

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

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

Central Depository
6 Tri Ushi Str., floor 4
Sofia

The Public Via X3 News

Re: General Meeting of Shareholders of First Investment Bank

Dear Sirs,

We hereby inform you that, pursuant to Article 25, para. 1 and Article 26, para. 1 of the By-Laws of First Investment Bank AD, Sofia in conjunction with Article 222 and Article 223 of the Commerce Act and Article 115, Paras. 1 and 2 of the Public Offering of Securities Act, the Management Board of First Investment Bank AD is convening an Annual Ordinary General Meeting of Shareholders (GMS). The GMS shall take place on 21 June, 2023 at 11:00 AM at the Serdica Hall of Sheraton Sofia Hotel Balkan, 5, Sveta Nedelya Square, Sofia. The Agenda shall be as follows

1. Approval of the audited Annual Financial Statements of First Investment Bank AD for 2022 (individual and consolidated) and the report of the Management Board on the activity of First Investment Bank AD in 2022 (individual and consolidated);
Draft resolution: *The General Meeting of Shareholders approves the audited Annual Financial Statements of First Investment Bank AD for 2022 (individual and consolidated) and the report of the Management Board on the activity of First Investment Bank AD in 2022 (individual and consolidated);*
2. Report of the registered auditors for the performed joint audit of the annual financial statements of the Bank for 2022 (individual and consolidated);
Draft resolution: *The General Meeting of Shareholders approves the Report of the registered auditors for the performed joint audit of the annual financial statements of the Bank for 2022 (individual and consolidated);*
3. Decision on the profit distribution of First Investment Bank AD for 2022;
Draft resolution: *The General Meeting of Shareholders decides that the entire profit of the Bank for 2022 shall be retained as other general reserves;*
4. Relief from responsibility of the members of the Management and Supervisory Board of First Investment Bank AD for their activities in 2022;
Draft resolution: *The General Meeting of Shareholders relieves from responsibility the members of the Supervisory Board of Fibank: Evgeni Krastev Lukanov, Maya Lyubenova Georgieva, Jordan Velichkov Skorchev, Radka Veselinova Mineva, Jyrki Ilmari Koskelo, as*

well as all members of the Management Board of Fibank: Nikola Hristov Bakalov, Svetozar Alexandrov Popov, Chavdar Georgiev Zlatev, Ralitsa Ivanova Bogoeva, Nadia Vasileva Koshinska, Yanko Angelov Karakolev, for their activities in 2022;

5. Report of the Bank's Investor Relations Director for 2022;
Draft resolution: *The General Meeting of Shareholders approves the Report of the Bank's Investor Relations Director for 2022;*
6. Report of the Internal Audit Director for 2022;
Draft resolution: *The General Meeting of Shareholders approves the Report of the Internal Audit Director for 2022;*
7. Report of the Audit Committee for its activities in 2022;
Draft resolution: *The General Meeting of Shareholders approves the Report of the Audit Committee for its activities in 2022;*
8. Appointment of registered auditors for 2023;
Draft resolution: *The General Meeting of Shareholders, after prior consultation with the Bulgarian National Bank under Art. 76 para. 4 and in conjunction with Art. 76, para 6 of the Law on Credit Institutions, appoints ECOVIS AUDIT BULGARIA LTD, UIC 131039504 and MAZARS, UIC 204638408 as auditing companies to perform an independent financial audit of the financial statements (individual and consolidated) of First Investment Bank AD under the terms of Art. 76, para. 1 of the Law on Credit Institutions for 2023, and to certify the annual financial statements (individual and consolidated) of the Bank for 2023;*
9. Determining a new total amount of remuneration for the members of the Supervisory Board and the members of the Management Board of the Bank;
Draft resolution: *The General Meeting of Shareholders amends its resolution of 19.06.2019, taken under item 10 of the Agenda, which determined the total amount of remuneration for the members of the Supervisory Board and the members of the Management Board of the Bank of up to BGN 14,000,000 (fourteen million) per year, by determining a new total amount of remuneration for the members of the Supervisory Board and the members of the Management Board of the Bank of up to BGN 16,000,000 (sixteen million) per year.*
10. Re-election of a member of the Audit Committee of the Bank and determination of her term of office.
Draft resolution: *The General Meeting of Shareholders re-elects Rositsa Yordanova Asova, independent member of the Audit Committee, for a new 3 (three) year term.*
11. Release of the current director of the Bank's Internal Audit Department and election of a new director of the Bank's Internal Audit Department.
Draft resolution: *The General Meeting of Shareholders releases Plamen Todorov Dimitrov as director of the Internal Audit Department, terminating his agreement for the position effective from the date of this resolution. The GMS elects Kiril Dimitrov Georgiev as new director of the Internal Audit Department of the Bank, effective from the date of this resolution, for a term of 5 (five) years.*

Registration of shareholders for participation in the annual GMS shall take place between 9:45 AM and 10:55 AM, before the meeting begins.

Pursuant to Art. 115, para. 2 of the POSA, the Management Board of First Investment Bank AD notifies that the total number of shares and voting rights of shareholders in the Company, as at the date

of the decision of the Management Board to summon this annual ordinary general meeting of shareholders, amounts to 149,084,800 (one hundred forty-nine million eighty-four thousand eight hundred) ordinary, registered, dematerialized voting shares, with a nominal value of BGN 1 (one) each, all the shares being of the same class. Each share entitles its holder to participate in the General Meeting of Shareholders and carries one vote.

Type of the meeting: **Annual Ordinary General Meeting of Shareholders**

Unique identification code of the meeting: **PTOCA 202206161100**

ISIN code of the Company's shares: **BG1100106050**

Shareholders having held at least 5 per cent of the capital of First Investment Bank AD for more than 3 months may, after the notice is posted in the Commercial Register, request the inclusion of items on the agenda or propose draft resolutions on items already on the agenda of the General Meeting. They can do so by submitting a list of items which they want included on the agenda or the proposed resolutions no later than 06.06.2023 for posting in the Commercial Register. Once posted in the Commercial Register the items shall be considered included in the agenda. No later than the following working day shareholders shall present the list of issues, the proposed draft resolutions and the written materials at the Company's management address, as well as to the Financial Supervision Commission and the Central Depository. In accordance with Art. 115, para. 8 of POSA, Fibank shall update the invitation and publish it, together with the written materials, under the terms and conditions of Art. 100s, para. 1 and 3 of POSA, not later than the end of the working day following the day of receipt of the notification for inclusion of items in the agenda.

During the General Meeting, shareholders shall have the right to raise questions pertaining to all items on the agenda, as well as other issues, related or not to the agenda.

During the General Meeting, shareholders shall have the right to make substantive proposals for resolutions on any item on the agenda, in compliance with the requirements of the law. Shareholders may exercise this right no later than the end of discussions on the item in question, before voting on the resolution by the General Meeting.

Persons and legal entities registered as shareholders of First Investment Bank AD in the Central Securities Register (Register of the Central Depository AD) no later than 14 days before the date of the General Meeting – 07.06.2023, as per a list issued by Central Depository AD, shall be entitled to vote at the GMS. Only persons listed as shareholders at the date quoted in the previous sentence shall have the right to attend the General Meeting and vote.

In order to register and attend the Annual Ordinary General Meeting, shareholders and their proxies shall identify themselves. Natural persons shall do so by presenting an identification document. Shareholders that are legal entities shall be allowed to participate in the Meeting after they present the original or a notarized copy of a certificate of good standing or a certificate for registration in a relevant register. Legal representatives shall identify themselves by presenting a personal identification document.

Rules for voting by proxy:

In cases where a shareholder is represented at the General Meeting by proxy pursuant to Art. 29, para. 1 of the Company's Articles of Association, a power of attorney issued for the specific meeting and certified by a notary public and drafted in accordance with Article 116, para. 1 of the Public Offering of Securities Act needs to be presented by the proxy together with a document for personal identification. In cases where the legal entity is not represented by its legal representative, the proxy shall present an identification document, an original or a notarized copy of a certificate of good standing of the Company and a power of attorney issued for the specific meeting and certified by a notary public and drafted in accordance with Article 116, para. 1 of the Public Offering of Securities Act. In cases where a shareholder is represented by a proxy legal entity, the latter shall present an identity document of its legal representative, a certificate of good standing of the proxy legal entity in

the original, and a power of attorney issued for the specific meeting and certified by a notary public and drafted in accordance with Article 116, para. 1 of the Public Offering of Securities Act.

Powers of Attorney shall be enclosed with the other General Meeting documents.

Delegation to another person of any of the powers given to the proxy according to the power of attorney shall be null and void, as shall be the power of attorney given in violation of the provisions of Article 116, Paragraph 1 of the Public Offering of Securities Act.

Rules for documents drafted in a foreign language

Should a shareholder or a shareholder's proxy deposit documents (Power of Attorney, Certificate of Good standing, or another document used to identify the shareholder) drafted in a language other than Bulgarian, such documents shall be accompanied by a translation in Bulgarian and legalized in accordance with the requirements of current legislation; the signature of the translator must be verified by the Consular Affairs Directorate at the Ministry of Foreign Affairs of the Republic of Bulgaria.

The Management Board of First Investment Bank AD shall provide a sample power of attorney on paper and in electronic form, along with the materials for the General Meeting. The sample power of attorney shall also be available on the Bank's website at: www.fibank.bg. Upon request, a sample power of attorney may also be presented after the summoning of the ordinary general meeting of shareholders.

First Investment Bank AD shall receive and accept as valid notices and powers of attorney by electronic means at the following email address: shareholders.meeting@fibank.bg; electronic messages need to be signed with a qualified electronic signature (QES) by the authorizer and accompanied by an electronic copy of the power of attorney which is also signed with a qualified electronic signature by the authorizer. The terms and conditions for receiving powers of attorney by electronic means are published on First Investment Bank's website at: <https://www.fibank.bg/bg/investitori/obshti-sybraniya-na-akcionerite>. Voting by correspondence or by electronic means is not permissible according to the Articles of Association of First Investment Bank AD. The written materials related to the General Meeting agenda will be made available to shareholders pursuant to Art. 224 of the Commerce Act and Art. 27 of the Articles of Association of First Investment Bank AD no later than 30 (thirty) days before the date of the meeting, each working day between 9.00 AM and 5.00 PM on the premises of First Investment Bank AD at 111 P Tsarigradsko Shose Blvd., Mladost Region, Sofia, Bulgaria. The notice and the written materials related to the General Meeting agenda will be published on First Investment Bank's website at: www.fibank.bg for the period from posting the notice in the Commercial Register until adjourning of the General Meeting.

All shareholders of First Investment Bank AD are invited to participate in the Annual Ordinary General Meeting of Shareholders, in person or by proxy.

In the absence of a quorum at the time announced for the beginning of the General Meeting, pursuant to Art. 115, para. 12 of POSA and Art. 227, para. 3 of the Commerce Act, the General Meeting shall be held, regardless of the capital represented, on 05.07.2023 from 11:00 AM (08:00 AM UTC) at the same place and with the same agenda. Items under Article 223a of the Commerce Act may not be included in the agenda for the new meeting.

(signed)
Nikola Bakalov
Chief Executive Officer

(signed)
Chavdar Zlatev
Executive Director

Materials
for
the Regular Annual General Meeting of Shareholders
of First Investment Bank AD
to be held on 21 June 2023

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 - Independent Auditors' Report on First Investment Bank's financial statements for 2022 (consolidated);
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5. Item 6: Report of the Director of the Internal Audit Unit for 2022;
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Notice
for the Regular Annual General Meeting of
Shareholders
of First Investment Bank AD

to be held on 21 June 2023

**NOTICE AND AGENDA
FOR THE ANNUAL ORDINARY GENERAL MEETING OF SHAREHOLDERS
OF FIRST INVESTMENT BANK AD**

First Investment Bank AD (Fibank or the Company), having its seat and management address at 111 P Tsarigradsko Shose Blvd., Mladost Region, Sofia, Bulgaria, registered in the Commercial Register kept by the Registry Agency under UIC 831094393, represented by the Executive Directors Nikola Hristov Bakalov and Chavdar Georgiev Zlatev, pursuant to Article 25, para. 1 and Article 26, para. 1 of the Articles of Association of First Investment Bank AD, Sofia in conjunction with Article 222 and Article 223 of the Commerce Act and Article 115, para. 1 and 2 of the Public Offering of Securities Act, the Management Board of First Investment Bank AD is hereby convening an Annual Ordinary General Meeting of Shareholders (GMS). The GMS shall take place on 21 June, 2023 at 11:00 AM (08:00 AM UTC) at the Serdica Hall of Sheraton Sofia Hotel Balkan, 5, Sveta Nedelya Square, Sofia. The Agenda shall be as follows:

1. Approval of the audited Annual Financial Statements of First Investment Bank AD for 2022 (individual and consolidated) and the report of the Management Board on the activity of First Investment Bank AD in 2022 (individual and consolidated);
Draft resolution: *The General Meeting of Shareholders approves the audited Annual Financial Statements of First Investment Bank AD for 2022 (individual and consolidated) and the report of the Management Board on the activity of First Investment Bank AD in 2022 (individual and consolidated);*
2. Report of the registered auditors for the performed joint audit of the annual financial statements of the Bank for 2022 (individual and consolidated);
Draft resolution: *The General Meeting of Shareholders approves the Report of the registered auditors for the performed joint audit of the annual financial statements of the Bank for 2022 (individual and consolidated);*
3. Decision on the profit distribution of First Investment Bank AD for 2022;
Draft resolution: *The General Meeting of Shareholders decides that the entire profit of the Bank for 2022 shall be retained as other general reserves;*
4. Relief from responsibility of the members of the Management and Supervisory Board of First Investment Bank AD for their activities in 2022;
Draft resolution: *The General Meeting of Shareholders relieves from responsibility the members of the Supervisory Board of Fibank: Evgeni Krastev Lukanov, Maya Lyubenova Georgieva, Jordan Velichkov Skorchev, Radka Veselinova Mineva, Jyrki Ilmari Koskelo, as well as all members of the Management Board of Fibank: Nikola Hristov Bakalov, Svetozar Alexandrov Popov, Chavdar Georgiev Zlatev, Ralitsa Ivanova Bogoeva, Nadia Vasileva Koshinska, Yanko Angelov Karakolev, for their activities in 2022;*
5. Report of the Bank's Investor Relations Director for 2022;
Draft resolution: *The General Meeting of Shareholders approves the Report of the Bank's Investor Relations Director for 2022;*
6. Report of the Internal Audit Director for 2022;
Draft resolution: *The General Meeting of Shareholders approves the Report of the Internal Audit Director for 2022;*
7. Report of the Audit Committee for its activities in 2022;

Draft resolution: *The General Meeting of Shareholders approves the Report of the Audit Committee for its activities in 2022;*

8. Appointment of registered auditors for 2023;

Draft resolution: *The General Meeting of Shareholders, after prior consultation with the Bulgarian National Bank under Art. 76 para. 4 and in conjunction with Art. 76, para 6 of the Law on Credit Institutions, appoints ECOVIS AUDIT BULGARIA LTD, UIC 131039504 and MAZARS, UIC 204638408 as auditing companies to perform an independent financial audit of the financial statements (individual and consolidated) of First Investment Bank AD under the terms of Art. 76, para. 1 of the Law on Credit Institutions for 2023, and to certify the annual financial statements (individual and consolidated) of the Bank for 2023;*

9. Determining a new total amount of remuneration for the members of the Supervisory Board and the members of the Management Board of the Bank;

Draft resolution: *The General Meeting of Shareholders amends its resolution of 19.06.2019, taken under item 10 of the Agenda, which determined the total amount of remuneration for the members of the Supervisory Board and the members of the Management Board of the Bank of up to BGN 14,000,000 (fourteen million) per year, by determining a new total amount of remuneration for the members of the Supervisory Board and the members of the Management Board of the Bank of up to BGN 16,000,000 (sixteen million) per year.*

10. Re-election of a member of the Audit Committee of the Bank and determination of her term of office.

Draft resolution: *The General Meeting of Shareholders re-elects Rositsa Yordanova Asova, independent member of the Audit Committee, for a new 3 (three) year term.*

11. Release of the current director of the Bank's Internal Audit Department and election of a new director of the Bank's Internal Audit Department.

Draft resolution: *The General Meeting of Shareholders releases Plamen Todorov Dimitrov as director of the Internal Audit Department, terminating his agreement for the position effective from the date of this resolution. The GMS elects Kiril Dimitrov Georgiev as new director of the Internal Audit Department of the Bank, effective from the date of this resolution, for a term of 5 (five) years.*

Registration of shareholders for participation in the annual GMS shall take place between 9:45 AM and 10:55 AM, before the meeting begins.

Pursuant to Art. 115, para. 2 of the POSA, the Management Board of First Investment Bank AD notifies that the total number of shares and voting rights of shareholders in the Company, as at the date of the decision of the Management Board to summon this annual ordinary general meeting of shareholders, amounts to 149,084,800 (one hundred forty-nine million eighty-four thousand eight hundred) ordinary, registered, dematerialized voting shares, with a nominal value of BGN 1 (one) each, all the shares being of the same class. Each share entitles its holder to participate in the General Meeting of Shareholders and carries one vote.

Type of the meeting: **Annual Ordinary General Meeting of Shareholders**

Unique identification code of the meeting: **ПГОСА 202206161100**

ISIN code of the Company's shares: **BG1100106050**

Shareholders having held at least 5 per cent of the capital of First Investment Bank AD for more than 3 months may, after the notice is posted in the Commercial Register, request the inclusion of

items on the agenda or propose draft resolutions on items already on the agenda of the General Meeting. They can do so by submitting a list of items which they want included on the agenda or the proposed resolutions no later than 06.06.2023 for posting in the Commercial Register. Once posted in the Commercial Register the items shall be considered included in the agenda. No later than the following working day shareholders shall present the list of issues, the proposed draft resolutions and the written materials at the Company's management address, as well as to the Financial Supervision Commission and the Central Depository. In accordance with Art. 115, para. 8 of POSA, Fibank shall update the invitation and publish it, together with the written materials, under the terms and conditions of Art. 100s, para. 1 and 3 of POSA, not later than the end of the working day following the day of receipt of the notification for inclusion of items in the agenda.

During the General Meeting, shareholders shall have the right to raise questions pertaining to all items on the agenda, as well as other issues, related or not to the agenda.

During the General Meeting, shareholders shall have the right to make substantive proposals for resolutions on any item on the agenda, in compliance with the requirements of the law. Shareholders may exercise this right no later than the end of discussions on the item in question, before voting on the resolution by the General Meeting.

Persons and legal entities registered as shareholders of First Investment Bank AD in the Central Securities Register (Register of the Central Depository AD) no later than 14 days before the date of the General Meeting – 07.06.2023, as per a list issued by Central Depository AD, shall be entitled to vote at the GMS. Only persons listed as shareholders at the date quoted in the previous sentence shall have the right to attend the General Meeting and vote.

In order to register and attend the Annual Ordinary General Meeting, shareholders and their proxies shall identify themselves. Natural persons shall do so by presenting an identification document. Shareholders that are legal entities shall be allowed to participate in the Meeting after they present the original or a notarized copy of a certificate of good standing or a certificate for registration in a relevant register. Legal representatives shall identify themselves by presenting a personal identification document.

Rules for voting by proxy:

In cases where a shareholder is represented at the General Meeting by proxy pursuant to Art. 29, para. 1 of the Company's Articles of Association, a power of attorney issued for the specific meeting and certified by a notary public and drafted in accordance with Article 116, para. 1 of the Public Offering of Securities Act needs to be presented by the proxy together with a document for personal identification. In cases where the legal entity is not represented by its legal representative, the proxy shall present an identification document, an original or a notarized copy of a certificate of good standing of the Company and a power of attorney issued for the specific meeting and certified by a notary public and drafted in accordance with Article 116, para. 1 of the Public Offering of Securities Act. In cases where a shareholder is represented by a proxy legal entity, the latter shall present an identity document of its legal representative, a certificate of good standing of the proxy legal entity in the original, and a power of attorney issued for the specific meeting and certified by a notary public and drafted in accordance with Article 116, para. 1 of the Public Offering of Securities Act.

Powers of Attorney shall be enclosed with the other General Meeting documents.

Delegation to another person of any of the powers given to the proxy according to the power of attorney shall be null and void, as shall be the power of attorney given in violation of the provisions of Article 116, Paragraph 1 of the Public Offering of Securities Act.

Rules for documents drafted in a foreign language

Should a shareholder or a shareholder's proxy deposit documents (Power of Attorney, Certificate of Good standing, or another document used to identify the shareholder) drafted in a language other than Bulgarian, such documents shall be accompanied by a translation in Bulgarian and legalized in accordance with the requirements of current legislation; the signature of the translator

must be verified by the Consular Affairs Directorate at the Ministry of Foreign Affairs of the Republic of Bulgaria.

The Management Board of First Investment Bank AD shall provide a sample power of attorney on paper and in electronic form, along with the materials for the General Meeting. The sample power of attorney shall also be available on the Bank's website at: www.fibank.bg. Upon request, a sample power of attorney may also be presented after the summoning of the ordinary general meeting of shareholders.

First Investment Bank AD shall receive and accept as valid notices and powers of attorney by electronic means at the following email address: shareholders.meeting@fibank.bg; electronic messages need to be signed with a qualified electronic signature (QES) by the authorizer and accompanied by an electronic copy of the power of attorney which is also signed with a qualified electronic signature by the authorizer. The terms and conditions for receiving powers of attorney by electronic means are published on First Investment Bank's website at: <https://www.fibank.bg/bg/investitori/obshti-sybraniya-na-akcionerite>. Voting by correspondence or by electronic means is not permissible according to the Articles of Association of First Investment Bank AD. The written materials related to the General Meeting agenda will be made available to shareholders pursuant to Art. 224 of the Commerce Act and Art. 27 of the Articles of Association of First Investment Bank AD no later than 30 (thirty) days before the date of the meeting, each working day between 9.00 AM and 5.00 PM on the premises of First Investment Bank AD at 111 P Tsarigradsko Shose Blvd., Mladost Region, Sofia, Bulgaria. The notice and the written materials related to the General Meeting agenda will be published on First Investment Bank's website at: www.fibank.bg for the period from posting the notice in the Commercial Register until adjourning of the General Meeting.

All shareholders of First Investment Bank AD are invited to participate in the Annual Ordinary General Meeting of Shareholders, in person or by proxy.

In the absence of a quorum at the time announced for the beginning of the General Meeting, pursuant to Art. 115, para. 12 of POSA and Art. 227, para. 3 of the Commerce Act, the General Meeting shall be held, regardless of the capital represented, on 05.07.2023 from 11:00 AM (08:00 AM UTC) at the same place and with the same agenda. Items under Article 223a of the Commerce Act may not be included in the agenda for the new meeting.

(signed)
Nikola Bakalov
Chief Executive Officer

(signed)
Chavdar Zlatev
Executive Director

On item 1 of the Agenda
for the Regular Annual General Meeting of
Shareholders
of First Investment Bank AD
to be held on 21 June 2023

- *Annual Financial Statements of First Investment Bank AD for 2022 (individual) and the report of the Management Board on the activity of First Investment Bank AD in 2022 (individual);*

https://www.fibank.bg/web/files/documents/540/files/Fibank_Audited_individual_financial%20report%202022.pdf

- *Annual Financial Statements of First Investment Bank AD for 2022 (consolidated) and the report of the Management Board on the activity of First Investment Bank AD in 2022 (consolidated);*

https://www.fibank.bg/web/files/documents/552/files/Fibank_2022_cons_aud_EN.pdf

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

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

Re: Annual individual (audited) financial statements of First Investment Bank AD as at 31 Dec 2022

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 2022, containing

- ✓ Audited individual financial statements as at 31.12.2022 and notes thereto, accompanied by the auditors' report as per Art. 100m, para. 4(1) of POSA;
- ✓ 2022 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 2022

WITH INDEPENDENT AUDITORS' REPORT THEREON

Individual statement of profit or loss and of other comprehensive income for the year ended 31 December 2022

| <i>in thousands of BGN</i> | Note | 2022 | 2021 |
|--|-------------|-----------------|----------------|
| Interest income | | 310,785 | 308,556 |
| Interest expense | | (40,045) | (45,412) |
| Net interest income | 6 | 270,740 | 263,144 |
| Fee and commission income | | 172,990 | 143,015 |
| Fee and commission expense | | (33,475) | (24,150) |
| Net fee and commission income | 7 | 139,515 | 118,865 |
| Net trading income | 8 | 19,717 | 15,380 |
| Other net operating income | 9 | 14,195 | 11,368 |
| TOTAL INCOME FROM BANKING OPERATIONS | | 444,167 | 408,757 |
| Administrative expenses | 10 | (205,113) | (179,441) |
| Other income/(expenses), net | 12 | (12,960) | 4,754 |
| Profit before impairment | | 226,094 | 234,070 |
| Allowance for impairment | 11 | (135,349) | (122,494) |
| PROFIT BEFORE TAX | | 90,745 | 111,576 |
| Income tax expense | 13 | (9,540) | (11,493) |
| NET PROFIT | | 81,205 | 100,083 |
| Other comprehensive income for the period | | | |
| Items which should or may be reclassified as profit or loss | | | |
| Revaluation reserve of investments in securities | | (21,860) | (8,968) |
| Total other comprehensive income | | (21,860) | (8,968) |
| TOTAL COMPREHENSIVE INCOME | | 59,345 | 91,115 |

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 74.

The financial statements have been approved by the Managing Board on 30 March 2023 and signed on its behalf by:

Nikola Bakalov
Chief Executive Officer

Chavdar Zlatev
Executive Director

Svetozar Popov
Executive Director

Ralitsa Bogoeva
Executive Director

Yanko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated 30/03/2023:

Athanasios Petropoulos
procurator

Mazars OOD

Iva Slavkova
Registered auditor
responsible for the audit

George Trenchev, Manager
Registered auditor
responsible for the audit

ECOVIS AUDIT BULGARIA
OOD

Individual statement of financial position as at 31 December 2022

| <i>BGN '000</i> | Note | 2022 | 2021 |
|--|-------------|-------------------|-------------------|
| ASSETS | | | |
| Cash and balances with Central Banks | 14 | 1,911,371 | 1,868,853 |
| Investments in securities | 15 | 2,598,137 | 1,482,699 |
| Loans and advances to banks and other financial institutions | 16 | 264,984 | 87,412 |
| Loans and advances to customers | 17 | 6,384,541 | 6,315,581 |
| Property and equipment | 18 | 98,240 | 75,881 |
| Intangible assets | 19 | 14,925 | 13,831 |
| Derivatives held for risk management | | 1,609 | 1,042 |
| Repossessed assets | 21 | 412,996 | 450,987 |
| Investment Property | 22 | 750,324 | 732,850 |
| Investments in subsidiaries | 23 | 38,526 | 45,873 |
| Rights of use assets | 24 | 124,159 | 77,725 |
| Other assets | 25 | 114,246 | 116,136 |
| TOTAL ASSETS | | 12,714,058 | 11,268,870 |
| LIABILITIES AND CAPITAL | | | |
| Due to banks | 26 | 45,703 | 29,879 |
| Due to other customers | 27 | 10,798,450 | 9,425,251 |
| Liabilities evidenced by paper | 28 | 116,487 | 106,271 |
| Financial liabilities at fair value through profit and loss | | 8,488 | 2,164 |
| Hybrid debt | 29 | 256,861 | 320,733 |
| Derivatives held for risk management | | - | 2,166 |
| Deferred tax liabilities | 20 | 27,823 | 26,608 |
| Current tax liabilities | | 398 | 1,332 |
| Lease liabilities | 24 | 124,240 | 77,785 |
| Other liabilities | 30 | 7,399 | 7,817 |
| TOTAL LIABILITIES | | 11,385,849 | 10,000,006 |
| 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 | | (15,315) | 6,545 |
| Revaluation reserve on property | | 4,500 | 4,500 |
| Other reserves and retained earnings | 31 | 900,061 | 818,856 |
| TOTAL SHAREHOLDERS' EQUITY | | 1,328,209 | 1,268,864 |
| TOTAL LIABILITIES AND GROUP EQUITY | | 12,714,058 | 11,268,870 |

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 74.

The financial statements have been approved by the Managing Board on 30 March 2023 and signed on its behalf by:

Nikola Bakalov
Chief Executive Officer

Chavdar Zlatev
Executive Director

Svetozar Popov
Executive Director

Ralitsa Bogoeva
Executive Director

Yanko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated 30/03/2023:

Athanasios Petropoulos
 procurator

Mazars OOD

Iva Slavkova
*Registered auditor
 responsible for the audit*

George Trenchev, Manager Registered
 auditor

*ECOVIS AUDIT BULGARIA
 OOD*

Individual statement of cash flows for the year ended 31 December 2022

| <i>BGN '000</i> | 2022 | 2021 |
|---|--------------------|------------------|
| Net cash flow from operating activities | | |
| Net profit | 81,205 | 100,083 |
| Adjustment for non-cash items | | |
| Allowance for impairment | 135,349 | 122,493 |
| Net interest income | (270,740) | (263,145) |
| Depreciation and amortization | 12,060 | 11,379 |
| Tax expense | 9,540 | 11,433 |
| (Profit) from sale and write-off of tangible and intangible fixed assets, net | (5) | (11) |
| Profit from sale of other assets, net | 1,134 | 6,025 |
| (Positive) revaluation of investment property | (14,769) | (30,340) |
| | (46,226) | (42,083) |
| Change in operating assets | | |
| (Increase) in financial assets at fair value through profit or loss | (2,859) | (1,914) |
| Decrease/(increase) in financial assets at fair value in other comprehensive income | 406,355 | (241,685) |
| Decrease/(Increase) in loans and advances to banks and financial institutions | 2,869 | (4,109) |
| (Increase) in loans to customers | (297,535) | (491,458) |
| (Increase)/decrease in other assets | (43,499) | 47,765 |
| | 65,331 | (691,401) |
| Change in operating liabilities | | |
| Increase in due to banks | 15,823 | 15,539 |
| Increase in amounts owed to other depositors | 1,375,988 | 342,450 |
| Net increase/(decrease) in other liabilities | 42,896 | (60,371) |
| | 1,434,707 | 297,618 |
| Interest received | 395,403 | 346,863 |
| Interest paid | (49,705) | (62,497) |
| Dividends received | 578 | 401 |
| Tax on profit, paid | (5,528) | (3,853) |
| NET CASH FLOW FROM OPERATING ACTIVITIES | 1,794,560 | (154,952) |
| Cash flow from investing activities | | |
| (Purchase) of tangible and intangible fixed assets | (35,523) | (13,464) |
| Sale of tangible and intangible fixed assets | 15 | 34 |
| Sale of other assets | 44,708 | 14,037 |
| (Increase) of investments | (1,540,427) | (117,365) |
| NET CASH FLOW FROM INVESTING ACTIVITIES | (1,531,227) | (116,758) |
| Financing activities | | |
| Increase in borrowings | 16,679 | 4,238 |
| (Decrease)/Increase in subordinated liabilities | (57,275) | 53,068 |
| NET CASH FLOW FROM FINANCING ACTIVITIES | (40,596) | 57,306 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | 222,737 | (214,404) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD | 1,915,640 | 2,130,044 |
| CASH AND CASH EQUIVALENTS AT THE END OF PERIOD | 2,138,377 | 1,915,640 |

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 74.

The financial statements have been approved by the Managing Board on 30 March 2023 and signed on its behalf by:

Nikola Bakalov
Chief Executive Officer

Chavdar Zlatev
Executive Director

Svetozar Popov
Executive Director

Ralitsa Bogoeva
Executive Director

Yanko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated 30/03/2023:
Athanasios Petropoulos
procurator

Mazars OOD

Iva Slavkova
Registered auditor
responsible for the audit

George Trenchev, Manager
Registered auditor
responsible for the audit

ECOVIS AUDIT BULGARIA OOD

Individual statement of shareholders' equity for the year ended 31 December 2022

| <i>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 2021 | 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 |
| Total comprehensive income for the period | | | | | | | |
| Net profit for the year ended 31 December 2022 | - | - | 81,205 | - | - | - | 81,205 |
| Other comprehensive income for the period | | | | | | | |
| Revaluation reserve of investments in securities | - | - | - | (21,860) | - | - | (21,860) |
| Balance as at 31 December 2022 | 149,085 | 250,017 | 900,061 | (15,315) | 4,500 | 39,861 | 1,328,209 |

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 74.

The financial statements have been approved by the Managing Board on 30 March 2023 and signed on its behalf by:

Nikola Bakalov
Chief Executive Officer

Chavdar Zlatev
Executive Director

Svetozar Popov
Executive Director

Ralitsa Bogoeva
Executive Director

Yanko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated 30/03/2023:
Athanasios Petropoulos
procurator

Mazars OOD

Iva Slavkova
*Registered auditor
responsible for the audit*

George Trenchev, Manager
Registered auditor
responsible for the audit

*ECOVIS AUDIT BULGARIA
OOD*

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 111P Tsarigradsko Chaussee Blvd.

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

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

- **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 2022 the total number of employees was 2,454 (31 December 2021: 2,466).

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

Notes to the financial statements

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 2022**

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:

- FRS 3 Business Combinations – Update on references to the Conceptual Framework with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements.
- IAS 16 Property, Plant and Equipment – „Proceeds before Intended Use“ amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the Company recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets - The changes in Onerous Contracts — Cost of Fulfilling a Contract specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.
- IFRS 1 First-time Adoption of International Financial Reporting Standards - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- IFRS 9 Financial Instruments - The amendment clarifies which fees the Company includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. A Company includes only fees paid or received between the Company (the borrower) and the lender, including fees paid or received by either the Company or the lender on the other's behalf.
- IFRS 16 Leases – The amendment to IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- IAS 41 Agriculture – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

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

(e) **Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company**

The following standards, amendments and interpretations, which have also been issued but are not yet effective, are not expected to have a material impact on the Bank's financial

- IFRS 17 "Insurance Contracts" effective from 1 January 2023, adopted by the EU
- IFRS 17 replaces for IFRS 4 "Insurance Contracts". It requires a current measurement model where estimates are remeasured each reporting period. Contracts are measured using the building blocks of: Contracts are measured using:
 - discounted probability-weighted cash flows
 - an explicit risk adjustment, and
 - a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

Notes to the financial statements

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts.

- Amendments to IAS 1 Presentation of Financial Statements, IFRS Practice Statement 2: Disclosure of Accounting Policies, effective as of 1 January 2023, adopted by the EU.
- The Bank discloses the material information related to the accounting policy instead of the main accounting policies. The Bank discloses its material accounting policy information instead of its significant accounting policies, the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. The amendments clarify that accounting policy information is material if users of a Company's financial statements would need it to understand other material information in the financial statements and if the Company discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates effective from 1 January 2023, adopted by the EU.
- The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.

The amendments will help companies to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements; and to distinguish changes in accounting estimates from changes in accounting policies.

- Amendments to IAS 12 Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction, effective as of 1 January 2023, adopted by the EU.
- A Company applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred tax for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction effective from 1 January 2023 adopted by the EU.
- The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time.

The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.

(f) 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 Bank in preparing these financial statements.

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current, effective not earlier than 01 January 2024, not yet adopted by the EU.
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback effective not earlier than 1 January 2024 not yet adopted by the EU

Notes to the financial statements

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.

(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.

Notes to the financial statements

(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.

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.

(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.

Notes to the financial statements

(vi) **Reclassification**

If the Bank reclassifies a financial asset out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset shall continue to be measured at fair value. The revaluation reserve for the instrument shall be formed from changes to fair value after the reclassification date.

If the Bank reclassifies a financial asset out of the amortized cost measurement category and into the fair value through profit or loss measurement category, its fair value shall be measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

If the Bank reclassifies a financial asset out of the fair value through profit or loss measurement category and into the amortized cost measurement category, its fair value at the reclassification date shall become its new gross carrying amount.

If the Bank reclassifies a financial asset out of the amortized cost measurement category and into the fair value through other comprehensive income measurement category, its fair value shall be measured at the reclassification date. Any revaluation difference shall be recognized in other comprehensive income. The effective interest rate and the measurement of expected credit losses shall not be adjusted as a result of the reclassification.

If the Bank reclassifies a financial asset from the 'measured at fair value through other comprehensive income' category to the 'measured at amortized cost' category, the entire value of the accumulated revaluation reserve at the date of reclassification is offset against the fair value of the financial asset. Thus, in practice, it turns out that at the date of reclassification the financial asset is measured as if it had always been measured at amortized cost. The effective interest rate and the measurement of expected credit losses shall not be adjusted as a result of the reclassification.

Such reclassification is only possible after a change in the business model by which financial assets are managed.

In case of a change of the business model from "hold to collect and sell" to "hold to collect", the Bank reclassifies the financial assets concerned. To this end, it periodically reviews its business model historically and analyses the extent to which the purpose of holding financial assets meets the 'hold to collect' business model as opposed to the 'hold to collect and sell' business model. In this analysis, the following criteria may serve as indication for change in the business model: government securities with sufficiently long residual term that have not been traded since their acquisition; or privately placed securities without an active market where Fibank holds a significant part of the issue. In case of a significant predominance of the 'hold to collect' business model, the Bank needs to consider whether to reclassify the financial assets from the 'Measured at fair value through other comprehensive income' category to the 'Measured at amortized cost' category, continuing to manage financial assets in such a way as to generate cash flows only from collecting contractual payments.

If the Bank reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset shall continue to be measured at fair value. The cumulative revaluation reserve at the reclassification date shall be reclassified to profit or loss.

The Bank shall not reclassify any financial liability.

(vii) **Fair value measurement principles**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

Notes to the financial statements

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.

(viii) 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

Notes to the financial statements

are classified as financial assets at fair value in other comprehensive income. All other investments, including those whose contractual terms do not meet the requirement for generation of only principal and interest payments are classified as recognised at fair value in profit or loss.

(g) **Securities borrowing and lending business and repurchase transactions**

(i) **Securities borrowing and lending**

Investments lent under securities lending arrangements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy applicable for assets at fair value in profit or loss or at fair value in other comprehensive income. Cash collateral received in respect of securities lent is recognised as liabilities to either banks or customers. Investments borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense.

(ii) **Repurchase agreements**

The 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 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.

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(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 |

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

Notes to the financial statements

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.

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 2022 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

Notes to the financial statements

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.

(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

Notes to the financial statements

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.

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.

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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.

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.

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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 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.

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.

Notes to the financial statements

(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:

| | 31 December | 2022 | | | 31 December |
|----------------------------|-------------|---------|-----|------|-------------|
| <i>in thousands of BGN</i> | 2022 | average | low | high | 2021 |
| VaR | 1.4 | 0.6 | 0.0 | 16.0 | 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

Notes to the financial statements

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>BGN '000</i> | 31 December 2022 | 31 December 2021 |
|---|-----------------------------|-----------------------------|
| Balances with BNB | 1,382,525 | 1,411,085 |
| Current accounts and amounts with other banks | 698,396 | 447,818 |
| Unencumbered government securities | 1,884,950 | 783,637 |
| Gold | 2,642 | 2,765 |
| Total liquid assets | 3,968,513 | 2,645,305 |

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 2022 the thirty largest non-bank unguaranteed depositors represent 12.43% of total deposits from other customers (31 December 2021: 7.82%).

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 2022 | 31 December 2021 |
|---|-------------------------|-------------------------|
| Ratio of liquid assets to total borrowings from other clients | 36.75% | 28.07% |

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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 2022

| in thousands of BGN | Up to 1 Month | From 1 to 3 Months | From 3 months to 1 year | From 1 to 2 years | More than 2 years | Maturity not defined | Maturity not defined | Total |
|---|--------------------|-----------------------|-------------------------------|-------------------------|----------------------|----------------------------|----------------------------|-------------------|
| Assets | | | | | | | | |
| Cash and balances with Central Banks | 1,911,371 | - | - | - | - | - | - | 1,911,371 |
| Financial assets at fair value through profit or loss | 242,351 | - | - | - | - | 25,336 | - | 267,687 |
| Financial assets at fair value through other comprehensive income | 468,247 | - | - | - | - | - | - | 468,247 |
| Financial assets at amortised cost | - | 369,369 | 913,296 | 12,120 | 567,418 | - | - | 1,862,203 |
| Loans and advances to banks and other financial institutions | 245,693 | 554 | 287 | 333 | 18,117 | - | - | 264,984 |
| Loans and advances to customers | 667,430 | 248,440 | 797,563 | 822,720 | 3,848,388 | - | - | 6,384,541 |
| Other trading assets | 575 | 1,034 | - | - | - | - | - | 1,609 |
| Total financial assets | 3,535,667 | 619,397 | 1,711,146 | 835,173 | 4,433,923 | 25,336 | - | 11,160,642 |
| Liabilities | | | | | | | | |
| Due to banks | 45,703 | - | - | - | - | - | - | 45,703 |
| Due to other customers | 7,227,207 | 960,016 | 2,071,969 | 334,249 | 205,009 | - | - | 10,798,450 |
| Liabilities evidenced by paper | - | 15 | 3,456 | 21,206 | 91,810 | - | - | 116,487 |
| Financial liabilities at fair value through profit and loss | - | 3,682 | 893 | 2,860 | 1,053 | - | - | 8,488 |
| Hybrid debt | - | - | - | - | - | 256,861 | - | 256,861 |
| Other financial liabilities, net | - | - | - | - | - | - | - | - |
| Total financial liabilities | 7,272,910 | 963,713 | 2,076,318 | 358,315 | 297,872 | 256,861 | - | 11,225,989 |
| Net liquidity gap | (3,737,243) | (344,316) | (365,172) | 476,858 | 4,136,051 | (231,525) | - | (65,347) |

The investments in securities reported in portfolios of financial assets at fair value in profit or loss, financial assets at fair value in other comprehensive income and financial assets at amortised cost are mostly investments in government securities from first-class issuers which are highly liquid and with the most favourable capital treatment.

The bank manages its investments in debt securities in line with the current market expectations and dynamics. As at 31.12.2022 the portfolio duration is 2.2 years, while a year earlier it was 3.8 years.

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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 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 2021

| in thousands of BGN | Up to 1 Month | From 1 to 3 Months | From 3 months to 1 year | From 1 to 2 years | More than 2 years | Maturity not defined 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 | 52,166 | 97,655 | 1,765 | - | 164,553 | - | 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 | 688,285 | 3,635,374 | - | 6,315,581 |
| Other trading assets | 1,042 | - | - | - | - | - | 1,042 |
| Total financial assets | 3,892,565 | 262,082 | 1,085,621 | 691,033 | 3,799,927 | 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 | 325,454 | 190,599 | - | 9,425,251 |
| Liabilities evidenced by paper | 4 | 34,257 | 3,992 | 3,249 | 64,769 | - | 106,271 |
| Financial assets at amortised cost | - | - | - | 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 | 330,867 | 255,368 | 320,733 | 9,886,464 |
| Net liquidity gap | (1,717,317) | (900,762) | (1,121,149) | 360,166 | 3,544,559 | (296,374) | (130,877) |

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The following table provides a remaining maturities analysis of the financial assets and liabilities of the Bank as at 31 December 2022 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 | From 1 to 2 years | More than 2 years | Total |
|---|------------------|-----------------------|-------------------------------|-------------------------|-------------------------|-------------------|
| Financial assets | | | | | | |
| Cash and balances with Central Banks | 1,911,371 | - | - | - | - | 1,911,371 |
| Financial assets at fair value through profit or loss | 267,687 | - | - | - | - | 267,687 |
| Financial assets at fair value through other comprehensive income | 468,247 | - | - | - | - | 468,247 |
| Financial assets at amortised cost | - | 369,369 | 913,303 | 12,252 | 599,736 | 1,894,660 |
| Loans and advances to banks and other financial institutions | 245,693 | 554 | 287 | 333 | 18,117 | 264,984 |
| Loans and advances to customers | 667,890 | 250,310 | 818,675 | 878,762 | 4,699,983 | 7,315,620 |
| Total financial assets | 3,560,888 | 620,233 | 1,732,265 | 891,347 | 5,317,836 | 12,122,569 |
| Financial liabilities | | | | | | |
| Due to banks | 45,703 | - | - | - | - | 45,703 |
| Due to other customers | 7,227,216 | 960,029 | 2,072,076 | 334,291 | 205,069 | 10,798,681 |
| Liabilities evidenced by paper | - | 15 | 3,489 | 21,515 | 97,477 | 122,496 |
| Financial liabilities at fair value through profit and loss | - | 3,682 | 893 | 2,860 | 1,053 | 8,488 |
| Hybrid debt | - | - | 141,211 | 69,653 | 92,315 | 303,179 |
| Total financial liabilities | 7,272,919 | 963,726 | 2,217,669 | 428,319 | 395,914 | 11,278,547 |
| Derivatives held for risk management | | | | | | |
| Outgoing cash flow | 170 | - | - | - | - | 170 |
| Incoming cash flow | 758 | 1,021 | - | - | - | 1,779 |
| Cash flow from derivatives, net | 588 | 1,021 | - | - | - | 1,609 |

Notes to the financial statements

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 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 | From 1 to 2 years | More than 2 years | 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 | 1,826 | - | 168,840 | 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 | 734,530 | 4,428,020 | 7,182,192 |
| Total financial assets | 3,914,078 | 263,408 | 1,111,747 | 737,278 | 4,596,860 | 10,623,371 |
| Financial liabilities | | | | | | |
| Due to banks | 29,879 | - | - | - | - | 29,879 |
| Due to other customers | 5,580,109 | 1,125,791 | 2,203,799 | 325,603 | 190,802 | 9,426,104 |
| Liabilities evidenced by paper | 4 | 34,313 | 4,008 | 3,291 | 67,288 | 108,904 |
| Financial liabilities at fair value through profit and loss | - | - | - | 2,164 | - | 2,164 |
| Hybrid debt | - | - | 227,406 | 8,939 | 129,198 | 365,543 |
| Total financial liabilities | 5,609,992 | 1,160,104 | 2,435,213 | 339,997 | 387,288 | 9,932,594 |
| 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

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 2022 is BGN +5 033/+15 452 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 2022 is BGN -3,003/+2,131 thousands.

| | Net interest income | | Equity | |
|------------------------|---------------------|-----------------|-----------------|-----------------|
| | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| Effect in BGN '000 | | | | |
| 2022 | | | | |
| as at 31 December | (3,003) | 2,131 | 5,033 | 15,452 |
| Average for the period | (3,752) | 2,275 | 12,507 | 23,005 |
| Maximum for the period | (1,011) | 4,874 | 23,492 | 32,457 |
| Minimum for the period | (5,969) | (220) | 5,033 | 15,452 |
| 2021 | | | | |
| as at 31 December | (3,022) | 1,925 | 16,458 | 33,288 |

Notes to the financial statements

Credit Spread Risk in the Banking Book (CSRBB)

Expresses 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, fall within the scope.

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 2022 amounted to BGN 9,547 thousand, and the effect on the net interest income amounted to BGN 269 thousand.

| | Net interest income | Equity |
|------------------------|------------------------|----------|
| Effect in BGN '000 | | |
| 2022 | | |
| as at 31 December | 269 | (9,574) |
| Average for the period | 598 | (17,408) |
| Maximum for the period | 956 | (8,545) |
| Minimum for the period | 269 | (35,836) |
| 2021 | | |
| as at 31 December | 589 | (35,757) |

Notes to the financial statements

The following table indicates the effective interest rates at 31 December 2022 and the periods in which financial liabilities and assets reprice.

| <i>in thousands of BGN</i> | Total | Floating rate Instruments | Less than 1 month | Fixed rate instruments | | |
|---|-------------------|--------------------------------------|------------------------------|---|--|---------------------------------|
| | | | | Between 1 month and 3 months | Between 3 months and 1 year | More than 1 year |
| Assets | | | | | | |
| Cash and balances with Central Banks | 489,946 | 489,946 | - | - | - | - |
| Financial assets at fair value through profit or loss | 236,581 | - | 236,581 | - | - | - |
| Financial assets at fair value through other comprehensive income | 468,247 | - | 468,247 | - | - | - |
| Financial assets at amortised cost | 1,862,203 | - | - | 369,369 | 913,296 | 579,538 |
| Loans and advances to banks and other financial institutions | 119,309 | 16,136 | 15,678 | 11,026 | 76,469 | - |
| Loans and advances to customers | 5,661,401 | 5,288,464 | 1,406 | 18,486 | 86,274 | 266,771 |
| Total interest-bearing assets | 8,837,687 | 5,794,546 | 721,912 | 398,881 | 1,076,039 | 846,309 |
| Liabilities | | | | | | |
| Due to banks | 45,703 | 45,703 | - | - | - | - |
| Due to other customers | 10,679,282 | 4,250,411 | 2,857,628 | 960,016 | 2,071,969 | 539,258 |
| Liabilities evidenced by paper | 116,487 | 56,309 | - | - | 2,833 | 57,345 |
| Hybrid debt | 256,861 | - | - | - | - | 256,861 |
| Total interest-bearing liabilities | 11,098,333 | 4,352,423 | 2,857,628 | 960,016 | 2,074,802 | 853,464 |

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

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> | Total | Floating rate Instruments | Less than 1 month | Fixed rate instruments | | |
|---|------------------|--------------------------------------|------------------------------|---|--|---------------------------------|
| | | | | 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 | 320,733 | - | - | - | - | 320,733 |
| Total interest-bearing liabilities | 9,857,829 | 4,375,953 | 1,308,002 | 1,125,734 | 2,203,384 | 844,756 |

Notes to the financial statements

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> | 2022 | 2021 |
|-----------------------------|-------------|-------------|
| Monetary assets | | |
| Euro | 5,176,973 | 4,257,869 |
| US dollar | 629,436 | 520,564 |
| Other | 162,075 | 154,806 |
| Gold | 2,642 | 2,765 |
| Monetary liabilities | | |
| Euro | 3,914,067 | 3,513,821 |
| US dollar | 632,495 | 521,197 |
| Other | 162,700 | 154,565 |
| Gold | 1,548 | 2,246 |
| Net position | | |
| Euro | 1,262,906 | 744,048 |
| US dollar | (3,059) | (633) |
| Other | (625) | 241 |
| Gold | 1,094 | 519 |

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

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 | |
|------------------------------|---------------------------------------|-----------|---|-----------|-------------------------------|-----------|-------------------------------|---------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Carrying amount | 6,384,541 | 6,315,581 | 1,927,815 | 1,708,813 | 2,567,031 | 1,453,794 | - | - |
| Amount committed/ guaranteed | - | - | - | - | - | - | 1,026,495 | 818,028 |

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 2022
in thousands of BGN

| Class of exposure | Gross amount of loans and advances to customers | Allowance for impairment | Carrying amount of loans and advances to customers |
|-----------------------|---|--------------------------|--|
| Performing | | | |
| Collectively impaired | 5,550,250 | (54,521) | 5,495,729 |
| Nonperforming | | | |
| Collectively impaired | 240,639 | (71,944) | 168,695 |
| Individually impaired | 976,420 | (256,303) | 720,117 |
| Total | 6,767,309 | (382,768) | 6,384,541 |

31 December 2021
in thousands of BGN

| Class of exposure | Gross amount of loans and advances to customers | Allowance for impairment | Carrying amount of loans and advances to customers |
|-----------------------|---|--------------------------|--|
| Performing | | | |
| Collectively impaired | 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 |

Notes to the financial statements

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

| | 31/12/2022 | | 31/12/2021 | |
|--|---|--------------------------|---|--------------------------|
| | 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) | 4,285,771 | (4,227) | 4,538,726 | (12,689) |
| Exposures with significant increase of credit risk after the initial recognition (phase 2) | 1,264,479 | (50,294) | 926,783 | (62,201) |
| Non-performing (impaired) exposures (phase 3) | 1,217,059 | (328,247) | 1,313,812 | (388,850) |
| Total | 6,767,309 | (382,768) | 6,779,321 | (463,740) |

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

As at 31 December 2022 the gross amount of overdue loans and advances to customers measured as exposures 90+ days overdue is BGN 804, 062 thousand (31 December 2021: BGN 931, 502 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.

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

| <i>in thousands of BGN</i> | 2022 | 2021 |
|----------------------------|------------------|------------------|
| Trade | 691,864 | 718,868 |
| Industry | 1,263,715 | 1,296,309 |
| Services | 602,983 | 643,781 |
| Finance | 178,683 | 182,494 |
| Transport, logistics | 224,795 | 248,112 |
| Communications | 107,859 | 149,011 |
| Construction | 386,055 | 390,458 |
| Agriculture | 231,850 | 238,102 |
| Tourist services | 302,557 | 280,646 |
| Infrastructure | 366,385 | 443,981 |
| Private individuals | 2,395,978 | 2,176,590 |
| Other | 14,585 | 10,969 |
| Allowance for impairment | (382,768) | (463,740) |
| Total | 6,384,541 | 6,315,581 |

Notes to the financial statements

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 2022 with total exposures outstanding amounting to BGN 188,020 thousand (2013: BGN 137,625 thousand) - ferrous and non-ferrous metallurgy, BGN 60,818 thousand (2013: BGN 61,015 thousand) – mining industry and BGN 140,339 thousand (2013: BGN 130,036 thousand) - power engineering.

The Bank has extended loans, confirmed letters of credit and granted guarantees to 7 individual clients or groups (2021: 7) 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 1,265,514 thousand, i.e. 83.08% of tier 1 capital (2021: BGN 1,245,214 thousand which represented 82.02% of tier 1 capital).

As at 31.12.2022 and as at 31.12.2021, there are no loans granted by the branch in Cyprus.

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 | |
|-----------------------------|--|---------------------------|------|
| | | 2022 | 2021 |
| Repurchase agreements | Tradable securities | 99% | 99% |
| Loans and advances to banks | None | - | - |
| Mortgage loans | Real estate | 261% | 262% |
| Consumer lending | Mortgage, warrant, financial and other collateral | 14% | 18% |
| 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 | 649% | 533% |

The distribution of the loan portfolio is reported according to the Bank's business segments

Notes to the financial statements

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 138,855 thousand (2021: 148,037 thousand BGN).

| <i>BGN '000</i> | 2022 | 2021 |
|---------------------------------|------------------|------------------|
| Mortgage | 1,542,191 | 1,652,996 |
| Pledge of receivables | 1,910,087 | 1,996,537 |
| Pledge of commercial enterprise | 7,299 | 14,395 |
| Securities | 8,168 | 31,060 |
| Bank guarantees | 3,750 | 3,750 |
| Other guaranties | 2,892,788 | 2,624,371 |
| Pledge of machines | 42,477 | 41,839 |
| Money deposit | 15,310 | 79,096 |
| Unsecured | 206,384 | 187,240 |
| Total | 6,628,454 | 6,631,284 |

The distribution of the loan portfolio is reported according to the Bank's business segments

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>BGN '000</i> | 2022 | 2021 |
|----------------------------------|------------------|----------------|
| Loan to value (LTV) ratio | | |
| Less than 50% | 241,766 | 192,458 |
| 51% to 70% | 401,108 | 290,833 |
| 71% to 90% | 389,319 | 408,410 |
| 91% to 100% | 12,261 | 19,894 |
| More than 100% | 83,962 | 74,509 |
| Total | 1,128,416 | 986,104 |

The distribution of the loan portfolio is reported according to the Bank's business segments

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.

Notes to the financial statements

As at 31 December 2022 the net carrying amount of individually impaired loans to corporate customers amounts to BGN 788,329 thousand (2021: BGN 825,285 thousand) and the value of collateral held against those loans amounts to BGN 720,462 thousand (2021: BGN 790,560 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

| <i>in thousands of BGN</i> | | 2022 | | 2021 | |
|---------------------------------|---|--------------------------|---|--------------------------|--|
| Type of renegotiation | Gross amount of loans and advances to customers | Allowance for impairment | Gross amount of loans and advances to customers | Allowance for impairment | |
| Loans to individuals | 165,345 | 5,200 | 232,459 | 8,543 | |
| Change of maturity | 114,425 | 4,026 | 119,847 | 6,133 | |
| Change in repayment instalments | - | - | - | - | |
| Change of interest rate | 13,037 | - | 6,896 | - | |
| Change due to customers request | 25,224 | 46 | 47,386 | 171 | |
| Other reasons | 12,659 | 1,128 | 58,330 | 2,239 | |
| Loans to companies | 1,719,079 | 123,445 | 1,856,010 | 75,570 | |
| Change of maturity | 104,789 | 262 | 229,270 | 2,013 | |
| Change in repayment instalments | 319,997 | 691 | 45,160 | 240 | |
| Change of interest rate | 109,282 | 58 | 21,809 | - | |
| Change due to customers request | 927,801 | 31,895 | 885,746 | 37,708 | |
| Other reasons | 257,210 | 90,539 | 674,025 | 35,609 | |
| Total: | 1,884,424 | 128,645 | 2,088,469 | 84,113 | |

The distribution of the loan portfolio is reported according to the Bank’s business segments

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.

Notes to the financial statements

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 2022 and 31 December 2021 as well as those at fair value through other comprehensive income.

BGN '000

31/12/2022

| Country issuer | at fair value through profit and loss | at fair value through other comprehensive income | at amortised cost | Total |
|-----------------------|--|---|--------------------------|------------------|
| Bulgaria | 14 | 159,178 | 416,480 | 575,672 |
| Lithuania | - | 38,399 | - | 38,399 |
| Latvia | - | 60 | - | 60 |
| Slovakia | - | - | 1,981 | 1,981 |
| USA | - | 34,553 | 164,319 | 198,872 |
| Romania | 82 | 39,947 | 12,203 | 52,232 |
| Italy | - | - | 79,482 | 79,482 |
| Spain | - | 18,460 | 126,133 | 144,593 |
| Portugal | - | - | 20,275 | 20,275 |
| Hungary | - | - | 15,430 | 15,430 |
| Croatia | - | 6,978 | - | 6,978 |
| European Union | - | - | 233,382 | 233,382 |
| Ireland | - | - | 20,006 | 20,006 |
| Saudi Arabia | - | - | 10,044 | 10,044 |
| Belgium | - | - | 213,018 | 213,018 |
| France | - | 48,497 | 87,114 | 135,611 |
| Germany | - | - | 234,162 | 234,162 |
| Great Britain | - | 11,007 | 21,701 | 32,708 |
| Finland | - | - | 125,971 | 125,971 |
| Switzerland | - | - | 12,120 | 12,120 |
| Total | 96 | 357,079 | 1,793,821 | 2,150,996 |

 in thousands of
 BGN

31/12/2021

| Country issuer | at fair value through profit and loss | at fair value through other comprehensive income | at amortised cost | Total |
|-----------------------|--|---|--------------------------|------------------|
| Bulgaria | 15 | 414,481 | 164,553 | 579,049 |
| Lithuania | - | 44,010 | - | 44,010 |
| Latvia | - | 64 | - | 64 |
| Slovakia | - | 2,158 | - | 2,158 |
| USA | - | 155,011 | - | 155,011 |
| Romania | - | 80,442 | - | 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 | - | 3,916 | 52,166 | 56,082 |
| European Union | - | 561 | - | 561 |
| Ireland | - | 19,101 | - | 19,101 |
| Saudi Arabia | - | 10,037 | - | 10,037 |
| Total | 15 | 795,444 | 216,719 | 1,012,178 |

Notes to the financial statements

Maturity table of government debt securities by country issuer as at 31 December 2022

*in thousands of
BGN*

| Country issuer | Up to 1 Month | From 1 to 3 Months | From 3 months to 1 year | From 1 to 2 years | From 2 to 5 years | Over 5 years | Total |
|-----------------------|--------------------------|-------------------------------|------------------------------------|------------------------------|------------------------------|-------------------------|------------------|
| Bulgaria | - | 15,060 | 20,818 | 26,795 | 272,059 | 240,940 | 575,672 |
| Lithuania | - | - | - | - | 38,399 | - | 38,399 |
| Latvia | - | - | - | 60 | - | - | 60 |
| Slovakia | - | - | - | - | 1,981 | - | 1,981 |
| USA | - | 164,258 | - | 34,553 | - | 61 | 198,872 |
| Romania | - | - | - | - | 39,947 | 12,285 | 52,232 |
| Italy | - | - | 77,520 | - | - | 1,962 | 79,482 |
| Spain | - | 39,064 | 87,069 | - | 18,460 | - | 144,593 |
| Portugal | - | - | - | - | - | 20,275 | 20,275 |
| Hungary | - | - | - | - | - | 15,430 | 15,430 |
| Croatia | - | - | - | - | 6,978 | - | 6,978 |
| European Union | - | - | 232,788 | - | - | 594 | 233,382 |
| Ireland | - | - | - | - | - | 20,006 | 20,006 |
| Saudi Arabia | - | - | - | - | 10,044 | - | 10,044 |
| Belgium | - | 39,047 | 173,971 | - | - | - | 213,018 |
| France | - | - | 135,611 | - | - | - | 135,611 |
| Germany | - | 127,000 | 107,162 | - | - | - | 234,162 |
| Great Britain | 11,007 | - | 21,701 | - | - | - | 32,708 |
| Finland | - | - | 125,971 | - | - | - | 125,971 |
| Switzerland | - | - | - | 12,120 | - | - | 12,120 |
| Total | 11,007 | 384,429 | 982,611 | 73,528 | 387,868 | 311,553 | 2,150,996 |

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 2 years | From 2 to 5 years | Over 5 years | Total |
|-----------------------|--------------------------|-------------------------------|------------------------------------|------------------------------|------------------------------|-------------------------|------------------|
| Bulgaria | - | 55,548 | 20,752 | 36,243 | 223,879 | 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 | 36,243 | 376,074 | 323,060 | 1,012,178 |

Notes to the financial statements

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.

Additional Tier 1 capital

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

Tier 2 Capital

As at 31 December 2022 the Bank has no instruments classified as Tier 2 Capital.

Total own funds

| | 2022 | 2021 |
|---|------------------|------------------|
| <i>In thousands of BGN</i> | | |
| Common Equity Tier 1 capital | | |
| Paid up capital instruments | 149,085 | 149,085 |
| (-) Indirect shareholding in Common Equity Tier 1 capital instruments | (38) | (30) |
| Premium reserves | 250,017 | 250,017 |
| Other reserves | 858,717 | 758,634 |
| Accumulated other comprehensive income | (10,815) | 11,045 |
| Adjustments of Common Equity Tier 1 capital | | |
| (-) Intangible assets | (14,925) | (13,831) |
| Transitional adjustments of Common Equity Tier 1 capital | 62,273 | 130,113 |
| (-) Other deductions | (25,273) | (21,024) |
| Common Equity Tier 1 capital | 1,269,041 | 1,264,009 |
| Additional Tier 1 capital instruments | | |
| Hybrid debt | 254,258 | 254,258 |
| Tier 1 Capital | 1,523,299 | 1,518,267 |
| Tier 2 Capital | - | - |
| Total own funds | 1,523,299 | 1,518,267 |

The Bank calculates the following ratios:

Notes to the financial statements

- 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.

Notes to the financial statements

Capital adequacy level is as follows:

| in thousands of BGN | Balance sheet/notional amount | | Risk exposures | |
|--|-------------------------------|-------------------|-------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Risk weighted exposures for credit risk | | | | |
| Balance sheet assets | | | | |
| Exposure class | | | | |
| Central governments or central banks | 3,636,457 | 2,469,808 | 2,009 | 13,224 |
| Multilateral development banks | 18 | 83 | - | - |
| International organizations | 624 | 344 | - | - |
| Institutions | 451,715 | 374,520 | 186,203 | 164,487 |
| Corporates | 2,435,831 | 2,542,742 | 2,046,646 | 2,148,344 |
| Retail | 1,531,781 | 1,439,002 | 1,024,212 | 939,040 |
| Secured by mortgages on immovable property | 1,842,333 | 1,726,307 | 683,701 | 650,092 |
| Exposures in default | 887,513 | 924,620 | 960,277 | 987,927 |
| Collective investments undertakings | 4,090 | 2,705 | 4,090 | 2,705 |
| Equity | 65,504 | 71,993 | 73,628 | 91,588 |
| Other items | 1,764,711 | 1,736,660 | 1,428,197 | 1,490,409 |
| Total | 12,620,577 | 11,288,784 | 6,408,963 | 6,487,816 |
| Off balance sheet items | | | | |
| Exposure class | | | | |
| Institutions | - | - | 57 | 41 |
| Corporates | 545,383 | 340,015 | 40,086 | 42,406 |
| Retail | 459,869 | 447,503 | 4,631 | 4,320 |
| Secured by mortgages on immovable property | 20,091 | 29,167 | 3,883 | 6,060 |
| Other items | - | - | 47 | 11 |
| Total | 1,025,343 | 816,685 | 48,704 | 52,838 |
| Derivatives | | | | |
| Exposure class | | | | |
| Central governments or central banks | - | - | - | - |
| Institutions | 2,618 | 44 | 1,309 | 22 |
| Corporates | 1,953 | 3,821 | 1,953 | 3,821 |
| Other items | 1,548 | 2,246 | 1,548 | 2,246 |
| Total | 6,119 | 6,111 | 4,810 | 6,089 |
| Total risk-weighted exposures for credit risk | | | 6,462,477 | 6,546,743 |
| Total amount of exposures to market risk | | | 4,350 | 4,713 |
| Amount of exposures for deferred risk | | | 540,238 | 523,913 |
| Total amount of risk exposures | | | 7,007,065 | 7,075,369 |
| Capital adequacy ratios | | | Capital ratios % | |
| | Equity | | 2022 | 2021 |
| Common Equity Tier 1 capital | 1,269,041 | 1,264,009 | 18.11% | 17.86% |
| Tier 1 Capital | 1,523,299 | 1,518,267 | 21.74% | 21.46% |
| Total own funds | 1,523,299 | 1,518,267 | 21.74% | 21.46% |

Notes to the financial statements

D. Other risks - war in Ukraine

On 24 February 2022 Russia began large-scale military action against Ukraine. In response to the Russian actions against Ukraine, the EU member states and the USA imposed wide-ranging sanctions against Russia and Belarus, including but not limited to, large Russian banks, some other companies, members of the Russian parliament and some representatives of the Russian elite and their families, and also banned primary/secondary trade in government bonds and other select securities. Secondary effects, such as the increasing prices and the sufficiency of energy supply in Europe, as well as the economic impact of various scenarios, are difficult to forecast and may have significant effects on the EU economy. The crisis has the potential to exacerbate further the already tense situation with energy prices in Europe, which may lead to slowing of the economy and to higher losses, including higher impairment.

The disruptions caused by the war have both direct and indirect impacts on the economy of EU countries, leading to slower growth and higher inflation. The rapid rise in energy and food prices is feeding the global inflation pressure and causing a swifter monetary policy response than earlier expected.

The risks to future development include the potential impacts on the business model of macroeconomic and global geopolitical insecurity related to the Russian actions against Ukraine. Customers' activities may also be affected by the higher prices of energy and the disruption of supply chains.

The Bank monitors the situation closely, and carries out additional stress tests under different scenarios. The Bank's exposure to counterparties from Russia, Ukraine and Belarus is insignificant.

According to the Bank's initial estimates, these events did not have direct significant impact on its operations. In addition, the Management does not expect that as a whole the crisis would have immediate significant impacts on the Bank's operations.

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.

Notes to the financial statements

| BGN '000 | Bulgarian operations | | Foreign operations | | Total | |
|--------------------------------------|----------------------|-------------------|--------------------|-------------------|-------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Interest income | 310,748 | 308,538 | 37 | 18 | 310,785 | 308,556 |
| Interest expense | (37,726) | (42,114) | (2,319) | (3,298) | (40,045) | (45,412) |
| Net interest income | 273,022 | 266,424 | (2,282) | (3,280) | 270,740 | 263,144 |
| Fee and commission income | 159,085 | 134,350 | 13,905 | 8,665 | 172,990 | 143,015 |
| Fee and commission expense | (32,087) | (23,978) | (1,388) | (172) | (33,475) | (24,150) |
| Net fee and commission income | 126,998 | 110,372 | 12,517 | 8,493 | 139,515 | 118,865 |
| Net trading income | 17,373 | 13,466 | 2,344 | 1,914 | 19,717 | 15,380 |
| Administrative expenses | (202,013) | (176,452) | (3,100) | (2,989) | (205,113) | (179,441) |
| | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| Assets | 12,456,007 | 10,809,481 | 258,051 | 459,389 | 12,714,058 | 11,268,870 |
| Liabilities | 10,655,814 | 9,432,473 | 730,035 | 567,533 | 11,385,849 | 10,000,006 |

The table below shows assets and liabilities and income and expense by business segments as at 31 December 2022.

in thousands of BGN

| Business | Assets | Liabilities | Net interest income | Net fee and commission income | Net trading income | Other net operating income |
|----------------------------|-------------------|-------------------|---------------------|-------------------------------|--------------------|----------------------------|
| Big and medium enterprises | 3,051,182 | 2,263,247 | 102,017 | 42,705 | - | 677 |
| Small business | 867,206 | 585,674 | 34,919 | 23,861 | - | 2,795 |
| Retail Banking | 2,466,153 | 7,998,019 | 169,139 | 73,577 | - | 2,552 |
| Treasury | 4,776,101 | 85,577 | 3,754 | (2,263) | 19,717 | 524 |
| Other | 1,553,416 | 453,332 | (39,089) | 1,635 | - | 7,647 |
| Total | 12,714,058 | 11,385,849 | 270,740 | 139,515 | 19,717 | 14,195 |

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)(vii).

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.

Notes to the financial statements

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.

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;

Notes to the financial statements

- analysis and investigation of significant daily valuation movements;
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous month, by Risk Analysis and Control division.

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, Risk 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 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|----------------|
| Financial assets at fair value through profit or loss | 5,862 | 261,740 | 85 | 267,687 |
| Financial assets at fair value through other comprehensive income | 357,422 | 110,825 | - | 468,247 |
| Derivatives held for risk management, net | 718 | 891 | - | 1,609 |
| Total | 364,002 | 373,456 | 85 | 737,543 |
| Financial liabilities at fair value through profit and loss | - | 8,488 | - | 8,488 |

BGN '000

| 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 and loss | - | 2,164 | - | 2,164 |

The investments in securities reported in portfolios of financial assets at fair value in profit or loss, financial assets at fair value in other comprehensive income and financial assets at amortised cost are mostly investments in government securities from first-class issuers which are highly liquid and with the most favourable capital treatment.

The bank manages its investments in debt securities in line with the current market expectations and dynamics. As at 31.12.2022 the portfolio duration is 2.2 years, while a year earlier it was 3.8 years.

Notes to the financial statements

The tables below set out analysis of the fair values of financial instruments not recognised at fair value, classified by fair value hierarchy level framework categorising fair value measurement

in thousands of BGN

| 31 December 2022 | Level 1 | Level 2 | Level 3 | Total fair values | Total balance sheet value |
|--|------------------|------------------|------------------|--------------------------|----------------------------------|
| Assets | | | | | |
| Cash and balances with Central Banks | - | 1,911,371 | - | 1,911,371 | 1,911,371 |
| Financial assets at amortised cost | 1,743,044 | - | - | 1,743,044 | 1,862,203 |
| Loans and advances to banks and other financial institutions | - | 264,984 | - | 264,984 | 264,984 |
| Loans and advances to customers | | 888,812 | 5,533,182 | 6,421,994 | 6,384,541 |
| Total | 1,743,044 | 3,065,167 | 5,533,182 | 10,341,393 | 10,423,099 |
| Liabilities | | | | | |
| Due to banks | - | 45,703 | - | 45,703 | 45,703 |
| Due to other customers | - | 7,227,207 | 3,544,287 | 10,771,494 | 10,798,450 |
| Liabilities evidenced by paper | - | 116,442 | - | 116,442 | 116,487 |
| Hybrid debt | - | 256,861 | - | 256,861 | 256,861 |
| Total | - | 7,646,213 | 3,544,287 | 11,190,500 | 11,217,501 |

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 customers | - | 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 |

Notes to the financial statements

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> | 2022 | 2021 |
|--|-----------------|-----------------|
| Interest income | | |
| Accounts with and placements to banks and financial institutions | 1,505 | 311 |
| Revenue from interest on liabilities | 5 | 50 |
| Large enterprise | 77,063 | 75,862 |
| Medium enterprise | 32,358 | 50,096 |
| Small business | 37,200 | 34,082 |
| Micro enterprise | 7,427 | 7,043 |
| Households | 129,095 | 123,264 |
| Debt instruments | 24,520 | 17,848 |
| Other interest income | 1,612 | - |
| | 310,785 | 308,556 |
| Interest expense | | |
| Deposits from banks | (135) | (2) |
| Deposits from other customers | (1,567) | (9,131) |
| Liabilities evidenced by paper | (533) | (738) |
| Hybrid debt | (33,488) | (27,634) |
| Interest on assets cost | (4,285) | (7,897) |
| Lease agreements and other | (37) | (10) |
| | (40,045) | (45,412) |
| Net interest income | 270,740 | 263,144 |

For 2022 he recognized interest income from individually impaired financial assets (loans to customers) amounted to BGN 24,847 thousand (2021: BGN 40,830 thousand).

The distribution of the loan portfolio is reported according to the Bank's business segments.

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

| | 2022 | 2021 |
|--------------------------------------|-----------------|-----------------|
| Fee and commission income | | |
| Letters of credit and guarantees | 3,559 | 3,387 |
| Payment operations | 28,421 | 23,890 |
| Customer accounts | 48,927 | 36,840 |
| Card services | 46,547 | 36,405 |
| Other | 45,536 | 42,493 |
| | 172,990 | 143,015 |
| Fee and commission expense | | |
| Letters of credit and guarantees | (640) | (593) |
| Payment systems | (4,407) | (2,895) |
| Card services | (20,598) | (16,433) |
| Other | (7,830) | (4,229) |
| | (33,475) | (24,150) |
| Net fee and commission income | 139,515 | 118,865 |

8. Net trading income
in thousands of BGN

| | 2022 | 2021 |
|--------------------------------------|---------------|---------------|
| Net trading income arises from: | | |
| - Debt instruments | 114 | 32 |
| - Equities | (656) | 200 |
| - Foreign exchange rate fluctuations | 20,259 | 15,148 |
| Net trading income | 19,717 | 15,380 |

9. Other net operating income
BGN '000

| | 2022 | 2021 |
|---|---------------|---------------|
| Other net operating income arising from: | | |
| -net income from transactions and revaluation of gold and precious metals | 2,068 | 1,169 |
| Rental income | 5,579 | 5,702 |
| - Debt instruments | 827 | 1,058 |
| - Equities | (303) | 27 |
| - income from management of assigned receivables | 5,620 | 3,075 |
| - Gain on administration of loans acquired through business combination | 404 | 337 |
| Other net operating income | 14,195 | 11,368 |

Notes to the financial statements
10. Administrative expenses

| <i>in thousands of BGN</i> | 2022 | 2021 |
|---|----------------|----------------|
| General and administrative expenses comprise: | | |
| - Personnel cost | 74,545 | 65,440 |
| Amortization of equipment and tangible fixed assets | 12,060 | 11,379 |
| Rights of use assets | 40,021 | 33,915 |
| - Advertising | 8,455 | 8,176 |
| -Telecommunication, software and other computer maintenance | 13,753 | 12,265 |
| - Other expenses for external services | 56,279 | 48,266 |
| Administrative expenses | 205,113 | 179,441 |

Personnel costs include salaries, social and health security contributions under the provisions of the local legislation. At 31 December 2022 the total number of employees was 2,454 (31 December 2021: 2,466).

The amounts accrued in 2022 for services provided by the registered auditors for independent financial audit amounted to BGN 1.064 thousand. The amounts accrued in 2021 for services provided by the registered auditors for independent financial audit amounted to BGN 569 thousand. In 2022 and in 2021 no amounts were accrued for other services unrelated to audit and provided by the registered auditors.

11. Allowance for impairment

| <i>in thousands of BGN</i> | 2022 | 2021 |
|---------------------------------|------------------|------------------|
| Write-downs | | |
| Loans and advances to customers | (208,469) | (152,369) |
| Off balance sheet commitments | (625) | (769) |
| Reversal of write-downs | | |
| Loans and advances to customers | 72,929 | 30,381 |
| Off balance sheet commitments | 816 | 263 |
| Impairment cost, net | (135,349) | (122,494) |

The expense for impairment in 2022 and 2021 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> | 2022 | 2021 |
|--|-----------------|--------------|
| Proceeds/loss from the sale and write-off of assets acquired as collateral | 2,608 | (6,041) |
| Revaluation of investment property | 14,769 | 30,340 |
| Expense/(income) from sale of investment property | (3,221) | 16 |
| Dividend income | 578 | 401 |
| Cost of guarantee schemes | (24,534) | (22,202) |
| Income for provisions for pending court cases | 83 | 508 |
| Other (expenses)/income, net | (3,243) | 1,732 |
| Total | (12,960) | 4,754 |

Notes to the financial statements
13. Income tax expense

| <i>BGN '000</i> | 2022 | 2021 |
|------------------------------|----------------|-----------------|
| Current taxes | (8,325) | (6,171) |
| Deferred taxes (See Note 20) | (1,215) | (5,322) |
| Income tax expense | (9,540) | (11,493) |

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

| <i>in thousands of BGN</i> | 2022 | 2021 |
|--|---------------|----------------|
| Accounting profit before taxation | 90,745 | 111,576 |
| Corporate tax at applicable tax rate (10% for 2022 and 10% for 2021) | 9,075 | 11,158 |
| Effect of tax rates of foreign subsidiaries and branches | 195 | 110 |
| Tax effect of permanent tax differences | 270 | 177 |
| Other differences | - | 48 |
| Income tax expense | 9,540 | 11,493 |
| Effective tax rate | 10.51% | 10.30% |

14. Cash and balances with Central Banks

| <i>in thousands of BGN</i> | 2022 | 2021 |
|---|------------------|------------------|
| Cash on hand | | |
| - in BGN | 184,774 | 189,399 |
| - in foreign currency | 63,766 | 58,053 |
| Balances with Central Banks | 1,427,241 | 1,455,801 |
| Current accounts and amounts with foreign banks | 235,590 | 165,600 |
| Total | 1,911,371 | 1,868,853 |

15. Investments in securities

| <i>In thousands of BGN</i> | 2022 | 2021 |
|--|------------------|------------------|
| Bonds and notes issued by: | | |
| Bulgarian Government | | |
| - denominated in BGN | 446,417 | 367,761 |
| - denominated in foreign currencies | 129,255 | 211,288 |
| Foreign governments | 1,575,324 | 433,129 |
| Corporates | 405,558 | 317,559 |
| Banks | 10,477 | 124,057 |
| Other issuers – equity instruments | 31,106 | 28,905 |
| Total | 2,598,137 | 1,482,699 |
| Of which financial assets: | | |
| at fair value through other comprehensive income | 468,247 | 901,155 |
| at amortised cost | 1,862,203 | 316,139 |
| at fair value through profit and loss | 267,687 | 265,405 |
| Total | 2,598,137 | 1,482,699 |

A portion of the reported bonds of the Bulgarian and of foreign governments amounting to BGN 37,831 thousand (BGN 83,314 thousand in 2021) are subject to a Total Return Swap Agreement.

At the end of 2022, as at the end of 2021, no securities were subject to repurchase agreements.

Notes to the financial statements

The investments in securities reported in portfolios of financial assets at fair value in profit or loss, financial assets at fair value in other comprehensive income and financial assets at amortised cost are mostly investments in government securities from first-class issuers which are highly liquid and with the most favourable capital treatment.

The bank manages its investments in debt securities in line with the current market expectations and dynamics. As at 31.12.2022 the portfolio duration is 2.2 years, while a year earlier it was 3.8 years.

16. Loans and advances to banks and other financial institutions

(a) Analysis by type

| <i>in thousands of BGN</i> | 2022 | 2021 |
|----------------------------|----------------|---------------|
| Placements with banks | 140,685 | 38,727 |
| Other | 124,299 | 48,685 |
| Total | 264,984 | 87,412 |

(b) Geographical analysis

| <i>in thousands of BGN</i> | 2022 | 2021 |
|--|----------------|---------------|
| Domestic banks and financial institutions | 105,262 | 22,164 |
| Foreign banks and other financial institutions | 159,722 | 65,248 |
| Total | 264,984 | 87,412 |

17. Loans and advances to customers

in thousands of BGN

| | | | 31/12/2022 |
|---|------------------|--------------------------|------------------|
| | Gross value | Allowance for impairment | Amortised cost |
| Large enterprise | 2,270,652 | (119,107) | 2,151,545 |
| Medium enterprise | 1,085,974 | (186,337) | 899,637 |
| Small business | 878,135 | (10,929) | 867,206 |
| Micro enterprise | 198,538 | (2,019) | 196,519 |
| Retail Banking | | | |
| - Consumer loans | 1,063,724 | (41,873) | 1,021,851 |
| - Mortgage loans | 1,128,416 | (11,167) | 1,117,249 |
| - Credit cards | 138,855 | (11,336) | 127,519 |
| - Other programmes and collateralised financing | 3,015 | - | 3,015 |
| Total | 6,767,309 | (382,768) | 6,384,541 |

BGN '000

| | | | 31.12.2021 г. |
|---|------------------|--------------------------|------------------|
| | Gross value | Allowance for impairment | Amortised cost |
| Large enterprise | 2,474,806 | (199,830) | 2,274,976 |
| Medium enterprise | 1,123,631 | (177,627) | 946,004 |
| Small business | 878,125 | (12,885) | 865,240 |
| Micro enterprise | 182,625 | (2,853) | 179,772 |
| Retail Banking | | | |
| - Consumer loans | 982,976 | (45,624) | 937,352 |
| - Mortgage loans | 986,104 | (10,922) | 975,182 |
| - Credit cards | 148,037 | (13,999) | 134,038 |
| - Other programmes and collateralised financing | 3,017 | - | 3,017 |
| Total | 6,779,321 | (463,740) | 6,315,581 |

The distribution of the loan portfolio is reported according to the Bank's business segments.

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

| | |
|---------------------------------------|----------------|
| Balance as at 01 January 2022 | 463,740 |
| Additional allowances | 208,469 |
| Amounts released | (72,929) |
| Write-offs | (217,974) |
| Other | 1,462 |
| Balance as at 31 December 2022 | 382,768 |

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 2021 | 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 |
| Additions | - | 6 | - | 35,517 | - | 35,523 |
| Disposals | - | (6,760) | (416) | - | (183) | (7,359) |
| Transfers | - | 9,475 | - | (14,341) | 940 | (3,926) |
| At 31 December 2022 | 26,243 | 136,647 | 6,216 | 38,319 | 60,715 | 268,140 |
| Amortisation | | | | | | |
| At 01 January 2021 | 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 |
| Accrued during the year | 969 | 5,636 | 57 | - | 2,566 | 9,228 |
| On disposals | - | (6,751) | (416) | - | (182) | (7,349) |
| At 31 December 2022 | 7,861 | 113,859 | 6,185 | - | 41,995 | 169,900 |
| Carrying amount | | | | | | |
| At 01 January 2021 | 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 |
| At 31 December 2022 | 18,382 | 22,788 | 31 | 38,319 | 18,720 | 98,240 |

Notes to the financial statements

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 the fair value at the end of the reporting period. As at 31 December 2022 the fair value of land and buildings was not significantly different from their balance sheet value as at that date. The fair value of land and buildings is categorised as Level 3 fair value on the basis of incoming data on the assessment methodology used.

| Assessment methodology | Significant unobservable inputs | Connection between key unobservable inputs and fair value |
|---|---|--|
| <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 (3 months on average after each rental agreement). 3. Occupancy (90-95%, weighted average 92.5%). 4. Periods when no rent is paid (1 year for new rental agreement). 5. Risk adjusted discount rate (4-9%, weighted average 6.5%).</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 (8-10%, weighted average 9%). 2. Time required to effect the sale (4 months on average after the offer is placed). 3. Transaction success rate (90-96%, weighted average 95%). 4. Location (1.0-1.05, weighted average 1.025). 5. Property status (1.0-1.1, weighted average 1.05).</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 2021 | 45,587 | 45,587 |
| Additions | 2 | 2 |
| Disposals | - | - |
| Transfers | 1,666 | 1,666 |
| At 31 December 2021 | 47,255 | 47,255 |
| Additions | - | - |
| Transfers | 3,926 | 3,926 |
| At 31 December 2022 | 51,181 | 51,181 |
| Amortisation | | |
| At 01 January 2021 | 30,909 | 30,909 |
| Accrued during the year | 2,515 | 2,515 |
| On disposals | - | - |
| At 31 December 2021 | 33,424 | 33,424 |
| Accrued during the year | 2,832 | 2,832 |
| At 31 December 2022 | 36,256 | 36,256 |
| Carrying amount | | |
| At 01 January 2021 | 14,678 | 14,678 |
| At 31 December 2021 | 13,831 | 13,831 |
| At 31 December 2022 | 14,925 | 14,925 |

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>BGN '000</i> | Assets | | Liabilities | | Net | |
|-------------------------------------|--------------|--------------|---------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Property, equipment and intangibles | - | - | 2,852 | 2,800 | 2,852 | 2,800 |
| Investment Property | - | - | 24,815 | 23,675 | 24,815 | 23,675 |
| Other | (178) | (201) | 334 | 334 | 156 | 133 |
| Net tax (assets)/liabilities | (178) | (201) | 28,001 | 26,809 | 27,823 | 26,608 |

Movements in temporary differences in 2022 at the amount of BGN 1,215 thousand are recognised in the profit for the year.

21. Repossessed assets
in thousands of BGN

| | 2022 | 2021 |
|------------------------------|----------------|----------------|
| Land | 245,557 | 249,612 |
| Buildings | 156,173 | 187,962 |
| Machines, plant and vehicles | 10,425 | 12,596 |
| Fixtures and fittings | 841 | 817 |
| Total | 412,996 | 450,987 |

Notes to the financial statements

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 2022 | 732,850 |
| Additions | 10,318 |
| Transferred from reposessed assets | - |
| Revaluation of investment property to the fair value recognised at transfer | 14,769 |
| Write-offs upon sale | (7,613) |
| Balance as at 31 December 2022 | 750,324 |

23. Investments in subsidiaries

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

in thousands of BGN

| Entity: | % held | Acquisition cost | Allowance for impairment | Carrying amount |
|--|--------|------------------|--------------------------|-----------------|
| First Investment Finance B.V., Netherlands | 100% | 3,947 | - | 3,947 |
| Diners Club Bulgaria AD | 96.51% | 5,743 | - | 5,743 |
| First Investment Bank – Albania Sh.a. | 100% | 23,420 | - | 23,420 |
| Debita OOD | 70% | 105 | (104) | 1 |
| Fi Health Insurance AD | 59.10% | 3,315 | - | 3,315 |
| Creative Investment EOOD | 100% | - | - | - |
| Lega Solutions EOOD | 100% | - | - | - |
| AMC Imoti EOOD | 100% | - | - | - |
| MyFin EAD | 100% | 2,000 | - | 2,000 |
| Incasso Guarant EOOD | 100% | 100 | - | 100 |
| Total | | 38,630 | (104) | 38,526 |

in thousands of BGN

| 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 |

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

| | |
|--|----------------|
| At 01 January 2022 | 77,725 |
| Amortisation | (40,021) |
| Effect of modification to lease terms and expectations on lease term | 86,455 |
| At 31 December 2022 | 124,159 |

Lease liabilities

| | |
|--|----------------|
| At 01 January 2022 | 77,785 |
| Lease payments | (40,001) |
| Effect of modification to lease terms and expectations on lease term | 86,456 |
| At 31 December 2022 | 124,240 |

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 2022 some of these expectations changed and as a result the Bank reviewed its initial assessment and recognized an increase in the right-of-use assets in the amount of BGN 86,456 thousand, and in lease liabilities in the amount of BGN 86,456 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:

In BGN '000
Maturity analysis of lease liabilities

| | To 1 year | From 1 to 5 years | Total |
|---------------------|------------------|--------------------------|--------------|
| At 01 January 2022 | 19,527 | 58,258 | 77,785 |
| At 31 December 2022 | 29,530 | 94,710 | 124,240 |

25. Other assets
in thousands of BGN

| | 2022 | 2021 |
|------------------|----------------|----------------|
| Deferred expense | 11,338 | 14,779 |
| Gold | 2,642 | 2,765 |
| Other assets | 100,266 | 98,592 |
| Total | 114,246 | 116,136 |

26. Due to banks
in thousands of BGN

| | 2022 | 2021 |
|-------------------|---------------|---------------|
| Term deposits | 3,668 | - |
| Payable on demand | 42,035 | 29,879 |
| Total | 45,703 | 29,879 |

Notes to the financial statements
27. Due to other customers

| <i>in thousands of BGN</i> | 2022 | 2021 |
|------------------------------------|-------------------|------------------|
| Retail customers | | |
| - current accounts | 2,859,322 | 2,275,583 |
| - term and savings deposits | 4,401,427 | 4,718,411 |
| Businesses and public institutions | | |
| - current accounts | 3,157,892 | 1,996,496 |
| - term deposits | 379,809 | 434,761 |
| Total | 10,798,450 | 9,425,251 |

28. Liabilities evidenced by paper

| <i>in thousands of BGN</i> | 2022 | 2021 |
|---|----------------|----------------|
| Acceptances under letters of credit | - | 3,388 |
| Debt related to agreements for full swap of profitability | 39,874 | 74,018 |
| Financing from financial institutions | 36,611 | 26,227 |
| Liabilities related to a structured investment product | 6,884 | 2,638 |
| Obligations under loan agreements | 33,118 | - |
| Total | 116,487 | 106,271 |

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 2022 |
|--|----------------------|-----------------|--|
| European Investment Fund – JEREMIE 2 | 0% - 2.79% | 30/09/2025 | 1,506 |
| Bulgarian Development Bank AD - program for promotion of SMEs and micro | 3.05% | 15/03/2027 | 11,251 |
| Bulgarian Development Bank AD - program for indirect financing of SMEs | 3.85% | 30/11/2028 | 3,680 |
| Fund Manager of financial instruments in Bulgaria - microcredit program with shared risk | 0% | 31/12/2033 | 10,636 |
| Fund Manager of financial instruments in Bulgaria - rural financing program | 0% | 31/12/2031 | 9,538 |
| Total | | | 36,611 |

BGN '000

| 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 Development Bank AD - program for promotion of SMEs and micro | 1% | 15/03/2027 | 11,241 |
| Bulgarian Development Bank AD - program for indirect financing of SMEs | 1.583% | 30/11/2028 | 4,284 |
| Fund Manager of financial instruments in Bulgaria - microcredit program with shared risk | 0% | 31/12/2033 | 7,971 |
| Total | | | 26,227 |

Notes to the financial statements
29. Hybrid debt
in thousands of BGN

| | Principal amount | Amortised cost as at 31 December 2022 |
|---------------------------------------|-------------------------|--|
| Hybrid debt with principal EUR 60 mio | 117,350 | 123,839 |
| Hybrid debt with principal EUR 30 mio | 58,675 | 58,829 |
| Hybrid debt with principal EUR 30 mio | 58,675 | 54,590 |
| Hybrid debt with principal EUR 10 mio | 19,558 | 19,603 |
| Total | 254,258 | 256,861 |

BGN '000

| | 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 December 2021, the Bank attracted by issuing first and second tranche of the issue ISIN code XS2419929422 Hybrid Debt Issue total EUR 27,133

In April 2022, the Bank attracted by issuing third tranche of the issue ISIN code XS2419929422 Hybrid Debt Issue for EUR 2, 867

In August 2022, the Bank attracted by issuing first tranche of the issue ISIN code XS2488805461 Hybrid Debt Issue for EUR 10,000

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

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

30. Other liabilities
in thousands of BGN

| | 2022 | 2021 |
|---|--------------|--------------|
| Liabilities to personnel | 1,157 | 1,289 |
| Provisions for pending court cases | 440 | 523 |
| Impairment on off balance sheet commitments | 1,152 | 1,343 |
| Other payables | 4,650 | 4,662 |
| Total | 7,399 | 7,817 |

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 2022

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.

Notes to the financial statements

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

(b) Shareholders

The table below shows those shareholders of the Bank holding shares as at 31 December 2022 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 2022, as in the previous year, the Bank did not distribute dividends.

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> | 2022 | 2021 |
|---|------------------|----------------|
| Bank guarantees | 157,251 | 161,233 |
| Unused credit lines | 837,477 | 644,288 |
| Letters of credit | 31,767 | 12,507 |
| Total | 1,026,495 | 818,028 |
| Impairment on off balance sheet commitments | 1,152 | 1,343 |

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.

Notes to the financial statements

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>BGN '000</i> | 2022 | 2021 |
|--|------------------|------------------|
| Cash and balances with Central Banks | 1,911,371 | 1,868,853 |
| Loans and advances to banks and financial institutions with original maturity less than 3 months | 227,006 | 46,787 |
| Total | 2,138,377 | 1,915,640 |

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>BGN '000</i> | 2022 | 2021 |
|--|-------------|-------------|
| FINANCIAL ASSETS | | |
| Cash and balances with Central Banks | 2,232,611 | 1,866,440 |
| Investments in securities | 1,655,201 | 1,350,821 |
| Loans and advances to banks and other financial institutions | 190,966 | 79,671 |
| Loans and advances to customers | 6,300,194 | 6,193,428 |
| FINANCIAL LIABILITIES | | |
| Due to banks | 18,443 | 15,916 |
| Due to other customers | 10,056,144 | 9,242,419 |
| Liabilities evidenced by paper | 97,161 | 104,227 |
| Hybrid debt | 327,160 | 272,944 |

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.

Notes to the financial statements

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and other transactions. These transactions were carried out on commercial terms and at market rates. The volume of these transactions and outstanding balances at the end of respective periods are as follows:

| Type of related party | Parties that control or manage the Bank | | Enterprises under common control | |
|---|--|---------------|---|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| <i>BGN '000</i> | | | | |
| Loans | | | | |
| Loans outstanding at beginning of the period | 3,515 | 1,769 | 83,666 | 84,580 |
| Loans issued/(repaid) during the period | (571) | 1,746 | (5,350) | (914) |
| Loans outstanding at end of the period | <u>2,944</u> | <u>3,515</u> | <u>78,316</u> | <u>83,666</u> |
| Deposits and loans received: | | | | |
| At beginning of the period | 13,725 | 13,275 | 125,350 | 113,352 |
| Received/(paid) during the period | 470 | 450 | (10,173) | 11,998 |
| At the end of the period | <u>14,195</u> | <u>13,725</u> | <u>115,177</u> | <u>125,350</u> |
| Deposits placed | | | | |
| Deposits at beginning of the period | - | - | 5,868 | 2,955 |
| Deposits placed/(matured) during the year | - | - | 86,278 | 2,913 |
| Deposits at end of the period | <u>-</u> | <u>-</u> | <u>92,146</u> | <u>5,868</u> |
| Other receivables | | | | |
| At beginning of the period | - | - | 18,037 | 17,565 |
| Received/(paid) during the period | - | - | (5,570) | 472 |
| At the end of the period | <u>-</u> | <u>-</u> | <u>12,467</u> | <u>18,037</u> |
| Other borrowings | | | | |
| At beginning of the period | - | - | 420 | 100 |
| Received/(paid) during the period | - | - | (270) | 320 |
| At the end of the period | <u>-</u> | <u>-</u> | <u>150</u> | <u>420</u> |
| Off-balance sheet commitments issued by the Bank | | | | |
| At beginning of the period | 1,061 | 1,031 | 2,792 | 3,412 |
| Issued/(expired) during the period | (38) | 30 | (763) | (620) |
| At the end of the period | <u>1,023</u> | <u>1,061</u> | <u>2,029</u> | <u>2,792</u> |
| Calculation on leasing obligations | | | | |
| At beginning of the period | - | - | 1,513 | - |
| Received/(paid) during the period | - | - | 1,171 | 1,513 |
| At the end of the period | <u>-</u> | <u>-</u> | <u>2,684</u> | <u>1,513</u> |

Notes to the financial statements

| Type of related party <i>BGN '000</i> | Parties that control or manage the Bank | | Enterprises under common control | |
|--|--|------|----------------------------------|-------|
| | 2022 | 2021 | 2022 | 2021 |
| Interest income | 35 | 24 | 3,065 | 3,089 |
| Interest expense | 8 | 8 | 231 | 547 |
| Fee and commission income | 27 | 16 | 1,769 | 1,082 |
| Fee and commission expense | 6 | 4 | 301 | 296 |

The key management personnel received remuneration of BGN 12,068 thousand for 2022 (2021: BGN 10,863 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 2022 the share capital of the company is BGN 910 thousand, and the Bank's shareholding is 96.51%.

(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 2022 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%.

(d) Debita OOD

Acting jointly the Bank and First Financial Brokerage House OOD (FFBH) set up two new companies Debita OOD and Realtor OOD, which were entered in the Commercial Registry in January 2010. The capital of the two companies is BGN 150,000 each, distributed in shares with value of BGN 100 each, as follows: Realtor OOD - 70%, i.e. 1.050 shares for the Bank and 30%, i.e. 450 shares for FFBH OOD.

The 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.

(e) Realtor OOD

Acting jointly the Bank and First Financial Brokerage House OOD (FFBH) set up new company Realtor OOD, which were entered in the Commercial Registry in January 2010. The capital of the two companies is BGN 150,000 each, distributed in shares with value of BGN 100 each, as follows: Realtor OOD - in liquidation -

Notes to the financial statements

51%, i.e. 765 shares for the Bank and 49%, i.e. 735 shares for FFBH OOD

The company were established as servicing companies within the meaning of Article 18 of the Law on Special Investment Purpose Companies. The main lines of business for Realtor OOD include management, servicing and maintenance of real estate, construction and refurbishment works and consultancy in the field of real estate.

