liquid assets covering the attracted funds due to other customers amounted to 28.07%, 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 230.36% on an individual basis (2020: 236.84%).

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 137.42% on an individual basis (2020: 132.35%) and was above the reference value of 100% in accordance with Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012.

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 2021, as part of its annual review process, the Bank updated its ILAAP report, including with regard to information on liquidity generation capacity, liquidity buffer strategy, survival periods, as well as results of stress scenarios and stress tests used. Information on encumbered assets and on financing plan implementation was further developed. The internal liquidity indicators are set in compliance with the requirements for consistency with the Recovery Plan levels, the latter being part of the monitoring and early warning system incorporated in the Bank's risk management framework. 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.

During the period, the internal processes related to ILAAP were improved by structuring a new Methodology for internal liquidity adequacy assessment which describes the approaches to preparing and updating the ILAAP report, including the key components in accordance with the EBA Guidelines on ICAAP and ILAAP information collected for SREP purposes.

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/liquidity crisis which is an integral part of the overall system for liquidity management.

For further information regarding liquidity risk see note 3 "Risk management" of the Individual Financial Statements as at 31 December 2021.



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. 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.

In 2021 First Investment Bank developed the policies for operational risk management, incl. updated the rules of procedure and the composition of the Operational Risk Committee to the Managing Board.

INFORMATION SECURITY

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 organizes the execution of the Management Board's decisions in this respect.

In 2021, the Bank enhanced its internal rules on management of IT changes and projects, as well as the activity, composition and competences of the IT committee to the Managing Board.

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.

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 2021, as part of the annual review of the Business continuity plan, the latter was updated, incl. with respect to the time needed for recovery of information systems, additions on the alternative suppliers of critical functions and financial markets infrastructures, as well as plan included for assessment of the pandemic situation and planning of necessary anti-epidemic measures within First Investment Bank.

RISK EXPOSURES

As at 31 December 2021 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 | 2021 | % | 2020 | % | 2019 | % |
|-----------------------------|------------------|------------|------------------|------------|------------------|------------|
| For credit risk | 6,546,743 | 92.5 | 6,518,978 | 92.2 | 6,092,908 | 91.1 |
| For market risk | 4,713 | 0.1 | 5,525 | 0.1 | 4,750 | 0.1 |
| For operational risk | 523,913 | 7.4 | 547,363 | 7.7 | 588,925 | 8.8 |
| Total risk exposures | 7,075,369 | 100 | 7,071,866 | 100 | 6,686,583 | 100 |

In 2021 the structure of risk-weighted assets comprised predominantly of those to credit risk at 92.5% of total exposures (2020: 92.2%), following by those for operational risk at 7.4% (2020: 7.7%) and to market risk at 0.1% (2020: 0.1%) The Bank continued to maintain a conservative approach in the 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 2021, the ICAAP report was updated in accordance with Fibank's Risk Strategy and business development goals, as well as with the operational environment and external conditions. An integrated stress test in accordance with the EBA guidelines was added to the set of used analysis methods, assessing the Bank's resilience under the baseline macroeconomic scenario and the adverse scenario (negative shock). The framework for interest rate risk in the banking book (IRRBB) was further developed and improved, and a credit spread risk assessment in the banking book (CSRBB) was integrated. The methodology for determining the capital to cover equity trading portfolio risk was changed, using stress test assumptions based on the EBA adverse scenario. The model for determining the capital for legal risk was further developed using Monte Carlo simulations for the probability of litigation losses that the Bank may incur over a one-year horizon.

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 are 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** 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 being 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 – increase; Flattener – the short part of the yield curve registers increase, while the long part – decrease. In addition to the non-risk interest rate component, reported are also the stress scenarios for change in the credit spread (CSRBB).



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 used by the Bank stress tests 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.



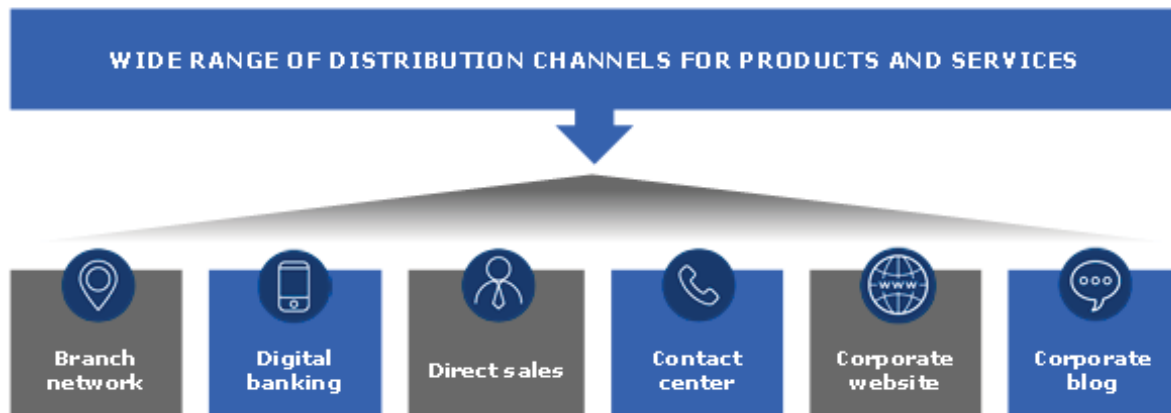
To assess **liquidity risk**, the Bank differentiates the analysis in two directions regarding the risk of insolvency and the risk of providing liquidity. The risk of insolvency is managed and covered by maintaining an appropriate buffer of unencumbered, highly liquid assets, while the risk of providing 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 assesses and **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 allocated 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.

The 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

DISTRIBUTION CHANNELS FOR PRODUCTS AND SERVICES



First Investment Bank maintains diversification of the channels for distribution of the products and services offered, including a well-developed branch network, 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 the digital transformation in the banking sector.

In 2021, 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. Eight offices were closed during the year, three of them in Sofia and five in the rest of the country. As at 31 December 2021, the branch network of First Investment Bank comprised a total of 127 branches and offices on an individual basis (2020: 135), located in 60 cities in Bulgaria: 44 locations in the city of Sofia (2020: 47), 82 branches and offices in the rest of the country (2020: 87), and one foreign branch in Nicosia, Cyprus.

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.

In the connection with the development of the pandemic COVID-19, Fibank continued to take actions and measures regarding the internal organization of the branch network, incl. safety requirements, protective panels, social distance, provided safety equipment for the Bank's employees and customers.

As part of the ongoing improvement and optimization of processes, the branch digitization project was developed, aimed at introducing electronic document and electronic signatures in offices, as well as reducing the use of paper documents in a sustainable way, in order to introduce a new model of customer servicing, developing digitalization in everyday operations. Since 2019, the Bank has centralized back office, which contributes to better customer service.

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.

| FULL SCOPE OF PRODUCTS AND SERVICES | | |
|---|----------------|------------------|
| | RETAIL CLIENTS | BUSINESS CLIENTS |
| DEPOSIT AND SAVINGS PRODUCTS | ✓ | ✓ |
| PAYMENT SERVICES | ✓ | ✓ |
| PACKAGE PROGRAMS | ✓ | ✓ |
| DEBIT AND CREDIT CARDS | ✓ | ✓ |
| DINERS CLUB CARDS | ✓ | ✓ |
| MORTGAGE LOANS | ✓ | |
| CONSUMER LOANS | ✓ | |
| LOANS TO BUSINESS CUSTOMERS | | ✓ |
| TRADE FINANCING | | ✓ |
| PROJECT FINANCING | | ✓ |
| FACTORING | | ✓ |
| EUROPROGRAMS FINANCING | | ✓ |
| DIGITAL BANKING | ✓ | ✓ |
| INVESTMENT SERVICES | ✓ | ✓ |
| INVESTMENT GOLD AND PRODUCTS OF PRECIOUS METALS | ✓ | ✓ |



CONTACT CENTER – *bank (*2265), 0800 11 011

In 2021, Fibank’s Contact Center functioned as an effective channel for communication and targeted selling of products and services. It also contributed 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.

Throughout the year, 38 outgoing campaigns of different nature and topics were conducted through the Contact Center, including information campaigns, direct marketing of products and services, consumer opinion surveys, as well as campaigns in support of loan collection (soft collection). Over 69,000 outgoing calls were made, with a high response rate achieved.

For the reporting period, the Contact Center received over 75,000 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.

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

In 2021, First Investment Bank continues to develop its corporate website in order to transform it into an active channel for product communication and cross-selling. During the year started the offering of a new service - "Video consultation" for individuals regarding credit products of the Bank, available through www.fibank.bg. Through the site could be submitted online applications for credit cards, overdrafts and consumer loans, as well as to communicate directly with an expert from the Bank.

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, a review of the corporate website was conducted in order to assess its compliance with standards for providing accessible content (including Harmonized European Standard EN 301 549 V2.1.2, 2018-08 on accessibility requirements for ICT products and services). The Bank is committed to maintaining a consistently high level of accessibility of published information and to ensuring usability of content by people with disabilities (impaired hearing or eyesight).



CORPORATE BLOG

In 2021, in continuing pandemic of COVID-19, the corporate blog of First Investment Bank, together with other online communication channels, incl. social networks had a key role in communicating with customers, as an important part of the key messages, news, initiatives were disseminated through these online channels.

Over the years, the Bank has strived to continuously develop its corporate blog in line with current trends in communication in the Internet environment, while maintaining an intuitive and user-oriented approach, design and functionality of the platform. It engages in open dialogue and customer feedback, thus enabling the Bank to explore the usability of products and services, as well as customer satisfaction. In addition to the new topics related to products and services of the Bank, incl. in support of individuals and legal entities affected by the situation with COVID-19, the corporate blog presents the diverse range of social and corporate initiatives of the Bank, financial analyzes and studies related to the market of banking products and services in the country, current news on various topics, as well as useful information for customers. It provides an open dialogue and feedback with customers, thus providing an opportunity to study the usability of the Bank's products and services and customer satisfaction.

Apart from its corporate blog, First Investment Bank also maintains active online communication in real time with customers and stakeholders through leading social networks such as Facebook, Instagram, LinkedIn, Twitter and YouTube.



SALES

First Investment Bank uses direct sales as an additional opportunity for 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.

In 2021 Fibank participated in over 90 public procurement procedures and competitions, as in around 50% of which the Bank was chosen as a servicing bank, therefore attracting new business clients and maintaining relations with existing ones.



DIGITAL BANKING

MY FIBANK ELECTRONIC BANKING

The My Fibank electronic banking platform of First Investment Bank has been designed as a single customer service channel and is constantly developed 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 the 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 and 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.

Expanding the scope of services offered, as of 2021 customers may purchase online products, including electronic vignettes, by using their accounts or payment cards in My Fibank electronic banking or the mobile application. They may also open a Gold Account: an innovative product for purchase, sale and keeping of dematerialized gold (XAO).

A number of technical innovations and improvements were made to My Fibank during the year, including an updated design, a new alternative method of account management, new application forms for mortgage loans, overdrafts, credit and debit cards, as well as a remote activation option (for cards delivered by courier). Remote opening of accounts and entering into agreements with customers were further developed at www.smetka.fibank.bg.

In compliance with the regulatory requirements arising from Regulation (EU) 1230/2021, First Investment Bank added a new functionality to e-banking, allowing preliminary visualization of the fees due when ordering a transfer.

With regard to strong customer authentication (SCA) requirements, First Investment Bank provides the software Fibank Token as a means of signature and identification in the electronic banking system, which includes two-factor authentication and the use of QR code scanning technology.

In accordance with the EU regulations and the trends in the development of digital banking, First Investment Bank has provided Third Party Providers (TPPs) with access to customer accounts maintained at the Bank and available online for provision of account information and payment initiation services: the so-called Open Banking. In addition, using the arrangements of Directive (EU) 2015/2366 (PSD2) to expand and integrate its services, First Investment Bank also offers customers account information and payment initiation services via the My Fibank mobile banking platform. *For more information on open banking, see the [Payment Services](#) section.*

In 2021, the integrated My Fibank electronic banking platform continued to establish itself as a channel generating a predominant share (nearly 80%) of the total outgoing transfers of the Bank, with a reported growth of 15% in transactions and 11% in number of customers using the platform.

As proof of its achievements in the field of digital banking during the period, Fibank was awarded as Digital Bank of the Year – Bulgaria by the international Global Brands Magazine for its contribution to the development of innovations and ensuring a secure and reliable digital banking system.

During the year, the team of the Digital Banking Department won the internal Most Valuable Team competition which distinguishes the team meeting the highest corporate standards for effective and efficient interaction with other units in the Bank as a prerequisite for quality customer service.



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 2021, Fibank continued to develop its mobile application by launching MyCard: a new type of virtual credit card without plastic, designed for making payments over the Internet or other remote means of communication, including through mobile smart devices. The option was also provided to digitize cards, including in third party apps (Google Pay, Apple Pay, Garmin, Fitbit). *For more information on digitizing cards in third party apps, see the [Card Payments](#) section.*

During the year, push notifications were further developed to provide a variety of information to customers regarding their transfers, account transactions, card authorizations, credit card obligations, utility payments, or changes to the Tariff of the General Terms of the Bank.

The Bank's efforts are aimed at providing first class service with a focus on digital methods and channels in order to increase the share of self-service solutions and promote sustainable banking.

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.

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CORPORATE GOVERNANCE FRAMEWORK

For First Investment Bank AD good corporate governance is a key element for ensuring long-term and sustainable development, and 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 FRAME



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 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 2021, the Bank further improved its corporate governance policies, including at group level, the functions for monitoring the activity of subsidiaries, the assessment of suitability of members of management and supervisory bodies and key function holders, the structuring of activities and the composition of committees and councils to the Management Board, the budget and strategy policies, as well as the disclosure practices, including new disclosure and accountability requirements related to sustainable development and to environmental, social, and governance (ESG) factors.

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 (last amended, July 2021), 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 (<https://www.fibank.bg/bg/zan-as/korporativno-upravlenie/kodeks-na-korporativno-upravlenie>).

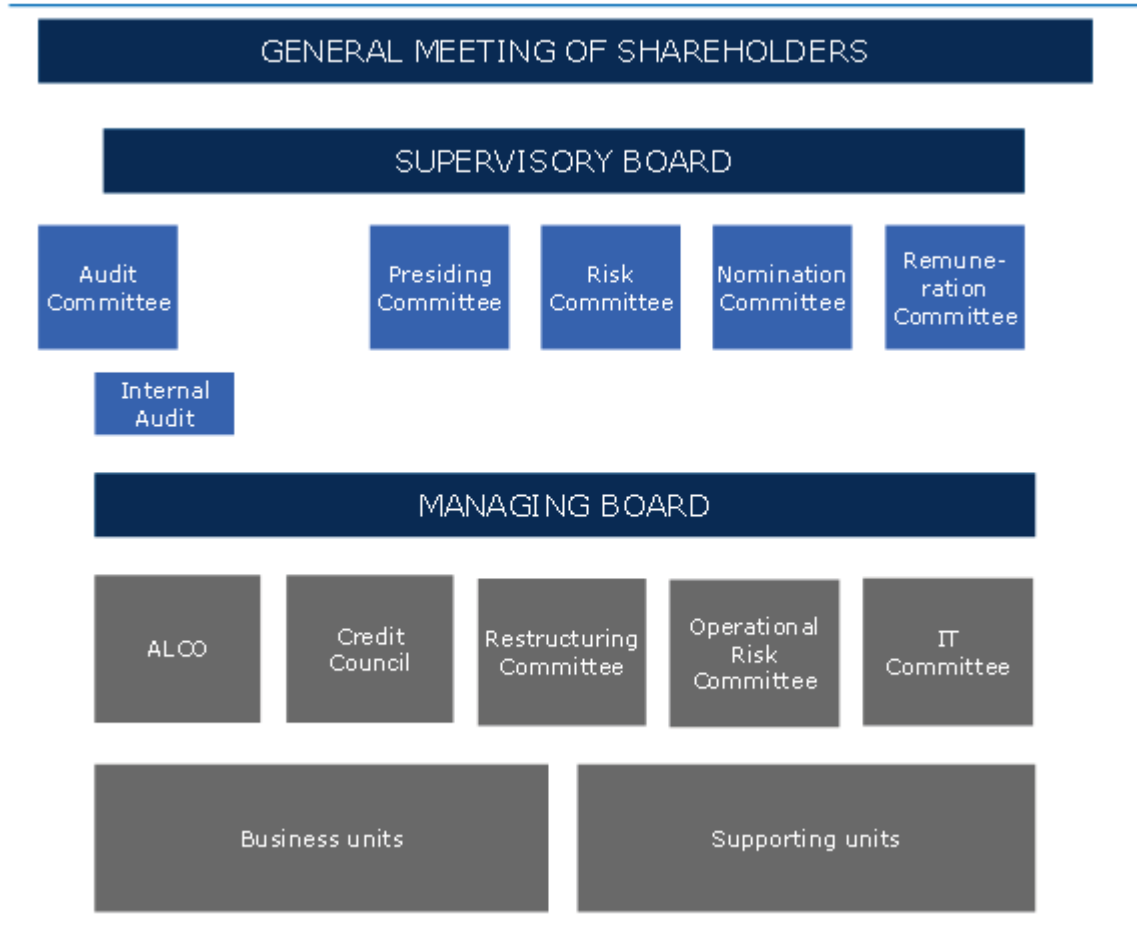
In 2021, the requirements specified in these were met, including the requirements for disclosure of regulated information and information under the financial calendar of the Bank for 2021.

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 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. 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.

MANAGEMENT STRUCTURE



SUPERVISORY BOARD

STRUCTURE AND COMPETENCES

As at 31.12.2021 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 37, Dragan Tsankov Blvd., 1797 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.

During the year the general meeting of shareholders re-elected the current members: Mr. Evgeni Lukanov, Ms. Maya Georgieva, Ms. Radka Mineva and Mr. Jordan Skortchev for a new 5-year term as members of the Supervisory Board of First Investment Bank.

As at 31 December 2021 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), as none of them owned more than 1% of the issued share capital.

In July 2021, we had our last farewell to Mr. Georgi Dimitrov Mutafchiev (1957 – 2021) – former Member of the Supervisory Board and of the Presiding Committee to the Supervisory Board of the Bank. Mr. Mutafchiev dedicated more than 21 years of his professional life to the development and affirming of First Investment Bank among the leaders in the financial market in the country.

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 2021, the Bank fulfilled the set target level as two of the Supervisory Board members were women. The reported levels exceeded the average levels in EU related to management board in its supervisory function (24%) according to latest reported data in research for diversity practices of the European Banking Authority (EBA Report on the benchmarking of diversity practices at European Union level under Article 91(11) of Directive 2013/36/EU (2018 data), EBA/REP/2020/05, 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 by requiring 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: "Tone of the Top".

The meetings of the Supervisory Board are determined in advance, in accordance with an annual work plan. In 2021, the Supervisory Board held 14 meetings to consider issues within its competence. Among the highlights in its activity were exercising ongoing supervision over the implementation of the Risk Strategy and the Strategy for Reduction of Non-performing Exposures and Acquired Assets, as well as approval of an updated Risk Management Strategy and Risk Appetite Framework with a three-year horizon with the active support of the Risk Committee. Subject to regular review during the period were the progress of development of products/instruments meeting the minimum requirements for own funds and eligible liabilities (MREL), as well as the condition of the branch network and the activity of branches. Also discussed were issues related to the Bank's activities in the context of the COVID-19 pandemic and the implementation of its strategic development objectives. During the year, the Supervisory Board exercised control over the reliability of financial information reporting and the internal audit framework, in which activity it was assisted by the Audit Committee. Regular reviews were performed of the financial results, market shares and competitive position of the Bank, as well as of the potential areas for development. The Supervisory Board members were regularly updated on matters of compliance and bringing the activity in line 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 2021 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, as well as the line responsibilities of the members of the Managing Board. During the year the activity of the Committee was expanded by delegating from the Supervisory Board the function for overview and control over the activity of the subsidiary companies of the Bank. Chair of the Presiding Committee is Ms. Maya Georgieva.

In 2021, the Presiding Committee held 7 meetings to consider issues within its competence, including allocation of responsibilities among members of the Management Board, making recommendations and coordination of the strategic development goals and business strategy of the Bank for the period 2021-2023, as well as updating the strategy and budget policies, including with regard to allocation of budget targets and internal management at group level.

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. Chairman of the Committee is Mr. Jyrki Koskelo.

The Risk Committee held 8 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 updated Risk Management Strategy and Risk Appetite Framework with a three-year horizon. It was regularly informed and monitored the implementation of the Risk Strategy, the Risk Appetite Framework, the Strategy for Reduction of Non-performing Exposures and Acquired Assets, as well as the effectiveness of the internal risk management and control systems and the compliance function in the Bank. During the year, the Risk Committee held discussions on the quality of the loan portfolio, including in view of the effects and consequences of the COVID-19 pandemic.

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. Chair of the Remuneration Committee is Mr. Evgeni Lukanov.

In 2021, the Remuneration Committee held 3 meetings discussing issues of its competence related to the Remuneration Policy. It also reviewed proposals in connection with the annual 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. Chair of the Nomination Committee is Mr. Jordan Skortchev.

During the year the Nomination Committee held 7 meetings considering issues within its competence, including on the selection and suitability of persons holding senior management positions in the Bank's subsidiaries, changes in the composition of councils and committees to the Management Board, as well as annual follow-up assessments of the individual and collective suitability of members of the

Supervisory Board, the Management Board and key position holders. The Nomination Committee also discussed topics related to planning of trainings within the institution.

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 the majority of the members, incl. the chairman of the Audit Committee to be external and independent from the Bank. In June 2021, at the General Meeting of Shareholders as a new independent member and chairman of the Audit Committee was elected Mr. Dimitar Dimitrov, with a 3-year term, 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. Mr. Jordan Skortchev was also re-elected for a new 3-year term as member of the Audit Committee of the Bank.

During the year, the Audit Committee held 15 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 Director of Internal Audit, as well as with representatives of the statutory auditors of the Bank.

MANAGING BOARD

In 2021 no changes were made to the composition of the Managing Board of First Investment Bank. During the year the current members Mr. Chavdar Zlatev and Ms. Nadia Koshinska were re-elected for a new 5-year and 4-year term, respectively as members of the Managing Board of the Bank.

STRUCTURE AND COMPETENCES

At the end of 2021 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 | 21.04.2024 |
| Ralitsa Ivanova Bogoeva | Chief Retail Banking Officer (CRBO), Member of the Managing Board and Executive Director | 28.04.2023 |
| 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 | 21.05.2023 |
| Nadia Vasileva Koshinska | Member of the Managing Board and Director of SME Banking Department | 30.06.2025 |

The business address of all Managing Board members is 37, Dragan Tsankov Blvd., 1797 Sofia.

The Management Board members are elected for 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-argued 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 2021 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), as 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 2021, the Bank fulfilled the set target level as two of the Managing Board members were women. The reported levels exceeded the average levels in EU related to management board in

its management function (15%) according to reported data in research for diversity practices of the European Banking Authority (EBA Report on the benchmarking of diversity practices at European Union level under Article 91(11) of Directive 2013/36/EU (2018 data), EBA/REP/2020/05, 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 functions also Commission on cash operations, chaired by the Chief Retail Banking Officer, while the rest of the members include directors of the following departments: Vault, Accounting, Branch Network and Analysis and Control of Risk, and the deputy director of 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 2021, an Annual General Meeting of Shareholders was held, which represented 89.24% of the share capital and voting rights, at which a decision was taken that the entire net profit of the Bank for 2020 shall be capitalized and set in other reserves with general purpose. Amendments were made to the By-laws of First Investment Bank for authorizing the Management Board within a period of 5 years as from 11.08.2021, with the prior approval of the Supervisory Board, to adopt resolution 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.

The General Meeting of Shareholders elected registered auditors for performing independent financial audit of the Bank for 2021 – BDO Bulgaria OOD and Ecovis Audit BG 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. Decision were taken on the GMS for re-election of members of the Supervisory Board, as well as for election of a new independent member of the Audit Committee of the Bank – *for further information see section „[Supervisory Board](#)“*.

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, 29.05.2017 and 16.05.2016 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 increase, through issuance of new shares, of the Bank's capital until it reaches an aggregate nominal amount of BGN 210,000,000.00 (within a period of 5 years as from 23.06.2017).

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. During the period, the procedures for reviewing complaints were updated, as well as the rules for performing compliance checks with regards to investment services and activities, part of the Compliance function within the Bank.

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 2021 the General Meeting of Shareholders of First Investment Bank approved the 2020 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.

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 2021 are:

- ◆ BDO Bulgaria OOD, UIC: 831255576, entered in the register of registered auditors, maintained by the Commission for Public Oversight of Statutory Auditors under registration № 016; and
- ◆ Ecovis Audit BG OOD, UIC: 204901453, entered in the register of registered auditors, maintained by the Commission for Public Oversight of Statutory Auditors under registration № 176.

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, as well as information on receiving and accepting notifications, warrants of attorney and other documents through electronic means of communication were 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. Also, 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-upravljenje/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.

The Bank aims to organize and hold meetings with minority shareholders, with a view to furthering transparency and creating an opportunity for open dialogue and feedback between them and the senior management of the Bank, as well as their opportunity to contribute and work actively for the successful development of First Investment Bank AD. In 2021 two meetings with minority shareholders were held – in August and November 2021, at which the financial results of the Bank for first half and third quarter of the year were presented, as well as the new services offered by the Bank and a discussion on the strategy of development in the digital banking and SME banking.

In accordance with good corporate governance practices, aiming at equal treatment of respondents, the notice for the regular meetings with minority shareholders, as well as the results from their holding, were publicly disclosed through www.x3news.com, as well as on the Bank's website.

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 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. At the end of 2021 the Bank updated its disclosure policy in compliance with the applicable regulatory requirements in this sphere, incl. the new Ordinance No 2 of FSC from 09.11.2021 for the initial and subsequent disclosure of information in public offering of securities and admission for trading of securities on a regulated market (Ordinance No 2 of FSC), as well as with the requirements on sustainable development pursuant to 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 (Regulation (EU) 2020/852) and the delegated acts for its implementation, as well as 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).

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 give their opinion whether it corresponds to the financial statements and is prepared in compliance with the applicable regulatory requirements.

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.

Since 2016, First Investment Bank has participated in the EU-wide transparency exercise conducted by the European Banking Authority (EBA), which includes aggregated and detailed bank-level information on capital position, risk exposures, leverage and asset quality. The exercise is part of EBA's actions aimed at promoting transparency and market discipline in the EU financial market. In 2021, 120 banks and banking groups from 25 countries from the EU and EEA, took part in the exercise. Information on the results of First Investment Bank are publicly available on the website of EBA at <https://eba.europa.eu/risk-analysis-and-data/eu-wide-transparency-exercise>.

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, 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 corporate social responsibility policy.

In 2021, the Bank prepared its activity in compliance with the requirements with respect to disclosure of information in the single electronic reporting format pursuant to Delegated Regulation (EU 2019/815. According to which the annual financial reports and activity reports shall be disclosed in XHTML format, while specific parts of the consolidated financial statements shall be marked by using the in-line XBRL format, which is machine readable format.

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 Depository and the public, as well as to keep a register of all sent materials.

In execution of the applicable regulatory requirements, in June 2021 the Investor Relations director of the Bank reported her activity during 2020 at the Annual General Shareholders' Meeting and her report was adopted by the shareholders unanimously.

The business address of the Investor Relations Director is 37, Dragan Tsankov Blvd., 1797 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 for 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“.*

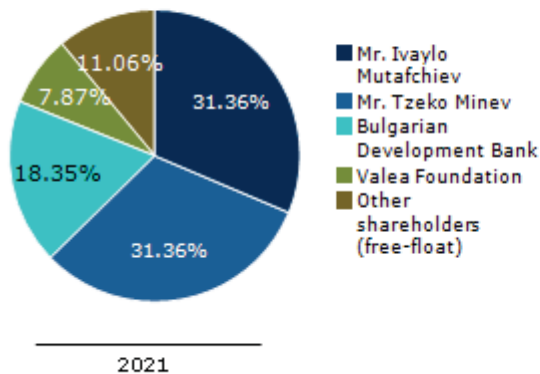
For twelve years now, First Investment Bank has maintained and developed a corporate blog which functions as a channel of communication aimed at open dialogue in accessible language with customers, partners and other stakeholders.

SHAREHOLDERS' STRUCTURE

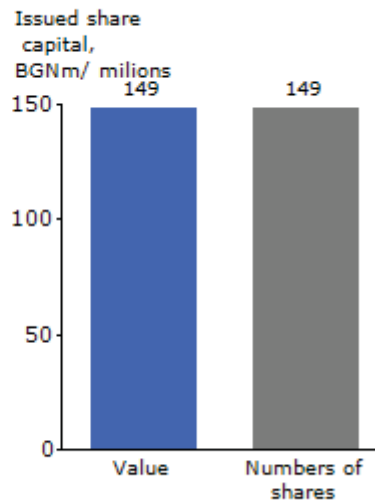
As at 31 December 2021 the shareholder structure of First Investment Bank included the following shareholders: Mr. Tzeko Minev (31.36%), Mr. Ivailo Mutafchiev (31.36%), Bulgarian Development Bank AD (18.35%) and Valea Foundation (7.87%).