By the decision of the general meeting of associates held on 14.06.2021 the operations of Realtor OOD were terminated and winding-up proceedings were initiated, to be completed within six months. The notice to creditors was published in the Commercial Register and Register of Non-for-Profit Legal Entities on 08.09.2021, and this is the starting date of the period for winding-up.

Realtor OOD has been deregistered from the Commercial Register and Register of Non-Profit Legal Entities with the Registration Agency as from 20.07.2022.

(f) **Fi Health Insurance AD**

In the second half of 2010 the Bank acquired a majority stake capital of Health Insurance Fund FI Health AD (formerly Health Insurance Fund Prime Health AD), a company engaged in voluntary health insurance as well as acquisition, management and sale of investments in other companies. With a decision of the Financial Supervision Commission issued in June 2013 the company has been granted a license to operate as an insurer. The name was changed to FI Health Insurance AD and the principal activity is insurance – Disease and Accident. In June 2018 the company expanded its license with one more insurance class - "Various financial loss". As at 31 December 2022 the share capital of the company is BGN 5,000 thousand, and the Bank's shareholding is 59.10%.

(g) **Balkan Financial Services EAD**

In February 2011 the Bank acquired 100 shares representing 100% of the capital of Balkan Financial Services EOOD. The company is engaged in consultancy services related to implementation of financial information systems and software development. In January 2012 the company was transformed into a sole-shareholder company. As at 31 December 2021 the share capital of the company is BGN 6,437 thousand, and the Bank's shareholding is 100%.

On 11.11.2021 the Management Board of First Investment Bank as the sole shareholder of Balkan Financial Services EOOD decided to terminate the company, announce its liquidation and open winding-up proceedings; this resolution was approved by the Supervisory Board on 22.12.2021.

Balkan Financial Services EAD has been deregistered from the Commercial Register and Register of Non-Profit Legal Entities with the Registration Agency as from 09.12.2022.

(h) **Turnaround Management EOOD - deleted trader, Creative Investment EOOD and Lega Solutions EOOD**

During the first half of 2013 the Bank established as the sole shareholder the companies Turnaround Management EOOD, Creative Investment EOOD and Lega Solutions EOOD. Each company has the minimum required capital of BGN 2 and their principal activities include manufacturing and trade in goods and services in Bulgaria and abroad (Turnaround Management EOOD, Creative Investment EOOD), acquisition, management and sale of assets, information processing, financial consultations (Lega Solutions EOOD), etc.

After completion of winding-up proceedings for Turnaround Management EOOD, based on a resolution of the Management Board of First Investment Bank as the sole shareholder dated 07.01.2021 and approved by the Bank's Supervisory Board on 20.01.2021, on 11.01.2022 the company was delisted in the Commercial Register and Register of Non-for-Profit Legal Entities.

(i) **AMC Imoti EOOD**

AMC Imoti EOOD was registered in September 2010 and was acquired by the Bank in 2013 through the purchase of MKB Unionbank EAD as its subsidiary. The scope of operations of the company includes activities related to acquisition of property rights and their subsequent transfer, as well as research and evaluation of real estate, property management, consulting and other services. As at 31 December 2022 the

Notes to the financial statements

capital of the company is BGN 500 thousand, and the Bank is the sole owner.

(j) 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.

(k) Incasso Guarant EOOD

Incasso Guarant EOOD was established by Management Board resolution of 09.08.2022 approved by the Supervisory Board on 24.08.2022, and listed in the Commercial Register and Register of Non-for-Profit Legal Entities on 09.09.2022; its field of operation will be: private security services, personal (professional) security services for individuals, security of valuable shipments and cargo, security of railway transport, security of property of both individuals and legal entities, of buildings, premises and business facilities, security with the help of signal-notifying equipment (subject to licensing), development, design and construction of high-tech systems for security and video surveillance, as well as any commercial activity not prohibited by law.

As at 31 December 2022 the capital of the company is BGN 100 thousand, and the Bank is the sole owner.

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:

- As disclosed in Note 29, in the period between December 2021 and August 2022 the Bank successfully issued perpetual, non-cumulative, uncollateralized, deeply subordinated, non-convertible notes in the amount of EUR 40 000 000 (forty million) („The New Issue“). The purpose of the New Issue was to replace a previous issue of perpetual, non-cumulative, uncollateralized, deeply subordinated notes of the Bank of the same amount, registered under ISIN code BG2100008114 („The Old Issue“).
- In accordance with regulatory requirements, and after obtaining approval from the Bulgarian National Bank, on 2 February 2023 the Bank repurchased the Old Issue, and as a result, the planned replacement of the Old Issue was completed successfully, in line with the Bank's strategy.

REPORT OF THE INDEPENDENT AUDITORS

To the shareholders of
First Investment Bank AD

Report on the audit of the individual financial statement

Opinion

We have audited the individual financial statements of First Investment Bank AD (the "Bank"), which include the individual statement of financial position as at 31 December 2022 and the individual statement of profit or loss and other comprehensive income, the individual statement of changes in equity containing and the individual statement of cash flows for the year then ended, as well as the explanatory notes to the financial statements and summary disclosure of significant accounting policies.

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

Basis for expressing opinion

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

Key audit matters

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

Impairment of accounts receivable

| Key audit matter | Matters discussed with the audit committee |
|--|--|
| <p>Impairment represents a significant management judgment regarding the losses incurred within the Bank's credit portfolio. The bank assesses the need for credit impairment on an individual and portfolio basis.</p> <p>Loans represent 50,22% of the Bank's assets. The bank categorizes its receivables from customers in 5 (five) business segments: large, middle, small, micro enterprises and households. The share of receivables from large companies is the largest – 33,70% of total receivables from customers. Due to their materiality and the uncertainty associated with the process of identifying impaired loans, assessing objective evidence of impairment and determining recoverable amount, we define them as a key audit matter.</p> <p>The process involves various assumptions and factors, including the financial condition of the borrower counterparty, expected future cash flows, value of the collateral. As a result, the use of different modeling techniques and assumptions may lead to differences in the assessment of credit loss impairment. The exposures that give rise to the greatest valuation uncertainty are those where there is a risk of cash flow shortages or collateral insufficiency.</p> | <p>The issues discussed cover the positive outcomes and good practices set in the impairment model. The Bank has complied with IFRS requirements in developing the impairment policy and rules.</p> <p>Improvements in the procedures that the bank should introduce in order to:</p> <ul style="list-style-type: none"> – more clearly documenting judgments about the future cash flows of borrowers and the expected development of credit exposures for future periods, with particular attention paid to lending for working capital by the bank. – systematically confirming the commitment of the owners of the borrowers to provide continued support to the companies. <p>It was discussed with the audit committee and it was recommended that the bank's bodies responsible for risk management monitor changes in risk factors, the macroeconomic framework and other data used in the impairment models and that significant changes be reflected in the models in a timely manner.</p> |
| <p>How this key audit question was addressed in our audit</p> | |
| <p>Procedures performed to support our conclusions and discussions:</p> <ul style="list-style-type: none"> - The internal rules of the bank have been reviewed, we have gained an understanding of the key controls in the essential business processes, and tests | |

| |
|---|
| <p>have been made for the effectiveness of the controls, according to the audit strategy.</p> <ul style="list-style-type: none"> - A sample of borrowers was reviewed on the basis of risk analysis, for which substantive procedures were carried out in connection with an assessment of the adequacy of the recognized impairment. - For individually charged impairments, we tested assumptions regarding the identification and quantification of impairments, including projections of future cash flows and valuations of credit collateral. We reviewed a sample of credit exposures that continue to be, have occurred or have been exposed to impairment risk. - For collective impairments, we reviewed the methodology used by the Bank to determine them, the reasonableness of the underlying assumptions and the sufficiency of the data used by management. - For selected non-performing loans, we have evaluated management's forecast of cash flow generation, collateral valuations and other repayment sources. In addition, we tested a sample of serviced loans for which an assessment of financial indicators was performed for weaknesses and other risks that could threaten the ability to repay the exposures. |
| <p>Corresponding references in the individual financial statement</p> <ul style="list-style-type: none"> • Notes 17 and 17a • Note 2 (j) • Note 3 C (iii) |

Assets acquired as collateral

| Key Audit Question | Matters discussed with the audit committee |
|---|--|
| <p>The position in the financial statement in the amount of BGN 412,996 thousand is disclosed by relevant subgroups.</p> <p>The Buildings group contains assets of varying degrees of completion and are in accordance with their condition at the date of acquisition.</p> <p>Assets worth BGN 46,780 thousand were sold during the year. The bank has recognized in the group of Others revenues/ (expenses), net (Note 12) profit in the amount of BGN 2,608 thousand.</p> <p>The Bank, like any other banking institution, is exposed to significant risk regarding the realization of the assets acquired as collateral.</p> | <p>The actions and procedures that the bank should introduce in order to enable the consistent tracking of changes in the income and expenses part by groups and subgroups until the time of realization of the relevant assets are discussed. In addition, we set out our recommendation to improve the inventory processes of assets acquired as collateral in order to better and fully implement the national financial reporting framework.</p> |

| Key Audit Question | Matters discussed with the audit committee |
|---|---|
| How this key audit question was addressed in our audit | |
| <p>Procedures performed to support our conclusions and discussions</p> <ul style="list-style-type: none"> - The internal rules of the bank have been reviewed, we have gained an understanding of the key controls in the essential business processes, and tests have been made for the effectiveness of the controls, according to the audit strategy. - For a sample of newly acquired collateral assets, acquisition documents were reviewed, - Fair value determination reports were reviewed for a sample of current collateral assets. - The supporting documents for our sample were reviewed in relation to the largest object - brokerage agreement, lease agreement, commission agreement, as well as their annexes. Substantive procedures were performed to confirm the completeness and accuracy of the reclassification between individual groups. | |
| <p>Corresponding references in the individual financial statement</p> <ul style="list-style-type: none"> • Note 12 • Note 21 | |

Litigation and Provisions

| Key Audit Question | Matters discussed with the audit committee |
|--|--|
| <p>The Bank, like any other banking institution, is exposed to significant risk of litigation and regulatory scrutiny. The extent of the impact cannot always be predicted, but may result in provisions for contingent and other liabilities depending on the relevant facts and circumstances. The level of provisions is subject to management and judgment based on legal advice.</p> <p>The bank has recognized provisions in the amount of BGN 440 thousand for legal disputes.</p> <p>In connection with issued bank guarantees, the bank has blocked funds in the amount of BGN 43,094 thousand, which are disclosed in note 25 of the individual financial statement (included in the Other assets subgroup).</p> | <p>The recognition and valuation of provisions have been discussed with the Audit Committee to ensure that the bank has correctly applied its provisioning policies.</p> <p>Disputes where the bank did not recognize provisions were discussed in order to satisfy ourselves sufficiently that there was no need for additional provisioning and in particular:</p> <p>the legal department of the bank reports to the Audit Committee the current status of legal disputes. Material changes that have occurred are discussed, taking into account potential changes in provisions. Discussion is also done to identify any material litigation.</p> |

| Key Audit Question | Matters discussed with the audit committee |
|---|---|
| Due to the ambiguities of the emergence and presentation of claims related to lawsuits against the bank, there is a risk of incomplete or untimely reflection in the financial statement of legal claims pertaining to the relevant reporting period. | |
| How this key audit question was addressed in our audit | |
| Procedures performed to support our conclusions and discussions <ul style="list-style-type: none"> - The internal rules of the bank have been reviewed, we have gained an understanding of the key controls in the essential business processes, and tests have been made for the effectiveness of the controls, according to the audit strategy. - A letter was received from the bank's legal department, as well as from external legal consultants, regarding information on cases filed in foreign jurisdiction and subsequent proceedings in Bulgaria. The pending court cases in Bulgarian and Romanian courts, on which no final decisions have entered into force, are listed. | |
| Corresponding references in the individual financial statement <ul style="list-style-type: none"> • Note 25 • Note 30 | |

Other matters

In determining risk-weighted assets, the management excluded assets with the right to use according to IFRS 16 "Leasing" in the amount of BGN 1,24,159,000.

Other information different from the financial statement and the auditor's report thereon

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

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

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

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

We have nothing to report in this regard.

Responsibilities of management and individuals charged with general management of the financial statement

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

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

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

Responsibilities of the auditors for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion . The risk of not detecting a material misstatement resulting from fraud is higher than the risk of a material misstatement resulting from error because fraud may involve collusion, forgery, intentional omissions, input statements misleading the auditor, as well as ignoring or circumventing internal control.
- obtain an understanding of internal control relevant to the audit in order to develop audit procedures that are appropriate in the particular circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- reach a conclusion about the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that could give rise to significant doubts about the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the financial statement disclosures related to that uncertainty or, if those disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease functioning as a going concern.
- we evaluate the overall presentation, structure and content of the financial statement, including disclosures, and whether the financial statement presents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Report in relation to other legal and regulatory requirements

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

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

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

Based on the procedures performed, our opinion is that:

- a) The information included in the activity report for the financial year for which the financial statement was prepared corresponds to the financial statement.
- b) The activity report is prepared in accordance with the requirements of Chapter Seven of the Law on Accounting and Art. 100(n), para. 7 of the Law on the Public Offering of Securities.
- c) In the declaration of corporate governance for the financial year for which the financial statement was prepared, the required according to Chapter Seven of the Law on Accounting and Art. 100 (n), para. 8 of the Law on the Public Offering of Securities information.
- d) The non-financial statement for the financial year for which the financial statement was prepared was provided and prepared in accordance with the requirements of Chapter Seven of the Law on Accounting.

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

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

Additional reporting on the audit of the financial statement in connection with Art. 100(n), para. 4, item 3 of the Law on the Public Offering of Securities

Statement in connection with Art. 100(n), para. 4, item 3, b. "b" of the Law on the Public Offering of Securities

Information regarding transactions with related parties is disclosed in Note 35 to the individual financial statements. Based on the audit procedures we performed on the related party transactions as part of our audit of the financial statements as a whole, no facts, circumstances or other information came to our attention on the basis of which we could conclude that the related party transactions did not are disclosed in the attached financial statements for the year ended 31 December 2022, in all material respects, in accordance with the requirements of ISA 24 "Related Party Disclosures". The results of our audit procedures on related party transactions have been 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 related party transactions.

Statement in connection with Art. 100(n), para. 4, item 3, b. "c" of the Law on the Public Offering of Securities

Our responsibilities for an audit of the financial statements as a whole, described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, include evaluating whether the financial statements present the material transactions and events in a manner that achieves fair presentation. On the basis of the audit procedures carried out by us on the material transactions underlying the financial statement for the year ending on 31 December 2022, we have not become aware of any facts, circumstances or other information on the basis of which we can conclude that they there are cases of material misrepresentation and disclosure in accordance with the applicable requirements of IFRS adopted by the European Union. The results of our audit procedures on the transactions and events of the Bank material to the financial statement have been considered by us in the context of forming our opinion on the financial statement as a whole, and not for the purpose of expressing a separate opinion on these material transactions.

Reporting on compliance of the electronic format of the individual financial report, included in the annual individual financial report for the activity under Art. 100n, paragraph 4 of the Law on the Public Offering of Securities with the requirements of the EEEF Regulation.

In addition to our responsibilities and reporting under ISAs described above in the section "Auditor's Responsibilities for the Audit of the Separate Financial Statements", we have performed the procedures in accordance with the "Guidance on the expression of an auditor's opinion in relation to the implementation of the single European electronic format (EEEF) 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". These procedures concern verification of the form and whether the human-readable part of this electronic format corresponds to the audited individual financial statement and expressing an opinion regarding the conformity of the electronic format of the individual financial statement of First Investment Bank AD for the year ending on 31 December 2022, attached in the electronic file "549300UY81ESCZJ0GR95-20221231-BG-SEP.XHTML", with requirements of Delegated Regulation (EU) 2019/815 of the Commission of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council by means of regulatory technical standards for the determination of the single electronic reporting format ("EEEF Regulation "). Based on these requirements, the electronic format of the individual financial report, included in the annual individual financial

report for the activity under Art. 100n, para. 4 of the Law of the Public Offering of Securities, must be presented in XHTML format. The management of First Investment Bank AD is responsible for implementing the requirements of the EEEF Regulation when preparing the electronic format of the individual financial statement in XHTML. Our opinion is only regarding the electronic format of the individual financial report, attached in the electronic file "549300UY81ESCZJ0GR95-20221231-BG-SEP.XHTML" and does not cover the other information included in the annual individual financial report for the activity under Art. 100n, para. 4 of the Law of the Public Offering of Securities. Based on the procedures performed, our opinion is that the electronic format of the individual financial report of "First Investment Bank AD for the year ending on 31 December 2022, contained in the attached electronic file "549300UY81ESCZJ0GR95-20221231-BG-SEP.XHTML" , has been prepared in all material respects in accordance with the requirements of the EEEE Regulation.

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

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

- Mazars OOD and Ecovis Audit Bulgaria OOD were appointed as mandatory auditors of the financial statements for the year ending on 31 December 2022 of First Investment Bank AD ("the Bank") by the General Meeting of Shareholders held on 12 May 2022, for a period of one year.
- The audit of the financial statement for the year ending on 31 December 2022 of the Bank represents the first full continuous commitment for a mandatory audit of this enterprise carried out by Mazars OOD and the first continuous full commitment for a compulsory audit of this enterprise carried out by Ecovis Audit Bulgaria Ltd.
- We confirm that the audit opinion expressed by us is in accordance with the additional report submitted to the Bank's audit committee, in accordance with the requirements of Art. 60 of the Law on the Independent Financial Audit.
- We confirm that we have not provided the specified in Art. 64 of the Law on the Independent Financial Audit prohibited non-audit services.
- We confirm that in performing the audit we have maintained our independence from the Bank.

Sofia, 30 March 2023

About Ecovis Audit Bulgaria OOD:

Georgi Trenchev
Managing Director

Georgi Trenchev
Managing Director
Registered auditor responsible for the audit
Sofia, Gen. Blvd. Edward I. Totleben, 71-73

About MAZARS OOD:

Athanasios Petropoulos
Procurator

Iva Slavkova
Registered auditor responsible for the audit
City of Sofia, St. Moskovskaya No. 3A



ACTIVITY REPORT

(ON AN INDIVIDUAL BASIS)

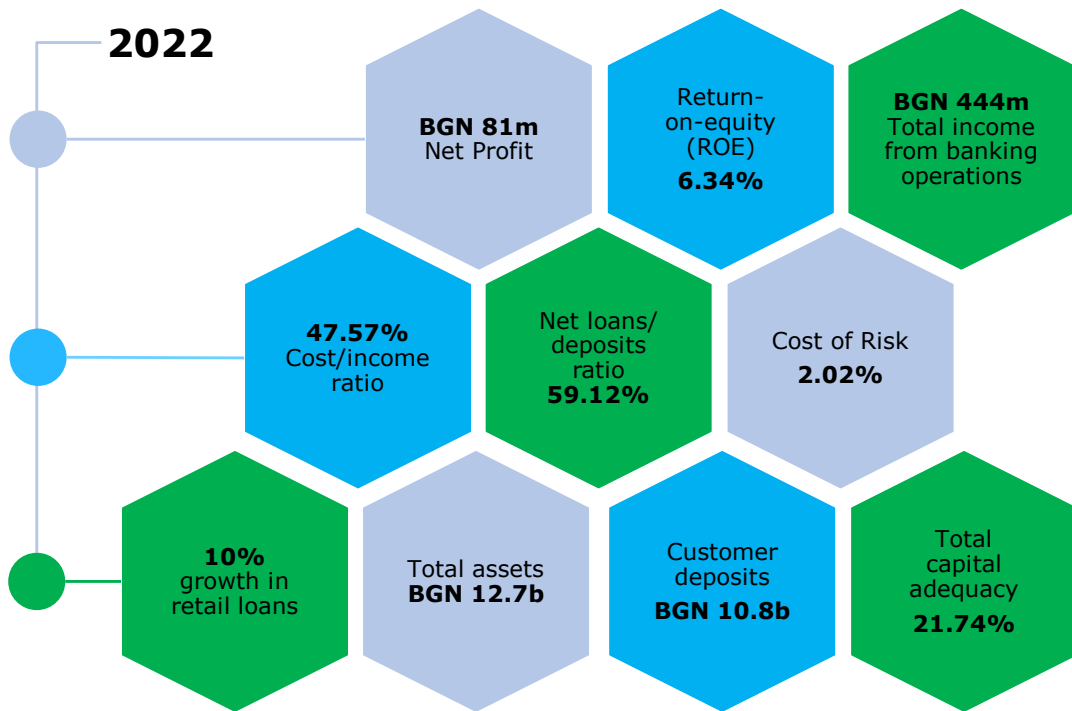
OF FIRST INVESTMENT BANK AD

FOR 2022

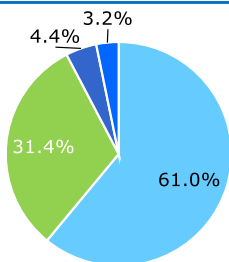
MARCH 2023

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

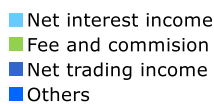
SELECTED INDICATORS



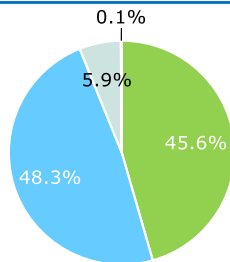
OPERATING INCOME BY TYPE OF INCOME



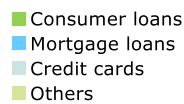
2022



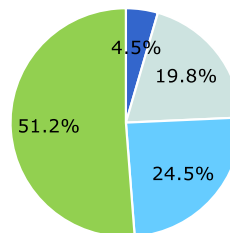
LOANS FOR INDIVIDUALS



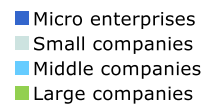
2022



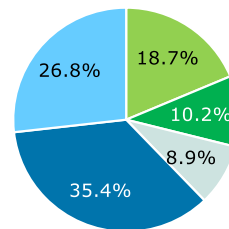
LOANS FOR CORPORATES



2022



PORTFOLIO BY SECTORS



2022



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.



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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 2022 the Bulgarian economy registered slow-down of investment activity, related to the unstable macro environment dominated by external factors.

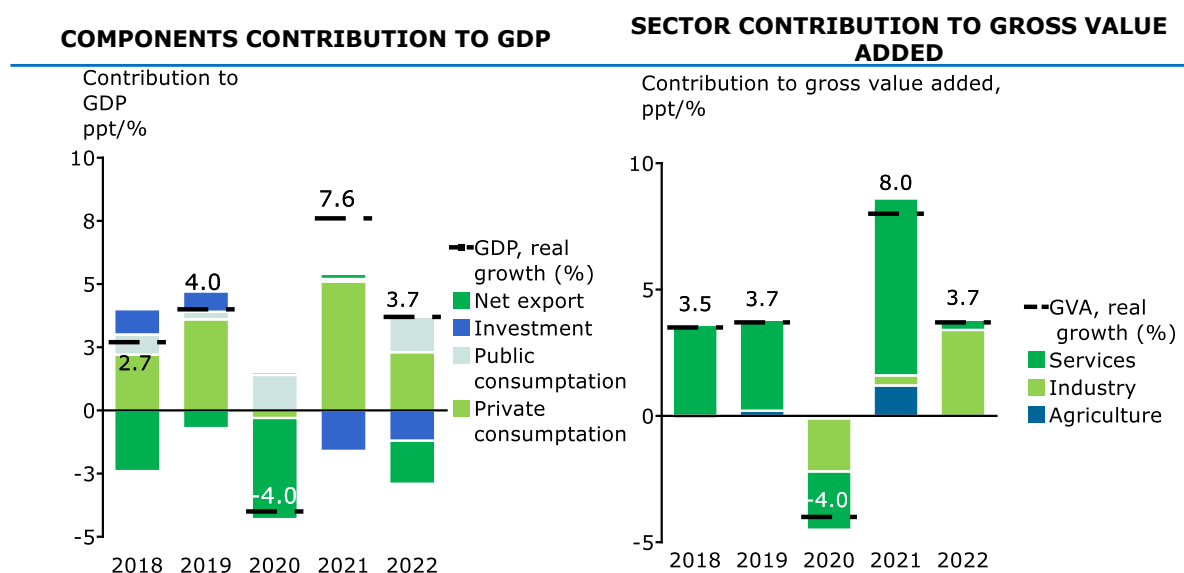
| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|--------------------|---------|---------|---------|---------|
| Gross domestic product (BGN million) | 165,041 | 139,012 | 120,553 | 120,396 | 109,964 |
| Gross domestic product, real growth (%) | 3.7 ¹ | 7.6 | (4.0) | 4.0 | 2.7 |
| - Private consumption, real growth (%) | 4.0 ¹ | 8.0 | (0.4) | 6.0 | 3.7 |
| - Public consumption, real growth (%) | 7.4 ¹ | 4.0 | 8.3 | 2.0 | 5.4 |
| - Investments, real growth (%) | (7.4) ¹ | (11.0) | 0.6 | 4.5 | 5.4 |
| - Net exports, real growth (%) | (3.3) ¹ | (2.3) | (6.7) | (1.2) | (4.0) |
| Inflation, at period-end (%) | 16.9 | 7.8 | 0.1 | 3.8 | 2.7 |
| Average annual inflation (%) | 15.3 | 3.3 | 1.7 | 3.1 | 2.8 |
| Unemployment, at period-end (%) | 4.7 | 4.8 | 6.7 | 5.9 | 6.1 |
| Current account (% of GDP) | (0.3) | (0.5) | (0.0) | 1.9 | 0.9 |
| Trade balance (% of GDP) | (5.5) | (4.1) | (3.1) | (4.7) | (4.8) |
| International reserves of BNB (BGN million) | 75,151 | 67,666 | 60,334 | 48,574 | 49,037 |
| FDI in Bulgaria (% of GDP) | 2.7 | 1.7 | 4.8 | 2.7 | 1.7 |
| Gross external debt (% of GDP) | 52.0 ² | 58.4 | 63.8 | 61.3 | 66.1 |
| Government and government guaranteed debt (% of GDP) | 22.9 | 25.0 | 24.6 | 19.8 | 21.8 |
| Consolidated budget balance (% of GDP) | (0.8) | (2.7) | (2.9) | (1.0) | 0.1 |
| USD exchange rate (BGN for USD 1) | 1.83 | 1.73 | 1.59 | 1.74 | 1.71 |

Sources: NSI, BNB, MF, Employment agency

¹ Data for nine months of 2022

² Data as of November 2022

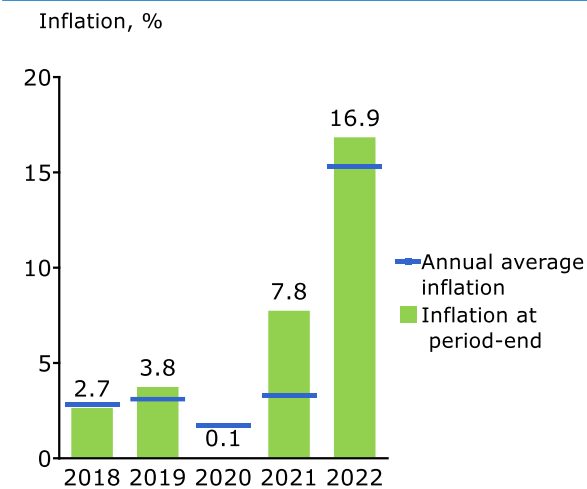
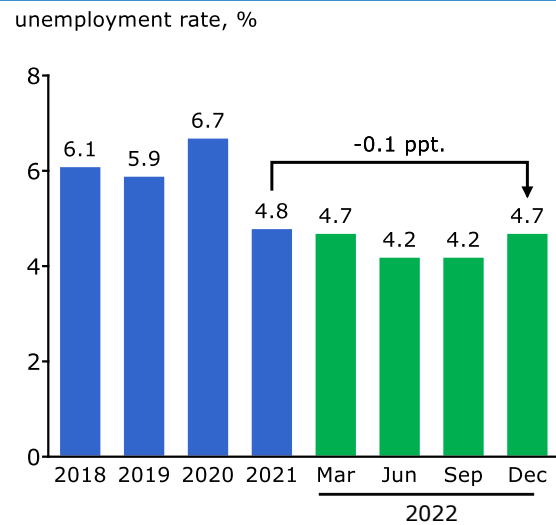
For 2022, the growth in gross domestic product slowed down to 3.7% for the nine months of the year (2021: 7.6%), as main positive drivers were the private consumption (9M22: 4,0%; 2021: 8.8%) and the public consumption (9M22: 7,4%; 2021: 0,4%), as well as the change in reserves in the economy as a result of the slower internal demand and increasing inflation. Net exports had negative contribution to the growth (9M22: -3.3%; 2021: 0.1%), as well as the fixed capital investments (9M22: -7.4%; 2021: -8.3%), due to disrupted supply chains and their inpoact on trade, as well as decrease in investment activity, impacted by unstable external environment.



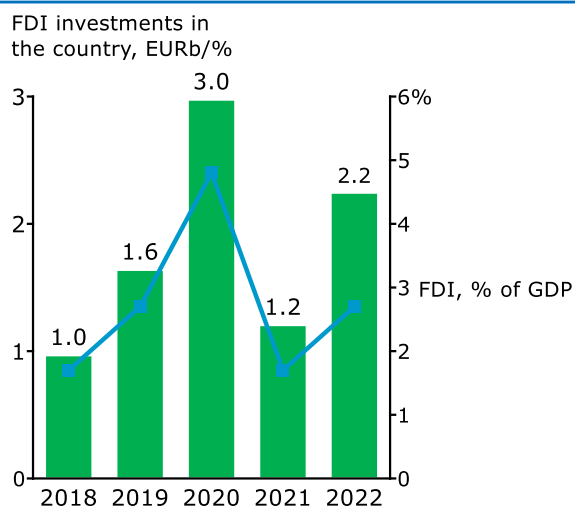
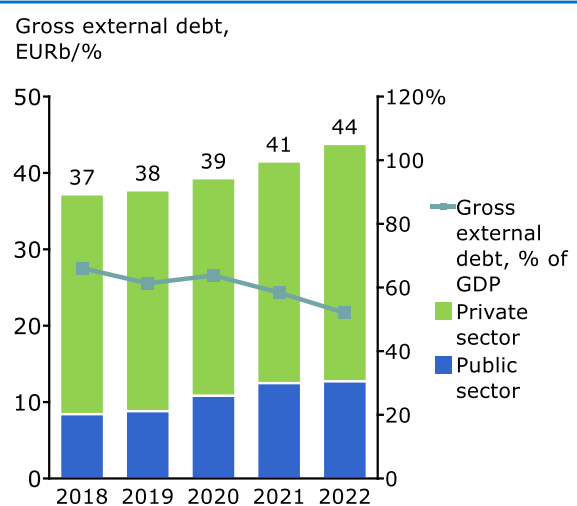
In the nine-month period of 2022, gross value added in the economy increased by 3.7%, slowing down as compared to 2021 reported figures of 8.0%. Positive contribution is reported mainly in the industrial sector, which increased by 13.8% for the period (2021: 1.7%) and more specifically in the mining and processing industry (9M22: 18.5%), at the expense of construction which was down (9M22: -12.6%). The services sector, which had the most significant share to value added, registered a slow increase by 0.6% (2021: 9.9%), incl. in the trade, transport and tourism sectors (9M22: 1.2%), the finance and insurance sectors (9M22: 1.0%), telecommunications (9M22: 0.4%), public administration and healthcare (9M22: 1.6%). A decrease was reported in the agricultural sector (9M22: 0.9%; 2021: 28.8%), mainly influenced by plant-growing sectors, incl. cereals and industrial crops.

In 2022, the labor market reported positive trend, as the unemployment rate declined to 4.7% at the end of the year (2021: 4.8%), with more expressed trend in the summer period, reflecting the higher seasonal employment. The total number of employed persons amounted to 3,095 thousand in the fourth quarter of 2022, with the employment rate (for persons aged 15-64) amounting to 71.5%. As of the end of December 2022, 64% of the workforce was employed in the services sector, 30% in industry and 6% in agriculture.

Inflation in the country increased, as the average annual inflation in 2022 amounted to 15.3% (2021: 3.3%), and inflation at the end of the period reached 16.9% (2021: 7.8%). The influence was widespread across components, with main effect of food products (2022: 26.1%) and energy products (2022: 19.9%), registered in an environment of significant increase in the prices of basic raw materials (natural gas, oil and other) and agricultural products on the international markets. The groups of services and non-food sector in the consumer basket had lower expressed dynamics at 10.3% and 13.3%. Harmonized inflation, as price stability criteria in the Eurozone, was 14.3% at the end of 2022 (2021: 6.6%) and 13.0% on average for the period (2021: 2.8%).

INFLATION

UNEMPLOYMENT RATE


For 2022, foreign direct investment in the country amounted to EUR 2,245 million or 2.7% of GDP (2021: EUR 1,205 million or 1.7% of GDP). Such dynamics mainly reflect higher revenues from debt instruments (financial, bond and trade loans) and investments in equity, at the expense of reinvested earnings. By country, most investments were attracted from Switzerland (EUR 483 million), followed by Cyprus (EUR 384 million) and Austria (EUR 380 million). The accelerated increase in imports (37.0% for 2022 y/o/y to EUR 51,086 million) compared to exports (35.1% to EUR 46,493 million) led to increase in the trade deficit amounting to EUR -4,593 million or -5.5% of GDP at the end of 2022. Despite, the current account deficit decreased to EUR 275 million or 0.3% of GDP (2021: BGN -351 million or -0.5% of GDP) as a result of the services, incl. transport and travel, related to the strong tourism season.

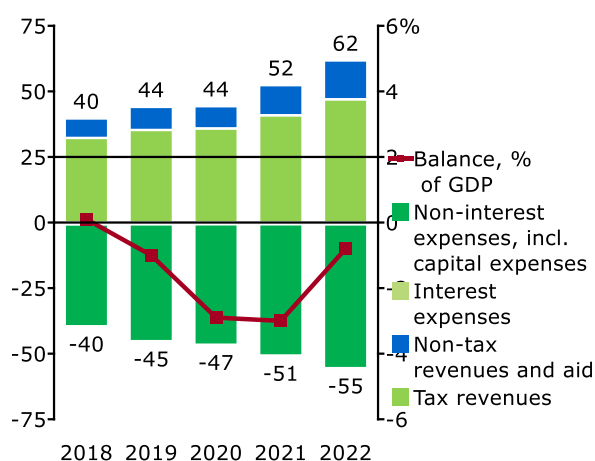
FDI INVESTMENTS IN THE COUNTRY

GROSS EXTERNAL DEBT


The country's gross external debt decreased to 52.0% of GDP at end-November 2022 (2021: 58.4%), as decrease was registered in the public sector (11M22: 15.1% of GDP), remaining among the lowest in the EU, as well as in the private sector (11M22: 36.9% of GDP). Total government and government-guaranteed debt, including debt issued on the domestic market, amounted to 22.9% of GDP by the end of 2022 (2021: 25.0%).

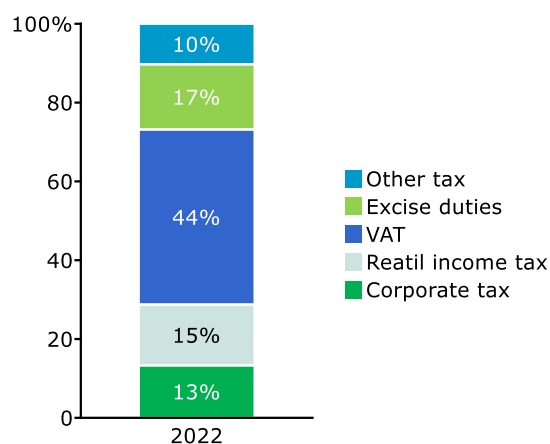
In 2022, the consolidated budget reached a deficit of BGN 1,347 million or 0.8% of GDP at the end of the year (2021: BGN 3,794 million or 2.7% of GDP), reflecting the higher growth of costs relative to revenues in the national budget and larger excess on EU funds. Expenditures under the consolidated fiscal program increased by 17.5% to BGN 66,113 million (2021: BGN 56,253 million), mainly due to the increase in capital and non-interest expenses, which included higher costs for pensions and subsidies related to the programs for supporting non-private consumers due to higher electricity prices.

CONSOLIDATED BUDGET

Budget, BGNb/%



STRUCTURE OF TAX REVENUES



Tax revenues increased by 14.5% y/o/y to BGN 46,795 million as of December 2022, as an increase was reported in all main components, incl. personal income tax (by 10.0% to BGN 5,321 million), corporate tax (by 34.8% to BGN 4,593 million), VAT revenues (by 18.1% to BGN 15,331 million) and excise duties (by 0.8% to BGN 5,707 million). Revenues from social security contributions also increased, amounting to BGN 13,747 million as of December 2022, of which BGN 9,941 million were social security contributions and BGN 3,806 million health insurance contributions.

During the year the credit ratings of Bulgaria were affirmed by Fitch Ratings (BBB, positive outlook), Standard & Poor's (BBB, stable outlook) and Moody's Investors Service (Baa1, stable outlook). 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.

BANKING SYSTEM

In 2022, the banking system in Bulgaria showed sustainability and adaptability, operating in an unstable external environment. The key indicators, incl. for liquidity and capital adequacy exceeded the regulatory requirements, as well as reported increased profitability. Since 2020 Bulgaria is part of the Banking Union through participation in the Single Supervisory Mechanism (SSM) and the Single Restructuring Mechanism (SRM), and the processes of integration with the European regulatory framework had an impact on banking policies.

| in % / change in p.p. | 2022 | 2021 | 2020 | 22/21 | 21/20 |
|--|--------------------|-------|-------|--------|--------|
| CET 1 ratio | 19.56 ¹ | 21.66 | 21.69 | (2.10) | (0.03) |
| Tier 1 capital ratio | 22.06 ¹ | 22.04 | 22.10 | 0.02 | (0.06) |
| Capital adequacy ratio | 20.47 ¹ | 22.62 | 22.74 | (2.15) | (0.12) |
| Leverage ratio | 9.69 ³ | 10.52 | 10.74 | (0.83) | (0.22) |
| Liquidity coverage ratio (LCR) | 235.9 ¹ | 274.1 | 279.0 | (38.2) | (4.90) |
| Loans/deposits ⁴ | 68.21 | 69.38 | 69.04 | (1.17) | 0.34 |
| Return-on-equity (ROE) | 12.01 ¹ | 8.53 | 5.31 | 3.48 | 3.22 |
| Return-on-assets (ROA) | 1.34 ¹ | 1.05 | 0.66 | 0.29 | 0.39 |
| Non-performing loans and advances ⁵ | 3.55 | 4.60 | 5.65 | (1.05) | (1.05) |

Source: Bulgarian National Bank

The total capital ratio for the system amounted to 20.47% the end of September 2022 (2021: 22.62%), while the CET 1 ratio to 19.56% (2021: 21.66%), as the indicators were significantly above the regulatory requirements (TCR: 14.50-15.50%; CET1: 10.50-11.50% depending on the combined buffer requirement). 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 9.69% as of September 2022 compared to 10.52% as of end-2021.

With respect to the reported levels of growth in lending and the cyclical risks on the real estate market, during the year BNB increased the level of the countercyclical capital buffer from 1.5% to 2.0% effective from October 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 2023. In 2022, 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 by banks against net outflows over a period of 30 calendar days increased to 235.9% (2021: 274.1 as of September 2022 which is well above the minimum requirement of 100%. The ratio of liquidity buffer to balance sheet assets for the system was 26.8% at the end of September 2022.

³ Data as of 30 September 2022.

⁴ Gross loans and advances (without central banks and credit institutions)/deposits (without credit institutions)

⁵ 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).

In the second half of 2022, the interest rate on the deposit facility of the European Central Bank was raised twice: from -0.50% to 0% (effective 27.07.2022) and from 0% to 0.75% (effective 14.09.2022). With that, the negative interest rate on the banks' excess reserves in the BNB according to the methodology for its calculation, was changed from -0.70% to 0%.

In 2022 the banking system realized a net profit of BGN 2,079 million, compared to BGN 1,416 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 586 million for the period (2021: BGN 594 million).

| BGN million/ change in % | 2022 | 2021 | 2020 | 22/21 | 21/20 |
|-------------------------------|-------|-------|-------|-------|--------|
| Net interest income | 3,227 | 2,757 | 2,649 | 17.0 | 4.1 |
| Net fee and commission income | 1,430 | 1,241 | 1,039 | 15.2 | 19.4 |
| Administrative expenses | 1,972 | 1,784 | 1,677 | 10.5 | 6.4 |
| Impairment | 586 | 594 | 876 | (1.3) | (32.2) |
| Net profit | 2,079 | 1,416 | 815 | 46.8 | 73.7 |

Source: Bulgarian National Bank

Net interest income for 2022 increased by 17.0% to BGN 3,227 million (2021: BGN 2,757 million). Net fee and commission income reached BGN 1,430 million (2021: BGN 1,241 million), providing a solid contribution to profit by forming 27.1% of the total operating revenues of the system (2021: 27.9%). The achieved financial results accounted for return on assets (ROA) of 1.34% for the first nine months of 2022 (2021: 1.05%) and return on equity (ROE) of 12.01% for the same period (2021: 8.53%).

Total balance sheet assets increased by 14.8% y/o/y to BGN 155,406 million as of end-2022 (2021: BGN 135,410 million), as loans and advances had a predominant share in the balance sheet structure at 59.6% of total assets (2021: 58.2%), followed by cash and balances with central banks at 20.9% of assets (2021: 21.0%) and investments in securities at 15.7% (2021: 16.7%), which included mainly government debt securities.

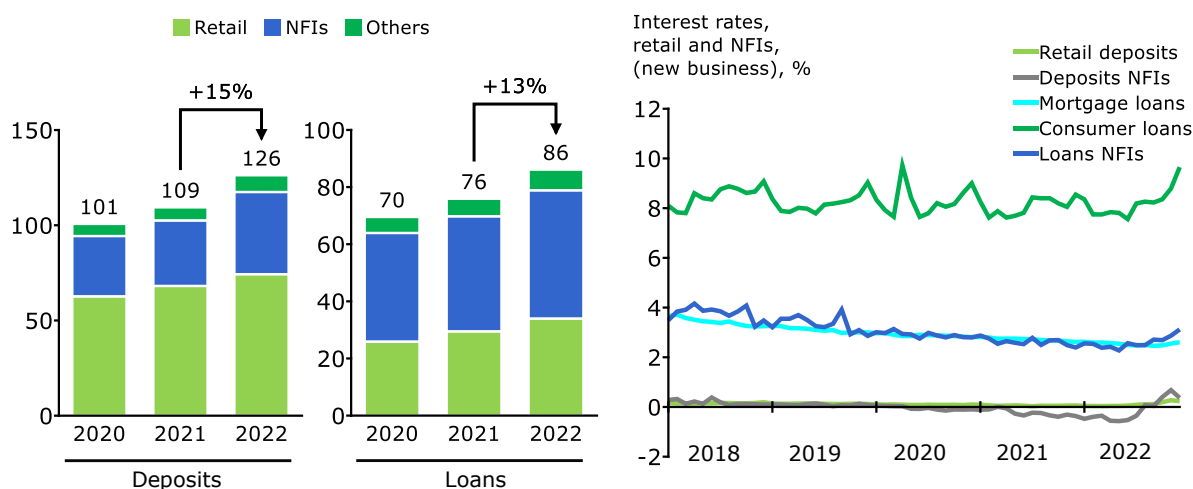
Lending activity in 2022 continued to increase with more pronounced dynamics in households, compared to non-financial corporations. Residential mortgage loans increased by 16.1% to BGN 18,365 million (2021: BGN 15,815 million), while consumer loans – by 12.8% to BGN 16,138 million (2021: BGN 14,304 million) at the end of 2022. Loans to non-financial corporations retained their major share at 52.2% of total loans to customers, reaching BGN 44,908 million (2021: BGN 40,286 million).

The share of non-performing loans and advances continued to decrease, reaching 3.55% of gross loans and advances as of December 2022 (2021: 4.60%). For comparability with previous periods it was 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 (67.0%), followed by loans to households (30.7%) and other financial corporations (2.0%).

| BGN million / change in % | 2022 | 2021 | 2020 | 22/21 | 21/20 |
|--|---------|---------|---------|-------|-------|
| Assets | 155,406 | 135,410 | 124,006 | 14.8 | 9.2 |
| Loans to non-financial corporations | 44,908 | 40,286 | 38,042 | 11.5 | 5.9 |
| Loans to individuals, including: | 33,945 | 29,468 | 25,882 | 15.2 | 13.9 |
| - Mortgage loans | 18,365 | 15,815 | 13,752 | 16.1 | 15.0 |
| - Consumer loans | 16,138 | 14,304 | 12,882 | 12.8 | 11.0 |
| Deposits from non-financial corporations | 43,169 | 34,374 | 31,701 | 25.6 | 8.4 |
| Deposits from individuals | 74,282 | 68,107 | 62,636 | 9.1 | 8.7 |

Source: Bulgarian National Bank

In 2022, borrowed funds in the banking system (excluding credit institutions) continued their upward trend, growing by 15.4% to BGN 126,197 million as of December 2022 (2021: BGN 109,356 million), reflecting the confidence in the system, the uncertainty of the environment and the decrease in investment activity of the companies. An increase was reported mainly in deposits of non-financial corporations (by 25.6% to BGN 43,169 million) and at a lesser extent in households (by 9.1% to BGN 74,282 million), which retained their dominant share of 58.9% of all attracted funds. The currency structure of deposits remained unchanged, as the share of deposits in BGN was 63.7%, those in EUR at 29.2%, and those in other currencies at 7.1% as of December 2022.

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


During the year, signals were registered for change in the interest rate cycle in line with the dynamics in the EU and Eurozone countries. Interest rates on deposits (new business⁶) of households and non-financial corporations increased on average for 2022 (volume weighted) up to 0.11% and to -0.13% respectively (2021: 0.06% and -0.17%). Interest rates on loans (new business⁷) showed different trends, with consumer loans increasing to 8.16% on average for the period (2021: 8.08%), at the expense of mortgage loans, which registered a decline to 2.54% (2021: 2.70%), while those for non-financial enterprises remained unchanged at 2.60% (2021: 2.60%).

⁶ Term deposits in BGN up to 1 year

⁷ Loans in original maturity in BGN

In the regulatory framework in 2022 priority developed were the sustainability requirements – a new Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 was adopted, amending the implementing technical standards as regards the disclosure of environmental, social and governance (ESG) risks by banks according to Part Eight of Regulation (EU) 2013/575.

New EBA Guidelines were introduced on the policies and procedures related to regulatory compliance management of the anti-money laundering and countering the financing of terrorism (AML/CFT) (EBA/GL/2022/05). At the end of 2022, EBA Guidelines on the use of remote customer onboarding solutions were also published.

A new Law on Covered Bonds was adopted, which regulates the terms and procedure for the issuance, structural characteristics and public supervision of covered bonds, as well as a new Ordinance No. 42 of the BNB on the Terms and Procedure for Issuance of Covered Bonds, which further develops the requirements regarding the calculation of the amount of covered bond liabilities and cover assets, as well as the periodic stress tests in relation to them.

Changes were made to the Personal Income Tax Act whereby, as of April 1, 2022, the final tax was removed on the gross interest income on bank accounts earned by local individuals.

In connection with the development of the requirements regarding recovery and resolution of credit institutions and investment firms, two new regulations of the BNB were adopted during the year: Ordinance No 43 on the Terms and Procedure for Determining and Paying a Maximum Daily Amount upon Suspension of Obligations in Respect of Eligible Deposits, and Ordinance No 44 on the Terms and Procedure for Selection of Independent Valuers under Article 55a of the Law on the Recovery and Resolution of Credit Institutions and Investment Firms. They provide better preparedness for carrying out potential restructuring of institutions, and for protection of stakeholders and creditors.

During the year, amendments were adopted to Ordinance No. 20 of the BNB on the Requirements to Members of the Management and Controlling Bodies of Credit Institutions and on the Suitability Assessment of their Members and Key Function Holders, mainly concerning the reliability and suitability assessment questionnaires applied by significant and less significant banks.

At the end of 2022, 25 credit institutions operated in the country, out of which 7 branches of foreign banks, as the consolidation processes in the system continued, following the global trends to search for optimizations in the structure and efficiency of banking institutions against the background of increased competition. The share of the group of significant banking institutions (according to ECB criteria) in the country amounted to 66.7% of bank assets as of September 2022, those of the less significant at 29.%, while those of the branches of foreign banks at 3.5%

The main challenges faced by banks included overcoming the uncertainties of the external environment, both political and economic; digitizing banking services; prioritizing ESG factors; strengthening the ability to reduce and manage risks; and developing ways to support customers through offering advice and appropriate products and services.

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.

In 2022 the head office and business address of First Investment Bank AD was changed – Sofia 1784, 111P, Tsarigradsko shose Blvd.




MEMBERSHIPS

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

MARKET POSITION⁸

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

MARKET SHARE⁹

-  8.18% of bank assets in Bulgaria
-  8.59% of deposits in the country
 - 9.77% of deposits from individuals
-  8.27% of loans in the country
 - 9.24% of corporate lending
 - 8.02% of consumer lending
 - 6.23% of mortgage lending



⁸ Market positions are determined based on unconsolidated data from the BNB.

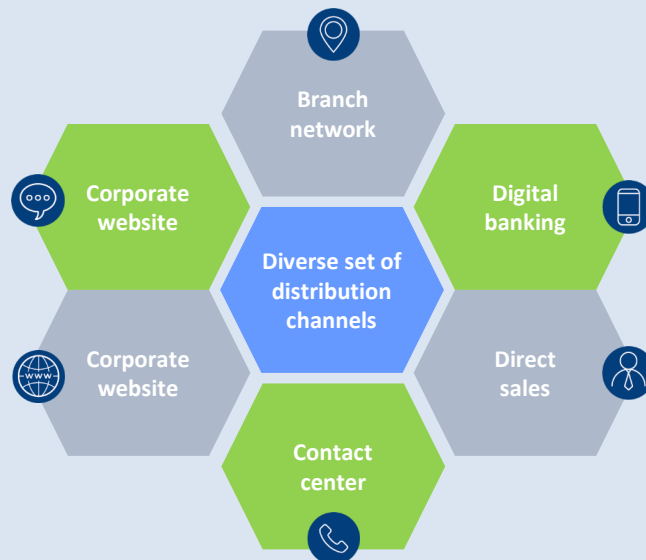
⁹ Market shares are determined based on unconsolidated data from the BNB.

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 2022 First Investment Bank had a total of 126 branches and offices: 125 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 2022, First Investment Bank AD had ten 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, Creative Investment EOOD, Lega Solutions EOOD, AMC Imoti EAD and Inkaso Garant EOOD.

In 2022, the capital of the subsidiary Diners Club Bulgaria AD was increased from BGN 610 thousand to BGN 910 thousand, in order to maintain the financial capacity of the company. In September 2022, a new subsidiary Inkaso Garant EOOD was established with a paid-in capital of BGN 100 thousand, its main activity including private security and protection of valuable shipments and cargo.

During the year, in connection with decisions taken to terminate their activity, the subsidiaries Turnaround Management EOOD, Realtor OOD and Balkan Financial Services EAD were deleted from the Commercial Register of the Registry Agency.

For further information regarding subsidiary companies, see Note 36 "Subsidiaries" of the Standalone Financial Statements for the year ended 31 December 2022.

AWARDS 2022

- 

First Investment Bank was awarded as Digital Bank of the Year 2022 at the international competition Worldwide Finance Awards 2022 organized by the British magazine Acquisition International (AI), for the digital services and innovations offered to customers.
- 

Fibank won a successful digital transformation award in the Bank of the Year contest, organized by the Bank of the Year Association, based on an independent and objective methodology prepared by Deloitte Bulgaria.
- 

Mr. Nikola Bakalov, CEO of First Investment Bank, received the Banker of the Year 2022 award presented by the Banker newspaper for achieving success in digitization and alternative service channels.
- 

Fibank's Debit Mastercard Platinum was awarded as Product of the Year in the Premium Card Products category of the international Product of the Year competition, carried out through an independent nationally representative survey conducted by the NielsenIQ research agency.
- 

For yet another year, Fibank won the Bulgarian consumer Favorite Brand award and first place in the Financial Institutions category of the My Love Marks consumer ranking.
- 

First Investment Bank won two awards at the Company of the Year ceremony organized by Business Lady Magazine: for Innovative Bank of the Year and for Sustainable Development. The jury was composed of industry organizations, entrepreneurs and marketing experts.
- 

Fibank received the Golden Heart Award in the Youth Support and Business Development category of the Annual Corporate Social Responsibility Awards organized by Business Lady Magazine. The award was given for the activity of the Sustainable Lady Fund, part of the Bank's Smart Lady business program in support of women entrepreneurs.



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. |
| 1994-95 | <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. |

| | |
|------|--|
| 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. ❖ A new Internet service “My Fibank” was offered, providing 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 “Bank of the Year“ from “Bank of the Year” Association, with the best complex performance. ❖ The Bank signed an agreement with the EIF for the financing of SME under the JEREMIE initiative. ❖ Vassil Christov, Executive Director of First Investment Bank won the prestigious award “Banker of the Year” of the “Banker” Weekly. |
| 2013 | <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. ❖ Online sale of products of investment gold and other precious metals was started. |
| 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. ❖ 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. ❖ First Investment Bank was distinguished by the global organization Superbrands as the strongest brand among financial institutions in Bulgaria. |

| | |
|--------------------|--|
| <p>2016</p> | <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. |
| <p>2017</p> | <ul style="list-style-type: none"> ❖ Fibank created its integrated e-banking platform My Fibank, as a single customer omnichannel. ❖ The Bank joined as direct participant the Pan-European Euro Payment System STEP2 SCT (SEPA Credit Transfer). ❖ Fibank updated its core banking information system by migrating to Oracle Flexcube12. ❖ Fibank developed its online consumer credit services at www.credit.fibank.bg. |
| <p>2018</p> | <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-sized enterprises. ❖ A software Fibank Token was developed as a means of signature and authentication in the electronic banking system of the Bank. ❖ An innovative new-generation Evolve credit card was developed, combining three brands (Fibank, Diners Club and Mastercard) into one payment instrument. |
| <p>2019</p> | <ul style="list-style-type: none"> ❖ 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. |
| <p>2020</p> | <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 for overcoming the consequences from the COVID-19 pandemic. |
| <p>2021</p> | <ul style="list-style-type: none"> ❖ First Investment Bank offered the innovative Gold Account product designed for keeping, purchase and sale of dematerialized gold (XAO). ❖ A new video consultation service was launched for customers interested in retail credit products, available at www.fibank.bg and through My Fibank electronic banking. ❖ A new Business Process Management (BPM) system for retail lending was implemented. ❖ MyCard was launched: a new virtual credit card with pre-approved limit, issued entirely online through the My Fibank mobile application. ❖ New products for individuals and business customers were developed: Gold Portfolio and Eco Portfolio, tied respectively to the price of gold and to bonds backed by green projects. ❖ Debit Mastercard Platinum was launched: a new debit card for the premium segment offering a number of benefits, including a virtual assistant app (AskPLEEZ!) and concierge services. |

HIGHLIGHTS 2022

JANUARY



- ◆ First Investment Bank launched an innovative instant payment service (up to 10 seconds) in BGN under the Blink scheme.
- ◆ The Bank actively offered new credit products for business customers: Green transport, Green energy - free market, and Green energy - own consumption.

FEBRUARY

- ◆ As part of the branch digitalization project, electronic signing of documents by e-Sign pad was introduced in the Bank's offices.
- ◆ A new silver coin commemorating the Year of the Rabbit 2023 was offered in collaboration with the New Zealand Mint.

MARCH



- ◆ Fibank's Smart Lady program in support of women entrepreneurs and micro-enterprises celebrated four years since its creation, with over 1,100 financed projects and total amount of financing exceeding BGN 120 million.
- ◆ The Help from a Friend service was introduced, allowing every customer to receive assistance and information about the features and functionalities of My Fibank electronic banking and the mobile application.
- ◆ Mr. Nikola Bakalov, CEO of Fibank, was elected as a member of the Management Board of the Association of Banks in Bulgaria.

APRIL

- ◆ The Bank successfully joined the updated STEP2-T Continuous Gross Settlement (CGS) system operated by EBA Clearing which optimized the execution of SEPA credit transfers
- ◆ A new internal bank system was implemented to automate operations and optimize the accounting process.

MAY



- ◆ A new promotional mortgage loan was launched financing up to 90% of property's market value, with an option to apply remotely through My Fibank electronic banking.
- ◆ The new Business Process Management (BPM) system was also implemented in business lending.
- ◆ Network and information security policies were further developed, including applicable requirements and standards for IT service providers.

JUNE

- ◆ A Regular Annual General Meeting of First Investment Bank's shareholders was held, at which a decision was taken to capitalize the net profit for 2021.
- ◆ A new mortgage loan was developed for persons receiving income from abroad, financing up to 70% of the of property market value, with a term of up to 25 years.
- ◆ Mr. Nikola Bakalov, CEO of Fibank, was elected as a member of the Board of Directors of BORIKA AD.

JULY

- ◆ Debit Instant Card was launched: a new virtual debit card issued through the My Fibank mobile application, designed for making online payments through a mobile smart device.
- ◆ The credit ratings of First Investment Bank were confirmed by Fitch Ratings, with the outlook on them upgraded to "stable".
- ◆ A campaign was held for Visa credit card holders, offering them the chance to win 100% cashback on card payments during the period up to a maximum of BGN 4,000.

AUGUST



- ◆ The One Different Employer initiative was launched, presenting the advantages of Fibank working environment through the stories of employees.
- ◆ Fibank moved its headquarters to a new and modern building, certified Excellent under the BREEAM sustainability standard.
- ◆ New functionalities were added to digital banking, including rescheduling of credit card debt into equal monthly installments and purchasing products online.
- ◆ A new tranche under the program for the issuance of hybrid instruments was subscribed, bringing the total amount to EUR 40 million.

SEPTEMBER

- ❖ A new Career Start consumer loan was launched, designed for university graduates up to the age of 30, without requirements for income or minimum work experience.
- ❖ A joint initiative with Mastercard was launched to develop a digital platform for early financial education of children.
- ❖ A new Sustainable Development Department was created with the aim to integrate sustainable development requirements into the Bank's activities, taking into account the ESG factors.
- ❖ The hardware and software infrastructure of the card system was upgraded, expanding its functionality and improving security.

OCTOBER

- ❖ A new Sustainable Future mortgage loan was developed for financing real estate with high energy efficiency class (A+, A or B), in line with sustainable and responsible banking policies.
- ❖ The Perspective term product was offered: an alternative fixed yield savings solution for businesses and individuals.
- ❖ Granting of loans under the Financing in Rural Areas instrument started, based on an agreement signed with the Fund Manager for financial instruments in Bulgaria.



NOVEMBER

- ❖ Lending to micro, small and medium-sized enterprises at more favorable terms under a loan portfolio guarantee agreement with the National Guarantee Fund.
- ❖ Super Loan: a new high-amount consumer loan up to BGN 80,000, with a term of up to 7 years.
- ❖ Express Overdraft: fast overdraft for pre-approved customers, provided through electronic banking and My Fibank mobile application.

DECEMBER

- ❖ Fibank started replacing its plastic debit and credit cards with new ones made of fully recyclable material and featuring a new design, associated with sustainable development ideas.
- ❖ Preparation began for launching the innovative Blink P2P service for instant payments through the mobile banking app.
- ❖ The Bank successfully introduced voice menus in some of its ATMs to assist their access by blind people.



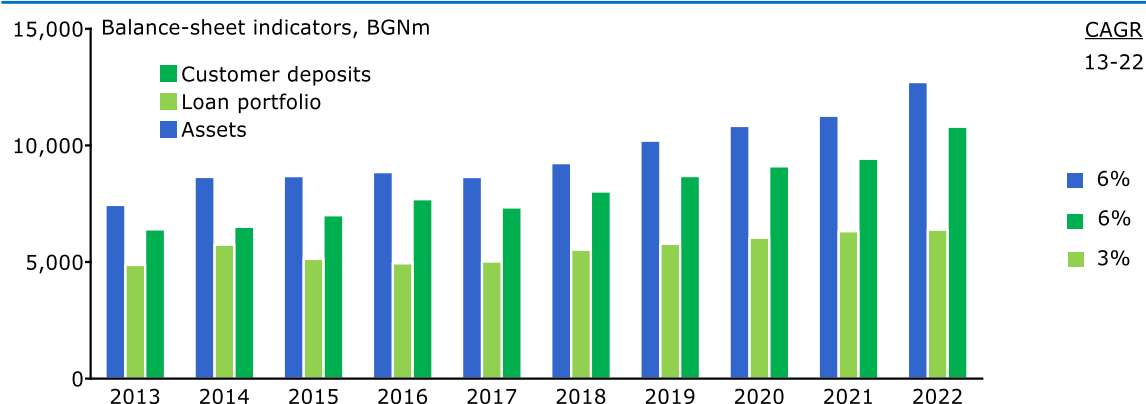
FINANCIAL REVIEW

KEY INDICATORS

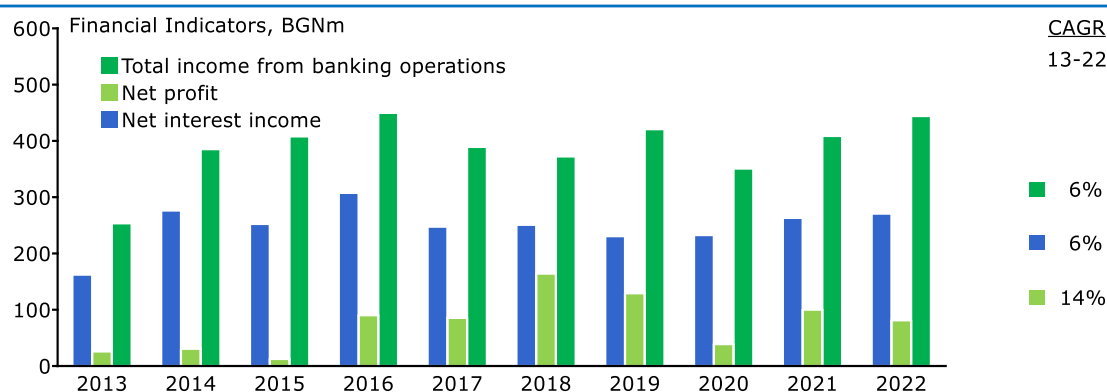
| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|------------|------------|------------|------------|-----------|
| Financial indicators (BGN thousand) | | | | | |
| Net interest income | 270,740 | 263,144 | 232,649 | 230,696 | 250,885 |
| Net fee and commission income | 139,515 | 118,865 | 95,849 | 103,230 | 93,546 |
| Net trading income | 19,717 | 15,380 | 11,991 | 14,929 | 12,279 |
| Total income from banking operations | 444,167 | 408,757 | 350,833 | 420,785 | 372,363 |
| Administrative expenses | (205,113) | (179,441) | (181,842) | (209,157) | (202,315) |
| Impairment | (135,349) | (122,494) | (93,660) | (117,490) | (82,500) |
| Net profit | 81,205 | 100,083 | 38,881 | 129,221 | 164,138 |
| Balance-sheet indicators (BGN thousand) | | | | | |
| Assets | 12,714,058 | 11,268,870 | 10,832,829 | 10,200,031 | 9,237,837 |
| Loans and advances to customers | 6,384,541 | 6,315,581 | 6,038,889 | 5,776,915 | 5,525,957 |
| Loans and advances to banks and fin. inst. | 264,984 | 87,412 | 106,085 | 79,576 | 125,472 |
| Due to other customers | 10,798,450 | 9,425,251 | 9,100,155 | 8,684,001 | 8,021,439 |
| Other borrowed funds | 116,487 | 106,271 | 104,151 | 109,723 | 118,156 |
| Hybrid debt | 256,861 | 320,733 | 267,579 | 267,615 | 208,786 |
| Shareholders' equity | 1,328,209 | 1,268,864 | 1,177,749 | 943,065 | 812,913 |
| Key ratios (in %) | | | | | |
| Capital adequacy ratio | 21.74 | 21.46 | 21.78 | 18.80 | 16.31 |
| Tier 1 capital ratio | 21.74 | 21.46 | 21.78 | 18.80 | 16.31 |
| CET 1 ratio | 18.11 | 17.86 | 18.18 | 15.00 | 13.37 |
| Leverage ratio | 11.84 | 13.26 | 13.79 | 12.13 | 11.26 |
| Liquid assets/deposits from customers | 36.75 | 28.07 | 29.84 | 27.43 | 27.09 |
| Liquidity coverage ratio (LCR) | 225.36 | 230.36 | 236.84 | 198.25 | 251.43 |
| Net stable financing ratio (NSFR) | 145.47 | 137.42 | 132.35 | 130.38 | 134.23 |
| Net loans/deposits ratio | 59.12 | 67.01 | 66.36 | 66.52 | 68.89 |
| Cost of risk | 2.02 | 1.82 | 1.40 | 1.86 | 1.59 |
| Net interest income/total income from banking operations | 60.95 | 64.38 | 66.31 | 54.83 | 67.38 |
| Cost/income ratio | 47.57 | 43.39 | 56.99 | 44.43 | 46.28 |
| Resources (in numbers) | | | | | |
| Branches and offices | 126 | 127 | 134 | 144 | 155 |
| Staff | 2,454 | 2,466 | 2,524 | 2,572 | 2,651 |

SUSTAINABLE DEVELOPMENT

BALANCE-SHEET INDICATORS



FINANCIAL INDICATORS



In 2022, amid macroeconomical and political uncertainty, First Investment Bank's efforts were focused on:

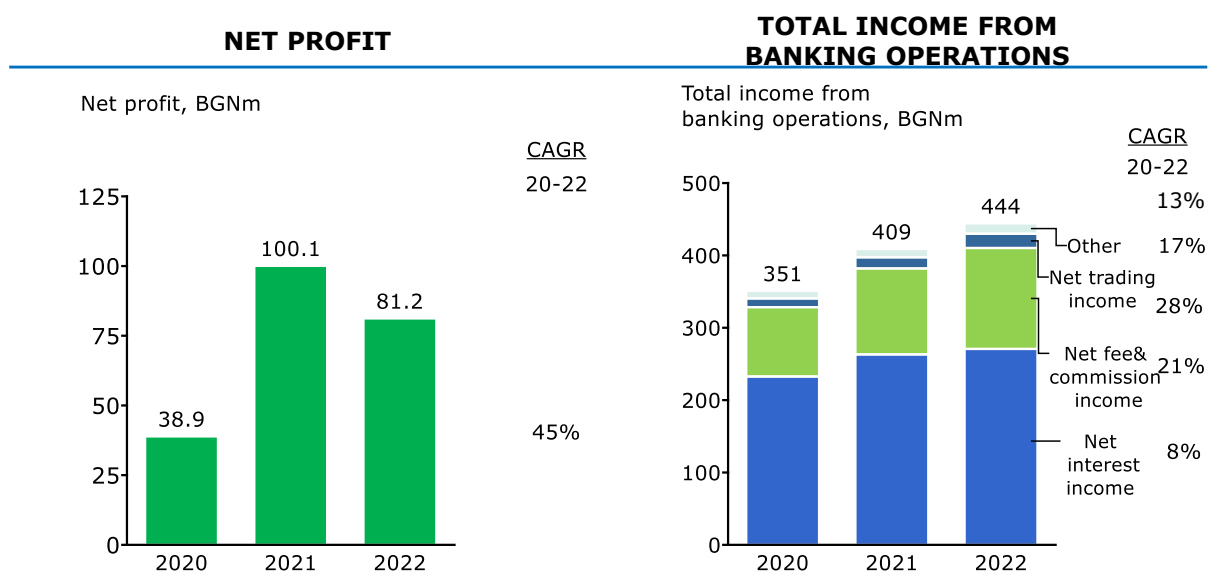
- ❖ Maintaining high quality of customer service by improving processes and increasing servicing capacity. Providing advice and support to customers to allow them better overcome the challenges of external environment;
- ❖ Active risk management in accordance with the approved risk strategy and risk appetite. Further improving the protective mechanisms against risks inherent in the activity, while maintaining a solid capital position and liquid buffers;
- ❖ Digitization and automation of processes, development of innovative products and services, and introduction of new technological solutions;
- ❖ Development and implementation of sustainable development requirements taking into account the environmental, social and governance (ESG) factors in the overall activity;
- ❖ Strengthening the image of the Bank as a preferred employer.

CREDIT RATING

First Investment Bank has public ratings issued by the international rating agency Fitch Ratings. In July 2022, Fitch Ratings affirmed the credit ratings of First Investment Bank raising its outlook to 'stable' as follows: long-term rating "B" with a stable outlook, short-term rating "B", viability rating "b", government support rating "ns" (no support).

FINANCIAL RESULTS

In 2022, First Investment Bank reported good financial results achieved in the conditions of an unstable external environment. Net profit amounted to BGN 81,205 thousand (2021: BGN 100,083 thousand), and the profit before impairment – BGN 226,094 thousand compared to BGN 234,070 thousand a year earlier. The results were influenced by the higher operating income on one side, and the policies to reduce non-performing exposures and repossessed assets, on the other. Total income from banking operations increased to BGN 444,167 thousand (2021: BGN 408,757 thousand) with an increase in all main sources of income. The return on equity (after tax) was 6.34% and the return on assets (after tax) was 0.68%.



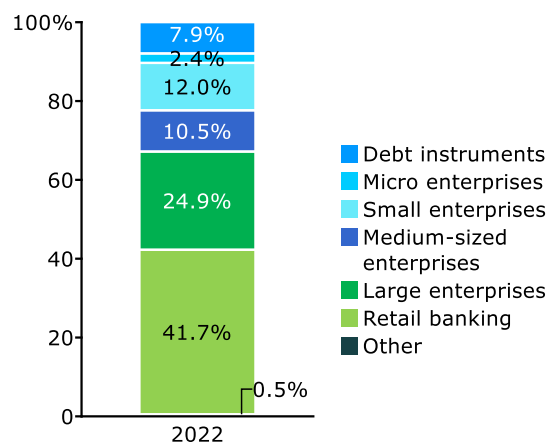
In 2022, net interest income increased to BGN 270,740 thousand (2021: BGN 263,144 thousand), remaining the main source of income for the Bank and accounting for 61.0% of total operating income (2021: 64.4 %). For the reporting period, interest income increased to BGN 310,785 thousand (2021: BGN 308,556 thousand), as a result of an increase in the main business segments, including of retail banking (2022: BGN 129,095 thousand; 2021: BGN 123,264 thousand) and enterprises¹⁰, incl. large enterprises (2022: BGN 77,063 thousand; 2021: BGN 75,862 thousand), small enterprises (2022: BGN 37,200 thousand; 2021: BGN 34,082 thousand) and micro-enterprises (2022: BGN 7,427 thousand; 2021: BGN 7,043 thousand), at the expense of medium-sized enterprises (2022: BGN 32,358 thousand; 2021: BGN 50,096 thousand). An increase was also recorded in investments in the debt instruments

¹⁰ According to business segments of the Bank, incl. criteria for annual turnover, as well as: microenterprises – up to BGN 3.9 million; small enterprises – up to BGN 19.5 million; medium-sized enterprises – up to BGN 97.5 million.

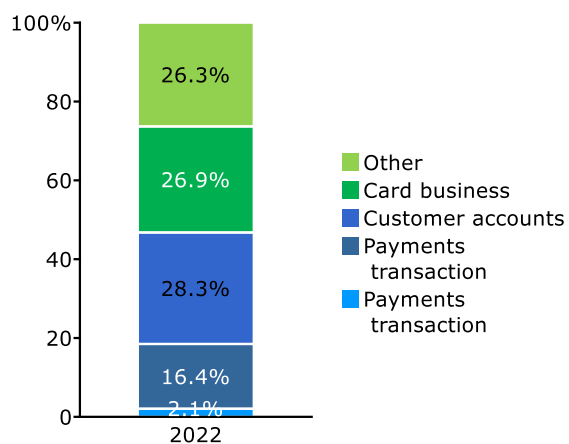
(2022: BGN 24,520 thousand; 2021: BGN 17,848 thousand), used as an additional source of interest income.

In interest expenses the trend from the previous years was preserved, as a decrease continued to be reported in the expenses on customer deposits, which reached BGN 1,567 thousand, compared to BGN 9,131 thousand a year earlier. An increase was recorded in the interest expenses on hybrid debt (2022: BGN 33,488 thousand. 2021: BGN 27,634 thousand) as a result of new tranches issued under the Bank's program for issuing hybrid instruments. Interest expenses on assets decreased (2022: BGN 4,285 thousand; 2021: BGN 7,897 thousand), which was influenced by the cancellation of negative interest rates on banks' excess reserves in the BNB. The net interest margin of the Bank amounted to 3.02% for the period.

INTEREST INCOME



FEE AND COMMISSION INCOME



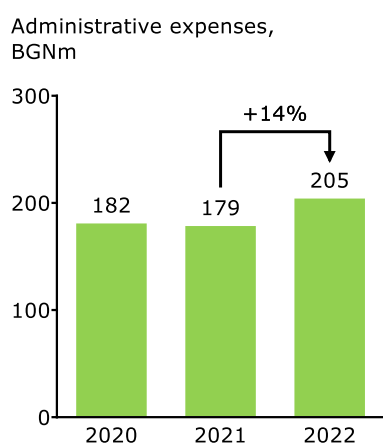
Net fee and commission income for 2022 increased by 17.4% to BGN 139,515 thousand (2021: BGN 118,865 thousand), forming 31.4% (27.1% average for the banking system) of total income from banking operations (2021: 29.1%), providing a solid contribution to operating profit. An increase was recorded in all major sources of income, incl. payment operations (2022: BGN 28,421 thousand; 2021: BGN 23,890 thousand), customer accounts (2022: BGN 48,927 thousand; 2021: BGN 36,840 thousand), card services (2022: BGN 46,547 thousand; 2021: BGN 36,405 thousand), letters of credit and guarantees (2022: BGN 3,559 thousand; 2021: BGN 3,387 thousand), as well as other services (2022: BGN 45,536 thousand; 2021: BGN 42,493 thousand), 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 2022, net trading income reached BGN 19,717 thousand (2021: BGN 15,380 thousand), the increase mainly due to higher income from foreign currency transactions, which amounted to BGN 20,259 thousand, compared to BGN 15,148 thousand a year earlier. Net expenses were reported for debt and equity instrument transactions, which totaling BGN 542 thousand for the period, compared to net income of BGN 232 thousand for the previous year. The relative share of net trading income remained insignificant at 4.4% of total income from banking operations (2021: 3.8%).

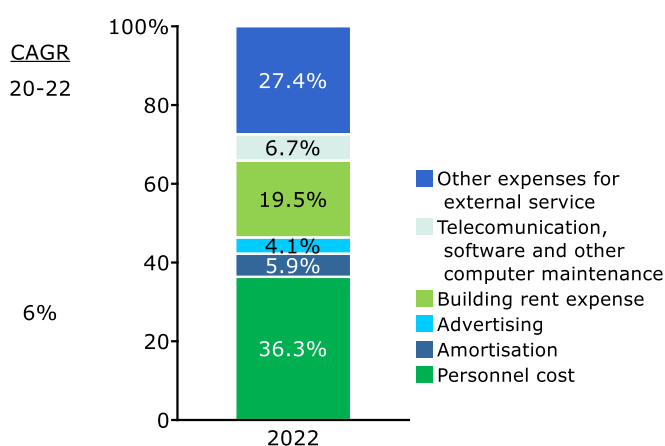
The other net operating revenues amount to BGN 14,195 thousand, compared to BGN 11,368 thousand a year earlier, as the increase was mainly due to higher income from management of assigned receivables (2022: BGN 5,620 thousand ; 2021: BGN 3,075 thousand), as well as higher income from transactions and revaluations of gold and precious metals (2022: BGN 2,068 thousand; 2021: BGN 1,169 thousand).

For the period, administrative expenses increased to BGN 205,113 thousand compared to BGN 179,441 thousand a year earlier, influenced mainly by the inflationary processes in the country and the related increase in the costs of external services (2022: BGN 56,279 thousand ; 2021: BGN 48,266 thousand), as well as in the personnel costs (2022: BGN 74,545 thousand; 2021: BGN 65,440 thousand). An increase was also recorded in the costs of depreciation of right-of-use assets (2022: BGN 40,021 thousand; 2021: BGN 33,915 thousand), as well as in those related to telecommunications, software and other computer maintainance (2022: BGN 13,753 thousand; 2021: BGN 12,265 thousand), which reflected the development of information technologies. At levels close to the previous year remained the costs for advertising (2022: BGN 8,455 thousand; 2021: BGN 8,176 thousand), as well as for depreciation of property, plant and equipment (2022: BGN 12,060 thousand; 2021: BGN 11,379 thousand). For the period, cost/income ratio amounted to 47.57% on an individual basis (2021: 43.39%), which is within the target value of below 50%, set as a quantitative indicator in the development strategy.

ADMINISTRATIVE EXPENSES



STRUCTURE OF ADMINISTRATIVE EXPENSES



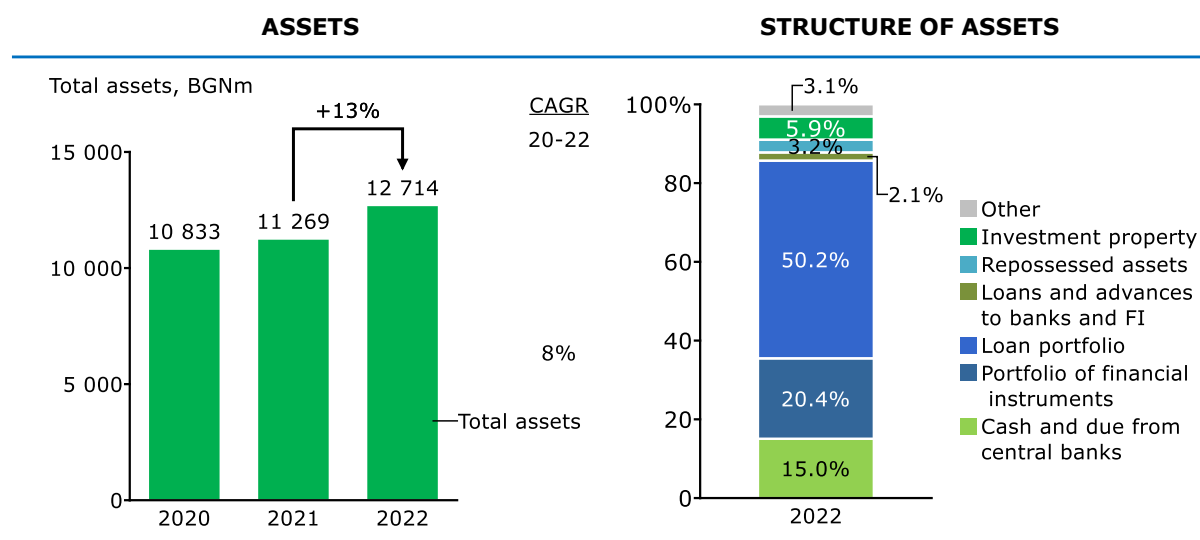
During the year additional write-downs were made on loans, off-balance sheet commitments amounting to BGN 209,094 thousand, while BGN 73,745 thousand impairment losses were reversed. As a result, net impairment for 2022 amounted to BGN 135,349 thousand (2021: BGN 122,494 thousand). *For more information see the "Risk Management" section.*

For the reporting period, First Investment Bank reported other net expenses in the amount of BGN 12,960 thousand, compared to net income of BGN 4,754 thousand a year earlier, which was mainly influenced by lower income in connection with the revaluation of investment property (2022: BGN 14,769 thousand; 2021: 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 (2022: BGN 24,534 thousand; 2021: BGN 22,202 thousand).

For more information, see the Individual Financial Statements for the year ending 31 December 2022.

BALANCE SHEET

In 2022, the total assets of First Investment Bank increased by 12.8% to BGN 12,714,058 thousand, compared to BGN 11,268,870 thousand a year earlier. The dynamics reflected the increase of borrowed funds, the development of lending services and the management of investments in securities. Fibank maintained its leading position among banks in the country, ranking fifth in terms of assets (2021: fifth) by the end of 2022, with a market share of 8.18% on an individual basis (2021: 8.32%).



In the structure of Bank's assets, loans and advances to customers retained structure-determining at 50.2% of total assets (2021: 56.0%), followed by investments in securities – 20.4% (2021: 13.2%) and cash and receivables from central banks – 15.0% (2021: 16.6%). The share of repossessed assets were down to 3.2% (2021: 4.0%), and investment property to 5.9% (2021: 6.5%), as part of actions aimed at reducing non-interest-bearing assets and their effective realization. The net loans/deposits ratio amounted to 59.1% compared to 67.0% for the previous year in accordance with the conservative risk management policy.

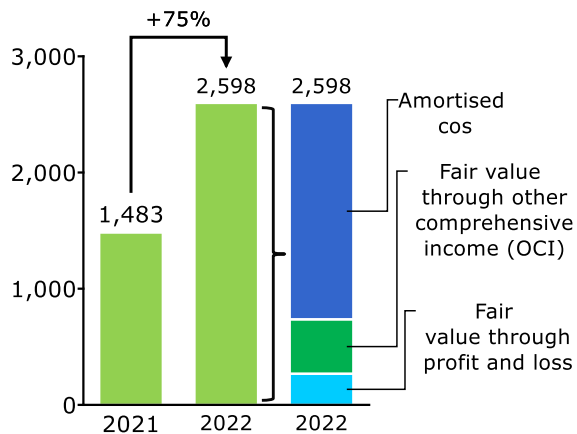
Cash and receivables from central banks increased to BGN 1,911,371 thousand, compared to previous year levels – BGN 1,868,853 thousand, mainly as a result of an increase in current accounts in foreign banks (2022: BGN 235,590 thousand; 2021: BGN 165,600 thousand). Receivables from central banks remain almost unchanged (2022: BGN 1,427,241 thousand; 2021: BGN 1,455,801 thousand), maintained in accordance with the requirements for minimum mandatory reserves and generating optimal profitability. As of the end of 2022, cash on hand amounted to BGN 248,540 compared to BGN 247,452 a year earlier, being managed according to customer needs and efficiency in terms of liquidity.

Loans and advances to banks and financial institutions increased to BGN 264,984 thousand at the end of the period (2021: BGN 87,412 thousand), as an increase was reported in receivables from local banks and financial institutions (2022: BGN 105,262 thousand; 2021: BGN 22,164 thousand), as well as in those from foreign banks and institutions (2022: BGN 159,722 thousand; 2021: BGN 65,248 thousand).

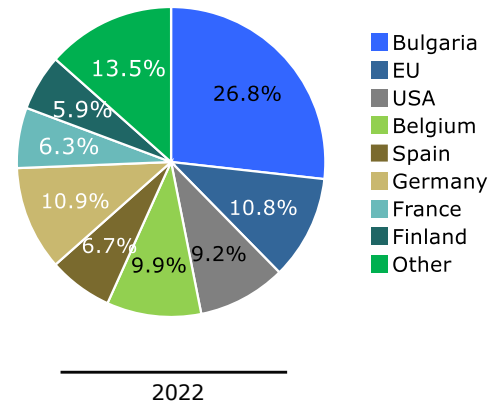
The securities investment portfolio increased to BGN 2,598,137 thousand at the end of the year (2021: BGN 1,482,699 thousand), managed according to market conditions and with a view to generating additional income while maintaining proper balance between risk and return. The increase is due to an increase in government securities (2022: BGN 2,150,996 thousand; 2021: BGN 1,012,178 thousand), which mainly contain government debt of European Union member states. Bonds and other securities

issued by enterprises increased (2022: BGN 405,558 thousand; 2021: BGN 317,559 thousand) at the expense of those issued by banks (2022: BGN 10,477 thousand; 2021: BGN 124,057 thousand).

**PORTFOLIO OF
FINANCIAL INSTRUMENTS**



**PORTFOLIO OF GOVERNMENT DEBT
BY COUNTRIES**



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 468,247 thousand of the securities portfolio were measured at fair value through other comprehensive income (2021: BGN 901,155 thousand), BGN 267,687 thousand – at fair value through profit or loss (2021: BGN 265,405 thousand) and BGN 1,862,203 thousand – at amortized cost (2021: BGN 316,139 thousand). Investments in subsidiaries decreased to BGN 38,526 thousand at the end of the period, compared to BGN 45,873 thousand a year earlier, as a result of terminated subsidiaries during the year – Turnaround Management EOOD, Realtor OOD and Balkan Financial Services EAD.

As of December 31, 2022, Fibank's operations abroad (Cyprus branch) formed 2.0% (2021: 4.1%) of the Bank's assets and 6.4% (2021: 5.7%) of the liabilities, as the Cyprus branch's activities were focused on the micro and small business segments, as well as on retail banking.

Reposessed assets decreased to BGN 412,996 thousand (2021: BGN 450,987 thousand) while investment properties were BGN 750,324 thousand (2021: BGN 732,850 thousand). During the year, such properties were acquired in the amount of BGN 10,318 thousand, as well as a revaluation made in the amount of BGN 14,769 thousand. For the period, properties sold amounting to BGN 7,613 thousand were written off.

Other assets of the Bank amounted to BGN 114,246 thousand (2021: BGN 116,136 thousand), including deferred expenses, gold and other receivables. The right-of-use assets amounted to BGN 124,159 thousand at the end of the year (2021: BGN 77,725 thousand), growing in connection with the reported effects of changes in lease conditions and expectations for the lease term.

For more information see the Individual Financial Statements for the year ended December 31, 2022.

LOAN PORTFOLIO

LOANS

In 2022 the net loan portfolio of First Investment Bank increased by 1.1% to BGN 6,384,541 thousand (2021: BGN 6,315,581 thousand), in line with the objectives for business development placing a priority on the retail, micro and SME segments. As of December 31, 2022, Fibank ranked sixth in terms of loans among banks in the country, reporting a market share of 8.27% (2021: 9.34%).

| In BGN thousand / % of total | 2022 | % | 2021 | % |
|------------------------------|------------------|------------|------------------|------------|
| Retail banking | 2,334,010 | 34.5 | 2,120,134 | 31.3 |
| Micro enterprises | 198,538 | 2.9 | 182,625 | 2.7 |
| Small enterprises | 878,135 | 13.0 | 878,125 | 13.0 |
| Medium-sized enterprises | 1,085,974 | 16.0 | 1,123,631 | 16.6 |
| Large enterprises | 2,270,652 | 33.6 | 2,474,806 | 36.5 |
| Gross loan portfolio | 6,767,309 | 100 | 6,779,321 | 100 |
| Impairment | (382,768) | | (463,740) | |
| Net loan portfolio | 6,384,541 | | 6,315,581 | |

Growth was recorded mainly in retail banking loans, which increased their share to 34.5% of the gross portfolio (2021: 31.3%), as well as in micro enterprises – to 2.9% (2021: 2.7%). Small and medium-sized enterprises¹¹, structured according to the Law on Small and Medium-sized Enterprises, formed 13.0% (2021: 13.0%) and 16.0% (2021: 16.6%) respectively or a total of 29% (2021: 29.6%) of total loans at the end of the year. A decrease was recorded in loans in the segment of large enterprises, with their share being 33.6% of the gross portfolio (2021: 36.5%).

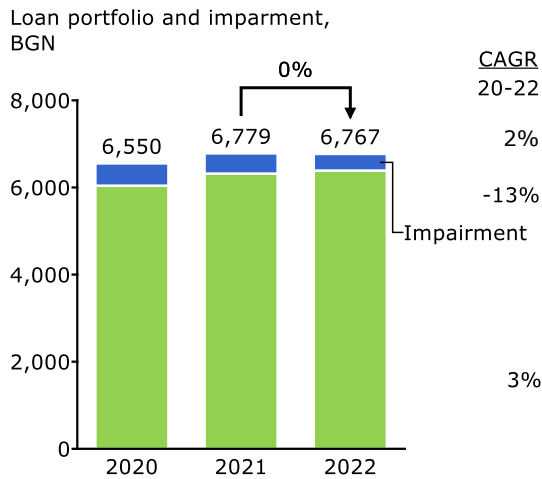
| In BGN thousand / % of total | 2022 | % | 2021 | % |
|------------------------------|------------------|------------|------------------|------------|
| Loans in BGN | 4,233,941 | 62.6 | 4,048,836 | 59.7 |
| Loans in EUR | 2,326,562 | 34.4 | 2,481,510 | 36.6 |
| Loans in other currency | 206,805 | 3.0 | 248,975 | 3.7 |
| Gross loan portfolio | 6,767,309 | 100 | 6,779,321 | 100 |
| Impairment | (382,768) | | (463,740) | |
| Net loan portfolio | 6,384,541 | | 6,315,581 | |

In the currency structure of the loan portfolio, loans in BGN increased to BGN 4,233,941 thousand (2021: BGN 4,048,836 thousand) or 62.6% of the total portfolio (2021: 59.7%). A decrease was reported in loans in euro to BGN 2,326,562 thousand at the end of the period (2021: BGN 2,481,510 thousand), or a share of 34.4% (2021: 36.6%) in 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

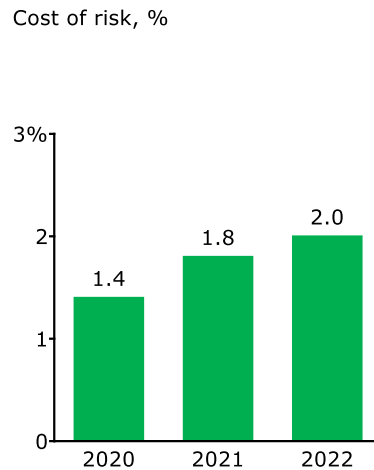
¹¹ According to business segments of the Bank, incl. criteria for annual turnover, as well as: microenterprises – up to BGN 3.9 million; small enterprises – up to BGN 19.5 million; medium-sized enterprises – up to BGN 97.5 million.

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 206,805 thousand (2021: BGN 248,975 thousand), forming 3.0% of total loans (2021: 3.7%).

LOAN PORTFOLIO AND IMPAIRMENT



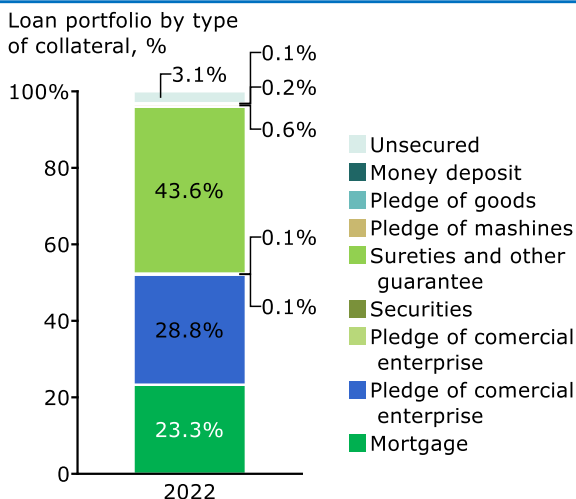
COST OF RISK



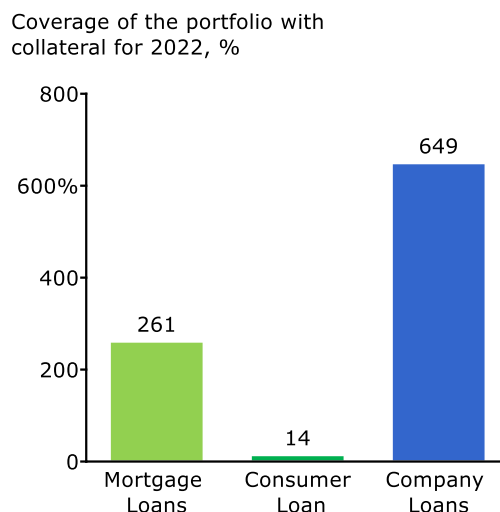
At the end of the period, impairment charges for potential losses on the loan portfolio amounted to BGN 382,768 thousand compared to BGN 463,740 thousand a year earlier. In 2022, additional impairment was recognized in the amount of BGN 208,469 thousand, impairment losses in the amount BGN 72,929 thousand were reversed, and BGN 217,974 thousand were written off.

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

LOAN PORTFOLIO BY TYPE OF COLLATERAL



COVERAGE OF THE PORTFOLIO WITH COLLATERAL



As of the end of 2022, the type of collateral having the largest share in the Bank's portfolio were sureties and other guarantees - 43.6%, followed by pledges of receivables - 28.8% and mortgages - 23.3%.

For more information on credit risk, see Note 3 "Risk Management" of the Individual Financial Statements for the year ended December 31, 2022.

RELATED PARTY TRANSACTIONS

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

| Type of related party | Parties that control or manage the Bank | | | Enterprises under common control | | | |
|-------------------------------|---|--------|--------|----------------------------------|---------|---------|---------|
| | In BGN thousand | 2022 | 2021 | 2020 | 2022 | 2021 | 2020 |
| Loans | | 2,944 | 3,515 | 1,769 | 78,316 | 83,666 | 84,580 |
| Deposits and loans received | | 14,195 | 13,725 | 13,275 | 115,177 | 125,350 | 113,352 |
| Deposits placed | | - | - | - | 92,146 | 5,868 | 2,955 |
| Other receivables | | - | - | - | 12,467 | 18,037 | 17,565 |
| Other borrowings | | - | - | - | 150 | 420 | 100 |
| Off-balance sheet commitments | | 1,023 | 1,061 | 1,031 | 2,029 | 2,792 | 3,412 |
| Leasing liabilities | | - | - | - | 2,684 | 1,513 | - |

| Type of related party | Parties that control or manage the Bank | | | Enterprises under common control | | | |
|----------------------------|---|------|------|----------------------------------|-------|-------|-------|
| | In BGN thousand | 2022 | 2021 | 2020 | 2022 | 2021 | 2020 |
| Interest income | | 35 | 24 | 25 | 3,065 | 3,089 | 3,325 |
| Interest expense | | 8 | 8 | 10 | 231 | 547 | 22 |
| Fee and commission income | | 27 | 16 | 14 | 1,769 | 1,082 | 368 |
| Fee and commission expense | | 6 | 4 | 3 | 301 | 296 | 295 |

For more information regarding related party transactions, see Note 35 "Related party transactions" of the Individual Financial Statements for the year ended December 31, 2022.

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 1,026,495 thousand compared to BGN 818,028 thousand a year earlier. The increase was mainly in the unused credit lines – up to BGN 837,477 thousand (2021: BGN 644,288 thousand) and in the letters of credit – up to BGN 31,767 thousand (2021: BGN 12,507 thousand), at the expense of bank guarantees, which reported a decrease to BGN 157,251 thousand (2021: BGN 161,233 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, 2022.

ATTRACTED FUNDS

In 2022, attracted funds from customers increased by 14.6% and reached BGN 10,798,450 thousand (2021: BGN 9,425,251 thousand), remaining the main source of funding for the Bank and forming 94.8% of total liabilities (2021: 94.3%). First Investment Bank offers savings products and package programs tailored to market conditions and customer needs. As at December 31, 2022, the Bank ranked fifth by deposit size among banks in Bulgaria (2021: fifth) with a market share of 8.59% on individual basis (2021: 8.69%).

Deposits of individuals increased by 3.8% to BGN 7,260,749 thousand at the end of the period compared to BGN 6,993,994 thousand a year earlier. They retained a major share of total borrowings at 67.2% (2021: 74.2%). The currency structure of retail deposits was dominated by funds in BGN accounting for 42.2% of all borrowings (2021: 46.2%), followed by funds in euros at 20.2% (2021: 22.6%) and in other currencies at 4.9% (2021: 5.4%).

| In BGN thousand / % of total | 2022 | % | 2021 | % | 2020 | % |
|--|-------------------|-------------|------------------|-------------|------------------|-------------|
| Attracted funds from individuals | 7,260,749 | 67.2 | 6,993,994 | 74.2 | 6,875,257 | 75.6 |
| In BGN | 4,552,829 | 42.2 | 4,352,688 | 46.2 | 4,127,979 | 45.4 |
| In EUR | 2,182,818 | 20.2 | 2,131,028 | 22.6 | 2,255,006 | 24.8 |
| In other currency | 525,102 | 4.9 | 510,278 | 5.4 | 492,272 | 5.4 |
| Attracted funds from corporate, state-owned and public institutions | 3,537,701 | 32.8 | 2,431,257 | 25.8 | 2,224,898 | 24.4 |
| In BGN | 2,018,602 | 18.7 | 1,400,350 | 14.9 | 1,346,566 | 14.8 |
| In EUR | 1,272,193 | 11.8 | 883,292 | 9.4 | 681,256 | 7.5 |
| In other currency | 246,906 | 2.3 | 147,615 | 1.6 | 197,076 | 2.2 |
| Total attracted funds from customers | 10,798,450 | 100 | 9,425,251 | 100 | 9,100,155 | 100 |

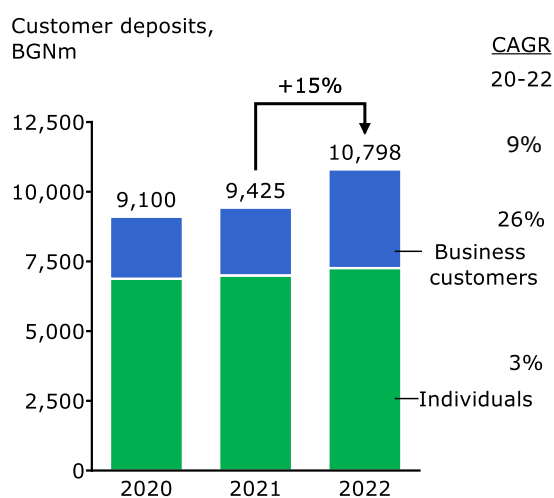
In accordance with the regulatory requirements, First Investment Bank allocates annual contributions to the Deposit Insurance Fund. As provided by law, the Fund guarantees amounts up to BGN 196,000 kept in a customer's accounts with the Bank.