SHAREHOLDERS' STRUCTURE AT END-2021

Shareholders' structure, %



ISSUED SHARE CAPITAL AT END-2021



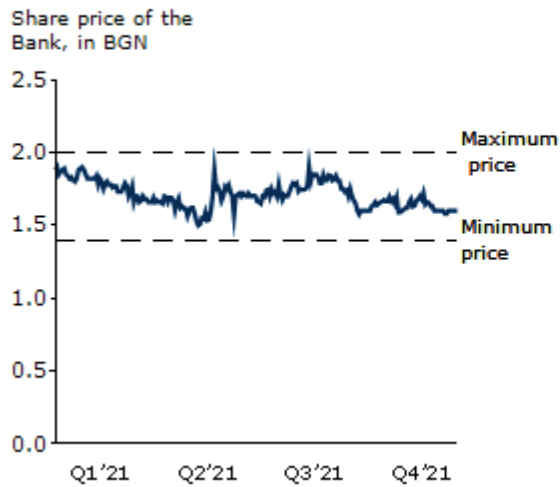
The remaining 11.06% of the Bank's issued share capital (BGN 16.5 million) was owned by other shareholders, holding shares subject to free trade on the Bulgarian Stock Exchange (free-float). At the end of the year the total number of shareholders was over 2,000 which include both individuals and legal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

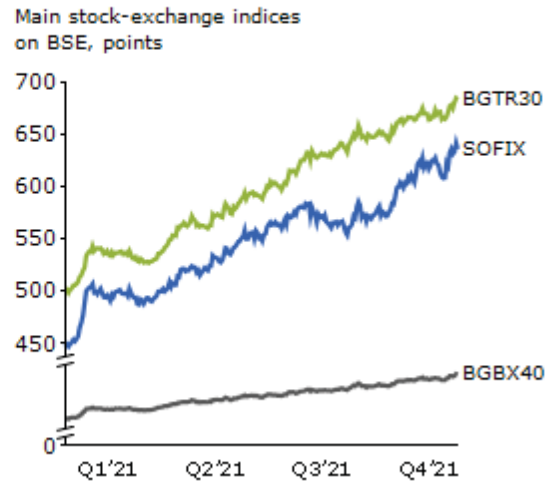
SHARE PRICE AND MARKET CAPITALISATION

In 2021, the share price of the Bank fluctuated in the range between BGN 1.51 to BGN 1.91. The last price of the shares of First Investment Bank for the reporting period was BGN 1,60 (2020: BGN 1,84) and the market capitalization of the Bank, calculated on this basis, amounted to BGN 238,536 thousand. (2020: BGN 274,316 thousand). A total of 2,368 transactions were concluded with the shares of the Bank on the regulated market BSE, amounting to a turnover of BGN 3,597 thousand, compared to 4,219 transactions and BGN 8,322 thousand turnover a year earlier.

SHARE PRICE OF THE BANK DURING 2021




MAIN STOCK-EXCHANGE INDICES ON BULGARIAN STOCK EXCHANGE



As at 31 December 2021, the shares of the Bank were traded on the Main Market BSE, Premium Equities Segment of the Bulgarian Stock Exchange and were included in three stock exchange indices – SOFIX, BGBX40 and BGTR30, 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.

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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, 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 review at least once a year 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 2021 the number of identified staff of First Investment Bank on an individual basis amounts to 50 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 defined 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; staff costs budgeted for the period.

RATIO BETWEEN FIXED AND VARIABLE REMUNERATION

The Remuneration Policy establishes the basic principles in determining of 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) No 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.

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 - 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 the usual practice.

In 2021, no severance pay was paid to the identified staff.

SUMMARY OF QUANTITATIVE INFORMATION


In 2021, the remuneration paid to senior management amounted to BGN 10,863 thousand (2020: BGN 10,087 thousand). During the year, no variable remuneration was paid under the meaning of Ordinance No4 of the BNB for the requirements towards remunerations in banks.

The credit exposure of the persons controlling or managing the Bank at the end of the period amounts to BGN 3513 thousand (2020: BGN 1769 thousand) on an individual basis.

For more information on Related party transactions and remuneration paid, see Note 35 "Related Party Transactions" of the Unconsolidated Financial Statements for the year ended 31 December 2021.

NON-FINANCIAL DECLARATION

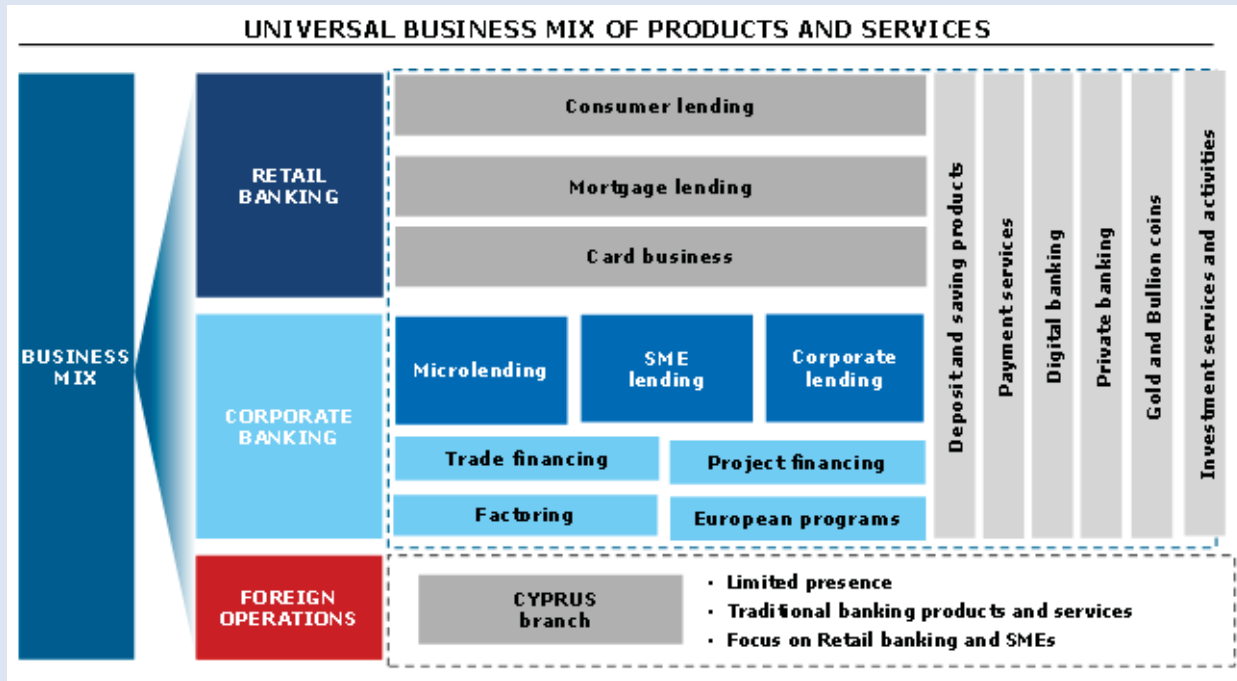
within the meaning of Art. 48 of the Accountancy Act

 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. 48 of the Accountancy Act.

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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 for development in the spheres of retail, small and medium-sized enterprises.



BUSINESS PRINCIPLES

- ❖ 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.

COMPETITIVE ADVANTAGES

- ❖ 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.

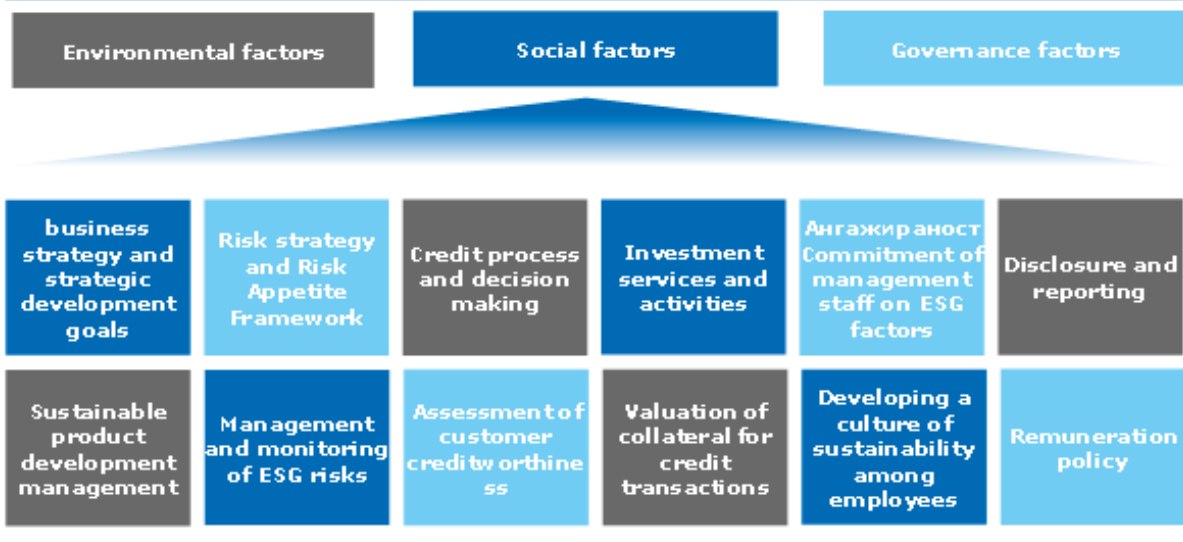
Fibank successfully adapts its business model and business development to the current challenges of the external environment, including the processes of digitalization and the sustainable development trends. Contributing to this are its customer-oriented strategy, conservative risk policy, experienced management, as well as high corporate governance standards applied in practice.

SUSTAINABLE DEVELOPMENT

The factors related to climate change and sustainable development (ecological, social and governance - ESG), has increasing reflection on business activities and lead to changes in business models. Their implementation in all processes is fundamental for the long-term development of the Bank. It is extremely important also for adequate response to market expectations, support of clients and the community as a whole.

In 2021, First Investment Bank undertook important steps (organization, roadmap) for implementing the requirements, reflecting ESG factors in the activity, its strategic planning and business strategy, risk management framework and internal governance.

INTEGRATION OF SUSTAINABLE DEVELOPMENT IN THE ACTIVITY OF THE BANK



The Bank takes a holistic approach to the implementation of sustainability requirements through integration in its business processes, risk management and corporate governance framework, including the lending process and decision-making, credit assessment of borrowers and investment activity, as well as in setting the tone by the management in terms of commitment and developing a sustainability culture among employees.

During the year, Fibank joined the Sustainable Finance working group of the Association of Banks in Bulgaria which aims to monitor changes in sustainable development and assist banks in addressing them, including with respect to reshaping business strategies and objectives, taking into account the impact of ESG factors, incorporating ESG risks in risk management strategies, organizing trainings to develop sustainable development commitment within the sector, as well as coordination and providing guidance on disclosure and reporting in the area of ESG risks and sustainability.

In 2021, First Investment Bank took a number of actions and implemented initiatives and projects related to sustainable development, including on environmental, social and governance issues.

ENVIRONMENTAL ISSUES

First Investment Bank recognizes the growing importance of environmental issues and climate risk, which are reflected in the business development strategies of banks and have a significant impact on risk management in institutions.

During the year, Fibank reviewed its business strategy and set target exposure volumes by business segment for the period 2022-2024 meeting the requirements for "green" lending under 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 (Taxonomy Regulation), with a view to achieving the objectives of the Paris Agreement on climate change mitigation and adaptation. Emphasis was placed on credit programs assisting the transition to decarbonisation in sectors subject to transitional risk, as well as on the development of programs to reduce carbon emissions from own activities.

At the end of the year, the Bank performed an analysis of its customers and loan portfolio in order to identify exposures to taxonomy-eligible economic activities under the requirements of the Taxonomy Regulation and its delegated acts. As of 31.12.2021 the exposures towards taxonomy eligible and non-eligible economic activities, calculated 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 as of 31.12.2021 | % of total assets | % of covered assets¹⁰ |
|---|--------------------------|---|
| Taxonomy eligible economic activities | 9% | 12% |
| Taxonomy non-eligible economic activities | 56% | 72% |
| Total financial and non-financial corporations | 65% | 84% |

At the end of the year, the Bank's securities investment portfolio included bonds backed by "green" projects or by loans for mitigation of greenhouse gas emissions totaling over EUR 25 million (BGN 49,207 thousand).

In addition, in compliance with applicable regulations, First Investment Bank discloses information for 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:

¹⁰ Covered assets – total assets excluding exposures to central governments, central banks and supranational issuers, and derivatives.

| Exposures as of 31.12.2021 | % of total |
|--|-------------|
| Financial and non-financial corporations, which are obliged to publish non-financial declaration/information | 4% |
| Financial and non-financial corporations, which are not obliged to publish non-financial declaration/information | 61% |
| Total financial and non-financial corporations | 65% |
| Central governments, central banks and supranational issuers | 22% |
| Derivatives | 0% |
| Other | 13% |
| Total assests | 100% |


Starting from 1 January 2024, banks and financial corporations will have to disclose the green asset ratio: a key sustainable development indicator showing exposures related to taxonomy-aligned activities as a percentage of total assets in compliance with the technical verification criteria established for each economic activity under Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

In line with the adopted policies for reducing the carbon footprint and investing in sustainable development, new credit products in the field of sustainable financing were developed and launched at the end of the year: Green Transport, intended for purchase of new electric vehicles by business customers; Green Energy - Free Market for companies wishing to invest in the construction of photovoltaic systems for production of electricity for free market sale; and Green Energy - Own Use for construction of photovoltaic systems generating electricity for own consumption or for sale.

As part of the initiatives to protect the environment and reduce harmful emissions, a new Eco Portfolio product was developed. It is intended for both individual and business customers and is linked to a portfolio of bonds backed by "green" projects or by loans for mitigation of greenhouse gas emissions.

 *As at 31.12.2021 attracted funds under this structured product amounted to BGN 2,638 thousand.*

During the period, as part of Fibank's Smart Lady program, the Sustainable Lady Fund was established in support of innovative "green" projects of women entrepreneurs. The Fund is a joint initiative with Mastercard aimed at equal start, innovation and circular economy, part of the network of global and local projects of the institution in support of ecology.


 *At the end of the year, the first projects received financial support in a competition with BGN 10,000 prize fund. It was held in the categories of start-ups and already operating businesses, focusing on projects related to food waste and creating environmentally friendly establishments.*

During the year, First Investment Bank joined the initiative of the Bulgarian Stock Exchange and the Independent Bulgarian Energy Exchange for the establishment of a Green Finance & Energy Center functioning as a think-tank on sustainable finance and focusing the efforts of businesses, government and stakeholders towards economic transformation for sustainable development. The project aims to promote and participate in the development of policies in the field of sustainable finance and energy,

as well as to generate ideas for the development of methodologies for stock indices and financial instruments based on sustainability factors.


In November 2021, for the ninth consecutive year, Fibank stood behind a charitable cause through its 2022 calendar dedicated to the Bulgarian Rhythmic Gymnastics Federation (BRGF) and the idea for sustainable development through research and preservation of Bulgarian varieties of fruits and vegetables. The latter task is in line with the 2030 Agenda for Sustainable Development of the United Nations, aimed at geographical biodiversity and reduction of the carbon footprint and damage to nature from the use of pesticides. The calendar was printed on 100% recycled paper without elemental chlorine or heavy metals and with a neutral pH, in line with the bank's long-term commitment to social responsibility and sustainable development. All proceeds from the sale of the calendar were donated to the Bulgarian Rhythmic Gymnastics Federation and the Agricultural Academy, in support of their activities.



 *The funds raised under the initiative amounted to BGN 13,727 which Fibank doubled, thus bringing the total amount to over BGN 27,000.*

At the end of 2021, First Investment Bank took a decision to move its headquarters to Sofia Tech One, a new and modern building certified for sustainability as Excellent under the BREEAM. The premises are equipped with a new generation climate management system providing individual settings for rooms and offices which helps reduce carbon (CO₂) emissions in the atmosphere.

In addition, as part of initiatives to reduce carbon emissions from own activities, fluorescent lighting in the branch network is gradually replaced with diode lighting. Air conditioning is also modernized with efficient and environmentally friendly systems using R32 refrigerant which has 4 times less carbon footprint.

 *The Bank's paper consumption has decreased by 8% during the year and by 15% annually on average for the period 2019-21, a process driven by initiatives for digitization of the activity.*

SOCIAL ISSUES

In 2021, First Investment Bank strengthened 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.



During the period, First Investment Bank further expanded its Smart Lady program mainly targeted at micro enterprises run or owned by women, as well as at businesses whose products and/or services are designed for women. So far the program has funded projects worth over BGN 85 million, helping more than 700 women entrepreneurs create new businesses or develop existing ones.

Additionally, more than 250 ladies have undergone training on specially tailored topics such as digital marketing, presentation skills, overcoming objections, negotiation skills, etc. through the program's web-based platform.

During the year, the partnership between First Investment Bank and the national organization Little People of Bulgaria became part of the Goodness is Never Enough campaign of the Bulgarian Donation Forum. Its main goal is to promote good corporate donation practices and show the importance of joint cooperation between businesses and NGOs. The campaign is implemented within the framework of the Donation for Change project. Fibank was the first Bulgarian bank to build ATM terminals specially adapted for people of short stature five years ago. It continues to increase the number of such ATMs and support the annual activities of the national organization Little Bulgarian People. A project aimed at facilitating the use of the Bank's ATM terminals by blind people was also launched during the year.



As a bank dedicated to supporting the country's culture, during the reporting period Fibank contributed to initiatives in the fields of music, theater and fine arts, including the International Jazz Festival in Bansko, the Sofia Summer Fest and the exhibition of Christo and Jeanne-Claude in Sofia which presented to the Bulgarian public a selection of original lithographs, along with their iconic monumental projects. Fibank continued its support to the social program of the Union of Bulgarian Artists and the fund specially created by UBA through annual donations and social initiatives aimed at raising funds, as well as granting scholarships to talented disadvantaged students in the field of theater.

Fibank continued its joint initiative with the Higher School of Insurance and Finance (HSIF) under the Banking Management and Investment Activity master's program which aims to meet the economy's demand for education based on a combination of established business practices and academic expertise. During the year, Fibank and HSIF granted three scholarships and provided opportunities for professional realization for the most motivated candidates participating in the program.

Development of Bulgarian sports and support for young talents are among the important causes underlying the social responsibility program of First Investment Bank. During the year, 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 September 2021, at an official ceremony, the Bank

awarded the medalists of the Tokyo Olympic Games, as well as their coaches, with gold and silver coins. In February and March 2021, Fibank also provided support for the starts of the Men's Giant Slalom World Cup in Bansko, as well as the World Junior Alpine Skiing Championship.

For the ninth consecutive year, First Investment Bank awarded the most successful Bulgarian companies in the Best Bulgarian Company of the Year competition. The initiative is carried out thanks to Fibank, its aim being to raise public awareness of good business examples in the country and promote successful business models, thus motivating Bulgarian companies towards competitiveness and innovation.

◆ *In 2021, the total value of funds donated by Fibank for various social initiatives and sponsorships exceeded BGN 720,000.*

A testimony to Fibank's achievements during the year was the Golden Heart Award of the Business Lady Magazine. It serves as recognition of the efforts of companies with highest contribution to social causes, and was awarded to Fibank for its consistent policy in the field of corporate social responsibility.

GOVERNANCE ISSUES

For First Investment Bank AD good corporate governance is a key element for ensuring long-term and sustainable development, and 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 „[Corporate Governance Declaration](#)“.*

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 contributes to managing risks from illegal 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 frauds and corruption practices.

WHISTLEBLOWING

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 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.

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.

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. 48 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 2021](#)“, „[Distribution channels](#)“, „[Information technology](#)“, „[Human capital](#)“, „[Corporate governance](#)“, „[Business review](#)“, „[Development priorities](#)“.*

 **HUMAN CAPITAL**





First Investment Bank aims to ensure employees with favorable work environment, under tone of understanding.

In 2021, the Bank's human resources management activities continued to be focused on ensuring adequate response and overcoming the challenges posed by the COVID-19 pandemic. As early as 2021, Fibank provided its employees with a "green corridor" for vaccination against COVID-19, becoming one of the first employers in the country to do so in order to protect their health and create a safe and secure working environment.

An important element of the human capital management activity during the year was coordinating the implementation of the Bank's protocol for action in a COVID-19 pandemic and its updating in line with the changing situation. A Plan for assessment of the epidemic situation and taking anti-epidemic measures was developed and put into practice, with appropriate steps and actions depending on the number of cases. In support of employees, activities were carried out for timely communication of guidelines and rules for implementing the anti-epidemic measures while at the same time maintaining the efficiency of work. Initiatives to protect employees' health also included constant communication with state and local health authorities. Where needed, employees were assisted in their access to medical services and testing.

In 2021, projects and initiatives in other important areas of human capital management at Fibank were also carried out. A project for introduction of a new HR system was successfully completed. The aim of the project was to achieve higher efficiency in performing key processes and activities of human capital management. The new system can be upgraded with modules for management of remuneration and benefits, selection, work performance and training.

During the period, **significant training initiatives and projects** were carried out having long-term impact on the motivation and performance of employees and teams in the Bank, including:

-  Training in **Development of customer interaction skills: advice, sales and customer service** – practically oriented training for front office employees and loan officers, with an emphasis on the development of skills for successful and proactive customer-oriented communication when offering and selling products. The program relied on an interactive approach when presenting the information such as role-playing games, use of video aids, involvement of employees in discussions and sharing successful experiences.
-  **Training in Fibank investment products** –developing sales skills for products and solutions tailored to customer needs in the branch network of Fibank, in line with current trends and challenges in the banking sector.
-  **Shifting the training process focus to e-learning** in connection with the anti-epidemic measures applied for preservation of the health of employees. During the year, more than 1,600 employees participated in e-learning in various fields including retail loan products, insurance products, remote banking, new system for retail loan approval, introductory training for new employees, and information security.
-  **Introductory trainings for new employees** are held on a regular basis, covering all the main topics necessary for acquaintance with the work environment and the Bank's activities including corporate governance, ethical requirements and code of conduct, internal control functions (risk management, compliance and internal audit), anti-money laundering/combating the financing of terrorism (AML/CFT) measures, systems and business activities.

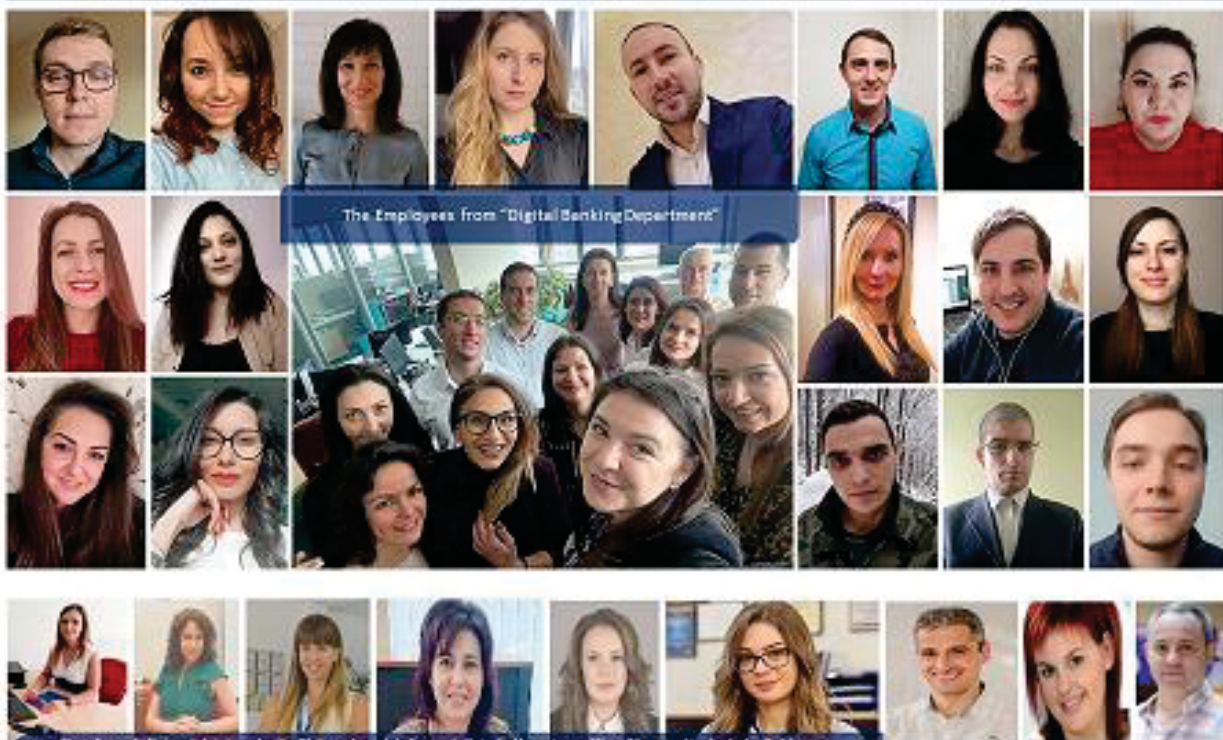
In 2021, over 65% of Fibank employees enrolled for various forms of training in one or more areas. The Bank continued to invest in the professional development of its staff by financing the participation of

11 employees in the **Banking Management and Investment Activity master's program** carried out jointly with the Higher School of Insurance and Finance (HSIF).

During the year, the consistent efforts continued for **encouraging positive examples of productive and achievement-oriented work behavior**. For the sixth consecutive year, the **Together We Can Do More program** was held, serving as an inspiring and motivating boost to employees of the Bank. At the end of the year, the number of employees awarded for the entire existence of the program reached 135.



AMONG THE WINNERS IN DEVELOPMENT PROGRAMMES OF THE BANK:

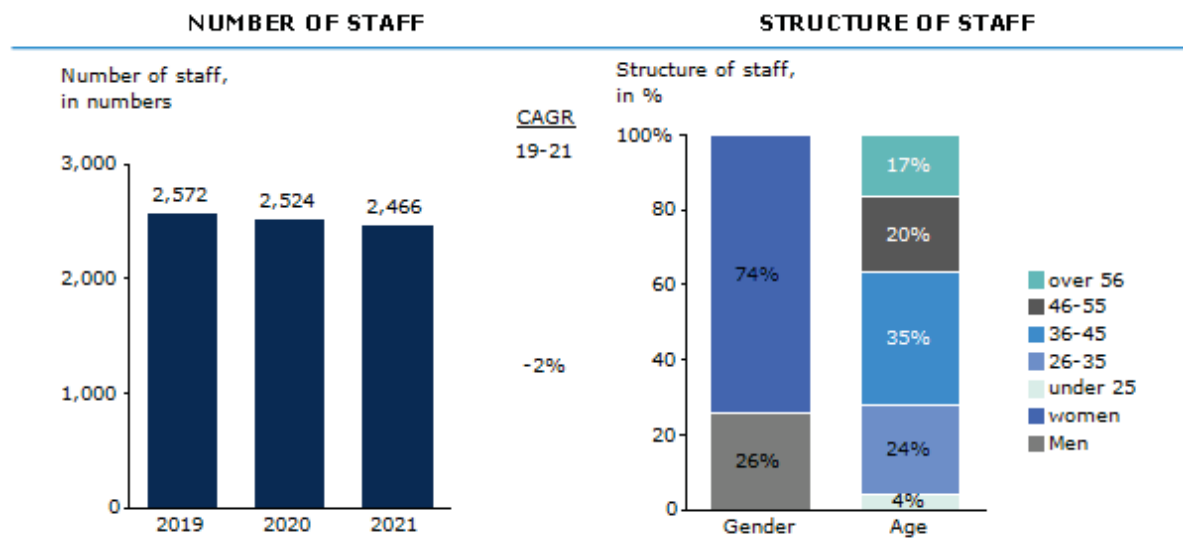


as well as from left to right: Lyudmila Zhitarska, chief specialist, Call center, office Pleven; Wadezhda Echkova, Specialist, Branch Network Department; Keta Ivanova, employee – customer service, office "Kiril I Metodii", branch Burgas; Krasimira Stoyanova, specialist "Financial products for individuals", office Dragan Tsankov, Paliya Velkovska, senior bank employee customer service, office Central, Vratsa; Desislava Stoimenova, bank employee customer service, office "Mall paradise"; Stavi Georgiev, specialist company loans, office – central, Haskovo; Elena Milcheva, bank employee customer service, office Yambol; Rosen Iliev, senior specialist "SME customer relationship management", "Retail banking"



As of 31.12.2021 the number of staff of First Investment Bank on an unconsolidated basis amounted to 2466 employees compared to 2524 a year earlier. At the end of the year, 28% of the Bank's staff were employees at the age of up to 35 years, and the share of those up to 45 years was 63% of the total staff.

The majority of the Bank's employees are women (74%), as the share for those with managerial functions (directors of departments, branch managers, managers of specialized units) was 46%.



POLICY FOR NOMINATION AND SUITABILITY ASSESSMENT

In 2021, First Investment Bank continued to further develop its Policy for nomination and assessment of the suitability of members of the managing and supervisory bodies and persons holding other positions, mainly in terms of its practical implementation, incl. developed internal tools, questionnaires and matrices for individual and collective suitability assessment, as well as in the initial suitability assessment (in case of appointment of new members / persons) and in the subsequent suitability assessment, which is carried out regularly, not less than once a year. 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.

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.

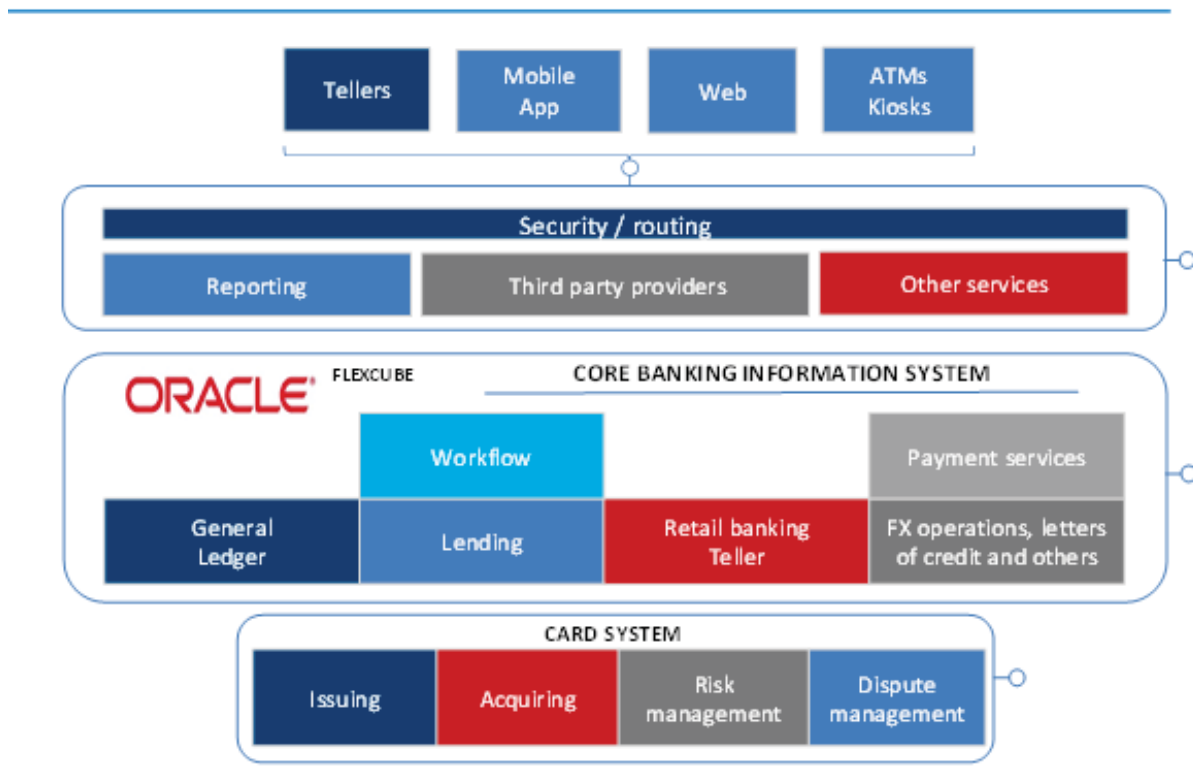
The Bank applies a policy for encouraging diversity with respect to Supervisory Board and Managing Board in order to maintain a diverse group of board members and to provide diverse views and experience to facilitate independent opinions/decisions and sound governance, which includes various aspects 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 2021, 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 2021, Fibank continued to develop in this direction, strengthening its position among the most technological and innovative institutions in the Bulgarian banking market. During the year, numerous projects related to the improvement and development of the Bank's IT assets and infrastructure were successfully completed. A new Dell EMC VxRail hyper-converged appliance was installed and related services migrated to it. A new all-flash array (AFA) storage infrastructure was put into operation to ensure greater efficiency and security. The systems managing the IP communication and the contact center of the Bank were updated, as well as the data control system. In terms of networking, the configuration of the Oracle ExaData Database machine X7-8 was expanded during the period.

SYSTEMS MAP



The Bank uses Oracle Flexcube version 12 for its core banking information system. It features universal modules for retail banking, corporate and investment banking, and an integrated workflow document information system 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.

In December 2021, the first phase of the implementation of a new credit process management system (Business Process Management/New Workflow) was successfully completed. It covers the activities of

acceptance of applications, approval, granting and renegotiation of loans to individuals, with the corresponding limits and levels of authority.

In implementation of the projects for branch digitalization and modernization of services offered to customers, the pilot phase of a project for electronic signing of documents at the offices of the Bank started during the period.

With regard to payment services, Fibank was among the first banks in the country to meet the criteria and receive certification from BORICA AD to join the Blink scheme for instant payments in BGN, as well as for bulk payments. The work continued for joining the Continuous Gross Settlement (CGS) mechanism of the STEP2-T system operated by EBA Clearing. A higher security standard (EMV v.2) was introduced for electronic payments over the Internet.

During the year, technical support was provided for upgrading existing services and functionalities and launching new ones: payments with smart devices using digital wallets of third party providers; payments with smart watches using the Fitbit Pay service; offering the new MyCard virtual credit card; launching the Gold Account, an innovative product for purchase, sale and keeping of dematerialized gold (XAO); providing the option to remotely apply for mortgage loans through the My Fibank mobile application.

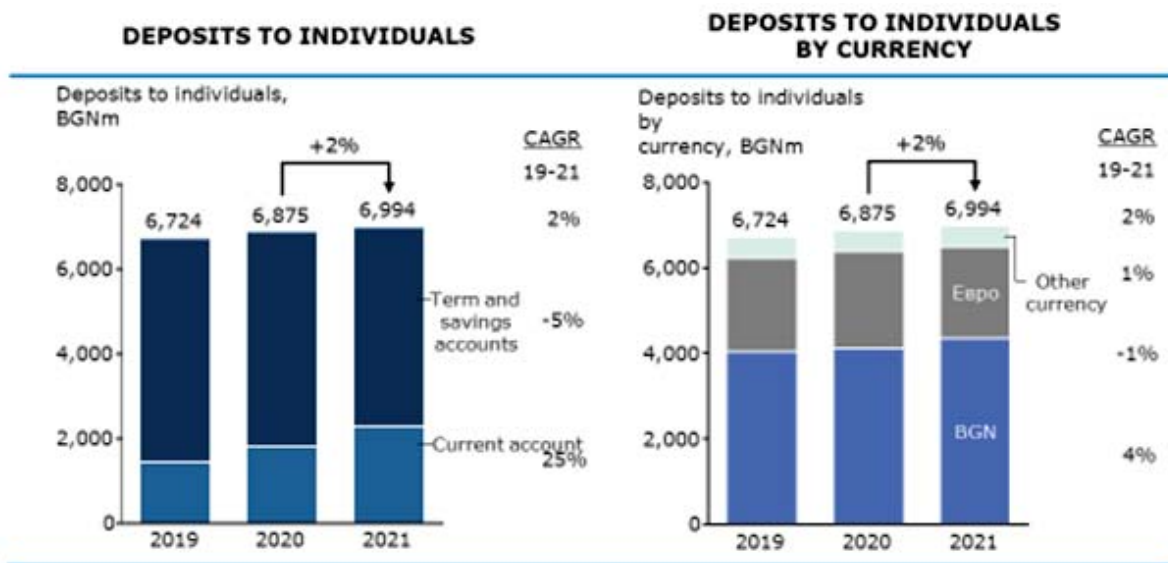
Taking into consideration the importance attached by the Bank to information technology, the activity is managed by Chief Information Technology and Operations Officer. In addition, there is an IT committee functioning as an auxiliary body to the Management Board. It monitors the IT strategic program 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, SME Banking, and Finance departments.

BUSINESS REVIEW

RETAIL BANKING

DEPOSITS

In 2021, attracted funds from individuals increased and reached BGN 6,993,994 thousand compared to BGN 6,875,257 thousand a year earlier, mainly driven by the 25.1% increase in current accounts which reached BGN 1,275,583 thousand (2020: BGN 1,819,473 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.



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 also banking packets and programs, inc. My Choice, My Choice Online, Digital Me, Digital Me+. In order to expand opportunities for customers in 2021, the Bank developed the Gold Account, an innovative product for purchase, sale and keeping of dematerialized gold (XAO).

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. In 2021, 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.

In 2021 r. Fibank launched a new deposit product – the For Me deposit featuring different terms (3, 6, 12 months) and currencies. It is automatically closed upon expiry of the term and interest is paid to the customer's current account.

By the end of the year, term deposits and savings accounts were in the amount of BGN 4,718,411 thousand (2020: BGN 5,055,784 thousand), with borrowings from individuals retaining a major share at 67.5% (2020: 73.5%). With a view to diversifying its sources of funds, the Bank participates in the international platform WeltSparen by Raisin aimed at attracting deposits from foreign persons.

In terms of attracted funds from individuals First Investment Bank was placed fifth among banks in the country as at the end of December 2021 (2020: third). As at the same date the market share of the Bank amounted to 10.27% on an individual basis (2020: 10.98%).

As an alternative to deposit products in a low interest rate environment, new products were developed during the year for retail and business customers: the Gold Portfolio and the Eco Portfolio, linked respectfully to the price of gold and to green bonds.

LOANS

The gross loan portfolio of households increased with 9.7% to BGN 2,234,747 thousand compared to BGN 2,036,996 thousand for the previous year, as a result of an increase in consumer and mortgage product lines.

| BGN th / % of total | 2021 | % | 2020 | % | 2019 | % |
|---------------------------------------|------------------|------------|------------------|------------|------------------|------------|
| Consumer loans | 1,048,171 | 46.9 | 951,254 | 46.7 | 880,581 | 45.7 |
| Mortgage loans | 1,033,864 | 46.3 | 918,117 | 45.1 | 863,028 | 44.8 |
| Credit cards | 149,695 | 6.7 | 162,527 | 8.0 | 177,576 | 9.2 |
| Other programs and secured financings | 3,017 | 0.1 | 5,098 | 0.3 | 5,098 | 0.3 |
| Total loans to individuals | 2,234,747 | 100 | 2,036,996 | 100 | 1,926,283 | 100 |

In 2021, the Bank introduced a new advanced Business Process Management (BPM) system for processing retail loan applications (New Workflow). It covers the steps of accepting loan applications, giving opinions, approving and granting new loans to individuals, as well as renegotiating the terms of existing ones, with integrated limits and levels of authority for granting/renegotiating different types of loans exposures.

CONSUMER LOANS

Consumer loans increased by 10.2% to BGN 1 048,171 thousand (2020: BGN 951,254 thousand), contributors being the competitive terms offered by the Bank, the easy loan application procedure and the development of new products and programs, including seasonal offerings, in line with customer needs and market necessities.

During the year, First Investment Bank continued to be among the most active banks under the Program for guaranteeing interest-free loans to protect people deprived of the opportunity to work due to the COVID-19 pandemic organized by the Bulgarian Development Bank, having signed additional agreements to increase the limits and the portfolio of loans under the program.

As part of the Bank's strategy for development and digitalization of services, developed to further facilitate customers and promote sustainable environmental development, consumer loans were offered fully online, with remote signing of documents using a specialized encoding device (software/hardware token) or a qualified electronic signature via the mobile app of a third-party certification service provider.

Taking into account the developing needs of customers and the increased demand for online services, during the period a video consultation service on credit products for individuals was launched, available at the corporate website www.fibank.bg, as well as via My Fibank digital banking or My Fibank mobile app.

First Investment Bank's market share in this segment amounted to 8.56% (2020: 8.63%) at the end of December 2021, and Fibank was fifth (2020: fifth) in terms of consumer loans among banks in the country on an individual basis.

CREDIT CARDS

The utilized limits on credit cards were in the amount of BGN 149,695 thousand at the end of the period (2020: BGN 162,527 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 loan portfolio to individuals amounted to 6.7% (2020: 8.0%).

There were new card products and promotional offers during the year, including the new MyCard virtual credit with a pre-approved credit limit, issued entirely online through the My Fibank mobile app.

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](#)“.*

MORTGAGE LOANS

As at the end of December 2021, mortgage loans increased by 12.6% to BGN 1,033,864 thousand compared to BGN 918,117 thousand a year earlier, forming a 46.3% share in the portfolio of loans to households (2020: 45.1%). As at 31 December 2021, the market share of the Bank in this segment was 6.37% (2020: 6.68%), as Fibank was placed sixth among banks in the country on an individual basis (2020: sixth).

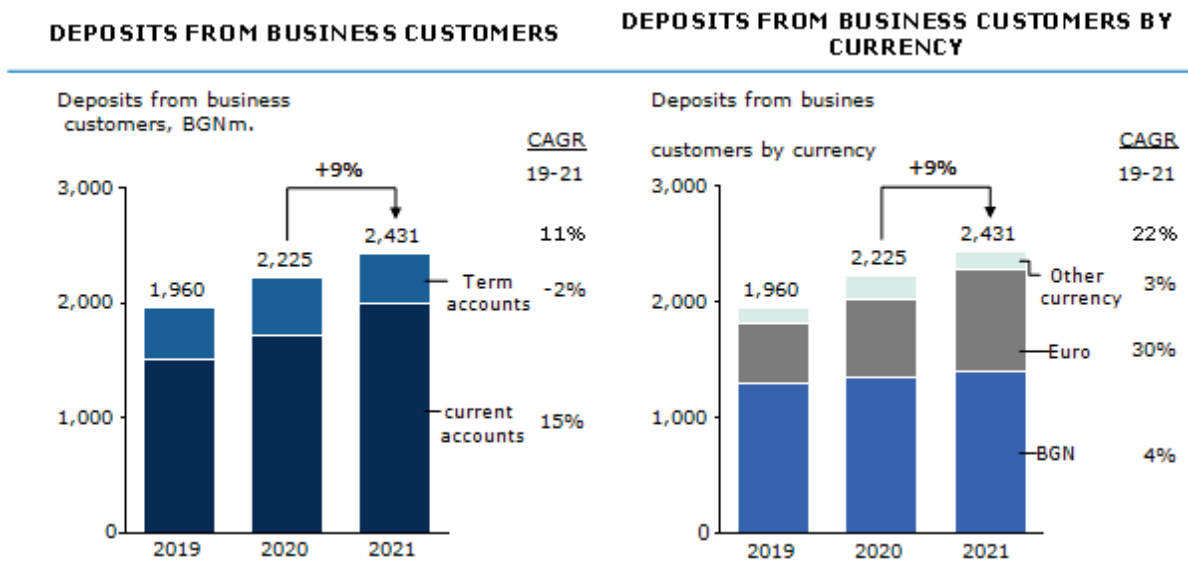
In pursuance of its strategy for development of the retail banking segment, Fibank continued to offer mortgages on competitive terms, as well as to organize promotional campaigns aimed at stimulating sales. To further facilitate customers and digitalize services, the option for remote submission of mortgage loan applications was provided through the My Fibank mobile app.

Fibank will put efforts for 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 at attracting new clients and offering supplementary products and services.

CORPORATE BANKING

DEPOSITS

Attracted funds from corporates and institutions in 2021 increased with 9.3% to BGN 2,431,257 thousand (2020: BGN 2,224,898 thousand). The increase in volume reflected mainly in the current accounts reaching BGN 1,996,496 thousand at the end of 2021 (2020: BGN 1,709,538 thousand) and forming 82.1% of the attracted funds from business customers and institutions (2020: 76.8%).



Term accounts reached BGN 434,761 thousand (2020: 515,360 thousand) at the end of the period, forming 17.9% of the attracted funds from corporates and institutions (2020: 23.2%). First Investment Bank offers a variety of deposit and savings accounts, and package programs for business customers which constantly adapt to market conditions and specific company requirements.

In 2021, new deposit products were developed in order to expand opportunities for business and retail customers, including innovative accounts and products tied to the price of gold or to a portfolio of green bonds.

As at 31 December 2021, funds attracted by the thirty biggest non-banking clients represented 7.82% of the total amount due to other customers (2020: 6.17%).

LOANS

CORPORATE LENDING

The portfolio of loans to corporates increased with 0.7% to BGN 4,544,574 thousand at the end of 2021, compared to BGN 4,512,772 thousand a year earlier as result of increasing the share of micro, small and medium-sized portfolios¹¹, based on the constant bank's policy for priority development in these segments. The microenterprises increased their share up to 11.0% (2020: 7.7%) of all business loans, small enterprises – up to 12.1% (2020: 11.2%), medium-sized enterprises – to 27.5% (2020:

¹¹ According to Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises determined on the basis of annual turnover as follows: microenterprises - up to BGN 3.9 million; small enterprises - up to BGN 19.5 million; medium-sized enterprises - up to BGN 97.5 million.

23.0%) at the expense of large enterprises, which decreased to 49.4% (2020: 58.0%) of all business loans.

| BGN th / % of total | 2021 | % | 2020 | % | 2019 | % |
|-----------------------------------|------------------|------------|------------------|------------|------------------|------------|
| Micro enterprises | 501,076 | 11.0 | 349,338 | 7.7 | 323,850 | 7.4 |
| Small enterprises | 549,802 | 12.1 | 505,348 | 11.2 | 496,059 | 11.4 |
| Medium-sized enterprises | 1,250,249 | 27.5 | 1,039,260 | 23.0 | 1,088,347 | 25.0 |
| Large enterprises | 2,243,447 | 49.4 | 2,618,826 | 58.0 | 2,441,869 | 56.1 |
| Total loans to enterprises | 4,544,574 | 100 | 4,512,772 | 100 | 4,350,125 | 100 |

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

In 2021 the Bank applied the Procedure for Deferral and Settlement of Liabilities Payable to Banks and their Subsidiaries - Financial Institutions in connection with COVID-19 (private moratorium), developed by the Association of Banks in Bulgaria (ABB) and approved by the BNB, in accordance with the terms and conditions of its operation.

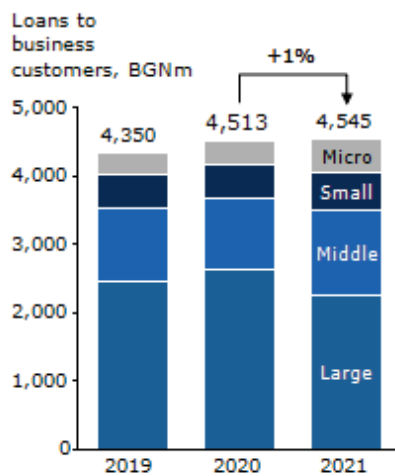
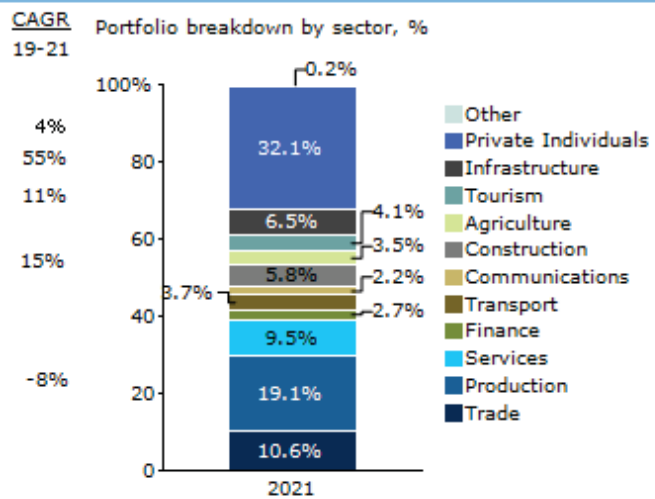
During the period additional agreements were signed under the Recovery Program of the Bulgarian Development Bank for portfolio guarantees in support of the liquidity of enterprises affected by the COVID-19 pandemic, expanding the scope of the program and prolonging its term. *For more information see section „Europrograms“.*

The Bank continued to offer factoring services to existing and potential business customers, including companies delivering of 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 also maintains co-operation with leading factoring insurance companies in the area of commercial finance First Investment Bank has signed to the framework agreement with the Taiwan export insurance agency Eximbank Taiwan for financing deliveries of goods from Taiwanese suppliers to customers of First Investment Bank in Bulgaria or abroad.

The market share of Fibank at the end of December 2021 amounted to 10.84% of loans to corporates in the banking system (2020: 11.52%), Fibank retained its fourth place (2020: fourth) among banks in the country on an individual basis.

As at 31.12.2021, loans to the manufacturing sector had a leading share in the portfolio structure (2021: BGN 1,296,309 thousand, 2020: BGN 1,277,091 thousand), followed by the trade sector (2021: BGN 718,868 thousand, 2020: BGN 797,401 thousand,) and the services sector (2021: BGN 643,781 thousand; 2020: BGN 718,263 thousand), forming respectively 19.1%, 10.6% and 9.5% of total loans (2020: 19,5%, 12,2% и 11,0%). Such dynamics reflected the positive trends of economic activity in the country and the consequences of the COVID-19 crises in different areas, mainly in trend, in line with the Bank's development goals and diversification of the activity.

BUSINESS LOAN PORTFOLIO

PORTFOLIO BREAKDOWN BY SECTOR


Loans in agriculture increased up to BGN 238,102 thousand in the end of the year (2020: BGN 180,456 thousand) In accordance with the its consistent policy for agricultural producers support, incl. participation in specific programs for rural development, EU-funded. An increase was also reported in the sectors of construction – up to BGN 390,458 thousand (2020: BGN 367,674 thousand), tourism, which reached 2021: BGN 280,646 thousand; 2020: BGN 264,840 thousand), transport (2021: BGN 248,112 thousand; 2020: BGN 229,666 thousand), infrastructure (2021: BGN 443,981 thousand; 2020: BGN 425,495 thousand) and the finance (2021: 182,494; 2020: 126,931).

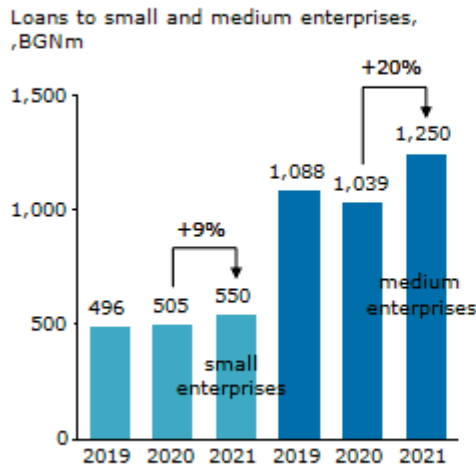
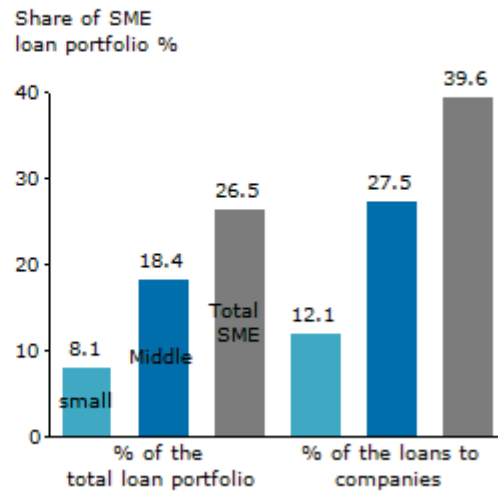
During the period, the Bank affirmed its cooperation with the Bulgarian Export Insurance Agency (BAEZ), by continuing its activity on the agreement for portfolio insurance with the agency, used as part of the techniques for mitigating credit risk.

SME BANKING

In 2021, loans to small and medium enterprises¹² increased with 16,5% and amounted to BGN 1,800,051 thousand (2020: BGN 1,544,608 thousand) or 39.6% of the business loans, from which to small enterprises were BGN 549,802 thousand (2020: BGN 505,348 thousand), and loans to middle enterprises – BGN 1, 250,249 thousand (2020: BGN 1, 039,260 thousand). For the bank's policy on this segment contributed the developed loan products and 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.

In 2021, Fibank provided loans under the Recovery Program of the Bulgarian Development Bank for portfolio guarantees in support of the liquidity of micro, small and medium-sized enterprises affected by the emergency situation and the COVID-19 epidemic. The instrument mainly included working capital loans for payment of salaries, leases, administrative costs and covering of other liquidity needs directly related to business activity, with a maximum loan amount of BGN 3 million and maximum term of 6 years.

¹² Enterprises with annual income of sales regarding the EU criteria as follows: small enterprises (between BGN 3.9-19.5 million) and medium-sized enterprises (between BGN 19.5-97.5 million).

LOANS TO SMALL AND MEDIUM ENTERPRISES

SHARE OF LOANS TO SME IN THE LOAN PORTFOLIO IN 2021


The activity continued under the signed agreement with the Fund Manager of Financial Instruments in Bulgaria EAD for the financial instrument Loss-capped portfolio guarantee to overcome the effects of the COVID-19, which was transformed during the year into the Recovery Program. The financial instrument provides relief in terms of collateral requirements and/or pricing of loans for micro, small or medium-sized enterprises, including interest rate subsidy under certain conditions. Enterprises may apply for investment or working capital loans with a grace period of up to 1 year, maximum term of 7 years, and amount up to 70% of the applicant's annual income but not exceeding BGN 3 million. *For more information see section „Europrograms“.*

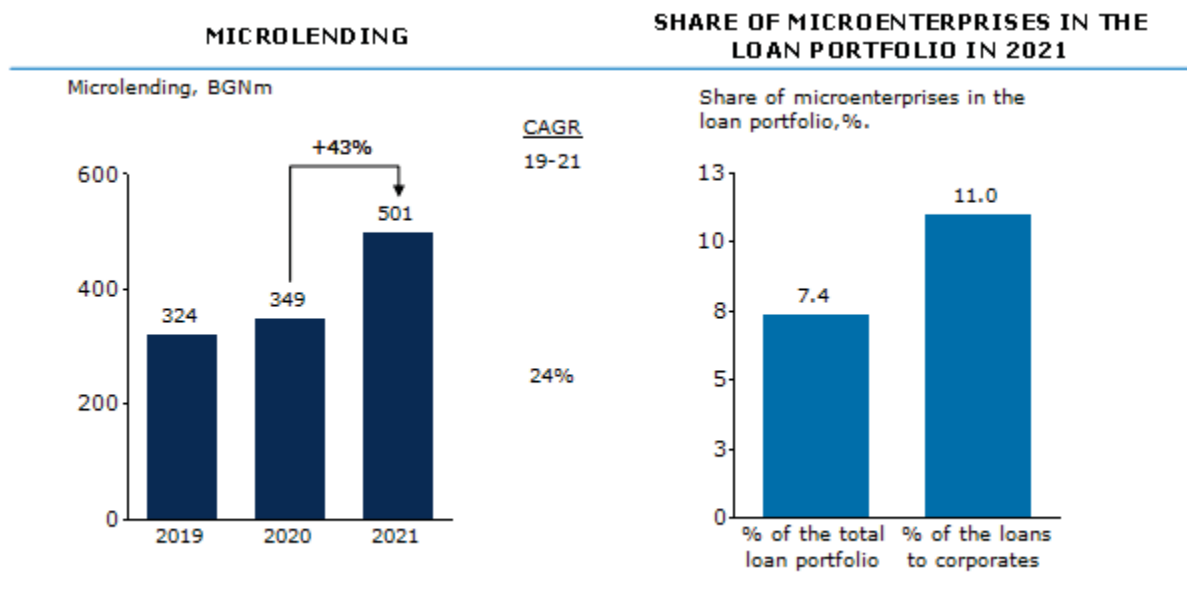
In November 2021, Fibank signed a new agreement with the Fund Manager of Financial Instruments in Bulgaria for financing of small and medium enterprises under the Rural Development Program 2014-2020. The financial instrument aims to provide loans on more favorable terms for beneficiaries in order to increase the competitiveness of the agricultural sector and stimulate investment in rural areas. It includes investment and working capital loans, with maximum amount of investment loans up to BGN 2 million with an option for additional working capital financing up to 30% of the total investment but not exceeding BGN 391,166 (EUR 200 thousand) and a repayment period of up to 10 years.

For SME financing, First Investment Bank maintains cooperation with other institutions, including the National Agricultural Fund and the Bulgarian Export Insurance Agency. Throughout the year, the Bank increased its efforts in offering factoring services to Bulgarian companies as an alternative to working capital loans.

During the year Fibank developed and launched new credit products in the field of sustainable financing: Green Transport, intended for the purchase of new electric vehicles by business customers; Green Energy - Free Market for companies wishing to invest in the construction of photovoltaic systems for electricity production for free market sale; and Green Energy - Own Use for construction of photovoltaic systems generating electricity for own consumption or for sale. The new credit products are in implementation of the Bank's policy for reducing the carbon footprint and investing in sustainable development. *For more information see section „Sustainable development“.*

MICROLENDING

In 2021, the microlending portfolio grew up to BGN 501,076 thousand compared to BGN 349,338 thousand a year earlier. The Bank continued its targeted efforts for development with priority in this segment.



The Microlending Program¹³ 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 microenterprises including investment loans, working capital loans, business credit cards and overdraft facilities at competitive terms

In 2021, among the highlights of microlending activities was the provision 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 (HRDOP) 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.

During the year, offering of loans to micro-enterprises continued under the recovery programs of the Bulgarian Development Bank and the Fund Manager of Financial Instruments in Bulgaria in support of enterprises affected by the COVID-19 pandemic.

First Investment Bank has an active Smart Lady program which is constantly evolving. It is mainly targeted at micro enterprises run or owned by women, as well as at businesses whose products and/or services are designed for women. So far the program has funded projects worth over BGN 85 million. During the period, as a joint initiative with Mastercard, a Sustainable Lady Fund was established in support of innovative green projects of women entrepreneurs. In the field of sustainable development, new credit products for businesses were also offered to finance investment in electric vehicles and photovoltaic systems. *For more information see section „[Sustainable development](#)“.*

The Bank continued to support agricultural producers, offered tailored financing solutions to individual sectors or business areas with high development potential, incl., IT companies, medical and dental practices.

¹³ Enterprises with annual turnover/income of sales up to BGN 3.9 million regarding the EU criteria for segmentation of customers.

EUROPROGRAMS

Fibank offers a wide range of services related to the utilization of funds under EU operational programs, including investment loans for overall project implementation, bridge financing up to the amount of the approved financial assistance, issuance of bank guarantees to secure advance payments of approved financial assistance, and other banking products specifically tailored to the needs of customers.

With regard to external programs, in 2021 First Investment Bank focused its efforts on participation in various guarantee schemes and programs organized in support of businesses and individuals affected by the COVID-19 pandemic and its consequences, as well as on other specialized instruments with social impact, e.g. for financing in rural areas.

During the year, First Investment Bank successfully participated in the Program for guaranteeing interest-free loans to protect people deprived of the opportunity to work due to the COVID-19 pandemic organized by the Bulgarian Development Bank. Fibank has been among the most active banks under this program, having provided the full amount of loans and three times increased the limit by annexing its agreement with the BDB.

Also fully utilized by the Bank was the loss-capped portfolio guarantee to overcome the effects from the COVID-19 under the Recovery Program of the Fund Manager of Financial Instruments in Bulgaria, financed under the Operational Program Innovations and Competitiveness 2014-2020 of the European Regional Development Fund. Loans provided under it were part of the Bank's consistent strategy to support businesses in overcoming the effects of the pandemic, including by repositioning and expanding the activities of beneficiaries, each loan being up to 80% secured by the fund.

Increased lending was also reported under the other Recovery Program of the Bulgarian Development Bank for portfolio guarantees in support of the liquidity of enterprises affected by the COVID-19 pandemic. Additional agreements were signed during the year expanding the scope of the program, including with regard to eligible enterprises, maximum term and amount of loans.

In November 2021, Fibank won three competitive procedures and signed agreements for three separate positions in implementation of the Financing in Rural Areas instrument under the Rural Development Program 2014-2020. First Investment Bank is the sole contractor under the instrument with a total loan amount of over BGN 70 million, aiming to increase investment in rural areas. Loans are provided for agricultural and non-agricultural activities in rural areas to increase the competitiveness of the agricultural sector, as well as to promote social inclusion and support for sustainable development of agricultural holdings.



During the year, Fibank also implemented a program in support of start-ups, social enterprises and entrepreneurship among vulnerable groups under the Microcredit with Shared Risk instrument of the Fund Manager of Financial Instruments in Bulgaria, funded by the Human Resource Development Operational Program.

PAYMENT SERVICES

In 2021 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);
- ◆ Real-Time Gross Settlement System (RINGS);
- ◆ System for Servicing of Clients Transfers in Euro (BISERA7-EUR);
- ◆ Trans-European Automated Real-Time Gross Settlement Express Transfer system (TARGET2);
- ◆ 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 Easy pay.

The pandemic of COVID-19 accelerated the migration towards e-payments, as the shares of transfers via the digital channels (e-banking and mobile banking) increased to approximately 80% of all outgoing transfers of the Bank (2020: 75%; 2019: 67%).

During the year First Investment Bank was among the pilot banks to join the Blink scheme for instant payments (up to 10 seconds) in BGN operated by BORICA AD. The new service which the Bank launched after the reporting period, in January 2022, is available through My Fibank digital banking and can be used for making BGN transfers in the amount of up to BGN 30,000. *For more information see section „Subsequent events“.*

OPEN BANKING

Since 2019 First Investment Bank has been developing 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 test and production environment, providing opportunity for testing the 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. Aiming on providing wider awareness for the 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 the PSD2 services account information and payment initiation through the Mobile Application *MyFibank*. This option secures quickness and convenience for clients when they want to have access to consolidated information for their account serviced at another payment service provider or when they want to initiate payment from such accounts.