Attracted funds from corporates and institutions increased by 45.5% to BGN 3,537,701 thousand (2021: BGN 2,431,257 thousand) as a result of the Bank's consistent policy on cross-selling, development of the transaction business, building lasting customer relationships and weakening of investment activity. By the end of 2022 their relative share increased to 32.8% of total borrowings from customers (2021: 25.8%). As regards the currency structure, funds in BGN attracted from corporates

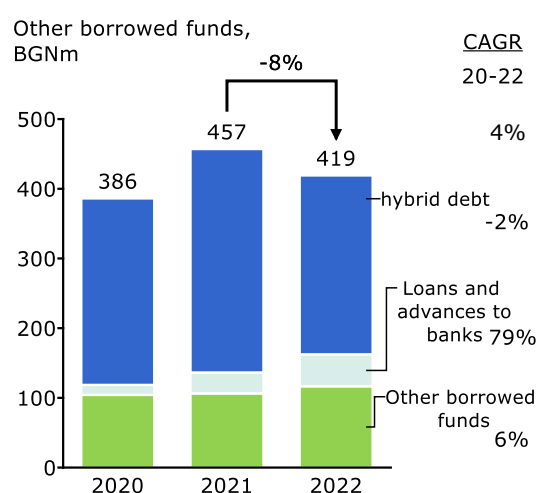
and public institutions formed 18.7% of all borrowings (2021: 14.9%), followed by those in euros at 11.8% (2021: 9.4%) and in other currencies at 2.3% (2021: 1.6%).

Other borrowings increased to BGN 116,487 thousand as of December 31, 2022 compared to BGN 106,271 thousand a year earlier, as a result mainly of the received financings (2022: BGN 36,611 thousand; 2021: BGN 26,227 thousand), of the liabilities related to structured investment products (2022: BGN 6,884 thousand; 2021: BGN 2,638 thousand), as well as of the obligations under loan agreements, which the Bank started to offer during the period, in order to prepare for the fulfillment of the requirements for eligible liabilities (MREL) according to Regulation (EU) № 575/2013 and the Law on Recovery and Restructuring of Credit Institutions and Investment Intermediaries. *For more information, see the „[Capital](#)“ section.*

CUSTOMER DEPOSITS



OTHER BORROWED FUNDS



The received financing included mainly financing from the Fund Manager of Financial Instruments in Bulgaria (Fund of Funds) – BGN 20,174 thousand (2021: BGN 7,971 thousand), from the Bulgarian Development Bank AD – BGN 14,931 thousand (2021: BGN 15,525 thousand), as well as from the European Investment Fund under the JEREMIE 2 initiative – BGN 1,506 thousand (2021: BGN 2,731 thousand). *For more information, see the „[External programs and guarantee schemes](#)“ section.* At the end of the year, the amortized value of the debt related to total return swap agreements decreased to BGN 39,874 thousand (2021: BGN 74,018 thousand).

For 2022, liabilities due to banks in the form of current and term accounts amounted to BGN 45,703 thousand, compared to BGN 29,879 thousand a year earlier.

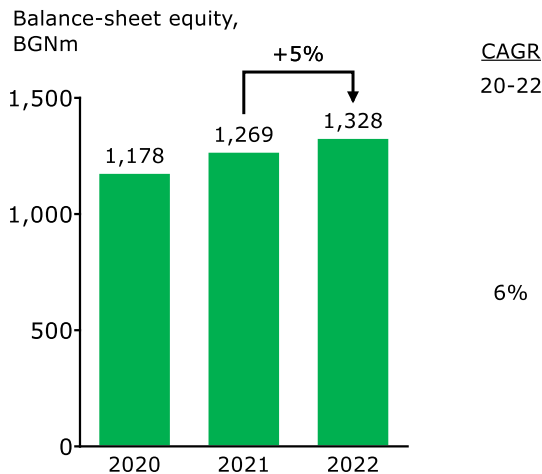
Leasing liabilities amounted to BGN 124,240 thousand at the end of the year (2021: BGN 77,785 thousand), increasing in connection with the reported effect of changes in leasing conditions and the lease term.

For more information on borrowings, see the Individual Financial Statements for the year ending 31 December 2022.

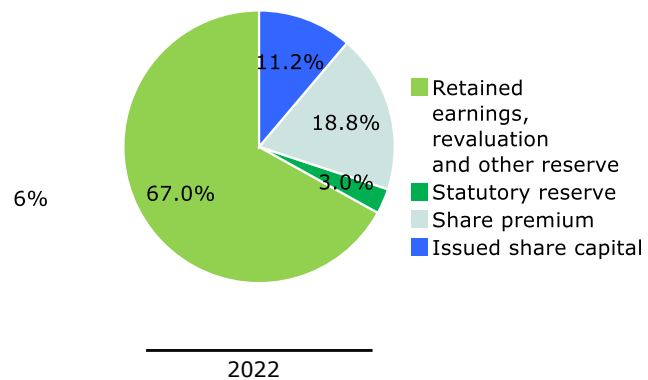
CAPITAL

As of December 31, 2022 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.

BALANCE-SHEET EQUITY



STRUCTURE OF EQUITY



The balance sheet equity of First Investment Bank increased by 4.7% to BGN 1,328,209 thousand (2021: BGN 1,268,864 thousand), influenced by the increase in other reserves and retained earnings, which reached BGN 900,061 thousand at the end of the period (2021: BGN 818,856 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 1,269,041 thousand, compared to BGN 1,264,009 thousand a year earlier, after applying the corrections related to the transitional treatment according to Regulation (EU) 2017/2395 on mitigating the impact of the introduction of IFRS9. 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.

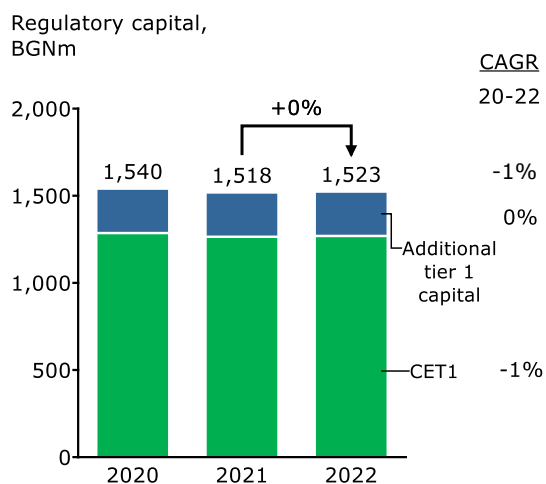
In December 2022, First Investment Bank extended its one-year program to issue hybrid instruments (perpetual, non-cumulative, unsecured, deeply subordinated, freely transferable, non-convertible bonds) meeting Additional Tier 1 capital requirements, to replace existing issues of hybrid instruments issued 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.. The bonds are issued in global form, clearing through Clearstream Banking S.A., with the aim of subsequent admission to trading on the regulated market of the Luxembourg Stock Exchange (LuxSE).

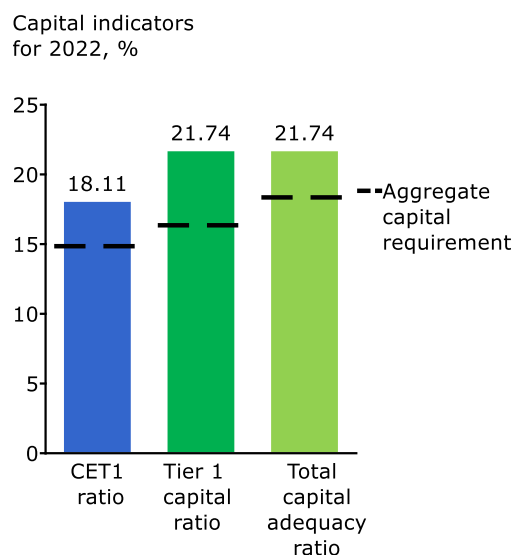
In May 2022, the Bank successfully issued as private placement the third tranche of the first series of hybrid instruments (ISIN: XS2419929422), whereby its amount reached EUR 30 million. In August 2022 the first tranche of the second series of hybrid instruments (ISIN: XS2488805461) in the amount of EUR 10 million was issued, the total amount of bonds issued under the program reaching EUR 40 million. For the new bonds, permission was obtained from the BNB for inclusion in the additional Tier 1 capital of the Bank. In connection with this, at the end of the year a replacement was made of the existing bond issue with original principal amount of EUR 40 million (ISIN: BG2100008114). Thus the amount of Additional Tier 1 capital (AT1) as at 31.12.2022 remained unchanged, at BGN 254,258 thousand (EUR 130 million). *For more information, see the [Subsequent Events](#) section.* Tier 1 capital at the end of the period amounted to BGN 1,523,299 thousand (2021: BGN 1,518,267 thousand), and total regulatory capital to BGN 1,523,299 thousand (2021: BGN 1,518,267 thousand).

As of 31 December 2022, First Investment Bank had also two other hybrid instruments (bond issues) with an original principal amount of EUR 60 million (ISIN: BG2100022123) and EUR 30 million (ISIN: BG2100023196), 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 256,861 thousand (2021: BGN 320,733 thousand). *For more information, see Note 29 "Hybrid Debt" of the Individual Financial Statements for the year ending 31 December 2022.*

REGULATORY CAPITAL



CAPITAL ADEQUACY IN 2022



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 2022, 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 1,523,299 thousand.

CAPITAL REQUIREMENTS

В края на 2022 г. Първа инвестиционна банка отчита стабилни капиталови показатели, както следва: съотношение на базовия собствен капитал от първи ред – 18,11%, съотношение на капитала от първи ред – 21,74% и съотношение на обща капиталова адекватност – 21,74%, като превишава минималните регулаторни капиталови изисквания, изразени чрез съвкупното капиталово изискване, включващо и комбинираното изискване за буфер.

At the end of 2022, First Investment Bank reported stable capital ratios, as follows: Common Equity Tier 1 (CET1) ratio at 18.11%, Tier 1 capital ratio at 21.74% and Total Capital Adequacy ratio at 21.74%, exceeding the minimum regulatory capital requirements, expressed by the overall capital requirement, including the combined buffer requirement.

| In BGN thousand / % of risk exposures | 2022 | % | 2021 | % | 2020 | % |
|---------------------------------------|------------------|-------|------------------|-------|------------------|-------|
| CET 1 capital | 1,269,041 | 18.11 | 1,264,009 | 17.86 | 1,285,945 | 18.18 |
| Tier 1 capital | 1,523,299 | 21.74 | 1,518,267 | 21.46 | 1,540,203 | 21.78 |
| Own funds | 1,523,299 | 21.74 | 1,518,267 | 21.46 | 1,540,203 | 21.78 |
| Total risk exposures | 7,007,065 | | 7,075,369 | | 7,071,866 | |

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

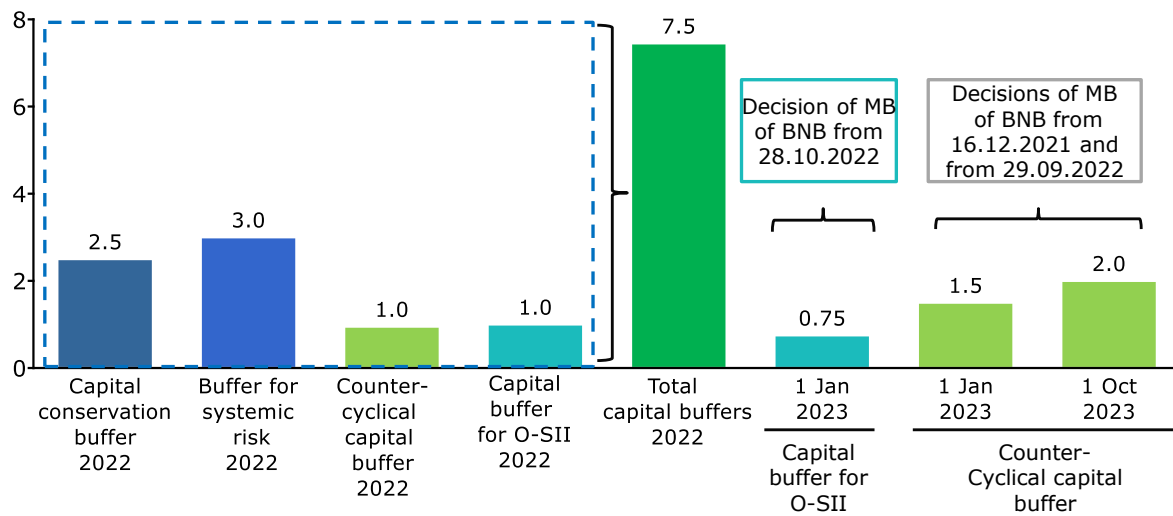
In addition to the capital requirements set out in Regulation (EU) № 575/2013 and LCI, First Investment Bank maintains four capital buffers in accordance with the requirements of Ordinance №8 of the BNB on Capital Buffers, the Combined Buffer Requirement, Restrictions on Distributions and the Guidance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

First Investment Bank maintains a capital conservation buffer, comprised of common equity tier 1 capital, equal to 2.5% of the total risk exposure of the Bank, as well as 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 2022 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 by the end of 2022 it amounted to 1.0%, and according to the decisions of the BNB, it was increased to 1.5% effective from 01.01.2023. and to 2.0% effective from 01.10.2023.

CAPITAL BUFFERS

Types of capital buffers, maintained by the Bank
%



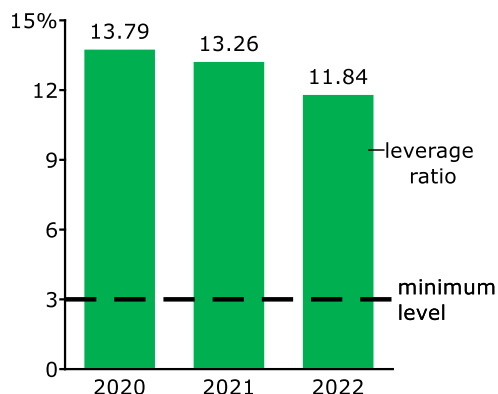
In addition, the determined by BNB other systematically important institutions (O-SII) in the country among which First Investment Bank AD should maintain a buffer for O-SII with a view on their significance for the national economy and financial system. The applicable for Fibank buffer for O-SII on an individual and consolidated basis, determined as a share of the total value of the risk exposures, was in the amount of 1.0% for 2022 and 0.75% as of 01.01.2023.

LEVERAGE

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

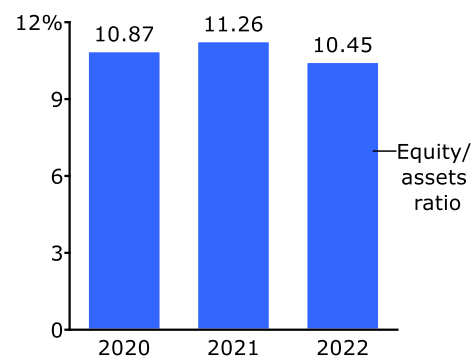
LEVERAGE RATIO

Leverage ratio, in %



EQUITY/ ASSETS RATIO

Equity/assets ratio, in %



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 2022, the leverage ratio amounted to 11.84% on an standalone basis compared to 13.79% for the previous period, impacted by the increase in the total exposure measure.

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

ELIGIBLE LIABILITIES

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

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 2022, First Investment Bank continued to develop its products in fulfillment of the minimum requirements for eligible obligations (MREL), including with respect to borrowings. In this connection, the terms of the Perspective product were optimized. This is a senior unsecured debt product with a fixed yield, intended for individuals and business customers. It is structured in such a way as to comply with the requirements for maturity, security, subordination, loss sharing, acceleration, and others under the Law on the Recovery and Resolution of Credit Institutions and Investment Firms and Regulation (EU) No 575/2013.

For more information on capital and eligible liabilities see the Individual Financial Statements as at 31 December 2022.

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 2022, the Bank operated in accordance with its Risk Management Strategy and Risk Appetite Framework, aiming to maintain a moderately low level of risk and further increasing the protection mechanisms against risks inherent in banking, taking into account the challenges of the external environment and the regulatory requirements. 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 investor demand and their effective realization.

First Investment Bank appreciates the importance of sustainable development. In this regard, during the year a new department and director “Sustainable development” was appointed, aiming to implementing the requirements, taking into account the environmental, social, and governance (ESG) factors in the overall activity of the Bank, including support and consulting on strategic planning, 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.



The Bank determines its risk propensity and risk tolerance levels so that they correspond to its strategic objectives and stable functioning, as well as to the required level of equity capital and an effective management process. Fibank maintains financial resources that are commensurate with the volume and type of operations performed and with its risk profile, by developing internal control systems and

mechanisms for risk management in accordance with regulatory requirements and best practices. The main goals on the basis of which the risk strategy is structured, are defined, as follows:

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

In 2022, as part of the annual review, the Risk Strategy was updated in accordance with the Risk Appetite Framework and the Business Plan of the Bank. With regard to the risk profile, the Strategy continues to focus on the development of retail and SME segments, as well as on the digitization of processes, cyber security and data protection. Constant emphasis is placed on ensuring effective control environment in relation to existing business processes, active management of credit and operational risk, maintaining an adequate level of unencumbered liquid assets, and keeping assumed market risk within current limits.



RISK APPETITE FRAMEWORK

In 2022, 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 2022, 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, MREL ratio, leverage 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.

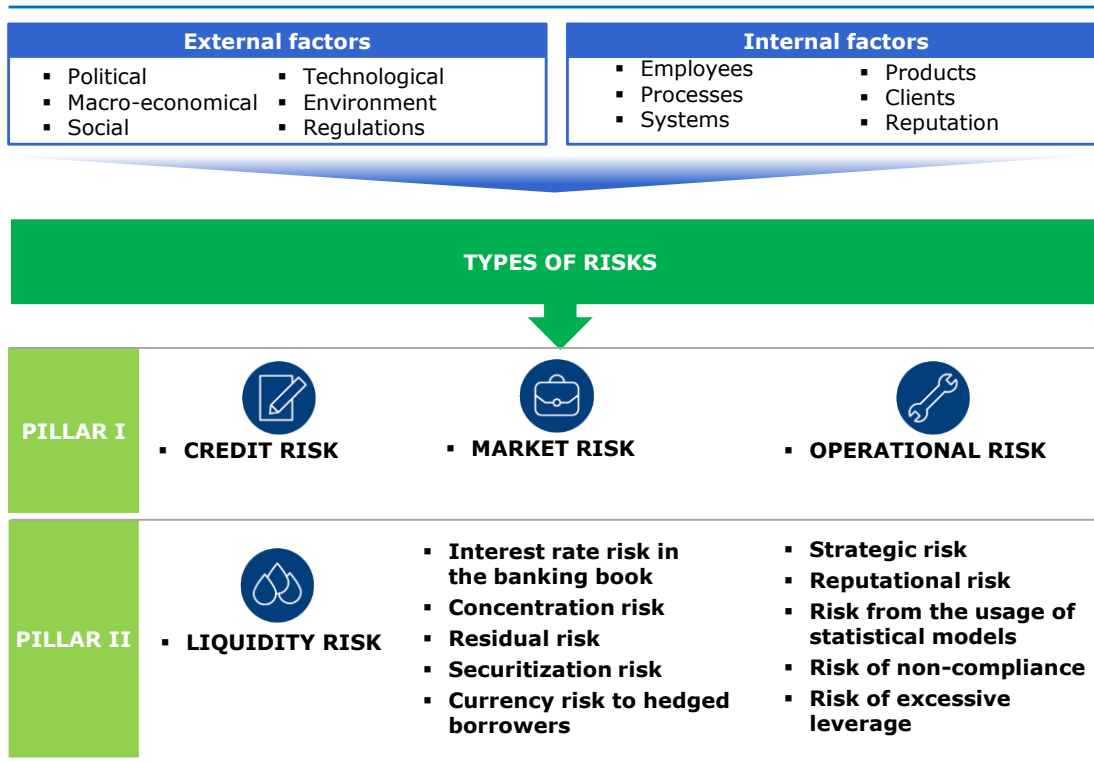
The risk appetite framework is subject to review by the Managing Board and approval from the Supervisory Board once a year or more often, if needed, in accordance with the business environment dynamics. It is part of the annual process for defining the strategy and planning within the Bank.



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 pursuant to Directive 2013/36/EU (EBA/GL/2021/05).

STRUCTURE AND INTERNAL ORGANISATION

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

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

First Investment Bank has also developed a compliance function, whose main objective is to identify, assess, monitor and report the risk of non-compliance. The function ensures the compliance of

activities with regulatory requirements and recognized standards, and supports the Managing Board and senior staff in the management and control of this risk. The function is organized under the 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. During the year there were no changes in the composition of the Risk Committee. As at 31 December 2022, it consisted of three members of the Supervisory Board of First Investment Bank AD. The Chairman of the Risk Committee is Mr. Jyrki Koskelo, independent member of the Supervisory Board.

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

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

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

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

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

Apart from the collective management bodies, the risk function in First Investment Bank is executed by the Risk Analysis and Control department, the Credit Risk Management, Monitoring and Provisioning department and the specialized unit for Strategic Risk Management (Risk Management Directorate), as well as the Compliance function – by departments Compliance – Regulations and Standards and Compliance – Specialized Monitoring and Control (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. As part of it a Compliance – investment services and activities unit functions, which executes ongoing control over the execution of the regulatory requirements with respect to the Bank's activity as an investment intermediary and on the market abuse with financial instruments, as well as a Data protection officer, who has a leading role in ensuring the lawful processing of personal data in the Bank's structure – *for further information see section „[Personal Data Protection](#)“*.

The Compliance – 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.



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 2022.

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 2022 First Investment Bank updated its recovery plan, including recovery indicators. Those were calibrated 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 requirement for own funds and eligible liabilities (MREL), new subordination indicators were added, structured as a percentage of the total risk exposure amount (TREA) and the leverage ratio exposure measure (LRE). Information regarding the main lines of business and the criteria for identifying critical functions was further elaborated, as well as aggregated information regarding the overall recovery capacity and the effects of measures on capital and liquidity. A more conservative approach and rigorous risk parameters were applied in the assumptions for preparation of different of stress scenarios, including in view of the challenges of the external environment and the economic consequences resulting from the events in Ukraine.

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

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

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

RESTRUCTURING PLANNING PROCESS

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

In this regard, in 2022 First Investment Bank launched the development of an internal Bail-in Playbook to document the operational process related to a potential bail-in event, including the operational steps related to write-off mechanisms and conversion of instruments and liabilities.



CREDIT RISK

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

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

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

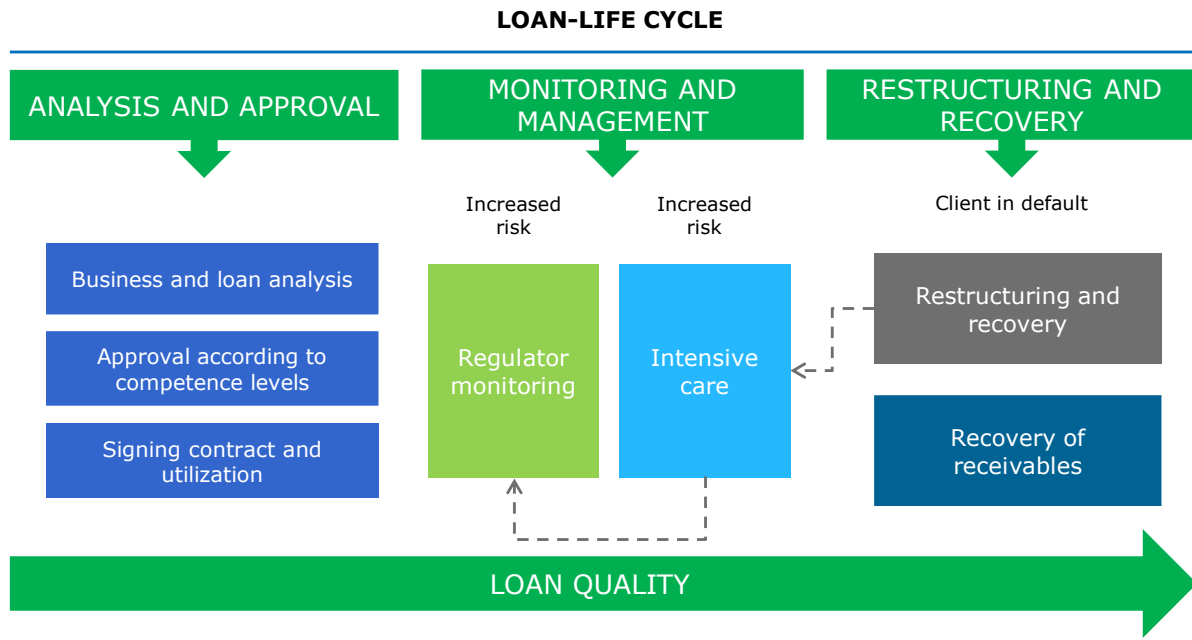
LOAN PROCESS

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

At the end of 2021, the Bank implemented a new and advanced BPM system for processing retail loans (New Workflow). From the middle of 2022, it was also extended to business customers. The system covers the activities of accepting loan applications, preparing opinions, approval and disbursement of new loans, as well as renegotiating existing ones. The applicable limits and authority levels for approval/renegotiating of individual types of credit exposures are integrated in the system. Automating the credit process aims to increase the quality of customer service, as well as to reduce the time for processing credit applications.

In 2022, changes were made to the levels of authority for approval of credit transactions. The main objective was to optimize the internal decision-making process with a view of the Restructuring Committee's role as a collective management body involved in the process. In this connection, the rules for substituting committee members in their absence were further developed. During the year,

changes were also made to the internal rules and guidelines regarding credit administration, mainly in connection with the implemented new automated BPM system for processing credit transactions. The procedures were improved related to collecting, providing and receiving information from the Central Credit Register of the BNB, including in terms of control mechanisms, levels of access to systems, and generation of reports from the Register.



During the year, a reorganization of the business units engaged in credit activity was carried out in view of the customer segmentation applied by the Bank. It corresponds to the European requirements for defining micro, small and medium-sized enterprises, which were transposed by the Law on Small and Medium-sized Enterprises.

Credit products are priced so that income generated by them covers the cost of funds, the assumed risk/expected loss, the administrative costs, as well as the return on equity allocated to the respective product. In this connection, changes were made in the methodology for pricing credit products during the period, aiming to address the minimum requirement for own funds and eligible liabilities (MREL).

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

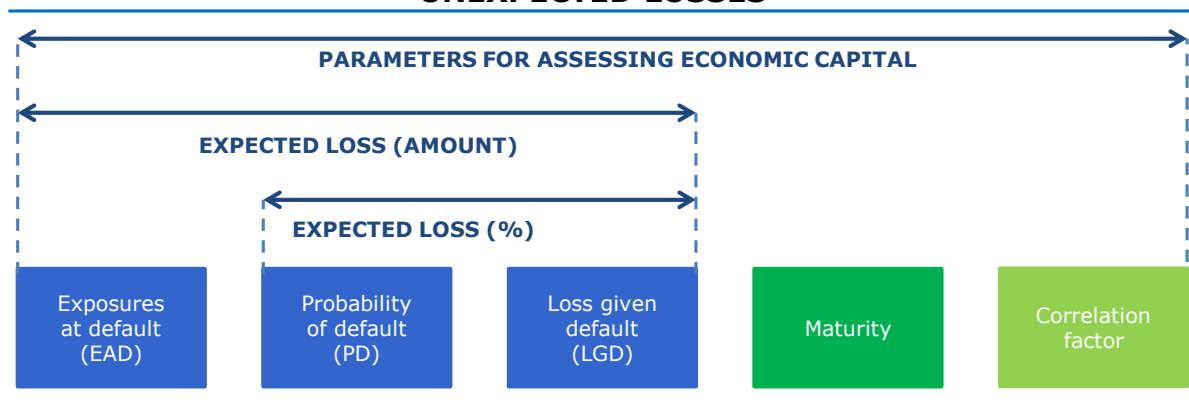
In the Bank a department functions for Intensive loan management, which manages the exposures of customers transferred from the business units with increased credit risk compared to the initial disbursement of the loan, as well as from the impaired assets unit, when there are indicators for recovery of the exposure and objective possibility for future regular servicing. The processes are organized in accordance with the Rules for 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.

RISK PARAMETERS FOR ASSESSING EXPECTED AND UNEXPECTED LOSSES



For further information regarding economic capital see subsection „[Internal Capital Adequacy Analysis](#)“.

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

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

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

There is a structured process within the Bank for assessment and validation of the risk management models to ensure their reliability, accuracy and effective implementation. It envisages the preparation of regular validation reports in the Bank: brief/monitoring quarterly reports and extended annual validation reports, covering both quantitative analysis (statistical, econometric and other quantitative approaches) and analysis of the qualitative (non-statistical) characteristics, in compliance with the current regulatory requirements and good banking practices in the area. In 2022 the terms for their preparation were refined, aiming at timely reporting of the results to the competent bodies within the Bank.

CREDIT RISK MITIGATION METHODS

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


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

PROBLEM EXPOSURES, REPOSSESSED ASSETS AND STRATEGY FOR THEIR REDUCTION

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

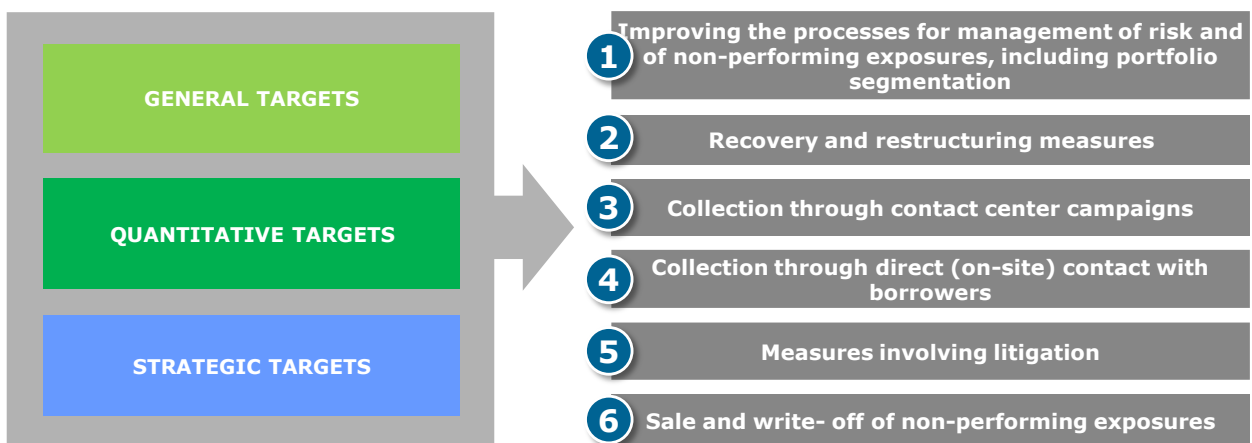
The Bank has structured processes and internal organization regarding the management and sale of repossessed assets, as well as for debt-to-asset/debt-to-equity conversion. There is an Asset Management and Sale Committee acting as an auxiliary body to the Management Board. It performs functions related to the management, administration and sale of acquired assets in accordance with the levels of authority operating in the Bank. During the year, changes were made in the powers of the Asset Management and Sale Committee aiming at more effective management of acquired assets, including in cases of leasing.

Among the strategic priorities of the Bank regarding its risk profile is reducing the portfolio of nonperforming exposures and repossessed assets, as in this regard a Strategy for reduction of nonperforming exposures and repossessed assets for 3-year period is in place, as well as an operating plan for its implementation, in which measures adequate to the business model and risk profile were identified aligned with the EBA Guidelines on management of nonperforming and forboren exposures (EBA/GL/2018/06). In 2022, the strategy and operational plan were updated. An annual self-assessment was carried out, covering assessment of the operating environment, of the internal capacity, as well as of the external conditions for effective management and reduction of nonperforming exposures and acquired assets. Additional indicators were added to the quantitative targets for reducing non-performing exposures. The Bank continued to pursue the goals and priorities set therein, including:

-  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, as a result of the consistent actions and measures for improving collection, write-offs and reduction of problem exposures, net non-performing exposures decreased by 7.4% or by BGN 96,753 thousand y/o/y. As at 31 December 2022, the nonperforming loan (NPL) ratio calculated in accordance with the requirements of the European Banking Authority decreased by 1.5 percentage points to 14.0% 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 10.8% of gross loans and advances and debt instruments other than held for trading.

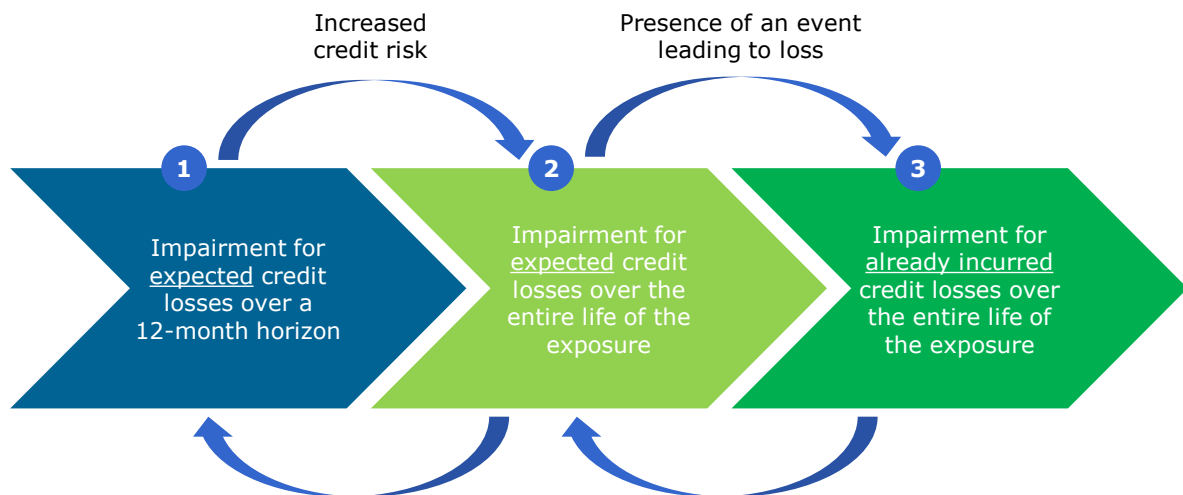
CLASSIFICATION, IMPAIRMENT AND PROVISIONING OF EXPOSURES

First Investment Bank applies a consistent exposure classification process, structured in accordance with the requirements of Regulation (EU) No. 575/2013 and its implementing regulations, Ordinance No. 7 of the BNB on the organization and management of risks in banks, as well as the EBA Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013 (EBA/GL/2016/07). Internal processes cover the definition of default, including indications of default and unlikelihood to pay, materiality thresholds for past due credit obligations, implementation of forbearance measures and reclassification, as well as units and internal banking bodies responsible for the process.

With respect to impairment and provisioning of risk exposures, the Bank applies written rules, which are structured based on the principles of individual and portfolio evaluation of risk exposures, depending on the classification and amount of exposure. For exposures reported as non-performing specific impairment is determined, calculated on the basis of individual cash flows for individually significant exposures, or on portfolio basis for the others. Regarding exposures reported as performing, the Bank applies impairment on a portfolio basis (taking into account potential losses), grouping

exposures with similar credit risk characteristics. According to IFRS9 an allowance for impairment loss is calculated equal to the expected credit losses over the life of the instrument, if the credit risk of the financial instrument has increased significantly since the original recognition. Otherwise, an allowance for impairment losses is calculated equal to the expected credit losses over a 12-month horizon.

IMPAIRMENT OF RISK EXPOSURES



The Bank has written parameters for defining the increased credit risk, which includes days past due, as well as other indicators i.e. presence of 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 2022, the Bank updated its internal rules for classification, provisioning and impairment, further enhancing its internal processes.

For more information on credit risk, see note 3 "Risk Management" from the Individual Financial Statements for the year ended 31 December 2022.



MARKET RISK

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

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

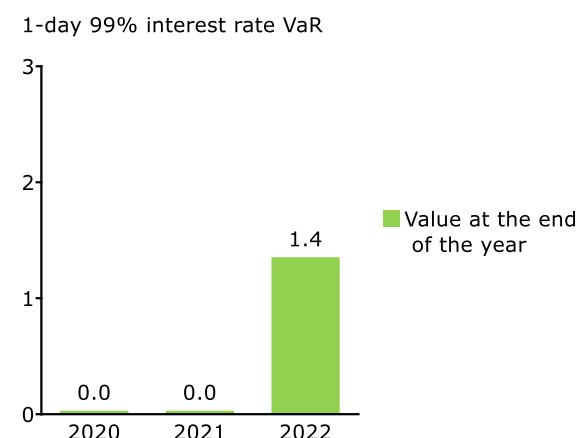
The limits applied by the Bank for debt and capital instruments are structured with the aim of minimizing the risk and applying a wide and risk-based framework of limits, which are directly connected with the risk profile of the investments, as well as with the dynamics of the risk profile in time. The Bank applies a uniform framework regarding its limits on investments in debt securities to governments and financial institutions in accordance with the development of market conditions and opportunities to generate returns and returns. In 2022, the rules for managing market risks were updated, incl. with respect to the limits for general position risk, related to the open position of equity instruments, held for trading.

POSITION RISK

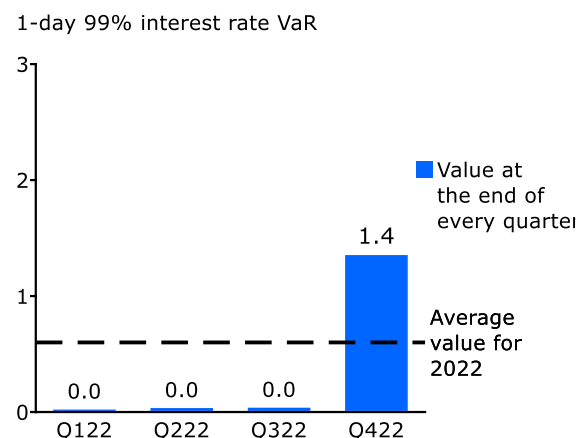
Position risk is the risk of changes in the prices of debt and equity instruments as a result of circumstances related to the issuer and / or changes in market conditions. Position risk includes general and specific position / price risk.

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



INTEREST RATE VAR FOR THE PORTFOLIO OF DEBT INSTRUMENTS DURING 2022



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.

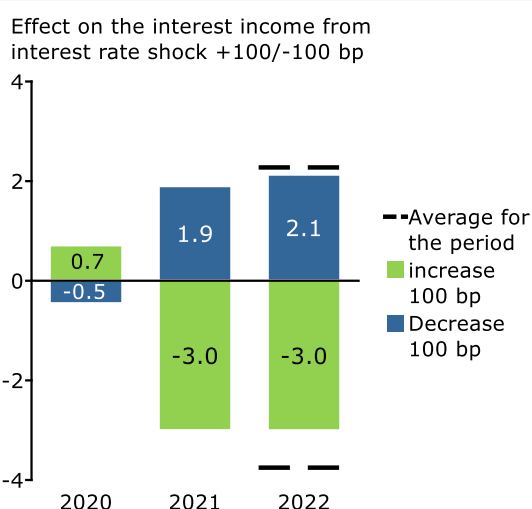
In compliance with the European Banking Authority guidelines, the Bank measures stressed value at risk (sVaR) of the debt securities portfolio, where model inputs are calibrated so as to reflect an extended period of significant stress in the international financial markets.

INTEREST RATE RISK IN THE BANKING BOOK

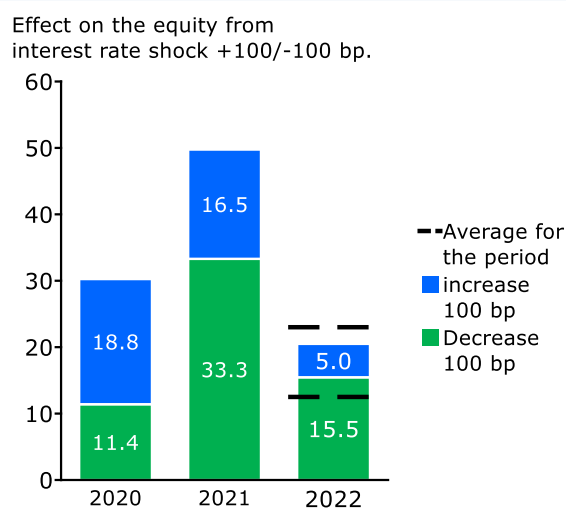
Interest rate risk in the banking book is the risk from negative effect on the economic value of the capital and the net interest income of the Bank due to change in the market interest rate levels.

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.

EFFECT ON THE INTEREST INCOME



EFFECT ON THE EQUITY



As at 31 December 2022 the interest rate risk on the economic value of the Bank (IRRBB) following a standardized shock of +100/-100 bp was BGN +5.0/+15.5 million, while on the net interest income one year forward was BGN -3.0/+2.1 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 2022.



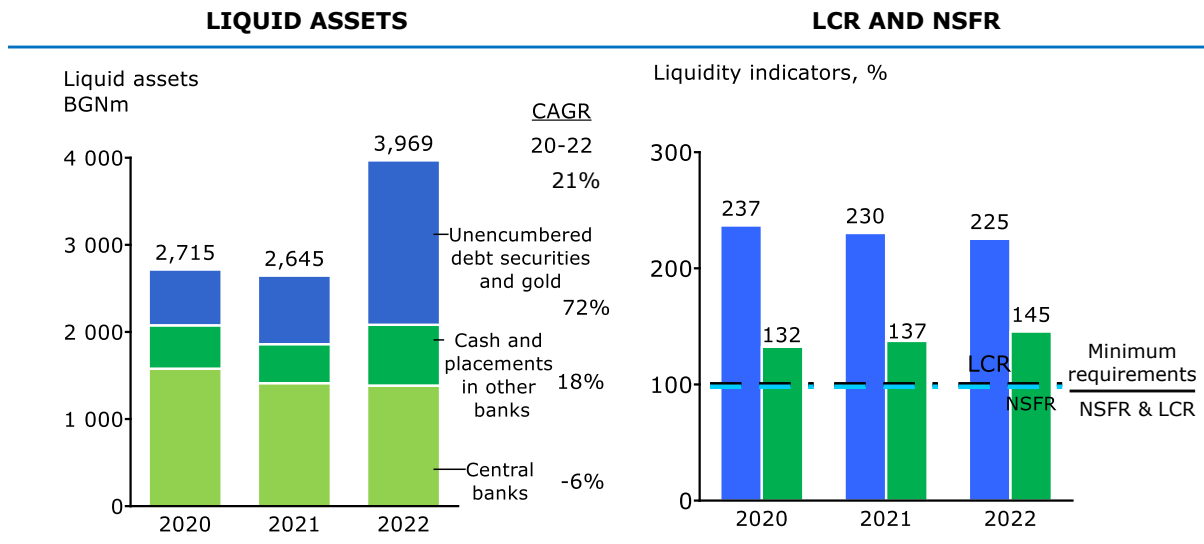
LIQUIDITY RISK

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 2022 the ratio of liquid assets covering the attracted funds due to other customers amounted to 36.75% (2021: 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 225.36% on an individual basis (2021: 230.36%).

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 145.47% on an individual basis (2021: 137.42%) and was above the reference value of 100% in accordance with Regulation (EU) No 575/2013.

INTERNAL LIQUIDITY ADEQUACY ASSESSMENT PROCESS

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

In 2022, 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 the results of stress scenarios and stress tests used and the quantitative information on funding plans and sources of funding. Liquidity position monitoring limits and early warning indicators regarding liquidity risk were further developed. Internal liquidity indicators were structured in compliance with the requirements for consistency with Recovery Plan levels, the latter being part of the monitoring and

early warning system incorporated in the Bank's risk management framework. During the period, the ILAAP Methodology was also updated, refined and improved. It describes the approaches to preparing and updating the ILAAP report, including with regard to the key components under the EBA Guidelines on ICAAP and ILAAP information collected for SREP purposes.

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

To ensure adequate capacity of the Bank to meet all its obligations and commitments, even in the context of a liquidity crisis, First Investment Bank has developed an action plan in case of contingency/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 2022.



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 this regard, in 2022, First Investment Bank further developed its internal rules for registering and reporting of operational events and assessment of their impact, incl. with regards to indicators, related to payment operations and services, as well as to security of IT systems and networks and the procedures for incident reporting.

INFORMATION SECURITY

Information security and cyber security play an increasingly important role in banking, given the growing digitization of services and automation of processes. It is as integral part of the Bank's priorities to maintain reliable databases, networks and systems, ensuring continuity of service and key banking processes.

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

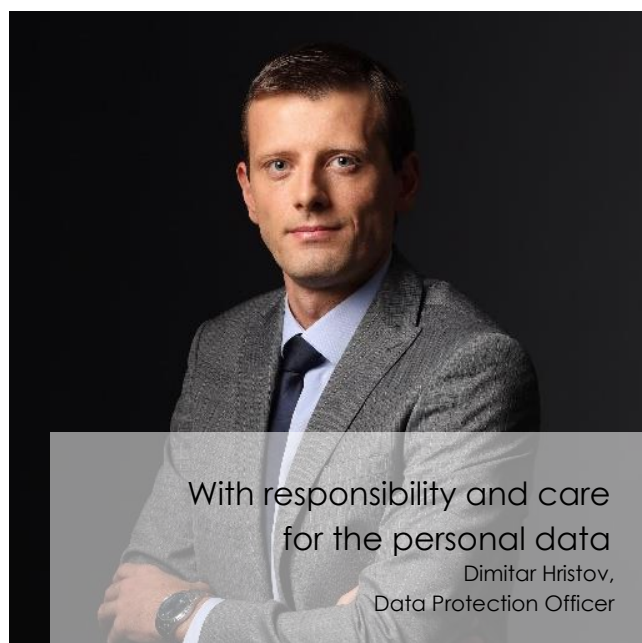
An "Information security" department functions within the Bank under the supervision of the Chief Risk Officer, which coordinates the activities related to information security, defines the requirements towards controls and security of data, as well as organizes the execution of the Management Board's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

In 2022, the Bank further developed its internal information security policies and rules, including network and information security measures; monitoring, evaluating and testing the reliability of ICT systems; as well as requirements and standards applicable to IT service providers of First Investment Bank.

PERSONAL DATA PROTECTION

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

In compliance with the requirements of the General Data Protection Regulation (GDPR), the Bank has a Data Protection Officer (DPO)



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

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

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

BUSINESS CONTINUITY MANAGEMENT

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

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

In 2022, as part of the annual review, an update of the Business Continuity Plan was carried out, including in connection with relocation of the Bank's headquarters to a new building. The scope of application of the Plan was further developed with respect to the branch network. Changes were also made related to criticality codes in crisis situations.

OUTSOURCING

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

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

RISK EXPOSURES

As at 31 December 2022 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 | 2022 | % | 2021 | % | 2020 | % |
|-----------------------------|------------------|------------|------------------|------------|------------------|------------|
| For credit risk | 6,462,477 | 92.2 | 6,546,743 | 92.5 | 6,518,978 | 92.2 |
| For market risk | 4,350 | 0.1 | 4,713 | 0.1 | 5,525 | 0.1 |
| For operational risk | 540,238 | 7.7 | 523,913 | 7.4 | 547,363 | 7.7 |
| Total risk exposures | 7,007,065 | 100 | 7,075,369 | 100 | 7,071,866 | 100 |

In 2022 the structure of risk-weighted assets comprised predominantly of those to credit risk at 92.2% of total exposures (2021: 92.5%), following by those for operational risk at 7.7% (2021: 7.4%) and to market risk at 0.1% (2021: 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 2022, the ICAAP report was updated in accordance with Fibank's Risk Strategy and business development goals, as well as in line with the operational environment and external conditions. The quantitative information and the integrated stress test results assessing the Bank's resilience under the baseline macroeconomic scenario and the adverse scenario (negative shock) were updated. The framework for collateral issuer concentration and for operational event reporting was further developed and refined, as part of economic capital analysis and operational risk stress testing. As concerns risk aggregation, information on credit risk and concentration risk was elaborated, including by distribution at the level of groups of related customers and at the economic sector level. During the year, the ICAAP Methodology was also improved, mainly by introducing a dynamic approach in integrated stress test assumptions.

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 (IRRBB)** by managing the structure of investments, controlling the costs and terms of financial liabilities, as well as controlling the interest rate structure of the loan portfolio and the other interest-bearing assets. Two aspects are 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.

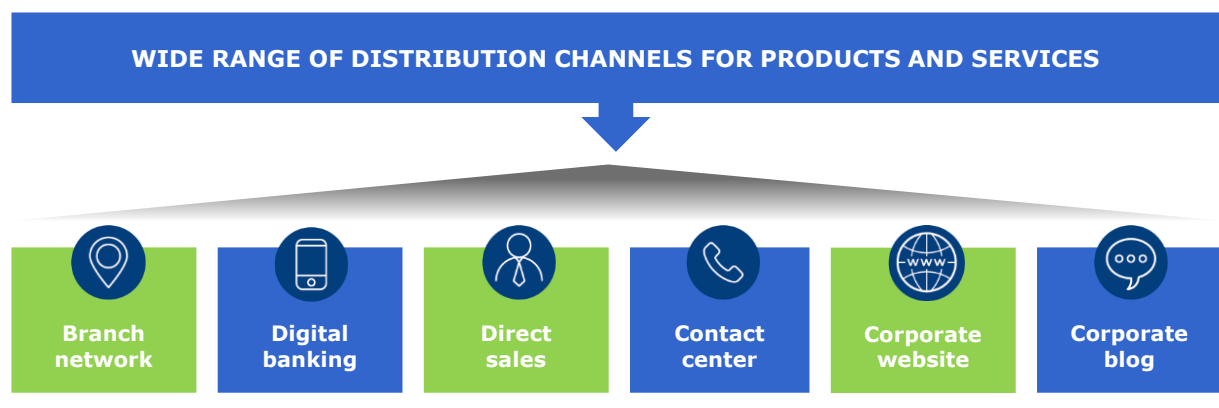


To assess **liquidity risk**, the Bank differentiates the analysis in two directions regarding the risk of insolvency and the risk of providing liquidity. The risk of insolvency is managed and covered by maintaining an appropriate buffer of unencumbered, highly liquid assets, while the risk of providing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



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 2022 the Bank continued to optimize its branch network, taking into account the external environment and market conditions, the workload of individual locations and the volumes of activity, as well as the processes related to activity digitalisation. During the year, two offices in the city of Sofia were closed and one new office was opened in the city of Belitsa. As at 31 December 2022 the branch network of First Investment Bank comprised a total of 126 branches and offices on an individual basis (2021: 127), located in over 60 cities in Bulgaria: 42 locations in the city of Sofia (2021: 44), 83 branches and offices in the rest of the country (2021: 82), 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.

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. In 2022, the Bank introduced electronic signing of documents in its branch network (e-Sign pad). When registering for the service, a sample of the customer's signature (electronic specimen) is taken and used for comparison in subsequent signing. The use of e-signing in basic banking transactions speeds up payment processing, improves customer service and contributes to the Bank's consistent efforts to reduce CO2 emissions by digitizing banking services.

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

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

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

| 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 2022, 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 18 outgoing campaigns of different nature and topics were conducted through the Contact Center, including information campaigns, direct marketing of products and services, as well as consumer opinion surveys. Over 71 outgoing calls were made, with a high response rate achieved, as well as an increase in the success rate of direct sales on the conducted commercial campaigns.



For the reporting period, the Contact Center received over 79 thousand incoming calls, emails and chat conversations in relation to various inquiries and requests by existing or potential customers, including on general banking information, card services, contact and reference information, product requests, etc.

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

CORPORATE WEBSITE – www.fibank.bg

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



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

During the year, the content of the corporate website was further developed, including in relation to disclosure of additional information on sustainable development and environmental, social and governance (ESG) factors influencing the activity.

CORPORATE BLOG

The corporate blog of First Investment Bank was created in 2008, which makes it the first corporate and banking blog in Bulgaria. On the verge of its 15th-anniversary in 2023, the corporate blog continued to be one of the most used by customers and useful online communication channels, along with the Bank's social networks. It contains an important part of the key news, initiatives, as well as financial analyzes and studies related to the market of banking products and services in the country. Thanks to the AskFibank platform, part of the corporate blog, the Bank's customers can ask their questions and get an expert opinion.

First Investment Bank continued to maintain active online communication in real time with clients, in addition to its blog, and through the leading social networks - Facebook, Instagram, LinkedIn, Twitter, Youtube. In 2022, all of these channels featured some of Fibank's faces with their stories on their work and the relationships within the teams.

In 2023, the corporate blog and social networks will continue to maintain a constant and positive relationship with the Bank's customers, providing them with timely, accurate and useful information about Fibank's products and services.

 **SALES**

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

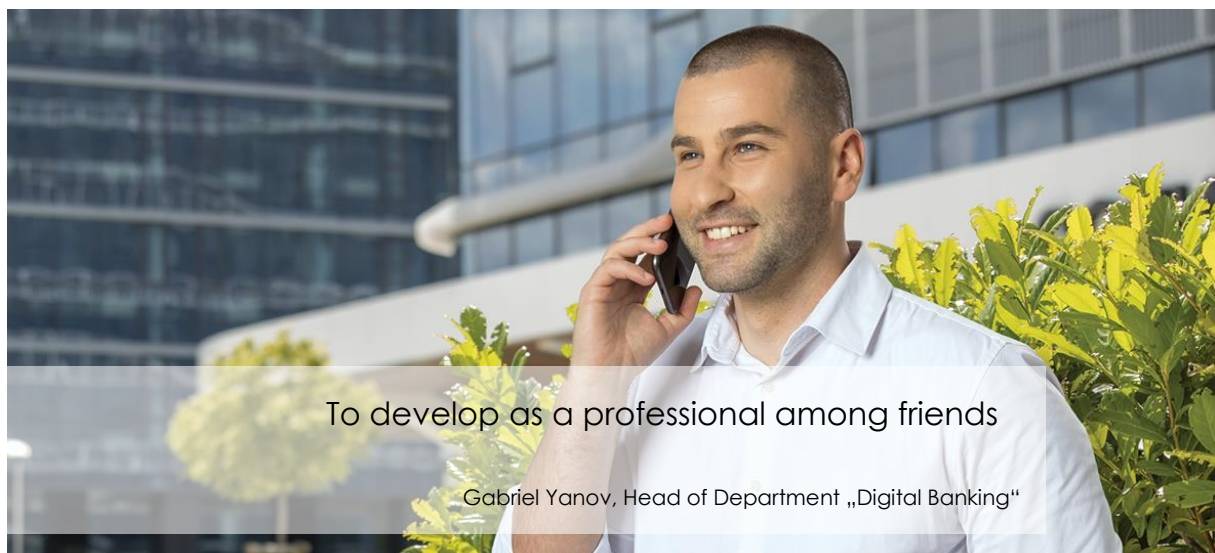
The Corporate Sales and Public Procurement Department in the system of First Investment Bank has considerable experience in preparing the Bank's participation in public procurement, as well as in servicing corporate and institutional clients, budget spending units, state and municipal enterprises.

In 2022 Fibank continued its participation in public procurement and tenders in order to attract new business clients and maintain 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, 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.



As part of expanding the range of services offered, in 2022 the innovative Blink functionality was added which allows making instant payments in BGN to other payment service providers. Blink payments are executed by the Bank 24/7/365. They are money transfers with instant or near-instant processing, whereby the recipient's account is credited with the transferred amount within seconds of acceptance.

of the payment order by the Bank. In this way, the Bank provides its customers with a highly innovative and fast solution for making online transfers.

During the year, a new feature for purchasing route passes was added to the existing one for purchasing electronic vignettes using the customer's current account, payment card, My Fibank electronic banking, or the mobile application. Another new functionality allows to apply for rescheduling credit card debt from POS payments, including virtual POS payments, to equal monthly installments. A number of technical innovations were made to My Fibank electronic banking, including a refurbished design, a new alternative method for customer profile management, new forms for applying for mortgage loans, overdrafts, credit and debit cards, as well as remote card activation for cards delivered by courier. Online opening of accounts and signing agreements was further developed through www.smetka.fibank.bg.

In compliance with the regulatory requirements arising from Regulation (EU) 1230/2021, First Investment Bank introduced a new functionality in its electronic banking allowing prior visualization of fees due when ordering a transfer. In line with the requirements for strong customer authentication (SCA), in 2022 a new embedded software token was introduced as a method of authentication in electronic banking. Two-factor authentication includes code generation technology, whereby a static code (PINT) or biometric characteristics (fingerprint/face ID) are added when confirming a transaction.

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

In 2022, the integrated My Fibank electronic banking platform established itself as a channel generating the predominant share (over 86%) of the Bank's outgoing transfers. A growth of 13% in transactions and 9% in the number of customers using the platform was reported. There was also an increase in average number of transactions per customer, both in transfers and in utility payments.

A testimony of the results achieved during the period were the two awards received: Digital Bank of the Year 2022 at the international competition Worldwide Finance Awards 2022 organized by the British magazine Acquisition International (AI), and the successful digital transformation award in the Bank of the Year contest organized by the Bank of the Year Association, based on an independent and objective methodology prepared by Deloitte Bulgaria.



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 2022, Fibank continued to develop its mobile application. The immediate issuance of Debit Instant Card was offered: a new type of virtual debit card without plastic, intended for making payments online or through other remote methods, including smart mobile devices. An option was provided to digitize payment cards, including in third party apps (e.g. Google Pay, Apple Pay, Garmin, Fitbit). *For more information on digitizing cards in third party apps, see the [Card Payments](#) section.*

During the year, the innovative Blink P2P instant transfer service was introduced. It allows execution of instant money transfers using a secondary identifier: a mobile phone number, instead of indicating an account IBAN.

During the year, push notifications were further developed to provide a variety of information to customers regarding their transfers (including Blink instant transfers), account transactions, card authorizations, credit card obligations, utility payments, or changes to the Tariff of the General Terms of the Bank. The functionalities for strong customer authentication were improved through a built-in software token used in confirming online transactions.




The Help from a Friend service was introduced, allowing every customer to receive assistance and information about the features and functionalities of My Fibank electronic banking and the mobile application.

In 2023, the Bank will continue its efforts to provide first-class service while focusing on digital methods and solutions, providing self-service options and developing sustainable banking.

CORPORATE GOVERNANCE STATEMENT

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

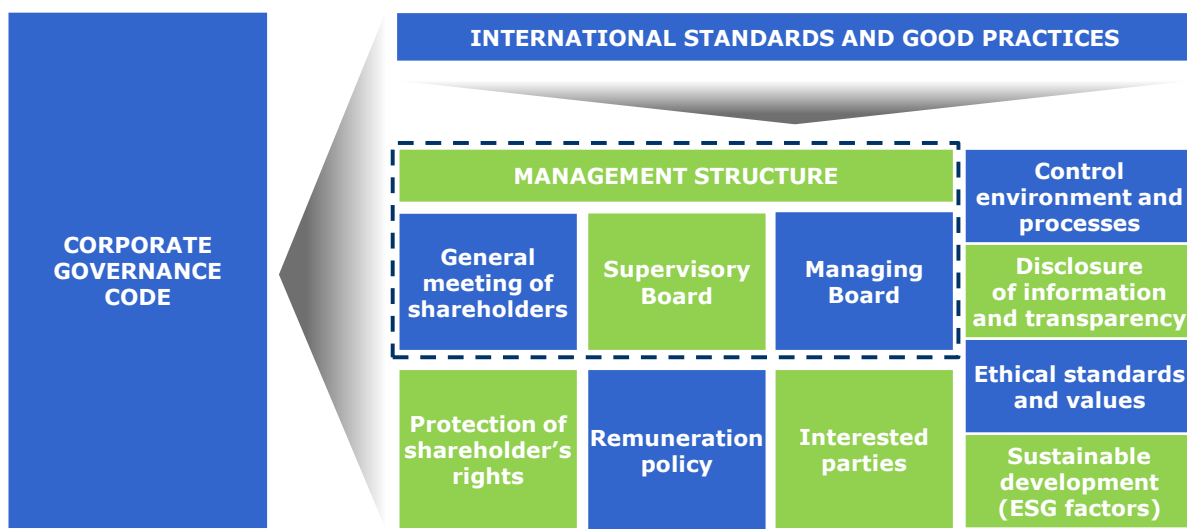
 As a public company and public interest entity, First Investment Bank discloses information about its corporate governance practices, as this section of the Annual Report represents a Corporate Governance Statement pursuant to Art. 100m of the Public Offering of Securities Act and Art. 40 of the Accountancy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



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

First Investment Bank applies written policies for corporate governance on 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 2022, the Bank further improved its corporate governance policies, including the assessment of suitability of members of management and supervisory bodies and key function holders, ethical standards and code of conduct, customer segmentation, as well as the disclosure practices related to sustainable development and environmental, social, and governance (ESG) factors.

The head office and business address of First Investment Bank AD was changed, due to moving in new building at Sofia 1784, 111P, Tsarigradsko shose Blvd.

CORPORATE GOVERNANCE CODE

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

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

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

In 2022 the Bank updated its Corporate Governance Code in compliance with the amendments of the National Corporate Governance Code related mainly to sustainable development requirements and environmental, social, and governance (ESG) factors, as well as to introductory and training programs for new members of the governance bodies and shareholder communication.

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/zanas/korporativno-upravlennie/kodeks-na-korporativno-upravlennie>).

In 2022, 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 2022.

CODE OF CONDUCT AND WHISTLEBLOWING POLICY

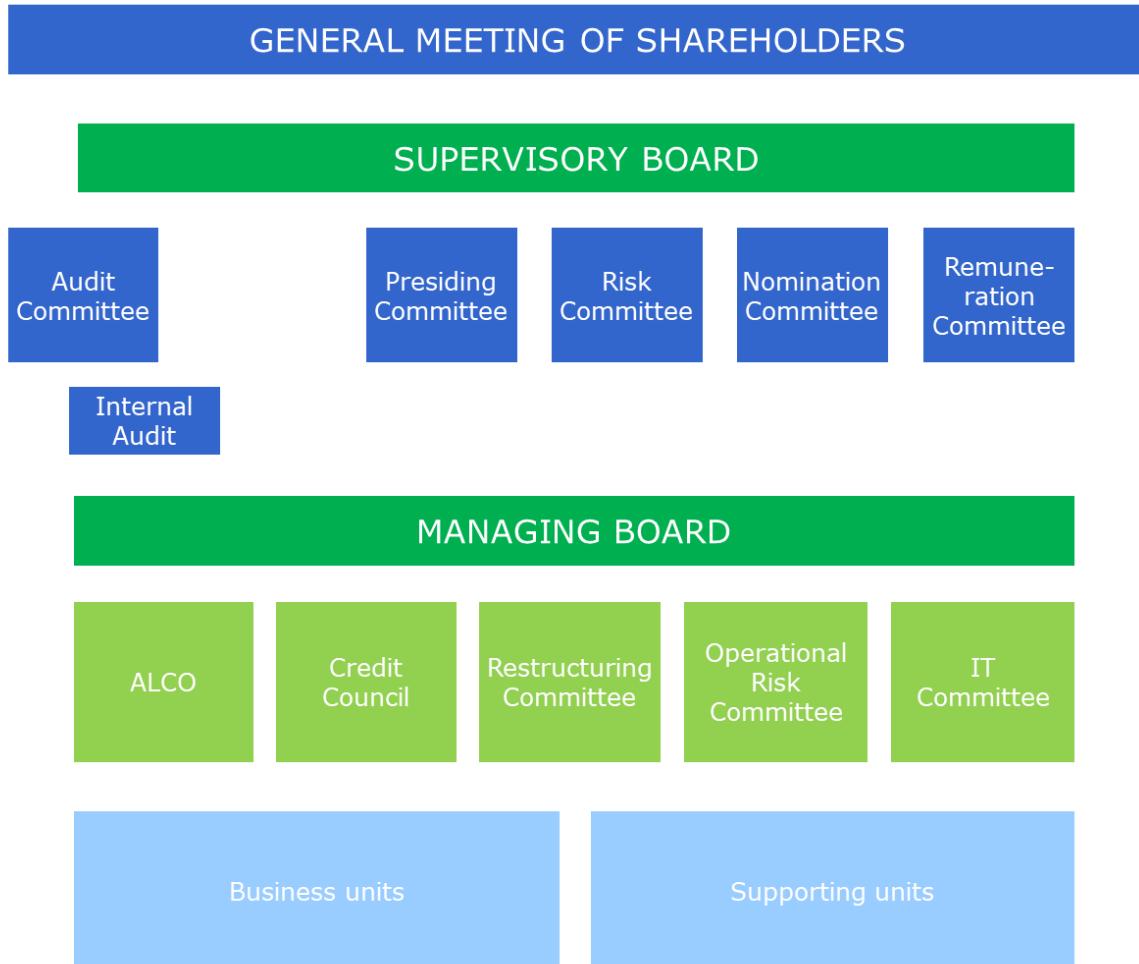
For the purpose of establishing the professional and ethical standards required and applicable to the Bank as a business company, work environment and a credit institution, Fibank has a Code of Conduct that determines the basic principles, ethical norms and corporate values which underlie the policies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

In 2022 the Bank updated its Code of Conduct with regards to application and adherence to internal requirements for information security and risk appetite framework.

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

overall activity, has in place a whistleblowing policy. The Policy aims to systematize the means and procedures for sharing of information where there are suspicions of unlawful actions, or problems related to the work process, thereby ensuring their transparent and fair consideration and resolution.

MANAGEMENT STRUCTURE



SUPERVISORY BOARD

STRUCTURE AND COMPETENCES

In 2022 there were no changes in the composition of the Supervisory Board of First Investment Bank. 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 111P, Tsarigradsko shose Blvd, 1784 Sofia.

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

In 2022 there was no changes in the number of shares of First Investment Bank, held by members of the Supervisory Board. As at 31 December 2022 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.

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 2022, the Bank fulfilled the set target level as two (40%) of the Supervisory Board members were women. The reported levels exceeded the average levels in EU related to management board in its supervisory function (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, i.e. ESG 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 for sustainable development: "Tone of the Top".

The meetings of the Supervisory Board are determined in advance, in accordance with an annual work plan. In 2022, the Supervisory Board held 18 meetings to consider issues within its competence. Emphasis was placed on exercising ongoing supervision in the implementation of the updated Risk Strategy, the Risk Appetite Framework and the Strategy for Reduction of Non-performing Exposures and Acquired Assets, where the Risk Committee provided active support. Issues were also discussed concerning the branch network, the digitization of operations, the Bank's market shares and competitive positions, and the implementation of strategic development goals. Regular reviews were carried out of financial results and reporting and of the internal control framework, where the Audit Committee provided assistance. Supervisory Board members were constantly informed on the developments in the Bank's activity and of its compliance with new regulatory requirements. During the year, the Supervisory Board approved changes to the Bank's Corporate Governance Code and Code of Ethics in line with sustainable development and ESG factors, as well as with the network and information security policies.

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 2022 was accomplished at the end of the fourth quarter of the year.

COMMITTEES

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

The **Presiding Committee** is responsible for overseeing the activities of the Managing Board on important strategic decisions, including the issue of new shares, bonds, hybrid instruments, the adoption of programs and budgets relating to the activity of the Bank, the line responsibilities of the members of the Managing Board, as well as the function for overview and control over the activity of

the subsidiary companies of the Bank. In 2022, there were no changes in the composition of the Presiding Committee. Chair of the Presiding Committee is Ms. Maya Georgieva.

In 2022, the Presiding Committee held 5 meetings to consider issues within its competence, including allocation of responsibilities among members of the Management Board, as well as making recommendations and coordination of the business strategy for the period 2023-2025 and the budget of the Bank.

The **Risk Committee** advises the Supervisory Board and the Managing Board in relation to the overall current and future strategy on ensuring compliance of the risk policy and risk limits, risk-taking propensity and control of its execution by senior management. In 2022, there were no changes in the composition of the Risk Committee. Chairman of the Committee is Mr. Jyrki Koskelo.

The Risk Committee held 9 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, Risk Appetite Framework and Strategy for the Reduction of Non-performing Exposures and Repossessed Assets, as was regularly informed and monitored their implementation, as well as the effectiveness of the internal risk management and control systems, i.e. the compliance function. During the year, the Risk Committee held discussions on the quality of the loan portfolio, including in view of the consequences of the situation in Ukraine, as well as on the assumptions for the integrated stress test for credit risk, held for the purpose of ICAAP.

The **Remuneration Committee** assists the Supervisory Board in the implementation of the Remuneration policy of the Bank and its subsequent amendments, as well as in any other matters concerning remuneration, in accordance with the regulatory requirements and best practices in the area. In 2022, there were no changes in the composition of the Remuneration Committee. Chair of the Remuneration Committee is Mr. Evgeni Lukanov.

In 2022, the Remuneration Committee held 3 meetings discussing issues of its competence related to the Remuneration Policy. It also reviewed proposals in connection with the regular assessment process and updating the categories of identified staff.

The **Nomination Committee** assists the Supervisory Board in assessing the individual and collective suitability of members of the Supervisory Board and Managing Board, as well as assessing the suitability of the key function holders in compliance with applicable regulations and the Policy of First Investment Bank for nomination and assessment of the suitability of members of the managing and supervisory bodies and persons holding other positions. In 2022, there were no changes in the composition of the Nomination Committee. Chair of the Nomination Committee is Mr. Jordan Skortchev.

During the year the Nomination Committee held 7 meetings considering issues within its competence, including on the selection and suitability of persons holding senior management positions in the Bank's subsidiaries, as well as periodic follow-up assessments of the individual and collective suitability of members of the Supervisory Board, the Management Board and key position holders. The Nomination Committee also discussed topics related to planning of trainings within the institution, as well as coordinated the updated 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.

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 2022, there were no changes in the composition of the Audit Committee. Chair of the Audit Committee is Mr. Dimitar Dimitrov, who possesses financial competencies as well as the knowledge, professional experience and qualifications in the field of accounting and financial audit necessary for the effective performance of his duties.

During the year, the Audit Committee held 12 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 2022 no changes were made to the composition of the Managing Board of First Investment Bank. In January 2022 was registered the re-election of the current member Mr. Chavdar Zlatev for a new 5-year term as member of the Managing Board of the Bank.

STRUCTURE AND COMPETENCES

At the end of 2022 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 Small Enterprises Banking Department | 30.06.2025 |

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

The Management Board members are elected for 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 2022 the members of the Managing Board held a total of 35,791 shares of First Investment Bank, as follows: Mr. Nikola Bakalov (2516 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 2022, the Bank fulfilled the set target level as two (33%) of the Managing Board members were women. The reported levels exceeded the average levels in EU related to management board in its management function (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. During the year changes were made to the competences of the Commission aiming at more effective management of repossessed assets, incl. in cases of rental. 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, Analysis and Control of Risk and 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 2022, an Annual General Meeting of Shareholders was held, which represented 90.50% of the share capital and voting rights, at which a decision was taken that the entire net profit of the Bank for 2021 shall be capitalized and set in other reserves with general purpose. Amendments were made to the By-laws of First Investment Bank related to changing the headquarters and the business address of the Bank, as well as such for authorizing the Management Board within a period of 5 years as from 02.08.2022, with the prior approval of the Supervisory Board, to adopt resolution for increase, through issuance of new shares, of the Bank's capital until it reaches an aggregate nominal amount of BGN 210,000,000.

The General Meeting of Shareholders elected registered auditors for performing independent financial audit of the Bank for 2022 – Mazars OOD and Ecovis Audit Bulgaria OOD. The companies were elected after prior approval of the Bulgarian National Bank and recommendation from the Audit Committee of the Bank based on criteria for coordination of the selection, approved by the BNB together with the Commission for Public Oversight of Statutory Auditors.

With a view to greater efficiency and facilitating the implementation of certain decisions, the General Meeting of Shareholders with its previous decisions of 19.06.2019 and 23.06.2021 authorized the Management Board, with the prior approval of the Supervisory Board, to adopt resolutions for: issuance of mortgage bonds under the Law on mortgage bonds with a general nominal amount of BGN 400,000,000 with maturity up to 10 years from date of issuance and other conditions, defined by the

Managing Board (within a period of 5 years as from 23.07.2019); for the issuance of debt instruments, including subordinated term debt and debt/equity (hybrid) instruments, up to the aggregate amount of BGN 2 billion or its equivalence in another currency (within a period of 5 years as from 11.08.2021).

CONTROL ENVIRONMENT AND PROCESSES

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

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

The internal control framework is in compliance with the applicable requirements in this sphere, including Ordinance No 10 of the BNB on the Organisation, Governance and Internal Control of Banks and EBA Guidelines on internal governance under Directive 2013/36/EU (EBA/GL/2021/05). During the period, the Compliance policy, as well as the Compliance charter with respect to reflecting structural changes related to the unit for control of investment services and activities and the data protection officer. With regards to anti-money laundering and terrorism financing measures, the Procedure for pre-approval of Bank clients and monitoring of established business relations was updated.

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 2022 the General Meeting of Shareholders of First Investment Bank approved the 2021 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 2022 are:

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

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

PROTECTION OF SHAREHOLDERS' RIGHTS

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

CONVENING OF GMS AND INFORMATION

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

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.

In 2022, the Bank applied the regulatory technical standards on the specification of a single electronic reporting format as set out in Delegated Regulation (EU) 2019/815, according to which annual financial reports and activity reports are disclosed in XHTML format, while specific parts of the consolidated financial statements are marked by using the in-line XBRL format, which is a machine readable format.

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

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

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

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

INVESTOR RELATIONS DIRECTOR

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

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

In execution of the applicable regulatory requirements, in June 2022 the Investor Relations director of the Bank reported her activity during 2021 at the Annual General Shareholders' Meeting and her report was adopted by the shareholders unanimously.

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

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

STAKEHOLDERS

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

Periodically, in accordance with legal requirements and best practices, First Investment Bank discloses information of a non-financial nature, including on sustainable development taking into consideration ecological, social and government (ESG) factors. The Bank supports ecological initiatives, aimed 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“.*

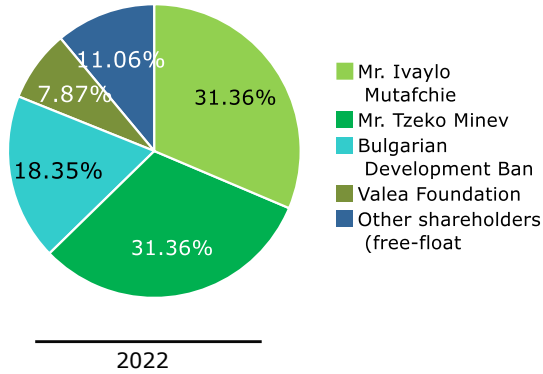
First Investment Bank has maintained and developed a corporate blog which functions as a channel of communication aimed at open dialogue in accessible language with customers, partners and other stakeholders.

SHAREHOLDERS' STRUCTURE

As at 31 December 2022 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%).

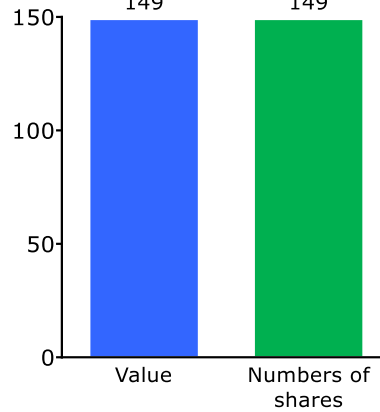
SHAREHOLDERS' STRUCTURE AT END-2022

Shareholders' structure, %



ISSUED SHARE CAPITAL AT END- 2022 r.

Issued share capital, BGNm/ million



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.

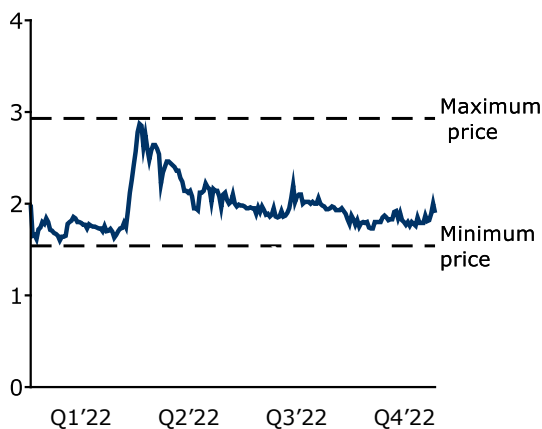
During the reporting period First Investment Bank did not acquire or transfer own shares, and at the end of the reporting period the Bank did not have own shares.

SHARE PRICE AND MARKET CAPITALISATION

In 2022, the share price of the Bank fluctuated in the range between BGN 1.60 to BGN 2.87. The last price of the shares of First Investment Bank for the reporting period was BGN 1,99 (2021: BGN 1,60) and the market capitalization of the Bank, calculated on this basis, amounted to BGN 296,679 thousand. (2021: BGN 238,536 thousand). A total of 2,915 transactions were concluded with the shares of the Bank on the regulated market BSE, amounting to a turnover of BGN 4,615 thousand, compared to 2,368 transactions and BGN 3,597 thousand turnover a year earlier.

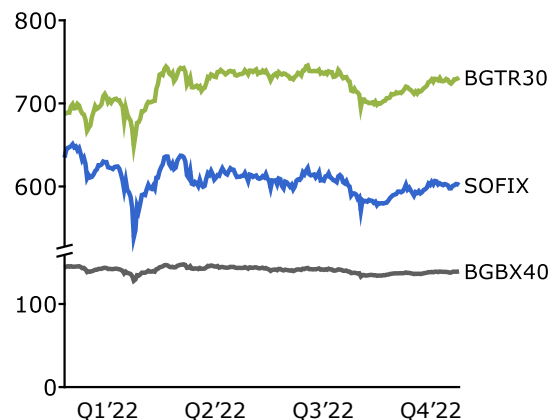
PRICE OF THE BANK'S SHARES FOR 2022

Share price of the Bank, in BGN



MAIN STOCK-EXCHANGE INDICES ON BULGARIAN STOCK EXCHANGE


Main stock-exchange indices on BSE, points



As at 31 December 2022, 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 regular review and update 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 2022 the number of identified staff of First Investment Bank on an individual basis amounts to 36 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 2022, no severance pay was paid to the identified staff.

SUMMARY OF QUANTITATIVE INFORMATION

In 2022, the remuneration paid to senior management amounted to BGN 12,068 thousand (2021: BGN 10,863 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 2944 thousand (2021: BGN 3515 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 2022.

INTEGRATION OF SUSTAINABILITY RISKS

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


In this regard, the Bank publishes the required information on its corporate website at (<https://www.fibank.bg/bg/chastni-lica/spestjavanija-i-investicii/investicionni-uslugi-i-dejnosti>).

Remunerations received by employees of the Bank for providing portfolio management services and investment advice are not directly tied to investment performance. In addition, permissible risk exposures are predetermined, thus avoiding the possibility of additional risks being taken at the expense of sustainability, such risks having already been indirectly taken into account.



NON-FINANCIAL DECLARATION

within the meaning of Art. 48 of the Accountancy Act

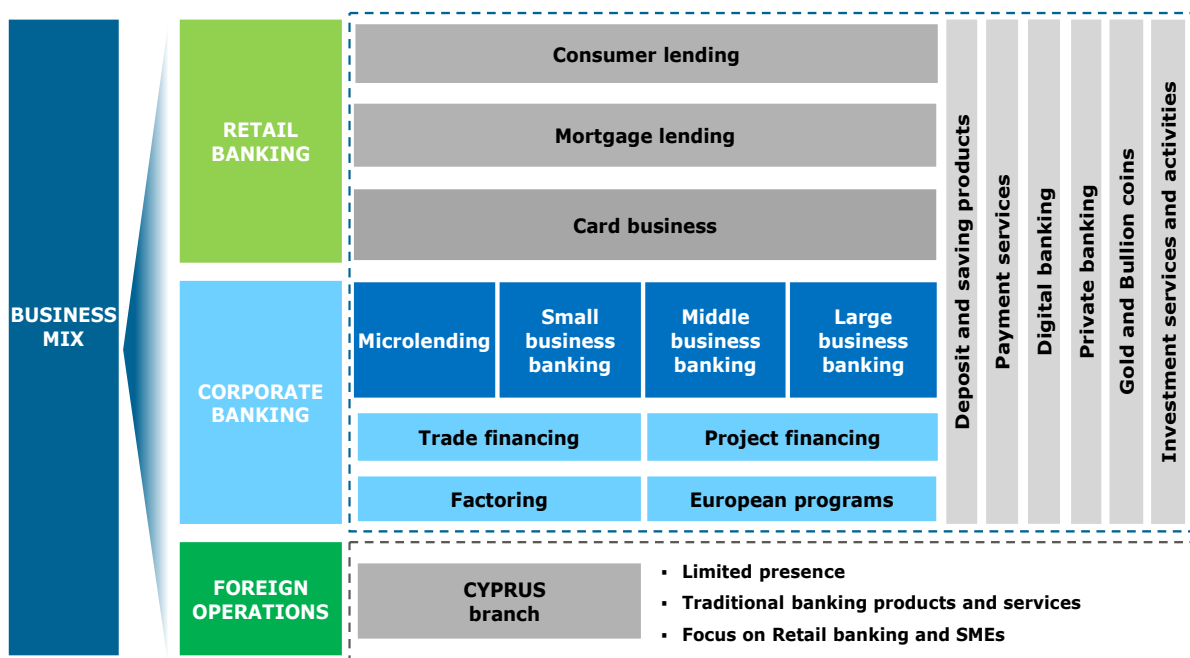
 In accordance with legal regulations and good practices, First Investment Bank discloses in its Annual Reports non-financial information that represents a Non-financial statement within the meaning of Art. 48 of the Accountancy Act.

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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.

UNIVERSAL BUSINESS MIX OF PRODUCTS AND SERVICES



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 2022, a specialized structure was created with the aim of ensuring the integration of environmental, social and governance factors in the Bank's overall activity. This includes support and advice in relation to strategic planning, risk management framework and internal governance.

The sustainable development of our society is the responsibility we owe to our children and to all future generations.

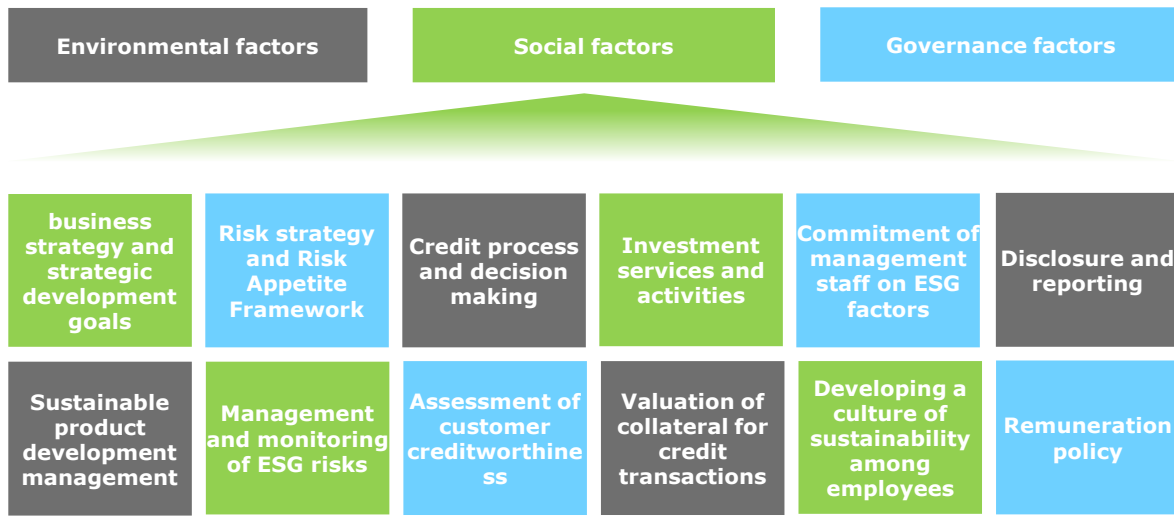
Vesela Gladnikova, Director of Sustainable development Department

The development of a 10-year sustainable development strategy began, taking into account the existing environmental, social and governance factors and risks, including sustainability transition risks and physical risks. A special ESG rating was developed for corporate customers of the Bank, based primarily on taxonomy requirements and applicable environmental and social risk assessment standards.

In connection with sustainable development and ESG factors, in 2022 the Bank updated its internal corporate rules and prepared changes in policies and frameworks for managing the main types of financial risks.

The Bank has adopted a comprehensive approach to the introduction of sustainability requirements. It has integrated them into its business operations, risk management framework, corporate governance, credit process, decision-making, assessment of borrowers' creditworthiness and investment activity.

INTEGRATION OF SUSTAINABLE DEVELOPMENT IN THE ACTIVITY OF THE BANK



ENVIRONMENTAL ISSUES

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

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

As of 31.12.2021 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 assets ¹² | |
|---|-------------------|------------|-----------------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Taxonomy eligible economic activities | 9% | 9% | 13% | 12% |
| Taxonomy non-eligible economic activities | 50% | 56% | 70% | 72% |
| Total financial and non-financial corporations | 59% | 65% | 83% | 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:

| Exposures as of 31.12.2021 | % of total assets | |
|--|-------------------|-------------|
| | 2022 | 2021 |
| Financial and non-financial corporations, which are obliged to publish non-financial declaration/information | 4% | 4% |
| Financial and non-financial corporations, which are not obliged to publish non-financial declaration/information | 55% | 61% |
| Total financial and non-financial corporations | 59% | 65% |
| Central governments, central banks and supranational issuers | 29% | 22% |
| Derivatives | 0% | 0% |
| Other | 12% | 13% |
| Total assets | 100% | 100% |

¹² Covered assets – total assets excluding exposures to central governments, central banks and supranational issuers, and derivatives.

In line with the adopted policies for reducing the carbon footprint and investing in sustainable development, in 2022 the Bank actively offered new products in the field of sustainable financing: the Green Transport loan intended for purchase of new electric vehicles by business customers; the Green Energy - Free Market loan for companies wishing to invest in the construction of photovoltaic systems for production of electricity for free market sale; and the Green Energy - Own Use loan for construction of photovoltaic systems generating electricity for own consumption or for sale. A new Sustainable Future mortgage loan for businesses and individuals was also launched during the year. It is intended for purchase of real estate with high energy efficiency class (A+, A or B) which contributes to lowering household expenses and encourages environmental protection and sustainability.

◆ For 2022, financing provided under these products amounted to BGN 51,202 thousand.

As part of the initiatives to protect the environment and reduce harmful emissions, the offering continued of the structured Eco Portfolio product. It is linked to a portfolio of bonds backed by “green” projects and/or by loans for reducing greenhouse gas emissions.

◆ As at 31.12.2022, the funds raised under this structured product amounted to BGN 6,868 thousand.

In 2022, the Sustainable Lady Fund started a new partnership with the Good Examples in Business foundation, providing support for a National Mentoring Program for women entrepreneurs. The Fund was created in 2021 to support innovative green projects of female entrepreneurs. It is part of Fibank's Smart Lady program and is implemented as joint initiative with Mastercard for equal start, innovation and circular economy, within the framework of the institution's global and local sustainability projects.

◆ In 2022, the Fund provided stipends for 3 ladies-customers of the Smart Lady business program, as well as a financial Sustainable Business grant for the finalists in the competition. A testimony for the successful development of the Fund was the Golden Heart Award in the Youth Support and Business Development category, received at the Annual Corporate Social Responsibility Awards organized by Business Lady Magazine.

From 1 December 2022, First Investment Bank began replacing all its plastic debit and credit cards with new ones made from a recyclable material. This will allow cards to be fully recycled upon their expiration. In addition to the eco-friendly material they are made of, cards also have a completely new design inspired by the idea of supporting scientific efforts to preserve Bulgarian varieties of fruit and vegetables. The initiative 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.


◆ By 31.12.2022, over 8,000 cards were replaced under the initiative. For each new card issued from 1 to 31 December 2022, Fibank donates BGN 1 or a total of BGN 8,000 to the Agricultural Academy, in support of its efforts for to preserve and develop Bulgarian varieties of fruit and vegetables.



During the period, the Green Finance & Energy Centre, a think-tank on sustainable finance in which First Investment Bank participates, produced ESG reporting guidelines encouraging companies to periodically disclose ESG information, including in their non-financial statements. The project, which is a joint initiative of the Bulgarian Stock Exchange and the Bulgarian Independent Energy Exchange, aims to promote policies in the field of sustainable finance and energy, as well as to generate ideas for development of methodologies, stock indices and financial instruments based on sustainability factors.

In 2022, Fibank moved its headquarters to a new and modern building, certified Excellent under the BREEAM sustainability standard. The building is equipped with a new generation microclimate management system providing individual settings for rooms and offices which helps reduce carbon (CO₂) emissions in the atmosphere.

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

 *In 2022, the Bank's electricity consumption decreased by 17% and by 7% on average for the period 2020-22. Paper consumption decreased by 3% and 6%, respectively, driven by the implemented initiatives for sustainability and digitization of the activity.*

By prioritizing the development of digital services, First Investment Bank confirms its long-term commitment and responsibility towards reducing the carbon footprint and the negative impact on the environment. In 2022, as part of its Branch digitalization project, the Bank introduced electronic signing of documents (e-Sign pad). The project focuses on electronic documents and electronic signing in offices, as well as at reducing the use of paper documents in a sustainable way, thus setting a new customer service model with increased digitalization in daily operations.

SOCIAL ISSUES

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

In 2022, Fibank's Smart Lady program celebrated its fourth anniversary. It supports women entrepreneurs, mainly targeting micro enterprises run or owned by women, as well as businesses whose products and/or services are aimed at women. Over 1,100 projects worth over BGN 120 million were financed during the period, enabling women entrepreneurs to create new or develop existing businesses in areas such as education, advertising, production, agriculture and services. Over 1,000 ladies attended various training programs, seminars or mentoring classes, including through the program's web-based platform. Specially tailored topics covered digital marketing, presentation skills, overcoming objections, negotiation skills, etc., helping participants to upgrade their skills for successful business management. In January 2023, after the reporting period, Fibank joined the National Mentoring Program for Women Entrepreneurs. It provided a special 5-month mentoring program for women entrepreneurs, customers of the Smart Lady program, aimed at micro enterprises in the areas of health nutrition, brokerage services and aesthetic cosmetics.



During the period, Fibank launched an innovative joint project with Mastercard: the Ninjiro digital platform for early financial education of children over 7 years old. It is structured through interactive communication and play, developing financial literacy and promoting social responsibility. The application involves online communication between parents and children, sets tasks and performance goals, provides achievement reports and rewards children with payment

points that can be used to purchase vouchers or invested in various sustainable causes such as planting trees or maintaining beehives.

In the field of education, support was provided to students from the First English Language High School, Sofia (1 ELS) for participation in the Regional Session of the Model European Parliament held in the city of Szeged, Hungary.

During the year, First Investment Bank successfully implemented voice menus in some of its ATMs to help blind people withdraw money from them. The service is available on 60 devices of the Bank located in key locations in major cities. The innovation is in line with the best global banking practices to facilitate the use of everyday banking by the visually impaired. ATMs provide audio instructions so that people who cannot read the menus can operate the machine without assistance, by only using the numeric keypad below the screen. Information is provided via a headset (customer owned) which is plugged into a socket on the front of the device. Fibank's long-term goal is that every new ATM has this functionality.

During the year, the partnership between First Investment Bank and the national organization Little People of Bulgaria continued, with the Bank providing support to the organization through corporate donations. Fibank was the first Bulgarian bank to build ATM terminals specially adapted for people of short stature six years ago. It continues to increase the number of such ATMs, encouraging their wider use.

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. A number of activities and events were supported during the year in partnership with the Sofia European Capital of Sports Foundation, aimed at promoting sports among the general public. Sponsorship was also provided to the Bulgarian Sports Federation for Children and Youth at Risk, and to the Sports in the Free Time Association.



At the end of the year, Fibank was given an honorary award by the Bulgarian Rhythmic Gymnastics Federation (BRGF) for its long-term contribution to the development of sports in Bulgaria. The partnership between Fibank and BRGF has an almost ten-year history, during which both have actively worked for the promotion and development of Bulgarian rhythmic gymnastics, supporting a number of social causes.

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, as well as Summer Classics: the summer Bulgarian tour of violinist Vasko Vassilev.

Fibank continued its support to the social program of the Union of Bulgarian Actors 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. In March 2022, at the IKAR National Performing Arts Awards organized by UBA, the Bank awarded deserving actors.

For yet another 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 2022, the total value of funds donated by Fibank for various social initiatives and sponsorships exceeded BGN 840 thousand.*

A testimony to Fibank's achievements during the year were the two awards received: the Golden Heart Award in the Youth Support and Business Development category, and the Sustainable Development award of the Business Lady Magazine for consistent policy in the field of corporate social responsibility. Both are given to distinguish the efforts of companies and their contribution of time and money in support of sustainable causes.

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](#)“.*

DISCLOSURES REGARDING CUSTOMER PORTFOLIO MANAGEMENT AND PROVISION OF INVESTMENT ADVICE

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

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

ETHICAL ISSUES

CODE OF ETHICS

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

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

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

RESPONSIBILITY AND COMPLIANCE

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

In accordance with the effective legislation the banks in the Republic of Bulgaria implement measures to prevent the use of the financial system for the purposes of money laundering and terrorist financing. The measures applied by First Investment Bank aimed at ensuring reliable prevention in accordance with the regulatory requirements in cooperation with other organizations and government bodies. In addition, the principle "Know your client" is a condition for offering appropriate service tailored to the individual needs of each client, as well as 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 2022](#)“, „[Distribution channels](#)“, „[Information technology](#)“, „[Human capital](#)“, „[Corporate governance](#)“, „[Business review](#)“, „[Development priorities](#)“.*

 **HUMAN CAPITAL**

In 2022, Fibank's human capital management processes and activities developed intensively and effectively, in response to the growing business requirements and the dynamic labor market environment. An emphasis was placed on operational efficiency, optimization of key internal people management processes, implementation of innovative approaches and initiatives for enhancing work performance, and motivation of employees and teams to achieve high results.





During the year, goals and priorities in human resource management were mainly related to proactive support of business. **HR procedures and practices were optimized** in the selection, training and structural development, in determining and developing of remuneration, and in other operational aspects with a view to achieving higher efficiency and added value for business.

In 2022, projects and initiatives were launched also in other important areas of human capital management at Fibank. Activities were carried out within the framework of an **Employer Branding** project. It is part of the long-term strategy for positive positioning of the Bank among different audiences through a large-scale communication and advertising media campaigns.

Another project during the year involved the implementation of a new **labor performance management** module in the personnel management information system. It aims at achieving higher operational efficiency in the process of performance assessment and development, at providing timely, objective and useful feedback to employees, as well as at facilitating and assisting the Bank's managers in exercising one of their primary administrative responsibilities.

Implementation of measures to ensure and maintain a safe and secure working environment, to adequately and successfully respond to challenges related to the epidemic situation with the aim of **protecting the health of the Bank's employees and customers**, continued to be among the priorities in human resource management.

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 which began in 2021 and was successfully completed in 2022. The main emphasis was on development of skills for successful and proactive customer-oriented communication when offering and selling products, with the aim of maximizing benefits for both the customers and the Bank. The program relied on interactive approach when presenting information such as role-playing games, use of video aids, involvement of employees in discussions and sharing successful experiences. The training project proved Fibank's aspiration to remain a leader in customer service, as well as its readiness to support and motivate employees using practical and benefit-oriented models and methods for training and development.
-  **Training in Fibank investment products.** Developing the skills of front office employees and loan officers at the Bank's branches to offer and sell useful product solutions to Fibank customers, in line with current trends and challenges in the banking sector.
-  **Training in effective team interaction.** An innovative training project using interactive business simulation methodology, with the participation of Fibank senior managers/key staff.
-  **Introductory trainings for new employees** have proven their importance and continue to be held. They cover all the main areas and topics necessary for introduction to the work specifics and the Bank's operations, including corporate governance, ethical requirements and code of conduct, internal control functions (risk management, compliance and internal audit), measures against money laundering and terrorist financing, systems, business activities, etc.

- ◆ The successful practice continued of conducting **multiple electronic distance learning courses**. During the year, over 1,200 employees received distance training in various areas including credit products for small and medium-sized enterprises, new system for electronic signing by customers, financial instruments and investment brokerage, operational risk, introductory training for new employees, and information security.
- ◆ The Bank continued to invest in the professional development of its staff by financing the participation of 10 employees in **the master's program in Banking Management and Investment Activity** carried out jointly with the Higher School of Insurance and Finance (HSIF), with a focus on building partnerships and integrating business with education.

In 2022, over 67% of Fibank's employees enrolled for various forms of training in one or more areas.

During the year, the consistent efforts continued to encourage and motivate employees for higher achievements, to recognize personal contribution, as well as to confirm work behaviors important for the success of the Bank. For the seventh consecutive year, the **Together We Can Do More** program was held. The number of employees awarded for the entire existence of the program reached 139.

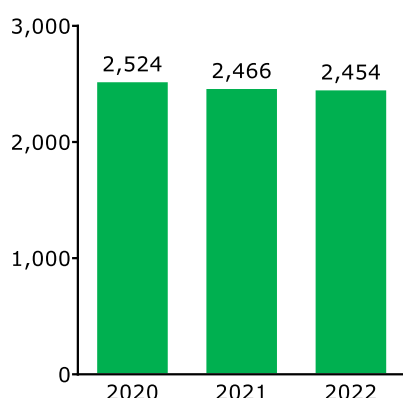


The **Fibank & Cook Academy** was carried out: a project created especially for the employees of the Bank as a unique monthly live culinary online show with the participation of special guests such as famous chefs, popular personalities, singers and actors. The objective was to create a positive and motivating experience and strengthen the bonds between employees in a close-knit community of colleagues, associates and friends.