CARD PAYMENTS

In 2021, 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 year, the Bank introduced the latest version of the EMV 3DS2 protocol for ensuring secure card payments over the Internet, thus continuing its focus on strengthening the security of online payments, including as regards the requirements for strong customer authentication (SCA). Fibank applies different payment confirmation methods depending on the individual preferences of customers, provided they meet regulatory requirements and mandatory elements. Those include the Fibank Token application, a combination of a static password and a dynamic password sent via SMS, or biometric verification (fingerprint/facial recognition) by a registered mobile device.

First Investment Bank continued to develop its services related to digitization of bank cards, expanding the range of third-party apps for which cards issued by the Bank can be digitized. In 2021, Fibank became the first bank in the country to offer innovative payments with smart watches through the Fitbit pay service. Its cards can also be used with the Google Pay digital wallet for making contactless POS payments in retail outlets, purchases in Android applications, or online transactions with merchants accepting such type of payments.

During the period, the Debit Mastercard Platinum was launched for the premium segment, offering a number of benefits including a virtual assistant application (AskPLEEZ!) and concierge services. A new virtual credit card was also offered named MyCard, with a pre-approved credit limit, issued entirely online through the My Fibank mobile app. It is designed for making payments over the Internet or other remote means of communication, including through mobile smart devices.

The Bank continued to develop the functionalities and quality of its ATM network, including by adding a contactless function to more ATM devices. Fibank was the first Bulgarian bank to build ATM terminals specially adapted for people of short stature five years ago. It continues to increase the number of such ATMs and support the annual activities of the national organization Little Bulgarian People.

The Bank's ATM network consisted of 621 devices the at the end of the year (2020: 649), and the POS network of 9,375 devices (2020: 8,694).

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 2021, the Bank reported an increase of 11% 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, and since September 2019 also through the platform SWIFT gpi (Global payment initiative) which improves the speed and the traceability of the cross-border transfers. Fibank executes transfers through the following payment systems as well: TARGET2 and BISERA7-EUR and since April 2017 the Bank executes credit transfers as a direct participant in the system STEP2 operated by EBA Clearing. Fibank operates in receiving and issuing of checks and performing various documentary transactions.

First Investment Bank continued working on the project for inclusion into the new payments organization – real time settlement Continuous Gross Settlement (CGS) in the STEP-2-T system, operated by EBA Clearing. A new working project for the new consolidated platform TARGET2.

The Bank has 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 71,626 thousand (2020: BGN 73,005 thousand), forming 8,8% of the off-balance sheet commitments of the Bank (2020: 9.6%).

GOLD AND COMMEMORATIVE COINS

In 2021, First Investment Bank celebrated 20 years since the beginning of its business with precious metal products and articles. Over the years it has established a leading position in the country in terms of transactions and investment advice in the area of precious metals.

For 2021, the revenues from sales of gold and precious metal products amounted to BGN 1349 thousand, as an increase was reported in the number of realized transactions, due to growing investment interest and the dynamics in the gold price in the international markets in a pandemic situation and uncertainty in external environment.

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 PAMP (Produits Artistiques de Métaux Précieux), the banks UBS and Credit Suisse, the New Zealand Mint, the National Bank of Mexico, the Austrian Mint, the British Royal Mint, and others.



Continuing the tradition, a new silver coin dedicated to the Year of the Water Tiger was launched, developed jointly with the New Zealand Mint. It is available exclusively in the offices of Fibank and in its online Gold & Silver store. Also offered were new gold and silver bars produced by the Swiss refinery PAMP and dedicated to the Lunar New Year.

In line with its long-term policy for supporting Bulgarian brand, Fibank by agreement with the Bulgarian National Bank, successfully distributed Bulgarian commemorative coins and coin sets issued by the central bank. The wide range of gold and silver items is presented both in Fibank branch network, as well as in Fibank Gold & Silver online store. In 2021, the interest to them increased, as new collectors and investors were attracted as clients.

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.

PRIVATE BANKING

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



In 2021 the Bank developed its private banking activity with a view to increasing the number of customers served in this segment, as well as to stimulating the growth of customer investment portfolio and the accompanying fee and commission income.

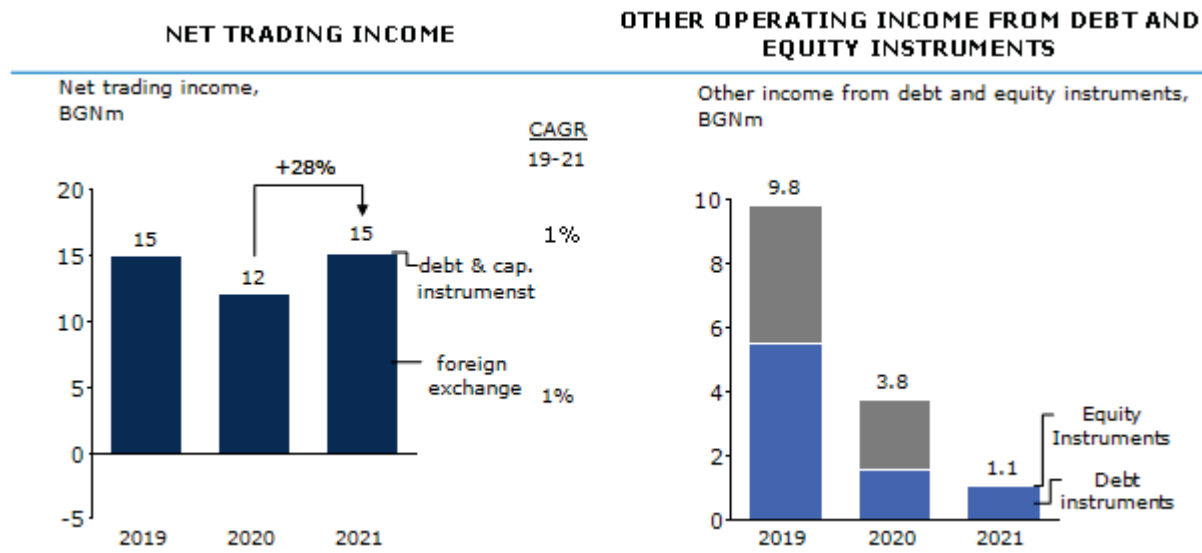
Among the highlights in private banking during the year continued to be the Personal Banking service, aimed at a subsegment of customers that meet certain minimum financial criteria. It is implemented through the branch network of First Investment Bank, enabling customers to benefit from a number of products and personalized services. Those include the Premium and Premium Plus package offers, featuring preferential terms for traditional banking products and services. In addition, at certain locations customers may use dedicated Personal Banking officers that provide fast and competent assistance in all banking transactions. For the year, Fibank reported a 156% growth of private banking customers served.

In the conditions of low interest rates and in order to provide greater choice to customers in diversifying their investments, the successful cooperation with FFBH Asset Management, E.I. Sturdza Strategic Management Limited and with Erste Asset Management, part of Erste Bank, Austria regarding the distribution of their mutual funds, as an alternative to standard forms of savings. In 2021, the total sales volume of the mutual funds offered by Fibank AD increased by nearly 34%.

Private banking customers also have the opportunity to take advantage of the trusted financial assets management service - a personalized financial strategy managed by professional portfolio managers with experience in international financial markets and a proven approach that can be adapted to the customer's financial condition and his personal preferences.

CAPITAL MARKETS

In 2021 net trading income amounted to BGN 15,380 thousand (2020: BGN 11,991 thousand), mainly as a result of the higher income from trade operations related to exchange rates. Other net operating incomes, arising from debt and capital instruments, amounted to BGN 1,085 thousand compared to BGN 3,771 thousand a year earlier.



The securities portfolio at the end of the year amounted to BGN 1,482,699 thousand, compared to BGN 1,132,106 thousand a year earlier, of which BGN 901,155 thousand measured at fair value through other comprehensive income (2020: BGN 668,385), BGN 265,405 thousand measured at fair value through profit or loss (2020: BGN 263,891 thousand) and BGN 316,139 thousand measured at amortized cost (2020: BGN 199,830 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 compliance 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, as well as in line with the Markets in Financial Instruments Act, the regulations within the scope of market abuses in financial instruments and the other applicable law.

In pursuance of the requirements arising from Regulation (EC) No 648/2012 of the European Parliament and of the Council 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 an effort to provide customers interested in trading financial instruments with quick and easy real-time access to trading platforms on regulated markets, First Investment Bank launched a new project for entering into agreements and placing orders for trading stocks and mutual funds fully online.

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 registers of investment intermediaries, of accounts of securities, income payments and servicing payments under transactions in financial instruments. 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).

MEETING THE 2021 GOALS

| N | Goals | Fulfilment |
|---|--|---|
| 1 | To be among the leading banks in the country, with a priority focus for development on the segments of retail banking and services for small and medium businesses | <ul style="list-style-type: none"> ❖ In 2021, the portfolios of retail, micro, small and medium-sized enterprise loans registered increase to BGN 2,235 million, BGN 501 million, BGN 550 million and BGN 1,250 million respectively, accounting for 33.0%, 7.4%, 8.1% and 18.4% of the loan portfolio, or a total of 66.9% (2020: 60.0%). ❖ The Bank preserved its leading position among institutions in the country: fifth in deposits, fourth in corporate loans, fifth in consumer loans and sixth in mortgage loans. ❖ New products were developed in the SME segment aimed at sustainable development (Green Transport, Green Energy - Free Market and Green Energy - Own Use), as well as new savings products and investment solutions for business customers and individuals (Gold Account , Eco Portfolio, Gold Portfolio). ❖ During the year, First Investment Bank actively provided loans under the BDB Program for guaranteeing interest-free loans to protect people deprived of the opportunity to work due to the COVID-19 pandemic. ❖ Digital services were developed, taking into account the new needs of customers and the demand for online services (fully online account opening, applying for mortgage loans through digital channels, digitizing cards in third-party apps). ❖ Granting of loans started under the Recovery Program of the BDB and the Fund Manager of Financial Instruments in Bulgaria for portfolio guarantees in support of the micro, small and medium-sized enterprises affected by the COVID-19 epidemic. ❖ A new agreement was signed with the Fund Manager of Financial Instruments in Bulgaria for granting loans to farmers under the Financing in Rural Areas financial instrument. <p><i>For more information see sections „Financial review“ and „Business review“.</i></p> |
| 2 | To continue its development as a customer-oriented bank, with high quality service, preferred by the population and business customers | <ul style="list-style-type: none"> ❖ The deposit base increased to BGN 9,425,251 thousand at the end of the period (2020: BGN 9,100,155 thousand). The total loan portfolio also increased, reaching BGN 6,315,581 thousand (2020: BGN 6,038,889 thousand). ❖ An increase was reported in balances on current accounts of both individuals (25.1%) and businesses (16,8%), in line with the policy for maintaining long-term relationships with customers. There was further development in cross-selling and transaction business, which contributed to the increase in commission income (by 24% during the year). ❖ The Bank focused on development of its digital sales during the year, introducing new functionalities and services in the electronic and mobile banking in response to changing customer attitudes to |

remote banking and aiming at higher satisfaction and quality of service.

- ◆ Proof of the high quality of service was the award received during the year – Favorite Brand award and first place in the Financial Institutions category by the My Love Marks consumer rating.

For more information see sections „[Business review](#)“, „[Highlights 2021](#)“ and „[Awards 2021](#)“

3 To invest in the creation of new, creative products and in the development of digital services, providing its customers with competitive advantages

- ◆ A video consultation service on credit products for individuals was launched, available at the corporate website www.fibank.bg, as well as via My Fibank digital banking or My Fibank mobile app.
- ◆ Fibank became the first bank in the country to offer innovative payments with smart watches through the Fitbit pay service. The option was also provided to digitize cards issued by the Bank, including in third party apps.
- ◆ A new Debit Mastercard Platinum was launched for the premium segment, offering a number of benefits including a virtual assistant application (AskPLEEZ!) and concierge services.
- ◆ First Investment Bank offered the Gold Account, an innovative product for purchase, sale and keeping of dematerialized gold (XAO).
- ◆ New structured investment products were launched, designed for retail and business customers: the Gold Portfolio and the Eco Portfolio, linked respectfully to the price of gold and to green bonds.
- ◆ Fully online account opening and consumer lending were offered, as well as applying for mortgage loans through digital channels of the Bank.
- ◆ The Branch digitalization project was launched, involving electronic signing of documents in the branch network of the Bank.
- ◆ The new MyCard virtual credit was offered with a pre-approved credit limit, issued entirely online.
- ◆ Proof of the accomplished during the year in the sphere of digital banking was the award received for Digital Bank of the Year – Bulgaria by the international Global Brands Magazine.

For more information see sections „[Business review](#)“ and „[Distribution channels](#)“.

4 To develop a sustainable business model

- ◆ First Investment Bank reported a steady growth of assets which reached BGN 11,268,870 thousand at the end of 2021 (2020: BGN 10,832,829 thousand), notwithstanding the challenges of the external environment and the COVID-19 pandemic.
- ◆ At the end of 2021, the Bank reported stable capital ratios as follows: common equity Tier (CET1) ratio 17.86%, Tier 1 capital ratio 21.46% and total capital adequacy ratio 21.46%, exceeding the minimum regulatory capital requirements.
- ◆ Fibank maintained high liquidity, with liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) of 230.36% and 137.42% respectively at the end of the period.

| | |
|--|--|
| | <ul style="list-style-type: none"> ❖ In 2021, the Bank operated in accordance with its strategy for maintaining a moderately low level of risk. ❖ Non-performing exposures decreased by 12.1% YOY, in implementation of the strategy for their reduction and as a result of implemented measures for improved collections, write-offs and portfolio sales. ❖ New credit products (Green Transport, Green Energy - Free Market and Green Energy - Own Use) were developed in implementation of the Bank's policy for reducing the carbon footprint and investing in sustainable development. ❖ In 2021, the Bank continued to develop its branch network in search of a balance between digital channels and physical locations. As at 31 December 2021 the branch network on an individual basis consisted of 127 branches and offices (2020: 135). <p><i>For more information see sections „Financial review“, „Risk management“ and „Sustainable development“.</i></p> |
| <p>5 Achieving good financial results, incl. in terms of return on capital and cost/income ratio</p> | <ul style="list-style-type: none"> ❖ In 2021, First Investment Bank reported increased financial results and sustainable development in an environment affected by the COVID-19 pandemic and its aftermath. ❖ Net profit increased to BGN 100,083 thousand compared to BGN 38,881 thousand a year earlier, mainly driven by higher operating income and decreased administrative costs. ❖ Total operating income grew to BGN 408,757 thousand (2020: BGN 350,833 thousand) with increase reported in all key income sources, including net interest income (by 13.1%) and net fee and commission income (by 24.0%). ❖ Return on equity (after taxes) reached 8.29% (2020: 3.69%), in line with the set ROE target of over 8%. Return on assets (after taxes) was 0.91% (2020: 0.38%). ❖ The cost/income ratio decreased to 43.39% by the end of the period (2020: 56.99%), in line with the objective to consistently maintain this ratio below 50%. |

SUBSEQUENT EVENTS

- ❖ In January 2022 First Investment Bank launched the innovative instant payment (up to 10 seconds) service in BGN under the Blink scheme operated by BORICA AD. The service is available through My Fibank digital banking for transfers up to BGN 30,000.
- ❖ In January 2022, pursuant to the decision of Fibank to close its subsidiary Turnaround Management EOOD, the company was deleted from the Commercial Register.

For further information, see the Individual Financial Statements for the year ended December 31, 2021.

DEVELOPMENT PRIORITIES

UNIVERSAL BULGARIAN BANK, LEADING IN KEY SEGMENTS

- ◆ Setting a priority 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 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.

FOCUS ON DIGITIZATION AND INNOVATION

- ◆ Implementation of technological innovations.
- ◆ Development of digital services, mobile applications and e-banking.
- ◆ Optimization of IT and business processes in line with innovation in banking.

STABLE AND SUSTAINABLE BUSINESS MODEL

- ◆ Ensure sound capital position and effective liquidity management.
- ◆ Maintain optimal asset structure and reduce loan portfolio risk.
- ◆ Offer products and finance projects aimed at sustainability and supporting the green idea, as well as implement environmentally friendly internal processes.

RETURN FOR SHAREHOLDERS AND COST OPTIMISATION

- ◆ Achieve return on equity of over 8% by end-2023.
- ◆ Achieve a sustainable cost-to-income ratio below 50%.
- ◆ 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. He is owner of ET Imeksa-Evgeni Lukanov and holds more than 10% of the capital of Avea OOD.

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.

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 Tourism" 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 a number of senior and advisory positions in European and African organizations and financial institutions including:

- AATIF (a KfW & EU sponsored Africa Agriculture and Trade Investment Fund), Luxemburg – Member of the Board of Directors, Chairman of the Investment Committee;
- EXPO Bank, Czech Republic – Member of the Supervisory Board;
- Gulf Marine Services PLC (GMS International), UK – Member of the Board of Directors.

During the period 2012 – up to 2019 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, and in Al Jaber Group, UAE.

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 and Protocol and Secretariat Department.

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.



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 – Corporate Banking Department, Corporate Sales and Public Procurements Department.

Besides his position with the Bank, Mr. Zlatev is a member 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 and of the Audit Committee of First Investment Bank - Albania Sh.a., member of the Board of Directors of Balkan Financial Services EAD and member of the Supervisory Board of UNIBanka AD, Northern Macedonia.



Nadia Koshinska – Member of the Managing Board and Director of SME 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 SME Banking Department.

Ms. Koshinska does not hold outside professional positions.

The present Individual Activity report for 2021 was approved by the Managing Board of First Investment Bank AD in accordance with the Bank's internal regulations at a meeting dated 30 March 2022.

Signed

Nikola Bakalov
*Chief Executive Officer,
Chairman of the Managing Board*

Signed

Chavdar Zlatev
*Executive Director,
Chief Corporate Banking Officer,
Member of the Managing Board*

Signed

Ianko Karakolev
*Chief Financial Officer,
Member of the Managing Board*

DECLARATION

under Art. 100o, para. 4(4) of the Public Offering of Securities Act (POSA)

The undersigned Nikola Hristov Bakalov, Chief Executive Officer and Chairman of the Managing Board of First Investment Bank AD, Chavdar Georgiev Zlatev, Executive Director and Member of the Managing Board of First Investment Bank AD and Ianko Angelov Karakolev, Chief Financial Officer and Member of the Managing Board at First Investment Bank AD, hereby declare that to the best of our knowledge:

- The financial statements of First Investment Bank AD as at 31 December 2021, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets and liabilities, financial position and profit of First Investment Bank AD.
- The annual report of First Investment Bank AD as at 31 December 2021 contains a fair review of the development and results from the activities of First Investment Bank AD.

Signed

Nikola Bakalov
Chief Executive Officer
Chairman of MB

Signed

Chavdar Zlatev
Executive Director
Member of MB

Signed

Ianko Karakolev
Chief Financial Officer
Member of MB

30 March 2022

Sofia



INFORMATION

ON

FIRST INVESTMENT BANK AD

FOR 2021

The present information is prepared pursuant to Art.10, p.2 from Ordinance No.2 of the Financial Supervision Commission from 09.11.2021 on the initial and subsequent disclosure of information when securities are offered to the public or admitted to trading on a regulated market.

1. Information on the securities, which are not admitted to trade on a regulated market in the Republic of Bulgaria or another Member State.

In December 2021, First Investment Bank structured a one-year program for the issuance of hybrid instruments (perpetual, non-cumulative, unsecured, deeply subordinated, freely transferable, non-convertible bonds) meeting the requirements for additional Tier 1 capital to replace existing issues of hybrid instruments issued by the Bank. The program envisages separate issues, the coupon interest rate for each being determined individually according to market conditions. The minimum nominal value per bond is EUR 100,000, with an option for additional investment above that amount at an increment of EUR 1,000 or a multiple of EUR 1,000.

At the end of the year, the Bank successfully issued as private placement two tranches under the program (ISIN: XS2419929422), the first in the amount of EUR 17.133 million and the second in the amount of EUR 10 million. There was high investor interest, with the minimum subscription amount for the issue to be considered successful being exceeded more than three times (for the first tranche) and two times (for the second tranche). The global bonds have been accepted for clearance through Clearstream Banking S.A, with a view to subsequent admission to trading on a regulated market on the Luxembourg Stock Exchange (LuxSE). As at 31.12.2021 the amortised cost of the issued hybrid instrument amounted to BGN 53,153 thousand.

2. Information on the direct and indirect holding of 5 per cent or more of the voting rights in the general meeting of the company, including information on the shareholders and the number of shares held.

The shareholders holding 5% or more of the share capital of First Investment Bank as at 31 December 2021 are, as follows:

| number / % of total | Number of shares | % held |
|--------------------------------|------------------|--------|
| Mr. Ivailo Dimitrov Mutafchiev | 46,750,000 | 31.36% |
| Mr. Tzeko Todorov Minev | 46,750,000 | 31.36% |
| Bulgarian Development Bank AD | 27,350,000 | 18.35% |
| Valea Foundation | 11,734,800 | 7.87% |

At 31 December 2021 16,500,000 shares (11.06% of share capital) are traded freely at the Bulgarian Stock Exchange AD (free-float).

3. Information on shareholders with special controlling rights and description of such rights.

No shareholders have special controlling rights.

4. Agreements between shareholders which are known to the company and may lead to restrictions in the transfer of shares or voting rights.

No such agreements are known to the company.

5. Significant contracts signed by the company which require action or which are amended or terminated due to a change in control of the company when carrying out a mandatory tender offer, and the consequences thereof, except where the disclosure of such information may cause serious damage to the company; this exception shall not apply where the company is obliged to disclose such information by law.

No such contracts exist.

Scorecard / Evaluation form for Corporate governance in Bulgaria

Evaluation's method for the companies with two tier governance structure

Based on the Methodology, developed by Christian Strenger

Notes about the methodology

Based on the National code for corporate governance in its' version from April 2016

The detached criterias refer to the corresponding chapters of the code

The execution's degree of every point is determined by marking in the field column (1)

Weight of the questions: Standart evaluation is checked in column (2)

The summarized results are described as a value of different criteria with common result in (3)

In case of need the source of information should be noticed in column "Source of information"

The astonishing before every criteria disappear, when it is marked the corresponding field in column (1)

The card is developed in 2 types depending on the governance system, as the company fulfills the type, which corresponds to its governance system

The card has to be signed by personality with representing authority in the company

Name of the issuer:

Date of completion

Chose the governance system of the company [One tier system](#) [Two tier system](#)

Scorecard / Evaluation form for Corporate governance in Bulgaria

Evaluation's method for the companies with two tier governance structure

| Execution (1) | | | Standart note (2) | Number of points (3) = (1) × (2) Standart note |
|---------------|---------|----|-------------------|---|
| 1 | 0.5 | 0 | | |
| yes | partial | no | | |

Criteria

Source of information

Please, point the way of the requirement's execution
When the execution is not in full compliance, please point the reasons

I. Management board

10%

| Criteria | Description | Execution (1) | Standart note (2) | Number of points (3) = (1) × (2) | Standart note | Source of information |
|----------|---|---------------|-------------------|----------------------------------|---------------|--|
| I.1 | Do the structure and the distribution of the tasks to the members on the Management Board guarantee the effective performance of the company? | 1 | | 10% | 10.0% | The members and functions of MB are structured according to the statutes and Corporate governance code. First investment bank functions with an organizational structure, built in accordance with the good international standards in the area of corporate governance, the EBA Guidelines and the principles of Basel committee in this area. |
| I.2 | Do the compliance principles observed for competence level of the candidates, by offer of choice of new members of the Management Board, with the character of the company' s activity? | 1 | | 15% | 15.0% | First investment bank has a Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions, which is in compliance with the regulatory requirements, activities of the bank and development plans. In the bank works a Nomination Committee, which assists the Supervisory Board in assessing the individual and collective suitability of members of the Supervisory Board and Managing Board, as well as assesses the suitability of the key function and other holders in the Bank, in compliance with the applicable legal provisions in this sphere. |
| I.3 | In the contracts for assignment of the management, concluded with the members of the Management board are determined their obligations and tasks, the criteria of the size of their remuneration, their obligations for loyalty to the company and the reasons for release? | 1 | | 15% | 15.0% | In the contracts are included the total obligations, stipulated is the fixed remuneration, as well as the payed expense in connection with the activity, incl. such as health insurance, insurance, compensations and with respect to the additional remunerations they are referred to the internal policies and rules of the Bank. There are stipulated also the principles of loyalty, as well as the reasons for termination of the contract. |
| I.4 | Does the remuneration of the members of the Management Board consist of basic salary and variable incentives? | 1 | | 15% | 15.0% | First investment bank applies a Remuneration policy in compliance with the regulating requirements, where the main principles in formation of remunerations are regulated, as the goal of the Bank is the optimal structuring in accordance with the functions and depending on the staff categories. |
| I.5 | Are the additional incentives for the members of Management board concrete appointed / appointable? | 1 | | 15% | 15.0% | The principles for formation of remunerations in the Bank are structured so, that they contribute to resonable and prudent corporate governance and reliable and effective risk management. |
| I.6 | Are the additional incentives for the members of Management board bound by clear and concrete criteria and indicators for the results of the company and / or by the achievement of preliminary determinated by the Supervisory board goals? Describe the connection between the additional incentives for the members of the Management board and the achieved results of the company or other criteria and/or aims determined by the Supervisory board. | 1 | | 15% | 15.0% | In compliance with the Remuneration policy the variable remuneration, if such is payed, is based on the results of the activity and achieved goals, having in mind the economic cycle, the level of time horizon of the undertaken risks, the price of capital and the necessary liquidity. It is given on the base of evaluation criteria for the execution of the activity, which includes the appropriate combination of financial (quantitative) and non-financial (qualitative) criteria, incl. execution of the budget, achievement of purpose levels of profit, capital adequacy and effectiveness, achievement of strategic goals, hold up to the Bank risk management policy, customers satisfaction, observing of internal rules, initiative, motivation and others. |

| | | | | | | |
|-----|--|---|--|--|------|-------|
| I.7 | Is provided to the share holders approach to the information for deals between the company and the members of Management board and connected with it persons? Indicate the concrete place and the order, eventual - the web page of the company, on which it can obtain the above described information. | 1 | | | 15% | 15.0% |
| | | | | | 100% | 100% |

Information for deals with connected persons, incl. persons that control or manage the Bank is published in the financial reports, which are published on the corporate webpage of the Bank: www.fibank.bg

II. Supervisory board

10%

| | | | | | | |
|------|---|---|--|---|-----|-------|
| II.1 | Is regulated in the organization acts the number of independent members and the tasks' distribution between them? | 1 | | | 10% | 10.0% |
| II.2 | Are there appointed requirements for suitable knowledge and experience for the members of Supervisory board, corresponding to the position, which they hold? Indicate the specific place and order, possibly - the webpage of the company, in which are determined the requirements for suitable knowledge and experience to the members of Management board. | 1 | | | 10% | 10.0% |
| II.3 | Do exist any determined requirements for observing the principles of continuity and stability of work of Supervisory board by the elections of its members? | 1 | | | 5% | 5.0% |
| II.4 | Is limited the number of consecutive mandates of the independent members? | | | 1 | 5% | 0.0% |
| II.5 | Is there at least one member of the Supervisory board, who has financial competence? Point the webpage of the company, where could be found information for the competency of every member of the supervisory board. | 1 | | | 10% | 10.0% |
| II.6 | Is there established praxis the new members of the Supervisory board to be introduced with the basic legal and financial questions, connected with the activity of the company? | 1 | | | 10% | 10.0% |
| II.7 | Does the education of the members of Supervisory board encouraged? Indicate the actions, connected with increasing qualification of someone or every members of the Supervisory board during the last year? | 1 | | | 10% | 10.0% |

The requirements for independent members of Supervisory board are regulated in the Statute, Corporate governance code and Rules for the activity of Supervisory board, as the requirement for 1/3 of the members of the Supervisory Board to be independent members, which is applicable to significant banks and public companies is met.

The requirements for suitable knowledge and experience, reliability and suitability to the members of Supervisory board are regulated in the Statute, Corporate governance code, Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions and Rules for the activity of Supervisory board in compliance with the regulatory requirements. The Statute and Corporate governance code are published on the corporate webpage of the Bank: www.fibank.bg

The requirements for continuity and stability in the elections of members of SB are regulated in the Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions and the Rules for the activity of SB. In succession planning the Bank takes into account the principles for avoiding simultaneous replacement of too many members, applying phasing out practices, compliance with temporary appointment requirements and taking into account the diversity policy.

Pursuant to the Bank's Statute, the members of SB could be re-elected for next mandates without restrictions.

The SB members have high professional, incl. financial competences. Information for the professional experience and competences of the members of Supervisory board is included in the Annual activity report, as well as on the corporate webpage of the Bank: www.fibank.bg

Pursuant to the Rules for activity of Supervisory board when elected, every member of the Supervisory Board participates in introducing program, which includes the common financial and legal questions, the financial reporting on behalf of the Bank, concrete specifics for the Bank and its economic activity, as well as the responsibilities of every member of Supervisory Board. Requirements in respect of introductory and training policies to the members of the bodies are specified in the Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions.

In accordance with the Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions, based on suitability assessment (individual and collective) the areas with need of training shall be targeted, as well as taken into account the changes in management, strategic changes, new products and technologies, changes in applicable regulations and market development. During 2021 presentations have been organized related to changes in regulatory requirements, incl. on SREP processes, capital planning, eligible liabilities (MREL), credit risk and nonperforming exposures, risk related to climate change (ESG factors).

| | | | | | | | |
|-------|--|---|--|--|------|-------|---|
| II.8 | Is in the organizational acts of the company regulated the number of companies in which the members of Supervisory board could hold management positions? Point the document and the specific text, in which are determined the requirements for the number of companies, in which the members of the Supervisory board hold management positions. | 1 | | | 10% | 10.0% | As per the Rules for the activity of SB, the members of Supervisory Board shall limit the holding of other positions, so to guarantee, that they can fulfill their obligations as members of the Supervisory Board. Without the approval of the Supervisory Board they shall not have the right to have more than a specific number of memberships in boards in other companies. Pursuant to the Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions, limitations are included on the number of directorship positions as specified in the 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. |
| II.9 | Do the independent members of Supervisory board receive only basic remuneration without additional incentives? | 1 | | | 5% | 5.0% | Pursuant to the Remuneration policy, the members of Supervisory board receive predominantly fixed remuneration. |
| II.10 | Does the remuneration of the independent members of Supervisory board influence their participation in meetings, the fulfillment of their tasks to control the actions of executive management and their effective participation in the activity of the company? Indicate the specific place and order, possibly the webpage of the company, describing the connection between the remuneration of independent directors and the functions executed by them. | 1 | | | 5% | 5.0% | The remuneration of the members of Supervisory Board is defined by the General meeting of the shareholders in compliance with the Remuneration policy of the Bank, as the participation in committees and the execution of the duties is taken into account when determining of individual remunerations. |
| II.11 | Does the company follows the principle of non-compensation of the members of Supervisory board with shares and options? | 1 | | | 5% | 5.0% | The remuneration of the members of Supervisory Board is structured in compliance with the applicable regulations for credit institutions and the Remuneration policy of the Bank, with the members of the Supervisory Board receiving predominantly fixed remuneration. |
| II.12 | Is ensured access for the shareholders to information for deals between the company and the members of Supervisory board and connected persons with it? Describe the procedure and the place, possibly the webpage of the company, where could be obtained information for the deals between the company and the members of Supervisory board and the connected with it persons. | 1 | | | 10% | 10.0% | The information for deals with connected persons, incl. the persons that control or manage the Bank, is published in the financial reports, which are published on the corporate webpage: www.fibank.bg |
| II.13 | Does the procedures for elections of new members report the requirements for continuity and stability of functioning of Supervisory board? | 1 | | | 5% | 5.0% | The requirements for continuity and stability in the elections of members of SB are regulated in the Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions and the Rules for the activity of SB. In succession planning the Bank takes into account the principles for avoiding simultaneous replacement of too many members, applying phasing out practices, compliance with temporary appointment requirements and taking into account the diversity policy. |
| | | | | | 100% | 95% | |

III. Collaboration between the Management and Supervisory board 10%

| | | | | | | | |
|-------|--|---|--|--|-----|-------|---|
| III.1 | Are there any incide for the company rules, regulating the regular, timely and comprehensive exchange of information between the Management and Supervisory board? | 1 | | | 20% | 20.0% | In compliance with the principles for good corporate governance, an opened dialogue is maintained between SB and MB. Except for the regular reporting on the execution of the assigned goals, general meetings are carried out. The members of Supervisory Board have the right to direct contact with the management and the Bank employees. The secretary has a key role for the entire support of this process. The interaction between the SB and MB is regulated in the Corporate governance code and the Rules for the activity of the MB and SB. |
|-------|--|---|--|--|-----|-------|---|

| | | | | | | | |
|-------|---|---|--|--|------|-------|---|
| III.2 | Did the Corporate governances establish policy of the company regarding the disclosure of information and the connections with the investors? Indicate the specific place and order, possibly the webpage of the company, where could be an access to the above described information. Indicate the date on which last are inspected and / or updated the accepted policy. | 1 | | | 20% | 20.0% | First investment bank applies a Disclosure policy as a document, which is publicly available on the corporate webpage www.fibank.bg . The Disclosure policy was last updated with a decision of MB of 16.12.2021, approved by a decision of SB of 22.12.2021. |
| III.3 | Are the procedures of run away or disclose of conflict of interests regulated in the regulation acts of the company? Indicate the specific place and order, possibly the webpage of the company, where could be an access to the above described information. Indicate the date on which last are inspected and / or updated the accepted procedures. | 1 | | | 20% | 20.0% | The requirements for avoiding and disclose of conflict of interests are regulated in the Corporate governance code, the Code of conduct, the Statute of the Bank, the Policy for managing of conflicts of interest. The Statute and the Corporate governance code are published on the corporate webpage: www.fibank.bg |
| III.4 | Are there definite requirements for observing the principles of continuity and stability in the work of Management board, when nominating and dismissing its members? | 1 | | | 20% | 20.0% | The requirements for continuity and stability in the elections of members of MB are regulated in the Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions and the Rules for the activity of SB. In succession planing the Bank takes into account the principles for avoiding simultaneous replacement of too many members, applying phasing out practices, compliance with temporary appointment requirements and taking into account the diversity policy. |
| III.5 | Did the corporate directions accepted and observe the Ethic code? Indicate the specific place and order, possibly the webpage of the company, where could be an access to the above described information. Indicate the date on which last are inspected and / or updated the accepted the code and describe if there are cases in the last year, requiring the execution of the principles, set in the code. | 1 | | | 20% | 20.0% | Aiming at recognition of professional and ethic standards, applicable and executable towards the Bank as a company, working environment and credit institution, Fibank has a Code of Conduct, which defines the main principles, ethic norms and corporate values, on which are build the policies and business plans, rules, procedures and daily operative work. The Code of conduct is last updated with a decision of MB of 12.09.2017, approved with a decision of SB on 28.09.2017. |
| | | | | | 100% | 100% | |

IV. Audit and internal control

20%

| | | | | | | | |
|------|---|---|--|--|-----|-------|--|
| IV.1 | Has the company build up a system for internal control, which including to identify the risks, concomitant the activity of the company and to support their effective management? | 1 | | | 25% | 25.0% | First Investment Bank builds up and develops a sound and comprehensive internal control framework, which includes independent control functions (the functions of risk management, compliance and internal audit) structured in line with the principle of "three lines of defence". The requirements in this area are regulated in the Corporate governance code, the Policy of internal audit, the Rules for internal audit and the Ethical code of the internal auditor in Fibank, the Policy for risk management and capital adequacy, the Rules for applying risk management function, the Compliance policy, the Charter for implementing the compliance function. |
| IV.2 | Does the system for internal control guarantee the effective functioning of the systems for book-keeping and disclosure of information? | 1 | | | 25% | 25.0% | The system for internal control includes control functions with the necessary rights and access for independend execution of obligations, as well as control bodies, incl. Audit committee, which observes the financial reporting and the independent financial audit. The control functions and bodies contribute to the effective management of the Bank, as they give reasonable confidence, that the normative regulations, rules and procedures are strictly adhered to and there are appropriate and timely correcting actions undertaken, as in this way it helps for minimizing risk of losses and achieving the business goals of the Bank. |

| | | | | | | |
|------|--|---|--|--|------|-------|
| IV.3 | Is the corporate management supported for its activity by the audit committee? | 1 | | | 25% | 25.0% |
| IV.4 | Does the principle for rotation implies by the proposals and the election of external auditor? Point the external auditors of the company in the last three years. | 1 | | | 25% | 25.0% |
| | | | | | 100% | 100% |

In its capacity of a company of public interest, pursuant to the Law on the independent financial audit, an Audit committee functions within the Bank, which is responsible for the observing of the financial reporting and independent financial audit, as well as the effectiveness of the internal audit function and the systems for control and risk management in the Bank. The committee recommends the selection of the external registered auditor, which is to execute an independent financial audit of the Bank and observes its independence in compliance with the requirements of the law, Regulation 537/2014 and the Ethical code of the professional accountants.

First investment bank applies the requirements for rotation of the registered auditors, applicable to the companies of public interest pursuant to the Law on the independent financial audit. The registered auditors of the Bank in the last three years are as follows: for 2019, 2020 and 2021 joint audit by two audit companies - BDO Bulgaria OOD and Mazars OOD.

V. Protection of shareholders' rights

20%

| | | | | | | |
|-----|---|---|--|--|-----|-------|
| V.1 | Are all shareholders treated equally, incl. the minority shareholders and foreign? | 1 | | | 10% | 10.0% |
| V.3 | Has the corporate bodies developed rules for the organizing and the conducting of regular and extraordinary General meetings of the shareholders of the company, which guarantee the equal treatment of all shareholders and the right of every shareholder to express his opinion on the items of the agenda of the General meeting? Indicate the specific place and order, possibly the webpage of the company, where the above described information could be accessed. Indicate the date on which are inspected and updated the accepted rules. | 1 | | | 15% | 15.0% |
| V.4 | Do the corporate bodies organize procedures and order for conduct of General meeting of shareholders in a way, which does not encumber or make more expensive and unnecessary the voting? | 1 | | | 10% | 10.0% |
| V.5 | Do the corporate bodies undertake actions for encouragement the participation of the shareholders in the General meeting of the shareholders and what? | 1 | | | 10% | 10.0% |
| V.6 | Are there presented in the materials of General meetings of the shareholders all proposals about the basic corporate events as separate points in the agenda of the General meeting (incl. the proposals for distribution of the profit)? Indicate the address of the section on the webpage of the company, where the above described information and documents represented to the shareholders on the last General meeting of the company could be found. | 1 | | | 10% | 10.0% |
| V.7 | Does the company maintains on its corporate website a special section on shareholders' rights and their participation in the General meeting of shareholders? Please, specify the address of the section of this information is presented. | 1 | | | 10% | 10.0% |

The requirements for equal treatment of the shareholders, incl. minority and foreign are regulated in the Corporate governance code of Fibank and Statute of FIBank.

The requirements for calling and conducting General meetings of the shareholders are regulated in the Statute of the Bank and in the Corporate governance code of Fibank. The documents are published on the corporate webpage www.fibank.bg. The Statute is last updated by the General meeting of the shareholders on 23.06.2021. The corporate governance code is last updated with a decision of MB of 17.03.2022 and is approved by SB with a decision of 23.03.2022.

The place of conducting the General meeting is easy accessible for the majority of shareholders. The registration procedures are convenient and enable fast and easy approach. The Bank makes the necessary efforts to ensure easier participation in the voting of the items in the agenda of the General meeting of the shareholders.

The Bank has undertaken a number of initiatives for additional engagement of the shareholders, incl. maintenance of an Investors' club, with registration in which all interested persons could receive notification on their e-mail about every disclosed information by the Bank to the public, concerning the investors, as well as regular meetings with minority shareholders. A mobile IR Fibank application is developed for investors.

Each proposal is structured in a separate point. The information on the General meeting of shareholders is in section Investors / General meetings of the shareholders on the corporate webpage www.fibank.bg

The section on shareholders' rights is in section Investors/ Corporate governance/ Shareholders' rights at the corporate website www.fibank.bg

| | | | | | | |
|------|--|---|--|--|------|-------|
| V.8 | Is there a mechanism ensured for supporting shareholders with rights in accordance with the effective legislation to include additional questions and propose decisions on already included questions in the agenda of the General meeting? Please describe the mechanism. | 1 | | | 10% | 10.0% |
| V.9 | Are shareholders informed on the results from the general meeting of shareholders through internet in the specified term? Please, indicate the section in which the relevant information is present at the website of the company. | 1 | | | 15% | 15.0% |
| V.10 | Are all members of the corporate bodies present at the General meeting of shareholders of the company? Specify how many members were present at the last GMS of the company. | 1 | | | 10% | 10.0% |
| | | | | | 100% | 100% |

| |
|--|
| <p>The shareholders are provided with an information on their rights, incl. to propose additional questions in the agenda of the GMS. The information is structured in the section Investors/ Corporate governance/ Shareholders' rights at the corporate website www.fibank.bg. Information on shareholders' rights is included also in the Invitation for convening of GMS.</p> |
| <p>The results from the general meeting of shareholders are in section Investors/ General meeting of shareholders at the corporate website www.fibank.bg</p> |
| <p>An opportunity is ensured for the members of the Managing Board and the Supervisory Board to be present at the General meeting of shareholders (unless important reasons require their absence). At the last Regular GMS four members of the Managing Board and three members of the Supervisory Board were present, incl. the chairs of the SB and MB.</p> |

VI. Disclosure of information

20%

| | | | | | | |
|------|---|---|--|--|-----|-------|
| VI.1 | Does the corporate bodies have adopted internal rules which ensure timely disclosure of each material periodic and ad-hoc information for the company, its management, corporate bodies, operating activity and shareholders' structure? | 1 | | | 10% | 10.0% |
| VI.2 | Does the information disclosure system ensures equally treatment of addressees (shareholders, stakeholders, investment community) and avoids inside information abuse? Describe the main characteristics of the maintained information disclosure system and the way it guarantees equally treatment of addressees. | 1 | | | 10% | 10.0% |
| VI.3 | Does the information disclosure system ensures full, timely, fair and understandable information for taking objective and well informed decisions and assessments? | 1 | | | 5% | 5.0% |
| VI.4 | Does the corporate bodies adopted and control the compliance of internal rules for preparing the annual and interim reports and way of disclosing information? | 1 | | | 10% | 10.0% |
| VI.5 | Does the company has an updated corporate website? Please, give the address. | 1 | | | 10% | 10.0% |
| VI.6 | Does the company discloses on its corporate website the whole information pursuant to Chapter 4, p. 34 of the Code? In case the company does not comply with any of the recommendations please describe the reasons. | 1 | | | 15% | 15.0% |
| VI.7 | Does the company has english version of its website with content pursuant to Chapter 4, т. 34 from the Code? | 1 | | | 15% | 15.0% |

| |
|--|
| <p>First Investment Bank applies a Disclosure policy that outlines the framework for provision of information to stakeholders, shareholders and investors and provides an opportunity for making objective and informed decisions and assessments, while complying with the principle of equal treatment of addressees.</p> |
| <p>In compliance with the Disclosure Policy of Fibank, the Bank discloses information to the public through the electronic X3News system (www.x3news.com), which ensures effective dissemination of information to the widest possible audience, simultaneously and in a non-discriminatory manner. The information is also published at the corporate website of the Bank www.fibank.bg</p> |
| <p>Fibank discloses information in its capacity of a credit institution, public company and investment intermediary in compliance with its Information Disclosure Policy and its Corporate Governance Code, the applicable regulatory requirements and good practices in this sphere. The Bank maintains also a financial calendar included in the Disclosure Policy of Fibank, which is publicly accessible at the Corporate governance section of the website of the Bank www.fibank.bg</p> |
| <p>The requirements are regulated in the Disclosure Policy and the Corporate Governance Code of the Bank, as in addition the Bank has adopted internal Rules on the requirements for disclosure of information that regulate the internal organisation on information disclosure within the Bank.</p> |
| <p>First Investment Bank has a corporate website www.fibank.bg, with established content, scope and periodicity of the information disclosed therein in compliance with the regulatory requirements and good corporate practices .</p> |
| <p>The requested information is publicly accessible through the corporate website www.fibank.bg</p> |
| <p>First Investment Bank has an English version of its corporate website www.fibank.bg, with established content and scope of the information disclosed therein.</p> |

| | | | | | | |
|-------|---|---|--|--|------|-------|
| VI.8 | Does the company informs regularly in accordance with regulatory norms and good international practices information of non-financial character, for economical, social, ecological questions related to stakeholders (e.g.: fight with corruption, work with employees, clients, suppliers, social responsibility, environment protection?) | 1 | | | 10% | 10.0% |
| VI.9 | Is there an easy access for shareholders to the company's remuneration policy and information on the Board's annual remunerations and additional stimuluses? | 1 | | | 10% | 10.0% |
| VI.10 | Does the corporate bodies disclose in a timely manner the structure of capital and agreements that lead to exercise of control in accordance with its rules for disclosure of information? | 1 | | | 5% | 5.0% |
| | | | | | 100% | 100% |

| |
|---|
| Fibank has special sections in the Annual activity report on disclosing information of non-financial character (non-financial declaration under the meaning of art.48 of the Accountancy Act), incl. ecological, social, governance and ethical issues, human capital management, business model description, etc. |
| Information on the Bank's Remuneration Policy and its execution (Report on the execution of the Remuneration policy under the meaning of art.100m of LPOS) is disclosed in the Annual activity reports, as well as quantitative information on the remuneration of the key management personnel received during the year - in the Annual Financial Statements, which are publicly available i.a. through the corporate website www.fibank.bg |
| The requested information is disclosed in a timely manner and regularly in accordance with the Bank's Disclosure policy and applicable regulatory requirements. The information is disclosed through X3News system as well as on the corporate website www.fibank.bg |

VII. Corporate governance - engagement (incl. stakeholders)

10%

| | | | | | | |
|-------|--|---|--|--|------|-------|
| VII.1 | Does the company has identified who are the stakeholders with relation to its activity based on their spheres of influence, role and attitude to its sustainable development? | 1 | | | 20% | 20.0% |
| VII.2 | Does the corporate bodies ensure effective cooperation with stakeholders? | 1 | | | 20% | 20.0% |
| VII.3 | Does the compnay has specific rules for taking into consideration the interests of the stakehodlers, which to ensure their attraction for deciding on certain questions that require their position? | 1 | | | 20% | 20.0% |
| VII.4 | Does the corporate bodies ensure enough information to all stakeholders on their legal rights and if yes, how? | 1 | | | 20% | 20.0% |
| VII.5 | Does the corporate bodies guarantee the right of regular and timely access to relevant, sufficient and reliable information on the company when the stakeholders take part in the process of corproate governance and if yes, how? | 1 | | | 20% | 20.0% |
| | | | | | 100% | 100% |

| |
|--|
| The requirement is regulated in the Corporate Governance Code and the Disclosure Policy of Fibank. |
| 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 the legal requirements and best practices, First Investment Bank discloses information of a non-financial nature, as well as maintains and develops a corporate blog which functions for ten years now as a channel of communication aimed at open dialogue in accessible language with customers, partners and other stakeholders. |
| The rules for cooperation with stakeholders are regulated in the Corporate Governance Code of Fibank, the Disclosure Policy and the Code of Conduct of the Bank. |
| Fibank applies a policy of providing information to stakeholders in compliance with applicable regulations as well as the Bank publishes additional information in the form of presentations and interviews with senior management, press releases, specialised journals (e.g. Fibank News), and detailed information on the products and services of the Bank. |
| The requirements are met with adopted by the Bank written policies which application is monitored in accordance with the applicable regulatory and internal requirements. |

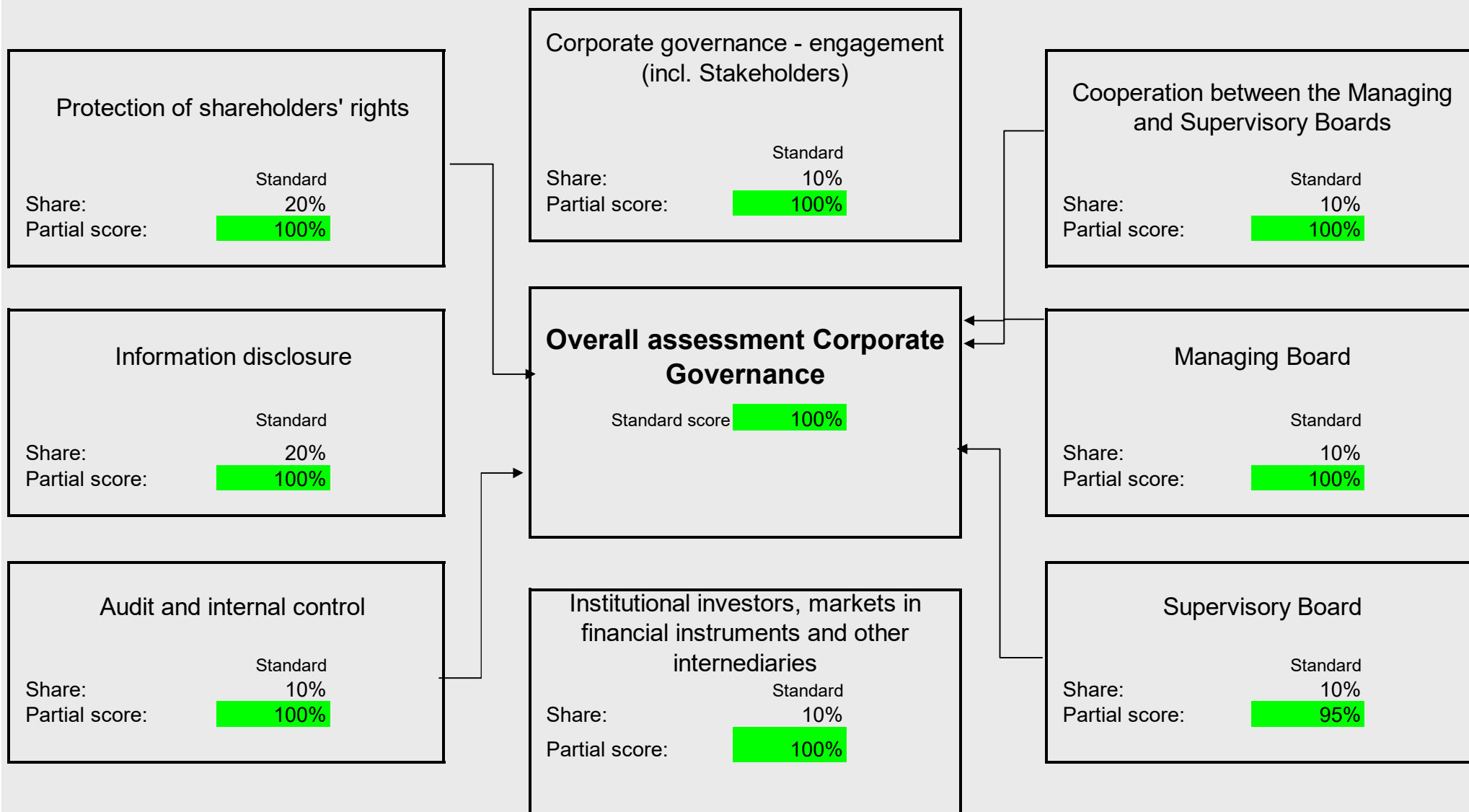
VIII. Institutional investors, markets in financial instruments and other intermediaries 10%

| | | | | | | | |
|---------|---|---|--|--|------|-------|--|
| VIII. 1 | Does the corporate bodies ensure effective cooperation between the company and its shareholders - institutional investors, as well as with the regulated markets in financial instruments and the investment intermediaries on those markets and if yes, in what way? | 1 | | | 20% | 20.0% | With a view to creating an effective relation between First Investment Bank and its shareholders and the persons interested in investing in financial instruments issued by the Bank, First Investment Bank has appointed Investor Relation Director. In compliance with best corporate governance practices, the Bank develops initiatives for further engaging with minority shareholders and institutional investors. In addition, in an effort to maintain an open line of communication with shareholders and investors, First Investment Bank maintains an Investors Club as well as organizes and holds regular meetings with minority shareholders, with a view to furthering transparency and creating an opportunity for open dialogue and feedback between them and the senior management of the Bank, as well as their opportunity to contribute and work actively for the successful development of First Investment Bank AD. The Bank has in place a mobile application for investor relations ensuring fast access to financial information and the financial calendar of the Bank, as well as to other data and news related to investors. |
| VIII. 2 | When choosing investment intermediaries and respectively operators of markets on which the financial instruments are traded, does the corporate bodies take into consideration to what extent the actions of these entities are based on market information and principles? | 1 | | | 20% | 20.0% | The Bank acts in relation to these requirements in a way that is compliant with regulatory requirements and good practices. |
| VIII. 3 | Does the corporate bodies coordinate with its investment intermediaries and institutional investors the company's corporate governance policy and practices? | 1 | | | 20% | 20.0% | The reporting on corporate governance policies and procedures are regularly disclosed, incl. the goals for development for the next year and their execution. |
| VIII. 4 | Does the company requires disclosure and limiting conflict of interest from advisors, analysers, brokers, rating agencies and other persons that provide consultations? | 1 | | | 20% | 20.0% | The Bank's policies on avoiding and disclosure of conflicts of interest is in compliance with the regulatory requirements, applicable to the Bank in its capacity of a credit institution, public company and investment intermediary. |
| VIII. 5 | If the company is admitted to trade in a jurisdiction, different from the one it is incorporated in, does it disclose the applicable for this jurisdiction corporate governance rules? | 1 | | | 20% | 20.0% | Fibank conforms its information disclose with the requirements, applicable to the place at which the Bank and its financial instruments are admitted for trade. |
| | | | | | 100% | 100% | |

Corporate Governance Self-evaluation Scorecard[©]

Scorecard/Evaluation form for Corporate governance in Bulgaria

General results for companies with two-tier governance system





Corporate governance code of First Investment Bank AD

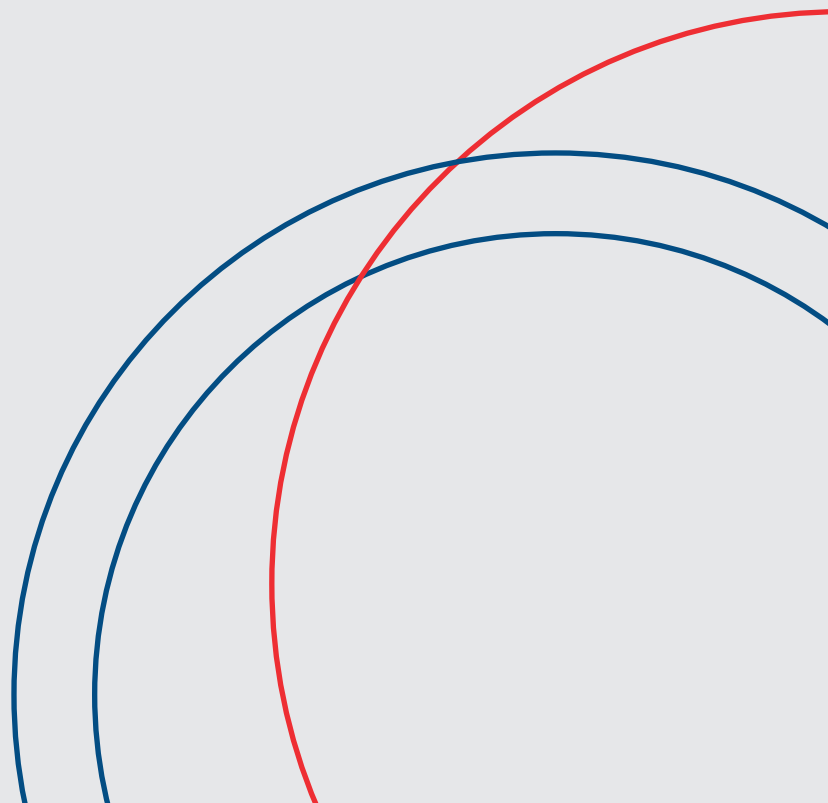


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Introduction

The corporate policy of First Investment Bank AD /Fibank, the Bank/ shall be based on professional and transparent governance in line with the internationally recognized standards and principles for good corporate governance and sustainable development, taking into account the changes in regulations and economic environment, as well as the importance of First Investment Bank to the financial market in the country.

First Investment Bank shall develop and enhance corporate governance as a means to improve efficiency, successfully attain the strategy and plans for long-term development, incl. with respect to sustainability, as well as affirm its reputation.

The purpose of the present Corporate Governance Code /the Code/ shall be to define the main principles and requirements for maintaining and furthering the organization and governance methods of First Investment Bank, aiming at:

- Responsible, accountable and value-based management;
- Effective oversight of management and control;
- Executive body and senior management that act in the best interests of the Bank and seek to enhance shareholder value;
- Timely financial and non-financial information disclosure and transparency;
- Effective system of risk management and internal control.

The purpose of the Code shall be also to outline the governance framework and to structure the key components, functions and responsibilities of the corporate governance system of the Group of First Investment Bank. Following the Code shall contribute to attaining the goals and plans, which are in the interests of the Bank as a whole, the customers, shareholders, creditors, stakeholders in the country and abroad, as well as to facilitate effective oversight, thus fostering more efficient usage of resources.

The present Code shall comply with the National Corporate Governance Code, last updated in July 2021, as well as with the effective legislation in the Republic of Bulgaria, incl. the specific requirements applicable to credit institutions.

The Code shall reflect also the Corporate governance principles for banks of the Basel Committee, the European Banking Authority /EBA/ Guidelines on internal governance, as well as the Organisation for Economic Co-operation and Development /OECD/ Principles of corporate governance.

Corporate status and profile

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 at 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 is a registered investment intermediary.

In pursuance of the applicable requirements, the Bank has a Legal Entity Identifier (LEI) code 549300UY81ESCZJ0GR95, issued by the Global Markets Entity Identifier (GMEI) Utility.

First Investment Bank has a two-tier governance system consisting of a Supervisory Board and a Managing Board.

First Investment Bank offers a wide range of services in the sphere of corporate banking, lending to companies, servicing individuals, card payments, payment and trade operations on the local and international markets.

The Bank operates mainly on the Bulgarian financial market, as well as performs banking activity in abroad throughout its branch in Cyprus and the subsidiary bank in Albania /First Investment Bank – Albania Sh.a./.

First Investment Bank is among the leading credit institutions in the Republic of Bulgaria.

Mission

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.

Scope and application

The corporate governance of First Investment Bank shall be a system of policies, rules, procedures and practices, through which the Bank is managed and controlled under 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, structures in the Head Office, branches and offices.

The corporate governance of First Investment Bank shall be based on the corporate governance principles of the Basel Committee on Banking Supervision /the Basel Committee/, of the European Banking Authority /EBA/ and of the Organisation for Economic Co-operation and Development /OECD/, including the principles for:

- transparency;
- publicity;
- objectivity;
- fairness;
- trustworthiness;
- independence;
- sustainability.

The risk governance system shall be organized in line with “the three lines of defence”:

- **The business units shall be the first line of defence**, which shall acknowledge and manage the risks that they incur in conducting their activities.
- **The Risk management function and the Compliance function shall comprise the second line of defence**, which shall be responsible for further identifying, measuring, monitoring and reporting risk on a Bank-wide basis, independently from the business units.
- **The Internal audit function shall be charged with the third line of defence**, conducting risk-based audits and reviews to provide assurance to the Supervisory Board that the overall corporate governance framework of the Bank, including the risk governance framework, is effective and that appropriate policies, systems and processes are in place and consistently applied.

The members of the Supervisory Board and of the Managing Board, the senior management and all employees shall accept the present Code as a joint responsibility and apply the requirements set forth and its spirit in fulfilling their obligations.

Application at group level. The competent management bodies of the subsidiary companies shall follow the guidelines and principles of the present Code, unless any legal or supervisory acts require otherwise.

Aiming at exercising adequate control over subsidiary companies, the corporate governance structure of First Investment Bank shall adopt and apply appropriate instruments for monitoring of all risks that may affect the group. The Bank shall apply policies on internal governance at a group level, thus contributing to effective control over the subsidiary companies, clear levels of reporting and securing the necessary resources for applying the group and local governance standards.

Organizational framework

According to the principles of the Basel Committee

The Supervisory Board should define appropriate governance structures and practices for its own work, and put in place the means for such practices to be followed and periodically reviewed for ongoing effectiveness.

The following governance bodies and key structures shall function within the Bank:

General Meeting of Shareholders - the highest governance body, allowing the shareholders to take decisions on principle matters relating to the existence and the activity of the Bank.

Supervisory Board /SB/ - shall define the strategy for development and exercises oversight of the management of the Bank. The Supervisory Board shall be supported in its activity by committees.