As at 31.12.2022, the number of staff of First Investment Bank on an individual basis amounted to 2,454 employees compared to 2,466 a year earlier. At the end of the year, 25% of the Bank's employees were under the age of 35, and 60% were under the age of 45.

NUMBER OF STAFF

Number of staff,
in numbers

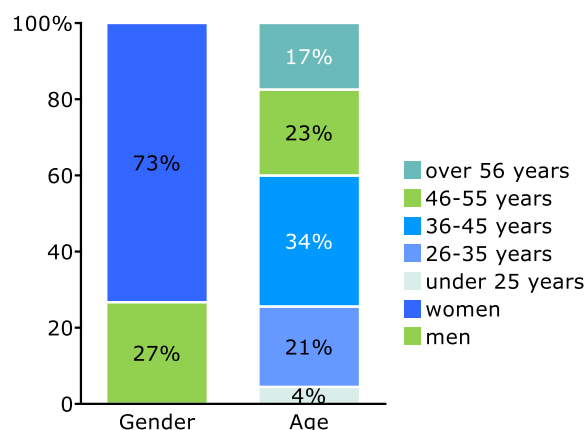


STRUCTURE OF STAFF

Structure of staff,
in %

CAGR
20-22

-1%



The predominant part (73%) of the Bank's employees were women. The share of women with managerial functions (department directors, branch managers, unit leaders) amounted to 46%.

POLICY FOR NOMINATION AND SUITABILITY ASSESSMENT

In 2022, the Policy for nomination and assessment of the suitability of members of the managing and supervisory bodies and persons holding other positions was updated, mainly in terms of the internal tools related to its implementation (questionnaires and matrices for individual and collective suitability assessment for the purpose of initial and subsequent suitability assessment). The internal framework in this sphere is in line with the requirements and good practices, incl. the Law on Credit Institutions, Ordinance No 20 of the BNB on Issuance of Approvals to Members of the Management Board (Board of Directors) and Supervisory Board of a Credit Institution and Performance Requirements for Their Duties and the joint EBA and ESMA Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2021/06).

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

The Bank applies a policy for encouraging diversity with respect to Supervisory Board and Managing Board in order to maintain a diverse group of board members and to provide diverse views and experience to facilitate independent opinions/decisions and sound governance, which includes various aspects such as work experience, educational qualifications, gender, age, geographical diversity. With respect to the composition of the bodies, the Bank seeks to maintain a target level of 30% of the members of the Supervisory Board and of the Managing Board to be from the underrepresented gender, as if necessary rounding off (down) to an integer. As of 31 December 2022, the Bank fulfilled the set target in the policy. *For further information regarding diversity, see sections [Supervisory Board](#) and [Managing Board](#).*

In 2022, Fibank representatives took part in the Women On Boards forum organized by the Women's Forum Association. At it, various legal and financial aspects of gender equality and balance in corporate governance bodies in Bulgaria and the European Union were discussed. Valuable experience was shared by participants in the event which included ambassadors, delegates and business representatives from the fields of law, banking, information technology, marketing, etc.

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 2022, Fibank continued to develop in this direction, strengthening its position among the most technological and innovative institutions in the Bulgarian banking market.



A number of projects were implemented during the year, including:

- ◆ instant payments (up to 10 seconds) in BGN under the Blink scheme;
- ◆ electronic signing of documents using e-Sign pad in the branch network;
- ◆ optimizing the daily processing of transfers in the BISERA6 system;
- ◆ joining the updated STEP2-T Continuous Gross Settlement (CGS) system operated by EBA Clearing,;
- ◆ implementing a new Business Process Management (BPM) system in business lending;
- ◆ updating the hardware and software infrastructure of the card system;
- ◆ introducing a new internal bank system to optimize the accounting process.

Fibank was among the pilot banks to launch instant payments (up to 10 seconds) in BGN under the Blink scheme. They are made through the Bank's electronic banking channels 24/7, 365 days a year. In implementation of the consistent policy for development of digital services, the option for electronic signing of documents using e-Sign pads was provided in the Bank's offices which speeds up payment processing and helps improve customer service.

Fibank joined the BORICA project for modernization and optimization of the integrated system for electronic payments (BISERA6) by switching to XML format according to the ISO20022 standard, with the aim of improving the daily processing of transfers in BGN. The project for real-time gross settlement of credit transfers in euro under STEP2-T Continuous Gross Settlement (CGS) system operated by EBA Clearing was also successfully completed.

With the implementation in 2022 of the IBM software solution Business Automation Workflow, the process of lending to individuals and legal entities was optimized through the new Business Process Management (BPM) system. It covers the steps of accepting loan applications, preparing opinions, approval and disbursement of new loans, as well as renegotiation of existing loans. The applicable

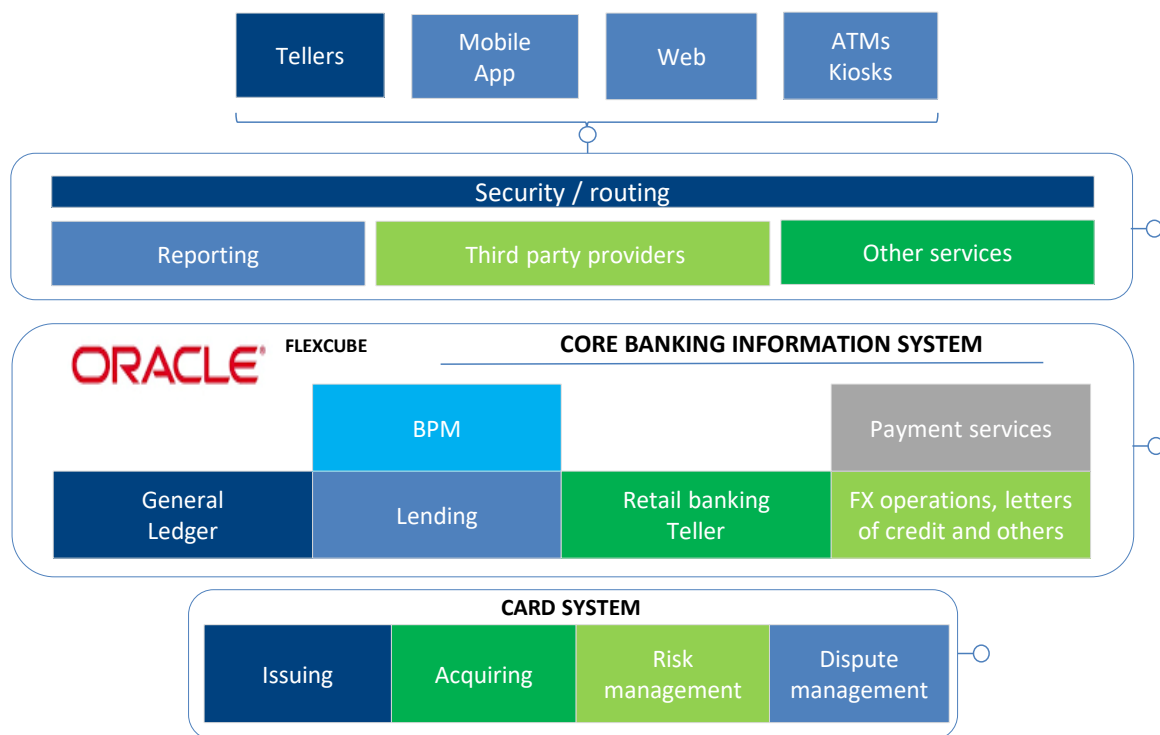
limits and authority levels for approval/renegotiation of various types of credit exposures are integrated in the system.

The hardware and software infrastructure of the card system was upgraded and a number of new features were introduced, including immediate issuance of virtual credit and debit cards and improved security of card payments.

In 2022, a new internal banking system was implemented to automate operations, reduce processing time and optimize the accounting process. During the year, a new communication infrastructure was built in connection with the relocation of the Bank's headquarters to a new state-of-the-art building.

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

SYSTEMS MAP



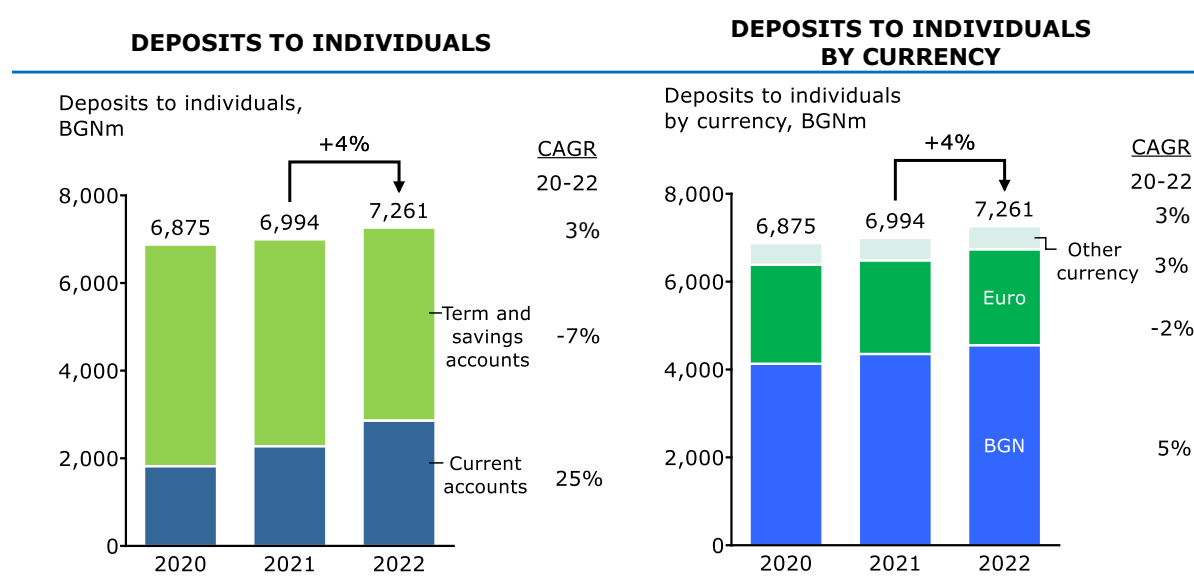
Taking into consideration the importance attached by the Bank to information technology, the activity is managed by Chief Information Technology and Operations Officer. In addition, there is an IT committee functioning as an auxiliary body to the Management Board. It monitors the IT strategic program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

BUSINESS REVIEW

RETAIL BANKING

DEPOSITS

In 2022, attracted funds from individuals increased and reached BGN 7,260,749 thousand compared to BGN 6,993,994 thousand a year earlier, mainly driven by the 25.1% increase in current accounts which reached BGN 2,859,322 thousand (2021: BGN 2,275,583 thousand). Such results were determined by the consistent policy of the Bank for establishing long-term customer relationships, while developing cross-selling and transaction business. At the end of the 2022 they increase their shares and formed 39.4% of the of attracted funds from individuals (2021: 32.5%)



Fibank offers a wide range of current accounts, including the IQ current account, as well as accounts tailored to the specific needs of certain customer groups such as condominiums, notaries, insurance brokers and agents, private enforcement agents, etc. The Bank offers banking packets and programs, inc. My Choice, My Choice Online, Digital Me, Digital Me+. Among the saving accounts is also 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. Fibank maintained the interest rates on its savings products in line with the market conditions and the competitive environment, as well as the high liquidity levels.

By the end of the 2022, term deposits and savings accounts were in the amount of BGN 4,401,427 thousand (2021: BGN 4,718,411 thousand), with borrowings from individuals retaining a major share at 60.6% (2021: 67.5%). 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 2022 (2021: fifth). As at the same date the market share of the Bank amounted to 9.77% on an individual basis (2021: 10.27%), influenced by the policy for limiting the growth of attracted funds and optimization of the liability structure.

As an alternative to deposit products, the terms of the Perspective term product were optimized during the year. This is a senior unsecured debt product with a fixed yield, intended for individuals and business customers. Other alternative products with different maturities were also offered during the period: the Gold Portfolio and the Eco Portfolio, tied respectively to the price of gold and to bonds backed by green projects.

LOANS

The gross loan portfolio of retail banking increased by 10.1% to BGN 2,334,010 thousand compared to BGN 2,120,134 thousand for the previous year, as a result of an increase in mortgage and consumer loans.

| BGN th / % of total | 2022 | % | 2021 | % |
|---------------------------------------|------------------|------------|------------------|------------|
| Mortgage loans | 1,128,416 | 48.4 | 986,104 | 46.5 |
| Consumer loans | 1,063,724 | 45.6 | 982,976 | 46.4 |
| Credit cards | 138,855 | 5.9 | 148,037 | 7.0 |
| Other programs and secured financings | 3,015 | 0.1 | 3,017 | 0.1 |
| Total loans to individuals | 2,334,010 | 100 | 2,120,134 | 100 |

MORTGAGE LOANS

As at the end of December 2022, mortgage loans increased by 14.4% to BGN 1,128,416 thousand compared to BGN 986,104 thousand a year earlier, increasing their share to 48.4% of the retail loan portfolio (2021: 46.5%). As at 31 December 2022, the market share of the Bank in this segment was 6.23% (2021: 6.37%), as Fibank was placed sixth among banks in the country on an individual basis (2021: sixth).

During the year, promotional campaigns were organized with the aim of stimulating sales in the retail banking segment. In May 2022, a promotional mortgage loan was launched financing up to 90% of the market value of the property. The option for online loan application through My Fibank electronic banking was provided, as well as the Video Consultation service.

During the period, a new mortgage loan was developed for local individuals with income from abroad (EU, EEA, Switzerland, Great Britain, USA and Canada), financing up to 70% of the property's market value, with a term of up to 25 years.

A new Sustainable Future mortgage loan for businesses and individuals was also launched during the year. It is intended for purchase of real estate with high energy efficiency class (A+, A or B) which contributes to lowering household expenses and encourages environmental protection and sustainability.

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



CONSUMER LOANS

Consumer loans increased by 8.2% to BGN 1,063,724 thousand (2021: BGN 982,976 thousand), contributors being the competitive terms offered by the Bank, the easy loan application procedures, incl. via the digital channels and the development of new products and programs in line with customer needs and market necessities. They formed 45.6% of the gross retail banking portfolio (2021: 46.4%).



A new Career Start consumer loan was launched during the year, designed for university graduates up to the age of 30, without requirements for income or minimum work experience.

A new consumer Super Loan was also offered, with loan amount up to BGN 80,000 and a term of up to 7 years.

As part of the strategy for development and digitization of services, aimed at additional convenience for customers and contributing to a sustainable future, online offering of consumer loans continued with the option for remote signing documents via

electronic signature, including through mobile apps of third-party authentication service providers.

In 2022, a new Overdraft Express was developed for pre-approved customers via the electronic banking and the My Fibank mobile application. At the end of the year, offering of a new Comfort Overdraft started at the Bank's offices. This is a current account overdraft with a fixed amount of BGN 1,000, without a requirement for salary transfer at the Bank.

First Investment Bank's market share in this segment amounted to 8.02% (2021: 8.56%) at the end of December 2022, and Fibank was fifth (2021: 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 BGN138,855 thousand at the end of the period (2021: BGN 148,037 thousand). Fibank develops various and innovative card products and services, including thematic campaigns to promote and attract new customers, which were organized in implementation of the Bank's consistent and long-term policy for stimulating these non-cash payments. The relative share of loans utilized through credit cards in the total retail loan portfolio amounted to 5.9% (2021: 7.0%).

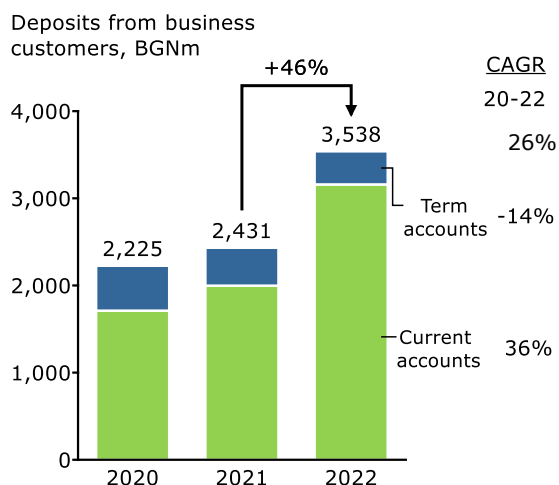
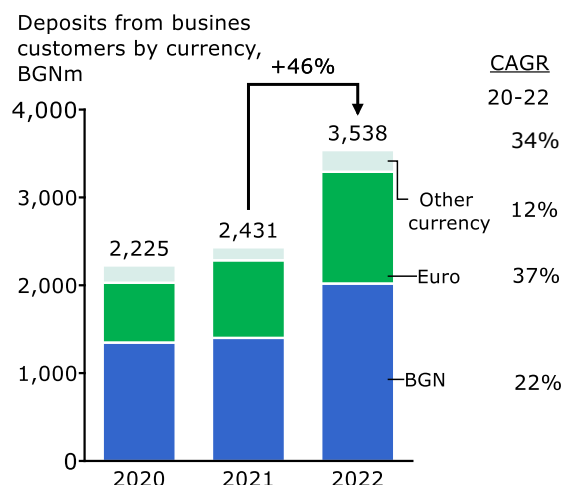
There were new card products and promotional offers started during the year, including a new opportunity for deferral of payments with credit cards via the digital channels of the Bank.

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

CORPORATE BANKING

DEPOSITS

Attracted funds from corporates and institutions in 2022 increased by 45.5% to BGN 3,537,701 thousand (2021: BGN 2,431,257 thousand). The increase in volume reflected mainly in the current accounts reaching BGN 3,157,892 thousand at the end of 2022 (2021: BGN 1,996,496 thousand) and forming 89.3% of the attracted funds from business customers and institutions (2021: 82.1%). The uncertain external environment and the related decrease in the investment activity of companies contributed to the increase, as well as the optimized conditions for maintenance of business customers accounts.

DEPOSITS FROM BUSINESS CUSTOMERS

DEPOSITS FROM BUSINESS CUSTOMERS BY CURRENCY


Term accounts reached BGN 379,809 thousand (2021: 434,761 thousand) at the end of the period, forming 10.7% of the attracted funds from corporates and institutions (2021: 17.9%). First Investment Bank offers a variety of savings products for business customers which constantly adapts to market conditions and specific company requirements. Fibank offers also package programs and services, giving opportunities for optimization of costs and procedures in using different banking services.

In 2022 in order to expand possibilities to business customers, the Bank continued to offer alternative saving products such as product "Perspective", as well as products tied to the price of gold or to a portfolio of green bonds.

As at 31 December 2022, funds attracted by the thirty biggest non-banking clients represented 12.43% of the total amount due to other customers (2021: 7.82%).

LOANS

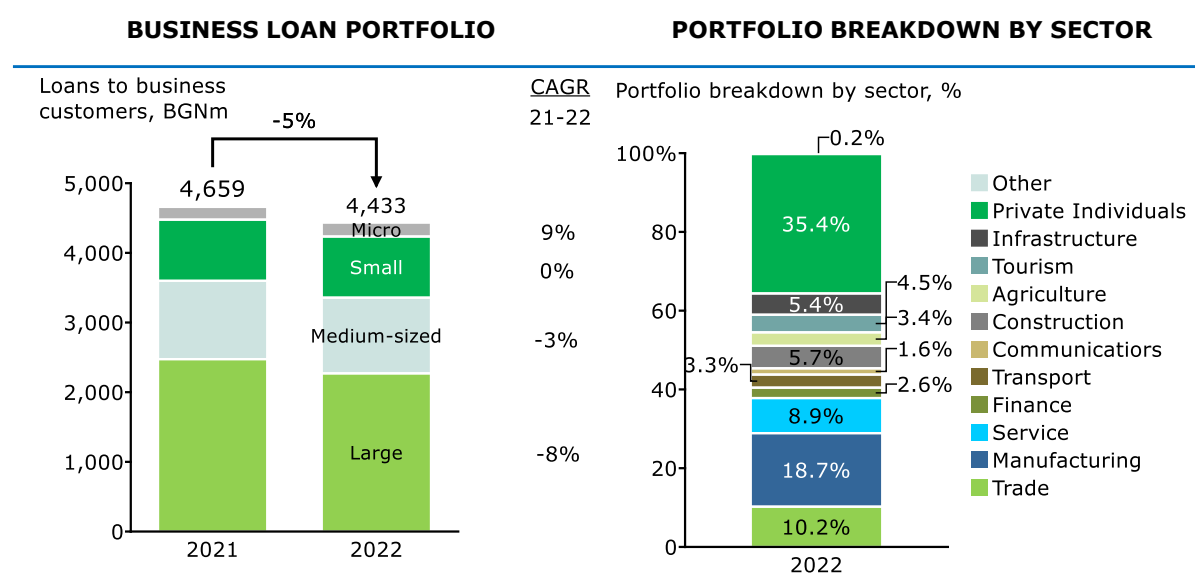
The portfolio of loans to enterprises decreased by 4.8% to BGN 4,433,299 thousand at the end of 2022, compared to BGN 4,659,187 thousand a year earlier, as result mainly of decreasing the loans to large enterprises, pursuant to business goals and diversification strategy through priority development in the micro, small and medium-sized segments.

Loans to micro enterprises increased their share up to 4.5% (2021: 3.9%) of all business loans, loans to small enterprises – to 19.8% (2021: 18.9%), loans to medium-sized enterprises – to 24.5% (2021: 24.1%), at the expense of large enterprises, which decreased to 51.2% (2021: 53.1%) of all business loans.

| BGN th / % of total | 2022 | % | 2021 | % |
|-----------------------------------|------------------|------------|------------------|------------|
| Micro enterprises | 198,538 | 4.5 | 182,625 | 3.9 |
| Small enterprises | 878,135 | 19.8 | 878,125 | 18.9 |
| Medium-sized enterprises | 1,085,974 | 24.5 | 1,123,631 | 24.1 |
| Large enterprises | 2,270,652 | 51.2 | 2,474,806 | 53.1 |
| Total loans to enterprises | 4,433,299 | 100 | 4,659,187 | 100 |

During the year, a reorganization of the business units engaged in credit activity was carried out in view of the customer segmentation applied by the Bank. It corresponds to the European requirements for defining micro, small and medium-sized enterprises, which were transposed by the Law on Small and Medium-sized Enterprises. Criteria for annual sales revenue¹³ and/or assets, number of staff and maximum exposure to the customer are applied.

As at 31.12.2022, a leading share in the portfolio structure had the loans to manufacturing sector (2022: BGN 1,263,715 thousand, 2021: BGN 1,296,309 thousand), the trade sector (2022: BGN 691,864 thousand, 2021: BGN 718,868 thousand,) and the services sector (2022: BGN 602,983 thousand; 2021: BGN 643,781 thousand), forming respectively 18.7%, 10.2% and 8.9% of total loans (2021: 19.1%, 10.6% and 9.5%). Such dynamics reflected the economic activity in the country, as well as the development goals and diversification of the activity.



Loans in tourism increased to BGN 302,557 thousand (2021: BGN 280,646 thousand) contributed by the successful tourism season and recovery in the sector after the COVID-19 pandemic. Loans in agriculture (2022: BGN 231,850 thousand; 2021: 238,102 thousand), construction (2022: BGN 386,055 thousand; 2021: BGN 390,458 thousand) and finance (2022: BGN 178,683 thousand; 2021: BGN 182,494 thousand), remained similar to levels from the previous year, while decrease was registered in transport (2022: BGN 224,795 thousand; 2021: BGN 248,112 thousand), infrastructure (2022: BGN 366,385 thousand; 2021: BGN 443,981 thousand) and communication (2022: BGN 107,859 thousand; 2021: BGN 149,011 thousand).

As at the end of December 2022 the market share of Fibank amounted to 9.24% of loans to enterprises in the banking system (2021: 10.84%), taking fifth place, (2021: fourth) among banks in the country on an individual basis.

After the Bank implemented an advanced BPM (New Workflow) system for processing retail loans at the end of 2021, it was also implemented for business loans from mid-2022. The system covers all steps of accepting loan applications, preparing opinions, approval and disbursement of new loans, as well as renegotiation of existing loans. The applicable limits and authority levels for approval/renegotiation of various types of credit exposures are integrated in the system. Automating the lending

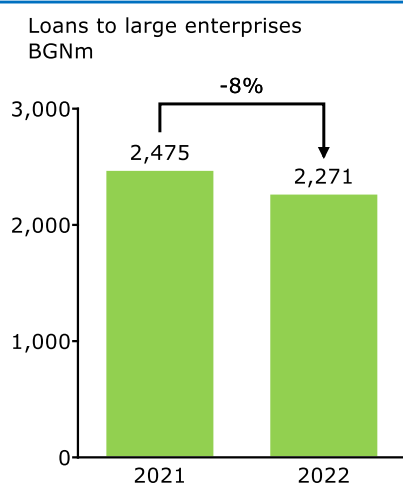
¹³ Annual sales revenue as follows: micro-enterprises up to BGN 3.9 million; small enterprises up to BGN 19.5 million; medium enterprises up to BGN 97.5 million.

process aims to increase the quality of customer service, as well as reduce the time for processing credit applications.

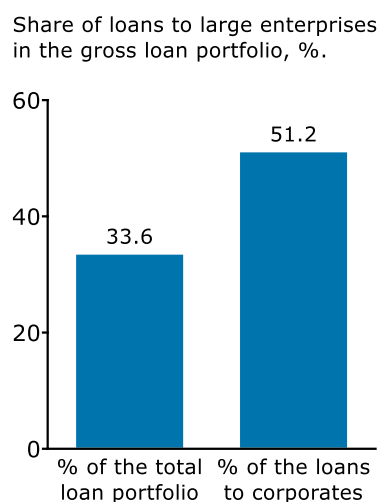
LARGE ENTERPRISES BANKING

In 2022, loans to large enterprises amounted to BGN 2,270,652 thousand compared to BGN 2,474,806 thousand a year earlier, forming 51.2% of the total loans to enterprises and 33.6% of the gross portfolio (2021: 53.1% and 36.5%).

LARGE ENTERPRISES BANKING



SHARE OF LOANS TO LARGE ENTERPRISES IN THE GROSS LOAN PORTFOLIO IN 2022



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

The Bank offers 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 maintains cooperation with leading financial institutions in factoring insurance.

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

The Bank maintains cooperation with the Bulgarian Export Insurance Agency (BEIA), with which it has agreement for portfolio insurance, used as part of the techniques for mitigating credit risk.

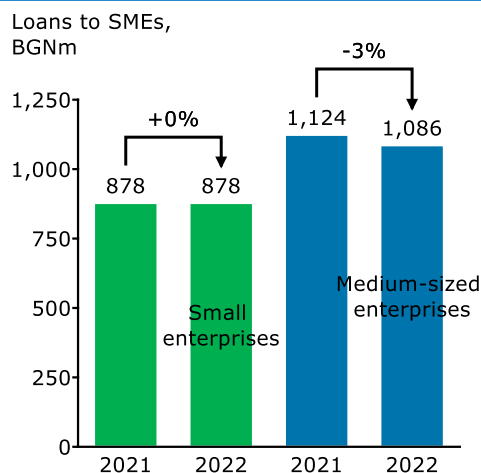
SMALL AND MEDIUM-SIZED ENTERPRISES BANKING

In 2022, loans to small and medium enterprises¹⁴ amounted to BGN 1,964,109 thousand (2021: BGN 2,001,756 thousand) or 44.3% of the business loans, from which to small enterprises were BGN 878,135 thousand (2021: BGN 878,125 thousand), and loans to medium-sized enterprises – at BGN

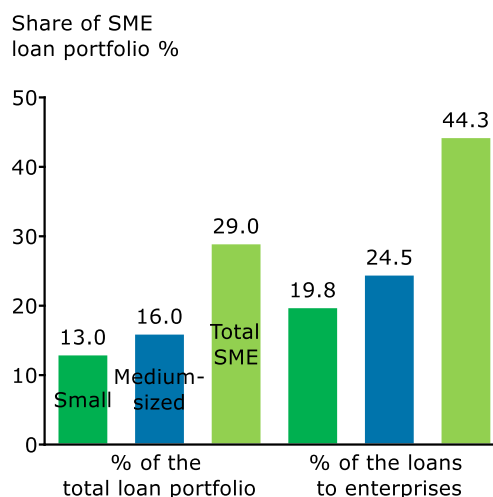
¹⁴ According to business segments of the Bank, incl. criteria for annual turnover, as well as: microenterprises – up to BGN 3.9 million; small enterprises – up to BGN 19.5 million; medium-sized enterprises – up to BGN 97.5 million.

1,123,631 thousand (2021: BGN 1,085,974 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.

LOANS TO SME ENTERPRISES



SHARE OF LOANS TO SMEs IN THE LOAN PORTFOLIO IN 2022



During the year Fibank actively offered new products in the field of sustainable financing: the Green Transport loan intended for purchase of new electric vehicles by business customers (financing up to 90% of the vehicle price and term of up to 7 years); the Green Energy - Free Market loan for companies wishing to invest in the construction of photovoltaic systems for production of electricity for free market sale (investment loan with a long term: up to 15 years and a grace period until commissioning of the photovoltaic installation); and the Green Energy - Own Use loan for construction of photovoltaic systems generating electricity for own consumption or for sale (financing up to 100% of construction costs and term of up to 10 years). The new credit products are in fulfillment of the policy undertaken by the Bank to reduce the carbon footprint and invest in sustainable development. *For more information see the [Sustainable Development](#) section.*

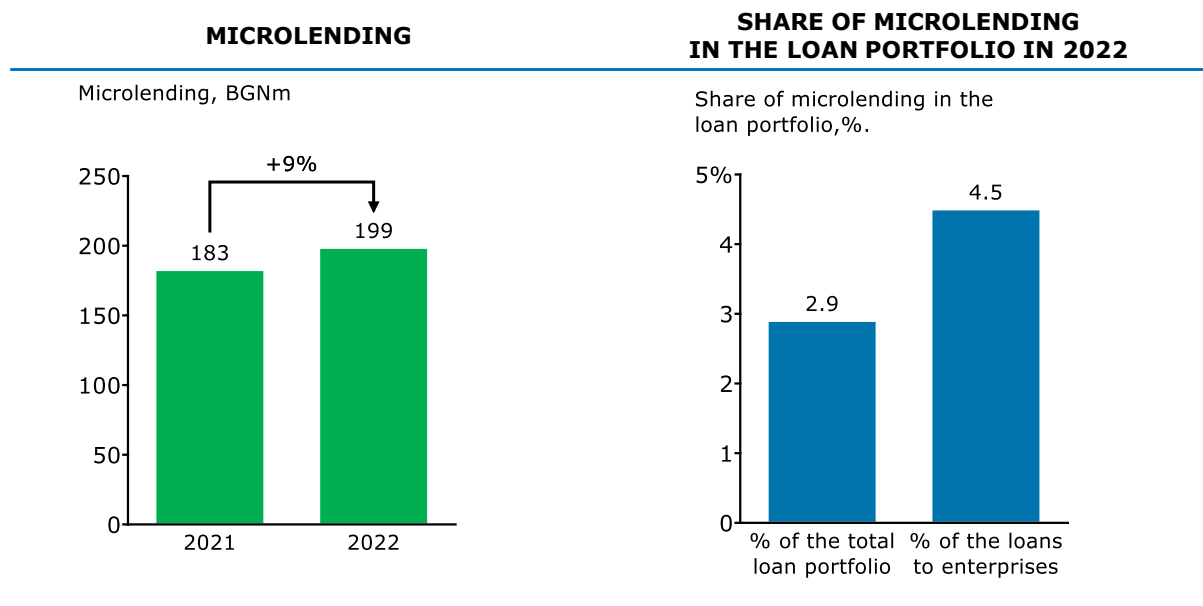
In 2022, First Investment Bank started granting loans under the Financing in Rural Areas instrument based on an agreement with the Fund Manager of Financial Instruments in Bulgaria under the Program for the Development of Rural Areas 2014-2020, financed through the European Agricultural Fund for Rural Development. The program is intended for farmers, agro-processors, as well as micro, small and medium-sized enterprises from all sectors operating in rural areas, the application deadline being 31 December 2023. Loans cover both new private investments and co-financing of projects supported by grants. The instrument offers investment loans (with term up to 10 years), as well as and working capital loans (up to 5 years) that complement the investment and are related to it. Investment loan amount is up to BGN 2 million, while the maximum amount of supplementary working capital loans is 30% of the total investment or BGN 391,166, subject to compliance with requirements and restrictions for state aid.

At the end of the year, Fibank offered SME lending at more favorable terms regarding loan collateral, under a portfolio guarantee agreement with the National Guarantee Fund. The agreement covers both investment and working capital loans. *For more information see the [External Programs and Guarantee Schemes](#) section.*

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.

MICROLENDING

In 2022, the microlending portfolio grew up to BGN 198,538 thousand compared to BGN 182,625 thousand a year earlier. The Bank continued its targeted efforts for development with priority in this segment.



The Microlending Program¹⁵ of First Investment Bank covers a wide range of retailers, manufacturers, farmers, freelancers, including start-ups and companies with less market experience. The Bank offers specialized products for micro enterprises including investment loans, working capital loans, business credit cards and overdraft facilities at competitive terms.

In 2022, Fibank's Smart Lady program celebrated its fourth anniversary. It supports women entrepreneurs, mainly targeting micro enterprises run or owned by women, as well as businesses whose products and/or services are aimed at women. Over 1,100 projects worth over BGN 120 million were financed during the period, enabling women entrepreneurs to create new or develop existing businesses in areas such as education, advertising, production, agriculture and services. As part of the program, the Sustainable Lady fund was created jointly with Mastercard in support of innovative green projects of female entrepreneurs. *For more information see the [Sustainable Development](#) section.*

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

¹⁵ According to business segments of the Bank, incl. criteria for annual turnover, as well as: microenterprises – up to BGN 3.9 million; small enterprises – up to BGN 19.5 million; medium-sized enterprises – up to BGN 97.5 million.

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

EXTERNAL PROGRAMS AND GUARANTEE SCHEMES

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

In 2022, Fibank began to provide loans according to agreements signed with the Fund of Funds under three separate positions of the Financing in Rural Areas instrument, funded under the Program for the Development of Rural Areas 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.



In October 2022, First Investment Bank signed a new portfolio guarantee agreement with the National Guarantee Fund for financing of micro, small and medium-sized enterprises in Bulgaria through a risk sharing mechanism. The guarantee covers both investment and working capital loans and allows for more favorable terms regarding loan collateral, making it easier for borrowers to receive the desired financing in full. The maximum guaranteed portfolio amount is BGN 20 million.

During the year, the implementation continued of the 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 2014-2020.

PAYMENT SERVICES

In 2022 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.

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

During the period, Fibank joined the project for modernization and optimization of the integrated system for electronic payments in BGN (BISERA) by switching to XML format according to the ISO20022 standard.

At the beginning of the year, First Investment Bank offered an innovative service for instant payments (up to 10 seconds) in BGN under the Blink scheme. It is available in My Fibank electronic banking, and from June 2022 – also in the Bank's branch network. The service allows transfer of amounts up to BGN 30,000. During the year, the implementation was prepared of the Blink P2P instant transfer service which allows instant money transfers using a mobile phone number. The service was launched after the reporting period, in January 2023, in the My Fibank mobile application. *For more information, see the [Subsequent Events](#) section.*

OPEN BANKING

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

The Bank maintains 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 this type of services through the Mobile Application *My Fibank*. This option secures quickness and convenience for clients when accessing consolidated information for their account serviced at another payment service provider or when initiating payment from such accounts.

CARD PAYMENTS

In 2022, 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 card system was updated, including the hardware and software infrastructure, with the aim of implementing new functionalities and increasing security by using modern technologies, such as the EMV 3DS2 protocol for ensuring secure card payments over the Internet.

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. They include the new embedded software token solution launched in My Fibank application during the year, a combination of dynamic password sent via SMS and a static password, as well as biometric authentication (fingerprint/face recognition) performed on a registered mobile device.



During the period, a new virtual debit card was developed: the Debit Instant Card which is issued immediately, completely online, through the My Fibank mobile application. The card is intended for making payments online or through other remote methods, including smart mobile devices. An option was provided to digitize payment cards, including in third party apps, e.g. payments using smart watches, Garmin Pay and Fitbit Pay services, as well as Google Pay and Apple Pay digital wallets.

A new functionality was developed allowing to apply for rescheduling credit card debt from POS payments, including virtual POS payments, to equal monthly installments. A lottery was held for Visa credit card holders, offering them the chance to win 100% cashback on card payments during the period up to a maximum of BGN 4,000.

The Bank continued to develop the functionalities and quality of its ATM network. During the year, voice menus were successfully added to some ATMs located in major cities across the country to facilitate their use by visually impaired people. The Bank's ATM network consisted of 604 devices the at the end of the year (2021: 621), and the POS network of 9,082 devices (2021: 8,973).

As part of its sustainable banking policies, at the end of the year First Investment Bank began replacing all its plastic debit and credit cards with new ones made from a recyclable material and featuring a new design, associated with sustainable development ideas. *For more information see the [Sustainable Development](#) section.*

As recognition for the achievements in the field of card payments, Fibank's Debit Mastercard Platinum was awarded as Product of the Year in the Premium Card Products category of the international Product of the Year competition, carried out through an independent nationally representative survey conducted by the NielsenIQ research agency.

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 2022, the Bank reported an increase of 5% in incoming and 16% 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: 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.

In June 2022, First Investment Bank joined the updated STEP2-T Continuous Gross Settlement (CGS) system operated by EBA Clearing which optimized the execution of SEPA credit transfers. The Bank continued work along the Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET), a new generation system built through the consolidation and optimization of TARGET2 and TARGET2-Securities. It applies modern approaches and technological innovations, allowing for reduction of combined operating costs and improvement of liquidity management across services.

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) upon retaining the current interest index (6m USD Libor) up to 30.06.2023 and replasing it with 6m SOFR afterwards.

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 86,758 thousand (2021: BGN 71,626 thousand), forming 8,5% of the off-balance sheet commitments of the Bank (2021: 8.8%).

GOLD AND COMMEMORATIVE COINS

In 2022, First Investment Bank confirmed its leading position in Bulgaria in terms of transactions and investment advice in the area of precious metals. Interest in the bars and coins offered at the Bank's offices and in the online Gold & Silver store continued to grow due to the uncertainties of the external environment.

Revenues from the sale of investment gold and other precious metal products amounted to BGN 2,070 thousand for 2022, compared to BGN 1,349 thousand a year earlier. The reported increase in the number of transactions and volume of sales mainly came from stronger investor interest, the change in gold price dynamics on the international markets being insignificant.

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.

Jointly with the New Zealand Mint, a new Year of the Rabbit 2023 silver coin was designed, exclusively available at Fibank offices. As part of the same collaboration, a limited edition coin dedicated to the 30th anniversary of First Investment Bank was created. During the period, new gold and silver bars of the Swiss refinery PAMP were offered celebrating the Lunar New Year.

In continuation of its long-standing policy of supporting Bulgarian production, Fibank, by agreement with the BNB, successfully distributes all Bulgarian commemorative coins and coin sets issued by the National Bank. Interest in them increased in 2022, with the Bank attracting a number of new collectors and investors as customers.

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

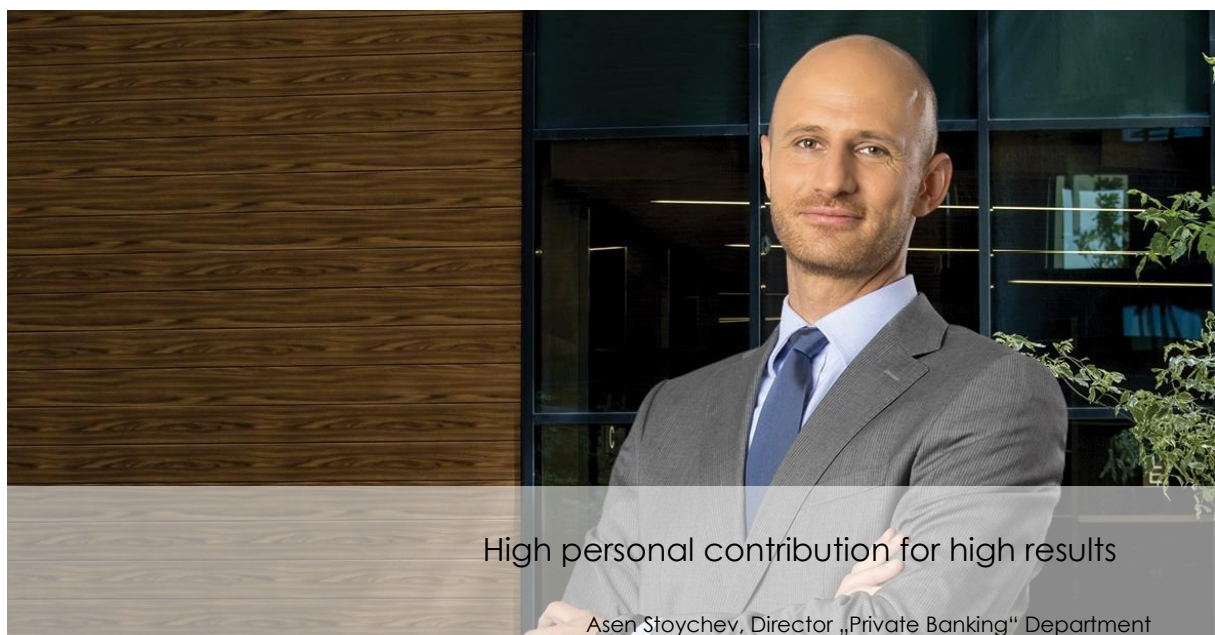
PRIVATE BANKING

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



In 2022 the Bank developed its private banking activity with a view to increasing the number of customers served in the segment, as well as to stimulating the growth of their investment portfolios and hence the fee and commission income generated. For the reporting period, the number of legal entities served by the Private Banking Department grew by more than 11%, while the monthly income from membership fees increased by 14% YoY.

The Personal Banking service, aimed at a subsegment of customers that meet certain minimum financial criteria, continued to be among the highlights in private banking during the year. It is implemented through the branch network of First Investment Bank, enabling customers to benefit



High personal contribution for high results

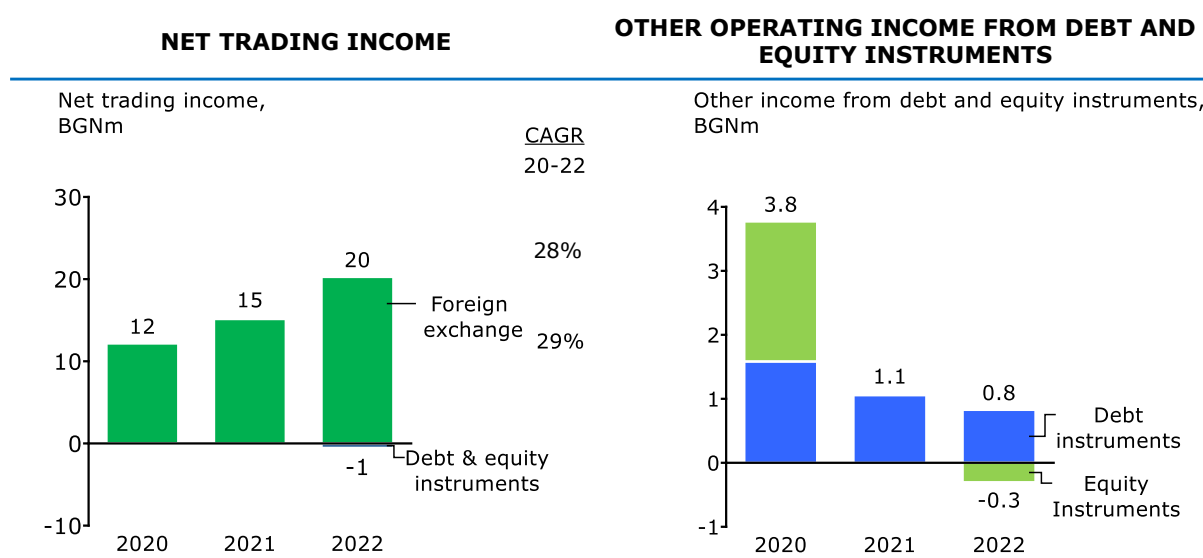
Asen Stoychev, Director „Private Banking“ Department

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. Over the year, Fibank reported a 75% growth in the number of customers served in the Personal Banking segment.

Private banking customers may also benefit from Fibank's trusted financial asset management service. It offers personalized financial strategies structured by professional portfolio managers with experience in international financial markets and proven skills that may be adapted to customers' financial condition and personal preferences. In 2022, notwithstanding the market dynamics and volatility, assets under management grew by 115%, while conservative and balanced management strategies brought positive results.

CAPITAL MARKETS

In 2022 net trading income amounted to BGN 19,717 thousand (2021: BGN 15,380 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 524 thousand compared to BGN 1,085 thousand a year earlier.



The securities portfolio at the end of the year amounted to BGN 2,598,137 thousand, compared to BGN 1,482,699 thousand a year earlier, of which BGN 468,247 thousand measured at fair value through other comprehensive income (2021: BGN 901,155), BGN 267,687 thousand measured at fair value through profit or loss (2021: BGN 265,405 thousand) and BGN 1,862,203 thousand measured at amortized cost (2021: BGN 316,139 thousand).

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

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

In pursuance of the requirements arising from Regulation (EC) 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 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 well as registration services. As part of the Compliance function, the Bank has a specialized unit "Compliance – Investment Services and Activities" which controls and ensures observance of the requirements related to Fibank's activity as an investment intermediary.

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

MEETING THE 2022 GOALS

| N | Goals | Fulfilment |
|---|---|--|
| 1 | <p>UNIVERSAL BULGARIAN BANK, LEADING IN KEY SEGMENTS</p> <ul style="list-style-type: none"> ❖ 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. | <ul style="list-style-type: none"> ❖ In 2022, the retail, micro, and SME loan portfolios registered an increase, their combined share reaching 66.4% of the total loan portfolio (2021: 63.5%). This was mainly driven by retail loans which grew by 10% during the period. ❖ Fibank retained its leading position among banks in the country: fifth in deposits, fifth in corporate loans, fifth in consumer loans, and sixth in mortgage loans. ❖ New mortgage loans were developed: Sustainable Future for financing real estate with high energy efficiency class, and a loan for persons receiving income from abroad. ❖ The new Career Start consumer loan was launched, designed for university graduates up to the age of 30, without requirements for income or minimum work experience. ❖ Lending to micro, small and medium-sized enterprises started under two instruments: Financing in Rural Areas through the Fund Manager of Funds, and a portfolio guarantee agreement with the National Guarantee Fund. <p><i>For more information see the Business Review and 2022 Highlights sections.</i></p> |
| 2 | <p>HIGH QUALITY CUSTOMER SERVICE</p> <ul style="list-style-type: none"> ❖ 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. | <ul style="list-style-type: none"> ❖ The deposit base grew to BGN 10,798,450 thousand at the end of the period (2021: BGN 9,425,251 thousand), and the total loan portfolio to BGN 6,384,541 thousand (2021: BGN 6,315,581 thousand). ❖ The Help from a Friend service was introduced, allowing every customer to receive assistance and information about the features and functionalities of My Fibank electronic banking and the mobile application. ❖ Fibank joined the updated STEP2-T Continuous Gross Settlement (CGS) system operated by EBA Clearing which optimized the execution of SEPA credit transfers. ❖ Overdraft Express was developed: a fast overdraft for pre-approved customers via the electronic banking and the My Fibank mobile application. ❖ Proof of Fibank's accomplishments during the year were the awards received: the Bulgarian consumer Favorite Brand award at My Love Marks consumer ranking, and the Product of the Year award for Debit Mastercard Platinum in the Premium Card Products category of the international Product of the Year competition carried out via the NielsenIQ research agency. <p><i>For more information see the Business Review and Awards 2022 sections.</i></p> |

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| <p>3</p> | <p>FOCUS ON DIGITIZATION AND INNOVATION</p> <ul style="list-style-type: none"> ❖ 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. | <ul style="list-style-type: none"> ❖ First Investment Bank offered an innovative service for instant payments (up to 10 seconds) in BGN under the Blink scheme. Preparation began for launching the innovative Blink P2P service for instant payments through the mobile banking app. ❖ As part of the Branch digitalization project, the Bank introduced electronic signing of documents (e-Sign pad) in its offices. ❖ A new virtual debit card was developed: the Debit Instant Card. It is issued through the My Fibank mobile application and is intended for making online payments. ❖ New digital banking functionalities were added, including rescheduling of credit card debt into equal monthly installments and purchasing products online. ❖ The hardware and software infrastructure of the card system was upgraded, expanding its functionality and improving security. ❖ Fibank was distinguished with three awards: for Digital Bank of the Year 2022 at the Worldwide Finance Awards 2022 international competition, for successful digital transformation at the Bank of the Year contest, and for Innovative Bank of the Year by Business Lady Magazine. <p><i>For more information see the Business Review, Distribution Channels and Awards 2022 sections.</i></p> |
| <p>4</p> | <p>STABLE AND SUSTAINABLE BUSINESS MODEL</p> <ul style="list-style-type: none"> ❖ 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. | <ul style="list-style-type: none"> ❖ At the end of 2022, the Bank reported stable capital ratios as follows: common equity Tier 1 (CET1) ratio 18.11%, Tier 1 capital ratio 21.74% and total capital adequacy ratio 21.74%, exceeding the minimum regulatory capital requirements. ❖ Fibank maintained high liquidity, with liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) of 225.36% and 145.47% respectively at the end of the period. ❖ Risk-weighted credit exposures decreased to BGN 6,462,477 thousand (2021: BGN 6,546,743 thousand), as part of the strategy to maintain a moderate-low level of risk. ❖ A net decrease of 7.4% was reported in non-performing exposures, in implementation of the strategy for reduction of such exposures and the measures implemented for improving collections and write-offs. ❖ The Bank offered new products for business customers: Green Transport, Green Energy - Free Market, and Green Energy - Own Use, as well as the new Sustainable Future mortgage loan was for financing real estate with high energy efficiency class. ❖ Fibank started replacing its plastic debit and credit cards with new ones made of fully recyclable material. <p><i>For more information see the Financial Review, Risk Management and Sustainable Development sections.</i></p> |

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| 5 | <p>RETURN FOR SHAREHOLDERS AND COST OPTIMISATION</p> <ul style="list-style-type: none"> ❖ 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. | <ul style="list-style-type: none"> ❖ In a challenging external environment, the reported return on equity (after taxes) of 6.34% for 2022 was in line with budgeted levels, with potential to achieve the long-term targets of above 8%. ❖ For 2022, the cost/income ratio was 47.57% on an individual basis (2021: 43.39%), which was within the target level of below 50% set in the development strategy. ❖ Net fee and commission income for 2022 increased by 17.4% to BGN 139,515 thousand, forming 31.4% of total operating income (2021: 29.1%). It provided a significant share of operating profit and contributed to income diversification. ❖ The investment securities portfolio increased to BGN 2,598,137 thousand at the end of the year (2021: BGN 1,482,699 thousand). It was managed according to market conditions, with the aim of generating additional profit while maintaining a balance between risk and return. Net interest income from debt instruments increased by 37.4% to BGN 24,520 thousand (2021: BGN 17,848 thousand), and net trading income in such instruments reached BGN 114 thousand, compared to BGN 32 thousand a year earlier. <p><i>For more information see the Financial Review and Risk Management sections.</i></p> |
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SUBSEQUENT EVENTS

- ❖ In January 2023, Fibank was the first among banks in the country to offer the innovative Blink P2P instant transfer service. It allows execution of instant money transfers (up to 10 seconds) in BGN using a secondary identifier: a mobile phone number, instead of indicating an account IBAN. The service is available through the My Fibank mobile application, subject to the general and transaction limits set.
- ❖ In February 2023, the Bank successfully redeemed the perpetual hybrid bond issue with an original principal amount of EUR 40 million (ISIN: BG2100008114) replacing it with the newly issued hybrid bonds (ISIN: XS2419929422 and ISIN: XS2488805461) in the same amount.

For further information, see the Individual Financial Statements for the year ended December 31, 2022.

DEVELOPMENT PRIORITIES

UNIVERSAL BULGARIAN BANK, LEADING IN KEY SEGMENTS

- ◆ Priority focus on the development of retail and SME segments.
- ◆ Offering new and creative products, providing customers with convenience and security.
- ◆ Upgrading the cross-selling and transactional business models.

HIGH QUALITY CUSTOMER SERVICE

- ◆ Maintaining highest quality of customer service by developing motivational programs and training for employees.
- ◆ Speed in customer service by improving IT systems and applying customer-oriented approaches.
- ◆ Development of personalized services and loyalty programs.

FOCUS ON DIGITIZATION AND INNOVATION

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

STABLE AND SUSTAINABLE BUSINESS MODEL

- ◆ Ensure sound capital position and MREL.
- ◆ Effective management of liquidity and financing risks.
- ◆ Maintain optimal asset structure and reduce loan portfolio risk.

RESPONSIBLE BANKING FOR SUSTAINABLE FUTURE

- ◆ Offer products and finance projects aimed at sustainability and supporting the green idea.
- ◆ Implement environmentally friendly internal processes.
- ◆ Support responsible projects and initiatives with social impact.

RETURN FOR SHAREHOLDERS AND COST OPTIMISATION

- ◆ Achieve high return on equity.
- ◆ Maintain maximum efficient cost-to-income ratio.
- ◆ Invest in profitable securities and revenue diversification.

OTHER INFORMATION

MEMBERS OF THE SUPERVISORY BOARD

Evgeni Lukanov - Chairman of the Supervisory Board

Mr. Lukanov joined First Investment Bank AD in 1998 as Deputy Director, and later as Director and General Manager of the Tirana Branch, Albania. From 2001 to 2003 he was Director of the Bank's Vitosha Branch (Sofia).

Mr. Lukanov has occupied a number of senior positions with First Investment Bank AD. From 2003 to 2007 he was Director of the Risk Management Department and Member of the Managing Board. From 2004 to 2012 - Executive Director and Member of the Managing Board of First Investment Bank AD.

During his years of work in First Investment Bank AD, Mr. Lukanov has been Chairman of the Credit Council and the Liquidity Council of the Bank. He has been in charge of the following departments: Risk Management, Impaired Assets and Provisioning, Loan Administration, Specialized Monitoring and Control, Retail Banking, Methodology, and Liquidity.

Mr. Lukanov has also been member of the Managing Board of First Investment Bank – Albania Sh.a.

At the beginning of February 2012, Mr. Lukanov was elected as Chairman of the Supervisory Board of First Investment Bank AD. For the period 2012-2019 he was Chairman of the Risk Committee to the Supervisory Board of the Bank and since May 2019 was elected as Chairman of the Remuneration Committee to the Supervisory Board of the Bank.

Mr. Lukanov holds a Master's Degree in Economics from the University of National and World Economy, Sofia. Prior to joining First Investment Bank AD, Mr. Evgeni Lukanov worked as currency broker with First Financial Brokerage House OOD.

Besides his position on the Supervisory Board of the Bank, Mr. Lukanov is also Chairman of the Board of Directors of Fi Health Insurance AD. He is owner of ET Imeksa-Evgeni Lukanov.

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;
- Gulf Marine Services PLC (GMS International), UK – Member of the Board of Directors.
- Serengeti Energy Ltd, Mauritius – Member of the Board of Directors.

During the period 2012 – up to 2021 Mr. Koskelo acted in multiple Supervisory Board and advisory positions including in the Africa Development Corporation, Germany; African Banking Corporation, Botswana; RSwitch, Rwanda; EXPO Bank, Latvia, AtlasMara Co-Nvest LLC, UK, Al Jaber Group, UAE and in EXPO Bank, Czech Republic.

Mr. Koskelo holds a Master of Science (M.Sc.) degree in Civil Engineering from the Technical University of Helsinki, Finland and a Master of Business Administration (MBA) in International Finance from the Massachusetts Institute of Technology (MIT), Sloan School of Management in Boston, USA.

MEMBERS OF THE MANAGING BOARD



Nikola Bakalov – Chief Executive Officer (CEO) and Chairman of the Managing Board

Mr. Nikola Bakalov has extensive experience in the banking and insurance sector in Bulgaria, combined with proven professional and managerial skills. From December 2000 to September 2011, he worked at First Investment Bank AD, taking increasing responsibilities from Card Services Specialist to Director of the Card Payments Department, which position he held for almost 6 years. During this period he was also elected as member of the executive committees of Mastercard Bulgaria and VISA Bulgaria.

In the period December 2011 - August 2012, Mr. Bakalov was member of the Managing Board of Allianz Bank Bulgaria AD, where he served as Executive Director, and subsequently as Chief Executive Officer.

From 2013 to August 2020, Mr. Bakalov was Executive Director of FiHealth Insurance AD, where he expanded significantly the activity of the company and transformed it in a leading company in the sphere of health insurance.

At the beginning of 2020, he was elected as Chief Retail Banking Officer (CRBO), Member of the Managing Board and Executive Director of First Investment Bank AD, responsible for the retail banking business lines within the Bank.

Since April 2020 Mr. Bakalov has been elected as Chief Executive Officer (CEO) and Chairman of the Managing Board of First Investment Bank AD.

Responsibilities in the Bank – Compliance function, Legal Department, Corporate Communications Department, Marketing and Advertising Department, Human Capital Management Department, Administrative Department, Asset Management Department, Information Technologies Department, Sustainable Development Department, Protocol and Secretariat Department and Specialised Unit Project Management.

Mr. Bakalov holds a Master's degree in International Economic Relations from the University of National and World Economy in Sofia, and has additional specializations in card payments, finance retail services and corporate governance.

Apart from his position at the Bank, Mr. Bakalov is Deputy chairman of the Board of Directors of FiHealth Insurance AD, Member of the Board of Directors of BORICA AD and Member of the Management Board of Association of Banks in Bulgaria.



Svetozar Popov – Chief Risk Officer (CRO), Member of the Managing Board and Executive Director

Mr. Svetozar Popov joined First Investment Bank AD in 2004 as part of the Risk Management Department, and was shortly thereafter promoted to Head of the Credit Risk Division. From 2006 to 2008 he was Deputy Director of Risk Management, during which period he also chaired the Bank's Credit Council. From 2016 to 2017, Mr. Popov held the office of Chief Compliance Officer (CCO), and

in May 2017 he was appointed as Chief Risk Officer (CRO), Member of the Management Board and Executive Director of First Investment Bank AD.

From 2008 to 2015, Mr. Popov was member of the Managing Board and Executive Director of UNIBank AD, Northern Macedonia, where he gained significant management experience and was responsible for the areas of risk management, credit administration, and finance. Prior to joining First Investment Bank AD, Mr. Popov worked at Raiffeisenbank (Bulgaria) EAD as an SME loan officer.

Mr. Popov holds a Masters degree in Finance from the University of National and World Economy in Sofia, and has obtained additional qualifications in the field of financial analysis from the European Bank for Reconstruction and Development (EBRD) and other internationally recognized institutions, as well as practical experience in foreign banks.

In the Bank he is responsible for the Risk Analysis and Control Department, the Credit Risk Management, Monitoring and Provisioning Department, the Impaired Assets Department, the Loan Administration Department, Security Department, Information Security Department and the specialized unit Strategic Risk Management.

Besides his position in the Bank, Mr. Popov is a Chairman of the Supervisory Board of UNIBank, Republic of Northern Macedonia, Chairman of the Board of Directors of MyFin EAD and a Manager of Debita OOD.



Chavdar Zlatev - Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director

Mr. Chavdar Zlatev joined the team of First Investment Bank AD in 2004 as Chief specialist in the SME Lending Department. Soon afterwards he was promoted to Deputy Director of the Department. From 2006 to 2009 he was manager of the Vitosha branch of First Investment Bank AD. He was subsequently appointed Deputy Director of the Branch Network Department, and in 2010 promoted to Director of the Department. In early 2011, he was appointed Director of the Corporate Banking Department, and has participated in the development and implementation of a number of banking products. In November 2014 Mr. Zlatev was elected member of the Managing Board of First Investment Bank AD, and from February 2018 was appointed as Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director.

Alongside his responsibilities in the Bank for the period during 2011-August 2020 he was member of the Board of Directors of FiHealth Insurance AD.

Prior to joining First Investment Bank AD, Mr. Zlatev worked in CB Unionbank AD as a senior bank officer, Corporate clients. He holds a Master's degree in Macroeconomics from the University of National and World Economy in Sofia. He has specialized loan products and practices in Bank of Ireland, as well as contemporary banking practices in Banco Popolare di Verona.

Responsibilities in the Bank – Large Enterprises Banking Department, Medium-sized Enterprises Banking Department, Corporate Sales and Public Procurements Department, Financial Analysis unit, Loan Facility Management unit, Trade Financing unit and Factoring and Leasing unit.

Besides his position with the Bank, Mr. Zlatev is a 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. and member of the Supervisory Board of UNIBanka AD, Northern Macedonia.



Nadia Koshinska – Member of the Managing Board and Director of Small Enterprises Banking Department

Ms. Nadia Koshinska joined Fibank in 1997 as a corporate loan expert. In 2002, she was appointed Deputy Director Loan Administration and held this position until 2004. In 2004 Nadia Koshinska was appointed Director SME Lending Department responsible for increasing the market share of the Bank through implementing special programs and dedicated products for SMEs. Also in 2004, she was appointed as a member of the Credit Council. At the end of 2015, Ms. Koshinska was elected as Chief Retail Banking Officer (CRBO) and Member of the Managing Board, while since September 2017 is a Member of the Managing Board and Director of SME Banking Department.

Prior to joining First Investment Bank AD she worked in the balance of payments and foreign debt division in Bulgarian National Bank.

Ms. Nadia Koshinska holds a Masters degree in Accounting and Control from the University of National and World Economy in Sofia.

In the Bank she is responsible for the Small Enterprises Banking Department.

Ms. Koshinska does not hold outside professional positions.

LIST OF ABBREVIATIONS

| | |
|--------------|---|
| AD | Joint Stock Company |
| ALCO | Asset, liability and Liquidity management Council |
| AML | Anti Money Laundering |
| ATM | Automated Teller Machine |
| BAF | Bulgarian Athletics Federation |
| Bank/Fibank | First Investment Bank AD |
| BEIA | Bulgarian Export Insurance Agency |
| BISERA | Bank integrated system for electronic payments |
| BISERA 7-EUR | System for servicing customer transfers in euros |
| BNB | Bulgarian National Bank |
| BOC | Bulgarian Olympic Committee |
| BORICA | Banking organization for payments using cards |
| BRGF | Bulgarian Rhythmic Gymnastics Federation |
| BPM | Business Process Management |
| BRRD II | Bank Recovery and Resolution Directive II (Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC) |
| CAGR | Compound Annual Growth Rate |
| CEO | Chief Executive Officer |
| CET1 | Common Equity Tier 1 |
| CCBO | Chief Corporate Banking Officer |
| CFO | Chief Financial Officer |
| CGS | Continuous Gross Settlement |
| CO2 | Carbon footprint |
| CRBO | Chief Retail Banking Officer |
| CRO | Chief Risk Officer |
| CSRBB | Credit Spread Risk in the Banking Book |
| DvP | Delivery versus Payment (Доставка срещу плащане) |
| DPO | Data Protection Officer |
| EAD | Exposure at Default |
| EAD | Sole-owned joint stock company |
| EBA | European Banking Authority |
| EEA | European Economic Area |
| EC | European Commission |
| ECB | European Central Bank |
| EOOD | Sole-owned limited liability company |
| EP | European Parliament |
| ERM | Exchange Rate Mechanism |

| | |
|-------|---|
| ESG | Environmental, Social, Governance |
| ESMA | European Securities and Markets Authority |
| EU | European Union |
| FDI | Foreign Direct Investments |
| FSC | Financial Supervision Commission |
| GDP | Gross domestic product |
| GDPR | General Data Protection Regulation |
| GVA | Gross value added |
| HIC | Health insurance company |
| HHI | Herfindahl-Hirschman Index |
| ICAAP | Internal Capital Adequacy Assessment Process |
| IFRS | International Financial Reporting Standards |
| ILAAP | Internal Liquidity Adequacy Assessment Process |
| IFC | International Finance Corporation |
| IRRBB | Interest Rate Risk in the Banking Book |
| IT | Information Technology |
| ITP | Internal-transfer prices |
| LCR | Liquidity Coverage Ratio |
| LIFO | Law on independent financial audit |
| LGD | Loss Given Default |
| LPOSA | Law on public offering of securities |
| LR | Leverage Ratio |
| LRE | Leverage Risk Exposure |
| MB | Managing Board |
| MiFIR | Markets in Financial Instruments Regulation (Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012) |
| MREL | Minimum requirements for own funds and eligible liabilities |
| MRR | Minimum Required Reserved |
| NATO | North Atlantic Treaty Organization |
| NFC | Near Field Communication |
| NPE | Non-performing exposures |
| NPL | Non-performing loans |
| NSFR | Net Stable Funding Ratio |
| OECD | Organization for Economic Cooperation and Development |
| OOD | Limited liability company |
| OSII | Other Systemically Important Institution |
| PAMP | Produits Artistiques de Métaux Précieux |
| PD | Probability of Default |

| | |
|--------|---|
| PRIIPS | Packaged Retail Investment and Insurance Products (Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products) |
| RCSA | Risk Control Self Assessment |
| RINGS | Real-time Interbank Gross Settlement System |
| ROA | Return-on-assets |
| ROE | Return-on-equity |
| SB | Supervisory Board |
| SCA | Strong Customer Authentication |
| SEPA | Single Euro Payments Area |
| SME | Small and medium-sized enterprises |
| SP | Sole proprietor |
| SPPI | Solely Payments of Principal and Interest |
| SRM | Single Resolution Mechanism |
| SSM | Single Supervisory Mechanism |
| TCR | Total Capital Ratio |
| TPPs | Third party providers |
| TREA | Total Risk Exposure Amount |
| UAB | Union of Artists in Bulgaria |
| UN | United Nations |
| VaR | Value-at- Risk |

LIST OF BRANCH NETWORK

HEAD OFFICE

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REUTERS DEALING CODE: BFIB
e-mail: fib@fibank.bg, www.fibank.bg
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Aleksandar Stamboliyski
Sofia 1301, 20, Aleksandar Stamboliyski Blvd.
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Sofia 1404, 81G Bulgaria Blvd.
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Sofia 1712, 1, Business Park Sofia St.
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Sofia 1142, 35, Vasil Levski Blvd.
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Sofia 1415, Zh.k. (Quarter) Dragalevtsi
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Dragan Tsankov
Sofia 1797, 37, Dragan Tsankov Blvd.
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Sofia 1528, 7, Iskarsko shose Blvd.
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Flavia
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Sofia 1612, 107 A, Tsar Boris III Blvd.
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Sofia 1303, 101, Aleksandar Stamboliyski Blvd.
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Maria Luisa
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Mladost
Sofia 1784, 11, Andrey Saharov Blvd.
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Mall – Serdika
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NDK (National Palace of Culture)
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Nevski
Sofia 1504, 1, Yanko Sakazov Blvd
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Obelya
Sofia 1387, 58A, Akademik Dimitri Lihachov Blvd.
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Ovcha kupel
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Patriarch Evtimiy
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Sofia Mega Mall
Sofia 1324, 15, Tzaritza Yoanna Blvd.

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Sofia Ring Mall
1434 Sofia, 214, Okolovrasten pat St.
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The Mall
Sofia 1784, 115, Tsarigradsko Chaussee Blvd. „Z“
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Vitosha
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Yuzhen park (South Park)
Sofia 1404, Gotse Delchev Blvd., bl. 1
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Sofia 1309, 127, Slivnitsa Blvd.
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Lovech
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FC Omurtag
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Pazardzhik 4400, 11, Bulgaria Blvd.
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Pazardzhik 4400, Trakia Papir EAD
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Vasil Levski – Pleven
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Mall Trakia – Plovdiv
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Plovdiv
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phone: (+359 32) 270 510

Skopie – Plovdiv
Plovdiv 4004, Skopie St., bl. 1519
phone: (+359 32) 270 590

Sveti Mina – Plovdiv
Plovdiv 4000, 56, Kapitan Raycho St.
phone: (+359 32) 270 560

Primorsko
Primorsko 8180, 82A, Treti mart St.
phone: (+359 550) 31 000

Radnevo
Radnevo 6260, 3, Georgi Dimitrov St.
phone: (+359 426) 98 764

Razgrad
Razgrad 7200, 3, Vasil Levski St.
phone: (+359 84) 631 065

FC Razlog
Razlog 2760, 6, Sheynovo St.
phone: (+359 747) 80 177

Aleksandrovska – Ruse
Ruse 7000, 10, Aleksandrovska St.
phone: (+359 82) 889 534

Ruse
Ruse 7000, 11, Rayko Daskalov St.
phone: (+359 82) 889 541

Tezhko mashinostroene – Ruse
Ruse 7000, 100, Tutrakan Blvd.
phone: (+359 82) 889 551

Tsar Osvoboditel – Ruse
Ruse 7000, 1, Tsar Osvoboditel Blvd.
phone: (+359 82) 889 498

Sevlievo
Sevlievo 5400, Svoboda Sq.
phone: (+359 675) 31 053

Shumen
Shumen 9700, 67, Simeon Veliki Blvd.
phone: (+359 54) 856 611

Silistra
Silistra 7500, 3, Geno Cholakov St.
phone: (+359 86) 871 320

Simitli
Simitli 2730, 27, Hristo Botev St.
phone: (+359 747) 89 051

Slanchev bryag (Sunny Beach)
Slanchev bryag (Sunny Beach) 8240, Central Alley
phone: (+359 554) 23 335

Central – Sliven
Sliven 8800, 2, Hadzhi Dimitar Blvd.
phone: (+359 44) 610 954

Sliven
Sliven 8800, 50, Tsar Osvoboditel Blvd.
phone: (+359 44) 610 708

Smolyan
Smolyan 4700, 80V, Bulgaria Blvd.
phone: (+359 301) 67 020

Sozopol
Sozopol 8130, 7, Republikanska St.
phone: (+359 550) 25 191

FC Stara Zagora 2
74, Tsar Simeon Veliki Blvd.
phone: (+359 42) 611 964

Stara Zagora
Stara Zagora 6000, 104, Tsar Simeon Veliki Blvd.

phone: (+359 42) 698 813

Trayana – Stara Zagora
Stara Zagora 6000, 69, Tsar Simeon Veliki Blvd.
phone: (+359 42) 698 771

Tsar Simeon – Stara Zagora
Stara Zagora 6000, 141, Tsar Simeon Veliki Blvd.
phone: (+359 42) 698 752 ,
fax: (+359 42) 266 021

Svilengrad
Svilengrad 6500, 58, Bulgaria Blvd.
phone: (+359 379) 74 440

Svishtov
Svishtov 5250, 1, Nikola Petkov St.
phone: (+359 631) 61 171

Targovishte
Targovishte 7700, 46, Hristo Botev St.
phone: (+359 601) 69 530

FC Troyan
14, Vasil Levski St.
phone: (+359 670)60 443

Troyan
Troyan 5600, 108, Vasil Levski St.
phone: (+359 670) 60 040

8-mi Primorski polk – Varna
Varna 9000, 128, 8-mi Primorski polk Blvd.
phone: (+359 52) 662 624

Breeze – Varna
Varna 9000, 80-82, 8-mi Primorski polk Blvd.
phone: (+359 52) 662 731

FC Mall Varna
Varna 9009, 186 Vladislav Varnenchik Blvd.
phone: (+359 52) 662 699

Rayonen sad (Regional Court) – Varna
Varna 9000, 57, Vladislav Varnenchik Blvd.
phone: (+359 52) 662 666

Tsaribrod – Varna
Varna 9000, 2, Dunav St.
phone: (+359 52) 662 721

Varna

Varna 9000, 113, General Kolev Blvd.
phone: (+359 52) 662 600

Bacho Kiro – Veliko Tarnovo

Veliko Tarnovo 5000, 5, Bacho Kiro St.
phone: (+359 62) 682 436

Veliko Tarnovo

Veliko Tarnovo 5005, 18, Oborishte St.
phone: (+359 62) 614 464

Vidin

Vidin 3700, 17, Gradinska St.
phone: (+359 94) 605 522

Vratsa

Vratsa 3000, 1, Nikola Voyvodov St.
phone: (+359 92) 669 310

Yambol

Yambol 8600, 10, Osvobozhdenie Sq.
phone: (+359 46) 682 363

Zlatitsa

Zlatitsa 2080, 2, Medet St.
phone: (+359 728) 68 046

BRANCHES OUTSIDE BULGARIA**Cyprus International Banking Unit**

130 Limassol Ave., CY-2015 Nicosia, Cyprus

P.O.Box 16023, CY-2085 Nicosia, Cyprus

phone: (+357 22) 376 454

fax: (+357 22) 376 560

SWIFT CODE: FINVCY2N

The present Individual Activity report for 2022 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 2023.

Signed

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

Signed

Svetozar Popov
*Executive Director,
Chief Risk Officer,
Member of the Managing Board*

Signed

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

Signed

Ralitsa Bogoeva
*Executive Director,
Chief Retail 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, Svetozar Alexandrov Popov, Executive Director and Member 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, Ralitsa Ivanova Bogoeva, 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 2022, 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 2022 contains a fair review of the development and results from the activities of First Investment Bank AD.

Signed

Signed

Nikola Bakalov
Chief Executive Officer
Chairman of MB

Svetozar Popov
Executive Director
Member of MB

Signed

Signed

Chavdar Zlatev
Executive Director
Member of MB

Ralitsa Bogoeva
Executive Director
Member of MB

Signed

Ianko Karakolev
Chief Financial Officer
Member of MB

30 March 2023
Sofia



INFORMATION

ON

FIRST INVESTMENT BANK AD

FOR 2022

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 2022, First Investment Bank prolonged its 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. The global bonds have been accepted for clearance through Clearstream Banking S.A,

In August 2022, the Bank successfully issued as private placement the first tranche of its second issue hybrid instruments (ISIN: XS2488805461) in the amount of EUR 10 million, thus bonds issued under the program totaled EUR 40 million. As at 31.12.2022 the amortised cost of the issued hybrid instrument amounted to BGN 19,603 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 2022 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 2022 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%

| | | | | | | | |
|-----|---|---|--|--|------|-------|--|
| 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 reasonable 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% | 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 |
| | | | | | 100% | 100% | |

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% | 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. |
| 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% | 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 |
| 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% | 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 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. |
| II.4 | Is limited the number of consecutive mandates of the independent members? | | | 1 | 5% | 0.0% | Pursuant to the Bank's Statute, the members of SB could be re-elected for next mandates without restrictions. |
| 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% | 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 |
| 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% | 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. The Bank has in place Program for introductory and training of the members of the MB and SB, which is integral part of the Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions. It includes information on the adopted governance policies and internal rules, incl. on the Bank's structure, business model and risk profile and is presented to each new member of MB or SB up to 1 month after election. |
| 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% | In accordance with the Program for introductory and training of the members of the MB and SB (integral part of 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 targetted, as well as taken into account the changes in management, strategic changes, new products and technologies, changes in applicable regulations and market development. During 2022 presentations have been organized related to changes in regulatory requirements, incl. on capital and prudential requirements, sustainable development and ESG risks, recovery and resolution, internal governance framework, AML/FT. |

| | | | | | | | |
|-------|--|---|--|--|------|-------|---|
| 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 incidents 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 governance 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 24.01.2023, approved by a decision of SB of 22.02.2023. |
| 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 (last amended 23.03.2022), the Code of conduct (last amended 24.08.2022), the Statute of the Bank (last amended 16.06.2022), the Policy for managing of conflicts of interest (last amended 17.03.2021). 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 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. |
| 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 14.06.2022, approved with a decision of SB on 24.08.2022. |
| | | | | | 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 independent 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% | 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. |
| 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% | 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 2020 joint audit by two audit companies - BDO Bulgaria OOD and Mazars OOD, for 2021 joint audit by two audit companies - BDO Bulgaria OOD and Ecovis odit BG OOD, for 2022 joint audit by two audit companies - Ecovis Odit Bulgaria OOD and Mazars OOD. |
| | | | | | 100% | 100% | |

V. Protection of shareholders' rights
20%

| | | | | | | | |
|------|---|---|--|--|------|-------|--|
| V.1 | Are all shareholders treated equally, incl. the minority shareholders and foreign? | 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. |
| 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% | 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 16.06.2022. 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. |
| 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% | 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. |
| 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% | The Bank has undertaken a number of initiatives for additional enagement 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. |
| 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% | 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 |
| 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 section on shreholders' rights is in section Investors/ Corporate governance/ Shareholders' rights at the corporate website www.fibank.bg |
| V.8 | Is there a mechanism ensured for supprting 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% | 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. |
| 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% | The results from the general meeting of shareholders are in section Investors/ General meeting of shareholders at the corporate website www.fibank.bg |
| 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% | An opportunity is ensured for the members of the Manging 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 five members of the Managing Board and three members of the Supervisory Board were present, incl. the chairs of the SB and MB. |
| | | | | | 100% | 100% | |

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% | 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. |
| 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% | 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 |
| 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% | 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 |
| 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% | 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. |
| VI.5 | Does the company has an updated corporate website? Please, give the address. | 1 | | | 10% | 10.0% | 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. |
| 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% | The requested information is publicly accessible through the corporate website www.fibank.bg |
| 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% | First Investment Bank has an English version of its corporate website www.fibank.bg , with established content and scope of the information disclosed therein. |
| 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% | 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. |
| 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% | 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 |
| 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% | 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 |
| | | | | | 100% | 100% | |

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 company has specific rules for taking into consideration the interests of the stakeholders, 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 corporate 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 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.

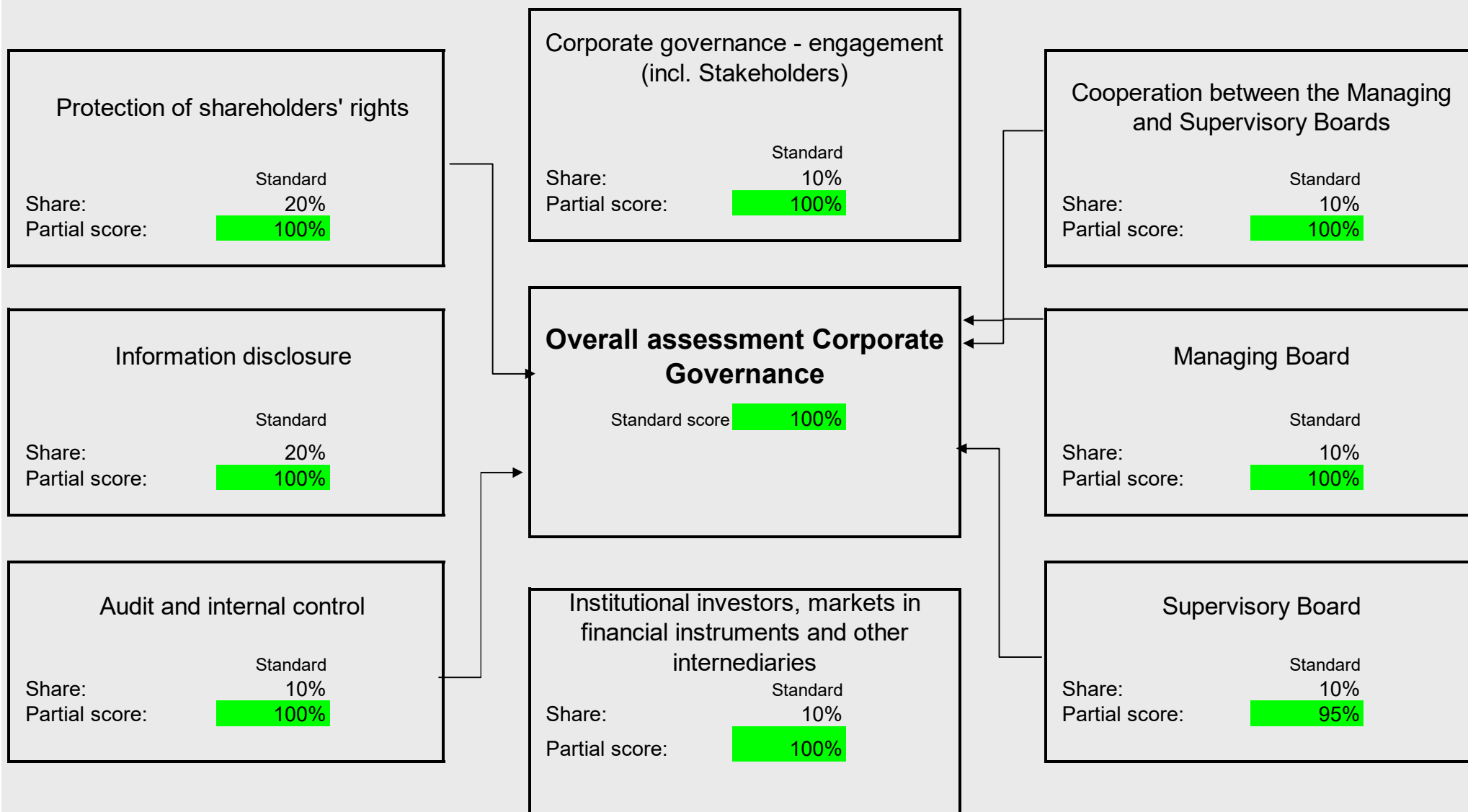
VIII. Institutional investors, markets in financial instruments and other intermediaries
10%

| | | | | | | | |
|---------|---|---|--|--|------|-------|--|
| 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

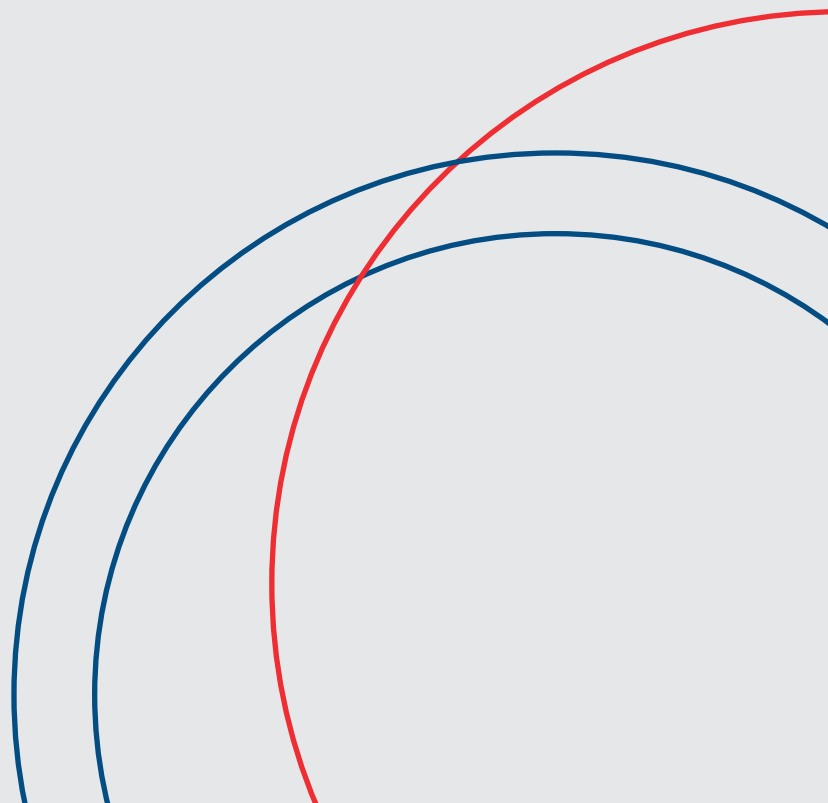


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Introduction

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, 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:

- 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 Law on the Recovery and Resolution of Credit Institutions and Investment Firms (LRRCIIF); the Commerce Act and the regulations for their implementation; with Regulation (EU) № 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions (Regulation (EU) № 575/2013); Regulation (EU) № 596/2014 of the European Parliament and of the Council on market abuse (Regulation (EU) № 596/2014); Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment (Regulation (EU) 2020/852) and its delegated/implementing acts; Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (Regulation (EU) 2019/2088); Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (Delegated Regulation (EU) 2019/815); Ordinance №2 of FSC 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, incl. on internal governance (EBA/GL/2021/05); 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. 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;
 - 5.1.5. Quarterly, semi-annual and annual disclosure of information pursuant to Regulation (EU) № 575/2013 on a 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 2023

- 9.1.** In 2023, pursuant to the Law on Credit Institutions, the Regulation (EU) № 575/2013, 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 2022, also including interim activity report – until 30.01.2023;
 - 9.1.2. Quarterly consolidated financial report for the fourth quarter of 2022, also including interim activity report – until 01.03.2023;
 - 9.1.3. Annual standalone financial report for 2022, certified by registered auditor/s, also including an annual activity report – until 31.03.2023;
 - 9.1.4. Annual consolidated financial report for 2022, certified by registered auditor/s, also including a consolidated annual activity report – until 30.04.2023;
 - 9.1.5. Quarterly standalone financial report for the first quarter of 2023, also including interim activity report – until 30.04.2023;
 - 9.1.6. Quarterly consolidated financial report for the first quarter of 2023, also including interim activity report – until 30.05.2023;

- 9.1.7. Quarterly consolidated disclosure of information pursuant to Regulation (EU) № 575/2013 for the first quarter of 2023 – until 30.06.2023;
 - 9.1.8. Semi-annual standalone financial report for the first half of 2023, also including interim activity report – until 30.07.2023;
 - 9.1.9. Semi-annual consolidated financial report for the first half of 2023, also including interim activity report – until 29.08.2023;
 - 9.1.10. Semi-annual consolidated disclosure of information pursuant to Regulation (EU) № 575/2013 for the first half of 2023 – until 30.09.2023;
 - 9.1.11. Annual consolidated disclosure of information pursuant to Regulation (EU) № 575/2013 for 2022 – until 30.09.2023;
 - 9.1.12. Quarterly standalone financial report for the third quarter of 2023, also including interim activity report – until 30.10.2023;
 - 9.1.13. Quarterly consolidated financial report for the third quarter of 2023, also including interim activity report – until 29.11.2023;
 - 9.1.14. Quarterly consolidated disclosure of information pursuant to Regulation (EU) № 575/2013 for the third quarter of 2023 – until 31.12.2023;
 - 9.1.15. 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:

| | |
|---------------------------------|--|
| 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, by a resolution of MB of 16.12.2021 and approval of SB of 22.12.2021, as well as by a resolution of MB of 24.01.2023 and approval of SB of 22.02.2023.

FIRST INVESTMENT BANK AD

Bank **FINV9150**

First Investment Bank AD

Reporting date **31.12.2022**

Basis for

application **Individual**

Accounting IFRS

standard

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 | Para. 54 (i) of IAS 1 | | 1 976 531 |
| 0020 | Cash | part 2, paragraph 1 of Appendix V | | 248 540 |
| 0030 | Cash balances with central banks | part 2, paragraph 1 of Appendix V | | 1 427 241 |
| 0040 | Other deposits payable on demand | part 2, paragraph 1 of Appendix V | 5 | 300 750 |
| 0050 | Financial assets held for trading | Supplement A to IFRS 9 | | 5 866 |
| 0060 | Derivatives | Supplement A to IFRS 9 | 10 | 0 |
| 0070 | Equity | Para. 11 of IAS 32 | 4 | 5 770 |
| 0080 | Debt securities | part 1, paragraph 31 of Appendix V | 4 | 96 |
| 0090 | Loans and advances | part 1, paragraph 32 of Appendix V | 4 | 0 |
| 0096 | Non-tradable financial assets mandatorily reported at fair value through profit or loss | Para. 8 (a)(ii) of IFRS 7; IFRS 9.4.1.4 | 4 | 261 821 |
| 0097 | Equity | Para. 11 of IAS 32 | 4 | 25 336 |
| 0098 | Debt securities | part 1, paragraph 31 of Appendix V | 4 | 236 485 |
| 0099 | Loans and advances | part 1, paragraph 32 of Appendix V | 4 | 0 |
| 0100 | Financial assets at fair value through profit or loss | Para. 8 (a)(i) of IFRS 7; IFRS 9.4.1.5 | 4 | 0 |
| 0120 | Debt securities | part 1, paragraph 31 of Appendix V | 4 | 0 |
| 0130 | Loans and advances | part 1, paragraph 32 of Appendix V | 4 | 0 |
| 0141 | Financial assets at fair value through other comprehensive income | Para. 8 (h) of IFRS 7; IFRS 9.4.1.2A | 4 | 468 247 |
| 0142 | Equity | Para. 11 of IAS 32 | 4 | 0 |
| 0143 | Debt securities | part 1, paragraph 31 of Appendix V | 4 | 468 247 |
| 0144 | Loans and advances | part 1, paragraph 32 of Appendix V | 4 | 0 |
| 0181 | Financial assets at amortised cost | Para. 8 (f) of IFRS 7; IFRS 9.4.1.2 | 4 | 8 446 569 |
| 0182 | Debt securities | part 1, paragraph 31 of Appendix V | 4 | 1 862 203 |
| 0183 | Loans and advances | part 1, paragraph 32 of Appendix V | 4 | 6 584 366 |
| 0240 | Derivatives - hedge accounting | IFRS 9.6.2.1, part 1, paragraph 22 of Appendix V | 11 | 0 |
| 0250 | Changes in the fair value of hedged positions when hedging a portfolio for interest rate risk | Para. 89A (a) of IAS 39, IFRS 9.6.5.8 | | 0 |
| 0260 | Investments in a subsidiary, jointly-controlled entity or associate | Para. 54 (e) of IAS 1; part 1, paragraph 21 and part 2, paragraph 4 of Appendix V | 40 | 38 526 |
| 0270 | Tangible assets | | | 848 564 |
| 0280 | Property, Plant and Equipment | Para. 6 of IAS 16; Para. 54 (a) of IAS 1; Para 47 (a) of IFRS 16 | 21, 42 | 98 240 |
| 0290 | Investment Property | Para. 5 of IAS 40; Para. 54 (b) of IAS 1; Para. 48 of IFRS 16 | 21, 42 | 750 324 |
| 0300 | Intangible assets | Para. 54(c) of IAS 1; Art. 4, Para. 1, item 115 of Reg 575 | | 14 925 |
| 0310 | Goodwill | Para. B67, (d) of IFRS 3; Art. 4, Para. 1, item 113 of Reg 575 | | 0 |
| 0320 | Other intangible assets | Para. 8 and Para. 118 of IAS 38; Para. 47 (a) of IFRS 16 | 21, 42 | 14 925 |
| 0330 | Tax assets | Para. 54 (n)-(o) of IAS 1 | | 0 |
| 0340 | Current tax assets | Para. 54(n) of IAS 1; Para. 5 of IAS 12 | | 0 |
| 0350 | Deferred tax assets | Para. 54, (o) of IAS 1; Para. 5 of IAS 12; Art. 4, Para. 1, item 106 of Reg 575 | | 0 |
| 0360 | Other assets | part 2, paragraph 5 of Appendix V | | 653 009 |
| 0370 | Non-current assets and disposal groups classified as held for sale | Para. 54, (j) of IAS 1; Para. 38 of IFRS 5; part 2, item 7 of Appendix V | | 0 |
| 0380 | TOTAL ASSETS | Para. 9, (a), IN 6 of IAS 1 | | 12 714 058 |

FIRST INVESTMENT BANK AD

| | | |
|-----------------------|------------|-----------------------------|
| Bank | FINV9150 | First Investment Bank AD |
| Reporting date | 31.12.2022 | |
| Basis for application | Individual | |
| Accounting standard | IFRS | |
| | | Reporting currency '000 BGN |

1. 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 | 8 488 |
| 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 | 8 488 |
| 0110 | Financial liabilities at amortised cost | Para. 8 (g) of IFRS 7; IFRS 9.4.2.1 | 8 | 11 217 501 |
| 0120 | Deposits | Part 2, item 9 of Appendix 2 to ECB/2013/33; Part 1, item 36 of Appendix V | 8 | 10 884 026 |
| 0130 | Issued debt securities | part 1, paragraph 37 of Appendix V | 8 | 256 861 |
| 0140 | Other financial liabilities | part 1, paragraph 38-41 of Appendix V | 8 | 76 614 |
| 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 | 1 592 |
| 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 | 440 |
| 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 | 1 152 |
| 0230 | Other provisions | Para. 14 of IAS 37 | 43 | 0 |
| 0240 | Tax liabilities | Para. 54 (n)-(o) of IAS 1 | | 28 221 |
| 0250 | Current tax liabilities | Para. 54(n) of IAS 1; Para. 5 of IAS 12 | | 398 |
| 0260 | Deferred tax liabilities | Para. 54, (o) of IAS 1; Para. 5 of IAS 12; Art. 4, Para. 1, item 108 of Reg 575 | | 27 823 |
| 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 | | 130 047 |
| 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 | | 11 385 849 |

FIRST INVESTMENT BANK AD

Bank **FINV9150**

First Investment Bank AD

Reporting date **31.12.2022**

Basis for

application **Individual**

Accounting IFRS

standard

Reporting currency '000

BGN

1. Balance sheet [statement of financial position]

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 capital | 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 | -10 815 |
| 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)(i) of IAS 1 | | -15 315 |
| 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 | | -15 315 |
| 0165 | Hedging instruments [unreported elements] | Paragraph 7, (g) and (h) of IFRS 7; IFRS 9 6.5.13 and 6.5.16; Paragraph 24E (b) and (c) of IFRS 7 | | 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 | | 858 717 |
| 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 | | 858 717 |
| 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 | 81 205 |
| 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 | 1 328 209 |
| 0310 | TOTAL SHAREHOLDERS' EQUITY AND TOTAL LIABILITIES | IN 6 of IAS 1 | | 12 714 058 |

(signed)
Nikola Bakalov
Chief Executive Officer

(signed)
SVETOZAR POPOV
Executive Director

(signed)
CHAVDAR ZLATEV
Executive Director

(signed)
RALITSA BOGOEVA
Executive Director

(signed)
Yanko Karakolev
Chief Financial Officer

FIRST INVESTMENT BANK AD

Bank **FINV9150** First Investment Bank AD

Reporting date **31.12.2022**

Basis for
application **Individual**
Accounting **IFRS**
standard

Reporting currency **000 BGN**

2. Profit and Loss Account

| | References | Breakdown in table | Current period |
|------|---|--|----------------|
| | | | 0010 |
| 0010 | Interest income | Para. 97 of IAS 1; part 2, paragraph 31 of Appendix V | 16 |
| | | | 310 785 |
| 0020 | Financial assets held for trading | Para. 20, (a)(i), Para. B5, (e) of IFRIC 7; part 2, paragraphs 33, 34 of Appendix V | |
| | | | 2 |
| 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 | |
| | | | 11 800 |
| 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 | |
| | | | 7 263 |
| 0051 | Financial assets at amortised cost | Para. 20(b) of IFRIC 7; IFRS 9.4.1.2, IFRS 9.5.7.2 | |
| | | | 290 103 |
| 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 | |
| | | | 1 612 |
| 0085 | Revenue from interest on liabilities | IFRS 9.5.7.1, part 2, paragraph 37 of Appendix V | |
| | | | 5 |
| 0090 | (Interest expense) | Para. 97 of IAS 1; part 2, paragraph 31 of Appendix V | 16 |
| | | | 40 045 |
| 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 | |
| | | | 35 723 |
| 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 | |
| | | | 37 |
| 0145 | (Interest expense on assets) | IFRS 9.5.7.1, part 2, paragraph 39 of Appendix V | |
| | | | 4 285 |
| 0150 | (Expense for share capital payable upon request) | IFRIC 2, item 11 | |
| | | | 0 |
| 0160 | Dividend income | part 2, paragraph 40 of Appendix V | 31 |
| | | | 578 |
| 0170 | Financial assets held for trading | Para. 20, (a)(i), Para. B5, (e) of IFRIC 7; part 2, paragraphs 40 of Appendix V | |
| | | | 346 |
| 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 | |
| | | | 232 |
| 0191 | Financial assets at fair value through other comprehensive income | Para. 20, (a)(i) 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 | 22 |
| | | | 172 990 |
| 0210 | (Fee and commission expense) | Para. 20 (c) of IFRS 7 | 22 |
| | | | 33 475 |
| 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 | 16 |
| | | | 6 684 |
| 0231 | Financial assets at fair value through other comprehensive income | IFRS 9.4.1.2A; IFRS 9.5.7.10-11 | |
| | | | 665 |
| 0241 | Financial assets at amortised cost | Para. 20(B)(iv) of IFRIC 7; IFRS 9.4.1.2, IFRS 9.5.7.2 | |
| | | | 6 019 |
| 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 | 16 |
| | | | -542 |
| 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 | |
| | | | -136 |
| 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 | 16, 45 |
| | | | 0 |
| 0300 | Net profits or (-) losses from hedge accounting | part 2, paragraph 47 of Appendix V | 16 |
| | | | 0 |
| 0310 | Net profits or (-) losses from exchange rate differences | Para. 28 and Para 52 (a) of IAS 21 | |
| | | | 20 259 |
| 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 | 45 |
| | | | -613 |
| 0340 | Other operating income | part 2, paragraphs 314-316 of Appendix V | 45 |
| | | | 25 255 |
| 0350 | (Other operating expense) | part 2, paragraphs 314-316 of Appendix V | 45 |
| | | | 5 687 |
| 0355 | TOTAL NET OPERATING INCOME | | |
| | | | 456 053 |
| 0360 | (Administrative expenses) | | |
| | | | 193 052 |
| 0370 | (Personnel costs) | Para. 7 of IAS 19; Para. 102, IN 6 of IAS 1 | 44 |
| | | | 88 484 |
| 0380 | (Other administrative expenses) | | 16 |
| | | | 104 568 |
| 0385 | (Cash instalments for restructuring funds and deposit guarantee schemes) | part 2, paragraph 48 of Appendix V | |
| | | | 24 930 |
| 0390 | (Amortisation) | Para. 102, 104 of IAS 1 | |
| | | | 12 060 |
| 0400 | (Property, Plant and Equipment) | Para. 104 of IAS 1; Para. 73, (e), (v) of IAS 16 | |
| | | | 9 226 |
| 0410 | (Investment Property) | Para. 104 of IAS 1; Para. 79, (d), (v) of IAS 40 | |
| | | | 0 |
| 0420 | (Other intangible assets) | Para. 104 of IAS 1; Para. 118, (e), (v) of IAS 38 | |
| | | | 2 832 |
| 0425 | Net profits or (-) losses from modification | IFRS 9.5.4.3, supplement A to IFRS 9, part 2, paragraph 48 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 |
| 0430 | (Provisions or (-) reversed provisions) | Para. 59, 84 of IAS 37; Para. 98, (b), (f), (g) of IAS 1 | 9 |
| | | | 12 |
| | | | -274 |
| 0435 | (Undertaken obligations to make payments for restructuring funds and deposit guarantee schemes) | part 2, paragraph 48 (j) 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 | |
| | | | -191 |
| 0450 | (Other provisions) | | |
| | | | -83 |
| 0460 | (Impairment or (-) impairment adjustment of financial assets which are not accounted at fair value through profit or loss) | Para. 20, (a)(viii) of IFRIC 7; IFRS 9.5.4.4, part 2, items 51, 53 of Appendix V | 12 |
| | | | 135 540 |
| 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 |
| | | | 135 540 |
| 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) of IAS 16 | |
| | | | 0 |
| 0540 | (Investment Property) | Para. 79, (d), (v) of IAS 40 | |
| | | | 0 |
| 0550 | (Goodwill) | B67, (d), (v) of IFRIC 3; Para. 124 of IAS 36 | |
| | | | 0 |
| 0560 | (Other intangible assets) | Para. 118, (e), (v)-(v) of IAS 38 | |
| | | | 0 |
| 0570 | (Other) | Para. 126(a)-(b) of IAS 36 | |
| | | | 0 |
| 0580 | Negative goodwill in profit or loss | B64, (h)(i) to IFRIC 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 IFRIC 5 | |
| | | | 90 745 |
| 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 | |
| | | | 9 540 |
| 0630 | PROFIT OR (-) LOSS AFTER TAX FROM CURRENT OPERATIONS | IN 6 of IAS 1 | |
| | | | 81 205 |
| 0640 | Profit or (-) loss after tax from discontinued operations | Para. 82, (e) of IAS 1; Para. 33(e) and paragraph 33A of IFRIC 5; part 2, paragraph 56 of Appendix V | |
| | | | 0 |
| 0650 | Profit or (-) loss before tax from discontinued operations | Para. 33, (b)(i) of IFRIC 5 | |
| | | | 0 |
| 0660 | (Tax expense or (-) income related to discontinued operations) | Para. 33, (b)(i) and (iv) of IFRIC 5 | |
| | | | 0 |
| 0670 | PROFIT OR (-) LOSS FOR THE YEAR | Para. 81A (a) of IAS 1 | |
| | | | 81 205 |
| 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 | |
| | | | 81 205 |

(signed)
Nikola Bakalov
Chief Executive Officer

(signed)
SVETOZAR POPOV
Executive Director

(signed)
CHAVDAR ZLATEV
Executive Director

(signed)
RALITSA BOGOEVA
Executive Director

(signed)
Yanko Karakolev
Chief Financial Officer

FIRST INVESTMENT BANK AD
CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2022
WITH INDEPENDENT AUDITORS' REPORT THEREON

Consolidated statement of profit or loss and of other comprehensive income for the year ended 31 December 2022

| <i>BGN '000</i> | Note | 2022 | 2021 |
|--|-------------|-----------------|----------------|
| Interest income | | 342,537 | 334,310 |
| Interest expense | | (46,328) | (51,845) |
| Net interest income | 6 | 296,209 | 282,465 |
| Fee and commission income | | 180,150 | 149,209 |
| Fee and commission expense | | (35,188) | (25,704) |
| Net fee and commission income | 7 | 144,962 | 123,505 |
| Net trading income | 8 | 20,473 | 15,742 |
| Other net operating income | 9 | 14,306 | 13,258 |
| TOTAL INCOME FROM BANKING OPERATIONS | | 475,950 | 434,970 |
| Administrative expenses | 10 | (217,852) | (192,083) |
| Other income/(expenses), net | 12 | (7,739) | 7,608 |
| Profit before impairment | | 250,359 | 250,495 |
| Allowance for impairment | 11 | (140,230) | (125,663) |
| PROFIT BEFORE TAX | | 110,129 | 124,832 |
| Income tax expense | 13 | (12,139) | (13,424) |
| GROUP PROFIT AFTER TAX | | 97,990 | 111,408 |
| Other comprehensive income | | | |
| Items which should or may be reclassified as profit or loss | | | |
| Exchange rate differences from translation of foreign operations | | 3,776 | 1,333 |
| Revaluation reserve of investments in securities | | (27,162) | (9,319) |
| Total other comprehensive income | | (23,386) | (7,986) |
| TOTAL COMPREHENSIVE INCOME | | 74,604 | 103,422 |
| Net profit attributable to: | | | |
| Ordinary equity holders | | 97,241 | 110,595 |
| Non-controlling interest | | 749 | 813 |
| Total comprehensive income attributable to: | | | |
| Ordinary equity holders | | 73,855 | 102,609 |
| Non-controlling interest | | 749 | 813 |

Basic and diluted earnings per share (BGN) 14 **0.65** **0.74**

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 80.