Managing Board /MB/ - shall manage the Bank by resolving all issues within its scope of activity, except those within the exclusive competence of the General Meeting of Shareholders or the Supervisory Board. It shall carry out the strategy for development of the Bank, adopted by the Supervisory Board. The Managing Board shall be supported in its activity by committees and councils.

Risk management function – shall identify, measure and manage all material risks to the Bank in compliance with the policies adopted by the Supervisory Board and the Managing Board.

Compliance function - shall manage the risk from non-compliance or violation of legal regulations, ethical standards, rules and procedures in accordance with the policies adopted by the Supervisory Board and the Managing Board.

Internal audit - shall support the Supervisory Board and the Managing Board by providing an independent and objective assessment on the effectiveness of the risk management, control and governance processes.

Principal bodies and functions in corporate governance

Supervisory Board

According to the principles of the Basel Committee

The Supervisory Board exercises supervision and where necessary advises the Managing Board, and provides oversight of the general activity of the Bank, including approving and overseeing the implementation of the Bank's strategic objectives, corporate governance framework and corporate culture.

The Supervisory Board of First Investment Bank shall function in line with the principles of the Basel Committee and with the EBA guidelines. In the By-Laws of the Bank the following principal functions are defined:

Functions

- Exercises supervisory functions and represents the Bank in its relations with the Managing Board;
- Defines the general objectives of the Bank activity, as well as the attainment strategy, incl. in the context of sustainable development;
- Approves decisions of the Managing Board that are within the competence of the Supervisory Board in compliance with the By-Laws of the Bank, the By-Laws of the Supervisory Board and the law;
- Approves the general corporate governance framework of the Bank.

Setting corporate culture, sustainability and ethical values

By applying high ethical standards and corporate values for business behavior, the Supervisory Board shall establish high corporate culture and business ethics by applying "tone at the top". The Supervisory Board shall ensure the exercise of control over the compliance of ethical standards, set forth in the Code of Conduct of the Bank, as well as for establishing a sustainability culture within the Bank.

Risk tolerance/appetite, management and control

The Supervisory Board shall be responsible for overseeing the risk governance framework, the risk appetite; the internal system for management and control of all types of risk, including ESG risks, by demanding strong risk culture among its employees.

Oversight of Managing Board activity and of senior management

The Supervisory Board shall exercise oversight of the collective and individual performance of Managing Board members and senior management, as well as of attaining the targeted objectives in a sustainable way.

Committees

The Supervisory Board shall be supported in its activity by a Presiding Committee, a Risk Committee, a Remuneration Committee, and a Nomination Committee which shall function according to written competencies, rights and responsibilities.

The Presiding Committee shall be 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, as well as overview and control over the activity of the subsidiaries.

The Risk Committee shall assist the supervision over the risk management activities of the Managing Board, as well as the broad strategic and tactical supervision of the risk management function in the Bank. The committee shall advise the Supervisory Board regarding the overall current and future strategy on the compliance with risk policy and risk limits, risk appetite and the control over its performance by the senior management.

The Remuneration Committee shall assist 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.

The Nomination Committee shall assist the Supervisory Board in assessing the suitability of candidates or active members of the Supervisory Board and of the Managing Board, as well as of the key function holders in the Bank, in compliance with the applicable regulatory provisions and internal regulations in this sphere.

The Supervisory Board and its committees shall function according to written rights and responsibilities, competences and rules of procedure, defined in the following rules of the Bank: By-Laws of the Supervisory Board, Rules of procedure of the Presiding Committee to the Supervisory Board, Rules of procedure of the Risk Committee to the Supervisory Board, Rules of procedure of the Remuneration Committee to the Supervisory Board, Rules of procedure of the Nomination Committee to the Supervisory Board.

Composition and professional qualification of Supervisory Board members

According to the principles of the Basel Committee

Supervisory Board members are qualified and maintain their high professional qualification during the term of their mandate, individually and collectively, for their responsibilities. Supervisory Board members understand their oversight and corporate governance role and are able to exercise sound, objective judgment about the affairs of the bank.

The Supervisory Board shall consist of three to seven persons, who comply with the requirements set forth in the applicable legislation, the By-Laws of the Bank and the By-Laws of the Supervisory Board.

The composition of Supervisory Board shall include persons with appropriate qualification and professional experience corresponding to the Bank's activities and the main risks the Bank is exposed to.

Supervisory Board members shall be elected by the General Meeting of Shareholders for a term of up to 5 years.

The independent members of the Supervisory Board of First Investment Bank shall conform to independence requirements set forth in the law (LCI, Art.10a, Para.2 and LPOS, Art.116a, Para.2).

First Investment Bank shall maintain a Suitability Matrix of the Supervisory Board with data on the professional qualifications, skills and experience of its members. Each member of the Supervisory Board shall possess experience, knowledge, qualifications and skills for team work, required for the effective performance of his/her duties and ensuring the capability of the Supervisory Board as a collective body to guarantee the attainment of the long-term interests of the Bank.

The Bank shall ensure an orientation program for new members of the Supervisory Board, as well as shall provide access to training courses to all members of the Supervisory Board as a matter of furthering their professional qualifications in the best interest of the functions performed by them, including on the novelty in the spheres of corporate governance and sustainable development. The Nomination Committee shall ensure an annual review and assessment of the qualifications and competences of the members of the Supervisory Board. The Supervisory Board and its committees may use independent experts, if necessary.

Rules of procedure of the Supervisory Board

The Supervisory Board shall meet as often as necessary. The Supervisory Board shall meet at least once every 3 months. If possible, meetings shall be scheduled annually in advance. The Supervisory Board shall meet earlier than scheduled if deemed necessary by the Chair of the Supervisory Board, another member of the Supervisory Board, or the Managing Board.

The Supervisory Board shall function according to written procedures, competencies and norms / By-Laws of the Supervisory Board of First Investment Bank/, and in conformity to the By-Laws of the Bank and the effective legislation.

Minutes shall be kept at all meetings of the Supervisory Board, signed by all members that have attended the meeting.

In order to facilitate the organization of work of the Supervisory Board, the Bank has in place a Chief Secretary. Further to organizing the meetings of the Supervisory Board and keeping minutes, the Secretary shall be responsible for monitoring the compliance of procedures, as well as for ensuring submission and exchange of information between the members of the Supervisory Board, the members of the committees and the Managing Board.

Role of the Chair of the Supervisory Board

The Supervisory Board shall elect a Chair and a Deputy-Chair among its members.

The Chair shall ensure that the Supervisory Board decisions are taken on a sound and well informed basis. The Chair shall encourage and promotes open and critical discussion and ensures that dissenting views can be freely expressed and discussed within the decision-making process.

The Deputy-Chair shall substitute and take over the execution of the rights and obligations of the Chair in his or her absence.

Conflicts of interest of the members of the Supervisory Board

The members of the Supervisory Board shall be responsible for performing their duties objectively, critically and independently by avoiding conflicts of interest and where this is not possible for disclosing them in a timely manner.

Each member of the Supervisory Board shall immediately report to the Chair of the Supervisory Board any conflict of interest or potential conflict of interest and shall provide all relevant information. The Supervisory Board member concerned shall not take part in the assessment by the Supervisory Board of whether a conflict of interest exists. The members of the Supervisory Board shall declare in writing the existence of conflicts of interest.

Self-assessment of the activity of the competent governance body

At least once a year, the Supervisory Board shall perform assessment of the effectiveness of its own activities, individually and collectively, 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.

Managing Board

According to the principles of the Basel Committee

Under the direction and oversight of the Supervisory Board, the Managing Board carries out and manages the bank's activities in a manner consistent with the business strategy, risk appetite, incentive compensation and other policies approved by the Supervisory Board.

The Managing Board shall manage the Bank independently and responsibly in a manner consistent with the established mission, objectives and strategies of First Investment Bank, as well as with the priorities related to sustainable development.

The Managing Board shall function according to its By-Laws, approved by the Supervisory Board, as its principle functions shall be to:

- Manage and represent the Bank, by resolving all issues within its scope of activity, except those within the exclusive competence of the General Meeting of Shareholders or the Supervisory Board – in compliance with the law and the By-Laws of the Bank;
- Organize the execution of the decisions of the General Meeting of Shareholders and these of the Supervisory Board;

- Report on its activity to the Supervisory Board at least once every 3 months and to immediately inform the Chair of the Supervisory Board or his or her deputy for all circumstances of material importance to the Bank;
- Perform all other functions, delegated to it by the General Meeting of Shareholders or the Supervisory Board and the law.

Committees and Councils

The Managing Board shall be assisted in its activities by a Credit Council, an Assets, Liabilities and Liquidity Council, a Restructuring Committee, an Operational Risk Committee, IT Committee, which all shall function in accordance with defined written structure, scope of activities and functions.

The Credit Council shall support the management of the credit risk undertaken by the Bank by issuing opinions on loan transactions in accordance with the authority level assigned thereto.

The Assets, Liabilities and Liquidity Council (ALCO) – shall manage on an ongoing basis the Bank's assets, liabilities and liquidity. It shall conduct systemic analyses of the interest structure of assets and liabilities, the maturity ladder and of liquidity indicators.

The Restructuring Committee shall act as a specialized body for monitoring, assessment, classification, impairment and provisioning of risk exposures and commitments. It shall give motivated written proposals to the Managing Board, respectively shall take decisions for restructuring of exposures in accordance with the authority level assigned thereto.

The Operational Risk Committee shall be a consultative body established to facilitate the adequate management of operational risk by monitoring and analyzing operating events. The committee shall propose measures for the minimizing of operational risks, as well as preventive measures.

The IT Committee shall be an auxiliary body, 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.

The internal regulations defining the committees and councils' activity, their rights and responsibilities, competences and rules of procedure are the following: Rules for the organisation and operation of the Assets, Liabilities and Liquidity Council (ALCO), Rules for the operation of the Restructuring Committee of First Investment Bank, Rules for the operation of the Credit Council of First Investment Bank, Rules of procedure of the Operational Risk Committee of First Investment Bank, Rules for the organisation and operation of the IT Committee.

The Managing Board shall submit information to the Supervisory Board in a timely manner in respect to:

- Changes in the business strategy execution, risk appetite;
- Attainment of the objectives;

- Breaches of risk limits or compliance rules;
- Material internal control system failures;
- Legal or regulatory concerns.

Composition and professional qualification of Managing Board members

The Managing Board shall consist of three to nine legally capable physical persons, elected by the Supervisory Board after recommendation from the Nomination Committee. They shall comply with the requirements of the effective legislation, the By-Laws of the Bank and the Policy for Nomination and Suitability Assessment of the Members of the Managing and Supervisory Bodies and of the Key Function Holders of First Investment Bank. The Managing Board members shall be established professionals with proven leadership skills being a prerequisite for attaining the Bank's objectives. All Managing Board members shall have the:

- Trust of the Supervisory Board members, the senior management of the Bank and its employees;
- Ability to relate to the interests of all shareholders and the Bank, as well as to make well-reasoned decisions;
- Professional expertise and education to be effective managers;
- Business experience, knowledge of national issues and trends and knowledge of the market, products and competitors;
- Capacity to translate knowledge and experience into solutions that can be applied to the practices in the Bank.

The Bank shall ensure an orientation program for new members of the Managing Board, as well as shall provide access to training courses in accordance with the functions performed by them, including on the novelty in the spheres of corporate governance and sustainable development.

Rules of procedure of the Managing Board

The Managing Board shall conduct meetings regularly, the agenda of which is prepared in advance. The meetings of the Managing Board shall be conducted by a chairperson, elected by the Managing Board. Minutes shall be kept at all meetings of the Managing Board, signed by all members that have attended the meeting.

The rules of procedure of the Managing Board are described in detail in the By-Laws of the Managing Board of First Investment Bank.

Conflicts of interest

The members of the Managing Board shall be responsible for avoiding actions that can lead to conflicts of interest between their interests and those of the Bank. In case such conflict appears, they should disclose it and not take part in the discussion and the taking of the respective decision. The members of the Managing Board shall declare in writing the existence of conflicts of interest.

Interaction between Supervisory Board and Managing Board

The Supervisory Board and the Managing Board shall keep an open dialogue in accordance with the good corporate governance principles. Except for regular reports on the implementation of the set objectives, general meetings shall also be conducted. The members of the Supervisory Board shall have unrestricted access to the management and the employees of the Bank. The Chief Secretary shall play a key, overall role in facilitating this process.

The Chief Secretary shall be employed on a full-time basis and shall possess the necessary qualifications and skills to ensure that the governing bodies follow internal rules and external regulations, shall facilitate the communication between them, and shall keep the Supervisory Board members and the key officers abreast of the latest corporate governance developments.

Senior management shall be presented with ample opportunity to present during Managing Board meetings, as well as during reporting to the Supervisory Board, which shall contribute to obtain direct information and better gauge the next generation of managers and future leaders.

Remuneration policy in the Bank

According to the principles of the Basel Committee

The bank's remuneration structure supports sound corporate governance and risk management.

The remuneration principles in the Bank shall comply with the business strategy, objectives, values and long-term interests of the Bank, and promote sound and effective risk management so as not to encourage risk-taking above the acceptable levels for the Bank.

The Bank shall apply clear, dully-documented and disclosed among all employees procedures for determining remunerations that are defined in the Remuneration Policy of First Investment Bank and the Rules for determining and development of remunerations.

The policy is aimed at attracting and retaining highly qualified employees, and motivating them towards achieving high results at a moderate level of risk, and in accordance with the long-term interests of the Bank and its shareholders.

In determining remunerations considered are not only the financial results, but also the ethical standards and corporate values underlying the Code of Conduct of the Bank, as well as the sound and effective risk management and sustainable development.

Control Environment and Processes

The Bank shall establish and promote a reliable and comprehensive internal control framework, with the necessary powers and rights of access enabling independent performance of duties by the structural and auxiliary units exercising monitoring and control.

Improvement of the efficiency of risk management processes shall be achieved by both top-down board leadership, and bottom-up involvement of management at all levels. While determination of risk appetite may be initiated by the Managing Board, its successful implementation shall depend upon the effective interaction between the Supervisory Board, the Managing Board, the risk function, the CFO and the operational businesses units.

The risk management processes, procedures and requirements shall be structured in accordance with “the three lines of defense” principle.

- First line of defense: the business units. Constituting the front line of risk taking, those are responsible for management of risks including identifying, assessing and reporting according to the limits, procedures and controls currently in force in the Bank.
- Second line of defense: the Risk Management and Compliance functions. Those shall be independent from the first line of defense. The Risk Management function carries out monitoring, assessment and reporting of risks independently of the first line.
- This second line of defense also includes the independent Compliance function which monitors and controls the compliance of internal bank regulations with the applicable legislation.
- Internal audit function: independently from the first and the second lines of defense, assures independent review of the quality and effectiveness of the risk management framework, including strategic and business planning, and internal processes and procedures.

The control functions shall be independent from the operational business units monitored and controlled by them, as well as organizationally independent from one another insofar as they perform different functions.

Risk Management and Risk Control

Risk Management

According to the principles of the Basel Committee

The Bank should have an effective independent risk management function, under the direction of Chief Risk Officer (CRO), with sufficient stature, independence, resources and access to the board.

First Investment Bank shall establish, maintain and develop an effective risk management system ensuring timely identification of material risks to the Bank, their monitoring and assessment, introducing of control measures and risk mitigation procedures, as well as regular and comprehensive reporting to the Managing Board and the Supervisory Board.

The general risk profile of the Bank shall be managed through ensuring of balance between risks incurred, return, and capital adequacy.

The Bank shall apply a written Policy for Risk Management and Capital Adequacy which shall provide the framework for identification, assessment, management and internal analysis of risks and capital adequacy. Along with the Policies for management of credit, market, operational and other types of risks, the Policy for management of assets, liabilities and liquidity, and the internal rules, guidelines and instructions related thereto, it shall form the overall risk management framework of the Bank.

The policy followed by the Bank with respect to management of risk and capital adequacy shall be in compliance with the business strategy of the Bank and its product policy, reflecting the applicable for the Bank ESG risks/factors related to sustainable development.

The Risk management and control function shall be organized under the direction of a Chief Risk Officer with sufficient stature, independence, resources and access to the Managing Board, the Risk Committee, and the Supervisory Board.

Risk identification, monitoring and control

According to the principles of the Basel Committee

Risks should be identified, monitored and controlled on an ongoing bank-wide and individual entity basis. The sophistication of the bank's risk management and internal control infrastructure should keep pace with changes to the bank's risk profile, to the external risk landscape and in industry practice.

Risks in the Bank shall be identified, monitored and controlled on an ongoing basis, as well as regularly analyzed. The sophistication of the risk management system and internal control framework shall develop according to changes in the internal and external environment.

Risk identification shall encompass all material risks to the Bank, including risk related to climate change and sustainable development (ESG risks), on- and off-balance sheet items, as well as analysis on portfolio basis and on a business-line level.

In the identification and assessment of risks, the Bank shall utilize tools for preliminary analysis / future-oriented tools/ and tools for subsequent analysis /past-oriented tools, or back-testing/ which shall supplement the monitoring of current risk exposures of the Bank. By using future-oriented tools, the Bank shall identify potential risk exposures under certain adverse circumstances, while by using back-testing the Bank shall review the compliance of its current risk profile with the risk appetite and risk management framework, and carry out appropriate adjustments where necessary.

The tools used shall allow for aggregation of the risk exposures of different business lines, and facilitate the identification of risk concentrations.

The Bank shall consider risks conservatively, and apply rating models which shall be subject to periodic validation.

There is an independent risk control function established in the Bank which guarantees that risks are identified and managed in an appropriate manner by the relevant units within the Bank, and provides the Managing Board and the Supervisory Board with comprehensive review of all risks.

Compliance

According to the principles of the Basel Committee

The bank's Supervisory Board oversees the management of the bank's compliance risk. The Board ensures the establishment of a compliance function and approves the bank's policies and processes for identifying, assessing, monitoring and reporting and advising on compliance risk.

The Supervisory Board of First Investment Bank oversees the management of risk of non-compliance with applicable legislation and internal regulations, as well as ensures implementation of established norms, best practices and ethical standards.

The Compliance function shall be organizationally independent from the business units and has separate hierarchical subordination and line of reporting. The Compliance function advises the Managing and Supervisory Boards on implementation of the applicable legislation, best practices and standards, and assesses the impact of any changes in the legal framework on the Bank's activities.

The Compliance function ensures that all new products of the Bank meet the requirements of the existing legal framework and of any known and upcoming changes in the regulations and supervisory requirements. The Compliance function monitors the Bank's transactions and manages risks deriving from non-standard transactions, thus exercising ongoing control over their compliance with the regulatory requirements and assisting with their implementation.

A written Compliance Policy shall be applied within the Bank. The Compliance function shall ensure implementation of that Policy, and provide the necessary information to the Managing Board, the Risk Committee, and the Operational Risk Committee.

Internal audit

According to the principles of the Basel Committee

The internal audit function provides independent assurance to the board and supports board and senior management in promoting an effective governance process and the long-term soundness of the bank.

For the purpose of achieving the goals and objectives and exercising of efficient control, there is an Internal Audit Department established within the Bank. It conducts regular internal audits in order to ensure:

- achievement of goals and objectives;
- economical and efficient use of resources;
- adequate control of various risks;
- safeguarding of assets;
- reliability and integrity of the financial and management information;
- compliance of the Bank's activity with the regulatory requirements, policies, plans, internal rules and procedures.

The Director of Internal Audit shall submit an annual report on the activity of the Service to the General Meeting of Shareholders, the Supervisory and Managing Board, informing on the main results of the control activities of the internal auditors, of the measures undertaken and their execution.

The Internal Audit shall function according to written rules; it shall conduct, at least on a quarterly basis, working meetings with the Audit Committee; it shall be independent from the audited activities, and have the necessary reputation, competences, resources and powers.

The internal auditors shall adhere to the national and international professional standards for internal audit.

External Auditors (Registered Auditors)

The General Meeting of Shareholders shall decide on the selection of External Auditors upon proposal by the Supervisory Board, and following a recommendation by the Audit Committee. The External auditors shall perform an independent financial audit in order to express an independent auditor's opinion on the fair presentation in all material respects in the financial statements of the financial position, the reported financial results, the cash flows and the equity of the Bank. The external auditors shall be auditing companies independent from the Bank.

Audit Committee

In its capacity as a company of public interest, pursuant to the requirements of the Law on Independent Financial Audit /LIFA/, the Bank has established a functioning Audit Committee which is responsible for monitoring the financial reporting and independent financial audit within the Bank, as well as the effectiveness of the internal audit function and the systems for control and management of risks in the Bank. The Audit Committee makes a recommendation in the selection of registered auditors to perform the independent financial audit of the Bank, and monitors their independence in accordance with the requirements of LIFA and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.

The members of the Audit Committee shall be elected by the General Meeting of Shareholders, which shall vote their mandate.

The functions and responsibilities of the Audit Committee are set out in the Rules of Procedure of the Audit Committee (Statute of the Audit Committee, within the meaning of Art. 107, para. 7 of LIFA). The members of the Supervisory Board and Managing Board of Fibank, the committees thereto, as well as all employees of the Bank shall be obliged to assist the Audit Committee in carrying out its activities, including to provide, within a reasonable timeframe, the information requested by it.

The Audit Committee shall report its activities before the General Meeting of Shareholders once a year.

Shareholders' rights and equitable treatment

According to the principles of OECD

The corporate governance framework should protect the rights of the shareholders, the depositors and the other clients of the Bank.

The corporate governance of First Investment Bank protects the rights of the shareholders, the depositors and the other clients of the Bank by applying a system of rules and procedures, including, but not limited to the following:

- secure methods for registration of ownership;
- compliance with legal requirements in conveyance or transfer of shares;
- regular and timely receipt and disclosure of financial and non-financial information relating to the company;
- participation and voting rights in the General Meeting of Shareholders;
- participation of shareholders in the distribution of the company's profit.

First Investment Bank operates in accordance with the current regulations and the By-Laws of the Bank which govern the rights of the shareholders, the registration of ownership, the conveyance or transfer of shares, the regular preparation and disclosure of information concerning the financial position, corporate governance and sustainable development of the company, and the participation in distribution of profits.

Information on all shareholders of the Bank and the shares owned by them shall be recorded in Fibank's shareholder register, kept by the Central Depository AD.

Disposal of shares shall be carried out in accordance with the By-Laws of the Bank; for any outstanding issues the current legislation shall apply.

Right to information: the operations of First Investment Bank are organized in such a way as to ensure timeliness and completeness of information provided to the executive management, the collective bodies of the Bank: Managing and Supervisory Boards, and to its shareholders.

According to the principles of OECD

The corporate governance framework should ensure equitable treatment of all shareholders, including minority shareholders and foreign shareholders.

The corporate governance framework should ensure equitable treatment of all shareholders, including minority shareholders and foreign shareholders.

The Corporate governance of First Investment Bank treats all shareholders equally, including minority shareholders and foreign shareholders.

Fibank's managing bodies ensure regularly and timely disclosure of material corporate information to shareholders and investors, related to the activity and condition of the Bank.

The managing bodies of the Bank shall make best efforts to ensure easy and timely access to the above information, with a view to informed exercising of shareholders' rights, respectively making of informed investment decisions by investors.

No limitations on the rights of individual shareholders holding shares of the same class shall be allowed.

First Investment Bank shall maintain a special section on the shareholders' rights on its corporate website:

<http://www.fibank.bg/bg/prava-na-aktsionerite/page/3598>.

The By-Laws of the Bank provide a detailed description of the rights of shareholders, as well as of the procedures for convening, conducting and decision-making by the General Meeting of Shareholders.

Convening of the General Meeting of Shareholders

The General Meetings shall be convened by written invitation to the shareholders in compliance with the By-Laws of the Bank, with a view to encouraging their participation in the General Meeting and in a way that does not impede, or unnecessarily increase the cost of the vote.

The Bank shall provide shareholders with timely and sufficient information for decision making, considering the scope of competence of the General Meeting of Shareholders.

The invitation, together with the written materials relating to the agenda of the General Meeting, shall be announced in the Commercial Register to the Registry Agency, submitted to the Financial Supervision Commission, and made available to the public through the www.x3news.com internet platform no less than 30 days prior to conducting of the General Meeting. They shall also be published on the Bank's website in both Bulgarian and in English languages for the period from the announcing of the General Meeting to its conclusion. Upon request, the materials shall be provided to each shareholder free of charge.

The Bank shall maintain contact information for its shareholders, having 5 or exceeding 5% of the issued share capital, with the aim for facilitating the communication with them or with person defined by them.

Conducting of the General Meeting of Shareholders

The venue of the General Meeting of Shareholders shall be easily accessible to the majority of shareholders. The registration procedures shall be convenient and allowing for quick and easy access.

The Bank shall make the necessary efforts to facilitate the participation and voting on the items of the agenda by the shareholders attending the General Meeting.

The Bank shall apply a fair and effective procedure for inclusion of items on the agenda of the General Meeting, including of proposals for election of members of the Supervisory Board. No changes to the agenda shall be allowed after its approval by the General Meeting.

Each shareholder shall have the right to take the floor and speak on items from the agenda.

Results

The voting results and other relevant materials shall be distributed to shareholders either at the end of the General Meeting, or in the shortest time possible after its conclusion. The results shall be disclosed to the general public by publishing them on the Bank's website and in the media, and also submitted to the Commercial Register and the supervisory authorities.

Disclosure of information and transparency

According to the principles of OECD

The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

Transparency and timely disclosure of information are key principles in corporate governance. As a public company, First Investment Bank regularly discloses information about its financial situation and any material business or corporate developments, as well as non-financial information, including related to sustainable development. The Bank discloses all shareholders holding more than 5% of its share capital.

Information is disclosed in a way that ensures equal treatment of recipients, enables informed decision making and assessments, and prevents misuse of inside information. Fibank discloses information through:

- the X3News Internet platform (www.x3news.com) thus ensuring effective dissemination of information to the widest possible range of persons simultaneously, and in a way which does not discriminate them;
- its corporate website [/www.fibank.bg/](http://www.fibank.bg/) with established content, scope and frequency of information disclosed therein in accordance with the regulatory requirements and best corporate practices.

Disclosure policy and disclosure practices

In its capacity as a credit institution, public company and investment intermediary, First Investment Bank applies a Disclosure Policy.

The Bank shall disclose and provide easy access to any material information, including with regard to its financial position, achievement of objectives, shareholding and management structure, non-financial information and sustainable development. The Supervisory Board shall adopt the Disclosure Policy detailing the information subject to regular disclosure. The Policy itself shall be disclosed on the corporate website of the Bank.

First Investment Bank shall publish an Annual Report including detailed information on the Bank's development and financial results, achievement of objectives and business overview by type of activity, as well as information on the organizational structure, corporate governance framework, risk management and non-financial information, i.e. on ecological, social, governance and ethical issues.

The Bank shall promptly publish any material information, including on corporate developments, in the investors' section of its corporate website.

Additional provisions

§ 1. As per the Code:

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| Risk capacity: | The maximum amount of risk the Bank is able to assume given its capital base, risk management and control measures, as well as its regulatory constraints. |
| Control functions: | Those functions that have a responsibility independent from management to provide objective assessment, reporting and/or assurance. This includes the risk management function, the compliance function and the internal audit function. |
| Corporate Governance: | A set of relationships between a company's management, its board, its shareholders and other stakeholders which provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance. It helps define the way authority is allocated and how corporate decisions are made |
| Stakeholders: | Parties that are not shareholders but are concerned with the economic growth of the bank such as creditors, employees, bond holders, other. |
| Risk governance framework: | Part of the overall corporate governance framework, through which: decisions are made with respect to business strategy and risk approach; adherence to risk appetite and limits is monitored vis-à-vis strategy; including risk is identified, measured, managed and controlled. |
| Risk appetite framework: | The overall approach, including policies, processes, controls and systems through which risk appetite is established, communicated and monitored. It includes a risk appetite statement, risk limits and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the risk appetite framework. The risk appetite framework should consider material risks to the bank, as well as to its reputation vis-à-vis policyholders, depositors, investors and customers. The risk appetite framework aligns with the strategy. |

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| Risk limits: | Specific quantitative measures or limits based on, for example, forward-looking assumptions that allocate the aggregate risk appetite statement to business lines, legal entities as relevant, specific risk categories, concentrations and, as appropriate, other measures. |
| Risk profile: | Point in time assessment of the gross (ie before the application of any mitigants) or, as appropriate, net risk exposures (ie after taking into account mitigants) aggregated within and across each relevant risk category based on current or forward-looking assumptions. |
| Risk appetite: | The aggregate level and types of risk a bank is willing to assume, decided in advance and within its risk capacity, to achieve its strategic objectives and business plan. |
| ESG risks: | Risks, related to sustainable development, taking into consideration ecological, social and governance factors. |
| Internal control system/ framework: | A set of rules and controls governing the organizational and operational structure including reporting processes, and functions for risk management, compliance and internal audit. |
| Risk management: | The processes established to ensure that all material risks and associated risk concentrations are identified, measured, limited, controlled, mitigated and reported on a timely and comprehensive basis. |
| Sustainable development: | Development of the activity, based on an integrated approach combining economic, social, ecological and governance issues, which are supporting and balancing one another. |

Transitional and Final provisions

- §.2.** The Code discontinues the operation of the Program of First Investment Bank for the application of the internationally recognized good corporate governance standards.
- §.3.** The Code is publicly available on the Bank's corporate website: www.fibank.bg
- §.4.** The Code is reviewed annually or more regularly, according to circumstances.
- §.5.** The Corporate Governance Code of First Investment Bank was adopted by the Managing Board of First Investment Bank AD with a decision dated 30 June 2015, approved by the Supervisory Board with a decision dated 21 July 2015 and were amended in compliance with Managing Board resolution of 24 November 2015 to amend the Bank's internal rules and regulations with a view to the updated organizational structure of Fibank approved by the Supervisory Board on 24 November 2015, amended and supplemented with a decision of the Managing Board dated 13 April 2017 and with approval by the Supervisory Board dated 25 April 2017, amended and supplemented with a decision of the Managing Board dated 18.04.2019 and with approval by the Supervisory Board dated 24.04.2019, amended and supplemented with a decision of the Managing Board dated 17.03.2022 and with approval by the Supervisory Board dated 23.03.2022.