The financial statements have been approved by the Managing Board on 27 April 2023 and signed on its behalf by:

Nikola Bakalov
Chief Executive Officer

Chavdar Zlatev
Executive Director

Svetozar Popov
Executive Director

Ralitsa Bogoeva
Executive Director

Yanko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated 27/04/2023:

Athanasios Petropoulos
procurator

Mazars OOD

Iva Slavkova
Registered auditor
responsible for the audit

Georgi Trenchev
Registered auditor
responsible for the audit

ECOVIS AUDIT BULGARIA OOD

Consolidated statement of the financial position as at 31 December 2022

| <i>BGN '000</i> | Note | 2022 | 2021 |
|--|-------------|-------------------|-------------------|
| ASSETS | | | |
| Cash and balances with Central Banks | 15 | 2,042,858 | 1,970,814 |
| Investments in securities | 16 | 2,819,193 | 1,673,781 |
| Loans and advances to banks and other financial institutions | 17 | 221,900 | 87,456 |
| Loans and advances to customers | 18 | 6,823,003 | 6,653,944 |
| Property and equipment | 19 | 108,376 | 80,198 |
| Intangible assets | 20 | 16,611 | 15,566 |
| Derivatives held for risk management | | 1,609 | 1,042 |
| Deferred tax assets | | 3,948 | - |
| Repossessed assets | 22 | 423,585 | 459,853 |
| Investment Property | 23 | 750,324 | 732,850 |
| Rights of use assets | 24 | 171,638 | 92,169 |
| Other assets | 25 | 115,937 | 129,548 |
| TOTAL ASSETS | | 13,498,982 | 11,897,221 |
| LIABILITIES AND CAPITAL | | | |
| Due to banks | 26 | 13,152 | 8,722 |
| Due to other customers | 27 | 11,454,906 | 9,973,631 |
| Liabilities evidenced by paper | 28 | 123,846 | 120,002 |
| Financial liabilities at fair value through profit and loss | | 8,488 | 2,164 |
| Subordinated term debt | 29 | 19,410 | 9,622 |
| Hybrid debt | 29 | 256,861 | 320,733 |
| Derivatives held for risk management | | - | 2,166 |
| Deferred tax liabilities | 21 | 27,823 | 26,927 |
| Current tax liabilities | | 645 | 1,714 |
| Lease liabilities | 24 | 171,217 | 92,405 |
| Other liabilities | 30 | 23,012 | 19,293 |
| TOTAL LIABILITIES | | 12,099,360 | 10,577,379 |
| Issued share capital | 31 | 149,085 | 149,085 |
| Share premium | 31 | 250,017 | 250,017 |
| Statutory reserve | 31 | 39,865 | 39,865 |
| Revaluation reserve of investments in securities | | (18,047) | 9,115 |
| Revaluation reserve on property | | 4,500 | 4,500 |
| Reserve from translation of foreign operations | | 6,368 | 2,592 |
| Other reserves and retained earnings | 31 | 962,805 | 860,339 |
| TOTAL SHAREHOLDERS' EQUITY | | 1,394,593 | 1,315,513 |
| Non-controlling interest | | 5,029 | 4,329 |
| TOTAL GROUP EQUITY | | 1,399,622 | 1,319,842 |
| TOTAL LIABILITIES AND GROUP EQUITY | | 13,498,982 | 11,897,221 |

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 80

The financial statements have been approved by the Managing Board on 27 April 2023 and signed on its behalf by:

Nikola Bakalov
Chief Executive Officer

Chavdar Zlatev
Executive Director

Svetozar Popov
Executive Director

Ralitsa Bogoeva
Executive Director

Yanko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated 27/04/2023:

Athanasios Petropoulos
procurator

Mazars OOD

Iva Slavkova
Registered auditor
responsible for the audit

Georgi Trenchev, manager
Registered auditor
responsible for the audit

ECOVIS AUDIT BULGARIA OOD

Consolidated statement of cash flows for the year ended 31 December 2022

| <i>BGN '000</i> | 2022 | 2021 |
|---|--------------------|------------------|
| Net cash flow from operating activities | | |
| Net profit | 97,990 | 111,408 |
| Adjustment for non-cash items | | |
| Allowance for impairment | 140,230 | 125,664 |
| Net interest income | (296,209) | (282,465) |
| Depreciation and amortization | 12,959 | 12,201 |
| Tax expense | 12,139 | 13,424 |
| (Profit)/loss from sale and write-off of tangible and intangible fixed assets, net | 21 | (13) |
| (Profit) from sale of other assets, net | 535 | 5,835 |
| (Positive) revaluation of investment property | (14,769) | (30,340) |
| | (47,104) | (44,286) |
| Change in operating assets | | |
| (Increase) in financial assets at fair value through profit or loss | (2,977) | (2,156) |
| Decrease/(increase) in financial assets at fair value in other comprehensive income | 525,578 | (272,846) |
| Decrease/(Increase) in loans and advances to banks and financial institutions | 2,177 | (4,141) |
| (Increase) in loans to customers | (402,207) | (558,881) |
| Net (increase)/decrease in other liabilities | (55,591) | 51,027 |
| | 66,980 | (786,997) |
| Change in operating liabilities | | |
| Increase in due to banks | 4,830 | 6,051 |
| Increase in amounts owed to other depositors | 1,487,692 | 452,177 |
| Net increase/(decrease) in other liabilities | 80,959 | (59,506) |
| | 1,573,481 | 398,722 |
| Interest received | 425,014 | 371,517 |
| Interest paid | (60,197) | (72,731) |
| Dividends received | 633 | 455 |
| Paid profit tax, net | (8,333) | (5,039) |
| NET CASH FLOW FROM OPERATING ACTIVITIES | 1,950,474 | (138,359) |
| Cash flow from investing activities | | |
| (Purchase) of tangible and intangible fixed assets | (42,001) | (14,435) |
| Sale of tangible and intangible fixed assets | 25 | 37 |
| Sale of other assets | 46,128 | 14,396 |
| (Increase) of investments | (1,702,166) | (116,363) |
| NET CASH FLOW FROM INVESTING ACTIVITIES | (1,698,014) | (116,365) |
| Financing activities | | |
| Increase in borrowings | 4,077 | 16,453 |
| (Decrease)/Increase in subordinated liabilities | (47,402) | 53,145 |
| NET CASH FLOW FROM FINANCING ACTIVITIES | (43,325) | 69,598 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 209,135 | (185,126) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD | 2,017,645 | 2,202,771 |
| CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (See Note 33) | 2,226,780 | 2,017,645 |

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 80.

The financial statements have been approved by the Managing Board on 27 April 2023 and signed on its behalf by:

Nikola Bakalov
Chief Executive Officer

Chavdar Zlatev
Executive Director

Svetozar Popov
Executive Director

Ralitsa Bogoeva
Executive Director

Yanko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated 27/04/2023:

Athanasios Petropoulos
procurator

Mazars OOD

Iva Slavkova
Registered auditor
responsible for the audit

Georgi Trenchev, manager
Registered auditor
responsible for the audit

ECOVIS AUDIT BULGARIA OOD

Consolidated statement of shareholders' equity for the year ended 31 December 2022

| BGN '000 | Issued share capital | Share premium | Other reserves and retained earnings | Revaluation reserve of investments in securities | Revaluation reserve on property | Reserve from translation of foreign operations | Statutory reserve | Non-controlling interest | Total |
|---|----------------------|----------------|--------------------------------------|--|---------------------------------|--|-------------------|--------------------------|------------------|
| Balance at 01 January 2021 | 149,085 | 250,017 | 749,744 | 18,434 | 4,500 | 1,259 | 39,865 | 3,516 | 1,216,420 |
| Total comprehensive income for the period | | | | | | | | | |
| Net profit for the year ended 31 December 2021 | - | - | 110,595 | - | - | - | - | 813 | 111,408 |
| Other comprehensive income for the period | | | | | | | | | |
| Revaluation reserve of investments in securities | - | - | - | (9,319) | - | - | - | - | (9,319) |
| Reserve from translation of foreign operations | - | - | - | - | - | 1,333 | - | - | 1,333 |
| Balance as at 31 December 2021 | 149,085 | 250,017 | 860,339 | 9,115 | 4,500 | 2,592 | 39,865 | 4,329 | 1,319,842 |
| Total comprehensive income for the period | | | | | | | | | |
| Net profit for the year ended 31 December 2022 | - | - | 97,241 | - | - | - | - | 749 | 97,990 |
| Other comprehensive income for the period | | | | | | | | | |
| Revaluation reserve of investments in securities | - | - | - | (27,162) | - | - | - | - | (27,162) |
| Reserve from translation of foreign operations | - | - | - | - | - | 3,776 | - | - | 3,776 |
| Effect of consolidation of significant subsidiary | - | - | 1,096 | - | - | - | - | - | 1,096 |
| Effect from de consolidation of subsidiaries | - | - | 4,129 | - | - | - | - | (49) | 4,080 |
| Balance as at 31 December 2022 | 149,085 | 250,017 | 962,805 | (18,047) | 4,500 | 6,368 | 39,865 | 5,029 | 1,399,622 |

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 80.

The financial statements have been approved by the Managing Board on 27 April 2023 and signed on its behalf by:

Nikola Bakalov
Chief Executive Officer

Chavdar Zlatev
Executive Director

Svetozar Popov
Executive Director

Ralitsa Bogoeva
Executive Director

Yanko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated 27/04/2023:

Athanasios Petropoulos
procurator

Mazars OOD

Iva Slavkova
Registered auditor
responsible for the audit

Georgi Trenchev, manager
Registered auditor
responsible for the audit

ECOVIS AUDIT BULGARIA OOD

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 111P Tsarigradsko shose Blvd.

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

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

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

- **Managing Board**
 - Mr Nikola Bakalov – Chief Executive Officer
 - Mr Svetozar Popov – Executive Director
 - Mr Chavdar Zlatev – Executive Director
 - Ms Ralitsa Bogoeva – Executive Director
 - Mr Ianko Karakolev – Managing Board member
 - Ms Nadya Koshinska – Managing Board member
- **Supervisory Board**
 - Mr Evgeni Lukanov – Supervisory Board chairperson
 - 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 2022 the total number of employees was 2,454 (31 December 2021: 2,466).

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

The consolidated financial statements of the Bank as at and for the year ended 31 December 2022 comprise the Bank and its subsidiaries (see note 36), together referred to as the "Group".

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

The Group has not changed its name during the year ending 31 December 2022.

Notes to the financial statements

1. Basis of preparation, continued

(b) Statement of compliance

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2 (p).

(c) Presentation of the financial statements

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

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

(d) New standards, amendments and interpretations effective as of 01 January 2022

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:

- FRS 3 Business Combinations – Update on references to the Conceptual Framework with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements.
- IAS 16 Property, Plant and Equipment – „Proceeds before Intended Use“ amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the Company recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets - The changes in Onerous Contracts — Cost of Fulfilling a Contract specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.
- IFRS 1 First-time Adoption of International Financial Reporting Standards - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- IFRS 9 Financial Instruments - The amendment clarifies which fees the Company includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. A Company includes only fees paid or received between the Company (the borrower) and the lender, including fees paid or received by either the Company or the lender on the other's behalf.
- IFRS 16 Leases - The amendment to IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

Notes to the financial statements

1. Basis of preparation, continued

(d) New standards, amendments and interpretations effective as of 01 January 2022, continued

- IAS 41 Agriculture - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13. The adoption of these amendments to the existing standards has not led to any changes in the Group's accounting policies.

(e) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

The following standards, amendments and interpretations, which have also been issued but are not yet effective, are not expected to have a material impact on the Bank's financial

- IFRS 17 "Insurance Contracts" effective from 1 January 2023, adopted by the EU
IFRS 17 replaces IFRS 4 "Insurance Contracts". It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using:
 - discounted probability-weighted cash flows
 - an explicit risk adjustment, and
 - a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts.

- Amendments to IAS 1 Presentation of Financial Statements, IFRS Practice Statement 2: Disclosure of Accounting Policies, effective as of 1 January 2023, adopted by the EU.

The Bank discloses the material information related to the accounting policy instead of the main accounting policies. The Bank discloses the material information related to the accounting policy instead of the main accounting policies. The Bank discloses the material information related to the accounting policy instead of the main accounting policies. The Bank discloses its material accounting policy information instead of its significant accounting policies, the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. The amendments clarify that accounting policy information is material if users of a Company's financial statements would need it to understand other material information in the financial statements and if the Company discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates effective from 1 January 2023, adopted by the EU

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.

The amendments will help companies to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements; and to distinguish changes in accounting estimates from changes in accounting policies.

- Amendments to IAS 12 Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction, effective as of 1 January 2023, adopted by the EU.

A Company applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred tax for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Notes to the financial statements

1. Basis of preparation, continued

(e) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company, continued

- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction effective from 1 January 2023 adopted by the EU

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time.

The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.

(f) 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 Group in preparing these financial statements.

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current, effective not earlier than 01 January 2024, not yet adopted by the EU.
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback effective not earlier than 1 January 2024 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 Group estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest rate includes all fees paid or received as well as discount and premiums which are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income is calculated by applying the effective interest rate on the gross value of the financial asset, except for impaired assets for which the effective interest rate is applied to the amortised cost of the financial asset.

Notes to the financial statements**2. Significant accounting policies, continued****(a) Income recognition, continued****(ii) Fees and Commissions**

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

(iii) Net trading income

Net gains (losses) on financial assets and liabilities held for trading includes those gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading as well as trading income in dealing with foreign currencies and exchange differences from daily revaluation of the net open foreign currency position of the Group.

(iv) Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

(b) Basis of consolidation**(i) Business Combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Negative goodwill arising on acquisition is re-assessed and any excess remaining after the reassessment is recognised in the income statement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Notes to the financial statements

2. Significant accounting policies, continued

(b) Basis of consolidation, continued

(i) *Business Combinations, continued*

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

(ii) *Non-controlling interest*

Non-controlling interest is measured at its proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss; they are recognised directly in equity.

(iii) *Subsidiaries*

Subsidiaries are those enterprises controlled by the Bank. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iv) *Loss of control*

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

(v) *Transactions eliminated on consolidation*

Intra-group income, expenses, balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the financial statements

2. Significant accounting policies, continued

(c) Foreign currency transactions

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Bulgarian leva, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Foreign currency differences arising on translation are difference between amortised cost in functional currency in the beginning of period, adjusted with effective interest and received payments during the period, and amortised cost in foreign currency at the spot exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined.

(iii) Foreign operations

The assets and liabilities of foreign operations are translated to Bulgarian leva at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Bulgarian leva at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income. The functional currency of the foreign operations in Cyprus is determined by the management to be the Euro. The functional currency of the foreign operations in Albania is determined by the management to be the Albanian Lek.

(d) Financial assets

(i) Recognition

The Group recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Group initially recognizes trade and other receivables on the date of transaction. Advances to customers are recognised when cash is advanced to the borrowers. At initial recognition, the Bank measures all financial assets at fair value plus, in the case of financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

The Group classifies financial assets in the following categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, or financial assets measured at fair value through profit or loss. Management determines the classification of investments at initial recognition according to the business model for management of the specific class of financial assets and the contractual features of the cash flows associated with that financial asset.

(ii) Financial assets at amortised cost

Debt instruments held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows and where the contractual cash flows give rise only to principal and interest payments are recognised at amortised cost. After the initial recognition assets are booked at amortised cost.

Notes to the financial statements**2. Significant accounting policies, continued****(d) Financial assets, continued****(ii) Financial assets at amortised cost**

Recognition at amortised cost requires application of the effective interest rate method. The amortised cost of a financial asset is the value at which the financial asset was initially recognised, minus the principal repayments plus or minus the amortisation accrued by using the effective interest rate method for each difference between the initial value and the value at the maturity date and minus impairment.

(iii) Financial assets at fair value through other comprehensive income

Debt instruments held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows or to sell the asset and where the contractual cash flows give rise only to principal and interest payments are recognised at fair value in other comprehensive income. After initial recognition, the asset is measured at fair value with changes in fair value in revaluation reserve of investments in securities (other comprehensive income). When the debt instrument is written off, the profit or loss accrued and recognised in other comprehensive income is transferred to profit or loss.

(iv) Financial assets at fair value through profit or loss

The position contains two categories: financial assets held for trading and financial assets not classified in the above two categories. A financial asset is classified in this category if it was acquired for the purpose of short-term sale or if its contractual characteristics do not meet the requirement for generating payments of only principal and interest. Derivatives are also categorised as held for trading unless they are designated as hedges.

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

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

The Group may make an irrevocable election to recognize changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss. When the equity instrument is written off, the profit or loss accrued and recognised in other comprehensive income is directly transferred to other reserves and retained earnings.

(vi) Reclassification

If the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset shall continue to be measured at fair value. The revaluation reserve for the instrument shall be formed from changes to fair value after the reclassification date.

Notes to the financial statements**2. Significant accounting policies, continued****(d) Financial assets, continued****(vi) *Reclassification, continued***

If the Group reclassifies a financial asset out of the amortized cost measurement category and into the fair value through profit or loss measurement category, its fair value shall be measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

If the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the amortized cost measurement category, its fair value at the reclassification date shall become its new gross carrying amount.

If the Group reclassifies a financial asset out of the amortized cost measurement category and into the fair value through other comprehensive income measurement category, its fair value shall be measured at the reclassification date. Any revaluation difference shall be recognized in other comprehensive income. The effective interest rate and the measurement of expected credit losses shall not be adjusted as a result of the reclassification.

If the Group reclassifies a financial asset from the 'measured at fair value through other comprehensive income' category to the 'measured at amortized cost' category, the entire value of the accumulated revaluation reserve at the date of reclassification is offset against the fair value of the financial asset. Thus, in practice, it turns out that at the date of reclassification the financial asset is measured as if it had always been measured at amortized cost. The effective interest rate and the measurement of expected credit losses shall not be adjusted as a result of the reclassification.

Such reclassification is only possible after a change in the business model by which financial assets are managed.

In case of a change of the business model from "hold to collect and sell" to "hold to collect", the Group reclassifies the financial assets concerned. To this end, it periodically reviews its business model historically and analyses the extent to which the purpose of holding financial assets meets the 'hold to collect' business model as opposed to the 'hold to collect and sell' business model. In this analysis, the following criteria may serve as indication for change in the business model: government securities with sufficiently long residual term that have not been traded since their acquisition; or privately placed securities without an active market where Fibank holds a significant part of the issue. In case of a significant predominance of the 'hold to collect' business model, the Group needs to consider whether to reclassify the financial assets from the 'Measured at fair value through other comprehensive income' category to the 'Measured at amortized cost' category, continuing to manage financial assets in such a way as to generate cash flows only from collecting contractual payments.

If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset shall continue to be measured at fair value. The cumulative revaluation reserve at the reclassification date shall be reclassified to profit or loss.

The Group shall not reclassify any financial liability.

Notes to the financial statements**2. Significant accounting policies, continued****(d) Financial assets, continued****(vii) Fair value measurement principles**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Group which holds portfolios of financial assets and financial liabilities is exposed to market risk and credit risk. If the Group manages these portfolios on the basis of its net exposure either to market risk or credit risk, the fair value is measured on the basis of a price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(viii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the Group transfers these rights in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred to the buyer. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Notes to the financial statements**2. Significant accounting policies, continued****(d) Financial assets, continued*****(viii) Derecognition, continued***

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

The Group enters into transactions whereby it transfers financial assets recognised in its statement of financial position, but retains either all or substantially all risks and rewards of the transferred asset. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised in the statement of financial position (an example of such transactions are repo deals).

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers in which, control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with central banks and short-term highly liquid accounts and advances to banks with original maturity of up to three months.

(f) Investments

Investments that the Group holds for the purpose of short-term profit taking or repurchases are classified as financial assets for trading. Investments in debt instruments held by the Group as part of a business model for the purpose of collecting contractual cash flows are classified as financial assets at amortised cost. Investments in debt instruments held by the Group as part of a business model for the purpose of collecting contractual cash flows and sale are classified as financial assets at fair value in other comprehensive income. All other investments, including those whose contractual terms do not meet the requirement for generation of only principal and interest payments are classified as recognised at fair value in profit or loss.

(g) Securities borrowing and lending business and repurchase transactions***(i) Securities borrowing and lending***

Investments lent under securities lending arrangements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy for assets held for trading or available-for-sale as appropriate. Cash collateral received in respect of securities lent is recognised as liabilities to either banks or customers. Investments borrowed under securities borrowing agreements are not recognised.

Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense.

Notes to the financial statements**2. Significant accounting policies, continued****(g) Securities borrowing and lending business and repurchase transactions****(ii) Repurchase agreements**

The Group enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised.

The amounts paid are recognised in loans to either banks or customers. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy for either assets held for trading or available-for-sale as appropriate. The proceeds from the sale are reported as liabilities to either banks or other customers.

The difference between the purchase (sale) and resell (repurchase) considerations is recognised on an accrual basis over the period of the transaction and is included in interest income (expenses).

(g) Deposits and current accounts

Borrowings are recognised initially at 'cost', being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognized in profit or loss over the period of the borrowings using the effective yield method.

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of a liability and the consideration paid is included in other operating income.

(h) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

(i) Impairment of financial assets

The Group recognizes 12-month expected credit loss as loss allowance when there is no significant increase in the credit risk since initial recognition. When there is a significant increase in credit risk since initial recognition, expected credit losses for the remaining life of the financial assets are recognized as loss allowance.

Whether credit risk is significantly increased or not is determined based on the following factors and events for the debtor or the exposure:

- Internal behavioural scoring of natural persons, companies and institutions whose exposures are above the threshold for significance;
- Decrease in credit rating (internal or external) by a given number of notches for companies and institutions whose exposures are above the threshold for significance.
- Delinquencies;
- Other factors.

(k) Property and equipment

Land and buildings are presented in the statement of financial position at their revalued amount which is the fair value of the asset as at the date of revaluation less any subsequent amortisation and depreciation and accumulated impairment losses. All others classes of items of property, plant and equipment are stated in the statement of financial position at their acquisition cost less accumulated depreciation and allowance for impairment.

Notes to the financial statements
2. Significant accounting policies, continued
(k) Property and equipment, continued

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 | 10 - 20 |
| • Leasehold Improvements | 2 - 50 |

Assets are not depreciated until they are brought into use and transferred from assets in the course of construction into the relevant asset category.

(l) Intangible assets

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and any impairment losses.

Amortisation is calculated on a straight-line basis over the expected useful life of the asset. The annual rates of amortisation are as follows:

| Assets | % |
|---------------------------|----------|
| • Licenses and trademarks | 10 - 14 |
| • Software and licences | 10 - 50 |

(m) Investment Property

Investment property is property (land or a building or part of a building or both) held to earn rentals or for capital appreciation or both. The 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 Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and 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.

Notes to the financial statements

2. Significant accounting policies, continued

(o) Acceptances

An acceptance is created when the Group agrees to pay, at a stipulated future date, a draft drawn on it for a specified amount. The Group's acceptances primarily arise from documentary credits stipulating payment for the goods to be made a certain number of days after receipt of required documents. The Group negotiates most acceptances to be settled at a later date following the reimbursement from the customers. Acceptances are accounted for as liabilities evidenced by paper.

(p) Off-balance sheet commitments

In the ordinary course of its business, the Group enters into off-statement of financial position commitments such as guarantees and letters of credit. The Group recognizes provision for off-statement of financial position commitments when it has a present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and when a reliable estimate can be made of the obligation.

(q) Taxation

Tax on the profit for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted by the statement of financial position date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to profit or loss, except to the extent that it relates to items previously recognised either in other comprehensive income or directly in equity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information on the valuations and the valuation uncertainty, for which there is a significant risk of change as of 31 December 2022 are stated below and are related to the impairment of financial instruments, income tax and the following notes related to other elements of the financial statements:

- Note 5, 19 - determining of the fair value of the financial instruments, land and buildings through valuation techniques, in which the input data for the financial assets and liabilities are not based on the available market information. The Management uses valuation techniques for the fair value of financial instruments (when there is no quoted price in an active market) and non-financial assets. In applying the valuation techniques, the Management uses to a maximum degree market data and assumptions which market participants would take into account in pricing an instrument.

Notes to the financial statements

2. Significant accounting policies, continued

(r) Critical accounting estimates and judgements in applying accounting policies, continued

When there is no available market data, the Management uses its best judgement of the assumptions that market participants would make. These judgements may differ from the actual prices that may be determined in a fair market transaction between informed and willing parties at the end of the reporting period.

- Notes 11, 16, 18 – measuring the expected credit loss – credit losses constitute the difference between all contractual cash flows payable to the Bank and all cash flows which the Bank expects to receive. Expected credit loss is the probability-weighted estimate of credit losses which require the Group's judgement. Expected credit loss is discounted with the initial effective interest rate (or with the loan-adjusted effective interest rate for purchased or initially created financial assets with credit impairment).
- Notes 16, 18 – debt instruments at amortised cost – the analysis and intentions of the Management are confirmed by the business model of holding debt instruments that meet the requirements for receiving only principal and interest payments and holding assets until collecting the contractual cash flows from the bonds which are classified as debt instruments at amortised cost.
- Note 24 – Lease contract term – in determining the lease contract term the Management takes into consideration all facts and circumstances that create economic incentives for exercising the option to extend the lease, or not to exercise the option to terminate the lease. Extension options (or the periods after termination options) are included in the lease contract term only if it is reasonably certain that the lease contract has been extended (or has not been terminated).
- Note 30 – in accordance with IAS 37 — Provisions, Contingent Liabilities and Contingent Assets and the internal rules for setting aside provisions for pending court cases the Group has recognised provisions for pending court cases. The Group is a defendant in pending cases and the outcome of those cases may lead to liabilities in an amount different from the amount of provisions recognized in the financial statement.

(i) *Assessment of repossessed assets from collaterals*

Assets accepted as collateral are recognized at the lower of the cost of acquisition and the net realizable value. When evaluating the net realizable value of the assets the 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).

(ii) *Income taxes*

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Notes to the financial statements

2. Significant accounting policies, continued

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for the Bank's ordinary shares. Basic EPS is calculated by dividing the profit or loss for the period attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(t) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Government of Bulgaria is responsible for providing pensions in Bulgaria under a defined contribution pension plan. The Bank's contributions to the defined contribution pension plan are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The Bank has an obligation to pay certain amounts to each employee who retires with the Bank in accordance with Art. 222, § 3 of the 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 Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Bank has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Notes to the financial statements

2. Significant accounting policies, continued

(t) Employee benefits, continued

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. The Group recognises as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange for the employee's service for the period completed.

(u) Insurance Contracts

Classification of insurance contracts

Contracts in which the Group undertakes significant insurance risk of a third party (insured party) through compensation to the insured party or another beneficiary in case of a specific uncertain future event (insured event) which has a negative impact on the insured party or the beneficiary, are classified as insurance contracts.

Insurance risk is every risk, which is not financial risk. Financial risk is any risk related to probable future change in one or several of the following: interest, price of the security, market prices, currency prices, credit rating, credit index or other variable- if there are the non-financial variables, the variable is not specific for the counterparties. Insurance contracts may also transfer part of the financial risk.

Written premiums

Written premiums are recognized as income on the basis of the due premium from the insured individuals for the underwriting year, which begins during the financial year, or the due single premium instalment for the total period of insurance coverage of the insurance contracts signed within the financial year. Gross written premiums are not recognized when future cash flows related to them are not guaranteed. Written premiums are presented gross of the due agents' commissions.

Reversed premiums

Reversed insurance premiums are insurance premiums for which there has been a violation of the General terms of the insurance contract or a change in the terms of the contract. Reversed premiums within the current year, related to policies written within the current year, decrease the Gross Written Premiums of the Group. Reversed premiums within the current year, related to policies written within the previous year, increase the Gross Written Premiums of the Group.

Unearned-premium reserve

The unearned premium reserve is formed to cover the claims and administrative expenses, which are expected to arise on the respective type of insurance contract after the end of the reporting period. The basis for calculation of the unearned premium reserve corresponds to the base for recognition of the Group's written premiums.

The amount of the reserve is calculated under the precise day method, under which the premium is multiplied with a coefficient for deferral. The coefficient for deferral is calculated as a ratio between the number of the days within the following reporting period during which the contract is valid to the total number of days during which the contract is valid.

Unexpired risk reserve

Unexpired risk reserve is formed to cover risks for the period between the end of reporting period and the date on which the insurance contract expires in order to cover the payments and expenses related to these risks which are expected to exceed the UPR formed.

Notes to the financial statements

2. Significant accounting policies, continued

(u) Insurance contracts, continued

Claims incurred

Claims incurred include claims paid and claims-handling expenses due within the financial year including the change in outstanding claims reserve.

Outstanding claims reserve

Outstanding claims reserve is calculated on the basis all claims from events incurred within the current and previous reporting periods, which have not been paid as of year-end. OCR also includes the total amount of incurred but not reported claims (IBNR), calculated as a percentage from the earned premiums for the financial year and the incurred claims.

Acquisition costs

Acquisition costs include accrued commission expense from agents and brokers.

(v) Leases

(i) *The Company as lessee*

For new contracts concluded on or after 1 January 2019 the Group assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an asset (the identified asset) for a period of time in exchange for consideration. In order to apply this definition, the Group assesses three key elements:

- Whether the contract refers to an identified asset which is either explicitly specified in a contract, or implicitly specified at the time that the asset is made available for use;
- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, within the scope of its right of use defined in the contract;
- The Group has the right to direct the use of the identified asset throughout the period of use.

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

Assessment and recognition of leases by the Group as lessee

On the commencement date of the lease contract the Group recognises the right-of-use asset and the lease liability in the statement of financial position. The right-of-use asset is assessed at cost which comprises the amount of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset at the end of the lease contract, and any lease payments made at or before the commencement date (less any lease incentives received).

Notes to the financial statements

2. Significant accounting policies, continued

(v) Leases, continued

(i) The Company as lessee, continued

The Group depreciates the right-of-use asset using the linear method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also reviews the right-of-use assets for impairment, where such indicators exist.

On the commencement date of the lease contract the Group measures the lease liability at the present value of the remaining lease payments at that date, discounted using the borrowing rate stipulated in the lease contract, if that rate can be readily determined, or the company's incremental borrowing rate.

As of 01.01.2019 the Group applies IFRS 16 Leases. To this end, an analysis was made of the requirements of this Standard, and the following key elements were identified:

IFRS 16 Leases introduces new rules for reporting lease agreements. First of all, the standard requires that an analysis be made of whether and which agreements with or without the legal form of lease constitute a lease or contain lease components in accordance with the definition of lease contained in IFRS 16, paragraph 9. According to Paragraph 9, a contract is, or contains, a lease if:

there is an identified asset, and

-the contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration.

In the general case, the lessee is required recognise a right-of-use asset and a lease liability at the commencement date.

Also, instead of applying the requirements for recognition of a right-of-use asset in return for consideration under a lease contract, the lessee may choose to report lease contracts as an expense under the linear method for the duration of the lease in the following types of contracts:

- ending within 12 months of the date of initial application of IFRS 16
- lease of low-value assets

In the process of assessing the effects of application of this Standard, the Group did the following:

- -Full review of all agreements was made in order to establish whether it may be necessary to consider additional agreements as lease agreements according to the new IFRS 16 definition;
- - A decision was made for partial retrospective application (which means that the comparative information will not be changed). Under the modified approach it is possible not to assess whether existing agreements contain leases and other relief. Under the modified approach it is possible not to assess whether existing agreements contain leases and other relief.

The Management analysed the effect of application of the Standard for contracts expected to last up to five years because a big part of the rental agreements to which the Group is a party as a tenant, the Group can terminate after a three- or six-months' notice without owing an indemnity. Even in the other contracts this possibility is available in accordance with the law.

Notes to the financial statements

2. Significant accounting policies, continued

(v) Leases, continued

(i) The Company as lessee, continued

This reflects on the expected actual duration of the lease because the contract term depends on the probability that the Group would exercise that option. With relation to this the Group considers that a duration of five years is indicative of the maximum duration of the lease term, irrespective of whether contracts of longer duration exist or not.

In order to determine the incremental borrowing rate, the Group uses an interest rate consisting of the risk-free interest rate and a surcharge reflecting the credit risk related to the Group and additionally adjusted for the specific conditions of the lease contract, including term, country, currency, and collateral.

Lease payments included in measuring the lease liability comprise fixed payments (including in-substance fixed payments), variable lease payments that depend on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, and the exercise price of a purchase option if the Group is reasonably certain to exercise that option.

After the commencement date, the lease liability shall be decreased with the amount of payments made and shall be increased with the amount of the interest. The lease liability is remeasured to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

When the lease liability is remeasured, the amount of the remeasurement is recognised in the right-of-use asset or in profit or loss, if the carrying amount of the right-of-use asset is already reduced to zero.

The Group has chosen to report short-term leases and leases of low-value assets by using practical expedients envisaged in the standard. Instead of recognising right-of-use assets and lease liabilities, the Bank recognizes the payments related to them as an expense in profit or loss using the linear method during the lease term.

In the statement of financial position, right-of-use assets are presented on a separate row "Right-of-use assets", and the liabilities under lease contracts are also presented on a separate row - "Lease liabilities".

Extension options or termination options are included in a number of the Group's property rentals. They are used to increase the operative flexibility in the management of assets used in its operations.

(ii) *The company as lessor*

The portion of IFRS 16 which concerns the Group as lessor no significant changes were found in comparison to the previous IAS 17. The Group classifies a lease contract as a finance lease if it has transferred substantially all risks and rewards related to ownership of the asset subject to the lease. All other lease contracts are classified as operating.

In case of a finance lease, the Group recognises as asset a receivable under the contract in an amount equal to the net investment in the lease. During the lease term the Group recognizes interest income on the amount receivable at an interest rate reflecting the return rate of the net investment in the lease.

Notes to the financial statements

2. Significant accounting policies, continued

(v) Leases, continued

(ii) The company as lessor

In case of operating lease, the Group recognises lease payments as revenue on a linear basis.

As lessor, the Group classifies each of its lease contracts as either an operating lease or a finance lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

3. Risk management disclosures

A. Trading activities

The Group maintains active trading positions in a limited number of non-derivative financial instruments. Most of the Group's trading activities are customer driven. In anticipation of customer demand, the Group carries an inventory of money market instruments and maintains access to market liquidity by trading with other market makers. These activities constitute the proprietary trading business and enable the Group to provide customers with money market products at competitive prices.

The Group manages its trading activities by type of risk involved and on the basis of the categories of trading instruments held.

(i) Credit risk

Credit risk is the total risk of losses from positions in financial instruments as a result of the inability of one or more parties to the exposure to meet their obligations. Main components of credit risk:

1) *Default risk*

The risk that issuers to financial instruments might default on their obligations.

2) *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.

3) *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.

Notes to the financial statements
3. Risk management disclosures, continued
A. Trading activities, continued
(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:

| | 31 December | 2022 | | | 31 December |
|----------------------------|-------------|---------|-----|------|-------------|
| <i>in thousands of BGN</i> | 2022 | average | low | high | 2021 |
| VaR | 1.4 | 0.6 | 0.0 | 16.0 | 0.0 |

B. Non-trading activities

Below is a discussion of the various risks the Group is exposed to as a result of its non-trading activities and the approach taken to manage those risks.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturity and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame to meet the liability obligations.

Funds are raised using a broad range of instruments including deposits, other liabilities evidenced by paper, subordinated debt instruments and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds.

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

The Group makes its best efforts to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturity. The Group continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Bank strategy. The body managing liquidity is the Assets, Liability and Liquidity Management Council.

In compliance with the requirements of the Law on Credit Institutions, Ordinance No 7 of BNB for the organization and management of risks in banks and Directive 2014/59 / EU of the European Parliament and of the Council for establishing a framework for the recovery and resolution of credit institutions and investment firms, First Investment Bank AD prepared a recovery plan if financial difficulties occur. It includes qualitative and quantitative early warning signals and indicators of recovery such as capital and liquidity indicators, income indicators, market-oriented indicators upon the occurrence of which recovery measures are triggered.

Liquidity indicators include Liquidity Coverage Ratio (LCR); net withdrawal of financing; liquid assets to deposits by non-financial customers ratio; Net Stable Funding Ratio (NSFR). Different stress test scenarios related to idiosyncratic shock, system shock and aggregate shock have been prepared.

In case of liquidity pressure, there are systems in place to ensure prompt and adequate reaction which include obtaining additional funds from local and international markets through issuance of appropriate financial instruments depending on the specific case as well as sale of non-liquid assets. The levels of decision making are clearly determined. In order to reduce the liquidity risk, preventive measures have been taken aimed to extend the maturity of borrowings from customers, to encourage long-term relationships with clients and to increase customer satisfaction. In order to adequately manage liquidity risk, the Bank monitors cash flows on a daily basis.

As part of the liquidity risk management, the Group keeps available liquid assets. They consist of cash, cash equivalents and government securities, which could be sold immediately in order to provide liquidity:

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

| Liquid assets | 2022 | 2021 |
|---|------------------|------------------|
| <i>BGN '000</i> | | |
| Balances with BNB | 1,476,984 | 1,455,038 |
| Current accounts and amounts with other banks | 735,424 | 505,826 |
| Unencumbered government securities | 2,106,006 | 974,719 |
| Gold | 2,683 | 2,818 |
| Total liquid assets | 4,321,097 | 2,938,401 |

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 2022 the thirty largest non-bank unguaranteed depositors represent 12.06% of total deposits from other customers (31 December 2021: 7.40%).

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

| | 31 December 2022 | 31 December 2021 |
|---|-------------------------|-------------------------|
| Ratio of liquid assets to total borrowings from other clients | 37.72% | 29.46% |

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

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(iii) Credit risk, continued
Maturity table as at 31 December 2022

| in thousands of BGN | Up to 1 Month | From 1 to 3 Months | From 3 months to 1 year | From 1 to 2 years | More than 2 years | Maturity not defined Indefinite Maturity | Total |
|---|--------------------|-----------------------|-------------------------------|----------------------|----------------------|--|-------------------|
| Assets | | | | | | | |
| Cash and balances with Central Banks | 2,042,858 | - | - | - | - | - | 2,042,858 |
| Financial assets at fair value through profit or loss | 245,802 | - | - | - | - | 25,336 | 271,138 |
| Financial assets at fair value through other comprehensive income | 530,160 | - | - | - | - | - | 530,160 |
| Financial assets at amortised cost | 2,761 | 381,694 | 949,617 | 31,518 | 652,305 | - | 2,017,895 |
| Loans and advances to banks and other financial institutions | 202,609 | 554 | 287 | 333 | 18,117 | - | 221,900 |
| Loans and advances to customers | 680,187 | 254,814 | 831,503 | 836,771 | 4,219,728 | - | 6,823,003 |
| Other trading assets | 575 | 1,034 | - | - | - | - | 1,609 |
| Total financial assets | 3,704,952 | 638,096 | 1,781,407 | 868,622 | 4,890,150 | 25,336 | 11,908,563 |
| Liabilities | | | | | | | |
| Due to banks | 13,152 | - | - | - | - | - | 13,152 |
| Due to other customers | 7,592,601 | 980,258 | 2,227,067 | 400,380 | 254,600 | - | 11,454,906 |
| Liabilities evidenced by paper | 7,765 | 15 | 3,456 | 20,801 | 91,809 | - | 123,846 |
| Financial liabilities at fair value through profit and loss | - | 3,682 | 893 | 2,860 | 1,053 | - | 8,488 |
| Subordinated term debt | - | - | - | - | 19,410 | - | 19,410 |
| Hybrid debt | - | - | - | - | - | 256,861 | 256,861 |
| Total financial liabilities | 7,613,518 | 983,955 | 2,231,416 | 424,041 | 366,872 | 256,861 | 11,876,663 |
| Net liquidity gap | (3,908,566) | (345,859) | (450,009) | 444,581 | 4,523,278 | (231,525) | 31,900 |

The table shows investments at fair value through other comprehensive income with a maturity of up to 1 month in order to reflect the management's ability to sell them within a short-term period, if needed.

The Group does not recognize as liquidity risk the current undrawn amounts of loans extended because the management considers that, based on the agreed conditions, the Bank can at any time terminate the extension of funds to its borrowers in case it is expected that their credit risk will increase.

Loans and advances to customers reflect also financial lease receivables.

The investments in securities reported in portfolios of financial assets at fair value in profit or loss, financial assets at fair value in other comprehensive income and financial assets at amortised cost are mostly investments in government securities from first-class issuers which are highly liquid and with the most favourable capital treatment.

The bank manages its investments in debt securities in line with the current market expectations and dynamics. As at 31.12.2022 the portfolio duration is 2.2 years, while a year earlier it was 3.6 years.

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(iii) Credit risk, continued
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 | From 1 to 2 years | More than 2 years | Maturity not defined Indefinite Maturity | Total |
|---|--------------------|-----------------------|-------------------------------|-------------------------|-------------------------|--|-------------------|
| Assets | | | | | | | |
| Cash and balances with Central Banks | 1,970,814 | - | - | - | - | - | 1,970,814 |
| Financial assets at fair value through profit or loss | 244,379 | - | - | - | - | 24,359 | 268,738 |
| Financial assets at fair value through other comprehensive income | 1,088,905 | - | - | - | - | - | 1,088,905 |
| Financial assets at amortised cost | 52,166 | 97,655 | 1,765 | - | 164,553 | - | 316,139 |
| Loans and advances to banks and other financial institutions | 77,836 | 5,909 | 963 | 2,748 | - | - | 87,456 |
| Loans and advances to | 775,717 | 162,175 | 1,102,093 | 692,669 | 3,921,290 | - | 6,653,944 |
| Other trading assets | 1,042 | - | - | - | - | - | 1,042 |
| Total financial assets | 4,210,859 | 265,739 | 1,104,821 | 695,417 | 4,085,843 | 24,359 | 10,387,038 |
| Liabilities | | | | | | | |
| Due to banks | 8,722 | - | - | - | - | - | 8,722 |
| Due to other customers | 5,891,988 | 1,145,143 | 2,320,041 | 377,365 | 239,094 | - | 9,973,631 |
| Liabilities evidenced by paper | 5,780 | 42,839 | 3,992 | 2,622 | 64,769 | - | 120,002 |
| Financial liabilities at fair value through profit and loss | - | - | - | 2,164 | - | - | 2,164 |
| Subordinated term debt | - | - | - | - | 9,622 | - | 9,622 |
| Hybrid debt | - | - | - | - | - | 320,733 | 320,733 |
| Other financial liabilities, net | (81) | 2,853 | (606) | - | - | - | 2,166 |
| Total financial liabilities | 5,906,409 | 1,190,835 | 2,323,427 | 382,151 | 313,485 | 320,733 | 10,437,040 |
| Net liquidity gap | (1,695,550) | (925,096) | (1,218,606) | 313,266 | 3,772,358 | (296,374) | (50,002) |

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

The following table provides a remaining maturities analysis of the financial assets and liabilities of the Group as at 31 December 2022 based on the contractual undiscounted cash flows.

| in thousands of BGN | Up to 1 Month | From 1 to 3 Months | From 3 months to 1 year | From 1 to 2 years | More than 2 years | Total |
|---|------------------|-----------------------|-------------------------------|----------------------|-------------------------|-------------------|
| Financial assets | | | | | | |
| Cash and balances with Central Banks | 2,042,858 | - | - | - | - | 2,042,858 |
| Financial assets at fair value through profit or loss | 271,138 | - | - | - | - | 271,138 |
| Financial assets at fair value through other comprehensive income | 530,160 | - | - | - | - | 530,160 |
| Financial assets at amortised cost | 2,762 | 381,741 | 950,283 | 32,929 | 704,328 | 2,072,043 |
| Loans and advances to banks and other financial institutions | 202,609 | 554 | 287 | 333 | 18,117 | 221,900 |
| Loans and advances to customers | 673,514 | 250,404 | 819,731 | 881,564 | 5,084,595 | 7,709,808 |
| Total financial assets | 3,723,041 | 632,699 | 1,770,301 | 914,826 | 5,807,040 | 12,847,907 |
| Financial liabilities | | | | | | |
| Due to banks | 13,152 | - | - | - | - | 13,152 |
| Due to other customers | 7,592,672 | 980,347 | 2,227,818 | 400,710 | 255,089 | 11,456,636 |
| Liabilities evidenced by paper | 7,765 | 15 | 3,488 | 21,104 | 97,483 | 129,855 |
| Financial liabilities at fair value through profit and loss | - | 3,682 | 893 | 2,860 | 1,053 | 8,488 |
| Subordinated term debt | - | - | 768 | 770 | 22,132 | 23,670 |
| Hybrid debt | - | - | 141,211 | 69,653 | 92,315 | 303,179 |
| Total financial liabilities | 7,613,589 | 984,044 | 2,374,178 | 495,097 | 468,072 | 11,934,980 |
| Derivatives held for risk management | | | | | | |
| Outgoing cash flow | 170 | - | - | - | - | 170 |
| Incoming cash flow | 758 | 1,021 | - | - | - | 1,779 |
| Cash flow from derivatives, net | 588 | 1,021 | - | - | - | 1,609 |

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

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

| in thousands of BGN | Up to 1 Month | From 1 to 3 Months | From 3 months to 1 year | From 1 to 2 years | More than 2 years | Total |
|---|------------------|-----------------------|-------------------------------|----------------------|-------------------------|-------------------|
| Financial assets | | | | | | |
| Cash and balances with Central Banks | 1,970,814 | - | - | - | - | 1,970,814 |
| Financial assets at fair value through profit or loss | 268,738 | - | - | - | - | 268,738 |
| Financial assets at fair value through other comprehensive income | 1,088,905 | - | - | - | - | 1,088,905 |
| Financial assets at amortised cost | 49,884 | 97,804 | 1,826 | - | 168,840 | 318,354 |
| Loans and advances to banks and other financial institutions | 77,836 | 5,909 | 963 | 2,748 | - | 87,456 |
| Loans and advances to customers | 755,949 | 159,703 | 1,109,144 | 734,859 | 4,663,955 | 7,423,610 |
| Total financial assets | 4,212,126 | 263,416 | 1,111,933 | 737,607 | 4,832,795 | 11,157,877 |
| Financial liabilities | | | | | | |
| Due to banks | 8,722 | - | - | - | - | 8,722 |
| Due to other customers | 5,892,071 | 1,145,286 | 2,373,044 | 374,373 | 191,031 | 9,975,805 |
| Liabilities evidenced by paper | 5,782 | 42,910 | 4,008 | 3,273 | 66,801 | 122,774 |
| Financial liabilities at fair value through profit and loss | - | - | - | - | 2,164 | 2,164 |
| Subordinated term debt | - | - | 376 | 376 | 10,765 | 11,517 |
| Hybrid debt | - | - | 227,406 | 8,939 | 129,197 | 365,542 |
| Total financial liabilities | 5,906,575 | 1,188,196 | 2,604,834 | 386,961 | 399,958 | 10,486,524 |
| 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) |

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.

(iv) Market risk
Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts.

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(iv) Market risk, continued
Interest rate risk in the banking book (IRRBB)

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 Group following a standardised shock of +100bp/-100bp as at 31 December 2022 is BGN +1,200/+20,255 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 2022 is BGN -1,426/+ 187 thousands.

| | Net interest income | | Equity | |
|------------------------|---------------------|-----------------|-----------------|-----------------|
| | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| Effect in BGN '000 | | | | |
| 31 December 2022 | | | | |
| as at 31 December | (1,426) | 187 | 1,200 | 20,255 |
| Average for the period | (2,363) | 855 | 6,635 | 25,768 |
| Maximum for the period | (1,298) | 3,025 | 16,488 | 29,374 |
| Minimum for the period | (4,259) | (161) | 1,200 | 20,255 |
| 31 December 2021 | | | | |
| as at 31 December | (1,573) | 572 | 12,276 | 35,424 |

Credit Spread Risk in the Banking Book (CSRBB)

The risk arising from changes in market perception regarding the price of credit risk, the liquidity premium and other potential components of credit risk instruments that cause fluctuations in the price of credit risk, the liquidity premium and other potential components, which is not explained by IRRBB or by the expected credit / (jump to-) default risk. Only those instruments in the bank's book which are reported at 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.

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(iv) Market risk, continued
Credit Spread Risk in the Banking Book (CSRBB)

The effect on the Group's economic value as at 31 December 2022 amounted to BGN (10,871) thousand, and the effect on the net interest income amounted to BGN 657thousand.

| Effect in BGN '000 | Net interest income | Equity |
|------------------------|------------------------|----------|
| 2022 | | |
| as at 31 December | 657 | (10,871) |
| Average for the period | 655 | (18,006) |
| Maximum for the period | 827 | (10,871) |
| Minimum for the period | 460 | (38,123) |
| 2021 | | |
| as at 31 December | 336 | (40,727) |

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

The following table indicates the effective interest rates at 31 December 2022 and the periods in which financial liabilities and assets repriced.

| <i>in thousands of BGN</i> | Total | Floating rate Instruments | Less than 1 month | Fixed rate instruments | | |
|---|-------------------|--------------------------------------|------------------------------|---|--|---------------------------------|
| | | | | Between 1 month and 3 months | Between 3 months and 1 year | More than 1 year |
| Assets | | | | | | |
| Cash and balances with Central Banks | 604,353 | 538,909 | 65,444 | - | - | - |
| Financial assets at fair value through profit or loss | 240,032 | - | 240,032 | - | - | - |
| Financial assets at fair value through other comprehensive income | 530,160 | - | 530,160 | - | - | - |
| Financial assets at amortised cost | 2,017,894 | - | 2,760 | 381,694 | 949,617 | 683,823 |
| Loans and advances to banks and other financial institutions | 76,212 | 16,136 | 15,678 | 11,026 | 33,372 | - |
| Loans and advances to customers | 6,094,276 | 5,654,588 | 6,194 | 19,174 | 93,065 | 321,255 |
| Total interest-bearing assets | 9,562,927 | 6,209,633 | 860,268 | 411,894 | 1,076,054 | 1,005,078 |
| Liabilities | | | | | | |
| Due to banks | 13,152 | 1,763 | 11,389 | - | - | - |
| Due to other customers | 11,331,609 | 4,244,928 | 3,224,376 | 980,258 | 2,227,067 | 654,980 |
| Liabilities evidenced by paper | 123,846 | 55,904 | 7,764 | - | 2,833 | 57,345 |
| Subordinated term debt | 19,410 | - | - | - | - | 19,410 |
| Hybrid debt | 256,861 | - | - | - | - | 256,861 |
| Total interest-bearing liabilities | 11,744,878 | 4,302,595 | 3,243,529 | 980,258 | 2,229,900 | 988,596 |

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(iv) 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> | Total | Floating rate Instruments | Less than 1 month | Fixed rate instruments | | |
|---|-------------------|------------------------------|----------------------|---------------------------------------|-----------------------------------|------------------------|
| | | | | Between 1 month and 3 months | Between 3 months and 1 year | More than 1 year |
| Assets | | | | | | |
| Cash and balances with Central Banks | 821,327 | 762,358 | 53,101 | - | 5,868 | - |
| Financial assets at fair value through profit or loss | 239,883 | - | 239,883 | - | - | - |
| Financial assets at fair value through other comprehensive income | 1,088,904 | 26,014 | 1,062,890 | - | - | - |
| 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 | 5,893,880 | 5,422,610 | 24,264 | 20,076 | 103,640 | 323,290 |
| Total interest-bearing assets | 8,384,860 | 6,224,071 | 1,443,942 | 117,731 | 111,273 | 487,843 |
| Liabilities | | | | | | |
| Due to banks | 8,722 | 1,847 | 6,875 | - | - | - |
| Due to other customers | 9,950,042 | 4,248,206 | 1,621,634 | 1,145,143 | 2,320,041 | 615,018 |
| Liabilities evidenced by paper | 117,363 | 95,035 | 5,776 | 8,582 | - | 7,970 |
| Subordinated term debt | 9,622 | - | - | - | 38 | 9,584 |
| Hybrid debt | 320,733 | - | - | - | - | 320,733 |
| Total interest-bearing liabilities | 10,406,482 | 4,345,088 | 1,634,285 | 1,153,725 | 2,320,079 | 953,305 |

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(iv) 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 Group is exposed to currency risk in performing transactions in foreign currencies and foreign-currency denominated financial instruments.

As a result of the currency Board in place in Bulgaria, the Bulgarian currency is pegged to the Euro. As the currency in which the Bank presents its financial statements is the Bulgarian lev, the Group's financial statements are affected by movements in the exchange rates between the Bulgarian lev and currencies other than the Euro.

The Group's transactional exposures give rise to foreign currency gains and losses that are recognised in profit or loss. These exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the presentation currency of the Group. These exposures were as follows:

| <i>in thousands of BGN</i> | 2022 | 2021 |
|-----------------------------|-------------|-------------|
| Monetary assets | | |
| Euro | 5,471,781 | 4,497,484 |
| US dollar | 652,592 | 543,386 |
| Other | 591,858 | 519,260 |
| Gold | 2,683 | 2,818 |
| Monetary liabilities | | |
| Euro | 4,228,126 | 3,771,479 |
| US dollar | 656,308 | 544,057 |
| Other | 507,726 | 449,517 |
| Gold | 1,548 | 2,246 |
| Net position | | |
| Euro | 1,243,655 | 726,005 |
| US dollar | (3,716) | (671) |
| Other | 84,132 | 69,743 |
| Gold | 1,135 | 572 |

In respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Group manages foreign currency risk in line with policy that sets limits on currency positions and dealer limits.

(v) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group is subject to credit risk through its lending activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. The management of the credit risk exposures to borrowers is conducted through regular analysis of the borrowers' credit worthiness and the assignment of a rating grade. Exposure to credit risk is also managed in part by obtaining collateral and guarantees.

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(v) 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 | |
|-----------------------------|---------------------------------------|-----------|---|-----------|-------------------------------|-----------|-------------------------------|---------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Carrying amount | 6,823,003 | 6,653,944 | 2,000,428 | 1,796,271 | 2,788,087 | 1,644,876 | - | - |
| Amount committed/guaranteed | - | - | - | - | - | - | 1,050,999 | 846,337 |

The Group's primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. These exposures are as follows:

31 December 2022
in thousands of BGN

| Class of exposure | Gross amount of loans and advances to customers | Allowance for impairment and advances to customers | |
|-----------------------|---|--|------------------|
| | | Carrying amount of loans and advances to customers | |
| Performing | | | |
| Collectively impaired | 5,976,050 | (63,419) | 5,912,631 |
| Nonperforming | | | |
| Collectively impaired | 241,535 | (72,840) | 168,695 |
| Individually impaired | 1,005,906 | (264,229) | 741,677 |
| Total | 7,223,491 | (400,488) | 6,823,003 |

31 December 2021
in thousands of BGN

| Class of exposure | Gross amount of loans and advances to customers | Allowance for impairment and advances to customers | |
|-----------------------|---|--|------------------|
| | | Carrying amount of loans and advances to customers | |
| Performing | | | |
| Collectively impaired | 5,789,680 | (81,572) | 5,708,108 |
| Nonperforming | | | |
| Collectively impaired | 235,768 | (75,703) | 160,065 |
| Individually impaired | 1,108,263 | (322,492) | 785,771 |
| Total | 7,133,711 | (479,767) | 6,653,944 |

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

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

| | 31/12/2022 | | 31/12/2021 | |
|--|---|--------------------------|---|--------------------------|
| | 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) | 4,697,105 | (10,872) | 4,840,376 | (15,935) |
| Exposures with significant increase of credit risk after the initial recognition (phase 2) | 1,278,945 | (52,547) | 949,304 | (65,637) |
| Non-performing (impaired) exposures (phase 3) | 1,247,441 | (337,069) | 1,344,031 | (398,195) |
| Total | 7,223,491 | (400,488) | 7,133,711 | (479,767) |

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

As at 31 December 2022 the gross amount of overdue loans and advances to customers measured as exposures 90+ days overdue is BGN 833,547 thousand (31 December 2021: BGN 961,205 thousand).

In addition, the Group is exposed to off-balance sheet credit risk through commitments to extend credits and issue contingent liabilities (See Note 32).

Concentrations of credit risk (whether on or off-balance sheet) that arise from financial instruments exist for counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The major concentrations of credit risk arise by location and type of customer in relation to the Bank's investments, loans and advances and off-balance sheet commitments.

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(v) 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> | 2022 | 2021 |
|----------------------------|------------------|------------------|
| Trade | 764,533 | 784,314 |
| Industry | 1,303,846 | 1,325,019 |
| Services | 639,773 | 668,753 |
| Finance | 191,987 | 179,548 |
| Transport, logistics | 232,472 | 257,355 |
| Communications | 109,877 | 151,715 |
| Construction | 438,986 | 421,176 |
| Agriculture | 233,654 | 243,141 |
| Tourist services | 327,575 | 307,981 |
| Infrastructure | 366,712 | 444,456 |
| Private individuals | 2,598,574 | 2,338,338 |
| Other | 15,502 | 11,915 |
| Allowance for impairment | (400,488) | (479,767) |
| Total | 6,823,003 | 6,653,944 |

The amounts reflected in the tables represent the maximum accounting loss that would be recognised at the statement of financial position date if counterparts failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed expected losses, which are included in the allowance for impairment.

The Group has extended loans to enterprises involved in different types of activities but within the same economic sector - industry. As such the exposures share a similar industry risk. There are three such groups of enterprises at 31 December 2022 with total exposures outstanding amounting to BGN 223,479 thousand (2021: BGN 207,934 thousand) - ferrous and non-ferrous metallurgy, BGN 85,333 thousand (2021: BGN 86,060 thousand) – mining industry and BGN 60,752 thousand (2021: BGN 72,319 thousand) - power engineering.

The Group has extended loans, confirmed letters of credit and granted guarantees to 7 individual clients or groups (2021:6) with each individual exposure exceeding 10% of the capital base of the Group, based on the amortised cost of the respective loan facilities and after application of the required regulatory exemptions and techniques for reducing credit risk. The total amount of these exposures was BGN 1,265,514 thousand, i.e. 80.66% of tier 1 capital (2021: BGN 1,091,472 thousand which represented 70.25% of tier 1 capital).

No loans extended by the branch in Cyprus in 2021 and 2022, in 2022 loans extended by the branch in Albania amount to BGN 448,828 thousand (2021: BGN 349,691 thousand) gross book value.

The Group's policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans. Guarantees and letters of credit are also subject to strict credit assessments before being provided. The agreements specify monetary limits to the Bank's obligations.

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

Collateral held against different types of assets:

| Type of credit exposure | Main type of collateral | Collateral coverage ratio | |
|-----------------------------|--|---------------------------|------|
| | | 2022 | 2021 |
| Repurchase agreements | Tradable securities | 99% | 99% |
| Loans and advances to banks | None | | |
| Mortgage loans | Real estate | 255% | 259% |
| Consumer lending | Mortgage, warrant, financial and other collateral | 17% | 20% |
| 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 | 628% | 523% |

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 144,823 thousand. (2021: 165,468 thousand BGN).

| BGN '000 | 2022 | 2021 |
|---------------------------------|------------------|------------------|
| Mortgage | 1,865,509 | 1,923,945 |
| Pledge of receivables | 1,915,020 | 1,986,908 |
| Pledge of commercial enterprise | 7,299 | 14,395 |
| Securities | 29,792 | 44,365 |
| Bank guarantees | 3,750 | 3,750 |
| Other guaranties | 2,894,455 | 2,627,277 |
| Pledge of goods | 12,550 | 7,990 |
| Pledge of machines | 59,142 | 54,916 |
| Money deposit | 50,061 | 96,296 |
| Other collateral | 293 | - |
| Unsecured | 240,797 | 208,401 |
| Total | 7,078,668 | 6,968,243 |

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

Other collateral includes insurance policies up to the amount of the insurance cover, future receivables, remuneration transfers, etc.

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>BGN '000</i> | 2022 | 2021 |
|----------------------------------|------------------|------------------|
| Loan to value (LTV) ratio | | |
| Less than 50% | 284,082 | 223,749 |
| 51% to 70% | 442,036 | 322,595 |
| 71% to 90% | 422,664 | 436,823 |
| 91% to 100% | 32,723 | 35,113 |
| More than 100% | 104,244 | 87,385 |
| Total | 1,285,749 | 1,105,665 |

Loans to corporate customers

Individually significant loans to corporate customers are subject to individual credit appraisal and impairment testing. The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan. However, collateral provides additional security and the Group requests corporate borrowers to provide it. The Group takes collateral in the form of a first charge over real estate, floating charges over all corporate assets, and other liens and guarantees.

The Group routinely analyses collateral for possible changes in value due to market conditions, legal framework or debtor's actions. Where such changes lead to a breach in the requirements for sufficiency of collateral, the Group requires provision of additional collateral within a certain timeframe.

As at 31 December 2022 the net carrying amount of individually impaired loans to corporate customers amounts to BGN 746,915 thousand (2021: BGN 840,810 thousand) and the value of collateral held against those loans amounts to BGN 737,571 thousand (2021: BGN 806,086 thousand).

The Group constantly monitors the risk of default on already given loans and if there is available data for potential or actual problems, the Group prepares an action plan and takes measures for managing the possible unwanted results, including restructuring of the loans

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

For the purposes of the disclosure in these financial statements “renegotiated loans” are defined as loans, which have been renegotiated as a result of a change in the interest rates, repayment schedule, upon a client request, and others.

Renegotiated Loans
BGN '000

| Type of renegotiation | 2022 | | 2021 | |
|-----------------------------------|---|--------------------------|---|--------------------------|
| | 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 | 166,220 | 5,207 | 233,554 | 8,552 |
| Change of maturity | 114,425 | 4,026 | 119,847 | 6,133 |
| Change of amount of instalment | 69 | 1 | - | - |
| Change of interest rate | 13,843 | 6 | 7,991 | 9 |
| Change due to customers request | 25,224 | 46 | 47,386 | 171 |
| Other reasons | 12,659 | 1,128 | 58,330 | 2,239 |
| Loans to corporate clients | 1,734,710 | 123,767 | 1,859,968 | 75,970 |
| Change of maturity | 104,910 | 264 | 229,270 | 2,013 |
| Change of amount of instalment | 319,997 | 691 | 46,736 | 614 |
| Change of interest rate | 124,792 | 378 | 24,192 | 26 |
| Change due to customers request | 927,801 | 31,895 | 885,746 | 37,708 |
| Other reasons | 257,210 | 90,539 | 674,024 | 35,609 |
| Total: | 1,900,930 | 128,974 | 2,093,522 | 84,522 |

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.

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

(vi) Government debt exposures

The Group closely manages the credit risk on government debt exposures and as a result the overall quality of the government debt portfolio is very high.

The table below shows the carrying amount of the government debt portfolio by country issuer.

BGN '000

31 December 2022

| Country issuer | at fair value through profit and loss | at fair value through other comprehensive income | at amortised cost | Total |
|----------------|---|--|----------------------|------------------|
| Bulgaria | 3,465 | 159,178 | 416,480 | 579,123 |
| Lithuania | - | 38,399 | - | 38,399 |
| Latvia | - | 60 | - | 60 |
| Slovakia | - | - | 1,981 | 1,981 |
| USA | - | 41,455 | 164,319 | 205,774 |
| Romania | 82 | 39,947 | 12,203 | 52,232 |
| Italy | - | - | 79,482 | 79,482 |
| Spain | - | 18,460 | 126,133 | 144,593 |
| Portugal | - | - | 20,275 | 20,275 |
| Hungary | - | - | 15,430 | 15,430 |
| Croatia | - | 6,978 | - | 6,978 |
| European Union | - | - | 233,382 | 233,382 |
| Albania | - | 50,814 | 155,692 | 206,506 |
| Ireland | - | - | 20,006 | 20,006 |
| Saudi Arabia | - | - | 10,044 | 10,044 |
| Belgium | - | 2,400 | 213,018 | 215,418 |
| France | - | 48,497 | 87,114 | 135,611 |
| Germany | - | - | 234,162 | 234,162 |
| Great Britain | - | 11,007 | 21,701 | 32,708 |
| Finland | - | - | 125,971 | 125,971 |
| Switzerland | - | - | 12,120 | 12,120 |
| EFSF* | - | 1,797 | - | 1,797 |
| Total | 3,547 | 418,992 | 1,949,513 | 2,372,052 |

*European Financial Stability Facility

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

BGN '000

31.12.2021 г.

| Country issuer | at fair value through profit and loss | at fair value through other comprehensive income | at amortised cost | Total |
|-----------------------|--|---|------------------------------|------------------|
| Bulgaria | 3,348 | 414,481 | 164,553 | 582,382 |
| Lithuania | - | 44,010 | - | 44,010 |
| Latvia | - | 64 | - | 64 |
| Slovakia | - | 2,158 | - | 2,158 |
| USA | - | 155,011 | - | 155,011 |
| Romania | - | 80,442 | - | 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 | - | 3,916 | 52,166 | 56,082 |
| European Union | - | 561 | - | 561 |
| Albania | - | 183,228 | - | 183,228 |
| Ireland | - | 19,101 | - | 19,101 |
| Saudi Arabia | - | 10,037 | - | 10,037 |
| EFSF* | - | 2,015 | - | 2,015 |
| Belgium | - | 2,506 | - | 2,506 |
| Total | 3,348 | 983,193 | 216,719 | 1,203,260 |

*European Financial Stability Facility

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

(vi) Government debt exposures, continued

Maturity table of government debt securities by country issuer as at 31 December 2022

BGN '000

| Country issuer | Up to 1 Month | From 1 to 3 Months | From 3 months to 1 year | From 1 to 2 years | From 2 to 5 years | Over 5 years | Total |
|----------------|---------------|--------------------|-------------------------|-------------------|-------------------|----------------|------------------|
| Bulgaria | - | 15,060 | 20,818 | 26,944 | 273,609 | 242,692 | 579,123 |
| Lithuania | - | - | - | - | 38,399 | - | 38,399 |
| Latvia | - | - | - | 60 | - | - | 60 |
| Slovakia | - | - | - | - | 1,981 | - | 1,981 |
| USA | - | 164,258 | - | 41,455 | - | 61 | 205,774 |
| Romania | - | - | - | - | 39,947 | 12,285 | 52,232 |
| Italy | - | - | 77,520 | - | - | 1,962 | 79,482 |
| Spain | - | 39,064 | 87,069 | - | 18,460 | - | 144,593 |
| Portugal | - | - | - | - | - | 20,275 | 20,275 |
| Hungary | - | - | - | - | - | 15,430 | 15,430 |
| Croatia | - | - | - | - | 6,978 | - | 6,978 |
| European Union | - | - | 232,788 | - | - | 594 | 233,382 |
| Albania | 14,223 | 17,579 | 38,834 | 27,028 | 76,693 | 32,149 | 206,506 |
| Ireland | - | - | - | - | - | 20,006 | 20,006 |
| Saudi Arabia | - | - | - | - | 10,044 | - | 10,044 |
| Belgium | - | 39,047 | 176,371 | - | - | - | 215,418 |
| France | - | - | 135,611 | - | - | - | 135,611 |
| Germany | - | 127,000 | 107,162 | - | - | - | 234,162 |
| Great Britain | 11,007 | - | 21,701 | - | - | - | 32,708 |
| Finland | - | - | 125,971 | - | - | - | 125,971 |
| Switzerland | - | - | - | 12,120 | - | - | 12,120 |
| EFSF | - | - | - | - | 1,797 | - | 1,797 |
| Total | 25,230 | 402,008 | 1,023,845 | 107,607 | 467,908 | 345,454 | 2,372,052 |

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

(vi) Government debt exposures, continued

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

BGN '000

| Country issuer | Up to 1 Month | From 1 to 3 Months | From 3 months to 1 year | From 1 to 2 years | From 2 to 5 years | Over 5 years | Total |
|----------------|---------------|--------------------|-------------------------|-------------------|-------------------|----------------|------------------|
| Bulgaria | - | 55,549 | 20,841 | 36,243 | 224,852 | 244,897 | 582,382 |
| 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 |
| Albania | 4,095 | 32,271 | 25,542 | 32,224 | 48,646 | 40,450 | 183,228 |
| Ireland | - | - | - | - | - | 19,101 | 19,101 |
| Saudi Arabia | - | - | - | - | - | 10,037 | 10,037 |
| EFSF | - | - | - | - | 2,015 | - | 2,015 |
| Belgium | - | - | - | 2,506 | - | - | 2,506 |
| Total | 90,798 | 174,156 | 73,845 | 70,973 | 427,708 | 365,780 | 1,203,260 |

3. Risk management disclosures

C. Capital adequacy

Since 1 January 2014, the provisions of the CRD IV package have been in force. Through Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, CRD IV package transposes into European law the provisions of the new capital standards for banks – Basel III.

Regulatory capital

The equity capital of the Group for regulatory purposes consists of the following elements:

Common Equity Tier 1 capital

- issued and paid up capital instruments (ordinary shares);
- share premium from issuance of ordinary shares;
- audited retained earnings;
- accumulated other comprehensive income, including revaluation reserves;
- other reserves;

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

Deductions from components of the Common Equity Tier 1 capital include intangible assets, as well as value adjustments due to the requirements for prudential assessments and other deductions. The increase of CET1 includes the adjustments related to the transitional treatment of the effect from the initial application of IFRS 9.

Additional Tier 1 capital

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

Tier 2 Capital

Tier 2 capital amortised in accordance with the requirements of Regulation 575 includes subordinated term debt in the amount of EUR 9,900 thousand (equivalent to BGN 19.363 thousand), issued in 2019 (EUR 2,000 thousand) and in 2020 (EUR 2,900 thousand) and 2022 (EUR 5,000 thousand) in the form of subordinated bonds of the subsidiary First Investment Bank - Albania Sh.a. (See Note 29).

In thousands of BGN

Total own funds

| | 2022 | 2021 |
|---|------------------|------------------|
| Common Equity Tier 1 capital | | |
| Paid up capital instruments | 149,085 | 149,085 |
| (-) Indirect shareholding in Common Equity Tier 1 capital instruments | (38) | (30) |
| Premium reserves | 250,017 | 250,017 |
| Other reserves | 902,127 | 787,532 |
| Accumulated other comprehensive income | (7,180) | 16,207 |
| Adjustments of Common Equity Tier 1 capital | | |
| (-) Intangible assets | (16,165) | (15,129) |
| Transitional adjustments of Common Equity Tier 1 capital | 62,123 | 132,906 |
| (-) Other deductions | (25,215) | (21,111) |
| Common Equity Tier 1 capital | 1,314,754 | 1,299,477 |
| Additional Tier 1 capital instruments | | |
| Hybrid debt | 254,258 | 254,258 |
| Tier 1 Capital | 1,569,012 | 1,553,735 |
| Tier 2 Capital instruments | | |
| Subordinated term debt | 17,436 | 9,048 |
| Tier 2 Capital | 17,436 | 9,048 |
| Total own funds | 1,586,448 | 1,562,783 |

Notes to the financial statements

3. Risk management disclosures, continued

C. Capital adequacy, continued

The Group calculates the following ratios:

- a) the Common Equity Tier 1 capital ratio is the Common Equity Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount;
- b) the Tier 1 capital ratio is the Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount;
- c) the total capital ratio is the own funds of the institution expressed as a percentage of the total risk exposure amount.

The total risk exposure is calculated as the total of the risk weighted assets for credit, market and operational risk.

The Group calculates the requirements for credit risk for its exposures in banking and trading portfolios based on the standardised approach. Exposures are taken into account using their balance sheet amount. Off-balance-sheet credit-related commitments are taken into account by applying different categories of conversion factors designed to convert these items into balance sheet equivalents. The resulting equivalent amounts are then weighted for risk using different percentages depending on the class of exposure and its credit rating assessment. Various credit risk mitigation techniques are used, for example collateralised transactions and guarantees. Forwards and options based derivative instruments are weighted for counterparty credit risk.

The Group calculates also capital requirements for market risk for foreign currency and commodity instruments in trading book and banking book.

The Group calculates capital requirements for operational risk by application of the standardized approach. In this approach the Group distributes the net income from banking operations (called the relevant indicator) over the last three years for the respective business lines. Next, the distributed amount from the relevant indicator is multiplied by its corresponding percentage (beta factor) to obtain the annual capital requirement for each business line. The Group calculates the capital requirement for operational risk as the average value for the three-year period of the sum of the annual capital requirements for all business lines. The respective risk exposure is calculated by further multiplication of the capital requirement by 12.5.

The Group has complied with the regulatory capital requirements throughout the period.

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

Capital adequacy level is as follows:

| <i>BGN '000</i> | Balance sheet/notional amount | | Risk exposures | |
|--|-------------------------------|-------------------|-------------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| Risk weighted exposures for credit risk | | | | |
| Balance sheet assets | | | | |
| Exposure class | | | | |
| Central governments or central banks | 3,952,469 | 2,701,510 | 306,922 | 240,405 |
| Multilateral development banks | 18 | 83 | - | - |
| International organizations | 624 | 344 | - | - |
| Institutions | 428,566 | 415,065 | 181,573 | 172,596 |
| Corporates | 2,435,831 | 2,529,636 | 2,046,646 | 2,135,238 |
| Retail | 1,792,273 | 1,652,426 | 1,180,187 | 1,067,622 |
| Secured by mortgages on immovable property | 1,993,669 | 1,840,139 | 736,669 | 689,933 |
| Exposures in default | 907,687 | 942,997 | 980,451 | 1,006,304 |
| Collective investments undertakings | 4,090 | 2,705 | 4,090 | 2,705 |
| Equity | 38,137 | 39,183 | 46,261 | 58,778 |
| Other items | 1,793,793 | 1,769,239 | 1,441,448 | 1,508,390 |
| Total | 13,347,157 | 11,893,327 | 6,924,247 | 6,881,971 |
| Off balance sheet items | | | | |
| Exposure class | | | | |
| Institutions | - | - | 57 | 41 |
| Corporates | 545,382 | 337,817 | 40,086 | 42,406 |
| Retail | 485,526 | 479,353 | 5,690 | 5,123 |
| Secured by mortgages on immovable property | 20,091 | 29,167 | 3,883 | 6,060 |
| Other items | - | - | 47 | 11 |
| Total | 1,050,999 | 846,337 | 49,763 | 53,641 |
| Derivatives | | | | |
| Exposure class | | | | |
| Central governments or central banks | - | - | - | - |
| Institutions | 2,618 | 44 | 1,309 | 22 |
| Corporates | 1,953 | 3,821 | 1,953 | 3,821 |
| Other items | 1,548 | 2,246 | 1,548 | 2,246 |
| Total | 6,119 | 6,111 | 4,810 | 6,089 |
| Total risk-weighted exposures for credit risk | | | 6,978,820 | 6,941,701 |
| Total amount of exposures to market risk | | | 4,350 | 4,713 |
| Amount of exposures for deferred risk | | | 568,750 | 552,425 |
| Total amount of risk exposures | | | 7,551,920 | 7,498,839 |
| Capital adequacy ratios | | Equity | Capital ratios % | |
| | | | 2022 | 2021 |
| Common Equity Tier 1 capital | 1,314,754 | 1,299,477 | 17.41% | 17.33% |
| Tier 1 Capital | 1,569,012 | 1,553,735 | 20.78% | 20.72% |
| Total own funds | 1,586,448 | 1,562,783 | 21.01% | 20.84% |

Notes to the financial statements

3. Risk management disclosures, continued

D. Other risks - war in Ukraine

On 24 February 2022 Russia began large-scale military action against Ukraine. In response to the Russian actions against Ukraine, the EU member states and the USA imposed wide-ranging sanctions against Russia and Belarus, including but not limited to, large Russian banks, some other companies, members of the Russian parliament and some representatives of the Russian elite and their families, and also banned primary/secondary trade in government bonds and other select securities. Secondary effects, such as the increasing prices and the sufficiency of energy supply in Europe, as well as the economic impact of various scenarios, are difficult to forecast and may have significant effects on the EU economy. The crisis has the potential to exacerbate further the already tense situation with energy prices in Europe, which may lead to slowing of the economy and to higher losses, including higher impairment.

The disruptions caused by the war have both direct and indirect impacts on the economy of EU countries, leading to slower growth and higher inflation. The rapid rise in energy and food prices is feeding the global inflation pressure and causing a swifter monetary policy response than earlier expected.

The risks to future development include the potential impacts on the business model of macroeconomic and global geopolitical insecurity related to the Russian actions against Ukraine. Customers' activities may also be affected by the higher prices of energy and the disruption of supply chains.

The Bank monitors the situation closely, and carries out additional stress tests under different scenarios. The Group's exposure to counterparties from Russia, Ukraine and Belarus is insignificant.

According to the Group's initial estimates, these events did not have direct significant impact on its operations. In addition, the Management does not expect that as a whole the crisis would have immediate significant impacts on the Group's operations.

4. Segment Reporting

Segment information is presented in respect of the Group's geographical segments. The primary format, geographical segments, is based on the Bank's management and internal reporting structure.

Reporting and measurement of segment assets and liabilities and segment revenues and results is based on the accounting policies set out in the accounting policy notes.

Transactions between segments are conducted on an arm's length basis.

The Group operates principally in Bulgaria, but also has operations in Cyprus and Albania.

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

Notes to the financial statements
4. Segment Reporting, continued

| <i>BGN '000</i> | Bulgarian operations | | Foreign operations | | Total | |
|--------------------------------------|-----------------------------|-------------------|---------------------------|-------------------|-------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Interest income | 310,630 | 309,069 | 31,907 | 25,241 | 342,537 | 334,310 |
| Interest expense | (37,501) | (41,934) | (8,827) | (9,911) | (46,328) | (51,845) |
| Net interest income | 273,129 | 267,135 | 23,080 | 15,330 | 296,209 | 282,465 |
| Fee and commission income | 157,678 | 133,898 | 22,472 | 15,311 | 180,150 | 149,209 |
| Fee and commission expense | (32,368) | (24,442) | (2,820) | (1,262) | (35,188) | (25,704) |
| Net fee and commission income | 125,310 | 109,456 | 19,652 | 14,049 | 144,962 | 123,505 |
| Net trading income | 17,414 | 13,406 | 3,059 | 2,336 | 20,473 | 15,742 |
| Administrative expenses | (202,516) | (178,584) | (15,336) | (13,499) | (217,852) | (192,083) |
| | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 | 31.12.2022 | 31.12.2021 |
| Assets | 12,469,881 | 10,787,623 | 1,029,101 | 1,109,598 | 13,498,982 | 11,897,221 |
| Liabilities | 10,593,267 | 9,400,108 | 1,506,093 | 1,177,271 | 12,099,360 | 10,577,379 |

The table below shows assets and liabilities and income and expense by business segments as at 31 December 2022.

in thousands of BGN

| Business | Assets | Liabilities | Net interest income | Net fee and commission income | Net trading income | Other net operating income |
|----------------------------|-------------------|--------------------|----------------------------|--------------------------------------|---------------------------|-----------------------------------|
| Big and medium enterprises | 3,217,604 | 2,247,300 | 102,050 | 42,668 | - | 677 |
| Small business | 911,137 | 753,273 | 49,957 | 25,517 | - | 2,795 |
| Retail Banking | 2,694,262 | 8,502,823 | 173,883 | 75,508 | - | 2,552 |
| Treasury | 5,085,559 | 60,384 | 9,768 | (2,388) | 20,473 | 635 |
| Other | 1,590,420 | 535,580 | (39,449) | 3,657 | - | 7,647 |
| Total | 13,498,982 | 12,099,360 | 296,209 | 144,962 | 20,473 | 14,306 |

Notes to the financial statements

4. Segment Reporting, continued

The Bank discloses the following information pursuant the requirements of Art. 70(6) of the Law on Credit Institutions.

BGN '000

| Business | Bulgaria | other EU member states | third countries | Total |
|---|-----------------|-------------------------------|------------------------|----------------|
| Turnover rate | 428,695 | 14,042 | 33,213 | 475,950 |
| Equivalent number of full-time employees | 2,549 | 16 | 425 | 2,990 |
| Profit before tax | 84,354 | 8,322 | 17,452 | 110,128 |
| Accrued taxes on the financial result of the activity | (8,700) | (1,039) | (2,400) | (12,139) |
| Return on assets (ROA) | 0.6% | 2.8% | 2.0% | 0.7% |
| Government subsidies received | 2,523 | | | 2,523 |

The information given in the column on third countries includes the subsidiary First Investment Bank - Albania Sh.a. which is covered in Note 36(C)

The information on other EU member states includes the Cyprus branch and the subsidiary First Investment Finance B.V. which is covered in Note 36(A)

5. Financial assets and liabilities

Accounting classification and fair values

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

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: inputs are observable date for a given asset or liability. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations.

Notes to the financial statements

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

For all other financial instruments the Group determines fair values using other valuation techniques.

Other valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

However, where the Group measures portfolios of financial assets and financial liabilities on the basis of net exposures, it applies judgement in determining appropriate portfolio level adjustments such as bid-ask spread.

Such adjustments are derived from observable bid-ask spreads for similar instruments and adjusted for factors specific to the portfolio.

For more complex instruments, the Group uses proprietary valuation models, which usually are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include certain over the counter derivatives, certain loans and securities for which there is no active market and retained interests in securitisations. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

The Group has an established control framework with respect to the measurement of fair values. This framework includes 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:

Notes to the financial statements

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

- verification of observable pricing;
- a review and approval process for new models and changes to models involving the Risk Analysis and Control Division and the Group's Management Board;
- calibration of models against observed market transactions;
- analysis and investigation of significant daily valuation movements;
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous month, by Risk Analysis and Control division.

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, Risk Analysis and Control division assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement;
- where a number of quotes for the same financial instrument have been obtained, how fair value has been determined using those quotes.

The tables below set out analysis of financial instruments measured at fair value at the end of the reporting period classified by fair value hierarchy level framework categorising fair value measurement. The amounts are based on the amounts in the statement of financial position.

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

| 31 December 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|----------------|
| Financial assets at fair value through profit or loss | 9,313 | 261,740 | 85 | 271,138 |
| Financial assets at fair value through other comprehensive income | 368,521 | 161,639 | - | 530,160 |
| Derivatives held for risk management | 718 | 891 | - | 1,609 |
| Total | 378,552 | 424,270 | 85 | 802,907 |
| Financial liabilities at fair value through profit and loss | - | 8,488 | - | 8,488 |

BGN '000

| 31.12.2021 г. | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|------------------|
| Financial assets at fair value through profit or loss | 7,840 | 260,884 | 14 | 268,738 |
| Financial assets at fair value through other comprehensive income | 860,091 | 228,813 | - | 1,088,904 |
| Derivatives held for risk management | 1,042 | - | - | 1,042 |
| Total | 868,973 | 489,697 | 14 | 1,358,684 |
| Financial liabilities at fair value through profit or loss | - | 2,164 | - | 2,164 |

The investments in securities reported in portfolios of financial assets at fair value in profit or loss, financial assets at fair value in other comprehensive income and financial assets at amortised cost are mostly investments in government securities from first-class issuers which are highly liquid and with the most favourable capital treatment.

The bank manages its investments in debt securities in line with the current market expectations and dynamics. As at 31.12.2022 the portfolio duration is 2.2 years, while a year earlier it was 3.6 years.

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

The tables below set out analysis of the fair values of financial instruments not recognised at fair value, classified by fair value hierarchy level framework categorising fair value measurement

in thousands of BGN

| 31 December 2022 | Level 1 | Level 2 | Level 3 | Total fair values | Total balance sheet value |
|--|------------------|------------------|------------------|--------------------------|----------------------------------|
| Assets | | | | | |
| Cash and balances with Central Banks | | 2,042,858 | | 2,042,858 | 2,042,858 |
| Financial assets at amortised cost | 1,890,323 | | | 1,890,323 | 2,017,895 |
| Loans and advances to banks and other financial institutions | | 221,900 | | 221,900 | 221,900 |
| Loans and advances to | | 910,372 | 5,989,938 | 6,900,310 | 6,823,003 |
| Total | 1,890,323 | 3,175,130 | 5,989,938 | 11,055,391 | 11,105,656 |
| Liabilities | | | | | |
| Due to banks | - | 13,152 | | 13,152 | 13,152 |
| Due to other customers | - | 7,592,602 | 3,832,938 | 11,425,540 | 11,454,906 |
| Liabilities evidenced by paper | - | 123,792 | | 123,792 | 123,846 |
| Subordinated term debt | - | 19,410 | | 19,410 | 19,410 |
| Hybrid debt | - | 256,861 | | 256,861 | 256,861 |
| Total | - | 8,005,817 | 3,832,938 | 11,838,755 | 11,868,175 |
| 31 December 2021 | | | | | |
| Assets | | | | | |
| Cash and balances with Central Banks | - | 1,970,814 | - | 1,970,814 | 1,970,814 |
| Financial assets at amortised cost | 318,404 | - | - | 318,404 | 316,139 |
| Loans and advances to banks and other financial institutions | - | 87,456 | | 87,456 | 87,456 |
| Loans and advances to | - | 945,836 | 5,826,681 | 6,772,517 | 6,653,944 |
| Total | 318,404 | 3,004,106 | 5,826,681 | 9,149,191 | 9,028,353 |
| Liabilities | | | | | |
| Due to banks | - | 8,722 | - | 8,722 | 8,722 |
| Due to other customers | - | 5,891,986 | 4,083,577 | 9,975,563 | 9,973,631 |
| Liabilities evidenced by paper | - | 119,980 | - | 119,980 | 120,002 |
| Subordinated term debt | - | 9,622 | - | 9,622 | 9,622 |
| Hybrid debt | - | 320,733 | - | 320,733 | 320,733 |
| Total | - | 6,351,043 | 4,083,577 | 10,434,620 | 10,432,710 |

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>BGN '000</i> | 2022 | 2021 |
|--|-----------------|-----------------|
| Interest income | | |
| Accounts with and placements to banks and financial institutions | 1,508 | 335 |
| Revenue from interest on liabilities | 5 | 9 |
| Large enterprise | 77,063 | 75,003 |
| Medium enterprise | 42,038 | 57,463 |
| Small business | 40,313 | 36,851 |
| Micro enterprise | 9,835 | 8,186 |
| Households | 138,396 | 131,375 |
| Debt instruments | 31,767 | 25,088 |
| Other interest income | 1,612 | - |
| | 342,537 | 334,310 |
| Interest expense | | |
| Deposits from banks | (179) | (47) |
| Deposits from other customers | (6,254) | (14,045) |
| Liabilities evidenced by paper | (556) | (668) |
| Subordinated term debt | (384) | (380) |
| Hybrid debt | (33,488) | (27,634) |
| Interest on assets cost | (5,071) | (8,712) |
| Lease agreements and other | (396) | (359) |
| | (46,328) | (51,845) |
| Net interest income | 296,209 | 282,465 |

For 2022 he recognized interest income from individually impaired financial assets (loans to customers) amounted to BGN 28,078 thousand. (2021: BGN 44,311 thousand).

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

| | 2022 | 2021 |
|--------------------------------------|-----------------|-----------------|
| Fee and commission income | | |
| Letters of credit and guarantees | 3,671 | 3,466 |
| Payment operations | 29,437 | 24,877 |
| Customer accounts | 52,901 | 39,772 |
| Card services | 48,436 | 37,917 |
| Other | 45,705 | 43,177 |
| | 180,150 | 149,209 |
| Fee and commission expense | | |
| Letters of credit and guarantees | (661) | (606) |
| Payment systems | (4,485) | (2,968) |
| Card services | (21,723) | (17,322) |
| Other | (8,319) | (4,808) |
| | (35,188) | (25,704) |
| Net fee and commission income | 144,962 | 123,505 |

8. Net trading income
in thousands of BGN

| | 2022 | 2021 |
|--------------------------------------|---------------|---------------|
| Net trading income arises from: | | |
| - Debt instruments | 155 | (64) |
| - Equities | (656) | 200 |
| - Foreign exchange rate fluctuations | 20,974 | 15,606 |
| Net trading income | 20,473 | 15,742 |

9. Other net operating income

| BGN '000 | 2022 | 2021 |
|--|---------------|---------------|
| Other net operating income arising from: | | |
| Net income from transactions and revaluation of gold and precious metals | 2,077 | 1,176 |
| Rental income | 5,579 | 5,702 |
| - Debt instruments | 929 | 2,941 |
| - Equities | (303) | 27 |
| - income from management of assigned receivables | 5,620 | 3,075 |
| - Gain on administration of loans acquired through business combination | 404 | 337 |
| Other net operating income | 14,306 | 13,258 |

Notes to the financial statements
10. Administrative expenses

| <i>BGN '000</i> | 2022 | 2021 |
|---|----------------|----------------|
| General and administrative expenses comprise: | | |
| - Personnel cost | 81,517 | 71,871 |
| Amortization of equipment and tangible fixed assets | 12,959 | 12,201 |
| Tangible assets | | |
| Rights of use assets | 41,205 | 35,089 |
| - Advertising | 9,006 | 8,944 |
| -Telecommunication, software and other computer | | |
| maintenance | 14,465 | 13,146 |
| - Other expenses for external services | 58,700 | 50,832 |
| Administrative expenses | 217,852 | 192,083 |

Personnel costs include salaries, social and health security contributions under the provisions of the local legislation. At 31 December 2022 the total number of employees was 2,990 (31 December 2021: 2,867).

The amounts accrued in 2022 for services provided by the registered auditors for independent financial audit amounted to BGN 1.119 thousand. The amounts accrued in 2021 for services provided by the registered auditors for independent financial audit amounted to BGN 623 thousand. In 2022 and in 2021 no amounts were accrued for other services unrelated to audit and provided by the registered auditors.

11. Allowance for impairment

| <i>BGN '000</i> | 2022 | 2021 |
|---|------------------|------------------|
| Write-downs | | |
| <i>Loans and advances to customers</i> | (218,518) | (160,033) |
| <i>Investments in non-consolidated subsidiaries</i> | - | - |
| <i>(v) Capital instruments at fair value through other comprehensive income</i> | (49) | (190) |
| <i>Off balance sheet commitments</i> | (636) | (775) |
| Reversal of write-downs | | |
| <i>Loans and advances to customers</i> | 78,097 | 35,069 |
| <i>(v) Capital instruments at fair value through other comprehensive income</i> | 59 | 3 |
| <i>Off balance sheet commitments</i> | 817 | 263 |
| Impairment, net | (140,230) | (125,663) |

The expense for impairment in 2022 and 2021 is due to additional allowances resulting from the development of credit risk in a period of challenging economic environment and the conservative approach applied by the Group in recognising the risk of loss for certain individually impaired exposures.

Notes to the financial statements
12. Other income/(expenses), net

| | 2022 | 2021 |
|--|----------------|--------------|
| Proceeds/loss from the sale and write-off of assets acquired as collateral | 2,698 | (6,034) |
| Revaluation of investment property | 14,769 | 30,340 |
| Expense/(income) from sale of investment property | (3,221) | 16 |
| Dividend income | 633 | 455 |
| Net earned insurance premiums | 8,486 | 7,236 |
| Cost of guarantee schemes | (26,251) | (23,710) |
| Claims incurred | (4,321) | (3,591) |
| Reversal of expense for provisions for pending court cases | 83 | 508 |
| Other (expenses)/income, net | (615) | 2,388 |
| Total | (7,739) | 7,608 |

13. Income tax expense

| | 2022 | 2021 |
|------------------------------|-----------------|-----------------|
| Current taxes | (10,821) | (8,043) |
| Deferred taxes (See Note 21) | (1,318) | (5,381) |
| Income tax expense | (12,139) | (13,424) |

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

| <i>in thousands of BGN</i> | 2022 | 2021 |
|--|----------------|----------------|
| Accounting profit before taxation | 110,128 | 124,832 |
| Corporate tax at applicable tax rate (10% for 2022 and 10% for 2021) | 11,013 | 12,483 |
| Effect from tax rates of foreign subsidiaries and branches | 861 | 657 |
| Tax effect of permanent tax differences | 265 | 172 |
| Other | - | 112 |
| Income tax expense | 12,139 | 13,424 |
| Effective tax rate | 11.02% | 10.75% |

14. Earnings per share

| | 2022 | 2021 |
|--|-------------|-------------|
| Net profit attributable to shareholders (in thousands of BGN) | 97,241 | 110,595 |
| Average weighted number of ordinary shares held (in thousands) | 149,085 | 149,085 |
| Earnings per share (BGN) | 0.65 | 0.74 |

The basic earnings per share, calculated in accordance with IAS 33, are based on the profit attributable to ordinary equity holders of the Group. In 2021 as in the previous year, no conversion or option rights were outstanding. The diluted earnings per share, therefore, correspond to the basic earnings per share.

Notes to the financial statements
15. Cash and balances with Central Banks

| <i>in thousands of BGN</i> | 2022 | 2021 |
|---|------------------|------------------|
| Cash on hand | | |
| - in BGN | 184,777 | 189,400 |
| - in foreign currency | 79,554 | 72,599 |
| Balances with Central Banks | 1,521,699 | 1,499,754 |
| Current accounts and amounts with local banks | 1,291 | 2,916 |
| Current accounts and amounts with foreign banks | 255,537 | 206,145 |
| Total | 2,042,858 | 1,970,814 |

16. Investments in securities

| <i>In thousands of BGN</i> | 2022 | 2021 |
|--|------------------|------------------|
| Bonds and notes issued by: | | |
| Bulgarian Government | | |
| - denominated in BGN | 447,675 | 369,107 |
| - denominated in foreign currencies | 131,448 | 213,275 |
| Foreign governments | 1,792,929 | 620,878 |
| Corporates | 405,558 | 317,559 |
| Banks | 10,477 | 124,057 |
| Other issuers – equity instruments | 31,106 | 28,905 |
| Total | 2,819,193 | 1,673,781 |
| Of which financial assets: | | |
| at fair value through other comprehensive income | 530,160 | 1,088,904 |
| at amortised cost | 2,017,895 | 316,139 |
| at fair value through profit and loss | 271,138 | 268,738 |
| Total | 2,819,193 | 1,673,781 |

A portion of the reported bonds of the Bulgarian and of foreign governments amounting to BGN 37,831 thousand (BGN 83,314 thousand in 2021) are subject to a Total Return Swap Agreement.

The investments in securities reported in portfolios of financial assets at fair value in profit or loss, financial assets at fair value in other comprehensive income and financial assets at amortised cost are mostly investments in government securities from first-class issuers which are highly liquid and with the most favourable capital treatment.

The bank manages its investments in debt securities in line with the current market expectations and dynamics. As at 31.12.2022 the portfolio duration is 2.2 years, while a year earlier it was 3.6 years.

At the end of 2022, as at the end of 2021, no securities were subject to repurchase agreements.

17. Loans and advances to banks and other financial institutions
(a) Analysis by type

| <i>BGN '000</i> | 2022 | 2021 |
|-----------------------|----------------|---------------|
| Placements with banks | 97,588 | 38,727 |
| Other | 124,312 | 48,729 |
| Total | 221,900 | 87,456 |

Notes to the financial statements
17. Loans and advances to banks and other financial institutions
(b) Geographical analysis

| <i>in thousands of BGN</i> | 2022 | 2021 |
|--|----------------|---------------|
| Domestic banks and financial institutions | 105,275 | 22,208 |
| Foreign banks and other financial institutions | 116,625 | 65,248 |
| Total | 221,900 | 87,456 |

18. Loans and advances to customers
in thousands of BGN

| | | 31/12/2022 | |
|---|--------------------|---------------------------------|-----------------------|
| | Gross value | Allowance for impairment | Amortised cost |
| Large enterprise | 2,278,006 | (120,003) | 2,158,003 |
| Medium enterprise | 1,250,729 | (191,128) | 1,059,601 |
| Small business | 923,928 | (12,791) | 911,137 |
| Micro enterprise | 232,822 | (3,882) | 228,940 |
| Retail Banking | | | |
| - Consumer loans | 1,104,419 | (45,025) | 1,059,394 |
| - Mortgage loans | 1,285,749 | (13,196) | 1,272,553 |
| - Credit cards | 144,823 | (14,463) | 130,360 |
| - Other programmes and collateralised financing | 3,015 | - | 3,015 |
| Total | 7,223,491 | (400,488) | 6,823,003 |

BGN '000

| | | 31.12.2021 г. | |
|---|--------------------|---------------------------------|-----------------------|
| | Gross value | Allowance for impairment | Amortised cost |
| Large enterprise | 2,467,734 | (200,029) | 2,267,705 |
| Medium enterprise | 1,258,780 | (182,389) | 1,076,391 |
| Small business | 922,650 | (15,438) | 907,212 |
| Micro enterprise | 201,149 | (3,379) | 197,770 |
| Retail Banking | | | |
| - Consumer loans | 1,009,248 | (48,011) | 961,237 |
| - Mortgage loans | 1,105,665 | (12,853) | 1,092,812 |
| - Credit cards | 165,468 | (17,668) | 147,800 |
| - Other programmes and collateralised financing | 3,017 | - | 3,017 |
| Total | 7,133,711 | (479,767) | 6,653,944 |

The distribution of the loan portfolio is reported according to the Bank's business segments

Movement in impairment allowances
BGN '000

| | |
|---------------------------------------|----------------|
| Balance as at 01 January 2022 | 479,767 |
| Additional allowances | 218,518 |
| Amounts released | (78,097) |
| Write-offs | (221,997) |
| Other | 2,297 |
| Balance as at 31 December 2022 | 400,488 |

Notes to the financial statements
19. 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 2021 | 22,208 | 145,971 | 6,971 | 17,626 | 66,571 | 259,347 |
| Additions | 4,035 | 460 | - | 9,558 | 117 | 14,170 |
| Exchange rate differences | - | 167 | 9 | 5 | 57 | 238 |
| Write-offs | - | (11,787) | (24) | - | (4,544) | (16,355) |
| Transfers | - | 6,822 | - | (8,619) | 130 | (1,667) |
| At 31 December 2021 | 26,243 | 141,633 | 6,956 | 18,570 | 62,331 | 255,733 |
| Additions | - | 361 | 266 | 35,637 | 3074 | 39,338 |
| Effect of consolidation of significant subsidiary AMC Imoti EOOD - 31.12.2022 | 3,082 | 766 | 87 | 133 | - | 4,068 |
| Effect of de consolidation of significant subsidiary Diners Club Bulgaria EOOD - 31.12.2022 | - | (220) | - | (1,181) | - | (1,401) |
| Exchange rate differences | - | 424 | 18 | 14 | 136 | 592 |
| Write-offs | - | (7,006) | (519) | - | (183) | (7,708) |
| Transfers | - | 9,563 | - | (14,459) | 970 | (3,926) |
| At 31 December 2022 | 29,325 | 145,521 | 6,808 | 38,714 | 66,328 | 286,696 |
| Amortisation | | | | | | |
| At 01 January 2021 | 6,085 | 126,079 | 6,654 | - | 43,503 | 182,321 |
| Exchange rate differences | - | 122 | 7 | - | 45 | 174 |
| Accrued during the year | 807 | 6,064 | 131 | - | 2,369 | 9,371 |
| For write offs | - | (11,767) | (24) | - | (4,540) | (16,331) |
| At 31 December 2021 | 6,892 | 120,498 | 6,768 | - | 41,377 | 175,535 |
| Effect of consolidation of significant subsidiary AMC Imoti EOOD - 31.12.2022 | - | 307 | 76 | - | - | 383 |
| Effect of de consolidation of significant subsidiary Diners Club Bulgaria EOOD - 31.12.2022 | - | (170) | - | - | - | (170) |
| Exchange rate differences | - | 320 | 12 | - | 106 | 438 |
| Accrued during the year | 969 | 6,095 | 79 | - | 2,676 | 9,819 |
| For write offs | - | (6,996) | (507) | - | (182) | (7,685) |
| At 31 December 2022 | 7,861 | 120,054 | 6,428 | - | 43,977 | 178,320 |
| Carrying amount | | | | | | |
| At 01 January 2021 | 16,123 | 19,892 | 317 | 17,626 | 23,068 | 77,026 |
| At 31 December 2021 | 19,351 | 21,135 | 188 | 18,570 | 20,954 | 80,198 |
| At 31 December 2022 | 21,464 | 25,467 | 380 | 38,714 | 22,351 | 108,376 |

Notes to the financial statements

19. Property and equipment, continued

The fair value of assets constituting land and buildings was determined by independent property assessors holding recognised professional qualification and recent experience in assessing property with similar location and category. The Group's policy requires that independent assessors determine the fair value sufficiently frequently so as to ensure that the balance sheet value does not differ significantly from the fair value at the end of the reporting period. As at 31 December 2022 the fair value of land and buildings was not significantly different from their balance sheet value as at that date. The fair value of land and buildings is categorised as Level 3 fair value on the basis of incoming data on the assessment methodology used.

Assessment methodology

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.

2. Market approach/Comparative approach. This method is based on the comparison of the property being evaluated to other similar properties which have been sold recently or which are available for sale. Using this method, the value of a given property is determined in direct comparison to other similar properties which have been sold in a period of time close to the time when the valuation is made. Based on detailed research, review and analysis of data from the property market, the value is formed and it is the most accurate indicator of market value.

This method consists of using information about actual transactions in the real estate market in the last six months. Successful application of this method is only possible where a trustworthy database is available as regards actual transactions with properties similar to the property being valued. Information from real estate sites, local press and other such refers to future investment intentions of the seller and cannot be deemed a trustworthy source of information. When using such sites, the offer price for each analogous property is discounted at the valuator's discretion, but by no less than 5%.

Significant unobservable inputs

1. Expected market growth of rent (4.5-6.8%, weighted average 5.6%).
2. Period for cancellation (3 months on average after each rental agreement).
3. Occupancy (90-95%, weighted average 92.5%).
4. Periods when no rent is paid (1 year for new rental agreement).
5. Risk adjusted discount rate (4-9%, weighted average 6.5%).

1. Expected market growth of property (8-10%, weighted average 9%).
2. Time required to effect the sale (4 months on average after the offer is placed).
3. Transaction success rate (90-96%, weighted average 95%).
4. Location (1.0-1.05, weighted average 1.025).
5. Property status (1.0-1.1, weighted average 1.05).

Connection between key unobservable inputs and fair value

The fair value will increase (decrease) where:

- the expected market growth of rent is higher (lower);
- periods for cancellation are shorter (longer);
- Occupancy is higher (lower);
- the periods when no rent is paid are shorter (longer); or
- the risk adjusted discount rate is lower (higher).

The fair value will increase (decrease) where:

- the expected market growth of property is higher (lower);
- the period of time required for the sale is shorter (longer);
- there is a change in the technical condition of the property

Notes to the financial statements
20. Intangible assets

| <i>BGN '000</i> | Software and licences | Goodwill | Total |
|---|--------------------------------------|-----------------|---------------|
| Cost | | | |
| At 01 January 2021 | 48,552 | 540 | 49,092 |
| Additions | 265 | - | 265 |
| Exchange rate differences | 57 | - | 57 |
| Transfers | 1,667 | - | 1,667 |
| At 31 December 2021 | 50,541 | 540 | 51,081 |
| Additions | 455 | | 455 |
| Effect of de consolidation of significant subsidiary Diners Club Bulgaria EOOD - 31.12.2022 | (374) | (107) | (481) |
| Exchange rate differences | 153 | - | 153 |
| Write-offs | (590) | - | (590) |
| Transfers | 3,926 | | 3,926 |
| At 31 December 2022 | 54,111 | 433 | 54,544 |
| Amortisation | | | |
| At 01 January 2021 | 32,649 | - | 32,649 |
| Exchange rate differences | 36 | - | 36 |
| Accrued during the year | 2,830 | - | 2,830 |
| For write offs | | | |
| At 31 December 2021 | 35,515 | - | 35,515 |
| Effect of de consolidation of significant subsidiary Diners Club Bulgaria EOOD - 31.12.2022 | (235) | - | (235) |
| Exchange rate differences | 80 | - | 80 |
| Accrued during the year | 3,140 | - | 3,140 |
| For write offs | (567) | - | (567) |
| At 31 December 2022 | 37,933 | - | 37,933 |
| Carrying amount | | | |
| At 01 January 2021 | 15,903 | 540 | 16,443 |
| At 31 December 2021 | 15,026 | 540 | 15,566 |
| At 31 December 2022 | 16,178 | 433 | 16,611 |

Notes to the financial statements
21. Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 10% for Bulgaria and of 15% for Albania.

The deferred tax as at 31 December 2022 refers to the following items of the statement of financial position:

| <i>In thousands of BGN</i> | Assets | Liabilities | Net assets | Net liabilities |
|-------------------------------------|----------------|--------------------|-------------------|------------------------|
| Property, equipment and intangibles | (34) | 2,852 | (34) | 2,852 |
| Investment Property | - | 24,815 | - | 24,815 |
| Tax loss | - | - | - | - |
| Other | (6,215) | 2,457 | (3,914) | 156 |
| Net tax (assets)/liabilities | (6,249) | 30,124 | (3,948) | 27,823 |

The deferred tax as at 31 December 2021 refers to the following items of the statement of financial position:

| <i>In thousands of BGN</i> | Assets | Liabilities | Net |
|-------------------------------------|----------------|--------------------|---------------|
| Property, equipment and intangibles | (46) | 2,800 | 2,754 |
| Investment Property | - | 23,675 | 23,675 |
| Tax loss | - | - | - |
| Other | (2,394) | 2,892 | 498 |
| Net tax (assets)/liabilities | (2,440) | 29,367 | 26,927 |

The movements of temporary differences in 2022 are recognised as follows:

| <i>BGN '000</i> | 31.12.2021 г. | Recognised during the period (in profit) or loss | Recognised during the period in equity | Other movements | Net assets | 31 December 2022 Net liabilities |
|-------------------------------------|----------------------|---|---|------------------------|-------------------|---|
| Property, equipment and intangibles | 2,754 | 66 | - | (2) | (34) | 2,852 |
| Investment Property | 23,675 | 1,140 | - | - | - | 24,815 |
| Tax loss | - | - | - | - | - | - |
| Other | 498 | 111 | (893) | (3,474) | (3,914) | 156 |
| Net tax (assets)/liabilities | 26,927 | 1,317 | (893) | (3,476) | (3,948) | 27,823 |

Notes to the financial statements
22. Repossessed assets

| <i>in thousands of BGN</i> | 2022 | 2021 |
|------------------------------|----------------|----------------|
| Land | 254,600 | 256,609 |
| Buildings | 157,719 | 189,831 |
| Machines, plant and vehicles | 10,425 | 12,596 |
| Fixtures and fittings | 841 | 817 |
| Total | 423,585 | 459,853 |

Repossessed assets acquired as collateral are measured at the lower of cost and net realisable value. The net realizable value of the lands and buildings is approximately equal to their fair value. The assessment methodology for land and buildings is given in note 19.

23. Investment Property

| <i>in thousands of BGN</i> | |
|---|----------------|
| Balance as at 01/01/2022 | 732,850 |
| Incomings for the period | 10,318 |
| Transferred from repossessed assets | - |
| Revaluation of investment property to the fair value recognised at transfer | 14,769 |
| Write-offs upon sale | (7,613) |
| Balance as at 31/12/2022 | 750,324 |

24. Rights of use assets

| <i>in thousands of BGN</i> | |
|--|----------------|
| At 01 January 2022 | 93,825 |
| Additions | 35,741 |
| Amortisation | (45,229) |
| Effect of modification to lease terms and expectations on lease term | 86,475 |
| Exchange rate differences | 826 |
| At 31 December 2022 | 171,638 |
| Lease liabilities | |
| At 01 January 2022 | 93,528 |
| Additions | 32,218 |
| Lease payments | (41,065) |
| Effect of modification to lease terms and expectations on lease term | 86,475 |
| Exchange rate differences | 61 |
| At 31 December 2022 | 171,217 |

Notes to the financial statements

24. Rights of use assets, continued

Lease liabilities, continued

Right-of-use assets recognised by the Group are the branches and offices in various towns in Bulgaria Cyprus and Albania , as well as the buildings in which the Bank's headquarters are located - lines Upon completing the initial recognition, the Group analysed and took into account information on the expected duration of the period in which the Group will be using the assets. In 2022 some of these expectations changed and as a result the Group reviewed its initial assessment and recognized a decrease in the right-of-use assets in the amount of BGN 86,475 thousand, and in lease liabilities in the amount of BGN 86,475 thousand.

In the assessment of right-of-use assets and lease liabilities, the Group took into consideration the current level of financing costs in case it plans to finance the purchase of the assets in question, and included this assumption both in the initial, and in the subsequent valuation of right-of-use assets and of lease liabilities.

The table below analyses lease liabilities according to the expected residual term of rental agreements:

| <i>BGN '000</i> | Maturity analysis of lease liabilities | | |
|---------------------|---|-------------------------|----------------|
| | To 1 year | More than 1 year | Total |
| At 01 January 2022 | 20,832 | 72,696 | 93,528 |
| At 31 December 2022 | 34,150 | 137,067 | 171,217 |

25. Other assets

| <i>in thousands of BGN</i> | 2022 | 2021 |
|--|----------------|----------------|
| Deferred expense | 11,768 | 15,668 |
| Gold | 2,683 | 2,818 |
| Investments in non-consolidated subsidiaries | 8,344 | 10,248 |
| Other assets | 93,142 | 100,814 |
| Total | 115,937 | 129,548 |

26. Due to banks

| <i>in thousands of BGN</i> | 2022 | 2021 |
|----------------------------|---------------|--------------|
| Term deposits | 11,389 | - |
| Payable on demand | 1,763 | 8,722 |
| Total | 13,152 | 8,722 |

Notes to the financial statements
27. Due to other customers

| <i>in thousands of BGN</i> | 2022 | 2021 |
|------------------------------------|-------------------|------------------|
| Retail customers | | |
| - current accounts | 3,057,581 | 2,478,823 |
| - term and savings deposits | 4,707,972 | 4,971,344 |
| Businesses and public institutions | | |
| - current accounts | 3,291,542 | 2,074,799 |
| - term deposits | 397,811 | 448,665 |
| Total | 11,454,906 | 9,973,631 |

28. Other borrowed funds

| <i>BGN '000</i> | 2022 | 2021 |
|---|----------------|----------------|
| Acceptances under letters of credit | - | 3,388 |
| Liabilities under repurchase agreements | 7,764 | 14,358 |
| Debt related to agreements for full swap of profitability | 39,469 | 73,391 |
| Financing from financial institutions | 36,611 | 26,227 |
| Liabilities related to a structured investment product | 6,884 | 2,638 |
| Obligations under loan agreements | 33,118 | - |
| Total | 123,846 | 120,002 |

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

| Lender | Interest rate | Maturity | Amortised cost as at 31 December 2022 |
|--|----------------------|-----------------|--|
| European Investment Fund – JEREMIE 2 | 0% - 2.79% | 30/09/2025 | 1,506 |
| Bulgarian Development Bank AD - program for promotion of SMEs and micro | 3.05% | 15/03/2027 | 11,251 |
| Bulgarian Development Bank AD - program for indirect financing of SMEs | 3.85% | 30/11/2028 | 3,680 |
| Fund Manager of financial instruments in Bulgaria - microcredit program with shared risk | 0% | 31/12/2033 | 10,636 |
| Fund Manager of financial instruments in Bulgaria - rural financing program | 0% | 31/12/2031 | 9,538 |
| Total | | | 36,611 |

Notes to the financial statements
28. Other borrowed funds, continued

| 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 Development Bank AD - program for promotion of SMEs and micro | 1% | 15/03/2027 | 11,241 |
| Bulgarian Development Bank AD - program for indirect financing of SMEs | 1.583% | 30/11/2028 | 4,284 |
| Fund Manager of financial instruments in Bulgaria - microcredit program with shared risk | 0% | 31/12/2033 | 7,971 |
| Total | | | 26,227 |

29. Hybrid and subordinated debt

| <i>BGN '000</i> | Principal amount | Amortised cost as at 31 December 2022 |
|---------------------------------------|-------------------------|--|
| Hybrid debt with principal EUR 60 mio | 117,350 | 123,839 |
| Hybrid debt with principal EUR 30 mio | 58,675 | 58,829 |
| Hybrid debt with principal EUR 30 mio | 58,675 | 54,590 |
| Hybrid debt with principal EUR 10 mio | 19,558 | 19,603 |
| Total | 254,258 | 256,861 |

| <i>BGN '000</i> | 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 |

Notes to the financial statements

29. Hybrid and subordinated debt, continued

In December 2021, the Bank attracted by issuing first and second tranche of the issue ISIN code XS2419929422 Hybrid Debt Issue total EUR 27,133

In April 2022, the Bank attracted by issuing third tranche of the issue ISIN code XS2419929422 Hybrid Debt Issue for EUR 2,867

In August 2022, the Bank attracted by issuing first tranche of the issue ISIN code XS2488805461 Hybrid Debt Issue for EUR 10,000

The bonds under 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.

On 22 December 2022, the Group (through its subsidiary bank in Albania) issued subordinated term debt. The maturity date of the subordinated term debt is 22 December 2029 denominated in Euro with total amount of EUR 5,000 thousand.

BGN '000

| | Amortised cost as at 31 December 2022 | Amortised cost as at 31 December 2021 |
|--|--|--|
| Subordinated term debt with principal of EUR 2 million | 3,943 | 3,943 |
| Subordinated term debt with principal of EUR 2.9 million | 5,679 | 5,679 |
| Subordinated term debt with principal of EUR 5 million | 9,788 | - |
| Total | 19,410 | 9,622 |

The three subordinated term debt fully comply with the requirements of Regulation 575/2013 and are included in the additional tier 2 capital.

30. Other liabilities

| <i>BGN '000</i> | 2022 | 2021 |
|---|---------------|---------------|
| Liabilities to personnel | 1,351 | 1,406 |
| Insurance contract provisions | 6,585 | 5,586 |
| Provisions for pending court cases | 440 | 523 |
| Impairment on off balance sheet commitments | 1,175 | 1,356 |
| Other payables | 13,461 | 10,422 |
| Total | 23,012 | 19,293 |

Notes to the financial statements

31. Capital and reserves

(a) Number and face value of registered shares as at 31 December 2022

The subscription for the public offering of shares of First Investment Bank AD was completed successfully on 3 July 2020. Out of the 40 000 000 ordinary dematerialized shares with nominal value of BGN 1, and issue value of BGN 5.00 each, a total of 39 084 800 shares were subscribed and paid up.

On 31 July 2020 First Investment Bank's capital increase was registered in the Commercial Register and Register of Non-for-profit Legal Entities. This registration was carried out after the subscription for shares was successfully completed on 03 July 2020 based on the prospectus confirmed by the Financial Supervision Commission.

Thus, the Bank's capital was increased to BGN 149 084 800 by issue of 39 084 800 new ordinary, registered, dematerialized shares, each with one voting right in the general meeting, with nominal value of BGN 1 and issue value of BGN 5. The amount of the capital after the increase was reflected in the By-Laws of First Investment Bank AD after approval granted by the Bulgarian National Bank.

With relation to this issue, the Bank's premium reserve increased by BGN 153,017 thousand, net of the issue costs, reaching a total amount of BGN 250,017 thousand (31 December 2019: BGN 97, 000 thousand).

(b) Shareholders

The table below shows those shareholders of the Bank holding shares as at 31 December 2022 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 2022, as in the previous year, the Bank did not distribute dividends.

32. Commitments and contingent liabilities

Contingent liabilities

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to two years.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for contingent liabilities represent the maximum accounting loss that would be recognised in the statement of financial position if counterparts failed completely to perform as contracted and any collateral or security proved to be of no value.

Notes to the financial statements
32. Commitments and contingent liabilities, continued
Contingent liabilities, continued

| <i>BGN '000</i> | 2022 | 2021 |
|---|------------------|----------------|
| Bank guarantees | 160,332 | 164,055 |
| Unused credit lines | 858,510 | 671,131 |
| Letters of credit | 33,332 | 12,507 |
| Total | 1,052,174 | 847,693 |
| Impairment on off balance sheet commitments | 1,175 | 1,356 |

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 Group to extend specific financial instruments. The negotiation of a specific loan transaction with the Group 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 Group.

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>BGN '000</i> | 2022 | 2021 |
|--|------------------|------------------|
| Cash and balances with Central Banks | 2,042,858 | 1,970,814 |
| Loans and advances to banks and financial institutions with original maturity less than 3 months | 183,922 | 46,831 |
| Total | 2,226,780 | 2,017,645 |

Notes to the financial statements

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 thousands of BGN</i> | 2022 | 2021 |
|--|-------------|-------------|
| FINANCIAL ASSETS | | |
| Cash and balances with Central Banks | 2,272,989 | 1,970,372 |
| Investments in securities | 1,930,148 | 1,555,408 |
| Loans and advances to banks and other financial institutions | 149,413 | 81,164 |
| Loans and advances to customers | 6,703,423 | 6,486,634 |
| FINANCIAL LIABILITIES | | |
| Due to banks | 7,559 | 11,591 |
| Due to other customers | 10,637,439 | 9,744,588 |
| Liabilities evidenced by paper | 110,362 | 115,414 |
| Subordinated term debt | 11,617 | 9,660 |
| Hybrid debt | 316,249 | 279,858 |

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:

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

| Type of related party | Parties that control or manage the Group | | Enterprises under common control | |
|--|--|---------------|----------------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| <i>BGN '000</i> | | | | |
| Loans | | | | |
| Loans outstanding at beginning of the period | 3,515 | 1,769 | 70,364 | 70,992 |
| Loans issued/(repaid) during the period | (571) | 1,746 | 7,952 | (628) |
| Loans outstanding at end of the period | <u>2,944</u> | <u>3,515</u> | <u>78,316</u> | <u>70,364</u> |
| Deposits and loans received: | | | | |
| At beginning of the period | 13,725 | 13,275 | 13,582 | 15,194 |
| Received/(paid) during the period | 470 | 450 | 1,836 | (1,612) |
| At the end of the period | <u>14,195</u> | <u>13,725</u> | <u>15,418</u> | <u>13,582</u> |
| Deposits placed | | | | |
| Deposits at beginning of the period | - | - | - | - |
| Deposits placed/(matured) during the year | - | - | 49,050 | - |
| Deposits at end of the period | <u>-</u> | <u>-</u> | <u>49,050</u> | <u>-</u> |
| Other receivables | | | | |
| At beginning of the period | - | - | 18,037 | 17,565 |
| Received/(paid) during the period | - | - | (17,696) | 472 |
| At the end of the period | <u>-</u> | <u>-</u> | <u>341</u> | <u>18,037</u> |
| Other receivables | | | | |
| At beginning of the period | - | - | 320 | - |
| Received/(paid) during the period | - | - | (270) | 320 |
| At the end of the period | <u>-</u> | <u>-</u> | <u>50</u> | <u>320</u> |
| Off-balance sheet commitments | | | | |
| At beginning of the period | 1,061 | 1,031 | 594 | 703 |
| Issued/(expired) during the period | (38) | 30 | 1,410 | (109) |
| At the end of the period | <u>1,023</u> | <u>1,061</u> | <u>2,004</u> | <u>594</u> |
| Calculation on leasing obligations | | | | |
| At beginning of the period | - | - | 1,513 | - |
| Issued/(expired) during the period | - | - | 1,171 | 1,513 |
| At the end of the period | <u>-</u> | <u>-</u> | <u>2,684</u> | <u>1,513</u> |

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

| Type of related party | Parties that control or manage the Group | | Enterprises under common control | | The key |
|----------------------------|--|------|----------------------------------|-------|---------|
| | 2022 | 2021 | 2022 | 2021 | |
| <i>BGN '000</i> | | | | | |
| Interest income | 35 | 24 | 2,870 | 2,085 | |
| Interest expense | 8 | 8 | - | 1 | |
| Fee and commission income | 27 | 16 | 672 | 861 | |
| Fee and commission expense | 6 | 4 | 300 | 293 | |

management personnel received remuneration of BGN 12,068 thousand for 2022 (2021: BGN 10,863 thousand).

36. Subsidiaries
(a) First Investment Finance B.V.

In April 2003 the Bank created a special purpose entity, incorporated in the Netherlands, First Investment Finance B.V. The company is owned by the Bank. The purpose for creating the entity is to accomplish a narrow and well-defined objective of receiving loans from foreign financial institutions and attracting investors by issuing bonds and other financial instruments guaranteed by the Bank. The entity's issued and paid up share capital is EUR 18 thousand divided into 180 issued and paid up shares, each with nominal value of EUR 100. The Group consolidates its investment in the enterprise.

(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 2022 the share capital of the company is BGN 910 thousand, and the Bank's shareholding is 96.51%. The Group does not consolidate its investment in the enterprise.

(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 2022 the share capital of First Investment Bank – Albania Sh.a. was EUR 11,975 thousand, fully paid up, and the Bank's shareholding is 100%. The Group consolidates its investment in the enterprise.

Notes to the financial statements

36. Subsidiaries, continued

(d) Debita OOD

Acting jointly the Bank and First Financial Brokerage House OOD (FFBH) set up two new companies Debita OOD and Realtor OOD, which were entered in the Commercial Registry in January 2010. The capital of the two companies is BGN 150,000 each, distributed in shares with value of BGN 100 each, as follows: Realtor OOD - 70%, i.e. 1.050 shares for the Bank and 30%, i.e. 450 shares for FFBH OOD.

The 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.

The company is not included in the consolidated financial statements of the Group for the year ended 31 December 2022, as it is considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiary is reconsidered at each reporting date.

(e) Realtor OOD

Acting jointly the Bank and First Financial Brokerage House OOD (FFBH) set up new company Realtor OOD, which were entered in the Commercial Registry in January 2010. The capital of the two companies is BGN 150,000 each, distributed in shares with value of BGN 100 each, as follows: Realtor OOD - in liquidation - 51%, i.e. 765 shares for the Bank and 49%, i.e. 735 shares for FFBH OOD

The company were established as servicing companies within the meaning of Article 18 of the Law on Special Investment Purpose Companies. The main lines of business for Realtor OOD include management, servicing and maintenance of real estate, construction and refurbishment works and consultancy in the field of real estate.

By the decision of the general meeting of associates held on 14.06.2021 the operations of Realtor OOD were terminated and winding-up proceedings were initiated, to be completed within six months. The notice to creditors was published in the Commercial Register and Register of Non-for-Profit Legal Entities on 08.09.2021, and this is the starting date of the period for winding-up.

Realtor OOD has been deregistered from the Commercial Register and Register of Non-Profit Legal Entities with the Registration Agency as from 20.07.2022.

(f) Fi Health Insurance AD

In the second half of 2010 the Bank acquired a majority stake capital of Health Insurance Fund FI Health AD (formerly Health Insurance Fund Prime Health AD), a company engaged in voluntary health insurance as well as acquisition, management and sale of investments in other companies. With a decision of the Financial Supervision Commission issued in June 2013 the company has been granted a license to operate as an insurer. The name was changed to FI Health Insurance AD and the principal activity is insurance – Disease and Accident. In June 2018 the company expanded its license with one more insurance class - "Various financial loss". As at 31 December 2022 the share capital of the company is BGN 5,000 thousand, and the Bank's shareholding is 59.10%. The Group consolidates its investment in the enterprise.

(g) Balkan Financial Services EAD

In February 2011 the Bank acquired 100 shares representing 100% of the capital of Balkan Financial Services EOOD. The company is engaged in consultancy services related to implementation of financial information systems and software development. In January 2012 the company was transformed into a sole-shareholder company. As at 31 December 2021 the share capital of the company is BGN 6,437 thousand, and the Bank's shareholding is 100%.

Notes to the financial statements

36. Subsidiaries, continued

(g) Balkan Financial Services EAD, continued

On 11.11.2021 the Management Board of First Investment Bank as the sole shareholder of Balkan Financial Services EOOD decided to terminate the company, announce its liquidation and open winding-up proceedings; this resolution was approved by the Supervisory Board on 22.12.2021.

Balkan Financial Services EAD has been deregistered from the Commercial Register and Register of Non-Profit Legal Entities with the Registration Agency as from 09.12.2022.

(h) Turnaround Management EOOD - deleted trader, Creative Investment EOOD and Lega Solutions EOOD

During the first half of 2013 the Bank established as the sole shareholder the companies Turnaround Management EOOD, Creative Investment EOOD and Lega Solutions EOOD. Each company has the minimum required capital of BGN 2 and their principal activities include manufacturing and trade in goods and services in Bulgaria and abroad (Turnaround Management EOOD, Creative Investment EOOD), acquisition, management and sale of assets, information processing, financial consultations (Lega Solutions EOOD), etc.

After completion of winding-up proceedings for Turnaround Management EOOD, based on a resolution of the Management Board of First Investment Bank as the sole shareholder dated 07.01.2021 and approved by the Bank's Supervisory Board on 20.01.2021, on 11.01.2022 the company was delisted in the Commercial Register and Register of Non-for-Profit Legal Entities.

(i) MC 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 2022 the capital of the company is BGN 500 thousand, and the Bank is the sole owner. The Group consolidates its investment in the enterprise.

(j) MyFin EAD

At its meeting held on 21 March 2019 the Group's Managing Board decided to establish the sole-shareholder company MyFin EAD to be operating as an issuer of electronic money within the meaning of Article 34, Para. 2(2) of the Payment Services and Payment Systems Act. The Group's Managing Board decision was approved by the Supervisory Board on 27 March 2019. On 19 April 2019 the Group paid up the company's capital, amounting to BGN 1,000 thousand, as per the decisions of the competent bodies. The company holds a license to operate as an electronic money institution, and also has the right to carry out the activities listed in the payment services license, as stated in the company's scope of operation by Resolution No. 71 of 27.02.2020 issued by the BNB Governor, under No. BNB-26660/02.03.2020. After the company obtained its license, it was listed in the Commercial Register and Register of Non-Profit Legal Entities on 25.03.2020 under listing No. 20200325093135 The company is not included in the consolidated financial statements of the Group for the year ended 31 December 2022, as it is considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiary is reconsidered at each reporting date.

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.

Notes to the financial statements

36. Subsidiaries, continued

(k) Incasso Guarant EOOD

Incasso Guarant EOOD was established by Management Board resolution of 09.08.2022 approved by the Supervisory Board on 24.08.2022, and listed in the Commercial Register and Register of Non-for-Profit Legal Entities on 09.09.2022; its field of operation will be: private security services, personal (professional) security services for individuals, security of valuable shipments and cargo, security of railway transport, security of property of both individuals and legal entities, of buildings, premises and business facilities, security with the help of signal-notifying equipment (subject to licensing), development, design and construction of high-tech systems for security and video surveillance, as well as any commercial activity not prohibited by law.

As at 31 December 2022 the capital of the company is BGN 100 thousand, and the Bank is the sole owner.

The company is not included in the consolidated financial statements of the Group for the year ended 31 December 2022, as it is considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiary is reconsidered at each reporting date.

37. Post balance sheet events

No adjusting and significant non-adjusting events have occurred after the end of the reporting period, other than those disclosed below:

- As disclosed in Note 29, in the period between December 2021 and August 2022 the Bank successfully issued perpetual, non-cumulative, uncollateralized, deeply subordinated, non-convertible notes in the amount of EUR 40 000 000 (forty million) („The New Issue“). The purpose of the New Issue was to replace a previous issue of perpetual, non-cumulative, uncollateralized, deeply subordinated notes of the Bank of the same amount, registered under ISIN code BG2100008114 („The Old Issue“).
- In accordance with regulatory requirements, and after obtaining approval from the Bulgarian National Bank, on 2 February 2023 the Bank repurchased the Old Issue, and as a result, the planned replacement of the Old Issue was completed successfully, in line with the Bank's strategy.



ACTIVITY REPORT

(ON A CONSOLIDATED BASIS)

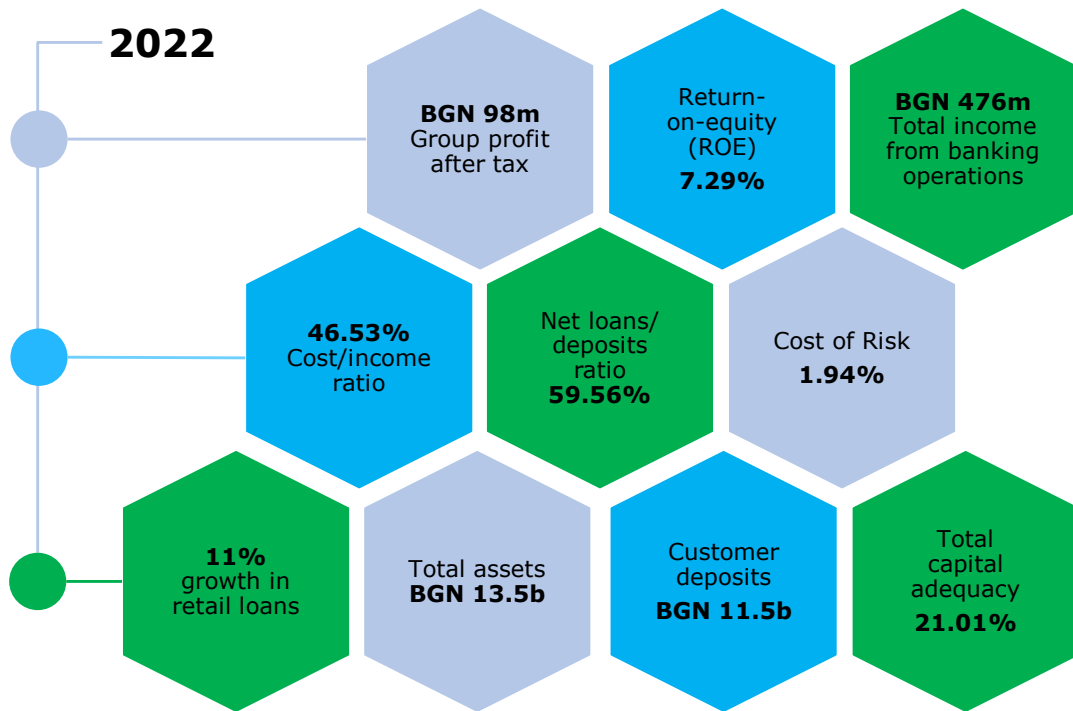
OF FIRST INVESTMENT BANK AD

FOR 2022

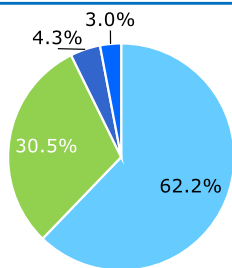
APRIL 2023

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

SELECTED INDICATORS



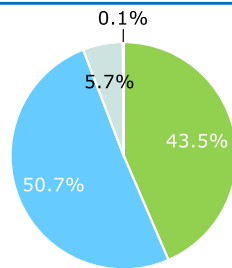
OPERATING INCOME BY TYPE OF INCOME



2022

- Net interest income
- Net fee and commission
- Net trading income
- Other

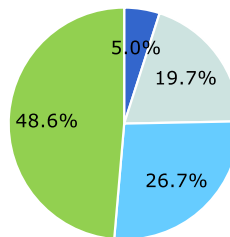
LOANS FOR INDIVIDUALS



2022

- Consumer loans
- Mortgage loans
- Credit cards
- Other

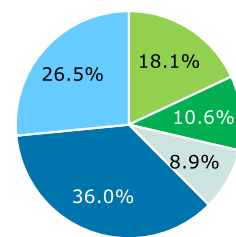
LOANS TO ENTERPRISES



2022

- Micro enterprises
- Small enterprises
- Medium-size enterprises
- Large enterprises

PORTFOLIO BY SECTORS



2022

- Industry
- Trade
- Services
- Private individuals
- Other

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.

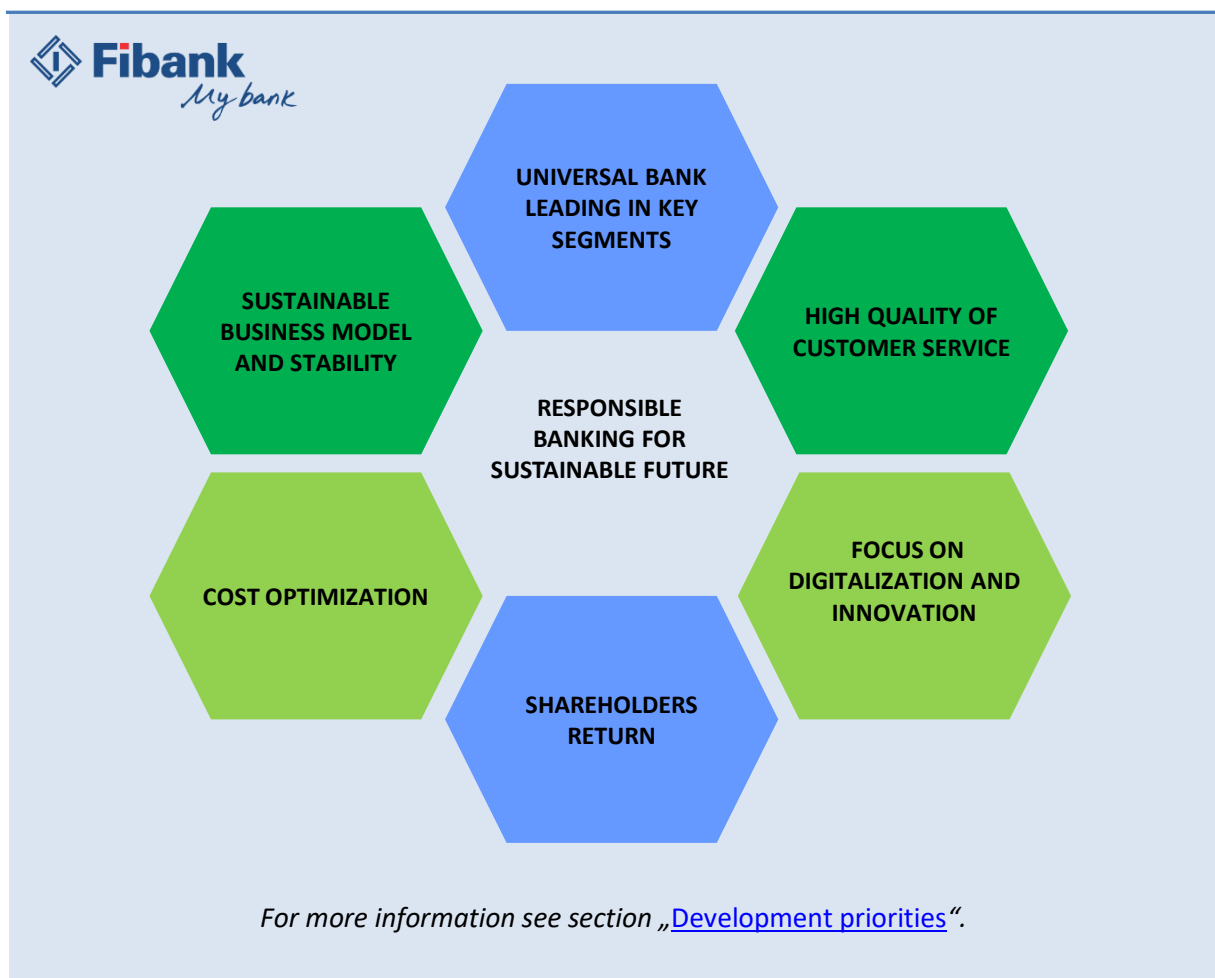


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MACROECONOMIC DEVELOPMENT

REPUBLIC OF BULGARIA



INDICATORS

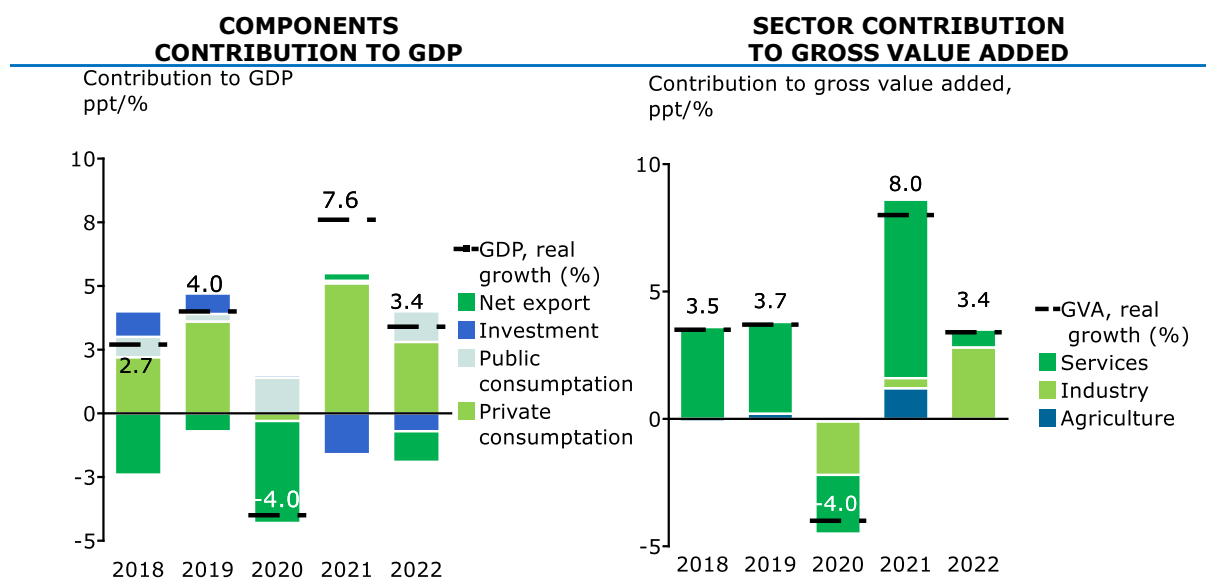
| | |
|---|-------------------------|
| Population | 6,52 mln. People |
| Area | 110,994 km ² |
| Member of the European Union | 2007 |
| Member of NATO | 2004 |
| Memberships in the European exchange mechanism II and the Banking union | 2020 |
| Exchange rate EUR/BGN (fixed) | 1.95583 |
| Flat tax rate | 10% |
| Moody's | Baa1, stable |
| Fitch Ratings | BBB, Positive |
| S&P | BBB, stable |

In 2022 the Bulgarian economy registered slow-down of investment activity, related to the unstable macro environment dominated by external factors.

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------|---------|---------|---------|---------|
| Gross domestic product (BGN million) | 165,384 | 139,012 | 120,553 | 120,396 | 109,964 |
| Gross domestic product, real growth (%) | 3.4 | 7.6 | (4.0) | 4.0 | 2.7 |
| - Private consumption, real growth (%) | 4.8 | 8.8 | (0.6) | 6.0 | 3.7 |
| - Public consumption, real growth (%) | 6.5 | 0.4 | 8.3 | 2.0 | 5.4 |
| - Investments, real growth (%) | (4.3) | (8.3) | 0.6 | 4.5 | 5.4 |
| - Net exports, real growth (%) | (2.3) | 0.1 | (6.1) | (1.2) | (4.0) |
| Inflation, at period-end (%) | 16.9 | 7.8 | 0.1 | 3.8 | 2.7 |
| Average annual inflation (%) | 15.3 | 3.3 | 1.7 | 3.1 | 2.8 |
| Unemployment, at period-end (%) | 5.4 | 4.8 | 6.7 | 5.9 | 6.1 |
| Current account (% of GDP) | (0.7) | (1.9) | (0.0) | 1.9 | 0.9 |
| Trade balance (% of GDP) | (5.8) | (4.1) | (3.1) | (4.7) | (4.8) |
| International reserves of BNB (BGN million) | 75,151 | 67,666 | 60,334 | 48,574 | 49,037 |
| FDI in Bulgaria (% of GDP) | 2.8 | 2.3 | 4.8 | 2.7 | 1.7 |
| Gross external debt (% of GDP) | 52.5 | 58.4 | 63.8 | 61.3 | 66.1 |
| Government and government guaranteed debt (% of GDP) | 22.9 | 25.0 | 24.6 | 19.8 | 21.8 |
| Consolidated budget balance (% of GDP) | (0.8) | (2.7) | (2.9) | (1.0) | 0.1 |
| USD exchange rate (BGN for USD 1) | 1.83 | 1.73 | 1.59 | 1.74 | 1.71 |

Sources: NSI, BNB, MF, Employment agency

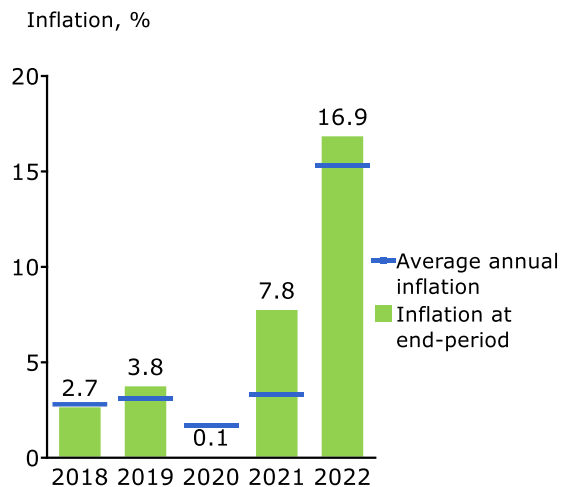
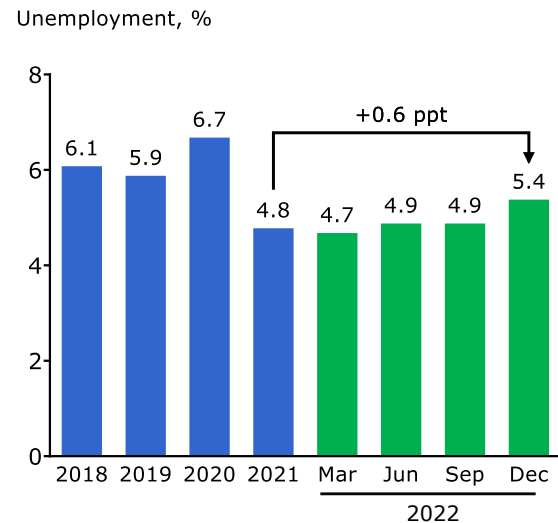
For 2022, the growth in gross domestic product slowed down to 3.4% during the year (2021: 7.6%), as main positive drivers were the private consumption (2022: 4,8%; 2021: 8.8%) and the public consumption (2022: 6,5%; 2021: 0,4%), as well as the change in reserves in the economy as a result of the slower internal demand and increasing inflation. Net exports had negative contribution to the growth (2022: -2.3%; 2021: 0.1%), as well as the fixed capital investments (2022: -4.3%; 2021: -8.3%), due to disrupted supply chains and their inoact on trade, as well as decrease in investment activity, impacted by unstable external environment.



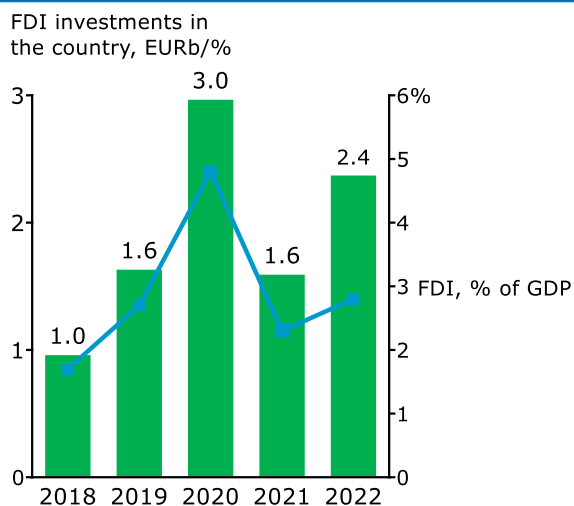
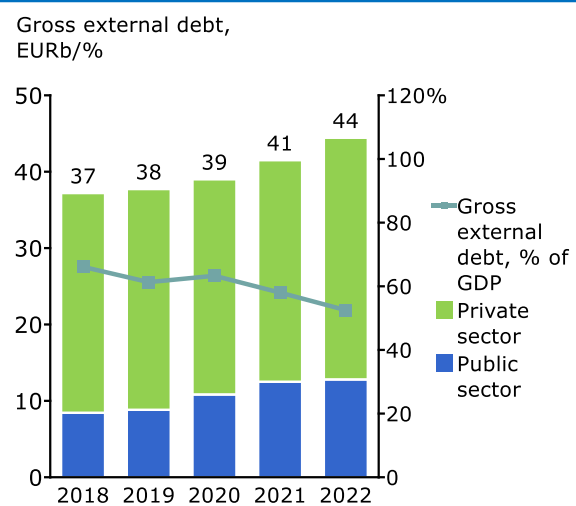
In 2022, gross value added in the economy increased by 3.4%, slowing down as compared to 2021 reported figures of 8.0%. Positive contribution is reported mainly in the industrial sector, which increased by 11.9% for the period (2021: 1.7%) and more specifically in the mining and processing industry (2022: 14.4%), at the expense of construction which was down (2022: -4.5%). The services sector, which had the most significant share to value added, registered a slow increase by 1.0% (2021: 9.9%), incl. in the trade, transport and tourism sectors (2022: 0.2%), the finance and insurance sectors (2022: 1.3%), telecommunications (2022: 1.6%), public administration and healthcare (2022: 2.6%). A decrease was reported in the agricultural sector (2022: -0.8%; 2021: 28.8%), mainly influenced by plant-growing sectors, incl. cereals and industrial crops.

In 2022, the labor market reported negative trend, as the unemployment rate increased to 5.4% at the end of the year (2021: 4.8%), with less expressed trend in the summer period, reflecting the higher seasonal employment. The total number of employed persons decreased to 2,196 thousand average for 2022, as 67% of the workforce was employed in the services sector, 30% in industry and 4% in agriculture.

Inflation in the country increased, as the average annual inflation in 2022 amounted to 15.3% (2021: 3.3%), and inflation at the end of the period reached 16.9% (2021: 7.8%). The influence was widespread across components, with main effect of food products (2022: 26.1%) and energy products (2022: 19.9%), registered in an environment of significant increase in the prices of basic raw materials (natural gas, oil and other) and agricultural products on the international markets. The groups of services and non-food sector in the consumer basket had lower expressed dynamics at 10.3% and 13.3%. Harmonized inflation, as price stability criteria in the Eurozone, was 14.3% at the end of 2022 (2021: 6.6%) and 13.0% on average for the period (2021: 2.8%).

INFLATION

UNEMPLOYMENT RATE


For 2022, foreign direct investment in the country amounted to EUR 2,379 million or 2.8% of GDP (2021: EUR 1,600 million or 2.3% of GDP). Such dynamics mainly reflect higher revenues from debt instruments (financial, bond and trade loans) and investments in equity, at the expense of reinvested earnings. By country, most investments were attracted from Switzerland (EUR 483 million), followed by Cyprus (EUR 384 million) and Austria (EUR 380 million). The accelerated increase in imports (36.3% for 2022 y/o/y to EUR 50,816 million) compared to exports (33.5% to EUR 45,926 million) led to increase in the trade deficit amounting to EUR -4,889 million or -5.8% of GDP at the end of 2022. Despite, the current account deficit decreased to EUR -578 million or -0.7% of GDP (2021: BGN -1,316 million or -1.9% of GDP) as a result of the services, incl. transport and travel, related to the strong tourism season.

FDI INVESTMENTS IN THE COUNTRY

GROSS EXTERNAL DEBT


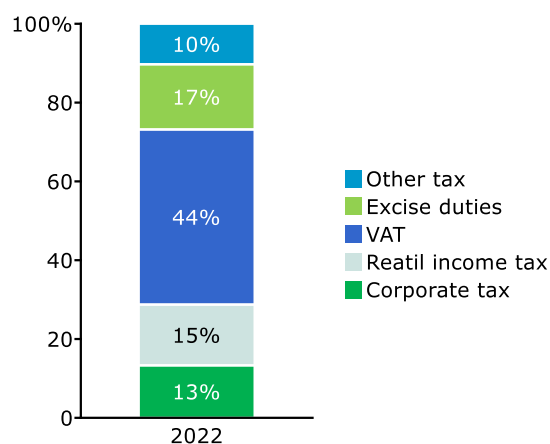
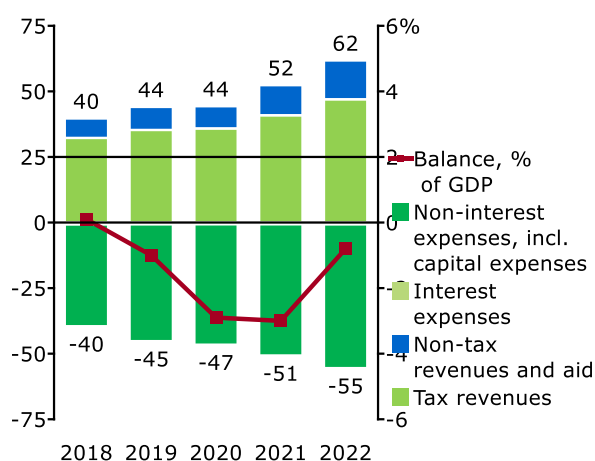
The country's gross external debt decreased to 52.5% of GDP at end-2022 (2021: 58.0%), as decrease was registered in the public sector (2022: 15.1% of GDP), remaining among the lowest in the EU, as well as in the private sector (2022: 37.4% of GDP). Total government and government-guaranteed debt, including debt issued on the domestic market, amounted to 22.9% of GDP by the end of 2022 (2021: 25.0%).

In 2022, the consolidated budget reached a deficit of BGN 1,347 million or 0.8% of GDP at the end of the year (2021: BGN 3,794 million or 2.7% of GDP), reflecting the higher growth of costs relative to revenues in the national budget and larger excess on EU funds. Expenditures under the consolidated fiscal program increased by 17.5% to BGN 66,113 million (2021: BGN 56,253 million), mainly due to the increase in capital and non-interest expenses, which included higher costs for pensions and subsidies related to the programs for supporting non-private consumers due to higher electricity prices.

CONSOLIDATED BUDGET

STRUCTURE OF TAX REVENUES

Budget, BGNb/%



Tax revenues increased by 14.5% y/o/y to BGN 46,795 million as of December 2022, as an increase was reported in all main components, incl. personal income tax (by 10.0% to BGN 5,321 million), corporate tax (by 34.8% to BGN 4,593 million), VAT revenues (by 18.1% to BGN 15,331 million) and excise duties (by 0.8% to BGN 5,707 million). Revenues from social security contributions also increased, amounting to BGN 13,747 million as of December 2022, of which BGN 9,941 million were social security contributions and BGN 3,806 million health insurance contributions.

During the year the credit ratings of Bulgaria were affirmed by Fitch Ratings (BBB, positive outlook), Standard & Poor's (BBB, stable outlook) and Moody's Investors Service (Baa1, stable outlook). Since 2020, the Bulgarian lev is officially part of the European Exchange Rate Mechanism (ERM) II.

BANKING SYSTEM

In 2022, the banking system in Bulgaria showed sustainability and adaptability, operating in an unstable external environment. The key indicators, incl. for liquidity and capital adequacy exceeded the regulatory requirements, as well as reported increased profitability. Since 2020 Bulgaria is part of the Banking Union through participation in the Single Supervisory Mechanism (SSM) and the Single Restructuring Mechanism (SRM), and the processes of integration with the European regulatory framework had an impact on banking policies.

| in % / change in p.p. | 2022 | 2021 | 2020 | 22/21 | 21/20 |
|--|--------------------|-------|-------|--------|--------|
| CET 1 ratio | 19.98 | 21.66 | 21.69 | (2.10) | (0.03) |
| Tier 1 capital ratio | 20.48 | 22.04 | 22.10 | 0.02 | (0.06) |
| Capital adequacy ratio | 20.88 | 22.62 | 22.74 | (2.15) | (0.12) |
| Leverage ratio | 9.69 ¹ | 10.52 | 10.74 | (0.83) | (0.22) |
| Liquidity coverage ratio (LCR) | 235.9 ¹ | 274.1 | 279.0 | (38.2) | (4.90) |
| Loans/deposits ² | 68.21 | 69.38 | 69.04 | (1.17) | 0.34 |
| Return-on-equity (ROE) | 12.01 ¹ | 8.53 | 5.31 | 3.48 | 3.22 |
| Return-on-assets (ROA) | 1.34 ¹ | 1.05 | 0.66 | 0.29 | 0.39 |
| Non-performing loans and advances ³ | 3.55 | 4.60 | 5.65 | (1.05) | (1.05) |

Source: Bulgarian National Bank

The total capital ratio for the system amounted to 20.88% in 2022 (2021: 22.62%), while the CET 1 ratio to 19.98% (2021: 21.66%), as the indicators were significantly above the regulatory requirements (TCR: 14.50-15.50%; CET1: 10.50-11.50% depending on the combined buffer requirement). 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 9.69% as of September 2022 compared to 10.52% as of end-2021.

With respect to the reported levels of growth in lending and the cyclical risks on the real estate market, during the year BNB increased the level of the countercyclical capital buffer from 1.5% to 2.0% effective from October 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 2023. In 2022, 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 by banks against net outflows over a period of 30 calendar days increased to 235.9% (2021: 274.1 as of September 2022 which is well above the minimum requirement of 100%. The ratio of liquidity buffer to balance sheet assets for the system was 26.8% at the end of September 2022.

¹ Data as of 30 September 2022.

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).

In the second half of 2022, the interest rate on the deposit facility of the European Central Bank was raised twice: from -0.50% to 0% (effective 27.07.2022) and from 0% to 0.75% (effective 14.09.2022). With that, the negative interest rate on the banks' excess reserves in the BNB according to the methodology for its calculation, was changed from -0.70% to 0%.

In 2022 the banking system realized a net profit of BGN 2,079 million, compared to BGN 1,416 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 586 million for the period (2021: BGN 594 million).

| BGN million/ change in % | 2022 | 2021 | 2020 | 22/21 | 21/20 |
|-------------------------------|-------|-------|-------|-------|--------|
| Net interest income | 3,227 | 2,757 | 2,649 | 17.0 | 4.1 |
| Net fee and commission income | 1,430 | 1,241 | 1,039 | 15.2 | 19.4 |
| Administrative expenses | 1,972 | 1,784 | 1,677 | 10.5 | 6.4 |
| Impairment | 586 | 594 | 876 | (1.3) | (32.2) |
| Net profit | 2,079 | 1,416 | 815 | 46.8 | 73.7 |

Source: Bulgarian National Bank

Net interest income for 2022 increased by 17.0% to BGN 3,227 million (2021: BGN 2,757 million). Net fee and commission income reached BGN 1,430 million (2021: BGN 1,241 million), providing a solid contribution to profit by forming 27.1% of the total operating revenues of the system (2021: 27.9%). The achieved financial results accounted for return on assets (ROA) of 1.34% for the first nine months of 2022 (2021: 1.05%) and return on equity (ROE) of 12.01% for the same period (2021: 8.53%).

Total balance sheet assets increased by 14.8% y/o/y to BGN 155,406 million as of end-2022 (2021: BGN 135,410 million), as loans and advances had a predominant share in the balance sheet structure at 59.6% of total assets (2021: 58.2%), followed by cash and balances with central banks at 20.9% of assets (2021: 21.0%) and investments in securities at 15.7% (2021: 16.7%), which included mainly government debt securities.

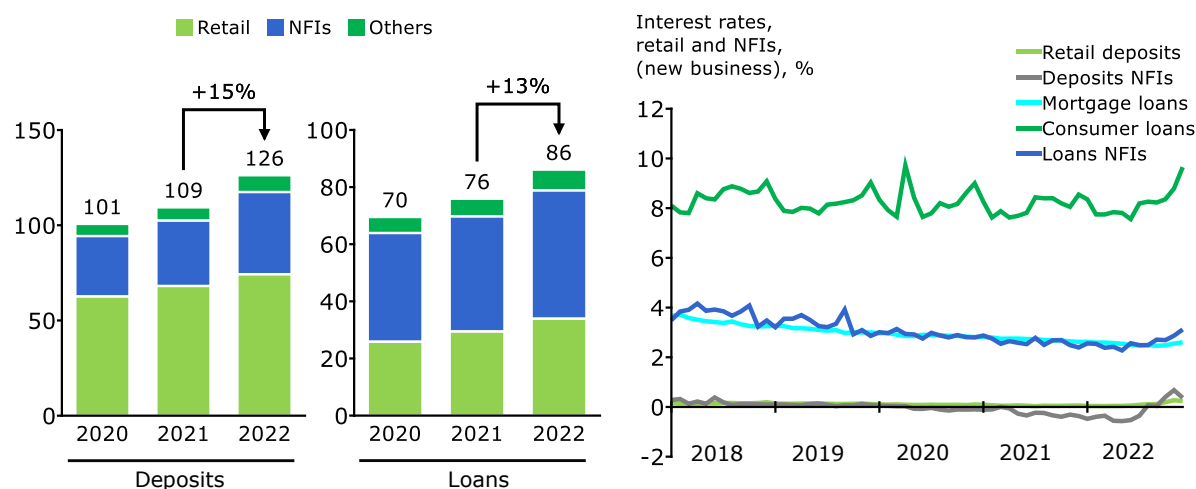
Lending activity in 2022 continued to increase with more pronounced dynamics in households, compared to non-financial corporations. Residential mortgage loans increased by 16.1% to BGN 18,365 million (2021: BGN 15,815 million), while consumer loans – by 12.8% to BGN 16,138 million (2021: BGN 14,304 million) at the end of 2022. Loans to non-financial corporations retained their major share at 52.2% of total loans to customers, reaching BGN 44,908 million (2021: BGN 40,286 million).

The share of non-performing loans and advances continued to decrease, reaching 3.55% of gross loans and advances as of December 2022 (2021: 4.60%). For comparability with previous periods it was 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 (67.0%), followed by loans to households (30.7%) and other financial corporations (2.0%).

| BGN million / change in % | 2022 | 2021 | 2020 | 22/21 | 21/20 |
|--|---------|---------|---------|-------|-------|
| Assets | 155,406 | 135,410 | 124,006 | 14.8 | 9.2 |
| Loans to non-financial corporations | 44,908 | 40,286 | 38,042 | 11.5 | 5.9 |
| Loans to individuals, including: | 33,945 | 29,468 | 25,882 | 15.2 | 13.9 |
| - Mortgage loans | 18,365 | 15,815 | 13,752 | 16.1 | 15.0 |
| - Consumer loans | 16,138 | 14,304 | 12,882 | 12.8 | 11.0 |
| Deposits from non-financial corporations | 43,169 | 34,374 | 31,701 | 25.6 | 8.4 |
| Deposits from individuals | 74,282 | 68,107 | 62,636 | 9.1 | 8.7 |

Source: Bulgarian National Bank

In 2022, borrowed funds in the banking system (excluding credit institutions) continued their upward trend, growing by 15.4% to BGN 126,197 million as of December 2022 (2021: BGN 109,356 million), reflecting the confidence in the system, the uncertainty of the environment and the decrease in investment activity of the companies. An increase was reported mainly in deposits of non-financial corporations (by 25.6% to BGN 43,169 million) and at a lesser extend in households (by 9.1% to BGN 74,282 million), which retained their dominant share of 58.9% of all attracted funds. The currency structure of deposits remained unchanged, as the share of deposits in BGN was 63.7%, those in EUR at 29.2%, and those in other currencies at 7.1% as of December 2022.

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


During the year, signals were registered for change in the interest rate cycle in line with the dynamics in the EU and Eurozone countries. Interest rates on deposits (new business⁴) of households and non-financial corporations increased on average for 2022 (volume weighted) up to 0.11% and to -0.13% respectively (2021: 0.06% and -0.17%). Interest rates on loans (new business⁵) showed different trends, with consumer loans increasing to 8.16% on average for the period (2021: 8.08%), at the expense of mortgage loans, which registered a decline to 2.54% (2021: 2.70%), while those for non-financial enterprises remained unchanged at 2.60% (2021: 2.60%).

⁴ Term deposits in BGN up to 1 year

⁵ Loans in original maturity in BGN

In the regulatory framework in 2022 priority developed were the sustainability requirements – a new Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 was adopted, amending the implementing technical standards as regards the disclosure of environmental, social and governance (ESG) risks by banks according to Part Eight of Regulation (EU) 2013/575.

New EBA Guidelines were introduced on the policies and procedures related to regulatory compliance management of the anti-money laundering and countering the financing of terrorism (AML/CFT) (EBA/GL/2022/05). At the end of 2022, EBA Guidelines on the use of remote customer onboarding solutions were also published.

A new Law on Covered Bonds was adopted, which regulates the terms and procedure for the issuance, structural characteristics and public supervision of covered bonds, as well as a new Ordinance No. 42 of the BNB on the Terms and Procedure for Issuance of Covered Bonds, which further develops the requirements regarding the calculation of the amount of covered bond liabilities and cover assets, as well as the periodic stress tests in relation to them.

Changes were made to the Personal Income Tax Act whereby, as of April 1, 2022, the final tax was removed on the gross interest income on bank accounts earned by local individuals.

In connection with the development of the requirements regarding recovery and resolution of credit institutions and investment firms, two new regulations of the BNB were adopted during the year: Ordinance No 43 on the Terms and Procedure for Determining and Paying a Maximum Daily Amount upon Suspension of Obligations in Respect of Eligible Deposits, and Ordinance No 44 on the Terms and Procedure for Selection of Independent Valuers under Article 55a of the Law on the Recovery and Resolution of Credit Institutions and Investment Firms. They provide better preparedness for carrying out potential restructuring of institutions, and for protection of stakeholders and creditors.

During the year, amendments were adopted to Ordinance No. 20 of the BNB on the Requirements to Members of the Management and Controlling Bodies of Credit Institutions and on the Suitability Assessment of their Members and Key Function Holders, mainly concerning the information needed for reliability and suitability assessment applied by significant and less significant banks.

At the end of 2022, 25 credit institutions operated in the country, out of which 7 branches of foreign banks, as the consolidation processes in the system continued, following the global trends to search for optimizations in the structure and efficiency of banking institutions against the background of increased competition. The share of the group of significant banking institutions (according to ECB criteria) in the country amounted to 66.7% of bank assets as of September 2022, those of the less significant at 29.%, while those of the branches of foreign banks at 3.5%

The main challenges faced by banks included overcoming the uncertainties of the external environment, both political and economic; digitizing banking services; prioritizing ESG factors; strengthening the ability to reduce and manage risks; and developing ways to support customers through offering advice and appropriate products and services.

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.

In 2022 the head office and business address of First Investment Bank AD was changed – Sofia 1784, 111P, Tsarigradsko shose Blvd.




MEMBERSHIPS

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

MARKET POSITION⁶

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

MARKET SHARE⁷

-  8.18% of bank assets in Bulgaria
-  8.59% of deposits in the country
 - 9.77% of deposits from individuals
-  8.27% of loans in the country
 - 9.24% of corporate lending
 - 8.02% of consumer lending
 - 6.23% of mortgage lending



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

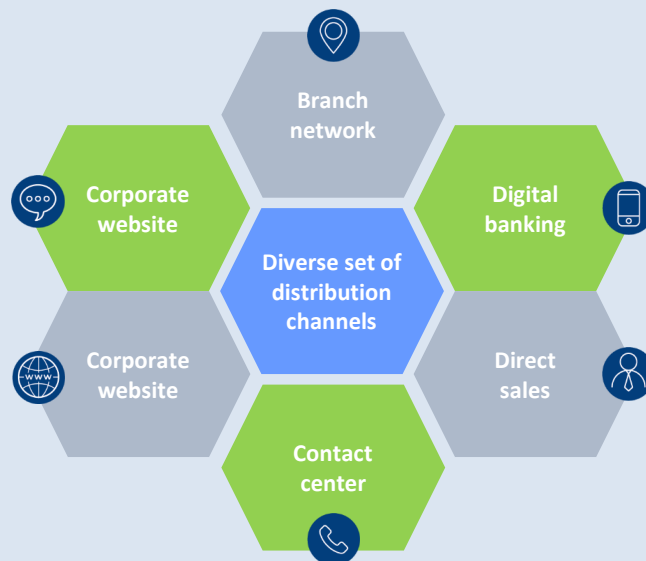
⁷ Market shares are determined based on unconsolidated data from the BNB.

CORRESPONDENT RELATIONS

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

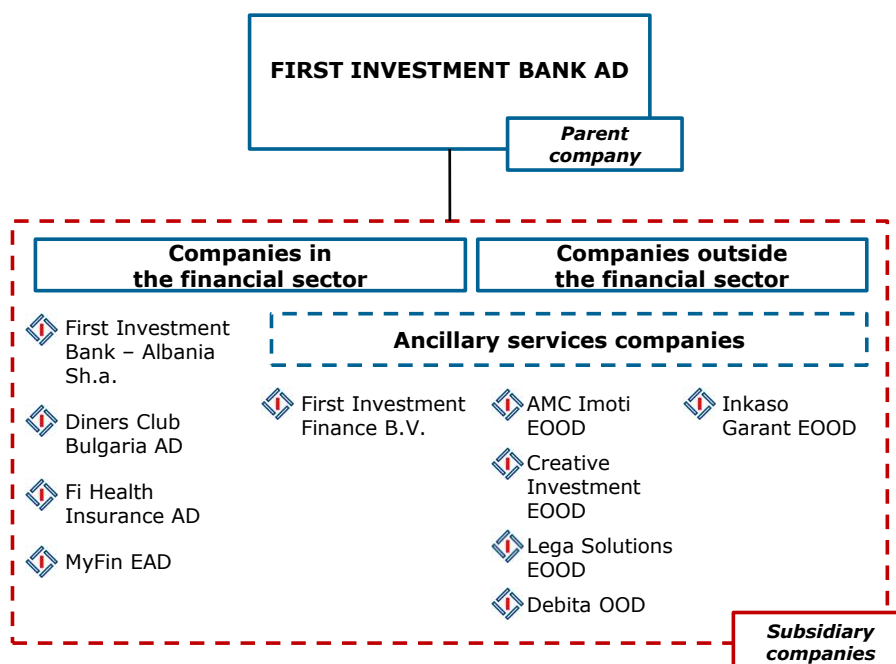
BRANCH NETWORK

-  As at 31 December 2022 the Group of First Investment Bank had a total of 140 branches and offices: 125 branches and offices, including a Head Office, covering the territory of Bulgaria and a foreign branch in Cyprus, as well as a subsidiary bank in Albania – First Investment Bank – Albania Sh.a.
-  Fibank maintains diversification of the distribution channels, which constantly enhance in accordance with technological development and customer needs.



For further information regarding the branch network, see section “[Distribution channels](#)”, as well as section “[Business review of subsidiary companies](#)”.

SUBSIDIARIES



As at 31 December 2022, First Investment Bank AD had ten subsidiary companies: First Investment Bank - Albania Sh.a. (100%), Diners Club Bulgaria AD (96.51%), Fi Health Insurance AD (59,10%), MyFin EAD (100%), First Investment Finance B.V. (100%), AMC Imoti EAD (100%), Debita OOD (70%), Creative Investment EOOD (100%), Lega Solutions EOOD (100%) and Inkaso Garant EOOD (100%).

As of 31.12.2022, the following companies were included in the consolidated financial statements of the Group of First Investment Bank: First Investment Bank - Albania Sh.a., Fi Health Insurance AD, First Investment Finance B.V. and AMC Imoti EAD. The remaining subsidiaries were not included in the consolidated financial statements, as they were considered immaterial to the financial position, financial results and cash flows of the Group for the year ended 31.12.2022. The assessment for consolidation of subsidiaries is reconsidered at each reporting date.

In 2022, the capital of the subsidiary Diners Club Bulgaria AD was increased from BGN 610 thousand to BGN 910 thousand, in order to maintain the financial capacity of the company. In September 2022, a new subsidiary Inkaso Garant EOOD was established with a paid-in capital of BGN 100 thousand, its main activity including private security and protection of valuable shipments and cargo.

During the year, in connection with decisions taken to terminate their activity, the subsidiaries Turnaround Management EOOD, Realtor OOD and Balkan Financial Services EAD were deleted from the Commercial Register of the Registry Agency.

For further information regarding subsidiary companies, see section "[Business review of subsidiary companies](#)", as well as Note 36 "Subsidiaries" of the Consolidated Financial Statements for the year ended 31 December 2022.

AWARDS 2022

- 

First Investment Bank was awarded as Digital Bank of the Year 2022 at the international competition Worldwide Finance Awards 2022 organized by the British magazine Acquisition International (AI), for the digital services and innovations offered to customers.
- 

Fibank won a successful digital transformation award in the Bank of the Year contest, organized by the Bank of the Year Association, based on an independent and objective methodology prepared by Deloitte Bulgaria.
- 

Mr. Nikola Bakalov, CEO of First Investment Bank, received the Banker of the Year 2022 award presented by the Banker newspaper for achieving success in digitization and alternative service channels.
- 

Fibank's Debit Mastercard Platinum was awarded as Product of the Year in the Premium Card Products category of the international Product of the Year competition, carried out through an independent nationally representative survey conducted by the NielsenIQ research agency.
- 

For yet another year, Fibank won the Bulgarian consumer Favorite Brand award and first place in the Financial Institutions category of the My Love Marks consumer ranking.
- 

First Investment Bank won two awards at the Company of the Year ceremony organized by Business Lady Magazine: for Innovative Bank of the Year and for Sustainable Development. The jury was composed of industry organizations, entrepreneurs and marketing experts.
- 

Fibank received the Golden Heart Award in the Youth Support and Business Development category of the Annual Corporate Social Responsibility Awards organized by Business Lady Magazine. The award was given for the activity of the Sustainable Lady Fund, part of the Bank's Smart Lady business program in support of women entrepreneurs.



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. |
| 1994-95 | <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. |

| | |
|------|--|
| 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. ❖ A new Internet service “My Fibank” was offered, providing 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 “Bank of the Year“ from “Bank of the Year” Association, with the best complex performance. ❖ The Bank signed an agreement with the EIF for the financing of SME under the JEREMIE initiative. ❖ Vassil Christov, Executive Director of First Investment Bank won the prestigious award “Banker of the Year” of the “Banker” Weekly. |
| 2013 | <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. ❖ Online sale of products of investment gold and other precious metals was started. |
| 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. ❖ 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. ❖ First Investment Bank was distinguished by the global organization Superbrands as the strongest brand among financial institutions in Bulgaria. |

| | |
|--------------------|--|
| <p>2016</p> | <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. |
| <p>2017</p> | <ul style="list-style-type: none"> ❖ Fibank created its integrated e-banking platform My Fibank, as a single customer omnichannel. ❖ The Bank joined as direct participant the Pan-European Euro Payment System STEP2 SCT (SEPA Credit Transfer). ❖ Fibank updated its core banking information system by migrating to Oracle Flexcube12. ❖ Fibank developed its online consumer credit services at www.credit.fibank.bg. |
| <p>2018</p> | <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-sized enterprises. ❖ A software Fibank Token was developed as a means of signature and authentication in the electronic banking system of the Bank. ❖ An innovative new-generation Evolve credit card was developed, combining three brands (Fibank, Diners Club and Mastercard) into one payment instrument. |
| <p>2019</p> | <ul style="list-style-type: none"> ❖ 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. |
| <p>2020</p> | <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 for overcoming the consequences from the COVID-19 pandemic. |
| <p>2021</p> | <ul style="list-style-type: none"> ❖ First Investment Bank offered the innovative Gold Account product designed for keeping, purchase and sale of dematerialized gold (XAO). ❖ A new video consultation service was launched for customers interested in retail credit products, available at www.fibank.bg and through My Fibank electronic banking. ❖ A new Business Process Management (BPM) system for retail lending was implemented. ❖ MyCard was launched: a new virtual credit card with pre-approved limit, issued entirely online through the My Fibank mobile application. ❖ New products for individuals and business customers were developed: Gold Portfolio and Eco Portfolio, tied respectively to the price of gold and to bonds backed by green projects. ❖ Debit Mastercard Platinum was launched: a new debit card for the premium segment offering a number of benefits, including a virtual assistant app (AskPLEEZ!) and concierge services. |

HIGHLIGHTS 2022

JANUARY



- ◆ First Investment Bank launched an innovative instant payment service (up to 10 seconds) in BGN under the Blink scheme.
- ◆ The Bank actively offered new credit products for business customers: Green transport, Green energy - free market, and Green energy - own consumption.

FEBRUARY

- ◆ As part of the branch digitalization project, electronic signing of documents by e-Sign pad was introduced in the Bank's offices.
- ◆ A new silver coin commemorating the Year of the Rabbit 2023 was offered in collaboration with the New Zealand Mint.
- ◆ The subsidiary First Investment Bank – Albania Sh.a. developed its card business and functionalities of the ATM network.

MARCH



- ◆ Fibank's Smart Lady program in support of women entrepreneurs and micro-enterprises celebrated four years since its creation, with over 1,100 financed projects and total amount of financing exceeding BGN 120 million.
- ◆ The Help from a Friend service was introduced, allowing every customer to receive assistance and information about the features and functionalities of My Fibank electronic banking and the mobile application.
- ◆ Mr. Nikola Bakalov, CEO of Fibank, was elected as a member of the Management Board of the Association of Banks in Bulgaria.

APRIL

- ◆ The Bank successfully joined the updated STEP2-T Continuous Gross Settlement (CGS) system operated by EBA Clearing which optimized the execution of SEPA credit transfers
- ◆ A new internal bank system was implemented to automate operations and optimize the accounting process.
- ◆ The subsidiary Myfin EAD developed its digital services through new functionalities – transaction location, vignette purchasing, as well as child profile/account, with the aim for early financial education.

MAY



- ❖ A new promotional mortgage loan was launched financing up to 90% of property's market value, with an option to apply remotely through My Fibank electronic banking.
- ❖ The new Business Process Management (BPM) system was also implemented in business lending.
- ❖ Network and information security policies were further developed, including applicable requirements and standards for IT service providers.

JUNE

- ❖ A Regular Annual General Meeting of First Investment Bank's shareholders was held, at which a decision was taken to capitalize the net profit for 2021.
- ❖ A new mortgage loan was developed for persons receiving income from abroad, financing up to 70% of the of property market value, with a term of up to 25 years.
- ❖ Mr. Nikola Bakalov, CEO of Fibank, was elected as member of the Board of Directors of BORIKA AD.
- ❖ The subsidiary Fihealth Insurance AD developed the insurance business with new insurance products for debit cards and overdrafts offered by Fibank, as well as opportunity for online submission of documents.

JULY

- ❖ Debit Instant Card was launched: a new virtual debit card issued through the My Fibank mobile application, designed for making online payments through a mobile smart device.
- ❖ The credit ratings of First Investment Bank were confirmed by Fitch Ratings, with the outlook on them upgraded to "stable".
- ❖ A campaign was held for Visa credit card holders, offering them the chance to win 100% cashback on card payments during the period up to a maximum of BGN 4,000.

AUGUST



- ❖ The One Different Employer initiative was launched, presenting the advantages of Fibank working environment through the stories of employees.
- ❖ Fibank moved its headquarters to a new and modern building, certified Excellent under the BREEAM sustainability standard.
- ❖ New functionalities were added to digital banking, including rescheduling of credit card debt into equal monthly installments and purchasing products online.
- ❖ A new tranche under the program for the issuance of hybrid instruments was subscribed, bringing the total amount to EUR 40 million.

SEPTEMBER

- ❖ A new Career Start consumer loan was launched, designed for university graduates up to the age of 30, without requirements for income or minimum work experience.
- ❖ A joint initiative with Mastercard was launched to develop a digital platform for early financial education of children.
- ❖ A new Sustainable Development Department was created with the aim to integrate sustainable development requirements into the Bank's activities, taking into account the ESG factors.
- ❖ The hardware and software infrastructure of the card system was upgraded, expanding its functionality and improving security.

OCTOBER

- ❖ A new Sustainable Future mortgage loan was developed for financing real estate with high energy efficiency class (A+, A or B), in line with sustainable and responsible banking policies.
- ❖ The Perspective term product was offered: an alternative fixed yield savings solution for businesses and individuals.
- ❖ Granting of loans under the Financing in Rural Areas instrument started, based on an agreement signed with the Fund Manager for financial instruments in Bulgaria.



NOVEMBER

- ❖ Lending to micro, small and medium-sized enterprises at more favorable terms under a loan portfolio guarantee agreement with the National Guarantee Fund.
- ❖ Super Loan: a new high-amount consumer loan up to BGN 80,000, with a term of up to 7 years.
- ❖ Express Overdraft: fast overdraft for pre-approved customers, provided through electronic banking and My Fibank mobile application.

DECEMBER

- ❖ Fibank started replacing its plastic debit and credit cards with new ones made of fully recyclable material and featuring a new design, associated with sustainable development ideas.
- ❖ Preparation began for launching the innovative Blink P2P service for instant payments through the mobile banking app.
- ❖ The Bank successfully introduced voice menus in some of its ATMs to assist their access by blind people.
- ❖ First Investment Bank – Albania Sh.a. issued subordinated term debt on the amount of EUR 5 million for a term of 7 years, eligible as tier 2 capital.



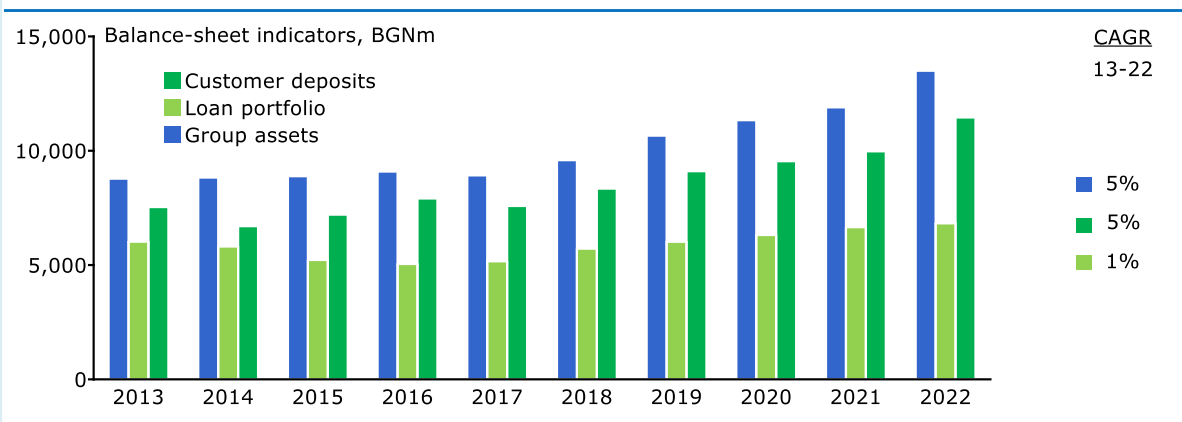
FINANCIAL REVIEW

KEY INDICATORS

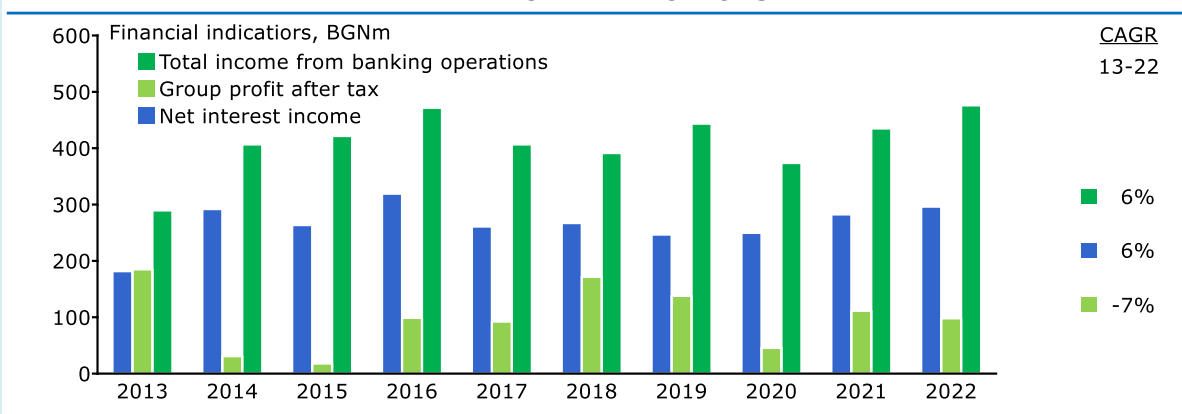
| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|------------|------------|------------|------------|-----------|
| Financial indicators (BGN thousand) | | | | | |
| Net interest income | 296,209 | 282,465 | 249,678 | 246,714 | 267,088 |
| Net fee and commission income | 144,962 | 123,505 | 99,192 | 106,774 | 97,111 |
| Net trading income | 20,473 | 15,742 | 12,531 | 15,378 | 10,809 |
| Total income from banking operations | 475,950 | 434,970 | 373,709 | 443,484 | 391,329 |
| Administrative expenses | (217,852) | (192,083) | (193,807) | (220,448) | (212,066) |
| Impairment | (140,230) | (125,663) | (98,707) | (119,730) | (83,378) |
| Group profit after tax | 97,990 | 111,408 | 45,517 | 137,922 | 171,546 |
| Earnings per share (in BGN) | 0.65 | 0.74 | 0.36 | 1.25 | 1.56 |
| Balance-sheet indicators (BGN thousand) | | | | | |
| Assets | 13,498,982 | 11,897,221 | 11,335,420 | 10,660,175 | 9,586,681 |
| Loans and advances to customers | 6,823,003 | 6,653,944 | 6,312,887 | 6,017,137 | 5,716,062 |
| Loans and advances to banks and fin. inst. | 221,900 | 87,456 | 106,111 | 79,618 | 125,483 |
| Due to other customers | 11,454,906 | 9,973,631 | 9,542,276 | 9,104,021 | 8,342,691 |
| Other borrowed funds | 123,846 | 120,002 | 103,649 | 109,348 | 121,120 |
| Subordinated term debt | 19,410 | 9,622 | 9,623 | 3,949 | - |
| Hybrid debt | 256,861 | 320,733 | 267,579 | 267,615 | 208,786 |
| Total Group equity | 1,399,622 | 1,319,842 | 1,216,420 | 978,917 | 846,272 |
| Key ratios (in %) | | | | | |
| Capital adequacy ratio | 21.01 | 20.84 | 21.28 | 18.34 | 16.15 |
| Tier 1 capital ratio | 20.78 | 20.72 | 21.15 | 18.28 | 16.15 |
| CET 1 ratio | 17.41 | 17.33 | 17.72 | 14.65 | 13.30 |
| Leverage ratio | 11.54 | 12.75 | 13.45 | 11.84 | 11.08 |
| Liquid assets/deposits from customers | 37.72 | 29.46 | 30.90 | 28.61 | 26.50 |
| Liquidity coverage ratio (LCR) | 239.89 | 256.37 | 257.17 | 221.64 | 269.21 |
| Net stable financing ratio (NSFR) | 146.91 | 139.81 | 134.47 | 132.74 | 135.45 |
| Net loans/deposits ratio | 59.56 | 66.72 | 66.16 | 66.09 | 68.52 |
| Return-on-equity (after tax) | 7.29 | 8.85 | 4.22 | 15.12 | 19.24 |
| Return-on-assets (after tax) | 0.78 | 0.96 | 0.42 | 1.38 | 1.87 |
| Cost of risk | 1.94 | 1.75 | 1.44 | 1.83 | 1.55 |
| Net interest income/total income from banking operations | 62.24 | 64.94 | 66.81 | 55.63 | 68.25 |
| Cost/income ratio | 46.53 | 43.40 | 56.34 | 44.58 | 46.46 |
| Resources (in numbers) | | | | | |
| Branches and offices | 140 | 141 | 149 | 158 | 168 |
| Staff | 2,990 | 2,867 | 2,910 | 2,825 | 2,868 |

SUSTAINABLE DEVELOPMENT

BALANCE-SHEET INDICATORS



FINANCIAL INDICATORS



In 2022, amid macroeconomical and political uncertainty, First Investment Bank's efforts were focused on:

- ❖ Maintaining high quality of customer service by improving processes and increasing servicing capacity. Providing advice and support to customers to allow them better overcome the challenges of external environment;
- ❖ Active risk management in accordance with the approved risk strategy and risk appetite. Further improving the protective mechanisms against risks inherent in the activity, while maintaining a solid capital position and liquid buffers;
- ❖ Digitization and automation of processes, development of innovative products and services, and introduction of new technological solutions;
- ❖ Development and implementation of sustainable development requirements taking into account the environmental, social and governance (ESG) factors in the overall activity;
- ❖ Strengthening the image of the Bank as a preferred employer.

In 2023, First Investment Bank celebrates 30th anniversary of its establishment.

CREDIT RATING

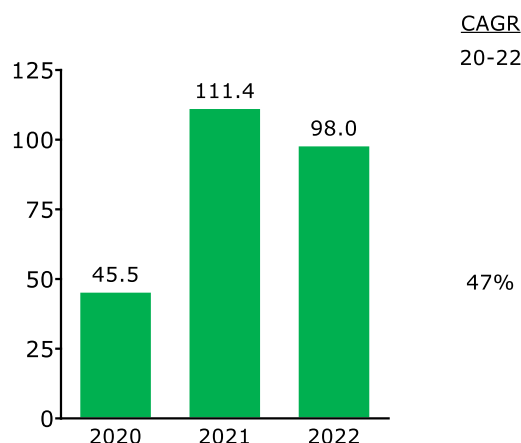
First Investment Bank has public ratings issued by the international rating agency Fitch Ratings. In July 2022, Fitch Ratings affirmed the credit ratings of First Investment Bank raising its outlook to 'stable' as follows: long-term rating "B" with a stable outlook, short-term rating "B", viability rating "b", government support rating "ns" (no support).

FINANCIAL RESULTS

In 2022, the Group of First Investment Bank reported good financial results achieved in the conditions of an unstable external environment. The Group profit after tax amounted to BGN 97,990 thousand (2021: BGN 111,408 thousand), and the profit before impairment – BGN 250,359 thousand compared to BGN 250,495 thousand a year earlier. The results were influenced by the higher operating income on one side, and the policies to reduce non-performing exposures and repossessed assets, on the other. Total income from banking operations increased to BGN 475,950 thousand (2021: BGN 434,970 thousand) with an increase in all main sources of income. The return on equity (after tax) was 7.29% and the return on assets (after tax) was 0.78%.

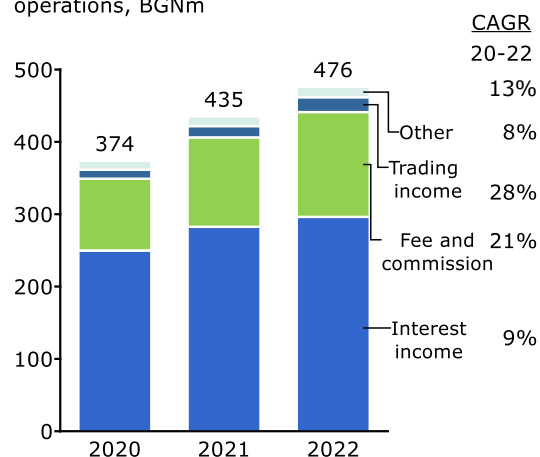
GROUP PROFIT AFTER TAX

Group profit after tax, BGNm



INCOME FROM BANKING OPERATIONS

Income from banking operations, BGNm



In 2022, net interest income increased to BGN 296,209 thousand (2021: BGN 282,465 thousand), remaining the main source of income for the Group and accounting for 62.2% of total operating income (2021: 64.9 %). Fibank's operations abroad formed 7.8% of the Group's net interest income (2021: 5.4%), reflecting the development of the activity of the subsidiary Bank in Albania. For further information regarding First Investment Bank – Albania Sh.a., see section "[Business review of the subsidiary companies](#)".

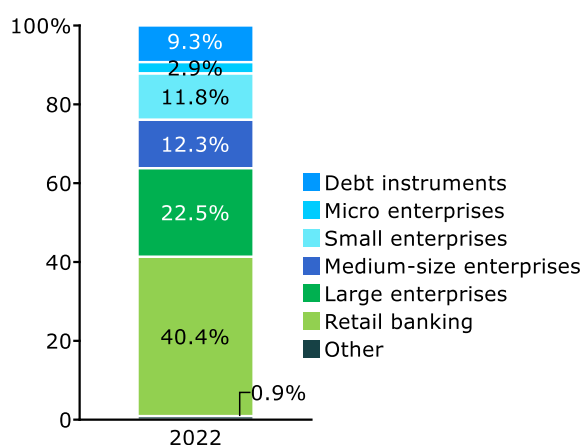
For the reporting period, interest income increased to BGN 342,537 thousand (2021: BGN 334,310 thousand), as a result of an increase in the main business segments, including of retail banking (2022: BGN 138,396 thousand; 2021: BGN 131,375 thousand) and enterprises⁸, incl. large enterprises (2022: BGN 77,063 thousand; 2021: BGN 75,003 thousand), small enterprises (2022: BGN 40,313 thousand; 2021: BGN 36,851 thousand) and micro-enterprises (2022: BGN 9,835 thousand; 2021: BGN 8,186 thousand).

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

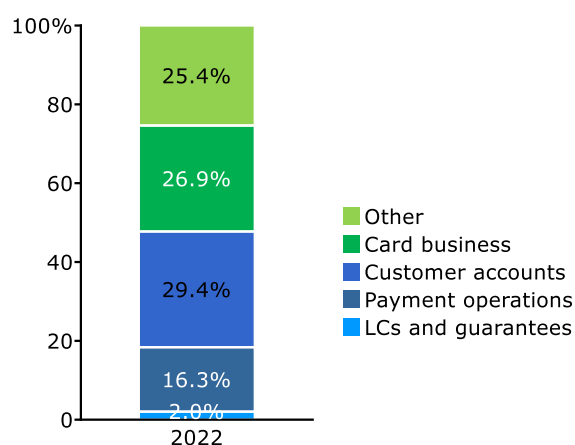
thousand), at the expense of medium-sized enterprises (2022: BGN 42,038 thousand; 2021: BGN 57,463 thousand). An increase was also recorded in investments in debt instruments (2022: BGN 31,767 thousand; 2021: BGN 25,088 thousand), used as an additional source of interest income.