DISCLOSURE POLICY

OF FIRST INVESTMENT BANK AD

I. GENERAL PROVISIONS

- 1.1. This Policy defines the scope of information subject to disclosure by First Investment Bank AD (Fibank, the Bank) in its capacity as a credit institution, a public company and an investment intermediary.
- 1.2. The Bank discloses and provides easy access to all relevant information, including financial condition, achievement of objectives, shareholding and management structure.
- 1.3. The Policy on disclosure of information complies with, and is applied in accordance with the current regulatory requirements in the Republic of Bulgaria, including with the Law on Credit Institutions (LCI), the Public Offering of Securities Act (POSA), the Markets in Financial Instruments Act (MFIA), the Accountancy Act, the Independent Financial Audit Act (IFAA), the Commerce Act and the regulations for their implementation, with Regulation (EU) № 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (Regulation (EU) № 575/2013), Regulation (EU) № 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Regulation (EU) № 596/2014), 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 (Regulation (EU) 2020/852) and its delegated/implementing acts, 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), Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (Delegated Regulation (EU) 2019/815), Ordinance №2 of FSC from 09.11.2021 on the initial and subsequent disclosure of information in public offering of securities and admission to trade on a regulated market (Ordinance №2 of FSC), the EBA Guidelines on internal governance (EBA/GL/2017/11); the National Corporate Governance Code (NCGC) as of July 2021, as well as with the Principles of Corporate Governance of the Organization for Economic Cooperation and Development (OECD Principles) the Principles of Corporate Governance for banks by the Basel Committee on Banking Supervision (the Basel Committee principles), the Code of Corporate Governance of First Investment Bank AD, and with the relevant internal bank documents.

II. PURPOSE AND PRINCIPLES

- 2.1. The purpose of this Policy is to outline the framework for provision of information to stakeholders, shareholders and investors, with a view to enable making objective and informed decisions and evaluations.
- 2.2. In disclosing information, the Bank shall be guided by the principles of:
 - 2.2.1. Accuracy;
 - 2.2.2. Accessibility;
 - 2.2.3. Equitability;
 - 2.2.4. Timeliness;
 - 2.2.5. Integrity;
 - 2.2.6. Regularity.
- 2.3. First Investment Bank AD shall disclose any relevant information regardless of its nature, subject to the principle of equal treatment.

- 2.4. In certain cases, under the current legislation or the rules of the regulated markets of financial instruments, the disclosure of certain information is not allowed. Such cases are:
- 2.4.1. when disclosure leads to violation of a law or regulation;
 - 2.4.2. when information is confidential or relates to unfinished negotiations;
 - 2.4.3. when information constitutes official, bank or trade secret (confidential information).

III. INFORMATION CHANNELS

- 3.1. For the purposes of disclosure First Investment Bank AD uses the following information channels:
- 3.1.1. Electronic system for disclosure of information X3News (www.x3news.com), through which effective dissemination of information is ensured to the widest possible audience, simultaneously and in a non-discriminatory manner;
 - 3.1.2. Corporate website (www.fibank.bg) with validated content, scope and periodicity of disclosed information;
 - 3.1.3. Other channels, including media; the websites of the Financial Supervision Commission (FSC) and the Bulgarian Stock Exchange (BSE), on which the latter publish relevant information.

IV. INVESTOR RELATIONS

- 4.1. In order to achieve effective liaison between First Investment Bank AD, its shareholders and the persons interested in investing in financial instruments issued by the Bank, First Investment Bank AD has an appointed Investor Relations Director.
- 4.2. The Investor Relations Director exercises functions of maintaining and provision of information on the current financial position of the Bank, as well as of any other information that the shareholders and persons interested in investing in financial instruments of the Bank wish and are entitled to receive in their capacity as shareholders or investors.
- 4.3. The Investor Relations Director submits an annual activity report before the General Meeting of Shareholders.
- 4.4. Information regarding the Investor Relations Director of First Investment Bank AD, including contact information, is available on the website of the Bank (www.fibank.bg).

V. PERIODIC INFORMATION

- 5.1. The periodic information disclosed by First Investment Bank AD includes but is not limited to:
- 5.1.1. Annual financial statements on a standalone and consolidated basis certified by registered auditor/s;
 - 5.1.2. Financial statements for the first half of the year, as well as for the first, third and fourth quarter on a standalone and consolidated basis;
 - 5.1.3. Annual activity report on a standalone and consolidated basis;
 - 5.1.4. Annual disclosure of information pursuant to Regulation (EU) № 575/2013;

- 5.1.5 Interim activity report for the first half of the year, as well as for the first, third and fourth quarter on a standalone and consolidated basis.
- 5.2.** The financial statements of the Bank are prepared applying the International Accounting Standards as required by applicable law. Audited financial statements are published in Bulgarian and English languages on the website of the Bank (www.fibank.bg).
- 5.3.** First Investment Bank AD prepares an Annual activity report in Bulgarian and English languages, which is subject to review by registered auditor/s and contains detailed information about:
- 5.3.1. the development and competitive position of the Bank;
 - 5.3.2. an analysis of the financial results and financial condition of the Bank;
 - 5.3.3. a business overview by main type of activity;
 - 5.3.4. the development objectives of the Bank, as well as information on their implementation;
 - 5.3.5. information on the corporate governance framework, including shareholding and management structure and compliance with the Bank's Corporate Governance Code, as well as information on the members of the management and supervisory bodies of the Bank, as well as on the applied diversity policy (Declaration on corporate governance under the meaning of Art.100m of POSA and Art.40 of Accounting Act);
 - 5.3.6. information on the remuneration policy of the Bank and its implementation (Report on the implementation of the remuneration policy under the meaning of Art.100m of POSA);
 - 5.3.7. information on risk management, including on all material risks to the Bank;
 - 5.3.8. information on corporate social responsibility and other non-financial information, incl. related to sustainable development pursuant to the requirements of Regulation (EU) 2020/852 and its delegated/implementing acts (Non-financial declaration under the meaning of Art.48 of Accounting Act);
 - 5.3.9. an analysis of macroeconomic developments and the condition of the banking system the Republic of Bulgaria.
- 5.4.** The annual financial statements and activity report on a standalone basis, along with the supplementing documents, are presented in XHTML format, while on a consolidated basis – in XHTML format, with part of the disclosed data being marked with the XBRL markup language in compliance with the requirements of Delegated Regulation (EU) 2019/815 on the single electronic reporting format.
- 5.5.** The Annual activity report, along with the audited by register auditor/s financial statements, is published in a special edition of the Bank: "Annual Report", which is also published on the website of the Bank.

VI. INSIDE INFORMATION

- 6.1.** First Investment Bank AD shall publicly disclose as soon as possible inside information in accordance with Regulation (EU) № 596/2014.
- 6.2.** The inside information disclosed by the Bank shall include but not be limited to:
- 6.2.1. Data on members of the management and supervisory bodies of the Bank;
 - 6.2.2. Persons who hold 5 or more percent of the votes at the General Meeting of Shareholders of the Bank, or are able to control it;

- 6.2.3. Changes in the Statutes of the Bank;
- 6.2.4. Changes in the management and supervisory bodies;
- 6.2.5. Increase or decrease of the issued share capital;
- 6.2.6. Decisions for transformation of the company;
- 6.2.7. Any other material circumstances.

VII. OTHER INFORMATION

- 7.1. In connection with holding a General Meeting of Shareholders, First Investment Bank AD shall provide timely information on convening and decision-making.
- 7.2. The invitation together with the written materials related to the agenda of the General Meeting shall be announced and provided in the statutory manner, and made available to the public through the information channels used by the Bank. Upon request, the materials shall be provided to each shareholder free of charge.
- 7.3. The results of the conducted General Meeting shall be disclosed to the public in the statutory manner and timeframe, including via the corporate website of the Bank.
- 7.4. In its capacity as an issuer of financial instruments and in order to enable stakeholders, shareholders and investors to familiarize themselves with the financial instruments issued, First Investment Bank AD shall prepare and submit prospectuses (or other documents) to the regulated market on which such instruments are traded.
- 7.5. The prospectuses shall contain all the required information, including but not limited to:
 - 7.5.1. The purpose and motives for issuance of securities;
 - 7.5.2. Information on the dividend policy;
 - 7.5.3. Information on the financial position, performance results, and trends for development;
 - 7.5.4. Information on the corporate governance, the structure and membership of the governing bodies of the Bank.
- 7.6. Upon conclusion outside the regulated market or multilateral trading system of transactions in financial instruments admitted to trading on a regulated market the Bank, in its capacity of an investment intermediary, shall publicly disclose information on the type, issue, number, and unit price of the financial instruments subject to the transaction, on the currency of the transaction and the date and time of its conclusion, incl. statement that the transaction was concluded outside the regulated market or multilateral trading system.
- 7.7. The disclosure pursuant to p.7.6 shall be executed within the timeframe specified in MFIA throughout the respective trading venue, in case such disclosures are permitted or via a licensed operator for approved disclosure data mechanism, the Bank has contract with.
- 7.8. First Investment Bank AD shall prepare and disclose once per year on its corporate website information on each class of financial instruments for the first five places for execution of orders based on transaction volumes, and for the leading brokers/investment intermediaries through which the Bank has executed client orders during the previous year, as well as on the quality of execution.
- 7.9. Pursuant to the requirements of Regulation (EU) 2019/2088, First Investment Bank AD in its capacity of an investment intermediary, managing individual investment portfolios and offering investment advices, shall disclose on its corporate website information on the

integration of the risks regarding sustainability in the investment decision-taking process when offering services to clients.

- 7.10.** In its capacity of an investment intermediary, First Investment Bank AD shall disclose on its corporate website and other required information as per regulatory requirements, with the aim of informing the potential and existing investors and clients in the area of investment services and activities in financial instruments.
- 7.11.** The scope of information disclosed by First Investment Bank AD shall exceed the requirements of national legislation. In addition, the Bank shall:
- 7.11.1. Publish information on the Bank in the form of presentations and interviews with senior management;
 - 7.11.2. Publish press releases;
 - 7.11.3. Publish specialized editions (e.g. Fibank News);
 - 7.11.4. Disclose detailed information on the products and services of the Bank, the applicable general terms and conditions and tariff, as well as amendments in them;
 - 7.11.5. Disclose information about events and initiatives as part of the policy for corporate social responsibility of the Bank.
- 7.12.** The internal organization in the Bank, as well as the units responsible with regard to the scope and procedure for disclosure of information, are regulated by the Rules of First Investment Bank AD for implementation of the disclosure requirements.

VIII. CORPORATE WEBSITE

- 8.1.** As part of the framework for disclosure of information, First Investment Bank maintains a corporate website (www.fibank.bg) with validated content, scope and periodicity of the information disclosed, in accordance with the regulatory requirements and best corporate practices.
- 8.2.** The Bank also maintains an English-language version of the corporate website with identical content.
- 8.3.** The information on the corporate website is constantly reviewed, updated and archived. Historical information is also maintained with a view to ensuring transparency and familiarizing all stakeholders, shareholders and investors with the performance of the Bank.
- 8.4.** The website of First Investment Bank AD (www.fibank.bg) supports a special, easily accessible “Investors” section with detailed and up-to-date information about the Bank in Bulgarian and English, including:
- 8.4.1. Corporate governance, including information on shareholders’ rights;
 - 8.4.2. Stock exchange information;
 - 8.4.3. Financial information;
 - 8.4.4. News for investors;
 - 8.4.5. General Meetings of Shareholders.
- 8.5.** With a view to maintaining constant communication with shareholders and investors, a Club of investors of First Investment Bank AD has been created. By registering in it, members can receive electronic updates on notifications published by the Bank through its information channels.

- 8.6.** Information disclosed through the Bank's corporate website shall include at least:
- 8.6.1. Basic commercial and corporate information identifying the Bank, and on its business model;
 - 8.6.2. Updated information on the shareholding structure;
 - 8.6.3. The Statutes of the Bank and documents relating to its activities and functioning, including the Corporate Governance Code of First Investment Bank AD and this Policy on Disclosure of Information;
 - 8.6.4. Information on the structure and composition of the management bodies of the Bank, as well as information about their members, including information about the auxiliary bodies operating to them;
 - 8.6.5. Annual and semi-annual financial statements for at least the last ten years, as well as quarterly financial statements for at least the last five years;
 - 8.6.6. Materials for upcoming General Meetings of Shareholders of the Bank, as well as additional materials submitted following the legal procedures. Information on the resolutions of the General Meetings of Shareholders for at least the last five years;
 - 8.6.7. Information on upcoming events;
 - 8.6.8. Information on shares and other financial instruments issued;
 - 8.6.9. Inside information and notifications pursuant to Regulation (EU) № 596/2014, as well as other important information related to the activities of the Bank;
 - 8.6.10. Information on shareholders' rights;
 - 8.6.11. Contact information for the Investor Relations Director of the Bank.

IX. FINANCIAL CALENDAR OF FIRST INVESTMENT BANK AD FOR 2021

- 9.1.** In 2022, pursuant to the Accountancy Act, the Public Offering of Securities Act, and Ordinance №2 of the FSC, First Investment Bank AD shall prepare and present to the Financial Supervision Commission and to the public the following reports:
- 9.1.1. Quarterly standalone financial report for the fourth quarter of 2021, also including interim activity report – until 30.01.2022;
 - 9.1.2. Quarterly consolidated financial report for the fourth quarter of 2021, also including interim activity report – until 01.03.2022;
 - 9.1.3. Annual standalone financial report for 2021, certified by registered auditor/s, also including an annual activity report – until 31.03.2022;
 - 9.1.4. Annual consolidated financial report for 2021, certified by registered auditor/s, also including a consolidated annual activity report – until 30.04.2022;
 - 9.1.5. Quarterly standalone financial report for the first quarter of 2022, also including interim activity report – until 30.04.2022;
 - 9.1.6. Quarterly consolidated financial report for the first quarter of 2022, also including interim activity report – until 30.05.2022;
 - 9.1.7. Semi-annual standalone financial report for the first half of 2022, also including interim activity report – until 30.07.2022;
 - 9.1.8. Semi-annual consolidated financial report for the first half of 2022, also including interim activity report – until 29.08.2022;
 - 9.1.9. Quarterly standalone financial report for the third quarter of 2022, also including interim activity report – until 30.10.2022;

- 9.1.10. Quarterly consolidated financial report for the third quarter of 2022, also including interim activity report – until 29.11.2022;
- 9.1.11. Other reports submitted to the Financial Supervision Commission, the Bulgarian National Bank, and other authorities.
- 9.2.** The regular annual General Meetings of Shareholders of First Investment Bank AD shall be held by the end of the first half of the year following the reporting year.
- 9.3.** The dates and information concerning other events and reports that First Investment Bank AD is obliged to publicly disclose shall be announced within the legally prescribed timeframes.

X. ADDITIONAL PROVISIONS

§1. For the purposes of this Policy:

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|---------------------------------|--|
| Inside information | Information of a precise nature, which has not been made public, relating directly or indirectly to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments, pursuant to Regulation (EU) № 596/2014. |
| Material information | Information whose omission or misrepresentation could change or influence the assessment or decision of a user relying on that information for making economic decisions. |
| Bank secret | Facts and circumstances concerning the balances and transactions on accounts and deposits of the bank's clients. |
| Trade secret | Information whose disclosure would compromise the competitive position of the institution. It may include information on products or systems whose sharing with competitors would reduce the value of investments of the institution in them. |
| Confidential information | Information concerning obligations to customers or other counterparty relationships, under which obligations the institution must maintain the confidentiality of such information. |
| Stakeholders | Persons who are not shareholders but have an interest in the economic development of the company, such as creditors, bondholders, customers, employees, the public, and others. |

XI. FINAL PROVISIONS

- §2.** This Policy is publicly available on the corporate website of the Bank at: www.fibank.bg.
- §3.** This Policy shall be reviewed once a year or more frequently if circumstances require it.
- §4.** This Policy was adopted by the Managing Board of First Investment Bank AD by resolution of 13.10.2015, approved by resolution of the Supervisory Board of 21.10.2015, amended and supplemented by a resolution of MB of 19.01.2016 and approval by SB of 28.01.2016, by a resolution of MB of 17.01.2017 and approval of SB of 24.01.2017, by a resolution of MB of 16.01.2018 and approval of SB of 25.01.2018, by a resolution of MB of 22.01.2019 and approval of SB of 30.01.2019, by a resolution of MB of 07.02.2020 and

approval of SB of 11.02.2020, by a resolution of MB of 02.02.2021 and approval of SB of 17.02.2021 as well as by a resolution of MB of 16.12.2021 and approval of SB of 22.12.2021.

INDEPENDENT AUDITORS REPORT

To the shareholders of
First Investment Bank AD

Report on the audit of stand-alone financial statements

Opinion

We have audited the stand-alone financial statements of First Investment Bank AD (the "Bank") containing the stand-alone statement of financial position as at 31 December 2021 and the stand-alone statement of profit or loss and other comprehensive income, the stand-alone statement of changes in equity and the stand-alone statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying stand-alone financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU).

Basis for our opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under these standards are further described in our section "Auditor's Responsibilities for the Auditing of the Financial Statements". We are independent of the Bank in accordance with the Ethics Code of Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code), along with the ethical requirements of the Independent Financial Audit Act (IFAA) applicable to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in line with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we received is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, according to our professional judgment, were of the highest importance in the audit of the current period's financial statements. These issues are considered as part of our audit of the financial statement as a whole and the formation of our opinion thereon, and we do not provide a separate opinion on these issues.

Impairment of customer receivables

| Key audit matter | Matters discussed with audit committee |
|--|---|
| <p>Impairment is a material judgment of management in respect of losses incurred within the Bank's loan portfolio. The Bank assesses the need for impairment of loans on an individual and portfolio basis.</p> <p>We have audited the separate financial statements of the Loans representing 56.04% of the Bank's assets. The Bank categorizes its receivables from customers in 4 business segments: retail banking, small and medium enterprises, microcredit and corporate clients. The share of receivables from corporate clients is the largest - 51% of total receivables from customers.</p> <p>Due to their materiality and the uncertainty associated with the process of identifying deteriorating loans, we identify the assessment of objective evidence of impairment and the determination of recoverable amount as a key audit issue.</p> <p>The process involves various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, the value of collateral.</p> <p>As a result, the use of different modelling techniques and assumptions may lead to differences in the assessment of loan impairment.</p> <p>The exposures that cause the greatest uncertainty in estimates are those where there is a risk of cash flow shortages or collateral insufficiency.</p> | <p>The issues discussed cover the positive results and good practices set out in the provisioning model. The Bank has complied with IFRS requirements when developing policy and provisioning rules.</p> <p>Improvements have been discussed in the procedures that the bank should introduce in order to:</p> <ul style="list-style-type: none"> - a clearer documenting of judgments about the future cash flows of borrowers and the expected development of future credit exposures, with particular attention being paid to bank lending for working capital. - systematically confirming the commitment of the borrowers' owners to provide ongoing support to the companies. <p>A recommendation was also discussed with The Audit Committee that the banks' risk management bodies monitor the changes in risk factors, the macroeconomic framework and other data used in the provisioning models, and the material changes to be timely reflected in the provisioning models.</p> |
| <i>How this key audit matter was addressed during the audit</i> | |
| <p>Procedures carried out in support of our conclusions and discussions:</p> <ul style="list-style-type: none"> - The internal rules of the bank have been reviewed, we have gained understanding of key controls in key business processes, and tests of effectiveness of controls are performed according to the audit strategy. | |

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| <ul style="list-style-type: none"> - A sample of borrowers has been reviewed on a risk-based basis for which substantive procedures have been performed in relation to the assessment of the adequacy of the recognized impairment provision. - For individually accrued provisions, we tested assumptions about the identification and quantification of impairments, including future cash flow projections and credit collateral estimates. We examined a sample of credit exposures that continue to be, have become, or have been, at risk of impairment. - For collective impairment provisions, 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 the management. - For selected non-performing loans, we have evaluated the management forecasts for cash flow generation, collateral estimates and other repayment sources. In addition, we have tested a sample of performing loans for which we have assessed the financial performance indicators for weaknesses and other risks that could jeopardize the ability to repay exposures. |
| <p>References in the Annual Financial Statements</p> <ul style="list-style-type: none"> • Note 17 and 17a • Note 2 (j) • Note 3 C (iii) • Note 4 |

Assets acquired as collateral

| Key audit matter | Matters discussed with the audit committee |
|---|---|
| <p>The position in the financial statements in the amount of BGN 450,987 thousand has been disclosed by respective subgroups.</p> <p>The group of Buildings contains assets with varying degrees of completion and are in accordance with their condition as of the date of acquisition. During the year, assets worth BGN 14,813 thousand were sold, of which BGN 4,979 thousand - by leasing the assets under financial leasing contracts. The Bank recognized in the group of Other income / (expenses), net (Note 12) a loss of BGN 6,041 thousand.</p> | <p>The actions and procedures that the bank should introduce in order to enable the consistent monitoring of changes in the income and expenses by groups and subgroups until the time of realization of the respective assets are discussed. In addition, we set out our recommendation to improve the inventory of assets acquired as collateral in order to better and fully implement the national financial reporting framework.</p> |
| How this key audit matter was addressed during the audit | |
| <p>Procedures performed in support of our conclusions and discussions</p> <ul style="list-style-type: none"> - The internal rules of the bank have been reviewed, we have received an understanding of the key controls in the essential business processes and | |

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| <p>tests have been made for the effectiveness of the controls, according to the audit strategy.</p> <ul style="list-style-type: none"> - For a sample of newly acquired assets from collateral in the amount of BGN 37,009 thousand, the acquisition documents were reviewed, and the reports for determining the fair value were reviewed for a sample of BGN 309,684 thousand. - The supporting documents for our sample in connection with the largest site were reviewed - brokerage agreement, lease agreement, commission agreement, as well as the annexes to them. Substantial procedures have been performed to confirm the completeness and accuracy of the reclassification between the different groups. |
| <p>References in the Annual Financial Statements</p> <ul style="list-style-type: none"> • Note 12 • Note 21 |

Litigation and provisions

| Key audit matter | Matters discussed with the audit committee |
|---|---|
| <p>The bank, like any other banking institution, is at significant risk of litigation and regulatory scrutiny. The degree of impact cannot always be predicted, but it can lead to provisions for contingent and other obligations depending on the relevant facts and circumstances. The level of provisions is subject to management and assessment based on legal advice.</p> <p>The Bank has recognized provisions in the amount of BGN 523 thousand in litigation.</p> <p>In connection with issued bank guarantees, the Bank has blocked funds in the amount of BGN 44,137 thousand, which are disclosed in Note 25 to the separate financial statements (included in the subgroup Other assets).</p> <p>Due to the ambiguities from the occurrence and filing of claims related to lawsuits against the bank, there is a risk of incomplete or untimely reflection in the financial statements of legal claims related to the relevant reporting period.</p> | <p>Recognition and valuation of provisions are discussed with the Audit Committee to ensure that the bank has correctly implemented its provisioning policies.</p> <p>Disputes on which the bank has not recognized provisions are discussed in order to be sufficiently convinced that there is no need for additional provisions, and in particular:</p> <p>the bank's legal department reports to the Audit Committee on the current status of litigation. Significant changes have been discussed, taking into account potential changes in provisions.</p> <p>The discussion is also held in order to identify all significant litigation.</p> |

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| <i>How this key audit matter was addressed during the audit</i> |
| Procedures carried out in support of our conclusions and discussions: <ul style="list-style-type: none">- The internal rules of the bank have been reviewed, we have gained understanding of key controls in key business processes, and tests have been performed for the effectiveness of controls.- A letter was received from the legal department of the bank, as well as from external legal advisors, on information about cases brought in foreign jurisdictions and subsequent proceedings in Bulgaria. Listed are the pending litigation cases in Bulgarian and Romanian courts, where no final decisions are in force. |
| References in the Annual Financial Statements <ul style="list-style-type: none">• Note 25• Note 30 |

Other matters

Pursuant to Decision 81/15 March 2019 of the Bulgarian National Bank (BNB), First Investment Bank AD should have reclassified certain Receivables from customers as “Exposures in default”. The Bank has not reclassified as “Defaulted exposures” Receivables from customers amounting to BGN 400,021 thousand gross (BGN 362,446 thousand net), for which the management has provided the BNB with explanations and reasons for its decision.

Information Other than the Financial Statements and Auditor’s Report Thereon

Management is responsible for the other information. The other information, which we have obtained prior the date of our auditor’s report, comprises the management report, including the corporate governance statement and non-financial declaration, prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our auditor’s report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, develop and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not disclosing material misstatement resulting from fraud is higher than the risk of material misstatement resulting from error, as fraud may include collusion, falsification, intentional omissions, introductory statements of the auditor in error, as well as neglect or circumvention of internal control.
- gain an understanding of internal control relevant to the audit in order to develop audit procedures that are appropriate in the particular circumstances, but not in order to express an opinion on the effectiveness of the Bank's internal control.
- evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the accounting base based on the going concern assumption and, based on the audit evidence obtained, whether there is material uncertainty about events or conditions that could raise significant doubts about the Bank's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in our audit report to the disclosures related

to this uncertainty in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Bank to cease to operate as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements present the underlying transactions and events in a manner that achieves reliable presentation.

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

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

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

We are jointly and severally liable for the performance of our audit and for the audit opinion we express, in accordance with the requirements of the International Financial Reporting Standards applicable in Bulgaria. Upon assuming and implementing the joint audit engagement we are reporting on, we are also guided by the Joint Audit Guidelines issued on 13.06.2017 by the Institute of Certified Public Accountants in Bulgaria and by the Commission for Public supervision on the registered auditors in Bulgaria.

Report on Other Legal and Regulatory Requirements

Additional Matters to be Reported under the Accountancy Act and the Public Offering of Securities Act

In addition to our responsibilities and reporting in accordance with ISAs, described above in the "Other information other than the financial report and the audit report on it" section, in relation to the management report and the corporate governance statement, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming opinions about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public

Offering of Securities Act (Art. 100m, paragraph 10 of the POSA in conjunction with Art. 100m, paragraph 8(3) and (4) of the POSA) applicable in Bulgaria.

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

Based on the procedures performed, our opinion is that:

- a) The information included in the management report referring to the financial year for which the financial statements have been prepared is consistent with those financial statements.
- b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100(m), paragraph 7 of the Public Offering of Securities Act.
- c) The corporate governance statement referring to the financial year for which the financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100 (m), paragraph 8 of the Public Offering of Securities Act.
- d) The non-financial declaration for the financial year for which the financial statements have been prepared has been provided and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Opinion in connection with Art. 100(m), paragraph 10 in conjunction with Art. 100 m, paragraph 8(3) and (4) of the Public Offering of Securities Act

Based on the procedures performed and the knowledge and understanding obtained about entity's activities and the environment in which it operates, in our opinion, the description of the main characteristics of entity's internal control and risk management systems relevant to the financial reporting process, which is part of the management report (as a component of the corporate governance statement) and the information under Art. 10 paragraph 1(c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on Takeover Bids, do not contain any material misrepresentations.

Additional reporting on the audit of the financial statements in connection with Art. 100 (n), para. 4, item 3 of the Public Offering of Securities Act

Statement in connection with Art. 100 (n), para. 4, vol. 3, item "B" of the Public Offering of Securities Act

Information on related party transactions is disclosed in Note 35 to the separate financial statements. Based on our audit procedures on related party transactions as part of our audit of the financial statements as a whole, we are not aware of any facts, circumstances or other information on which to conclude that related party transactions are not are disclosed in the accompanying financial statements for the year ended 31 December 2021, in all material respects, in accordance with the requirements of IAS 24 Related Party Disclosures. The results of our audit procedures on related party transactions are reviewed by us in the context

of forming our opinion on the financial statements as a whole, and not for the purpose of expressing a separate opinion on related party transactions.

Statement in connection with Art. 100 (n), para. 4, vol. 3, p. "C" of the Public Offering of Securities Act

Our responsibilities for the audit of the financial statements as a whole, described in the section of our report "Auditor's Responsibilities for the Audit of the Financial Statements", include assessing whether the financial statements present material transactions and events in a manner that achieves reliable presentation. Based on our audit procedures on the material transactions underlying the financial statements for the year ended 31 December 2021, we are not aware of any facts, circumstances or other information on the basis of which we can conclude that there are cases of material misstatement and disclosure in accordance with applicable IFRS requirements adopted by the European Union. The results of our audit procedures on the significant transactions and events of the Bank are considered by us in the context of forming our opinion on the financial statements as a whole, and not for the purpose of expressing a separate opinion on these significant transactions.

Reporting on compliance with the electronic format of the individual financial statement included in the annual individual financial statement for the activity under Art. 100n, para 4 of POSA with the requirements of the SEEF Regulation

In addition to our responsibilities and reporting under ISA, described above in the section "Auditor's Responsibilities for the Audit of the Separate Financial Statements", we have followed the procedures in accordance with the Guidelines on the Audit Opinion in Implementing 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)". format and whether the readable part of this electronic format corresponds to the audited separate financial statements and an opinion on the compliance of the electronic format of the separate financial statements of the Bank for the year ending 31 December 2021 attached to the electronic file "549300UY81ESCZJ0GR95 - 20211231-EN-SEP.xhtml ", with the requirements of Delegated Reg Commission Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109 / EC of the European Parliament and of the Council through regulatory technical standards on the definition of the uniform electronic format for reporting ("SEEF Regulation"). Based on these requirements, the electronic format of the individual financial statement [financial statement] included in the annual individual activity report under Art. 100n, para. 4 of POSA, must be submitted in XHTML format.

The management of the Company is responsible for the application of the requirements of the SEEF Regulation when preparing the electronic format of the separate financial statements in XHTML.

Our opinion is only regarding the electronic format of the separate financial statements attached to the electronic file "549300UY81ESCZJ0GR95-20211231-EN-SEP.xhtml" and does not cover other information included in the annual separate financial statements for the activities under Art. 100n, para. 4 of the POSA.

Based on the performed procedures, our opinion is that the electronic format of the separate financial statements of the Company for the year ending December 31, 2021, contained in the attached electronic file "549300UY81ESCZJ0GR95-20211231-BG-SEP.xhtml", is prepared in all essential aspects in accordance with the requirements of the SEEF Regulation.

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

According to the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) № 537/2014, we also report the following information.