In interest expenses the trend from the previous years was preserved, as a decrease continued to be reported in the expenses on customer deposits, which reached BGN 6,254 thousand, compared to BGN 14,045 thousand a year earlier. An increase was recorded in the interest expenses on hybrid debt (2022: BGN 33,488 thousand. 2021: BGN 27,634 thousand) as a result of new tranches issued under the Bank's program for issuing hybrid instruments. Interest expenses on assets decreased (2022: BGN 5,071 thousand; 2021: BGN 8,712 thousand), which was influenced by the cancellation of negative interest rates on banks' excess reserves in the BNB. The net interest margin of the Group amounted to 3.08% for the period.

INTEREST INCOME



FEE AND COMMISSION INCOME



Net fee and commission income for 2022 increased by 17.4% to BGN 144,962 thousand (2021: BGN 123,505 thousand), forming 30,5% (27.1% average for the banking system in Bulgaria) of total income from banking operations of the Group (2021: 28.4%), providing a solid contribution to operating profit. Fibank's operations abroad formed 13.6% of net fee and commission income (2021: 11.4%). An increase was recorded in all major sources of income, incl. payment operations (2022: BGN 29,437 thousand; 2021: BGN 24,877 thousand), customer accounts (2022: BGN 52,901 thousand; 2021: BGN 39,772 thousand), card services (2022: BGN 48,436 thousand; 2021: BGN 37,917 thousand), letters of credit and guarantees (2022: BGN 3,671 thousand; 2021: BGN 3,466 thousand), as well as other services (2022: BGN 45,705 thousand; 2021: BGN 43,177 thousand), including such related to credit activity. The increase was influenced by the consistent policy and actions of the Group 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 2022, net trading income reached BGN 20,473 thousand (2021: BGN 15,742 thousand). The increase was mainly due to higher income from foreign currency rate transactions, which amounted to BGN 20,974 thousand, compared to BGN 15,606 thousand a year earlier. Net expenses were reported for debt and equity instrument transactions, which totaling BGN 501 thousand for the period, compared to net income of BGN 136 thousand for the previous year. The relative share of net trading income remained insignificant at 4.3% of total income from banking operations of the Group (2021: 3.6%).

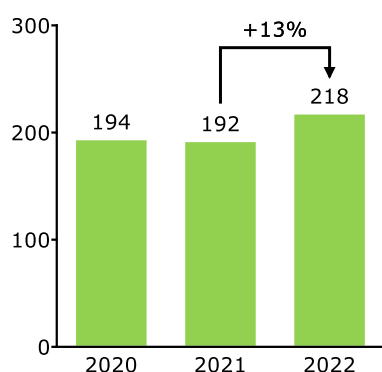
The other net operating revenues amounted to BGN 14,306 thousand, compared to BGN 13,258 thousand a year earlier, as the increase was mainly due to higher income from management of

assigned receivables (2022: BGN 5,620 thousand ; 2021: BGN 3,075 thousand), as well as higher income from transactions and revaluations of gold and precious metals (2022: BGN 2,077 thousand; 2021: BGN 1,176 thousand).

For the period, administrative expenses increased to BGN 217,852 thousand compared to BGN 192,083 thousand a year earlier, influenced mainly by the inflationary processes and the related increase in the costs of external services (2022: BGN 58,700 thousand; 2021: BGN 50,832 thousand), as well as in the personnel costs of the Group (2022: BGN 81,517 thousand; 2021: BGN 71,871 thousand), which reflected the increase in the number of personnel on a consolidated basis. An increase was also recorded in the depreciation of right-of-use assets (2022: BGN 41,205 thousand; 2021: BGN 35,089 thousand), as well as in the expenses related to telecommunications, software and other computer maintainance (2022: BGN 14,465 thousand; 2021: BGN 13,146 thousand), which reflected the development of information technologies. At levels close to the previous year remained the expenses for advertising (2022: BGN 9,006 thousand; 2021: BGN 8,944 thousand), as well as for amortisation of equipment and tangible fixed assets (2022: BGN 12,959 thousand; 2021: BGN 12,201 thousand). For the period, cost/income ratio amounted to 46.53% on a consolidated basis (2021: 43.40%), which is within the target value of below 50%, set as a quantitative indicator in the development strategy.

ADMINISTRATIVE EXPENSES

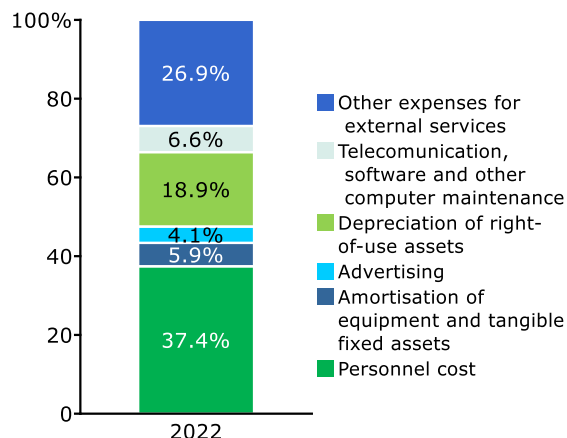
Administrative expenses, BGNm



CAGR
20-22

6%

STRUCTURE OF ADMINISTRATIVE EXPENSES



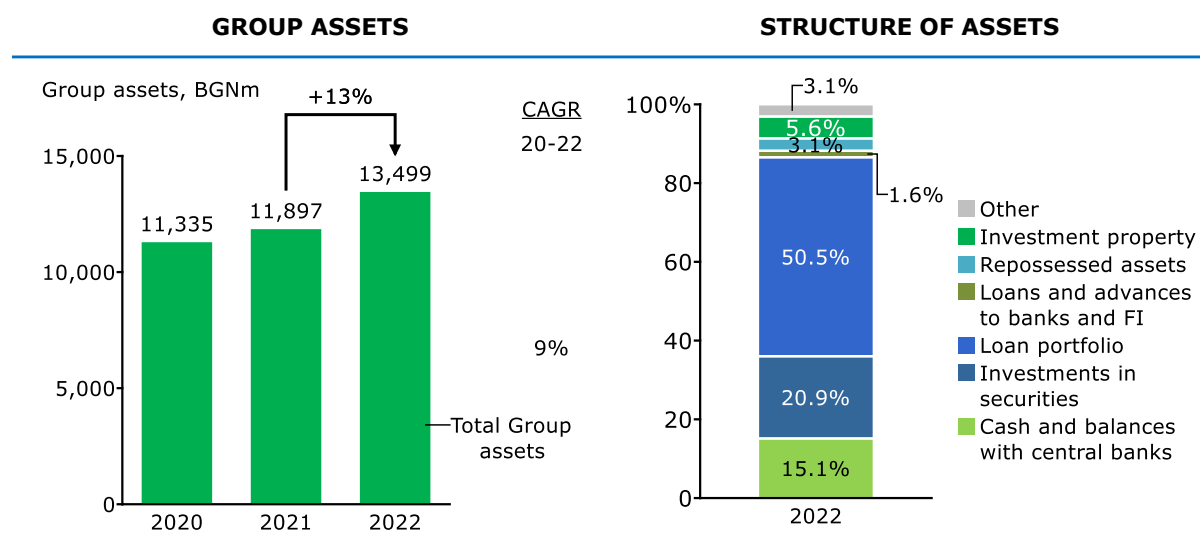
During the year additional write-downs were made on loans, securities and off-balance sheet commitments amounting to BGN 219,203 thousand, while BGN 78,973 thousand impairment losses were reversed. As a result, net impairment for 2022 amounted to BGN 140,230 thousand (2021: BGN 125,663 thousand). For more information see the ["Risk Management"](#) section.

For the reporting period, the Group of First Investment Bank reported other net expenses in the amount of BGN 7,739 thousand, compared to net income of BGN 7,608 thousand a year earlier, which was mainly influenced by lower income in connection with the revaluation of investment property (2022: BGN 14,769 thousand; 2021: BGN 30,340 thousand). This position included also contributions made by the Group to guarantee schemes, including deposit insurance funds, for restructuring and investor compensation (2022: BGN 26,251 thousand; 2021: BGN 23,710 thousand).

For more information, see the *Consolidated Financial Statements for the year ending 31 December 2022*.

BALANCE SHEET

In 2022, total assets of the Group of First Investment Bank increased by 13.5% to BGN 13,498,982 thousand, compared to BGN 11,897,221 thousand a year earlier. The dynamics reflected the increase of attracted funds, the development of lending services and the management of investments in securities. Fibank maintained its leading position among banks in the country, ranking fifth in terms of assets (2021: fifth) by the end of 2022, with a market share of 8.18% on an individual basis (2021: 8.32%).



In the structure of Group's assets, loans and advances to customers retained structure-determining at 50.5% of total assets (2021: 55.9%), followed by investments in securities – 20.9% (2021: 14.1%) and cash and receivables from central banks – 15.1% (2021: 16.6%). The share of repossessed assets were down to 3.1% (2021: 3.9%), and investment property to 5.6% (2021: 6.2%), as part of actions aimed at reducing non-interest-bearing assets and their effective realization. The net loans/deposits ratio amounted to 59.6% compared to 66.7% for the previous year in accordance with the conservative risk management policy.

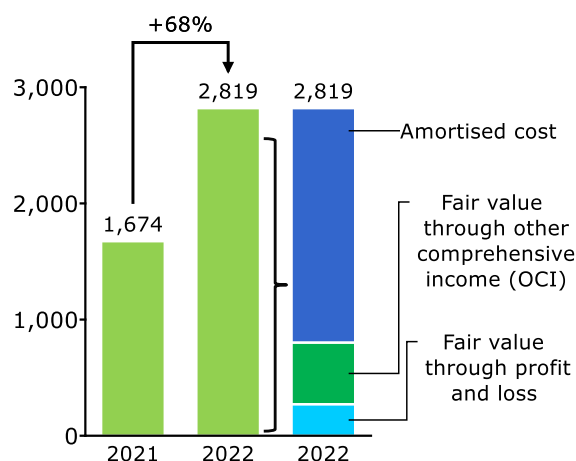
Cash and receivables from central banks increased to BGN 2,042,858 thousand, compared to previous year levels – BGN 1,970,814 thousand, mainly as a result of an increase in current accounts in foreign banks (2022: BGN 255,537 thousand; 2021: BGN 206,145 thousand). Receivables from central banks remain almost unchanged (2022: BGN 1,521,699 thousand; 2021: BGN 1,499,754 thousand), maintained in accordance with the requirements for minimum mandatory reserves and generating optimal profitability. As of the end of 2022, cash on hand amounted to BGN 264,331 compared to BGN 261,999 a year earlier, being managed according to customer needs and efficiency in terms of liquidity.

Loans and advances to banks and financial institutions increased to BGN 221,900 thousand at the end of the period (2021: BGN 87,456 thousand), as an increase was reported in receivables from local banks and financial institutions (2022: BGN 105,275 thousand; 2021: BGN 22,208 thousand), as well as in those from foreign banks and institutions (2022: BGN 116,625 thousand; 2021: BGN 65,248 thousand).

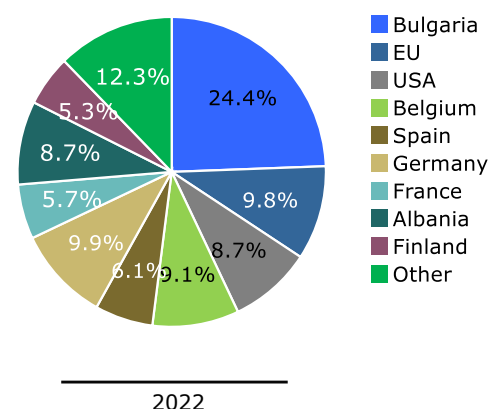
The securities investment portfolio of the Group increased to BGN 2,819,193 thousand at the end of the year (2021: BGN 1,673,781 thousand), managed according to market conditions and with a view to generating additional income while maintaining proper balance between risk and return. The increase was due to an increase in government securities (2022: BGN 2,372,052 thousand; 2021: BGN 1,203,260 thousand), which mainly contain government debt of European Union member states.

Bonds and other securities issued by enterprises increased (2022: BGN 405,558 thousand; 2021: BGN 317,559 thousand) at the expense of those issued by banks (2022: BGN 10,477 thousand; 2021: BGN 124,057 thousand).

PORTFOLIO OF FINANCIAL INSTRUMENTS



PORTFOLIO OF GOVERNMENT DEBT BY COUNTRIES



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 530,160 thousand of the securities portfolio were measured at fair value through other comprehensive income (2021: BGN 1,088,904 thousand), BGN 271,138 thousand – at fair value through profit or loss (2021: BGN 268,738 thousand) and BGN 2,017,895 thousand – at amortized cost (2021: BGN 316,139 thousand).

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

Reposessed assets decreased to BGN 423,585 thousand (2021: BGN 459,853 thousand) while investment properties were BGN 750,324 thousand (2021: BGN 732,850 thousand). During the year, such properties were acquired in the amount of BGN 10,318 thousand, as well as a revaluation made in the amount of BGN 14,769 thousand. For the period, properties sold amounting to BGN 7,613 thousand were written off.

Other assets of the Group amounted to BGN 115,937 thousand (2021: BGN 129,548 thousand), including deferred expenses, gold and other receivables. The right-of-use assets amounted to BGN 171,638 thousand at the end of the year (2021: BGN 93,825 thousand), growing in connection with the reported effects of changes in lease conditions and expectations for the lease term.

For more information see the Consolidated Financial Statements for the year ended December 31, 2022.

LOAN PORTFOLIO

LOANS

In 2022 the net loan portfolio of the Group of First Investment Bank increased by 2.5% to BGN 6,823,003 thousand (2021: BGN 6,653,944 thousand), in line with the objectives for business development focused on the retail, micro and SME segments. As of December 31, 2022, Fibank ranked sixth in terms of loans among banks in the country, reporting a market share of 8.27% (2021: 9.34%) on an individual basis.

| In BGN thousand / % of total | 2022 | % | 2021 | % |
|------------------------------|------------------|------------|------------------|------------|
| Retail banking | 2,538,006 | 35.1 | 2,283,398 | 32.0 |
| Micro enterprises | 232,822 | 3.2 | 201,149 | 2.8 |
| Small enterprises | 923,928 | 12.8 | 922,650 | 12.9 |
| Medium-sized enterprises | 1,250,729 | 17.3 | 1,258,780 | 17.6 |
| Large enterprises | 2,278,006 | 31.5 | 2,467,734 | 34.6 |
| Gross loan portfolio | 7,223,491 | 100 | 7,133,711 | 100 |
| Impairment | (400,488) | | (479,767) | |
| Net loan portfolio | 6,823,003 | | 6,653,944 | |

Growth was recorded mainly in retail banking loans, which increased their share to 35.1% of the gross portfolio of the Group (2021: 32.0%), as well as in micro enterprises – to 3.2% (2021: 2.8%). Small and medium-sized enterprises⁹, structured according to the Law on Small and Medium-sized Enterprises, formed 12.8% (2021: 12.9%) and 17.3% (2021: 17.6%) respectively or a total of 30.1% (2021: 30.5%) of total loans at the end of the year. A decrease was recorded in loans in the segment of large enterprises, with their share being 31.5% of the gross portfolio (2021: 34.6%).

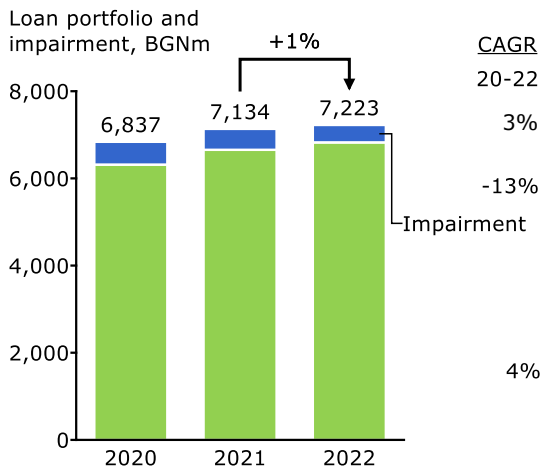
| In BGN thousand / % of total | 2022 | % | 2021 | % |
|------------------------------|------------------|------------|------------------|------------|
| Loans in BGN | 4,241,295 | 58.7 | 4,053,534 | 56.8 |
| Loans in EUR | 2,603,986 | 36.1 | 2,689,184 | 37.7 |
| Loans in other currency | 378,209 | 5.2 | 390,993 | 5.5 |
| Gross loan portfolio | 7,223,491 | 100 | 7,133,711 | 100 |
| Impairment | (400,488) | | (479,767) | |
| Net loan portfolio | 6,823,003 | | 6,653,944 | |

In the currency structure of the loan portfolio, loans in BGN increased to BGN 4,241,295 thousand (2021: BGN 4,053,534 thousand) or 58.7% of the total portfolio (2021: 56.8%). A decrease was reported in loans in euro to BGN 2,603,986 thousand at the end of the period (2021: BGN 2,689,184 thousand), or a share of 36.1% (2021: 37.7%) in 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

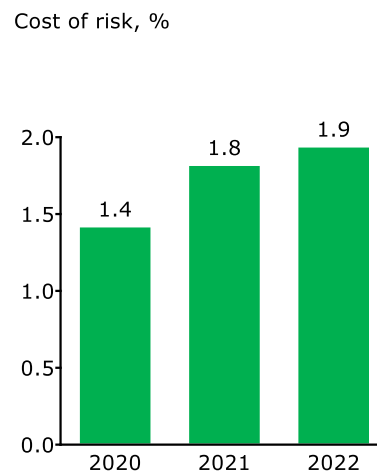
⁹ According to business segments of the Bank, incl. criteria for annual turnover, as well as: microenterprises – up to BGN 3.9 million; small enterprises – up to BGN 19.5 million; medium-sized enterprises – up to BGN 97.5 million.

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 378,209 thousand (2021: BGN 390,993 thousand), forming 5.2% of total loans (2021: 5.5%). Loans granted by the First Investment Bank abroad accounted for 6.2% of the Group's gross portfolio (2020: 4.9%), reflecting the increase in the loan portfolio of First Investment Bank – Albania Sh.a. to individuals and SME's. For further information, see section [“Business review of the subsidiary companies”](#).

LOAN PORTFOLIO AND IMPAIRMENT



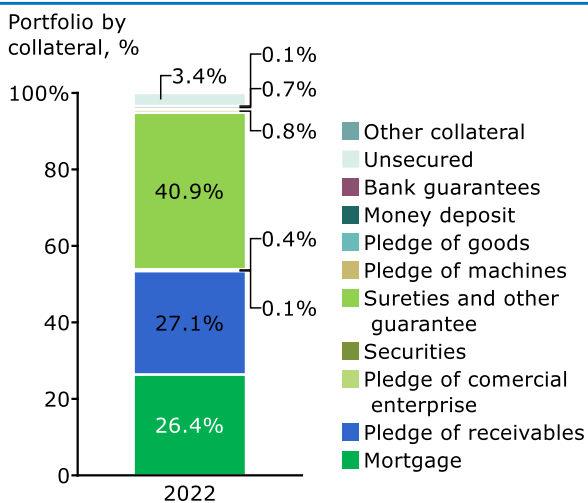
COST OF RISK



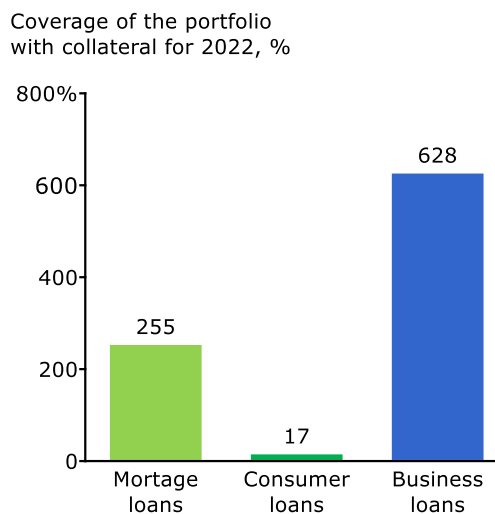
At the end of the period, impairment charges for potential losses on the loan portfolio amounted to BGN 400,488 thousand compared to BGN 479,767 thousand a year earlier. In 2022, additional impairment was recognized in the amount of BGN 218,518 thousand, impairment losses in the amount BGN 78,097 thousand were reversed, and BGN 221,997 thousand were written off.

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

LOAN PORTFOLIO BY TYPE OF COLLATERAL



COVERAGE OF THE PORTFOLIO WITH COLLATERAL



As of the end of 2022, the type of collateral having the largest share in the Bank's portfolio were sureties and other guarantees at 40.9%, followed by pledges of receivables at 27.1% and mortgages at 26.4%.

For more information on credit risk, see Note 3 "Risk Management" of the Consolidated Financial Statements for the year ended December 31, 2022.

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 Group | | | Enterprises under common control | | | |
|-------------------------------|--|--------|--------|----------------------------------|--------|--------|--------|
| | In BGN thousand | 2022 | 2021 | 2020 | 2022 | 2021 | 2020 |
| Loans | | 2,944 | 3,515 | 1,769 | 78,316 | 70,364 | 70,992 |
| Deposits and loans received | | 14,195 | 13,725 | 13,275 | 15,418 | 13,582 | 15,194 |
| Deposits placed | | - | - | - | 49,050 | - | 2,955 |
| Other receivables | | - | - | - | 341 | 18,037 | 17,565 |
| Other borrowings | | - | - | - | 50 | 320 | - |
| Off-balance sheet commitments | | 1,023 | 1,061 | 1,031 | 2,004 | 594 | 703 |
| Leasing liabilities | | - | - | - | 2,684 | 1,513 | - |

| Type of related party | Parties that control or manage the Group | | | Enterprises under common control | | | |
|----------------------------|--|------|------|----------------------------------|-------|-------|-------|
| | In BGN thousand | 2022 | 2021 | 2020 | 2022 | 2021 | 2020 |
| Interest income | | 35 | 24 | 25 | 2,870 | 2,085 | 2,415 |
| Interest expense | | 8 | 8 | 10 | - | 1 | 1 |
| Fee and commission income | | 27 | 16 | 14 | 672 | 861 | 166 |
| Fee and commission expense | | 6 | 4 | 3 | 300 | 293 | 293 |

For more information regarding related party transactions, see Note 35 "Related party transactions" of the Consolidated Financial Statements for the year ended December 31, 2022.

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 of the Group amounted to BGN 1,052,174 thousand compared to BGN 847,693 thousand a year earlier. The increase was mainly in the unused credit lines – up to BGN 858,510 thousand (2021: BGN 671,131 thousand) and in the letters of credit – up to BGN 33,332 thousand (2021: BGN 12,507 thousand), at the expense of bank guarantees, which reported a decrease to BGN 160,332 thousand (2021: BGN 164,055 thousand).

For more information on off-balance sheet commitments, see Note 32 "Contingent liabilities" of the Consolidated Financial Statements for the year ended December 31, 2022.

ATTRACTED FUNDS

In 2022, attracted funds from customers increased by 14.9% and reached BGN 11,454,906 thousand (2021: BGN 9,973,631 thousand), remaining the main source of funding for the Bank and forming 94.7% of total liabilities (2021: 94.3%). First Investment Bank offers savings products and package programs tailored to market conditions and customer needs. As at December 31, 2022, the Bank ranked fifth by deposit size among banks in Bulgaria (2021: fifth) with a market share of 8.59% on individual basis (2021: 8.69%).

Deposits of individuals increased by 4.2% to BGN 7,765,553 thousand at the end of the period compared to BGN 7,450,167 thousand a year earlier. They retained a major share of total attracted funds from customers at 67.8% (2021: 74.7%). The currency structure of retail deposits was dominated by funds in BGN accounting for 39.8% of all attracted funds from customers (2021: 43.6%), followed by funds in EUR at 21.2% (2021: 23.5%) and in other currencies at 6.8% (2021: 7.6%).

| In BGN thousand / % of total | 2022 | % | 2021 | % | 2020 | % |
|--|-------------------|-------------|------------------|-------------|------------------|-------------|
| Attracted funds from individuals | 7,765,553 | 67.8 | 7,450,167 | 74.7 | 7,255,775 | 76.0 |
| In BGN | 4,552,829 | 39.8 | 4,352,763 | 43.6 | 4,128,051 | 43.3 |
| In EUR | 2,430,824 | 21.2 | 2,339,776 | 23.5 | 2,424,881 | 25.4 |
| In other currency | 781,900 | 6.8 | 757,628 | 7.6 | 702,843 | 7.4 |
| Attracted funds from corporate, state-owned and public institutions | 3,689,353 | 32.2 | 2,523,464 | 25.3 | 2,286,501 | 24.0 |
| In BGN | 2,014,767 | 17.6 | 1,397,918 | 14.0 | 1,343,397 | 14.1 |
| In EUR | 1,338,190 | 11.7 | 932,705 | 9.4 | 713,846 | 7.5 |
| In other currency | 336,396 | 2.9 | 192,841 | 1.9 | 229,258 | 2.4 |
| Total attracted funds from customers | 11,454,906 | 100 | 9,973,631 | 100 | 9,542,276 | 100 |

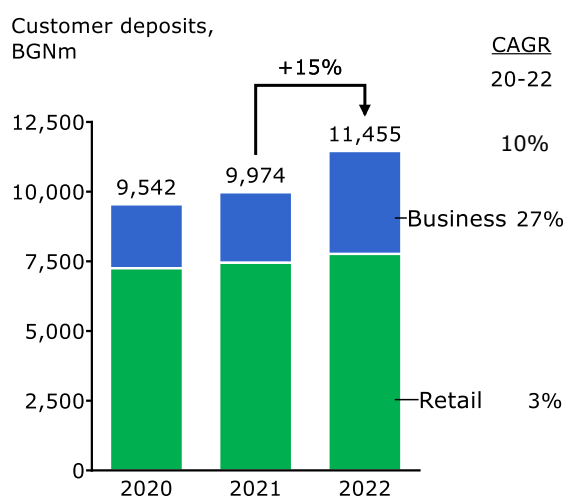
In accordance with the regulatory requirements, First Investment Bank allocates annual contributions to the Deposit Insurance Fund. As provided by law, the Fund guarantees amounts up to BGN 196,000 kept in a customer's accounts with the Bank.

Attracted funds from corporates and institutions increased by 46.2% to BGN 3,689,353 thousand (2021: BGN 2,523,464 thousand) as a result of the Bank's consistent policy on cross-selling, development of the transaction business, building lasting customer relationships and weakening of investment activity. By the end of 2022 their relative share increased to 32.2% of total attracted funds

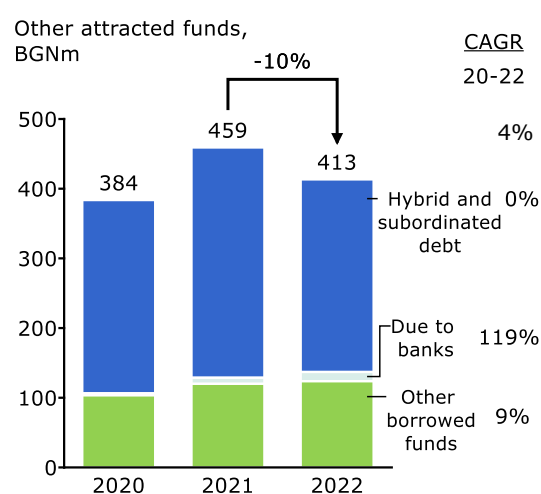
from customers (2021: 25.3%). As regards the currency structure, funds in BGN attracted from corporates and public institutions formed 17.6% of all borrowings (2021: 14.0%), followed by those in EUR at 11.7% (2021: 9.4%) and in other currencies at 2.9% (2021: 1.9%).

Other borrowings increased to BGN 123,846 thousand as of December 31, 2022 compared to BGN 120,002 thousand a year earlier, as a result mainly of the received financings (2022: BGN 36,611 thousand; 2021: BGN 26,227 thousand) and of the liabilities related to structured investment products (2022: BGN 6,884 thousand; 2021: BGN 2,638 thousand), as well as of the obligations under loan agreements (2022: BGN 33,118 thousand), which were included in the product portfolio during the period, in order to prepare for the fulfillment of the requirements for eligible liabilities (MREL) according to Regulation (EU) № 575/2013 and the Law on Recovery and Restructuring of Credit Institutions and Investment Intermediaries. *For more information, see the „[Capital](#)“ section.*

CUSTOMER DEPOSITS



OTHER ATTRACTED FUNDS



The received financing included mainly financing from the Fund Manager of Financial Instruments in Bulgaria (Fund of Funds) – BGN 20,174 thousand (2021: BGN 7,971 thousand), from the Bulgarian Development Bank AD – BGN 14,931 thousand (2021: BGN 15,525 thousand), as well as from the European Investment Fund under the JEREMIE 2 initiative – BGN 1,506 thousand (2021: BGN 2,731 thousand). *For more information, see the „[External programs and guarantee schemes](#)“ section.* At the end of the year, the amortized cost of the debt related to total return swap agreements decreased to BGN 39,469 thousand (2021: BGN 73,391 thousand), due to an instrument matured during the period.

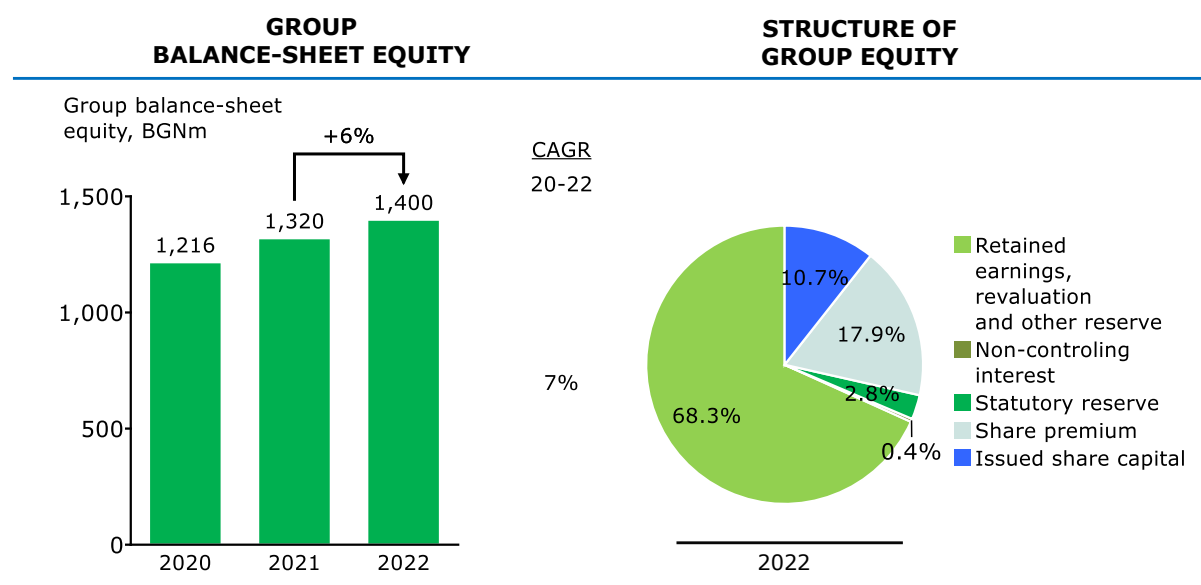
For 2022, liabilities due to banks in the form of current and term accounts amounted to BGN 13,152 thousand, compared to BGN 8,722 thousand a year earlier.

Leasing liabilities of the Group amounted to BGN 171,217 thousand at the end of the year (2021: BGN 93,528 thousand), increasing in connection with the reported effect of changes in leasing conditions and the lease term.

For more information on borrowings, see the Consolidated Financial Statements for the year ending 31 December 2022.

CAPITAL

As of December 31, 2022 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 the Group of First Investment Bank increased by 6.0% to BGN 1,399,622 thousand (2021: BGN 1,319,842 thousand), influenced by the increase in other reserves and retained earnings, which reached BGN 962,805 thousand at the end of the period (2021: BGN 860,339 thousand).

REGULATORY CAPITAL

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

By the end of the reporting period the CET1 capital of the Group amounted to BGN 1,314,754 thousand, compared to BGN 1,299,477 thousand a year earlier, after applying the corrections related to the transitional treatment according to Regulation (EU) 2017/2395 on mitigating the impact of the introduction of IFRS9. 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.

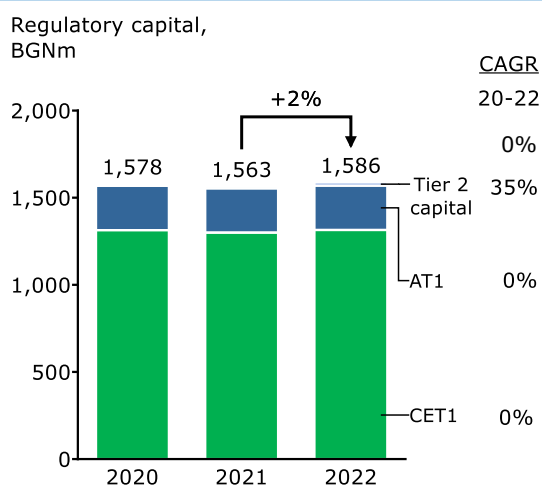
In December 2022, First Investment Bank extended its one-year program to issue hybrid instruments (perpetual, non-cumulative, unsecured, deeply subordinated, freely transferable, non-convertible bonds) meeting Additional Tier 1 capital requirements, to replace existing issues of hybrid instruments

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.. The bonds are issued in global form, clearing through Clearstream Banking S.A., with the aim of subsequent admission to trading on the regulated market of the Luxembourg Stock Exchange (LuxSE).

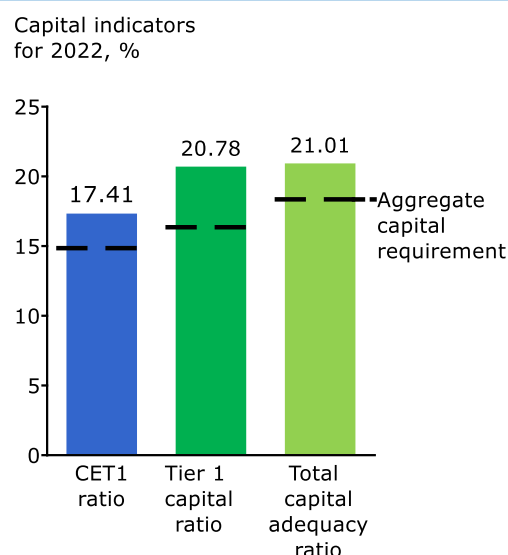
In May 2022, the Bank successfully issued as private placement the third tranche of the first series of hybrid instruments (ISIN: XS2419929422), whereby its amount reached EUR 30 million. In August 2022 the first tranche of the second series of hybrid instruments (ISIN: XS2488805461) in the amount of EUR 10 million was issued, the total amount of bonds issued under the program reaching EUR 40 million. For the new bonds, permission was obtained from the BNB for inclusion in the additional Tier 1 capital of the Bank. In connection with this, at the end of the year a replacement was made of the existing bond issue with original principal amount of EUR 40 million (ISIN: BG2100008114). Thus the amount of Additional Tier 1 capital (AT1) as at 31.12.2022 remained unchanged, at BGN 254,258 thousand (EUR 130 million). *For more information, see the [Subsequent Events](#) section.* Tier 1 capital of the Group at the end of the period amounted to BGN 1,569,012 thousand (2021: BGN 1,553,735 thousand), and total regulatory capital to BGN 1,586,448 thousand (2021: BGN 1,562,783 thousand).

As of 31 December 2022, First Investment Bank had also two other hybrid instruments (bond issues) with an original principal amount of EUR 60 million (ISIN: BG2100022123) and EUR 30 million (ISIN: BG2100023196), 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 256,861 thousand (2021: BGN 320,733 thousand).

REGULATORY CAPITAL



CAPITAL ADEQUACY IN 2022



In December 2022, the subsidiary First Investment Bank – Albania Sh.a. issued a new subordinated term debt in the amount of EUR 5 million for a period of 7 years, meeting the requirements for inclusion in Tier 2 capital. The Group (through the subsidiary bank in Albania) had also issued two other instruments in the form of subordinated term debt (long-term bonds) in the amount of EUR 2 million and EUR 2.9 million, meeting the requirements for inclusion in Tier 2 capital. The amortized value of the subordinated term debt amounted to BGN 19,410 thousand as of December 31, 2022 (2021: BGN

9,622 thousand). For more information, see Note 29 "Hybrid and subordinated debt" of the Consolidated Financial Statements for the year ending December 31, 2022.

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 2022, the eligible capital of First Investment Bank, calculated on a consolidated basis 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 1,586,448 thousand.

CAPITAL REQUIREMENTS

At the end of 2022, The Group of First Investment Bank reported stable capital ratios, as follows: Common Equity Tier 1 (CET1) ratio at 17.41%, Tier 1 capital ratio at 20.78% and Total Capital Adequacy ratio at 21.01%, exceeding the minimum regulatory capital requirements, expressed by the overall capital requirement, including the combined buffer requirement.

| In BGN thousand / % of risk exposures | 2022 | % | 2021 | % | 2020 | % |
|---------------------------------------|------------------|-------|------------------|-------|------------------|-------|
| CET 1 capital | 1,314,754 | 17.41 | 1,299,477 | 17.33 | 1,313,839 | 17.72 |
| Tier 1 capital | 1,569,012 | 20.78 | 1,553,735 | 20.72 | 1,568,097 | 21.15 |
| Own funds | 1,586,448 | 21.01 | 1,562,783 | 20.84 | 1,577,681 | 21.28 |
| Total risk exposures | 7,551,920 | | 7,498,839 | | 7,413,986 | |

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

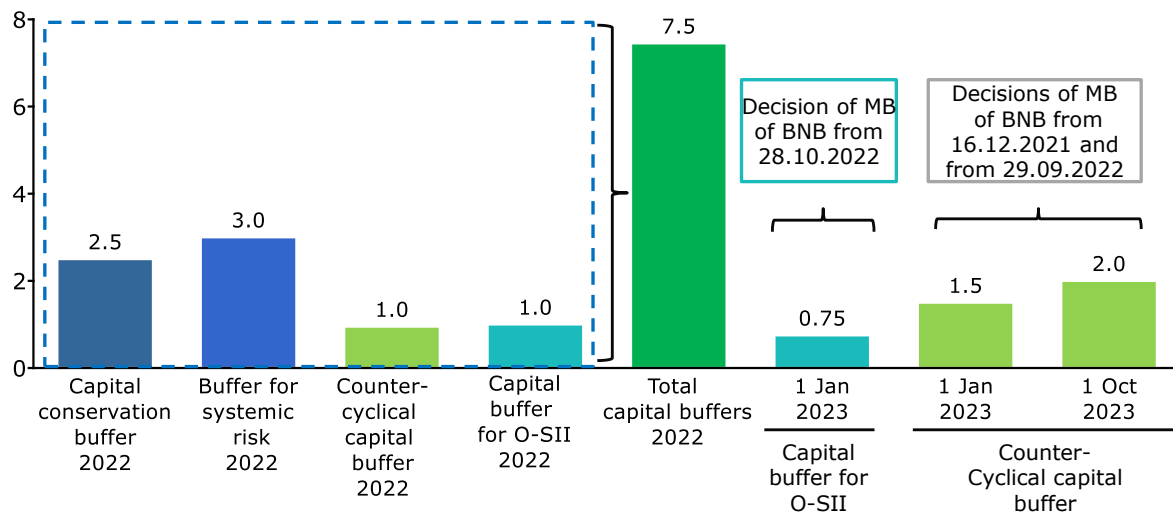
In addition to the capital requirements set out in Regulation (EU) No 575/2013 and LCI, First Investment Bank maintains four capital buffers in accordance with the requirements of Ordinance No8 of the BNB on Capital Buffers, the Combined Buffer Requirement, Restrictions on Distributions and the Guidance on Additional Own Funds.

First Investment Bank maintains a capital conservation buffer, comprised of common equity tier 1 capital, equal to 2.5% of the total risk exposure of the Bank, as well as 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 2022 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 by the end of 2022 it amounted to 1.0%, and according to the decisions of the BNB, it was increased to 1.5% effective from 01.01.2023. and to 2.0% effective from 01.10.2023.

CAPITAL BUFFERS

Types of capital buffers, maintained by the Bank
%



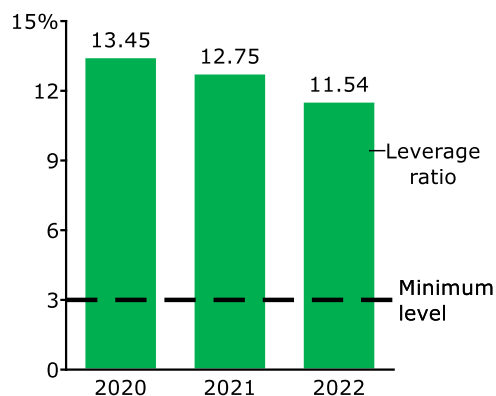
In addition, the determined by BNB other systematically important institutions (O-SII) in the country among which First Investment Bank AD should maintain a buffer for O-SII with a view on their significance for the national economy and financial system. The applicable for Fibank buffer for O-SII on an individual and consolidated basis, determined as a share of the total value of the risk exposures, was in the amount of 1.0% for 2022 and 0.75% as of 01.01.2023.

LEVERAGE

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

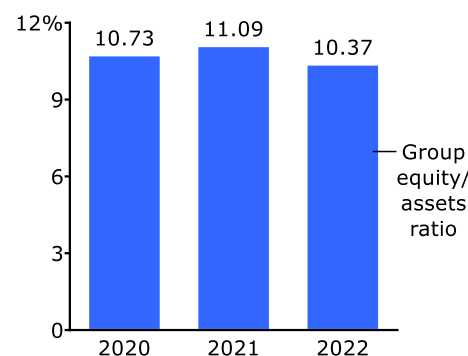
LEVERAGE RATIO

Leverage ratio, in %



GROUP EQUITY/ ASSETS RATIO

Group equity/assets, in %



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 2022, the leverage ratio amounted to 11.54% on an consolidated basis compared to 12.75% for the previous period, impacted by the increase in the total exposure measure.

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

ELIGIBLE LIABILITIES

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

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 2022, First Investment Bank continued to develop its products in fulfillment of the minimum requirements for eligible obligations (MREL), including with respect to borrowings. In this connection, the terms of the Perspective product were optimized. This is a senior unsecured debt product with a fixed yield, intended for individuals and business customers. It is structured in such a way as to comply with the requirements for maturity, security, subordination, loss sharing, acceleration, and others under the Law on the Recovery and Resolution of Credit Institutions and Investment Firms and Regulation (EU) No 575/2013.

For more information on capital and eligible liabilities see the Consolidated Financial Statements as at 31 December 2022.

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 2022, the Bank operated in accordance with its Risk Management Strategy and Risk Appetite Framework, aiming to maintain a moderately low level of risk and further increasing the protection mechanisms against risks inherent in banking, taking into account the challenges of the external environment and the regulatory requirements. 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 investor demand and their effective realization.

First Investment Bank appreciates the importance of sustainable development. During the year a new department “Sustainable development” was established, aiming to implementing the requirements, taking into account the environmental, social, and governance (ESG) factors in the overall activity of the Bank, including support and consulting on strategic planning, 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.



The Bank determines its risk propensity and risk tolerance levels so that they correspond to its strategic objectives and stable functioning, as well as to the required level of equity capital and an effective management process. Fibank maintains financial resources that are commensurate with the volume and type of operations performed and with its risk profile, by developing internal control systems and

mechanisms for risk management in accordance with regulatory requirements and best practices. The main goals on the basis of which the risk strategy is structured, are defined, as follows:

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

In 2022, as part of the annual review, the Risk Strategy was updated in accordance with the Risk Appetite Framework and the Business Plan of the Bank. With regard to the risk profile, the Strategy continues to focus on the development of retail and SME segments, as well as on the digitization of processes, cyber security and data protection. Constant emphasis is placed on ensuring effective control environment in relation to existing business processes, active management of credit and operational risk, maintaining an adequate level of unencumbered liquid assets, and keeping assumed market risk within current limits.

RISK APPETITE FRAMEWORK

In 2022, 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 2022, 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.

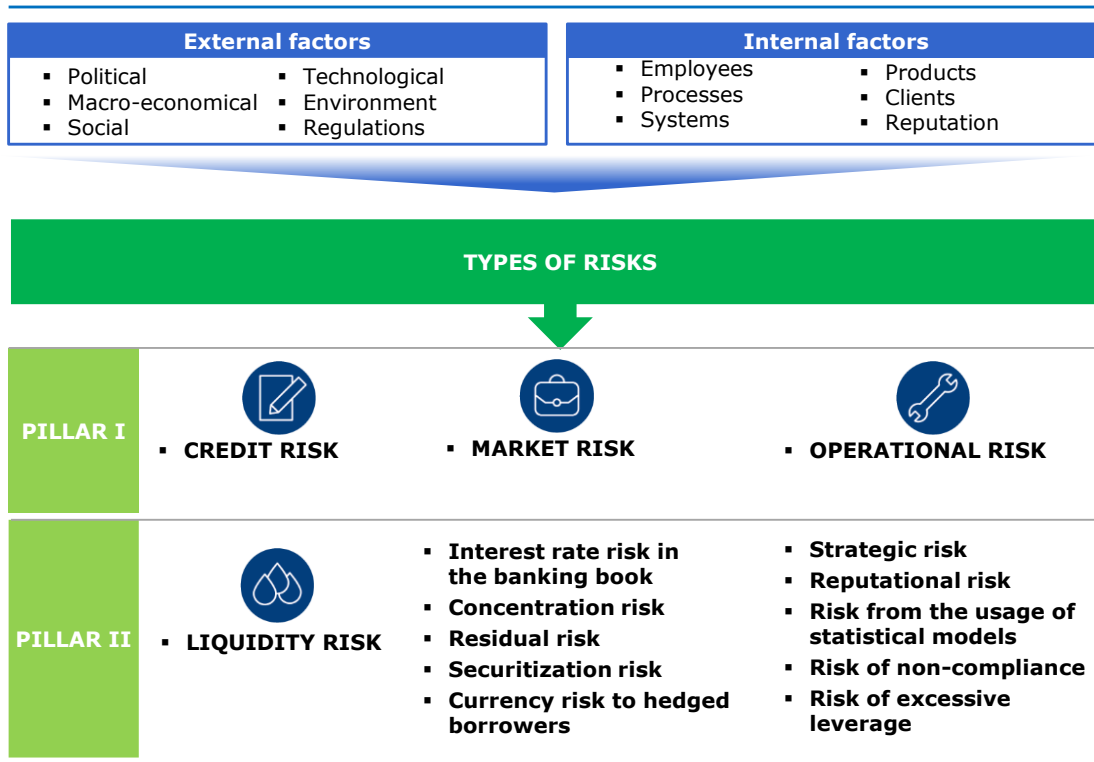
Within the risk appetite framework, the **risk capacity** of the Bank is defined, which represents the maximum level of risk the Bank can operate without breaking regulatory requirements and other limits with respect to capital and funding needs and liabilities to counterparties. The **risk tolerance** 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, MREL ratio, leverage 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 pursuant to Directive 2013/36/EU (EBA/GL/2021/05).

STRUCTURE AND INTERNAL ORGANISATION

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

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

First Investment Bank has also developed a compliance function, whose main objective is to identify, assess, monitor and report the risk of non-compliance. The function ensures the compliance of

activities with regulatory requirements and recognized standards, and supports the Managing Board and senior staff in the management and control of this risk. The function is organized under the 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. During the year there were no changes in the composition of the Risk Committee. As at 31 December 2022, it consisted of three members of the Supervisory Board of First Investment Bank AD. The Chairman of the Risk Committee is Mr. Jyrki Koskelo, independent member of the Supervisory Board.

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

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

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

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

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

Apart from the collective management bodies, the risk function in First Investment Bank is executed by the Risk Analysis and Control department, the Credit Risk Management, Monitoring and Provisioning department and the specialized unit for Strategic Risk Management (Risk Management Directorate), as well as the Compliance function – by departments Compliance – Regulations and Standards and Compliance – Specialized Monitoring and Control (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. As part of it a Compliance – investment services and activities unit functions, which executes ongoing control over the execution of the regulatory requirements with respect to the Bank's activity as an investment intermediary and on the market abuse with financial instruments, as well as a Data protection officer, who has a leading role in ensuring the lawful processing of personal data in the Bank's structure – *for further information see section „[Personal Data Protection](#)“*.

The Compliance – 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.



SYSTEM OF LIMITS

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

For more information on the internal limits for different types of risk, see the subsections on credit risk, market risk, liquidity risk, operational risk, as well as the Consolidated Financial Statements for the year ended 31 December 2022.

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 2022 First Investment Bank updated its recovery plan, including recovery indicators. Those were calibrated 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 requirement for own funds and eligible liabilities (MREL), new subordination indicators were added, structured as a percentage of the total risk exposure amount (TREA) and the leverage ratio exposure measure (LRE). Information regarding the main lines of business and the criteria for identifying critical functions was further elaborated, as well as aggregated information regarding the overall recovery capacity and the effects of measures on capital and liquidity. A more conservative approach and rigorous risk parameters were applied in the assumptions for preparation of different of stress scenarios, including in view of the challenges of the external environment and the economic consequences resulting from the events in Ukraine.

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

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

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

RESTRUCTURING PLANNING PROCESS

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

In this regard, in 2022 First Investment Bank launched the development of an internal Bail-in Playbook to document the operational process related to a potential bail-in event, including the operational steps related to write-off mechanisms and conversion of instruments and liabilities.



CREDIT RISK

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

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

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

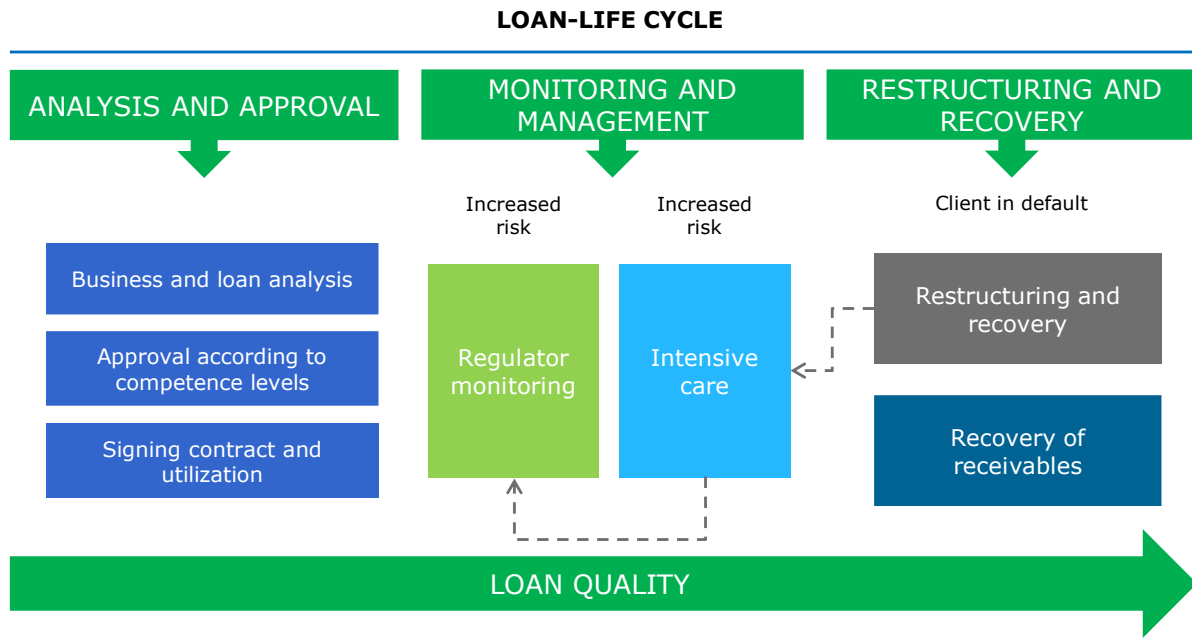
LOAN PROCESS

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

At the end of 2021, the Bank implemented a new and advanced BPM system for processing retail loans (New Workflow). From the middle of 2022, it was also extended to business customers. The system covers the activities of accepting loan applications, preparing opinions, approval and disbursement of new loans, as well as renegotiating existing ones. The applicable limits and authority levels for approval/renegotiating of individual types of credit exposures are integrated in the system. Automating the credit process aims to increase the quality of customer service, as well as to reduce the time for processing credit applications.

In 2022, changes were made to the levels of authority for approval of credit transactions. The main objective was to optimize the internal decision-making process with a view of the Restructuring Committee's role as a collective management body involved in the process. In this connection, the rules for substituting committee members in their absence were further developed. During the year,

changes were also made to the internal rules and guidelines regarding credit administration, mainly in connection with the implemented new automated BPM system for processing credit transactions. The procedures were improved related to collecting, providing and receiving information from the Central Credit Register of the BNB, including in terms of control mechanisms, levels of access to systems, and generation of reports from the Register.



During the year, a reorganization of the business units engaged in credit activity was carried out in view of the customer segmentation applied by the Bank. It corresponds to the European requirements for defining micro, small and medium-sized enterprises, which were transposed by the Law on Small and Medium-sized Enterprises.

Credit products are priced so that income generated by them covers the cost of funds, the assumed risk/expected loss, the administrative costs, as well as the return on equity allocated to the respective product. In this connection, changes were made in the methodology for pricing credit products during the period, aiming to address the minimum requirement for own funds and eligible liabilities (MREL).

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

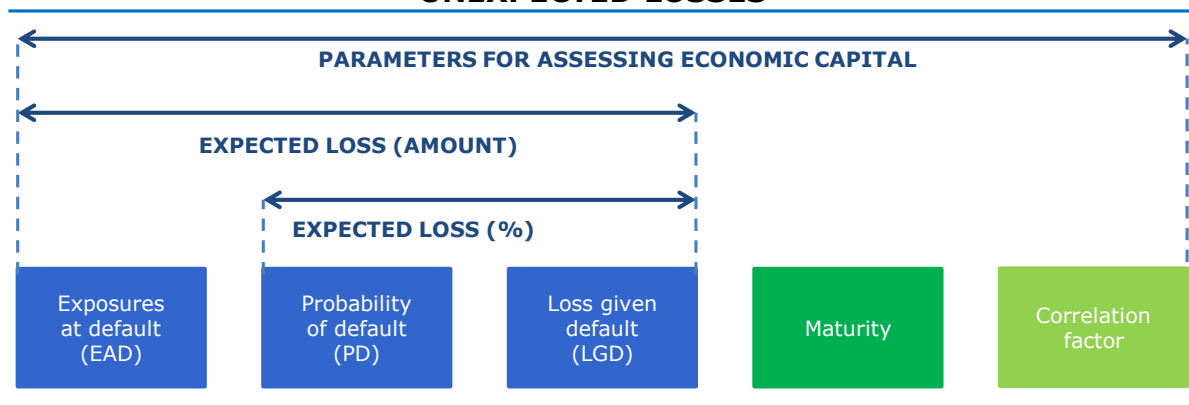
In the Bank a department functions for Intensive loan management, which manages the exposures of customers transferred from the business units with increased credit risk compared to the initial disbursement of the loan, as well as from the impaired assets unit, when there are indicators for recovery of the exposure and objective possibility for future regular servicing. The processes are organized in accordance with the Rules for 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.

RISK PARAMETERS FOR ASSESSING EXPECTED AND UNEXPECTED LOSSES



For further information regarding economic capital see subsection „[Internal Capital Adequacy Analysis](#)“.

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

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

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

There is a structured process within the Bank for assessment and validation of the risk management models to ensure their reliability, accuracy and effective implementation. It envisages the preparation of regular validation reports in the Bank: brief/monitoring quarterly reports and extended annual validation reports, covering both quantitative analysis (statistical, econometric and other quantitative approaches) and analysis of the qualitative (non-statistical) characteristics, in compliance with the current regulatory requirements and good banking practices in the area. In 2022 the terms for their preparation were refined, aiming at timely reporting of the results to the competent bodies within the Bank.

CREDIT RISK MITIGATION METHODS

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

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

PROBLEM EXPOSURES, REPOSSESSED ASSETS AND REDUCTION STRATEGY

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

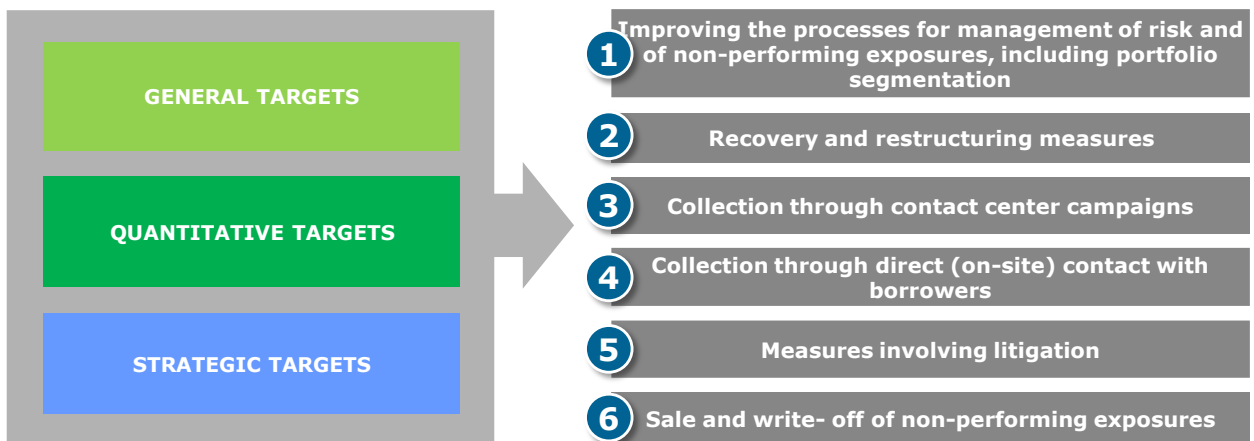
The Bank has structured processes and internal organization regarding the management and sale of repossessed assets, as well as for debt-to-asset/debt-to-equity conversion. There is an Asset Management and Sale Committee acting as an auxiliary body to the Management Board. It performs functions related to the management, administration and sale of acquired assets in accordance with the levels of authority operating in the Bank. During the year, changes were made in the powers of the Asset Management and Sale Committee aiming at more effective management of acquired assets, including in cases of leasing.

Among the strategic priorities of the Bank regarding its risk profile is reducing the portfolio of nonperforming exposures and repossessed assets, as in this regard a Strategy for reduction of nonperforming exposures and repossessed assets for 3-year period is in place, as well as an operating plan for its implementation, in which measures adequate to the business model and risk profile were identified aligned with the EBA Guidelines on management of nonperforming and forboren exposures (EBA/GL/2018/06). In 2022, the strategy and operational plan were updated. An annual self-assessment was carried out, covering assessment of the operating environment, of the internal capacity, as well as of the external conditions for effective management and reduction of nonperforming exposures and acquired assets. Additional indicators were added to the quantitative targets for reducing non-performing exposures. The Bank continued to pursue the goals and priorities set therein, including:

- ◆ 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, as a result of the consistent actions and measures for improving collection, write-offs and reduction of problem exposures, net non-performing exposures of the Group decreased by 7.2% or by BGN 96,590 thousand y/o/y. As at 31 December 2022, the nonperforming loan (NPL) ratio calculated in accordance with the requirements of the European Banking Authority decreased by 1.6 percentage points to 13.5% of gross loans and advances under the FinREP financial reporting framework, and under the broader definition of nonperforming exposure (NPE) ratio it decreased by 2.3 percentage points to 10.4% of gross loans and advances and debt instruments other than held for trading.

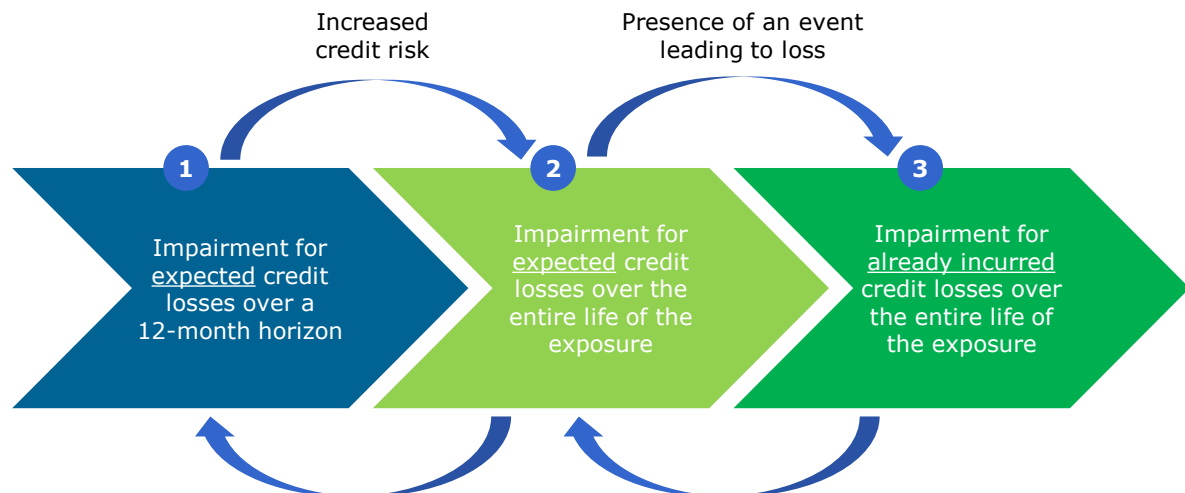
CLASSIFICATION, IMPAIRMENT AND PROVISIONING OF EXPOSURES

First Investment Bank applies a consistent exposure classification process, structured in accordance with the requirements of Regulation (EU) No. 575/2013 and its implementing regulations, Ordinance No. 7 of the BNB on the organization and management of risks in banks, as well as the EBA Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013 (EBA/GL/2016/07). Internal processes cover the definition of default, including indications of default and unlikelihood to pay, materiality thresholds for past due credit obligations, implementation of forbearance measures and reclassification, as well as units and internal banking bodies responsible for the process.

With respect to impairment and provisioning of risk exposures, the Bank applies written rules, which are structured based on the principles of individual and portfolio evaluation of risk exposures, depending on the classification and amount of exposure. For exposures reported as non-performing specific impairment is determined, calculated on the basis of individual cash flows for individually significant exposures, or on portfolio basis for the others. Regarding exposures reported as performing,

the Bank applies impairment on a portfolio basis (taking into account potential losses), grouping exposures with similar credit risk characteristics. According to IFRS9 an allowance for impairment loss is calculated equal to the expected credit losses over the life of the instrument, if the credit risk of the financial instrument has increased significantly since the original recognition. Otherwise, an allowance for impairment losses is calculated equal to the expected credit losses over a 12-month horizon.

IMPAIRMENT OF RISK EXPOSURES



The Bank has written parameters for defining the increased credit risk, which includes days past due, as well as other indicators i.e. presence of 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 2022, the Bank updated its internal rules for classification, provisioning and impairment, further enhancing its internal processes.

For more information on credit risk, see note 3 "Risk Management" from the Consolidated Financial Statements for the year ended 31 December 2022.



MARKET RISK

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

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

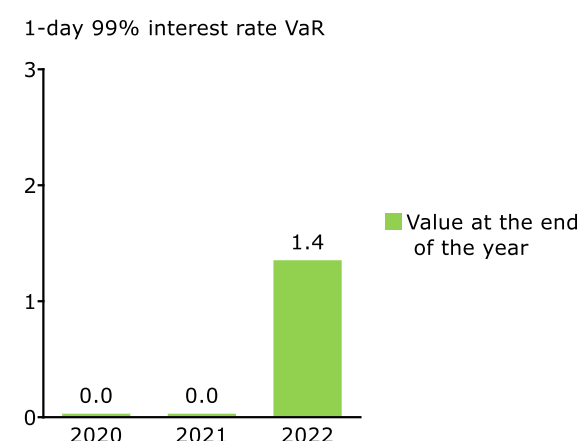
The limits applied by the Bank for debt and capital instruments are structured with the aim of minimizing the risk and applying a wide and risk-based framework of limits, which are directly connected with the risk profile of the investments, as well as with the dynamics of the risk profile in time. The Bank applies a uniform framework regarding its limits on investments in debt securities to governments and financial institutions in accordance with the development of market conditions and opportunities to generate returns and returns. In 2022, the rules for managing market risks were updated, incl. with respect to the limits for general position risk, related to the open position of equity instruments, held for trading.

POSITION RISK

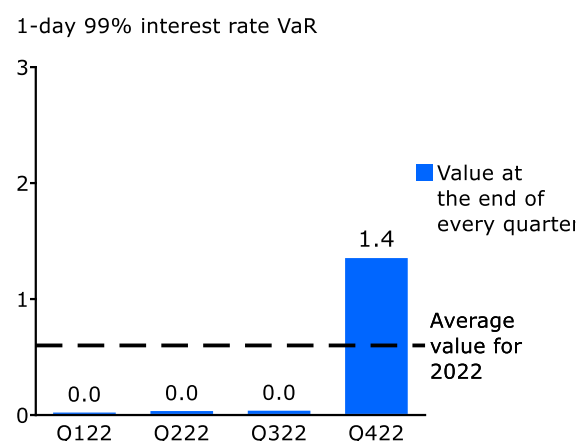
Position risk is the risk of changes in the prices of debt and equity instruments as a result of circumstances related to the issuer and / or changes in market conditions. Position risk includes general and specific position / price risk.

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



INTEREST RATE VAR FOR THE PORTFOLIO OF DEBT INSTRUMENTS DURING 2022



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

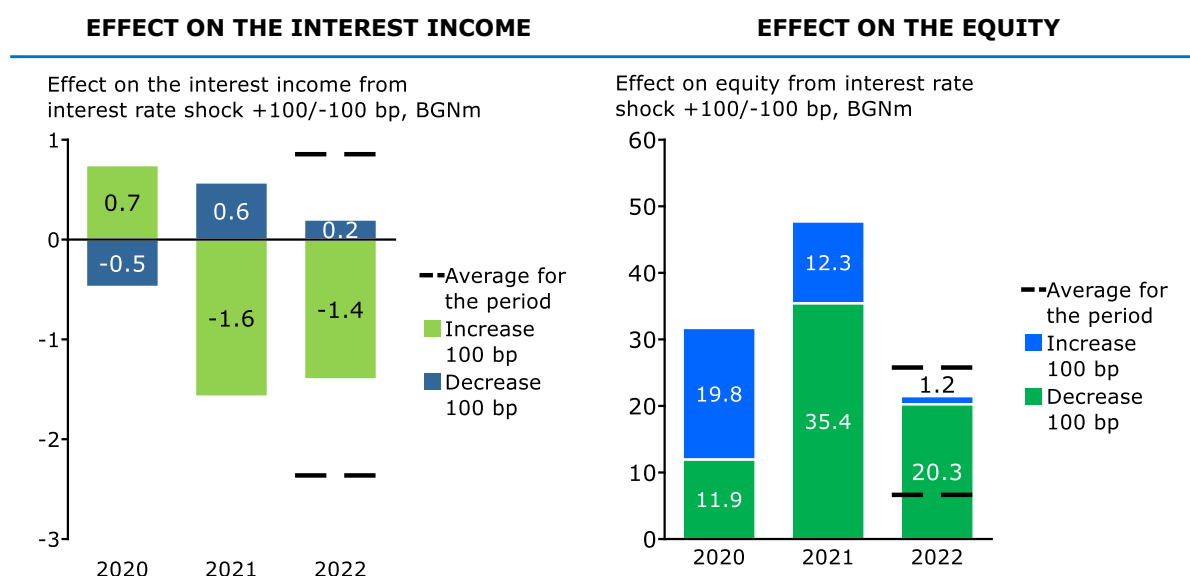
occur over a specified horizon under normal market conditions, due to the adverse changes in the market rates, if the positions remained unchanged for the specified time interval.

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 2022 the interest rate risk on the economic value of the Bank (IRRBB) following a standardized shock of +100/-100 bp was BGN +1.2/+20.3 million, while on the net interest income one year forward was BGN -1.4/+0.2 million.

CURRENCY RISK

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

The Bank actively manages the amount of its overall open foreign exchange exposure, and seeks to maintain negligible levels of currency mismatches in its entire activity. In addition, First Investment

Bank calculates and applies limits, based on an internal VaR model, regarding the maximum loss that could be incurred within 1 day at a confidence level of 99.0%.

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

COUNTERPARTY RISK AND SETTLEMENT RISK

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

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

For further information regarding market risk see note 3 "Risk management" of the Consolidated Financial Statements as at 31 December 2022.



LIQUIDITY RISK

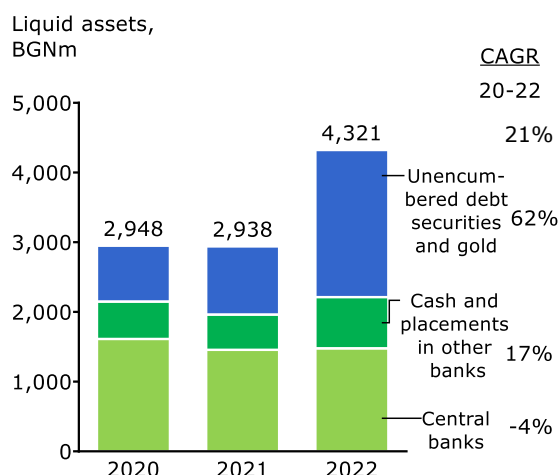
Liquidity risk originates from the funding of the banking business and in positions management. It includes the risk of failure to meet a payment when due, or failure to sell certain assets at a fair price and in the short term to meet an obligation.

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.

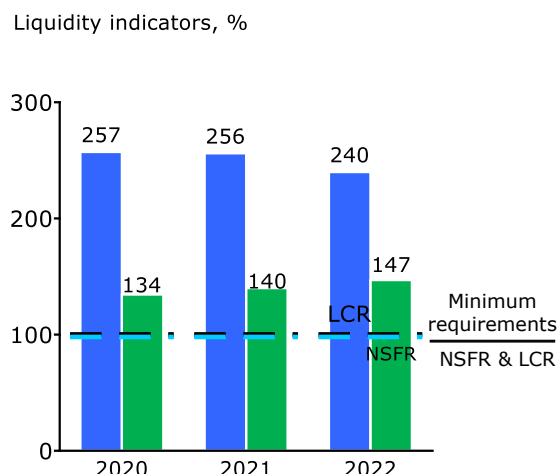
In order to maintain a medium-low risk profile, Fibank has established an adequate framework for liquidity risk management. The Bank's policy on liquidity management is designed so as to ensure meeting all obligations even under stress originating from the external environment or from the specifics of 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.

GROUP LIQUID ASSETS



LCR AND NSFR



During the reporting year Fibank maintained an adequate volume of liquid assets, as at 31 December 2022 the ratio of liquid assets covering the attracted funds due to other customers amounted to 37.72% (2021: 29.46%), 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 239.89% on a consolidated basis (2021: 256.37%).

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 146.91% on a consolidated basis (2021: 139.81%) and was above the reference value of 100% in accordance with Regulation (EU) No 575/2013.

INTERNAL LIQUIDITY ADEQUACY ASSESSMENT PROCESS

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

In 2022, 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 the results of stress scenarios and stress tests used and the quantitative information on funding plans and sources of funding. Liquidity position monitoring limits and early warning indicators regarding liquidity risk were further developed. Internal liquidity indicators were structured in compliance with the requirements for consistency with Recovery Plan levels, the latter being part of the monitoring and

early warning system incorporated in the Bank's risk management framework. During the period, the ILAAP Methodology was also updated, refined and improved. It describes the approaches to preparing and updating the ILAAP report, including with regard to the key components under the EBA Guidelines on ICAAP and ILAAP information collected for SREP purposes.

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

To ensure adequate capacity of the Bank to meet all its obligations and commitments, even in the context of a liquidity crisis, First Investment Bank has developed an action plan in case of contingency/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 Consolidated Financial Statements as at 31 December 2022.



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 this regard, in 2022, First Investment Bank further developed its internal rules for registering and reporting of operational events and assessment of their impact, incl. with regards to indicators, related to payment operations and services, as well as to security of IT systems and networks and the procedures for incident reporting.

INFORMATION SECURITY

Information security and cyber security play an increasingly important role in banking, given the growing digitization of services and automation of processes. It is as integral part of the Bank's priorities to maintain reliable databases, networks and systems, ensuring continuity of service and key banking processes.

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

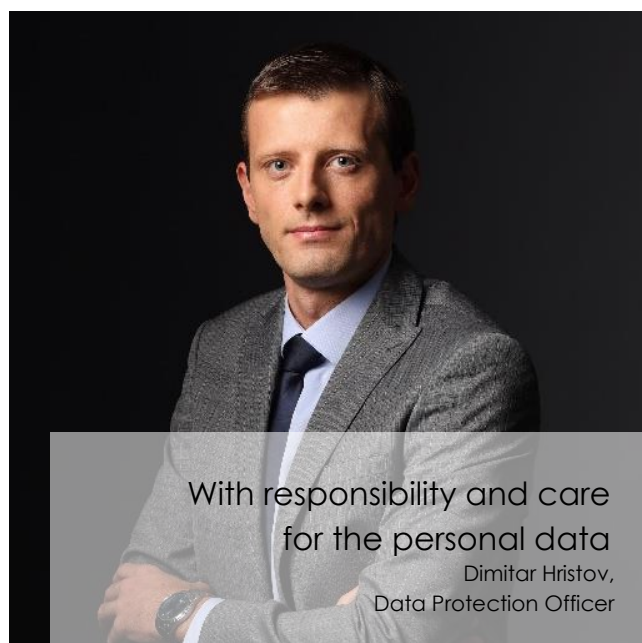
An "Information security" department functions within the Bank under the supervision of the Chief Risk Officer, which coordinates the activities related to information security, defines the requirements towards controls and security of data, as well as organizes the execution of the Management Board's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

In 2022, the Bank further developed its internal information security policies and rules, including network and information security measures; monitoring, evaluating and testing the reliability of ICT systems; as well as requirements and standards applicable to IT service providers of First Investment Bank.

PERSONAL DATA PROTECTION

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

In compliance with the requirements of the General Data Protection Regulation (GDPR), the Bank has a Data Protection Officer (DPO)



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

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

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

BUSINESS CONTINUITY MANAGEMENT

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

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

In 2022, as part of the annual review, an update of the Business Continuity Plan was carried out, including in connection with relocation of the Bank's headquarters to a new building. The scope of application of the Plan was further developed with respect to the branch network. Changes were also made related to criticality codes in crisis situations.

OUTSOURCING

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

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

RISK EXPOSURES

As at 31 December 2022 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 | 2022 | % | 2021 | % | 2020 | % |
|-----------------------------|------------------|------------|------------------|------------|------------------|------------|
| For credit risk | 6,978,820 | 92.4 | 6,941,701 | 92.6 | 6,834,786 | 92.2 |
| For market risk | 4,350 | 0.1 | 4,713 | 0.1 | 5,525 | 0.1 |
| For operational risk | 568,750 | 7.5 | 552,425 | 7.4 | 573,675 | 7.7 |
| Total risk exposures | 7,551,920 | 100 | 7,498,839 | 100 | 7,413,986 | 100 |

In 2022 the structure of risk-weighted assets comprised predominantly of those to credit risk at 92.4% of total exposures (2021: 92.6%), following by those for operational risk at 7.5% (2021: 7.4%) and to market risk at 0.1% (2021: 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 2022, the ICAAP report was updated in accordance with Fibank's Risk Strategy and business development goals, as well as in line with the operational environment and external conditions. The quantitative information and the integrated stress test results assessing the Bank's resilience under the baseline macroeconomic scenario and the adverse scenario (negative shock) were updated. The framework for collateral issuer concentration and for operational event reporting was further developed and refined, as part of economic capital analysis and operational risk stress testing. As concerns risk aggregation, information on credit risk and concentration risk was elaborated, including by distribution at the level of groups of related customers and at the economic sector level. During the year, the ICAAP Methodology was also improved, mainly by introducing a dynamic approach in integrated stress test assumptions.

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 (IRRBB)** by managing the structure of investments, controlling the costs and terms of financial liabilities, as well as controlling the interest rate structure of the loan portfolio and the other interest-bearing assets. Two aspects are 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.

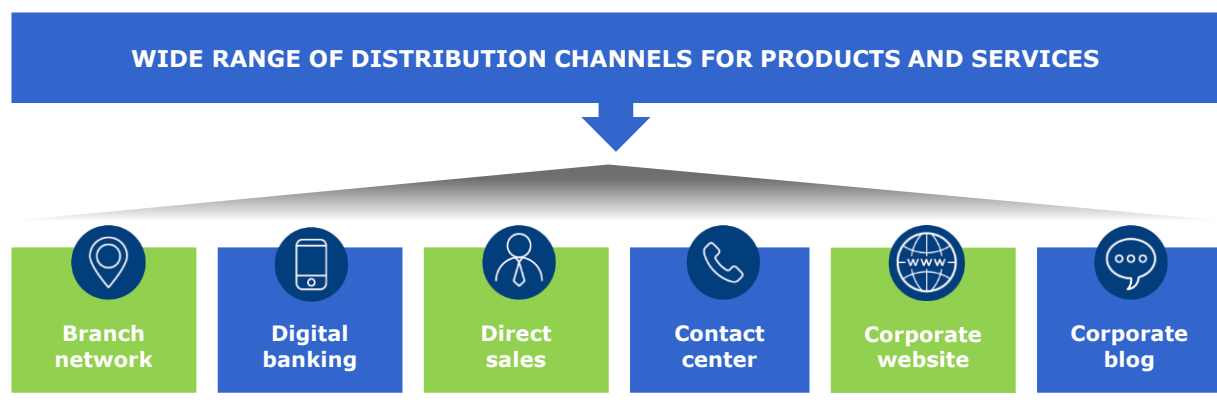


To assess **liquidity risk**, the Bank differentiates the analysis in two directions regarding the risk of insolvency and the risk of providing liquidity. The risk of insolvency is managed and covered by maintaining an appropriate buffer of unencumbered, highly liquid assets, while the risk of providing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



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 2022 the Bank continued to optimize its branch network, taking into account the external environment and market conditions, the workload of individual locations and the volumes of activity, as well as the processes related to activity digitalisation. During the year, two offices in the city of Sofia were closed and one new office was opened in the city of Belitsa. As at 31 December 2022 the branch network of First Investment Bank comprised a total of 140 branches and offices on a consolidated basis (2021: 141), located in over 60 cities in Bulgaria: 42 locations in the city of Sofia (2021: 44), 83 branches and offices in the rest of the country (2021: 82), one foreign branch in Nicosia, Cyprus, as well as a subsidiary bank in Albania, which operated with Head office and 14 branches in Albania.



The pleasure and security of feeling at home

Mihaela Georgieva, Branch Manager „Sofia South“

For further information regarding the branch network of First Investment Bank – Albania Sh.a., see section [“Business review of subsidiary companies”](#).

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

As part of the 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. In 2022, the Bank introduced electronic signing of documents in its branch network (e-Sign pad). When registering for the service, a sample of the customer's signature (electronic specimen) is taken and used for comparison in subsequent signing. The use of e-signing in basic banking transactions speeds up payment processing, improves customer service and contributes to the Bank's consistent efforts to reduce CO2 emissions by digitizing banking services.

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

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

The branch of First Investment Bank in Nicosia, the Republic of Cyprus, has been operating since 1997,

initially mainly in the area of corporate lending. Over the years, it has systematically and consistently expanded the range of products and services. At present, the branch offers standard credit and savings products, payment services and e-banking, with a focus on SME customers and retail banking.

For further information regarding the branch network, see section [“List of branch network”](#).

| 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 2022, 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 18 outgoing campaigns of different nature and topics were conducted through the Contact Center, including information campaigns, direct marketing of products and services, as well as consumer opinion surveys. Over 71 outgoing calls were made, with a high response rate

achieved, as well as an increase in the success rate of direct sales on the conducted commercial campaigns.

For the reporting period, the Contact Center received over 79 thousand incoming calls, emails and chat conversations in relation to various inquiries and requests by existing or potential customers, including on general banking information, card services, contact and reference information, product requests, etc.

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



CORPORATE WEBSITE – www.fibank.bg

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

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



During the year, the content of the corporate website was further developed, including in relation to disclosure of additional information on sustainable development and environmental, social and governance (ESG) factors influencing the activity.



CORPORATE BLOG

The corporate blog of First Investment Bank was created in 2008, which makes it the first corporate and banking blog in Bulgaria. On the verge of its 15th-anniversary in 2023, the corporate blog continued to be one of the most used by customers and useful online communication channels, along with the Bank's social networks. It contains an important part of the key news, initiatives, as well as financial analyzes and studies related to the market of banking products and services in the country. Thanks to the AskFibank platform, part of the corporate blog, the Bank's customers can ask their questions and get an expert opinion.

First Investment Bank continued to maintain active online communication in real time with clients, in addition to its blog, and through the leading social networks - Facebook, Instagram, LinkedIn, Twitter,

Youtube. In 2022, all of these channels featured some of Fibank's faces with their stories on their work and the relationships within the teams.

In 2023, the corporate blog and social networks will continue to maintain a constant and positive relationship with the Bank's customers, providing them with timely, accurate and useful information about Fibank's products and services.

SALES

First Investment Bank uses direct sales as an additional opportunity for 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 2022 Fibank continued its participation in public procurement and tenders in order to attract new business clients and maintain 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, 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



To develop as a professional among friends

Gabriel Yanov, Head of Department „Digital Banking“

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.

As part of expanding the range of services offered, in 2022 the innovative Blink functionality was added which allows making instant payments in BGN to other payment service providers. Blink payments are executed by the Bank 24/7/365. They are money transfers with instant or near-instant processing, whereby the recipient's account is credited with the transferred amount within seconds of acceptance of the payment order by the Bank. In this way, the Bank provides its customers with a highly innovative and fast solution for making online transfers.

During the year, a new feature for purchasing route passes was added to the existing one for purchasing electronic vignettes using the customer's current account, payment card, My Fibank electronic banking, or the mobile application. Another new functionality allows to apply for rescheduling credit card debt from POS payments, including virtual POS payments, to equal monthly installments. A number of technical innovations were made to My Fibank electronic banking, including a refurbished design, a new alternative method for customer profile management, new forms for applying for mortgage loans, overdrafts, credit and debit cards, as well as remote card activation for cards delivered by courier. Online opening of accounts and signing agreements was further developed through www.smetka.fibank.bg.

In compliance with the regulatory requirements arising from Regulation (EU) 1230/2021, First Investment Bank introduced a new functionality in its electronic banking allowing prior visualization of fees due when ordering a transfer. In line with the requirements for strong customer authentication (SCA), in 2022 a new embedded software token was introduced as a method of authentication in electronic banking. Two-factor authentication includes code generation technology, whereby a static code (PINT) or biometric characteristics (fingerprint/face ID) are added when confirming a transaction.

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

In 2022, the integrated My Fibank electronic banking platform established itself as a channel generating the predominant share (over 86%) of the Bank's outgoing transfers. A growth of 13% in transactions and 9% in the number of customers using the platform was reported. There was also an increase in average number of transactions per customer, both in transfers and in utility payments.

A testimony of the results achieved during the period were the two awards received: Digital Bank of the Year 2022 at the international competition Worldwide Finance Awards 2022 organized by the British magazine Acquisition International (AI), and the successful digital transformation award in the Bank of the Year contest organized by the Bank of the Year Association, based on an independent and objective methodology prepared by Deloitte Bulgaria.



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 2022, Fibank continued to develop its mobile application. The immediate issuance of Debit Instant Card was offered: a new type of virtual debit card without plastic, intended for making payments online or through other remote methods, including smart mobile devices. An option was provided to digitize payment cards, including in third party apps (e.g. Google Pay, Apple Pay, Garmin, Fitbit). *For more information on digitizing cards in third party apps, see the [Card Payments](#) section.*

During the year, the innovative Blink P2P instant transfer service was introduced. It allows execution of instant money transfers using a secondary identifier: a mobile phone number, instead of indicating an account IBAN.

During the year, push notifications were further developed to provide a variety of information to customers regarding their transfers (including Blink instant transfers), account transactions, card authorizations, credit card obligations, utility payments, or changes to the Tariff of the General Terms of the Bank. The functionalities for strong customer authentication were improved through a built-in software token used in confirming online transactions.




The Help from a Friend service was introduced, allowing every customer to receive assistance and information about the features and functionalities of My Fibank electronic banking and the mobile application.

In 2023, the Bank will continue its efforts to provide first-class service while focusing on digital methods and solutions, providing self-service options and developing sustainable banking.

CORPORATE GOVERNANCE STATEMENT

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

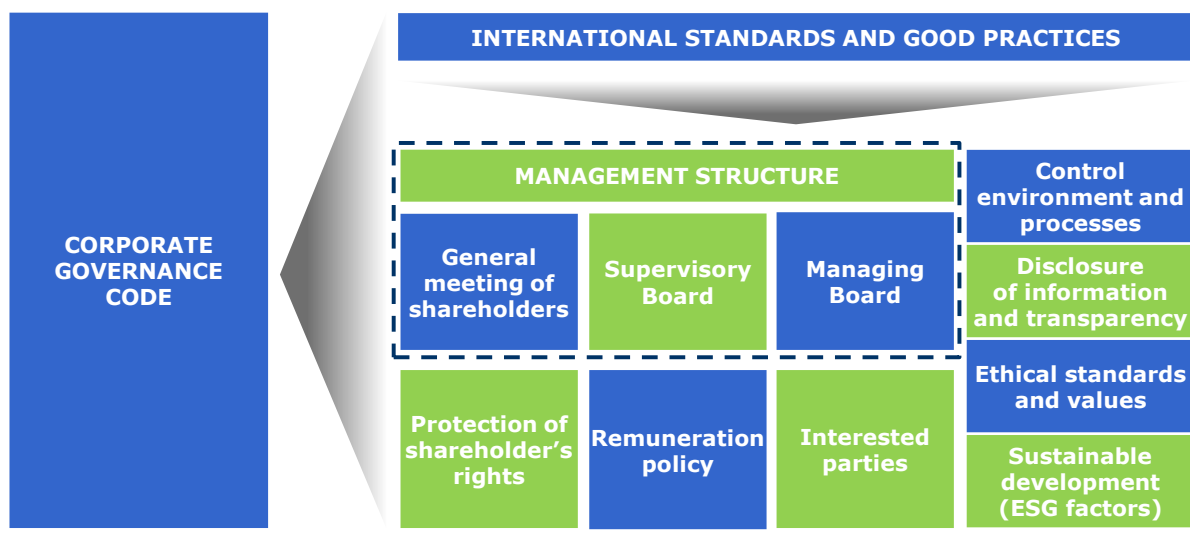
 As a public company and public interest entity, First Investment Bank discloses information about its corporate governance practices, as this section of the Annual Report represents a Corporate Governance Statement pursuant to Art. 100m of the Public Offering of Securities Act and Art. 40 of the Accountancy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



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

First Investment Bank applies written policies for corporate governance on 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 2022, the Bank further improved its corporate governance policies, including the assessment of suitability of members of management and supervisory bodies and key function holders, ethical standards and code of conduct, customer segmentation, as well as the disclosure practices related to sustainable development and environmental, social, and governance (ESG) factors.

The head office and business address of First Investment Bank AD was changed, due to moving in new building at Sofia 1784, 111P, Tsarigradsko shose Blvd.

CORPORATE GOVERNANCE CODE

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

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

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

In 2022 the Bank updated its Corporate Governance Code in compliance with the amendments of the National Corporate Governance Code related mainly to sustainable development requirements and environmental, social, and governance (ESG) factors, as well as to introductory and training programs for new members of the governance bodies and shareholder communication.

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

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

In 2022, 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 2022.

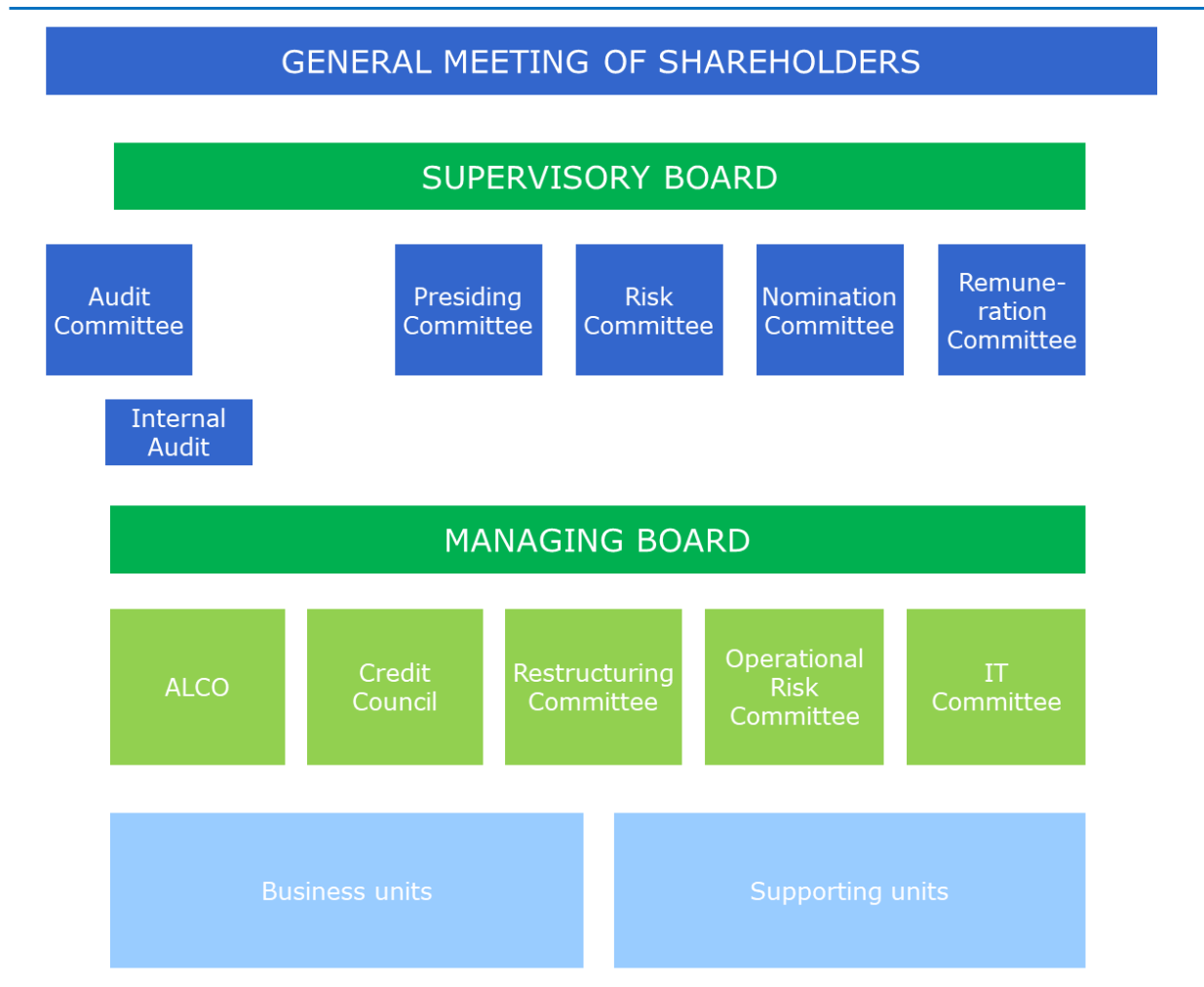
CODE OF CONDUCT AND WHISTLEBLOWING POLICY

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.

In 2022 the Bank updated its Code of Conduct with regards to application and adherence to internal requirements for information security and risk appetite framework.

The Bank, led by the understanding that following a lawful and ethical conduct in relations between managerial staff, employees, customers and partners of the Bank is an important aspect underlying its overall activity, has in place a whistleblowing policy. The Policy aims to systematize the means and procedures for sharing of information where there are suspicions of unlawful actions, or problems related to the work process, thereby ensuring their transparent and fair consideration and resolution.

MANAGEMENT STRUCTURE



SUPERVISORY BOARD

STRUCTURE AND COMPETENCES

In 2022 there were no changes in the composition of the Supervisory Board of First Investment Bank. 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 111P, Tsarigradsko shose Blvd, 1784 Sofia.

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

In 2022 there was no changes in the number of shares of First Investment Bank, held by members of the Supervisory Board. As at 31 December 2022 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.

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 2022, the Bank fulfilled the set target level as two (40%) of the Supervisory Board members were women. The reported levels exceeded the average levels in EU related to management board in its supervisory function (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, i.e. ESG 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 for sustainable development: "Tone of the Top".

The meetings of the Supervisory Board are determined in advance, in accordance with an annual work plan. In 2022, the Supervisory Board held 18 meetings to consider issues within its competence. Emphasis was placed on exercising ongoing supervision in the implementation of the updated Risk Strategy, the Risk Appetite Framework and the Strategy for Reduction of Non-performing Exposures and Acquired Assets, where the Risk Committee provided active support. Issues were also discussed concerning the branch network, the digitization of operations, the Bank's market shares and competitive positions, and the implementation of strategic development goals. Regular reviews were carried out of financial results and reporting and of the internal control framework, where the Audit Committee provided assistance. Supervisory Board members were constantly informed on the developments in the Bank's activity and of its compliance with new regulatory requirements. During the year, the Supervisory Board approved changes to the Bank's Corporate Governance Code and Code of Ethics in line with sustainable development and ESG factors, as well as with the network and information security policies.

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 2022 was accomplished at the end of the fourth quarter of the year.

COMMITTEES

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

The **Presiding Committee** is responsible for overseeing the activities of the Managing Board on important strategic decisions, including the issue of new shares, bonds, hybrid instruments, the adoption of programs and budgets relating to the activity of the Bank, the line responsibilities of the members of the Managing Board, as well as the function for overview and control over the activity of

the subsidiary companies of the Bank. In 2022, there were no changes in the composition of the Presiding Committee. Chair of the Presiding Committee is Ms. Maya Georgieva.

In 2022, the Presiding Committee held 5 meetings to consider issues within its competence, including allocation of responsibilities among members of the Management Board, as well as making recommendations and coordination of the business strategy for the period 2023-2025 and the budget of the Bank.

The **Risk Committee** advises the Supervisory Board and the Managing Board in relation to the overall current and future strategy on ensuring compliance of the risk policy and risk limits, risk-taking propensity and control of its execution by senior management. In 2022, there were no changes in the composition of the Risk Committee. Chairman of the Committee is Mr. Jyrki Koskelo.

The Risk Committee held 9 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, Risk Appetite Framework and Strategy for the Reduction of Non-performing Exposures and Repossessed Assets, as was regularly informed and monitored their implementation, as well as the effectiveness of the internal risk management and control systems, i.e. the compliance function. During the year, the Risk Committee held discussions on the quality of the loan portfolio, including in view of the consequences of the situation in Ukraine, as well as on the assumptions for the integrated stress test for credit risk, held for the purpose of ICAAP.

The **Remuneration Committee** assists the Supervisory Board in the implementation of the Remuneration policy of the Bank and its subsequent amendments, as well as in any other matters concerning remuneration, in accordance with the regulatory requirements and best practices in the area. In 2022, there were no changes in the composition of the Remuneration Committee. Chair of the Remuneration Committee is Mr. Evgeni Lukanov.

In 2022, the Remuneration Committee held 3 meetings discussing issues of its competence related to the Remuneration Policy. It also reviewed proposals in connection with the regular assessment process and updating the categories of identified staff.

The **Nomination Committee** assists the Supervisory Board in assessing the individual and collective suitability of members of the Supervisory Board and Managing Board, as well as assessing the suitability of the key function holders in compliance with applicable regulations and the Policy of First Investment Bank for nomination and assessment of the suitability of members of the managing and supervisory bodies and persons holding other positions. In 2022, there were no changes in the composition of the Nomination Committee. Chair of the Nomination Committee is Mr. Jordan Skortchev.

During the year the Nomination Committee held 7 meetings considering issues within its competence, including on the selection and suitability of persons holding senior management positions in the Bank's subsidiaries, as well as periodic follow-up assessments of the individual and collective suitability of members of the Supervisory Board, the Management Board and key position holders. The Nomination Committee also discussed topics related to planning of trainings within the institution, as well as coordinated the updated 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.

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 2022, there were no changes in the composition of the Audit Committee. Chair of the Audit Committee is Mr. Dimitar Dimitrov, who possesses financial competencies as well as the knowledge, professional experience and qualifications in the field of accounting and financial audit necessary for the effective performance of his duties.

During the year, the Audit Committee held 12 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 2022 no changes were made to the composition of the Managing Board of First Investment Bank. In January 2022 was registered the re-election of the current member Mr. Chavdar Zlatev for a new 5-year term as member of the Managing Board of the Bank.

STRUCTURE AND COMPETENCES

At the end of 2022 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 Small Enterprises Banking Department | 30.06.2025 |

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

The Management Board members are elected for 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 2022 the members of the Managing Board held a total of 35,791 shares of First Investment Bank, as follows: Mr. Nikola Bakalov (2516 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 2022, the Bank fulfilled the set target level as two (33%) of the Managing Board members were women. The reported levels exceeded the average levels in EU related to management board in its management function (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. During the year changes were made to the competences of the Commission aiming at more effective management of repossessed assets, incl. in cases of rental. 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, Analysis and Control of Risk and 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 2022, an Annual General Meeting of Shareholders was held, which represented 90.50% of the share capital and voting rights, at which a decision was taken that the entire net profit of the Bank for 2021 shall be capitalized and set in other reserves with general purpose. Amendments were made to the By-laws of First Investment Bank related to changing the headquarters and the business address of the Bank, as well as such for authorizing the Management Board within a period of 5 years as from 02.08.2022, with the prior approval of the Supervisory Board, to adopt resolution for increase, through issuance of new shares, of the Bank's capital until it reaches an aggregate nominal amount of BGN 210,000,000.