- ECOVIS AUDIT BG OOD and BDO Bulgaria OOD have been appointed statutory auditors of the financial statements for the year ended 31 December 2021 of First Investment Bank AD (the "Bank") by the General Meeting of Shareholders held on 23 June 2021, for a period of one year.
- The audit of the financial statements for the year ended 31 December 2021 of the Bank represents the first full continuous commitment for mandatory audit of this company performed by ECOVIS AUDIT BG OOD and the seventh full continuous commitment for mandatory audit of this company performed by BDO Bulgaria Ltd.
- We confirm that the audit opinion expressed by us is in accordance with the additional report submitted to the audit committee of the Bank, in accordance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We confirm that we have not provided those specified in Art. 64 of the Independent Financial Audit Act prohibited services outside the audit.
- We confirm that in performing the audit we have maintained our independence from the Bank.
- For the period covered by our statutory audit, ECOVIS AUDIT BG OOD and BDO Bulgaria OOD have jointly provided the following services to the Bank, which are not specified in the activity report or financial statements of the Company:
- Agreed upon procedure for application of Ordinance 14 of the BNB for the period December 1, 2021 - December 30, 2021 - Review of the current state of the internal control systems prepared by the Bank in accordance with the requirements of the International Standard for Content Related Services 4400 "Engagements to carry out agreed upon procedures regarding financial information";
- For the period covered by our statutory audit, in addition to the audit, BDO Bulgaria OOD has provided the following services to the Bank and its controlled companies, which are not specified in the activity report or financial statements of the Bank:

- Audit as of December 31, 2021 of the annual financial statements of Fi Health Insurance AD (subsidiary), prepared in accordance with IFRS, in accordance with ISA;
- Audit as of December 31, 2021 of the annual financial statements of Diners Club Bulgaria AD (subsidiary), prepared in accordance with IFRS, in accordance with ISA;
- Audit as of December 31, 2021 of the annual financial statements of Mayfin EAD (subsidiary), prepared in accordance with IFRS, in accordance with ISA.

Sofia, 30 March 2022

For BDO Bulgaria OOD:

Nedyalko Apostolov
Manager

For ECOVIS AUDIT BG OOD:

Atina Nikolaos Mavridis
Manager

Tsvetana Stefanina
Управител
Registered auditor, responsible for the audit
Sofia, Bulgaria blvd., № 51 б, fl.4

Raina Stefanova
Registered auditor, responsible for the audit
Sofia, r.d. Strelbishte, Tvardishki
prohod № 23 street, fl. 3

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Bank **FINV9150** First Investment Bank AD

Reporting date **31.12.2021**

Basis for application **Individual**

Accounting standard **IFRS**

Reporting currency in BGN '000

1. 1. Balance sheet [statement of financial position]

1.1 Assets

| | | References | Breakdown in table | Carrying amount |
|------|--|--|--------------------|---|
| | | | | part 1, paragraph 27 of Appendix V 0010 |
| 0010 | Cash and cash balances with central banks and other deposits payable on demand | <i>Para. 54 (i) of IAS 1</i> | | 1 904 001 |
| 0020 | Cash | <i>part 2, paragraph 1 of Appendix V</i> | | 247 451 |
| 0030 | Cash balances with central banks | <i>part 2, paragraph 1 of Appendix V</i> | | 1 455 802 |
| 0040 | Other deposits payable on demand | <i>part 2, paragraph 1 of Appendix V</i> | 5 | 200 748 |
| 0050 | Financial assets held for trading | <i>Supplement A to IFRS 9</i> | | 4 510 |
| 0060 | Derivatives | <i>Supplement A to IFRS 9</i> | 10 | 0 |
| 0070 | Equity | <i>Para. 11 of IAS 32</i> | 4 | 4 495 |
| 0080 | Debt securities | <i>part 1, paragraph 31 of Appendix V</i> | 4 | 15 |
| 0090 | Loans and advances | <i>part 1, paragraph 32 of Appendix V</i> | 4 | 0 |
| 0096 | Non-tradable financial assets mandatorily reported at fair value through profit or loss | <i>Para. 8 (a)(ii) of IFRS 7; IFRS 9.4.1.4</i> | 4 | 260 895 |
| 0097 | Equity | <i>Para. 11 of IAS 32</i> | 4 | 24 410 |
| 0098 | Debt securities | <i>part 1, paragraph 31 of Appendix V</i> | 4 | 236 485 |
| 0099 | Loans and advances | <i>part 1, paragraph 32 of Appendix V</i> | 4 | 0 |
| 0100 | Financial assets at fair value through profit or loss | <i>Para. 8 (a)(i) of IFRS 7; IFRS 9.4.1.5</i> | 4 | 0 |
| 0120 | Debt securities | <i>part 1, paragraph 31 of Appendix V</i> | 4 | 0 |
| 0130 | Loans and advances | <i>part 1, paragraph 32 of Appendix V</i> | 4 | 0 |
| 0141 | Financial assets at fair value through other comprehensive income | <i>Para. 8 (h) of IFRS 7; IFRS 9.4.1.2A</i> | 4 | 901 155 |
| 0142 | Equity | <i>Para. 11 of IAS 32</i> | 4 | 0 |
| 0143 | Debt securities | <i>part 1, paragraph 31 of Appendix V</i> | 4 | 901 155 |
| 0144 | Loans and advances | <i>part 1, paragraph 32 of Appendix V</i> | 4 | 0 |
| 0181 | Financial assets at amortised cost | <i>Para. 8 (f) of IFRS 7; IFRS 9.4.1.2</i> | 4 | 6 683 984 |
| 0182 | Debt securities | <i>part 1, paragraph 31 of Appendix V</i> | 4 | 316 139 |
| 0183 | Loans and advances | <i>part 1, paragraph 32 of Appendix V</i> | 4 | 6 367 845 |
| 0240 | Derivatives - hedge accounting | <i>IFRS 9.6.2.1, part 1, paragraph 22 of Appendix V</i> | 11 | 0 |
| 0250 | Changes in the fair value of hedged positions when hedging a portfolio for interest rate risk | <i>Para. 89A (a) of IAS 39, IFRS 9.6.5.8</i> | | 0 |
| 0260 | Investments in a subsidiary, jointly-controlled entity or associate | <i>Para. 54 (e) of IAS 1; part 1, paragraph 21 and part 2, paragraph 4 of Appendix V</i> | 40 | 45 873 |
| 0270 | Tangible assets | | | 808 731 |
| 0280 | Property, Plant and Equipment | <i>Para. 6 of IAS 16; Para. 54 (a) of IAS 1; Para 47 (a) of IFRS 16</i> | 21, 42 | 75 881 |
| 0290 | Investment Property | <i>Para. 5 of IAS 40; Para. 54 (b) of IAS 1; Para. 48 of IFRS 16</i> | 21, 42 | 732 850 |
| 0300 | Intangible assets | <i>Para. 54(c) of IAS 1; Art. 4, Para. 1, item 115 of Reg 575</i> | | 13 831 |
| 0310 | Goodwill | <i>Para. B67, (d) of IFRS 3; Art. 4, Para. 1, item 113 of Reg 575</i> | | 0 |
| 0320 | Other intangible assets | <i>Para. 8 and Para. 118 of IAS 38; Para. 47 (a) of IFRS 16</i> | 21, 42 | 13 831 |
| 0330 | Tax assets | <i>Para. 54 (n)-(o) of IAS 1</i> | | 0 |
| 0340 | Current tax assets | <i>Para. 54(n) of IAS 1; Para. 5 of IAS 12</i> | | 0 |
| 0350 | Deferred tax assets | <i>Para. 54, (o) of IAS 1; Para. 5 of IAS 12; Art. 4, Para. 1, item 106 of Reg 575</i> | | 0 |
| 0360 | Other assets | <i>part 2, paragraph 5 of Appendix V</i> | | 645 890 |
| 0370 | Non-current assets and disposal groups classified as held for sale | <i>Para. 54, (j) of IAS 1; Para. 38 of IFRS 5; part 2, item 7 of Appendix V</i> | | 0 |
| 0380 | TOTAL ASSETS | <i>Para. 9, (a), IN 6 of IAS 1</i> | | 11 268 870 |

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| Bank | FINV9150 | First Investment Bank AD |
| Reporting date | 31.12.2021 | |
| Basis for application | Individual | |
| Accounting standard | IFRS | |
| | | Reporting currency '000 BGN |

1. Balance sheet [statement of financial position]

1.2 Liabilities

| | | References | Breakdown in table | Carrying amount part 1, paragraph 27 of Appendix V 0010 |
|------|--|---|--------------------|---|
| 0010 | Financial liabilities held for trading | Para. 8, (e)(ii) of IFRS 7; BA Para. 6 of IFRS 9 | 8 | 0 |
| 0020 | Derivatives | supplement A to IFRS 9, IFRS 9.4.2.1(a), BA, paragraph 7(a) of IFRS 9 | 10 | 0 |
| 0030 | Short positions | BA, Paragraph 7(b) of IFRS 9 | 8 | 0 |
| 0040 | Deposits | Part 2, item 9 of Appendix 2 to ECB/2013/33; Part 1, item 36 of Appendix V | 8 | 0 |
| 0050 | Issued debt securities | part 1, paragraph 37 of Appendix V | 8 | 0 |
| 0060 | Other financial liabilities | part 1, paragraph 38-41 of Appendix V | 8 | 0 |
| 0070 | Financial liabilities at fair value through profit or loss | Para. 8 (e)(i) of IFRS 7; IFRS 9.4.2.2 | 8 | 2 164 |
| 0080 | Deposits | Part 2, item 9 of Appendix 2 to ECB/2013/33; Part 1, item 36 of Appendix V | 8 | 0 |
| 0090 | Issued debt securities | part 1, paragraph 37 of Appendix V | 8 | 0 |
| 0100 | Other financial liabilities | part 1, paragraph 38-41 of Appendix V | 8 | 2 164 |
| 0110 | Financial liabilities at amortised cost | Para. 8 (g) of IFRS 7; IFRS 9.4.2.1 | 8 | 9 882 134 |
| 0120 | Deposits | Part 2, item 9 of Appendix 2 to ECB/2013/33; Part 1, item 36 of Appendix V | 8 | 9 529 147 |
| 0130 | Issued debt securities | part 1, paragraph 37 of Appendix V | 8 | 320 733 |
| 0140 | Other financial liabilities | part 1, paragraph 38-41 of Appendix V | 8 | 32 254 |
| 0150 | Derivatives - hedge accounting | IFRS 9.6.2.1, part 1, paragraph 26 of Appendix V | 11 | 0 |
| 0160 | Changes in the fair value of hedged positions when hedging a portfolio for interest rate risk | Para. 89A (b) of IAS 39, IFRS 9.6.5.8 | | 0 |
| 0170 | Provisions | Para. 10 of IAS 37; Para. 54 (l) of IAS 1 | 43 | 1 866 |
| 0180 | Pensions and other obligations to pay defined post-employment benefits | Para. 63 of IFRS 19; Para. 78(d) of IAS 1; part 2, item 9 of Appendix V | 43 | 0 |
| 0190 | Other long-term employee benefits | Para. 153 of IFRS 19; Para. 78(d) of IAS 1; part 2, item 10 of Appendix V | 43 | 0 |
| 0200 | Restructuring | Para. 71 and 84(a) of IAS 37 | 43 | 0 |
| 0210 | Pending legal matters and tax-related court cases | IAS 37, addendum B, examples 6 and 10 | 43 | 523 |
| 0220 | Commitments and guarantees | IFRS 9.4.2.1(c), (d); 9.5.5; 9.C2.5; IAS 37; IFRS 4; part 2, para. 11 of Appendix V | 9 12 43 | 1 343 |
| 0230 | Other provisions | Para. 14 of IAS 37 | 43 | 0 |
| 0240 | Tax liabilities | Para. 54 (n)-(o) of IAS 1 | | 27 940 |
| 0250 | Current tax liabilities | Para. 54(n) of IAS 1; Para. 5 of IAS 12 | | 1 332 |
| 0260 | Deferred tax liabilities | Para. 54, (o) of IAS 1; Para. 5 of IAS 12; Art. 4, Para. 1, item 108 of Reg 575 | | 26 608 |
| 0270 | Share capital payable upon request | IAS 32, Illustrative example 33; IFRIC 2; part 2, paragraph 12 of Appendix V | | 0 |
| 0280 | Other liabilities | part 2, paragraph 13 of Appendix V | | 85 902 |
| 0290 | Liabilities in disposal groups classified as held for sale | Para. 54, (p) of IAS 1; Para. 38 of IFRS 5; part 2, paragraph 14 of Appendix V | | 0 |
| 0300 | TOTAL LIABILITIES | Para. 9, (b), IN 6 of IAS 1 | | 10 000 006 |

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| Bank | FINV9150 | First Investment Bank AD |
| Reporting date | 31.12.2021 | |
| Basis for application | Individual | |
| Accounting standard | IFRS | |
| | | Reporting currency '000 BGN |

1. Balance sheet [statement of financial position]

c0010

1.3 Total own funds

| | | References | Breakdown in table | Carrying amount |
|------|--|--|--------------------|-------------------|
| | | | | 0010 |
| 0010 | Equity | Para. 54(s) of IAS 1; Para. 22 of DOB | 46 | 149 085 |
| 0020 | Paid up share capital | Para. 78 (e) of IAS 1 | | 149 085 |
| 0030 | Not fully paid-up capital | part 2, paragraph 14 of Appendix V | | 0 |
| 0040 | Premium reserves | Para. 78(e) of IAS 1; Art. 4, Para. 1, item 124 of Reg 575 | 46 | 250 017 |
| 0050 | Issued capital instruments other than share capita | part 2, paragraphs 18-19 of Appendix V | 46 | 0 |
| 0060 | Component of the share capital in compound financial instruments | Paras. 28 -29 of IAS 32; part 2, item 18 of Appendix V | | 0 |
| 0070 | Other issued equity instruments | part 2, paragraph 19 of Appendix V | | 0 |
| 0080 | Other own funds | Para. 10 of IFRS 2; part 2, paragraph 20 of Appendix V | | 0 |
| 0090 | Accumulated other comprehensive income | Art. 4, para. 1, item 100 of Reg 575 | 46 | 11 045 |
| 0095 | Items which cannot be reclassified as profit or loss | Para. 89A (a) of IAS 1 | | 4 500 |
| 0100 | Tangible assets | Paras. 39 -41 of IAS 16 | | 4 500 |
| 0110 | Intangible assets | Paras. 85-87 of IAS 38 | | 0 |
| 0120 | Actuarial gains or (-) losses on defined benefit plans | Para. 7, NI 6 of IAS 1; Para. 120(c) of IAS 19 | | 0 |
| 0122 | Non-current assets and disposal groups classified as held for sale | Para. 38, IN example 12 of IFRS 5 | | 0 |
| 0124 | Share of the other comprehensive income of subsidiaries, associates and joint ventures | NI 6 of IAS1, paragraph 10 of IAS 28 | | 0 |
| 0320 | Changes in fair value of capital instruments at fair value in other comprehensive income | Para. 7 (d) of IAS 1; 5.7.5 and B5.7.1 of IFRC 9; part 2, paragraph 21 of Appendix V | | 0 |
| 0330 | Inefficiency of hedging in fair value hedging of capital instruments at fair value in other comprehensive income | Para. 7 (d) of IFRS 1; IFRS 9.5.7.5 and 6.5.3; paragraph 24C of IFRS 7, part 2, paragraph 22 of Appendix V | | 0 |
| 0340 | Changes in fair value of capital instruments at fair value in other comprehensive income [hedged position] | IFRS 9 5.7.5 and 6.5.8(b); part 2, paragraph 22 of Appendix V | | 0 |
| 0350 | Changes in fair value of capital instruments at fair value in other comprehensive income [hedging instrument] | Para. 7 (e) of IFRS 1; IFRS 9.5.7.5 and 6.5.8(a); part 2, paragraph 57 of Appendix V | | 0 |
| 0360 | Changes in fair value of financial liabilities at fair value in profit or loss due to changes in credit risk | Para. 7 (f) of IAS 1; IFRS 9.5.7.7; part 2, paragraph 23 of Appendix V | | 0 |
| 0128 | Items which can be reclassified as profit or loss | Para. 81A (a)(ii) of IAS 1 | | 6 545 |
| 0130 | Hedges of net investments in foreign operations [effective portion] | IFRS 9.6.5.13(a); Paragraph 24B(b), items ii) and iii) of IFRS 7; Paragraph 24C(b), items i) and iv), and paragraph 24E(a) of IFRS 7; part 2, paragraph 24 of Appendix V | | 0 |
| 0140 | Currency exchange | Para. 52 (b) of IFRC 21; Paras. 32, 38-49 of IAS 21 | | 0 |
| 0150 | Derivatives from hedging Cash flow hedges [effective portion] | Paragraph 7(e) of IAS 1; paragraph 24B(b), items ii) and iii) of IFRS 7; paragraph 24C(b), item i) and paragraph 24E of IFRS 7; IFRS 9.6.5.11(b); part 2, paragraph 25 of appendix V | | 0 |
| 0155 | Changes in fair value of debt instruments at fair value in other comprehensive income | Para. 7 (da) of IAS 1; IFRS 9.4.1.2A and 5.7.10; part 2, paragraph 26 of Appendix V | | 6 545 |
| 0165 | Hedging instruments [unreported elements] | Paragraph 7 (e) of IAS 1; IFRS 9.5.7.5 and 6.5.16; Paragraph 24E (b) and (c) of IFRS 7; part 2, paragraph 25 of Appendix V | | 0 |
| 0170 | Non-current assets and disposal groups classified as held for sale | Para. 38, IN example 12 of IFRS 5 | | 0 |
| 0180 | Share of the other comprehensive income of subsidiaries, associates and joint ventures | NI 6 of IAS1, paragraph 10 of IAS 28 | | 0 |
| 0190 | Retained earnings | Art. 4, para. 1, item 123 of Reg 575 | | 0 |
| 0200 | Revaluation reserve | Para. 30, D5-D8 of IFRS 1; part 2, item 28 of Appendix V | | 0 |
| 0210 | Other reserves | Para. 54 of IAS 1; Para. 78 (e) of IAS 1 | | 758 634 |
| 0220 | Reserves or losses from investments in a subsidiary, jointly-controlled entity or associate reported via the equity method | Para. 11 of IAS 28; part 2, item 29 of Appendix V | | 0 |
| 0230 | Other | part 2, paragraph 29 of Appendix V | | 758 634 |
| 0240 | (-) Repurchased own shares | Para. 79 (a)(vi) of IAS 1; Paras. 33-34, IE14, IE36 of IAS 32; part 2, paragraph 30 of Appendix V | 46 | 0 |
| 0250 | Profit or loss attributable to the owners of the parent company | Para. 81B (b)(ii) of IAS 1 | 2 | 100 083 |
| 0260 | (-) Interim dividends | Para. 11 of IAS 32 | | 0 |
| 0270 | Minority interests [Non-controlling interests] | Para. 54 (r) of IAS 1 | | 0 |
| 0280 | Accumulated other comprehensive income | Art. 4, para. 1, item 100 of Reg 575 | 46 | 0 |
| 0290 | Other items | | 46 | 0 |
| 0300 | TOTAL SHAREHOLDERS' EQUITY | Para. 9 (c), IN 6 of IAS 1 | 46 | 1 268 864 |
| 0310 | TOTAL SHAREHOLDERS' EQUITY AND TOTAL LIABILITIES | IN 6 of IAS 1 | | 11 268 870 |

Nikola Bakalov
Chief Executive Officer

CHAVDAR ZLATEV
Executive Director

IANKO KARAKOLEV
Chief Financial Officer

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|-----------------------|------------|--------------------------|
| Bank | FINV9150 | First Investment Bank AD |
| Reporting date | 31.12.2021 | |
| Basis for application | Individual | |
| Accounting standard | IFRS | |

Reporting currency '000 BGN

2. Profit and Loss Account

c0010

| | References | Breakdown in table | Current period |
|------|--|--|----------------|
| | | | 0010 |
| 0010 | Interest income | Para. 97 of IAS 1; part 2, paragraph 31 of Appendix V | 308 556 |
| 0020 | Financial assets held for trading | Para. 20, (a)(i), Para. B5, (e) of IFRIC 7; part 2, paragraphs 33, 34 of Appendix V | 3 |
| 0025 | Non-tradable financial assets mandatorily reported at fair value through profit or loss | Para. 20, (a)(i), Para. B5, (e) of IFRIC 7, IFRS 9.5.7.1 | 11 801 |
| 0030 | Financial assets at fair value through profit or loss | Para. 20, (a)(i), Para. B5, (e) of IFRIC 7 | 0 |
| 0041 | Financial assets at fair value through other comprehensive income | Para. 20(b) of IFRIC 7; IFRS 9.5.7.10-11, IFRS 9.4.1.2A | 3 250 |
| 0051 | Financial assets at amortised cost | Para. 20(b) of IFRIC 7; IFRS 9.4.1.2, IFRS 9.5.7.2 | 293 452 |
| 0070 | Derivatives — hedge accounting, interest rate risk | supplement A to IFRS 9, C.6.6.16, part 2, paragraph 35 of Appendix V | 0 |
| 0080 | Other assets | part 2, paragraph 36 of Appendix V | 0 |
| 0085 | Revenue from interest on liabilities | IFRS 9.5.7.1, part 2, paragraph 37 of Appendix V | 50 |
| 0090 | (Interest expense) | Para. 97 of IAS 1; part 2, paragraph 31 of Appendix V | 45 412 |
| 0100 | (Financial liabilities held for trading) | Para. 20, (a)(i), Para. B5, (e) of IFRIC 7; part 2, paragraphs 33, 34 of Appendix V | 0 |
| 0110 | (Financial liabilities at fair value through profit or loss) | Para. 20, (a)(i), Para. B5, (e) of IFRIC 7 | 0 |
| 0120 | (Financial liabilities at amortised cost) | Para. 20(b) of IFRIC 7; IFRS 9.5.7.2 | 37 502 |
| 0130 | (Derivatives — hedge accounting, interest rate risk) | Para. 9 of IAS 39; part 2, paragraph 35 of Appendix V | 0 |
| 0140 | (Other liabilities) | part 2, paragraph 38 of Appendix V | 12 |
| 0145 | (Interest expense on assets) | IFRS 9.5.7.1, part 2, paragraph 39 of Appendix V | 7 898 |
| 0150 | (Expense for share capital payable upon request) | IFRIC 2, item 11 | 0 |
| 0160 | Dividend income | part 2, paragraph 40 of Appendix V | 401 |
| 0170 | Financial assets held for trading | Para. 20, (a)(i), Para. B5, (e) of IFRIC 7; part 2, paragraphs 40 of Appendix V | 82 |
| 0175 | Non-tradable financial assets mandatorily reported at fair value through profit or loss | Para. 20, (a)(i), Para. B5, (e) of IFRIC 7; IFRS 9.5.7.1A, part 2, paragraphs 40 of Appendix V | 319 |
| 0191 | Financial assets at fair value through other comprehensive income | Para. 20, (a)(ii) of IFRIC 7; IFRS 9.4.1.2A, IFRS 9.5.7.1A, part 2, paragraph 41 of Appendix V | 0 |
| 0192 | Investments in a subsidiary, jointly-controlled entity or associate reported via the equity method | part 2, paragraph 42 of Appendix V | 0 |
| 0200 | Fee and commission income | Para. 20 (c) of IFRS 7 | 143 015 |
| 0210 | (Fee and commission expense) | Para. 20 (c) of IFRS 7 | 24 150 |
| 0220 | Net profits or (-) losses from write-off of financial assets and liabilities which are not accounted at fair value through profit or loss | part 2, paragraph 45 of Appendix V | 4 470 |
| 0231 | Financial assets at fair value through other comprehensive income | IFRS 9.4.1.2A; IFRS 9.5.7.10-11 | 1 058 |
| 0241 | Financial assets at amortised cost | Para. 20(B)(v) of IFRIC 7; IFRS 9.4.1.2, IFRS 9.5.7.2 | 3 412 |
| 0260 | Financial liabilities at amortised cost | Para. 8 (a)(v) of IFRIC 7; IFRS 9.5.7.2 | 0 |
| 0270 | Other | | 0 |
| 0280 | Net profits or (-) losses from financial assets and liabilities held for trading | Para. 20, (a)(i) of IFRIC 7; IFRS 9.5.7.1, part 2, items 43, 46 of Appendix V | 231 |
| 0287 | Net profits or (-) losses from non-tradable financial assets and liabilities mandatorily reported at fair value through profit or loss | Para. 20, (a)(i) of IFRIC 7; IFRS 9.5.7.1, part 2, items 46 of Appendix V | 27 |
| 0290 | Net profits or (-) losses from financial assets and liabilities at fair value through profit or loss | Para. 20, (a)(i) of IFRIC 7; IFRS 9.5.7.1, part 2, items 44 of Appendix V | 0 |
| 0300 | Net profits or (-) losses from hedge accounting | part 2, paragraph 47 of Appendix V | 0 |
| 0310 | Net profits or (-) losses from exchange rate differences | Para. 28 and Para 52 (a) of IAS 21 | 15 148 |
| 0320 | Net profits or (-) losses from derecognition of investments in subsidiaries joint ventures and associates | Application V, part 2.56 | 0 |
| 0330 | Net profits or (-) losses from derecognition of non-financial assets | Para. 34 of IAS 1; part 2, paragraph 48 of Appendix V | -2 120 |
| 0340 | Other operating income | part 2, paragraphs 314-316 of Appendix V | 39 346 |
| 0350 | (Other operating expense) | part 2, paragraphs 314-316 of Appendix V | 4 387 |
| 0355 | TOTAL NET OPERATING INCOME | | 435 125 |
| 0360 | (Administrative expenses) | | 168 062 |
| 0370 | (Personnel costs) | Para. 7 of IAS 19; Para. 102, IN 6 of IAS 1 | 77 825 |
| 0380 | (Other administrative expenses) | | 90 237 |
| 0385 | (Cash instalments for restructuring funds and deposit guarantee schemes) | part 2, paragraph 48 of Appendix V | 22 122 |
| 0390 | (Amortisation) | Paras. 102, 104 of IAS 1 | 11 379 |
| 0400 | (Property, Plant and Equipment) | Para. 104 of IAS 1; Para. 73, (e), (vii) of IAS 16 | 8 864 |
| 0410 | (Investment Property) | Para. 104 of IAS 1; Para. 79, (d), (iv) of IAS 40 | 0 |
| 0420 | (Other intangible assets) | Para. 104 of IAS 1; Para. 118, (e), (vi) of IAS 38 | 2 515 |
| 0425 | Net profits or (-) losses from modification | IFRS 9.5.4.3, supplement A to IFRS 9, part 2, paragraph 49 of Appendix V | 0 |
| 0426 | Financial assets at fair value through other comprehensive income | Paragraph 35J of IFRS 7 | 0 |
| 0427 | Financial assets at amortised cost | Paragraph 35J of IFRS 7 | 0 |

| | | References | Breakdown in table | Current period |
|------|--|---|--------------------|----------------|
| | | | | 0010 |
| 0430 | (Provisions or (-) reversed provisions) | Para. 59, 84 of IAS 37; Para. 98, (b), (f), (g) of IAS 1 | 9 12 43 | -3 |
| 0435 | (Undertaken obligations to make payments for restructuring funds and deposit guarantee schemes) | part 2, paragraph 48 (i) of Appendix V | | 0 |
| 0440 | (Commitments and guarantees) | IFRS 9.4.2.1(c), (d); IFRS 9.B2.5; IAS 37; IFRS 4; part 2, para. 50 of Appendix V | | 505 |
| 0450 | (Other provisions) | | | -508 |
| 0460 | (Impairment or (-) impairment adjustment of financial assets which are not accounted at fair value through profit or loss) | Para. 20, (a)(viii) of IFRS 7; IFRS 9.5.4.4, part 2, items 51, 53 of Appendix V | 12 | 121 989 |
| 0481 | (Financial assets at fair value through other comprehensive income) | IFRS 9.5.4.4; IFRS 9.5.5.1; IFRS 9.5.5.2; IFRS 9.5.5.8 | 12 | 0 |
| 0491 | (Financial assets at amortised cost) | IFRS 9.5.4.4; IFRS 9.5.5.1; IFRS 9.5.5.2; IFRS 9.5.5.8 | 12 | 121 989 |
| 0510 | (Impairment or (-) reversed impairment of investments in a subsidiary, jointly-controlled entity or associate) | Paras. 40-43 of IAS 28 | 16 | 0 |
| 0520 | (Impairment or (-) reversed impairment of non-financial assets) | Para. 126(a)-(b) of IAS 36 | 16 | 0 |
| 0530 | (Property, Plant and Equipment) | Para. 73, (e), (v)-(vi) of IAS 16 | | 0 |
| 0540 | (Investment Property) | Para. 79, (d), (v) of IAS 40 | | 0 |
| 0550 | (Goodwill) | B67, (d), (v) of IFRS 3; Para. 124 of IAS 36 | | 0 |
| 0560 | (Other intangible assets) | Para. 118, (e), (iv)-(v) of IAS 38 | | 0 |
| 0570 | (Other) | Para. 126(a)-(b) of IAS 36 | | 0 |
| 0580 | Negative goodwill in profit or loss | B64, (n)(i) to IFRS 3 | | 0 |
| 0590 | Share of profit or (-) loss from investments in a subsidiary, jointly-controlled entity or associate reported via the equity method | part 2, paragraph 54 of Appendix V | | 0 |
| 0600 | Profit or (-) loss from non-current assets and disposal groups classified as held for sale, which do not meet the requirements for discontinued operations | Para. 37 of IFRS 5, part 2, paragraph 55 of Appendix V | | 0 |
| 0610 | PROFIT OR (-) LOSS BEFORE TAX FROM CURRENT OPERATIONS | Para. 102, IN 6 of IAS 1; Para. 33 A of IFRS 5 | | 111 576 |
| 0620 | (Tax expense or (-) income relating to the profit or loss from current operations) | Para. 8, (d) of IAS 1; Para. 77 of IAS 12 | | 11 493 |
| 0630 | PROFIT OR (-) LOSS AFTER TAX FROM CURRENT OPERATIONS | IN 6 of IAS 1 | | 100 083 |
| 0640 | Profit or (-) loss after tax from discontinued operations | Para. 82, (e) of IAS 1; Para. 33(a) and paragraph 33A of IFRS 5; part 2, paragraph 56 of Appendix V | | 0 |
| 0650 | Profit or (-) loss before tax from discontinued operations | Para. 33, (b)(i) of IFRS 5 | | 0 |
| 0660 | (Tax expense or (-) income related to discontinued operations) | Para. 33, (b)(i) and (iv) of IFRS 5 | | 0 |
| 0670 | PROFIT OR (-) LOSS FOR THE YEAR | Para. 81A (a) of IAS 1 | | 100 083 |
| 0680 | Relating to minority interests [non-controlling interests] | Para. 81B (b)(i) of IAS 1 | | 0 |
| 0690 | Attributable to the owners of the parent company | Para. 81B (b)(ii) of IAS 1 | | 100 083 |

Nikola Bakalov
Chief Executive Officer

CHAVDAR ZLATEV
Executive Director

IANKO KARAKOLEV
Chief Financial Officer