The General Meeting of Shareholders elected registered auditors for performing independent financial audit of the Bank for 2022 – Mazars OOD and Ecovis Audit Bulgaria OOD. The companies were elected after prior approval of the Bulgarian National Bank and recommendation from the Audit Committee of the Bank based on criteria for coordination of the selection, approved by the BNB together with the Commission for Public Oversight of Statutory Auditors.

With a view to greater efficiency and facilitating the implementation of certain decisions, the General Meeting of Shareholders with its previous decisions of 19.06.2019 and 23.06.2021 authorized the Management Board, with the prior approval of the Supervisory Board, to adopt resolutions for: issuance of mortgage bonds under the Law on mortgage bonds with a general nominal amount of BGN 400,000,000 with maturity up to 10 years from date of issuance and other conditions, defined by the

Managing Board (within a period of 5 years as from 23.07.2019); for the issuance of debt instruments, including subordinated term debt and debt/equity (hybrid) instruments, up to the aggregate amount of BGN 2 billion or its equivalence in another currency (within a period of 5 years as from 11.08.2021).

CONTROL ENVIRONMENT AND PROCESSES

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

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

The internal control framework is in compliance with the applicable requirements in this sphere, including Ordinance No 10 of the BNB on the Organisation, Governance and Internal Control of Banks and EBA Guidelines on internal governance under Directive 2013/36/EU (EBA/GL/2021/05). During the period, the Compliance policy, as well as the Compliance charter with respect to reflecting structural changes related to the unit for control of investment services and activities and the data protection officer. With regards to anti-money laundering and terrorism financing measures, the Procedure for pre-approval of Bank clients and monitoring of established business relations was updated.

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 2022 the General Meeting of Shareholders of First Investment Bank approved the 2021 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 2022 are:

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

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

PROTECTION OF SHAREHOLDERS' RIGHTS

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

CONVENING OF GMS AND INFORMATION

The convening of the General Meeting of Shareholders is made by written notice to shareholders in accordance with the Statute of the Bank in order to encourage their participation in the General Meeting, and in such a way as not to impede the voting or make it unnecessarily expensive. The Bank provides shareholders with timely and adequate information for decision-making, taking into account the scope of competence of the General Meeting. The invitation, together with the written materials related to the agenda of the General Meeting, are announced in the Commercial Register to the Registry Agency, submitted to the Financial Supervision Commission, and made available to the public through www.x3news.com at least 30 days before holding the General Meeting. They are also published on the website of the Bank in Bulgarian and English from the time of the announcement until the conclusion of the General Meeting. Upon request, the materials are provided to each shareholder free of charge. As part of the invitation written rules for voting with proxy are included, also requirements related to documents prepared in a foreign language, 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. 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 in Section Investors/ Corporate Governance/ Shareholders' rights (<https://www.fibank.bg/bg/investitori/korporativno-upravlennie/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 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.

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.

In 2022, the Bank applied the regulatory technical standards on the specification of a single electronic reporting format as set out in Delegated Regulation (EU) 2019/815, according to which annual financial reports and activity reports are disclosed in XHTML format, while specific parts of the consolidated financial statements are marked by using the in-line XBRL format, which is a machine readable format.

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

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

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

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

INVESTOR RELATIONS DIRECTOR

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

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

In execution of the applicable regulatory requirements, in June 2022 the Investor Relations director of the Bank reported her activity during 2021 at the Annual General Shareholders' Meeting and her report was adopted by the shareholders unanimously.

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

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

STAKEHOLDERS

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

Periodically, in accordance with legal requirements and best practices, First Investment Bank discloses information of a non-financial nature, including on sustainable development taking into consideration ecological, social and government (ESG) factors. The Bank supports ecological initiatives, aimed 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“.*

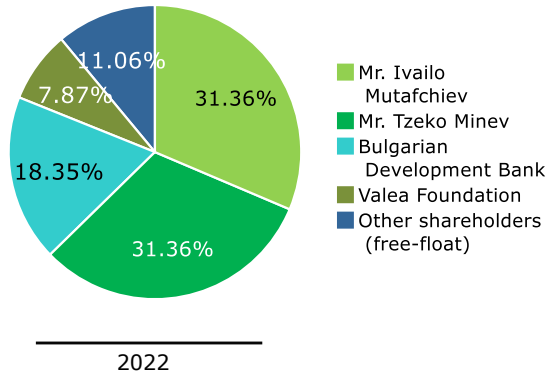
First Investment Bank has maintained and developed a corporate blog which functions as a channel of communication aimed at open dialogue in accessible language with customers, partners and other stakeholders.

SHAREHOLDERS' STRUCTURE

As at 31 December 2022 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%).

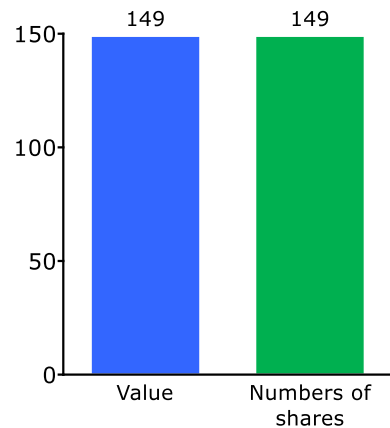
SHAREHOLDERS' STRUCTURE AT END-2022

Shareholders' structure, %



ISSUED SHARE CAPITAL AT END-2022

Issued share capital, BGNm/ million



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.

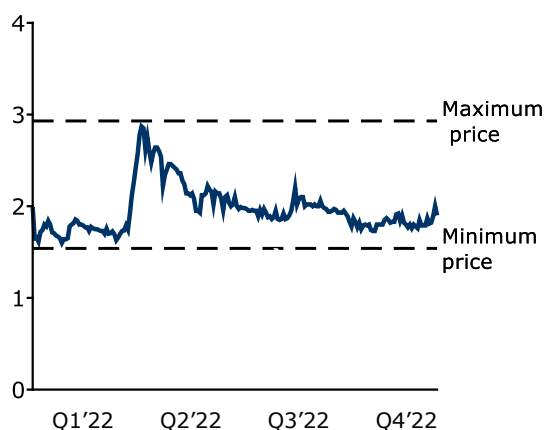
During the reporting period First Investment Bank did not acquire or transfer own shares, and at the end of the reporting period the Bank did not have own shares.

SHARE PRICE AND MARKET CAPITALISATION

In 2022, the share price of the Bank fluctuated in the range between BGN 1.60 to BGN 2.87. The last price of the shares of First Investment Bank for the reporting period was BGN 1,99 (2021: BGN 1,60) and the market capitalization of the Bank, calculated on this basis, amounted to BGN 296,679 thousand. (2021: BGN 238,536 thousand). A total of 2,915 transactions were concluded with the shares of the Bank on the regulated market BSE, amounting to a turnover of BGN 4,615 thousand, compared to 2,368 transactions and BGN 3,597 thousand turnover a year earlier.

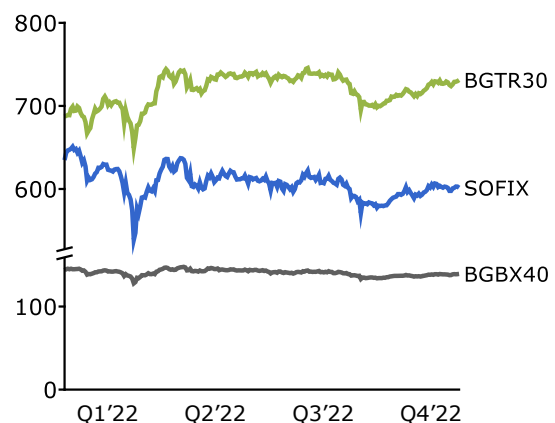
PRICE OF THE BANK'S SHARES FOR 2022

Share price of the Bank, in BGN



MAIN STOCK-EXCHANGE INDICES ON BULGARIAN STOCK EXCHANGE


Main stock-exchange indices on BSE, points



As at 31 December 2022, 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 regular review and update 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 2022 the number of identified staff of First Investment Bank on a consolidated basis amounted to 42 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 2022, no severance pay was paid to the identified staff.

SUMMARY OF QUANTITATIVE INFORMATION

In 2022, the remuneration paid to senior management amounted to BGN 12,068 thousand (2021: BGN 10,863 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 2944 thousand (2021: BGN 3515 thousand) on a consolidated basis.

For more information on Related party transactions and remuneration paid, see Note 35 "Related Party Transactions" of the Consolidated Financial Statements for the year ended 31 December 2022.

INTEGRATION OF SUSTAINABILITY RISKS

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

In this regard, the Bank publishes the required information on its corporate website in Section Personal Banking/ Savings and Investments/ Investment Services and Activities (<https://www.fibank.bg/bg/chastni-lica/spestjavanija-i-investicii/investicionni-uslugi-i-dejnosti>).

Remunerations received by employees of the Bank for providing portfolio management services and investment advice are not directly tied to investment performance. In addition, permissible risk exposures are predetermined, thus avoiding the possibility of additional risks being taken at the expense of sustainability, such risks having already been indirectly taken into account.



NON-FINANCIAL DECLARATION

within the meaning of Art. 51 of the Accountancy Act

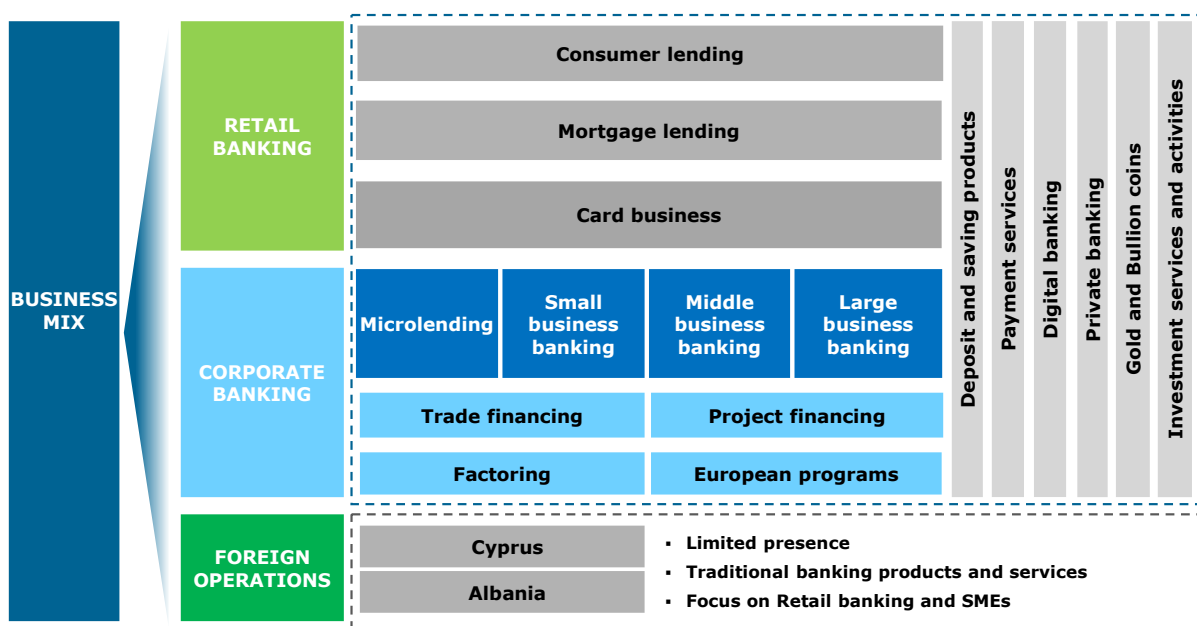
☒ In accordance with legal regulations and good practices, First Investment Bank discloses in its Annual Reports non-financial information that represents a Non-financial statement within the meaning of Art. 51 of the Accountancy Act.

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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.

UNIVERSAL BUSINESS MIX OF PRODUCTS AND SERVICES



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.

For further information regarding the structure of the Group, see section section „[Fibank profile](#)“.

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 2022, a specialized structure was created with the aim of ensuring the integration of environmental, social and governance factors in Fibank's overall activity. This includes support and advice in relation to strategic planning, risk management framework and internal governance.

The sustainable development of our society is the responsibility we owe to our children and to all future generations.

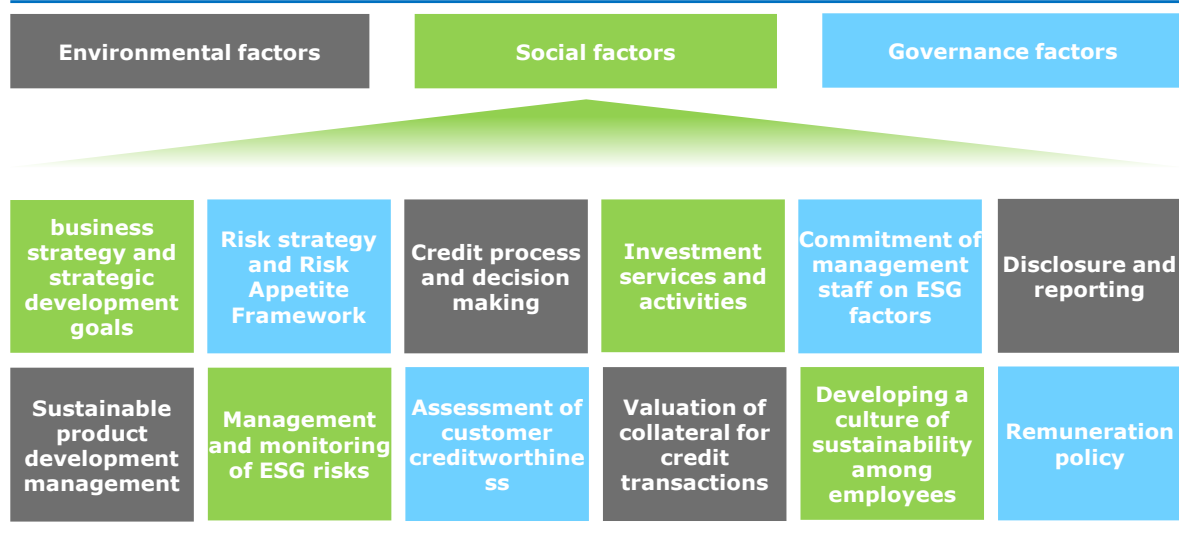
Vesela Gladnikova, Director of Sustainable development Department

The development of a 10-year sustainable development strategy began, taking into account the existing environmental, social and governance factors and risks, including sustainability transition risks and physical risks. A special ESG rating was developed for corporate customers of the Bank, based primarily on taxonomy requirements and applicable environmental and social risk assessment standards.

In connection with sustainable development and ESG factors, in 2022 the Bank updated its internal corporate rules and policies for managing risks.

The Bank has adopted a comprehensive approach to the introduction of sustainability requirements. It has integrated them into its business operations, risk management framework, corporate governance, credit process, decision-making, assessment of borrowers' creditworthiness and investment activity.

INTEGRATION OF SUSTAINABLE DEVELOPMENT IN THE ACTIVITY OF THE BANK



ENVIRONMENTAL ISSUES

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

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

As of 31.12.2021 the exposures towards taxonomy eligible and non-eligible economic activities, calculated on a consolidated basis in line with the requirements of Delegated Regulation (EU) 2021/2178 on the disclosures with respect to ecologically sustainable economic activities (Delegated Regulation (EU) 2021/2178) were, as follows:

| Exposures as of 31.12.2021 | % of total assets | | % of covered assets ¹⁰ | |
|---|-------------------|------------|-----------------------------------|------------|
| | 2022 | 2021 | 2022 | 2021 |
| Taxonomy eligible economic activities | 9% | 9% | 13% | 12% |
| Taxonomy non-eligible economic activities | 50% | 56% | 71% | 72% |
| Total financial and non-financial corporations | 59% | 65% | 84% | 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:

| Exposures as of 31.12.2021 | % of total assets | |
|--|-------------------|-------------|
| | 2022 | 2021 |
| Financial and non-financial corporations, which are obliged to publish non-financial declaration/information | 4% | 4% |
| Financial and non-financial corporations, which are not obliged to publish non-financial declaration/information | 58% | 61% |
| Total financial and non-financial corporations | 63% | 65% |
| Central governments, central banks and supranational issuers | 31% | 22% |
| Derivatives | 0% | 0% |
| Other | 12% | 13% |
| Total assets | 100% | 100% |

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

In line with the adopted policies for reducing the carbon footprint and investing in sustainable development, in 2022 Fibank actively offered new products in the field of sustainable financing: the Green Transport loan intended for purchase of new electric vehicles by business customers; the Green Energy - Free Market loan for companies wishing to invest in the construction of photovoltaic systems for production of electricity for free market sale; and the Green Energy - Own Use loan for construction of photovoltaic systems generating electricity for own consumption or for sale. A new Sustainable Future mortgage loan for businesses and individuals was also launched during the year. It is intended for purchase of real estate with high energy efficiency class (A+, A or B) which contributes to lowering household expenses and encourages environmental protection and sustainability.

◆ For 2022, financing provided under these products amounted to BGN 51,202 thousand.

As part of the initiatives to protect the environment and reduce harmful emissions, the offering continued of the structured Eco Portfolio product. It is linked to a portfolio of bonds backed by “green” projects and/or by loans for reducing greenhouse gas emissions.

◆ As at 31.12.2022, the funds raised under this structured product amounted to BGN 6,868 thousand.

In 2022, the Sustainable Lady Fund started a new partnership with the Good Examples in Business foundation, providing support for a National Mentoring Program for women entrepreneurs. The Fund was created in 2021 to support innovative green projects of female entrepreneurs. It is part of Fibank's Smart Lady program and is implemented as joint initiative with Mastercard for equal start, innovation and circular economy, within the framework of the institution's global and local sustainability projects.

◆ In 2022, the Fund provided stipends for 3 ladies-customers of the Smart Lady business program, as well as a financial Sustainable Business grant for the finalists in the competition. A testimony for the successful development of the Fund was the Golden Heart Award in the Youth Support and Business Development category, received at the Annual Corporate Social Responsibility Awards organized by Business Lady Magazine.

From 1 December 2022, First Investment Bank began replacing all its plastic debit and credit cards with new ones made from a recyclable material. This will allow cards to be fully recycled upon their expiration. In addition to the eco-friendly material they are made of, cards also have a completely new design inspired by the idea of supporting scientific efforts to preserve Bulgarian varieties of fruit and vegetables. The initiative 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.


◆ By 31.12.2022, over 8,000 cards were replaced under the initiative. For each new card issued from 1 to 31 December 2022, Fibank donates BGN 1 or a total of BGN 8,000 to the Agricultural Academy, in support of its efforts for to preserve and develop Bulgarian varieties of fruit and vegetables.



During the period, the Green Finance & Energy Centre, a think-tank on sustainable finance in which First Investment Bank participates, produced ESG reporting guidelines encouraging companies to periodically disclose ESG information, including in their non-financial statements. The project, which is a joint initiative of the Bulgarian Stock Exchange and the Bulgarian Independent Energy Exchange, aims to promote policies in the field of sustainable finance and energy, as well as to generate ideas for development of methodologies, stock indices and financial instruments based on sustainability factors.

In 2022, Fibank moved its headquarters to a new and modern building, certified Excellent under the BREEAM sustainability standard. The building is equipped with a new generation microclimate management system providing individual settings for rooms and offices which helps reduce carbon (CO₂) emissions in the atmosphere.

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

 *In 2022, the Bank's electricity consumption decreased by 17% and by 7% on average for the period 2020-22. Paper consumption decreased by 3% and 6%, respectively, driven by the implemented initiatives for sustainability and digitization of the activity.*

By prioritizing the development of digital services, First Investment Bank confirms its long-term commitment and responsibility towards reducing the carbon footprint and the negative impact on the environment. In 2022, as part of its Branch digitalization project, the Bank introduced electronic signing of documents (e-Sign pad). The project focuses on electronic documents and electronic signing in offices, as well as at reducing the use of paper documents in a sustainable way, thus setting a new customer service model with increased digitalization in daily operations.

For further information on the ecological initiatives of the subsidiary companies within the Group of First Investment Bank, see section „[Business review of subsidiary companies](#)“.

SOCIAL ISSUES

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

In 2022, Fibank's Smart Lady program celebrated its fourth anniversary. It supports women entrepreneurs, mainly targeting micro enterprises run or owned by women, as well as businesses whose products and/or services are aimed at women. Over 1,100 projects worth over BGN 120 million were financed during the period, enabling women entrepreneurs to create new or develop existing businesses in areas such as education, advertising, production, agriculture and services. Over 1,000 ladies attended various training programs, seminars or mentoring classes, including through the program's web-based platform. Specially tailored topics covered digital marketing, presentation skills, overcoming objections, negotiation skills, etc., helping participants to upgrade their skills for successful business management. In January 2023, after the reporting period, Fibank joined the National Mentoring Program for Women Entrepreneurs. It provided a special 5-month mentoring program for women entrepreneurs, customers of the Smart Lady program, aimed at micro enterprises in the areas of health nutrition, brokerage services and aesthetic cosmetics.



During 2022, Fibank launched an innovative joint project with Mastercard: the Ninjiro digital platform for early financial education of children over 7 years old. It is structured through interactive communication and play, developing financial literacy and promoting social responsibility. The application involves online communication between parents and children, sets tasks and performance goals, provides achievement reports and rewards children with payment points that can be used to purchase vouchers or invested in various sustainable causes such as planting trees or maintaining beehives.

In the field of education, support was provided to students from the First English Language High School, Sofia (1 ELS) for participation in the Regional Session of the Model European Parliament held in the city of Szeged, Hungary.

During the year, First Investment Bank successfully implemented voice menus in some of its ATMs to help blind people withdraw money from them. The service is available on 60 devices of the Bank located in key locations in major cities. The innovation is in line with the best global banking practices to facilitate the use of everyday banking by the visually impaired. ATMs provide audio instructions so that people who cannot read the menus can operate the machine without assistance, by only using the numeric keypad below the screen. Information is provided via a headset (customer owned) which is plugged into a socket on the front of the device. Fibank's long-term goal is that every new ATM has this functionality.

During the year, the partnership between First Investment Bank and the national organization Little People of Bulgaria continued, with the Bank providing support to the organization through corporate donations. Fibank was the first Bulgarian bank to build ATM terminals specially adapted for people of short stature six years ago. It continues to increase the number of such ATMs, encouraging their wider use.

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. A number of activities and events were supported during the year in partnership with the Sofia European Capital of Sports Foundation, aimed at promoting sports among the general public. Sponsorship was also provided to the Bulgarian Sports Federation for Children and Youth at Risk, and to the Sports in the Free Time Association.



At the end of the year, Fibank was given an honorary award by the Bulgarian Rhythmic Gymnastics Federation (BRGF) for its long-term contribution to the development of sports in Bulgaria. The partnership between Fibank and BRGF has an almost ten-year history, during which both have actively worked for the promotion and development of Bulgarian rhythmic gymnastics, supporting a number of social causes.

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, as well as Summer Classics: the summer Bulgarian tour of violinist Vasko Vassilev.

Fibank continued its support to the social program of the Union of Bulgarian Actors 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. In March 2022, at the IKAR National Performing Arts Awards organized by UBA, the Bank awarded deserving actors.

For yet another 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 2022, the total value of funds donated by Fibank for various social initiatives and sponsorships exceeded BGN 840 thousand.*

A testimony to Fibank's achievements during the year were the two awards received: the Golden Heart Award in the Youth Support and Business Development category, and the Sustainable Development award of the Business Lady Magazine for consistent policy in the field of corporate social responsibility. Both are given to distinguish the efforts of companies and their contribution of time and money in support of sustainable causes.

For further information on the social initiatives of the subsidiary companies within the Group of First Investment Bank, see section „[Business review of subsidiary companies](#)“.

GOVERNANCE ISSUES

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

For more information see sections „[Corporate Governance Declaration](#)“ and „[Business review of subsidiary companies](#)“.

DISCLOSURES REGARDING CUSTOMER PORTFOLIO MANAGEMENT AND PROVISION OF INVESTMENT ADVICE

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

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

ETHICAL ISSUES

CODE OF ETHICS

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

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

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

RESPONSIBILITY AND COMPLIANCE

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

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

APPLICATION AT GROUP LEVEL

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

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

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

 **HUMAN CAPITAL**

In 2022, Fibank's human capital management processes and activities developed intensively and effectively, in response to the growing business requirements and the dynamic labor market environment. An emphasis was placed on operational efficiency, optimization of key internal people management processes, implementation of innovative approaches and initiatives for enhancing work performance, and motivation of employees and teams to achieve high results.





During the year, goals and priorities in human resource management were mainly related to proactive support of business. **HR procedures and practices were optimized** in the selection, training and structural development, in determining and developing of remuneration, and in other operational aspects with a view to achieving higher efficiency and added value for business.

In 2022, projects and initiatives were launched also in other important areas of human capital management at Fibank. Activities were carried out within the framework of an **Employer Branding** project. It is part of the long-term strategy for positive positioning of the Bank among different audiences through a large-scale communication and advertising media campaigns.

Another project during the year involved the implementation of a new **labor performance management** module in the personnel management information system. It aims at achieving higher operational efficiency in the process of performance assessment and development, at providing timely, objective and useful feedback to employees, as well as at facilitating and assisting the Bank's managers in exercising one of their primary administrative responsibilities.

Implementation of measures to ensure and maintain a safe and secure working environment, to adequately and successfully respond to challenges related to the epidemic situation with the aim of **protecting the health of the Bank's employees and customers**, continued to be among the priorities in human resource management.

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 which began in 2021 and was successfully completed in 2022. The main emphasis was on development of skills for successful and proactive customer-oriented communication when offering and selling products, with the aim of maximizing benefits for both the customers and the Bank. The program relied on interactive approach when presenting information such as role-playing games, use of video aids, involvement of employees in discussions and sharing successful experiences. The training project proved Fibank's aspiration to remain a leader in customer service, as well as its readiness to support and motivate employees using practical and benefit-oriented models and methods for training and development.
-  **Training in Fibank investment products.** Developing the skills of front office employees and loan officers at the Bank's branches to offer and sell useful product solutions to Fibank customers, in line with current trends and challenges in the banking sector.
-  **Training in effective team interaction.** An innovative training project using interactive business simulation methodology, with the participation of Fibank senior managers/key staff.
-  **Introductory trainings for new employees** have proven their importance and continue to be held. They cover all the main areas and topics necessary for introduction to the work specifics and the Bank's operations, including corporate governance, ethical requirements and code of conduct, internal control functions (risk management, compliance and internal audit), measures against money laundering and terrorist financing, systems, business activities, etc.

- ◆ The successful practice continued of conducting **multiple electronic distance learning courses**. During the year, over 1,200 employees received distance training in various areas including credit products for small and medium-sized enterprises, new system for electronic signing by customers, financial instruments and investment brokerage, operational risk, introductory training for new employees, and information security.
- ◆ The Bank continued to invest in the professional development of its staff by financing the participation of 10 employees in **the master's program in Banking Management and Investment Activity** carried out jointly with the Higher School of Insurance and Finance (HSIF), with a focus on building partnerships and integrating business with education.

In 2022, over 67% of Fibank's employees enrolled for various forms of training in one or more areas.

During the year, the consistent efforts continued to encourage and motivate employees for higher achievements, to recognize personal contribution, as well as to confirm work behaviors important for the success of the Bank. For the seventh consecutive year, the **Together We Can Do More** program was held. The number of employees awarded for the entire existence of the program reached 139.

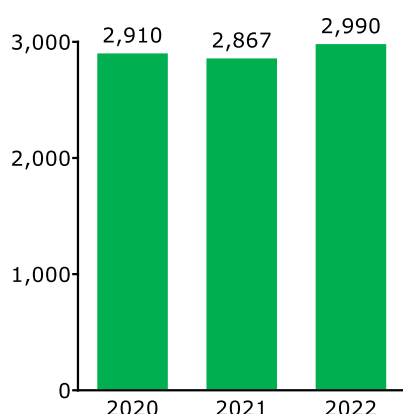


The **Fibank & Cook Academy** was carried out: a project created especially for the employees of the Bank as a unique monthly live culinary online show with the participation of special guests such as famous chefs, popular personalities, singers and actors. The objective was to create a positive and motivating experience and strengthen the bonds between employees in a close-knit community of colleagues, associates and friends.

As at 31.12.2022, the number of staff of First Investment Bank on a consolidated basis amounted to 2,990 employees compared to 2,867 a year earlier. At the end of the year, 25% of the Bank's employees were under the age of 35, and 60% were under the age of 45.

NUMBER OF STAFF OF THE GROUP

Number of Group staff,
in numbers

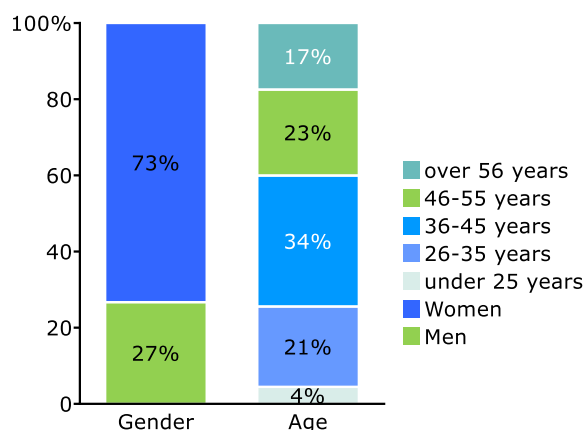


STRUCTURE OF STAFF

Structure of staff, %

CAGR
20-22

1%



The predominant part (73%) of the Bank's employees were women. The share of women with managerial functions (department directors, branch managers, unit leaders) amounted to 46%.

POLICY FOR NOMINATION AND SUITABILITY ASSESSMENT

In 2022, the Policy for nomination and assessment of the suitability of members of the managing and supervisory bodies and persons holding other positions was updated, mainly in terms of the internal tools related to its implementation (questionnaires and matrices for individual and collective suitability assessment for the purpose of initial and subsequent suitability assessment). The internal framework in this sphere is in line with the requirements and good practices, incl. the Law on Credit Institutions, Ordinance No 20 of the BNB on Issuance of Approvals to Members of the Management Board (Board of Directors) and Supervisory Board of a Credit Institution and Performance Requirements for Their Duties and the joint EBA and ESMA Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2021/06).

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

The Bank applies a policy for encouraging diversity with respect to Supervisory Board and Managing Board in order to maintain a diverse group of board members and to provide diverse views and experience to facilitate independent opinions/decisions and sound governance, which includes various aspects such as work experience, educational qualifications, gender, age, geographical diversity. With respect to the composition of the bodies, the Bank seeks to maintain a target level of 30% of the members of the Supervisory Board and of the Managing Board to be from the underrepresented gender, as if necessary rounding off (down) to an integer. As of 31 December 2022, the Bank fulfilled the set target in the policy. *For further information regarding diversity, see sections [Supervisory Board](#) and [Managing Board](#).*

In 2022, Fibank representatives took part in the Women On Boards forum organized by the Women's Forum Association. At it, various legal and financial aspects of gender equality and balance in corporate governance bodies in Bulgaria and the European Union were discussed. Valuable experience was shared by participants in the event which included ambassadors, delegates and business representatives from the fields of law, banking, information technology, marketing, etc.

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 2022, Fibank continued to develop in this direction, strengthening its position among the most technological and innovative institutions in the Bulgarian banking market.



A number of projects were implemented during the year, including:

- ◆ instant payments (up to 10 seconds) in BGN under the Blink scheme;
- ◆ electronic signing of documents using e-Sign pad in the branch network;
- ◆ optimizing the daily processing of transfers in the BISERA6 system;
- ◆ joining the updated STEP2-T Continuous Gross Settlement (CGS) system operated by EBA Clearing,;
- ◆ implementing a new Business Process Management (BPM) system in business lending;
- ◆ updating the hardware and software infrastructure of the card system;
- ◆ introducing a new internal bank system to optimize the accounting process.

Fibank was among the pilot banks to launch instant payments (up to 10 seconds) in BGN under the Blink scheme. They are made through the Bank's electronic banking channels 24/7, 365 days a year. In implementation of the consistent policy for development of digital services, the option for electronic signing of documents using e-Sign pads was provided in the Bank's offices which speeds up payment processing and helps improve customer service.

Fibank joined the BORICA project for modernization and optimization of the integrated system for electronic payments (BISERA6) by switching to XML format according to the ISO20022 standard, with the aim of improving the daily processing of transfers in BGN. The project for real-time gross settlement of credit transfers in euro under STEP2-T Continuous Gross Settlement (CGS) system operated by EBA Clearing was also successfully completed.

With the implementation in 2022 of the IBM software solution Business Automation Workflow, the process of lending to individuals and legal entities was optimized through the new Business Process Management (BPM) system. It covers the steps of accepting loan applications, preparing opinions, approval and disbursement of new loans, as well as renegotiation of existing loans. The applicable

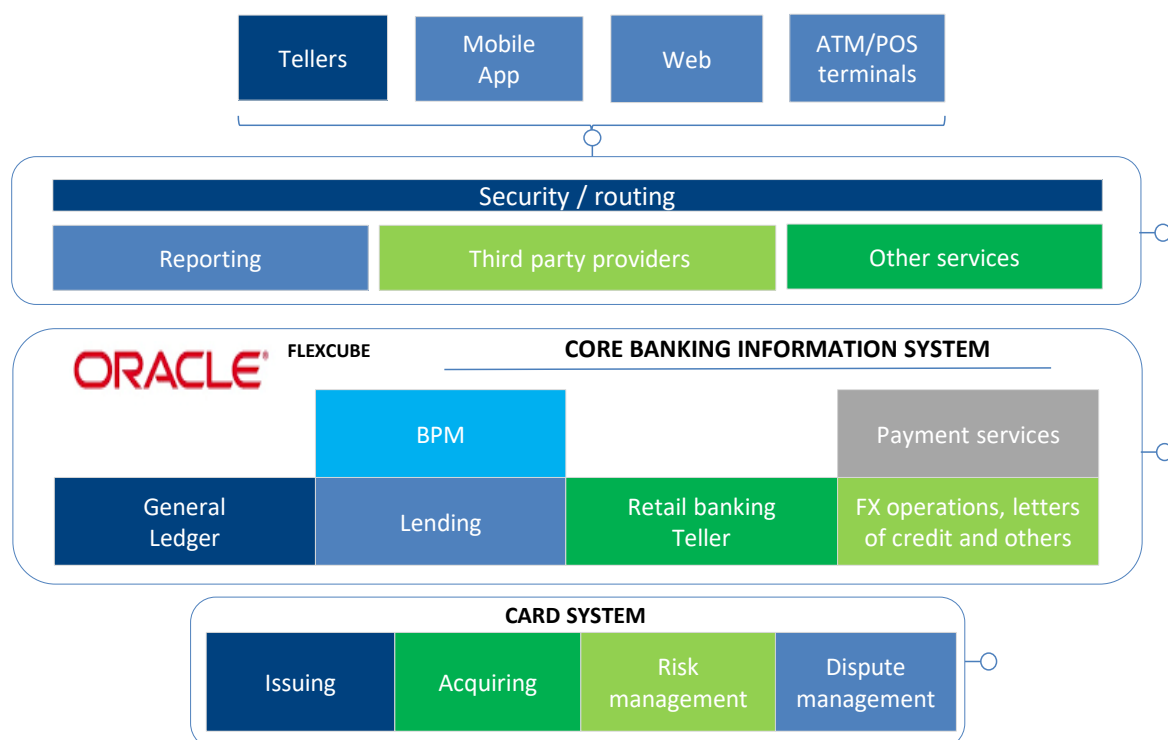
limits and authority levels for approval/renegotiation of various types of credit exposures are integrated in the system.

The hardware and software infrastructure of the card system was upgraded and a number of new features were introduced, including immediate issuance of virtual credit and debit cards and improved security of card payments.

In 2022, a new internal banking system was implemented to automate operations, reduce processing time and optimize the accounting process. During the year, a new communication infrastructure was built in connection with the relocation of the Bank's headquarters to a new state-of-the-art building.

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

SYSTEMS MAP



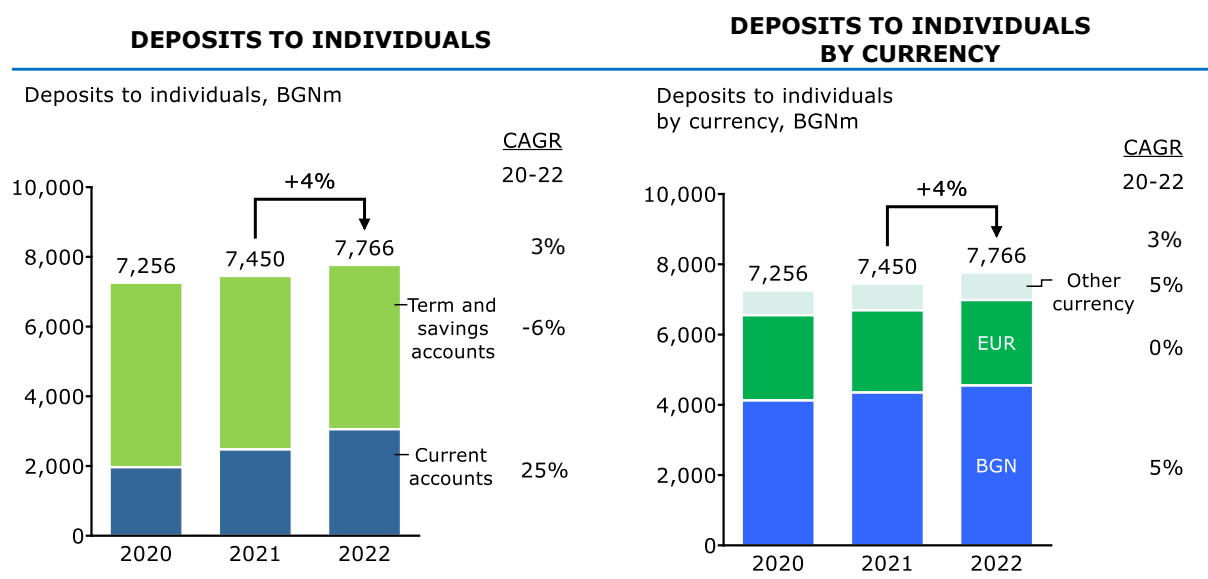
Taking into consideration the importance attached by the Bank to information technology, the activity is managed by Chief Information Technology and Operations Officer. In addition, there is an IT committee functioning as an auxiliary body to the Management Board. It monitors the IT strategic program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

BUSINESS REVIEW

RETAIL BANKING

DEPOSITS

In 2022, attracted funds from individuals increased and reached BGN 7,765,553 thousand compared to BGN 7,450,167 thousand a year earlier, mainly driven by the 23.3% increase in current accounts which reached BGN 3,057,581 thousand (2021: BGN 2,478,823 thousand). Such results were determined by the consistent policy of the Bank for establishing long-term customer relationships, while developing cross-selling and transaction business. At the end of the 2022 they increased their share and formed 39.4% of the of attracted funds from individuals (2021: 33.3%).



Fibank offers a wide range of current accounts, including the IQ current account, as well as accounts tailored to the specific needs of certain customer groups such as condominiums, notaries, insurance brokers and agents, private enforcement agents, etc. The Bank offers banking packets and programs, inc. My Choice, My Choice Online, Digital Me, Digital Me+. Among the saving accounts is also 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. Fibank maintained the interest rates on its savings products in line with the market conditions and the competitive environment, as well as the high liquidity levels.

By the end of the 2022, term deposits and savings accounts were in the amount of BGN 4,707,972 thousand (2021: BGN 4,971,344 thousand), with borrowings from individuals retaining a major share at 60.6% (2021: 66.7%). 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 2022 (2021: fifth). As at the same date the market share of the Bank amounted to 9.77% on an individual basis (2021: 10.27%), influenced by the policy for limiting the growth of attracted funds and optimization of the liability structure.

As an alternative to deposit products, the terms of the Perspective term product were optimized during the year. This is a senior unsecured debt product with a fixed yield, intended for individuals and business customers. Other alternative products with different maturities were also offered during the period: the Gold Portfolio and the Eco Portfolio, tied respectively to the price of gold and to bonds backed by green projects.

LOANS

The gross loan portfolio of retail banking increased by 11.2% to BGN 2,538,006 thousand compared to BGN 2,283,398 thousand for the previous year, as a result of an increase in mortgage and consumer loans.

| BGN th / % of total | 2022 | % | 2021 | % |
|---------------------------------------|------------------|------------|------------------|------------|
| Mortgage loans | 1,285,749 | 50.7 | 1,105,665 | 48.4 |
| Consumer loans | 1,104,419 | 43.5 | 1,009,248 | 44.2 |
| Credit cards | 144,823 | 5.7 | 165,468 | 7.2 |
| Other programs and secured financings | 3,015 | 0.1 | 3,017 | 0.1 |
| Total loans to individuals | 2,538,006 | 100 | 2,120,134 | 100 |

MORTGAGE LOANS

As at the end of December 2022, mortgage loans increased by 16.3% to BGN 1,285,749 thousand compared to BGN 1,105,665 thousand a year earlier, increasing their share to 50.7% of the retail loan portfolio (2021: 48.4%). As at 31 December 2022, the market share of the Bank in this segment was 6.23% (2021: 6.37%), as Fibank was placed sixth among banks in the country on an individual basis (2021: sixth).

During the year, promotional campaigns were organized with the aim of stimulating sales in the retail banking segment. In May 2022, a promotional mortgage loan was launched financing up to 90% of the market value of the property. The option for online loan application through My Fibank electronic banking was provided, as well as the Video Consultation service.

During the period, a new mortgage loan was developed for local individuals with income from abroad (EU, EEA, Switzerland, Great Britain, USA and Canada), financing up to 70% of the property's market value, with a term of up to 25 years.

A new Sustainable Future mortgage loan for businesses and individuals was also launched during the year. It is intended for purchase of real estate with high energy efficiency class (A+, A or B) which contributes to lowering household expenses and encourages environmental protection and sustainability.

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

For more information on the mortgage loan portfolio of First Investment Bank – Albania Sh.a. see section [“Business review of the subsidiary companies”](#).



CONSUMER LOANS

Consumer loans increased by 9.4% to BGN 1,104,419 thousand (2021: BGN 1,009,248 thousand), contributors being the competitive terms offered by the Bank, the easy loan application procedures, incl. via the digital channels and the development of new products and programs in line with customer needs and market necessities. They formed 43.5% of the gross retail banking portfolio (2021: 44.2%).



A new Career Start consumer loan was launched during the year, designed for university graduates up to the age of 30, without requirements for income or minimum work experience.

A new consumer Super Loan was also offered, with loan amount up to BGN 80,000 and a term of up to 7 years.

As part of the strategy for development and digitization of services, aimed at additional convenience for customers and contributing to a sustainable future, online offering of consumer loans continued with the option for remote signing documents via

electronic signature, including through mobile apps of third-party authentication service providers.

In 2022, a new Overdraft Express was developed for pre-approved customers via the electronic banking and the My Fibank mobile application. At the end of the year, offering of a new Comfort Overdraft started at the Bank's offices. This is a current account overdraft with a fixed amount of BGN 1,000, without a requirement for salary transfer at the Bank.

First Investment Bank's market share in this segment amounted to 8.02% (2021: 8.56%) at the end of December 2022, and Fibank was fifth (2021: fifth) in terms of consumer loans among banks in the country on an individual basis.

For more information on the consumer loan portfolio of First Investment Bank – Albania Sh.a. see section [“Business review of the subsidiary companies”](#).

CREDIT CARDS

The utilized limits on credit cards were in the amount of BGN 144,823 thousand at the end of the period (2021: BGN 165,468 thousand). Fibank develops various and innovative card products and services, including thematic campaigns to promote and attract new customers, which were organized in implementation of the Bank's consistent and long-term policy for stimulating these non-cash payments. The relative share of loans utilized through credit cards in the total retail loan portfolio amounted to 5.7% (2021: 7.2%).

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

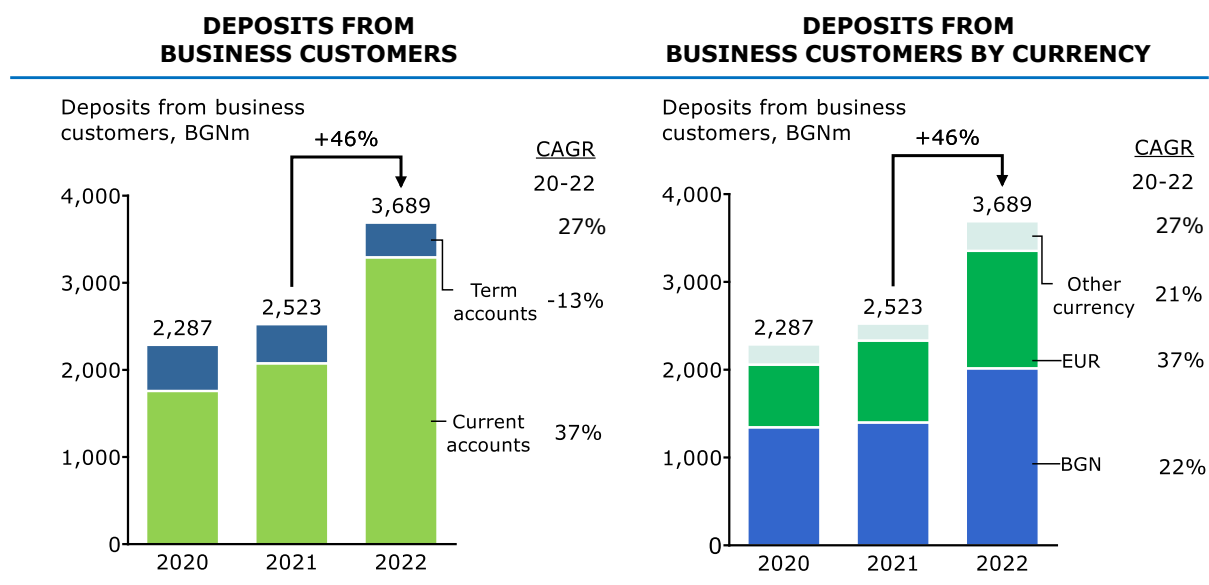
In pursuance of its strategic plans, the Bank continued to develop its operations with a view to more effective management of the customer portfolio and targeting individual customer groups, as well as identifying additional cross-selling opportunities. For further information see section [“Card payments”](#).

CORPORATE BANKING

DEPOSITS

Attracted funds from corporates and institutions in 2022 increased by 46.2% to BGN 3,689,353 thousand (2021: BGN 2,523,464 thousand). The increase in volume reflected mainly in the current accounts reaching BGN 3,291,542 thousand at the end of 2022 (2021: BGN 2,074,799 thousand) and forming 89.2% of the attracted funds from business customers and institutions (2021: 82.2%). The

uncertain external environment and the related decrease in the investment activity of companies contributed to the increase, as well as the optimized conditions for maintenance of business customers accounts.



Term accounts reached BGN 397,811 thousand (2021: BGN 448,665 thousand) at the end of the period, forming 10.8% of the attracted funds from corporates and institutions (2021: 17.8%). First Investment Bank offers a variety of savings products for business customers which constantly adapts to market conditions and specific company requirements. Fibank offers also package programs and services, giving opportunities for optimization of costs and procedures in using different banking services.

In 2022 in order to expand possibilities to business customers, the Bank continued to offer alternative saving products such as product "Perspective", as well as products tied to the price of gold or to a portfolio of green bonds.

As at 31 December 2022, funds attracted by the thirty biggest non-banking clients represented 12.06% of the total amount due to other customers (2021: 7.40%).

LOANS

The portfolio of loans to enterprises of the Group decreased by 3.4% to BGN 4, 685,485 thousand at the end of 2022, compared to BGN 4, 850,313 thousand a year earlier, as result mainly of decreasing the loans to large enterprises, pursuant to business goals and diversification strategy through priority development in the micro, small and medium-sized segments.

Loans to micro enterprises increased their share up to 5.0% (2021: 4.1%) of all business loans, loans to small enterprises – to 19.7% (2021: 19.0%), loans to medium-sized enterprises – to 26.7% (2021: 26.0%), at the expense of large enterprises, which decreased to 48.6% (2021: 50.9%) of all business loans.

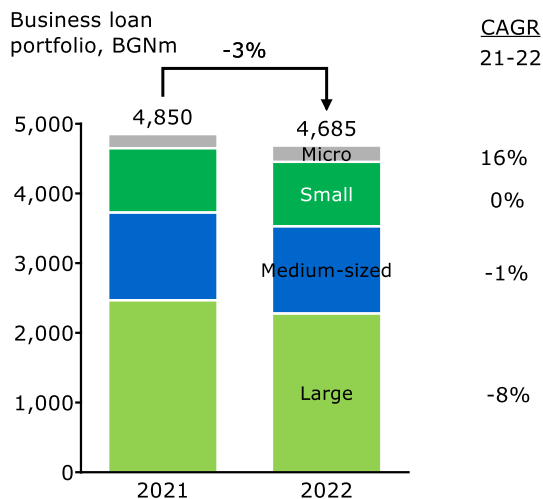
| BGN th / % of total | 2022 | % | 2021 | % |
|--------------------------|-----------|------|-----------|------|
| Micro enterprises | 232,822 | 5.0 | 201,149 | 4.1 |
| Small enterprises | 923,928 | 19.7 | 922,650 | 19.0 |
| Medium-sized enterprises | 1,250,729 | 26.7 | 1,258,780 | 26.0 |

| | | | | |
|-----------------------------------|------------------|------------|------------------|------------|
| Large enterprises | 2,278,006 | 48.6 | 2,467,734 | 50.9 |
| Total loans to enterprises | 4,685,485 | 100 | 4,850,313 | 100 |

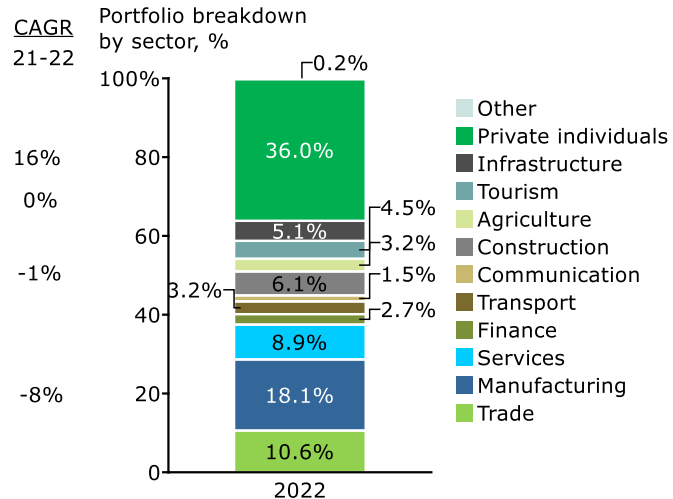
During the year, a reorganization of the business units engaged in credit activity was carried out in view of the applied customer segmentation. It corresponds to the European requirements for defining micro, small and medium-sized enterprises, which were transposed by the Law on Small and Medium-sized Enterprises. Criteria for annual sales revenue¹¹ and/or assets, number of staff and maximum exposure to the customer are applied.

As at 31.12.2022, a leading share in the portfolio Group structure had the loans to manufacturing sector (2022: BGN 1,303,846 thousand; 2021: BGN 1,325,019 thousand), the trade sector (2022: BGN 764,533 thousand; 2021: BGN 784,314 thousand,) and the services sector (2022: BGN 639,773 thousand; 2021: BGN 668,753 thousand), forming respectively 18.1%, 10.6% and 8.9% of total loans (2021: 18.6%, 11.0% and 9.4%). Such dynamics reflected the economic activity in the country, as well as the development goals and diversification of the activity.

BUSINESS LOAN PORTFOLIO



PORTFOLIO BREAKDOWN BY SECTOR



Loans in tourism increased to BGN 327,575 thousand (2021: BGN 307,981 thousand) contributed by the successful tourism season and recovery in the sector after the COVID-19 pandemic. Increase was registered in loans for construction (2022: BGN 438,986 thousand; 2021: BGN 421,176 thousand) and finance (2022: BGN 191,987 thousand; 2021: BGN 179,548 thousand), while decrease was registered in transport (2022: BGN 232,472 thousand; 2021: BGN 257,355 thousand), infrastructure (2022: BGN 366,712 thousand; 2021: BGN 444,456 thousand), communication (2022: BGN 109,877 thousand; 2021: BGN 151,715 thousand) and in agriculture (2022: BGN 233,654 thousand; 2021: 243,141 thousand).

As at the end of December 2022 the market share of Fibank amounted to 9.24% of loans to enterprises in the banking system (2021: 10.84%), taking fifth place, (2021: fourth) among banks in the country on an individual basis.

After the Bank implemented an advanced BPM (New Workflow) system for processing retail loans at the end of 2021, it was also implemented for business loans from mid-2022. The system covers all

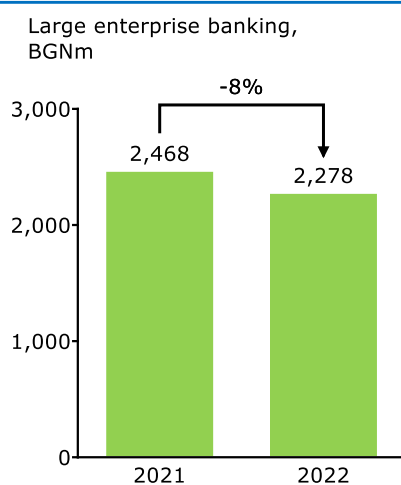
¹¹ Annual sales revenue as follows: micro-enterprises up to BGN 3.9 million; small enterprises up to BGN 19.5 million; medium enterprises up to BGN 97.5 million.

steps of accepting loan applications, preparing opinions, approval and disbursement of new loans, as well as renegotiation of existing loans. The applicable limits and authority levels for approval/renegotiation of various types of credit exposures are integrated in the system. Automating the lending process aims to increase the quality of customer service, as well as reduce the time for processing credit applications.

LARGE ENTERPRISE BANKING

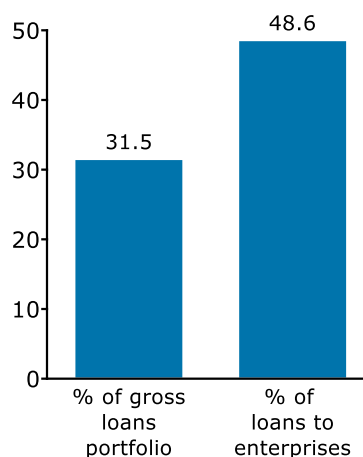
In 2022, loans to large enterprises amounted to BGN 2,278,006 thousand compared to BGN 2,467,734 thousand a year earlier, forming 48.6% of the total loans to enterprises and 31.5% of the gross portfolio of the Group (2021: 50.9% and 34.6%).

LARGE ENTERPRISE BANKING



SHARE OF LOANS TO LARGE ENTERPRISES IN THE GROSS LOAN PORTFOLIO IN 2022

Share of loans to large enterprises in gross portfolio, %.



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

The Bank offers 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 maintains cooperation with leading financial institutions in factoring insurance.

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

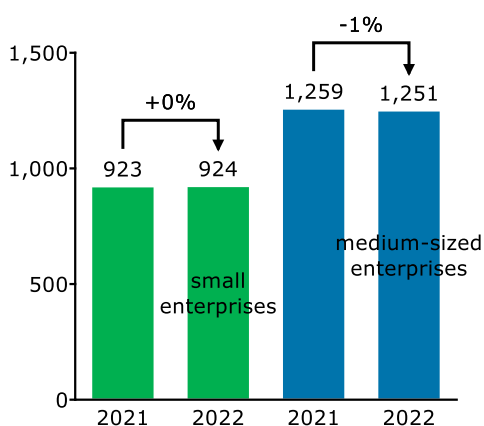
The Bank maintains cooperation with the Bulgarian Export Insurance Agency (BEIA), with which it has agreement for portfolio insurance, used as part of the techniques for mitigating credit risk.

SMALL AND MEDIUM-SIZED ENTERPRISE BANKING

In 2022, loans to small and medium enterprises¹² amounted to BGN 2,174,657 thousand (2021: BGN 2,181,430 thousand) or 46.4% of the business loans of the Group, from which to small enterprises were BGN 923,928 thousand (2021: BGN 922,650 thousand), and loans to medium-sized enterprises – at BGN 1,250,729 thousand (2021: BGN 1,258,780 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.

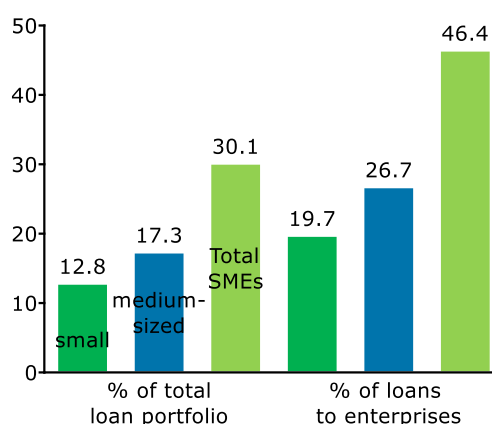
LOANS TO SMALL AND MEDIUM-SIZED ENTERPRISES

Loans to SMEs, BGNm



SHARE OF LOANS TO SMEs IN THE LOAN PORTFOLIO IN 2022

Share of loans to SMEs, %



During the year Fibank actively offered new products in the field of sustainable financing: the Green Transport loan intended for purchase of new electric vehicles by business customers (financing up to 90% of the vehicle price and term of up to 7 years); the Green Energy - Free Market loan for companies wishing to invest in the construction of photovoltaic systems for production of electricity for free market sale (investment loan with a long term: up to 15 years and a grace period until commissioning of the photovoltaic installation); and the Green Energy - Own Use loan for construction of photovoltaic systems generating electricity for own consumption or for sale (financing up to 100% of construction costs and term of up to 10 years). The new credit products are in fulfillment of the policy undertaken by the Bank to reduce the carbon footprint and invest in sustainable development. *For more information see the [Sustainable Development](#) section.*

In 2022, First Investment Bank started granting loans under the Financing in Rural Areas instrument based on an agreement with the Fund Manager of Financial Instruments in Bulgaria under the Program for the Development of Rural Areas 2014-2020, financed through the European Agricultural Fund for Rural Development. The program is intended for farmers, agro-processors, as well as micro, small and medium-sized enterprises from all sectors operating in rural areas, the application deadline being 31 December 2023. Loans cover both new private investments and co-financing of projects supported by grants. The instrument offers investment loans (with term up to 10 years), as well as and working capital loans (up to 5 years) that complement the investment and are related to it. Investment loan amount is up to BGN 2 million, while the maximum amount of supplementary working capital loans is

¹² According to business segments of the Bank, incl. criteria for annual turnover, as well as: microenterprises – up to BGN 3.9 million; small enterprises – up to BGN 19.5 million; medium-sized enterprises – up to BGN 97.5 million.

30% of the total investment or BGN 391,166, subject to compliance with requirements and restrictions for state aid.

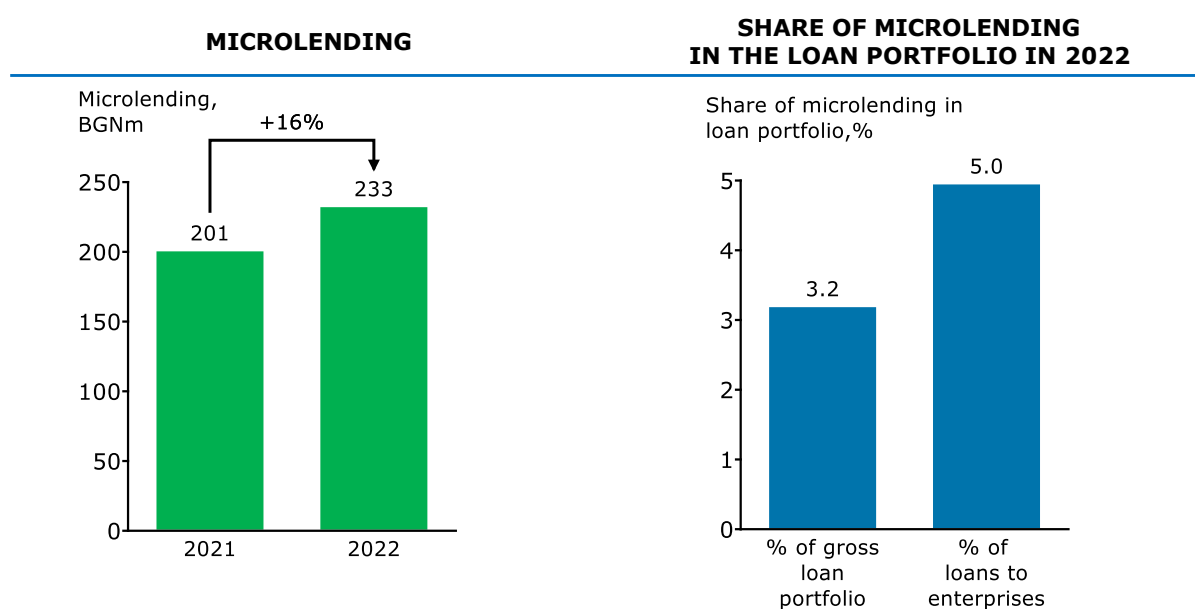
At the end of the year, Fibank offered SME lending at more favorable terms regarding loan collateral, under a portfolio guarantee agreement with the National Guarantee Fund. The agreement covers both investment and working capital loans. *For more information see the [External Programs and Guarantee Schemes](#) section.*

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.

For more information on the SME loan portfolio of First Investment Bank – Albania Sh.a. see section [“Business review of the subsidiary companies”](#).

MICROLENDING

In 2022, the microlending portfolio of the Group grew up to BGN 232,822 thousand compared to BGN 201,149 thousand a year earlier, as part of its targeted efforts for priority development 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 micro enterprises including investment loans, working capital loans, business credit cards and overdraft facilities at competitive terms.

In 2022, Fibank's Smart Lady program celebrated its fourth anniversary. It supports women entrepreneurs, mainly targeting micro enterprises run or owned by women, as well as businesses whose products and/or services are aimed at women. Over 1,100 projects worth over BGN 120 million were financed during the period, enabling women entrepreneurs to create new or develop existing businesses in areas such as education, advertising, production, agriculture and services. As part of the

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

program, the Sustainable Lady fund was created jointly with Mastercard in support of innovative green projects of female entrepreneurs. *For more information see the [Sustainable Development](#) section.*

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

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

EXTERNAL PROGRAMS AND GUARANTEE SCHEMES

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

In 2022, Fibank began to provide loans according to agreements signed with the Fund of Funds under three separate positions of the Financing in Rural Areas instrument, funded under the Program for the Development of Rural Areas 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.



In October 2022, First Investment Bank signed a new portfolio guarantee agreement with the National Guarantee Fund for financing of micro, small and medium-sized enterprises in Bulgaria through a risk sharing mechanism. The guarantee covers both investment and working capital loans and allows for more favorable terms regarding loan collateral, making it easier for borrowers to receive the desired financing in full. The maximum guaranteed portfolio amount is BGN 20 million.

During the year, the implementation continued of the 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 2014-2020.

PAYMENT SERVICES

In 2022 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.

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

During the period, Fibank joined the project for modernization and optimization of the integrated system for electronic payments in BGN (BISERA) by switching to XML format according to the ISO20022 standard.

At the beginning of the year, First Investment Bank offered an innovative service for instant payments (up to 10 seconds) in BGN under the Blink scheme. It is available in My Fibank electronic banking, and from June 2022 – also in the Bank's branch network. The service allows transfer of amounts up to BGN 30,000. During the year, the implementation was prepared of the Blink P2P instant transfer service which allows instant money transfers using a mobile phone number. The service was launched after the reporting period, in January 2023, in the My Fibank mobile application. *For more information, see the [Subsequent Events](#) section.*

OPEN BANKING

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

The Bank maintains 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 this type of services through the Mobile Application *My Fibank*. This option secures quickness and convenience for clients when accessing consolidated information for their account serviced at another payment service provider or when initiating payment from such accounts.

CARD PAYMENTS

In 2022, 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 card system was updated, including the hardware and software infrastructure, with the aim of implementing new functionalities and increasing security by using modern technologies, such as the EMV 3DS2 protocol for ensuring secure card payments over the Internet.

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. They include the new embedded software token solution launched in My Fibank application during the year, a combination of dynamic password sent via SMS and a static password, as well as biometric authentication (fingerprint/face recognition) performed on a registered mobile device.



During the period, a new virtual debit card was developed: the Debit Instant Card which is issued immediately, completely online, through the My Fibank mobile application. The card is intended for making payments online or through other remote methods, including smart mobile devices. An option was provided to digitize payment cards, including in third party apps, e.g. payments using smart watches, Garmin Pay and Fitbit Pay services, as well as Google Pay and Apple Pay digital wallets.

A new functionality was developed allowing to apply for rescheduling credit card debt from POS payments, including virtual POS payments, to equal monthly installments.

The Bank continued to develop the functionalities and quality of its ATM network. During the year, voice menus were successfully added to some ATMs located in major cities across the country to facilitate their use by visually impaired people. The Bank's ATM network consisted of 604 devices at the end of the year (2021: 621), and the POS network of 9,082 devices (2021: 8,973). *For more information on the card business of First Investment Bank – Albania Sh.a. see section [“Business review of the subsidiary companies”](#).*

As part of its sustainable banking policies, at the end of the year First Investment Bank began replacing all its plastic debit and credit cards with new ones made from a recyclable material and featuring a new design, associated with sustainable development ideas. *For more information see the [Sustainable Development](#) section.*

As recognition for the achievements in the field of card payments, Fibank's Debit Mastercard Platinum was awarded as Product of the Year in the Premium Card Products category of the international Product of the Year competition, carried out through an independent nationally representative survey conducted by the NielsenIQ research agency.

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 2022, the Bank reported an increase of 5% in incoming and 16% 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: 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 documentary transactions.

In June 2022, First Investment Bank joined the updated STEP2-T Continuous Gross Settlement (CGS) system operated by EBA Clearing which optimized the execution of SEPA credit transfers. The Bank continued work along the Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET), a new generation system built through the consolidation and optimization of TARGET2 and TARGET2-Securities. It applies modern approaches and technological innovations, allowing for reduction of combined operating costs and improvement of liquidity management across services.

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) upon retaining the current interest index (6m USD Libor) up to 30.06.2023 and replasing it with 6m SOFR afterwards.

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 91,428 thousand (2021: BGN 74,449 thousand), forming 8.7% of the off-balance sheet commitments of the Group (2021: 8.8%).

GOLD AND COMMEMORATIVE COINS

In 2022, First Investment Bank confirmed its leading position in Bulgaria in terms of transactions and investment advice in the area of precious metals. Interest in the bars and coins offered at the Bank's offices and in the online Gold & Silver store continued to grow due to the uncertainties of the external environment.

Revenues of the Group from the sale of investment gold and other precious metal products amounted to BGN 2,080 thousand for 2022, compared to BGN 1,356 thousand a year earlier. The reported increase in the number of transactions and volume of sales mainly came from stronger investor interest, the change in gold price dynamics on the international markets being insignificant.

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.

Jointly with the New Zealand Mint, a new Year of the Rabbit 2023 silver coin was designed, exclusively available at Fibank offices. As part of the same collaboration, a limited edition coin dedicated to the 30th anniversary of First Investment Bank was created. A new gold and silver bars of the Swiss refinery PAMP were offered celebrating the Lunar New Year.

In continuation of its long-standing policy of supporting Bulgarian production, Fibank, by agreement with the BNB, successfully distributes all Bulgarian commemorative coins and coin sets issued by the National Bank. Interest in them increased in 2022, with the Bank attracting a number of new collectors and investors as customers.

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

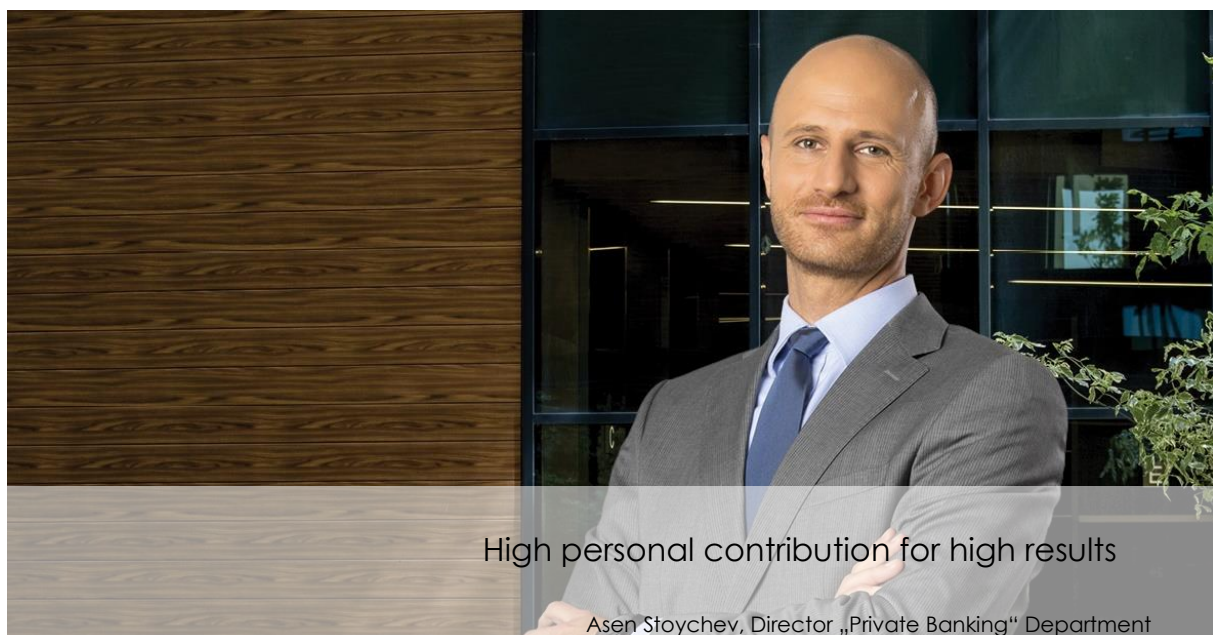
PRIVATE BANKING

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



In 2022 the Bank developed its private banking activity with a view to increasing the number of customers served in the segment, as well as to stimulating the growth of their investment portfolios and hence the fee and commission income generated. For the reporting period, the number of legal entities served by the Private Banking Department grew by more than 11%, while the monthly income from membership fees increased by 14% YoY.

The Personal Banking service, aimed at a subsegment of customers that meet certain minimum financial criteria, continued to be among the highlights in private banking during the year. It is implemented through the branch network of First Investment Bank, enabling customers to benefit



High personal contribution for high results

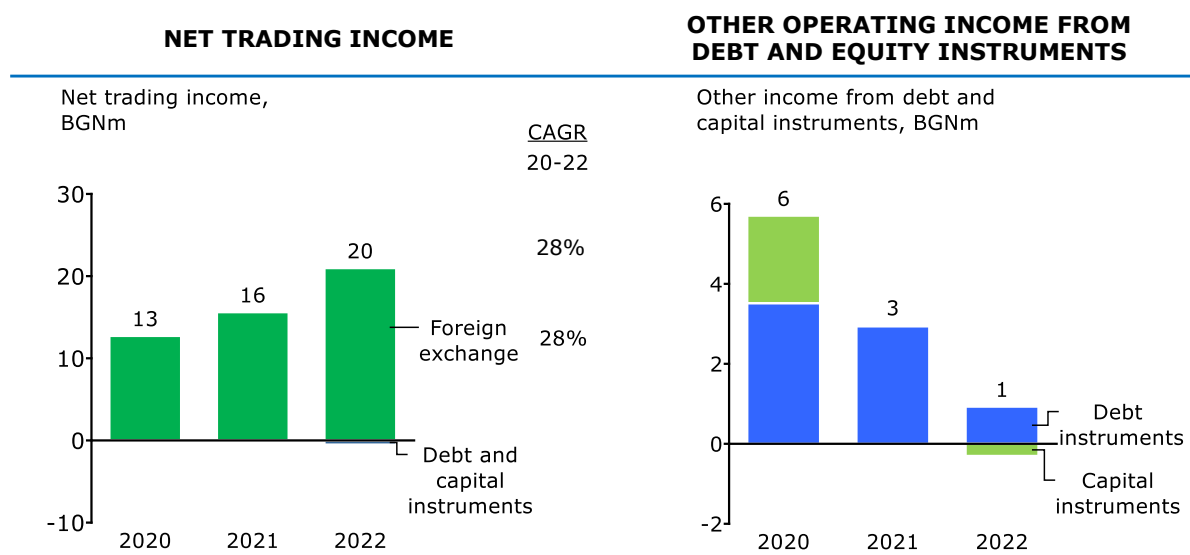
Asen Stoychev, Director „Private Banking“ Department

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. Over the year, Fibank reported a 75% growth in the number of customers served in the Personal Banking segment.

Private banking customers may also benefit from Fibank's trusted financial asset management service. It offers personalized financial strategies structured by professional portfolio managers with experience in international financial markets and proven skills that may be adapted to customers' financial condition and personal preferences. In 2022, notwithstanding the market dynamics and volatility, assets under management grew by 115%, while conservative and balanced management strategies brought positive results.

CAPITAL MARKETS

In 2022 net trading income of the Group amounted to BGN 20,473 thousand (2021: BGN 15,742 thousand), mainly as a result of the higher income from trading operations related to foreign exchange rate fluctuations. Other net operating income, arising from debt and capital instruments, amounted to BGN 626 thousand, compared to BGN 2,968 thousand a year earlier.



The securities portfolio of the Group at the end of the year amounted to BGN 2,819,193 thousand, compared to BGN 1,673,781 thousand a year earlier, of which BGN 530,160 thousand measured at fair value through other comprehensive income (2021: BGN 1,088,904), BGN 271,138 thousand measured at fair value through profit or loss (2021: BGN 268,738 thousand) and BGN 2,017,895 thousand measured at amortized cost (2021: BGN 316,139 thousand).

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

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

In pursuance of the requirements arising from Regulation (EC) 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 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 well as registration services. As part of the Compliance function, the Bank has a specialized unit "Compliance – Investment Services and Activities" which controls and ensures observance of the requirements related to Fibank's activity as an investment intermediary.

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

BUSINESS REVIEW OF THE SUBSIDIARY COMPANIES

FIRST INVESTMENT BANK – ALBANIA SH.A.

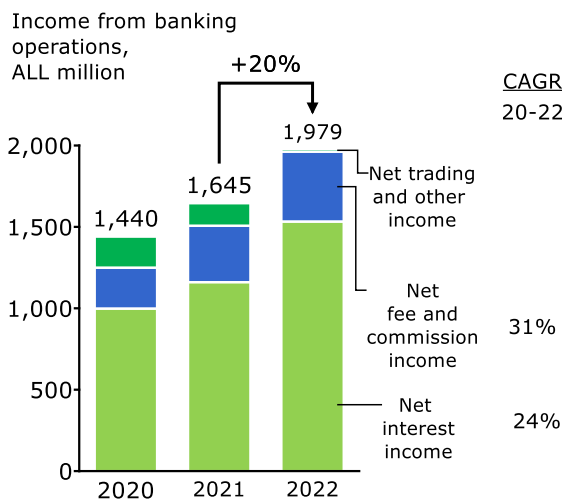


First Investment Bank – Albania Sh.a. (Fibank Albania) was granted a full banking license by the Bank of Albania in June 2007, and in September 2007 effectively took over the activities of the former Tirana branch of Fibank which had operated in the Albanian market since 1999, by assuming all its rights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

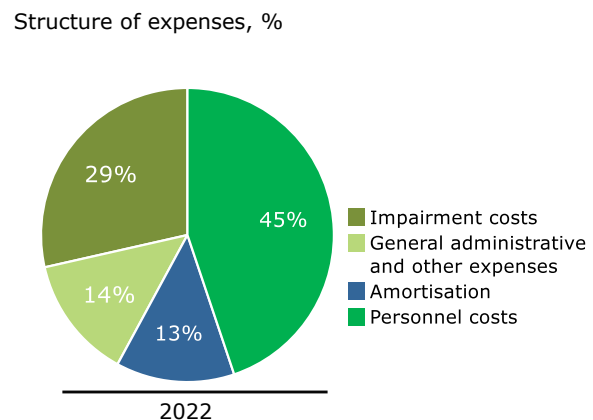
In line with its mission, First Investment Bank – Albania Sh.a. aims to be among the fastest growing banks in Albania, recognized as an innovative credit institution which offers first class service and exceptional products and services, provides excellent career opportunities to employees, and is socially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

In 2022, First Investment Bank - Albania Sh.a. reported good financial results and sustainable development, notwithstanding the difficult business environment. The Bank maintained sound liquidity and capital positions, reporting a 15.08% capital adequacy ratio at year-end (2021: 16.20%), the minimum required level being 12% according to the applicable regulatory requirements in the country.

INCOME FROM BANKING OPERATIONS



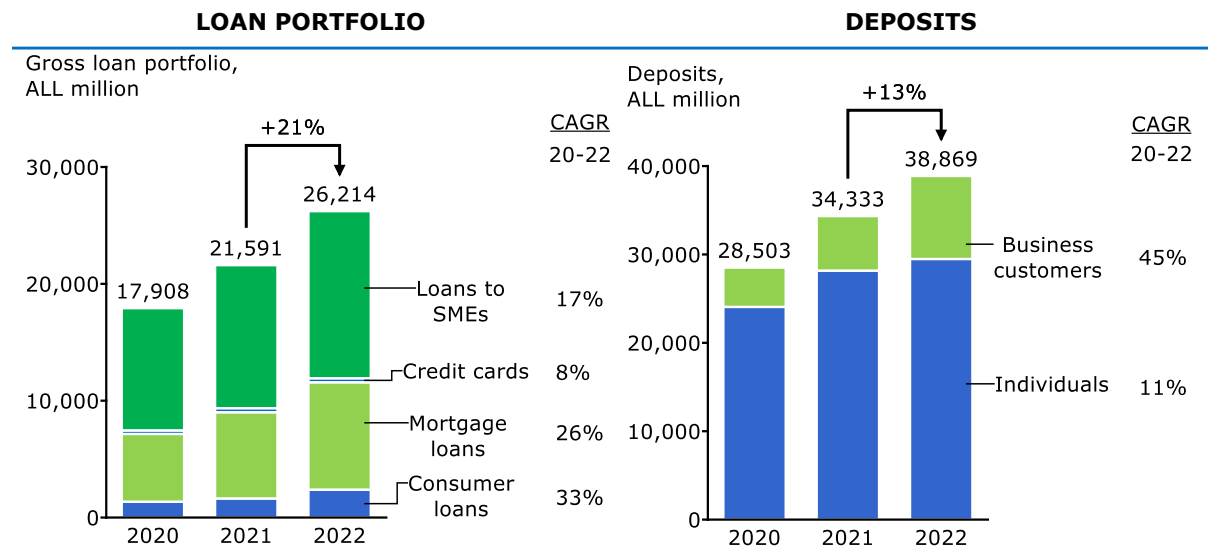
OPERATING EXPENSES



For 2022, First Investment Bank - Albania Sh.a. reported a net profit of ALL¹⁴ 879,149 thousand compared to 615,307 thousand ALL a year earlier, the increase being mainly due to higher operating income which increased by 20.3%, reaching ALL 1,979,152 thousand (2021: ALL 1,644,830 thousand). Increase was reported in all major sources of income, including net interest income up by 32.1% to ALL 1,532,364 thousand (77.4% of total income), net fee and commission income up by 24.0% to ALL 429,356 thousand (21.7% of total income) and net trading income up to ALL 10,701 thousand. Other net operating income amounted to ALL 6,731 thousand for the year.

¹⁴ The official exchange rate of the Albanian lek against the euro at the end of 2022 was ALL 114.23 per euro, and the average for the year was ALL 118.47 per euro.

During the year, staff costs increased to ALL 427,963 thousand compared to ALL 375,099 thousand for the previous year, reflecting the increased number of employees of the bank which by the end of 2022 reached 425 people (2021: 367). General administrative costs reached ALL 188,165 thousand (2021: ALL 162,299 thousand), mainly influenced by inflation, and depreciation costs to ALL 125,015 thousand (2021: ALL 120,155 thousand). Impairment costs amounted to ALL 271,840 thousand, compared to ALL 191,924 thousand for the previous year.



During the year the assets of Fibank Albania increased by 19.7% and reached ALL 50,122,288 thousand (2021: ALL 41,883,294 thousand) mainly as a result of the growth in loans and advances to customers, investments in securities, and cash and balances with central banks. The gross loan portfolio increased by 21.4% to ALL 26,213,730 thousand (2021: ALL 21,591,197 thousand), mainly due to growth in SME loans, as well as in retail loans, and in particular mortgages.

In 2022, a new mortgage loan was launched for local or foreign persons receiving income from abroad who want to acquire property in Albania. It finances up to 70% of the market value of the property and has a term of up to 25 years. During the period, online application for consumer loans was also offered, with competitive conditions and a maximum term of 7 years.

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



Investments in securities amounted to ALL 12,709,191 thousand at the end of the period (2021: ALL 11,592,311 thousand), of which ALL 3,616,033 thousand measured at fair value through other comprehensive income (FVOCI) and ALL 9,093,158 thousand measured at amortized cost. These mainly included treasury bills and government bonds of the governments of Albania and other EU countries. Receivables from banks and financial institutions amounted to ALL 3,730,441 thousand as at 31

December 2022 (2021: ALL 4,234,180 thousand), including current accounts and placements with local and foreign banks and financial institutions.

Borrowings from customers increased by 13.2% to ALL 38,869,160 thousand at the end of the period (2021: ALL 34,332,798 thousand), with growth reported in both retail and business deposits as a result of the flexible and competitive savings products, promotional campaigns and banking packages offered by the bank. During the year, a new product was offered: the Open Deposit, featuring an increasing interest rate and the option to deposit or withdraw money at any time.

In December 2022, First Investment Bank – Albania Sh.a. issued subordinated term debt in the amount of EUR 5 million, with a term of 7 years, eligible for inclusion in the Tier 2 capital. As at 31 December 2022, First Investment Bank - Albania Sh.a. also had two other subordinated term debt instruments issued (long-term bonds) amounting to EUR 2.0 million and EUR 2.9 million, meeting the requirements for Tier 2 capital under Regulation (EU) 575/2013. At the end of the year, the amortized value of the debt amounted to ALL 1,133,621 thousand (2021: ALL 594,092 thousand). The equity of First Investment Bank - Albania increased to ALL 4,796,738 thousand compared to ALL 4,235,850 thousand at the end of 2021, mainly as a result of the increase in retained earnings.

In 2022, the bank further developed its card business. All ATMs of the bank were equipped with a deposit function and promotional campaigns were regularly organized, including for contactless debit and credit cards, with the aim of popularizing card payments and stimulating the volume of card transactions. During the period, the number of credit cards issued increased by 8.7%, with outstanding credit card balances reaching ALL 348,561 thousand at the end of the year. The bank is Visa certified and offers debit and credit cards to individual and corporate customers. It also has its own center for chip card personalization. During the period, the bank also began to accept and process MasterCard transactions through its ATM network. In fulfillment of its strategy for development of card payments, the bank also took a decision to build its own POS terminal network.

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

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

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



At the beginning of the year, the bank supported an initiative of the Albanian Ski Federation by donating 60 sets of ski equipment to children from three regions in the country, with the aim of popularizing winter sports among teenagers.

In April 2022, a new initiative with social impact was launched: the Smart Lady program. It is aimed at supporting women entrepreneurs by providing them access to financing, and also allowing them to participate in specially tailored training programs on relevant topics,

thus helping them upgrade their skills for successful business management.

During the period, First Investment Bank - Albania participated in the "Safety at school and at home" initiative held in the city of Tirana jointly with the Albanian Red Cross. It seeks to raise the awareness among children and teenagers regarding road safety rules and providing first aid in case of accidents in the school or home environment.



In order to support young people in their successful professional realization, the bank took part in several employment events during the year. They were organized in partnership with universities from different cities in the country and the Association of Business Leaders of Albania, offering internships and training programs for students.

In August 2022, the bank, in cooperation with the municipal administration of the Korçë region, carried out a project related to development of tourism in the Pustec municipality and environmental protection of the Lake Prespa area.



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

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

The financial statements of the bank are prepared in accordance with the International Financial Reporting Standards, and are audited by a registered auditor. For 2022, the registered auditor of the bank was Grant Thornton Sh.p.k.

FI HEALTH INSURANCE AD



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

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

In 2022, Fi Health Insurance further developed its business and launched successful campaigns to promote new insurance products, including additional coverage to the "Peace of Mind with Fi Health" policy in case of unemployment. This product provides insured persons with protection against risks related to their life, health, physical condition and employment.

The company offers insurance coverage for both retail and business customers, primarily from the micro and SME segments. The product range includes the "Peace of Mind with Fi Health" and "Occupational Accident" insurance products, the "Fi Health Protect" insurance offered with credit cards, the "Fi Health Partner" insurance designed for individuals, as well as group insurance policies suitable for employees of corporate clients. In 2022, the company developed an insurance product for retail customers of First Investment Bank using overdraft facilities from the bank. During the year, a new "Fi Health Protect+" product was launched, combining "Fi Health Protect" offered with credit cards and "Fi Health Wallet" offered with debit cards.

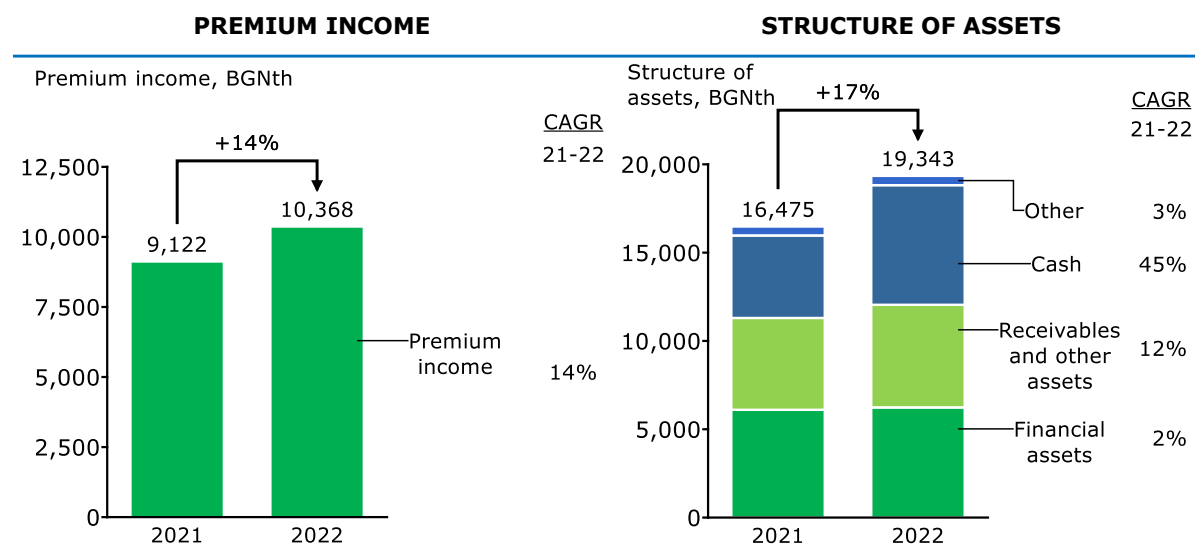


Throughout the year, the company continued to focus on offering group sickness insurance to corporate clients and signed new agreements to that effect. Such insurance, taken out by the employer, guarantees comprehensive and high-quality medical care, as well as easier access to reputable medical establishments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

In 2022, Fi Health Insurance offered innovative services tailored to the market conditions and customer needs, including the option to submit documents online through the company's website or through telemedicine platforms. Customers were also able to book examination appointments and to price search for medicinal products in their vicinity through partner online platforms. In connection with this, the corporate website www.fihealth.bg was updated with new interactive features and functionalities.

For 2022, the premium income of Fi Health Insurance amounted to BGN 10,368 thousand, compared to BGN 9,122 thousand for 2021, and the reported net profit for the period was BGN 1,832 thousand

(2021: BGN 2,074 thousand). The company managed insurance risk through established limits, procedures for approval of submitted claims, and various methods for assessment and control.



The company's assets increased by 17.4% to BGN 19,343 thousand at the end of the year (2021: BGN 16,475 thousand), mainly driven by cash and cash equivalents (2022: BGN 6,775 thousand; 2021: BGN 4,666 thousand). An increase was also reported in financial assets held by the company (2022: BGN 6,230 thousand; 2021: BGN 6,096 thousand), which mainly include bank deposits and Bulgarian government securities. There was an increase in receivables and other assets (2022: BGN 5,811 thousand; 2021: BGN 5,203 thousand), including receivables under insurance contracts. As at 31 December 2022, the equity of Fi Health Insurance amounted to BGN 12,293 thousand, compared to BGN 10,465 thousand a year earlier. The company sets aside the required technical reserves in accordance with legal requirements and standards.

In order to continue safeguarding its financial stability while progressively increasing the product portfolio, in 2022 Fi Health Insurance renewed its agreement with an A+ rated reinsurance company (S&P).

MYFIN EAD



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

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

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

In 2022, the company further developed its digital services by adding new functionalities such as location of transactions, purchase of vignettes, and improved account management features. As a result, the number of users, including foreign customers, continues to grow.

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

During the year, the company successfully launched a project focusing on the youngest users through an innovative and flexible interface specially developed for children. It enables them to develop early financial literacy by receiving funds from their parents and making payments with a digital or virtual

card and in a safe, easy and intuitive environment. The new functionality allows parents to manage the child's profile and receive information about everything that happens within it, including setting tasks and monitoring their completion.

In line with its commitment with early financial education, MyFin started a joint initiative with the Finance Academy, a strategic partner of SoftUni. Through it, the company aims at increasing the financial awareness of young people, as well as improving their personal finance management skills.

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



As at 31 December 2022 First Investment Bank AD also had other subsidiary companies, as follows: Diners Club Bulgaria AD, First Investment Finance B.V., AMC Imoti EAD, Debita OOD, Creative Investment EOOD, Lega Solutions EOOD and Inkaso Garant EOOD.

In September 2022, a new subsidiary Inkaso Garant EOOD was established with a paid-in capital of BGN 100 thousand, its main activity including private security and protection of valuable shipments and cargo.

During the year, in connection with decisions taken to terminate their activity, the subsidiaries Turnaround Management EOOD, Realtor OOD and Balkan Financial Services EAD were deleted from the Commercial Register of the Registry Agency.

For further information on subsidiary companies, including on those subject to consolidation, see section "[Fibank profile](#)", as well as note 36 „Subsidiary undertakings” of the Consolidated financial statements for the year ended 31 December 2022.

MEETING THE 2022 GOALS

| N | Goals | Fulfilment |
|---|---|---|
| 1 | <p>UNIVERSAL BULGARIAN BANK, LEADING IN KEY SEGMENTS</p> <ul style="list-style-type: none"> ❖ 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. | <ul style="list-style-type: none"> ❖ In 2022, the retail, micro, and SME loan portfolios registered an increase, their combined share reaching 68.5% of the total loan portfolio of the Group (2021: 65.4%). This was mainly driven by retail loans which grew by 11.2% during the period. ❖ Fibank retained its leading position among banks in the country: fifth in deposits, fifth in corporate loans, fifth in consumer loans, and sixth in mortgage loans. ❖ New mortgage loans were developed: Sustainable Future for financing real estate with high energy efficiency class, and a loan for persons receiving income from abroad. ❖ The new Career Start consumer loan was launched, designed for university graduates up to the age of 30, without requirements for income or minimum work experience. ❖ Lending to micro, small and medium-sized enterprises started under two instruments: Financing in Rural Areas through the Fund Manager of Funds, and a portfolio guarantee agreement with the National Guarantee Fund. <p><i>For more information see the Business Review and 2022 Highlights sections.</i></p> |
| 2 | <p>HIGH QUALITY CUSTOMER SERVICE</p> <ul style="list-style-type: none"> ❖ 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. | <ul style="list-style-type: none"> ❖ The deposit base of the Group grew to BGN 11,454,906 thousand at the end of the period (2021: BGN 9,973,631 thousand), and the total loan portfolio to BGN 6,823,003 thousand (2021: BGN 6,653,944 thousand). ❖ The Help from a Friend service was introduced, allowing every customer to receive assistance and information about the features and functionalities of My Fibank electronic banking and the mobile application. ❖ Fibank joined the updated STEP2-T Continuous Gross Settlement (CGS) system operated by EBA Clearing which optimized the execution of SEPA credit transfers. ❖ Overdraft Express was developed: a fast overdraft for pre-approved customers via the electronic banking and the My Fibank mobile application. ❖ Proof of Fibank's accomplishments during the year were the awards received: the Bulgarian consumer Favorite Brand award at My Love Marks consumer ranking, and the Product of the Year award for Debit Mastercard Platinum in the Premium Card Products category of the international Product of the Year competition carried out via the NielsenIQ research agency. <p><i>For more information see the Business Review and Awards 2022 sections.</i></p> |

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| <p>3 FOCUS ON DIGITIZATION AND INNOVATION</p> <ul style="list-style-type: none"> ❖ 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. | <ul style="list-style-type: none"> ❖ First Investment Bank offered an innovative service for instant payments (up to 10 seconds) in BGN under the Blink scheme. Preparation began for launching the innovative Blink P2P service for instant payments through the mobile banking app. ❖ As part of the Branch digitalization project, the Bank introduced electronic signing of documents (e-Sign pad) in its offices. ❖ A new virtual debit card was developed: the Debit Instant Card. It is issued through the My Fibank mobile application and is intended for making online payments. ❖ New digital banking functionalities were added, including rescheduling of credit card debt into equal monthly installments and purchasing products online. ❖ The hardware and software infrastructure of the card system was upgraded, expanding its functionality and improving security. ❖ Fibank was distinguished with three awards: for Digital Bank of the Year 2022 at the Worldwide Finance Awards 2022 international competition, for successful digital transformation at the Bank of the Year contest, and for Innovative Bank of the Year by Business Lady Magazine. <p><i>For more information see the Business Review, Distribution Channels and Awards 2022 sections.</i></p> |
| <p>4 STABLE AND SUSTAINABLE BUSINESS MODEL</p> <ul style="list-style-type: none"> ❖ 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. | <ul style="list-style-type: none"> ❖ At the end of 2022, the Group reported stable capital ratios as follows: common equity Tier 1 (CET1) ratio 17.41%, Tier 1 capital ratio 20.78% and total capital adequacy ratio 21.01%, exceeding the minimum regulatory capital requirements. ❖ Fibank maintained high liquidity, with liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) on a consolidated basis of 239.89% and 146.91% respectively at the end of the period. ❖ Risk-weighted credit exposures remained almost unchanged at BGN 6,978,820 thousand (2021: BGN 6,941,701 thousand), as part of the strategy to maintain a moderate-low level of risk. ❖ A net decrease of 7.2% was reported in non-performing exposures of the Group, in implementation of the strategy for reduction of such exposures and the measures implemented for improving collections and write-offs. ❖ The Bank offered new products for business customers: Green Transport, Green Energy - Free Market, and Green Energy - Own Use, as well as the new Sustainable Future mortgage loan was for financing real estate with high energy efficiency class. ❖ Fibank started replacing its plastic debit and credit cards with new ones made of fully recyclable material. <p><i>For more information see the Financial Review, Risk Management and Sustainable Development sections.</i></p> |

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| <p>5 RETURN FOR SHAREHOLDERS AND COST OPTIMISATION</p> <ul style="list-style-type: none"> ❖ 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. | <ul style="list-style-type: none"> ❖ In a challenging external environment, the reported return on equity (after taxes) of 7.29% for 2022 was in line with budgeted levels, with potential to achieve the long-term targets of above 8%. ❖ For 2022, the cost/income ratio was 46.53% on a consolidated basis (2021: 43.40%), which was within the target level of below 50% set in the development strategy. ❖ Net fee and commission income for 2022 increased by 17.4% to BGN 144,962 thousand, forming 30.5% of total operating income of the Group (2021: 28.4%). It provided a significant share of operating profit and contributed to income diversification. ❖ The investment securities portfolio of the Group increased to BGN 2,819,193 thousand at the end of 2022 (2021: BGN 1,673,781 thousand). It was managed according to market conditions, with the aim of generating additional profit while maintaining a balance between risk and return. Net interest income from debt instruments increased by 26.6% to BGN 31,767 thousand (2021: BGN 25,088 thousand), and net trading income in such instruments reached BGN 155 thousand, compared to net expenses of BGN 64 thousand a year earlier. <p><i>For more information see the Financial Review and Risk Management sections.</i></p> |
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SUBSEQUENT EVENTS

- ❖ In January 2023, Fibank was the first among banks in the country to offer the innovative Blink P2P instant transfer service. It allows execution of instant money transfers (up to 10 seconds) in BGN using a secondary identifier: a mobile phone number, instead of indicating an account IBAN. The service is available through the My Fibank mobile application, subject to the general and transaction limits set.
- ❖ In February 2023, the Bank successfully redeemed the perpetual hybrid bond issue with an original principal amount of EUR 40 million (ISIN: BG2100008114) replacing it with the newly issued hybrid bonds (ISIN: XS2419929422 and ISIN: XS2488805461) in the same amount.

For further information, see the Consolidated Financial Statements for the year ended December 31, 2022.

DEVELOPMENT PRIORITIES

UNIVERSAL BULGARIAN BANK, LEADING IN KEY SEGMENTS

- ◆ Priority focus on the development of retail and SME segments.
- ◆ Offering new and creative products, providing customers with convenience and security.
- ◆ Upgrading the cross-selling and transactional business models.

HIGH QUALITY CUSTOMER SERVICE

- ◆ Maintaining highest quality of customer service by developing motivational programs and training for employees.
- ◆ Speed in customer service by improving IT systems and applying customer-oriented approaches.
- ◆ Development of personalized services and loyalty programs.

FOCUS ON DIGITIZATION AND INNOVATION

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

STABLE AND SUSTAINABLE BUSINESS MODEL

- ◆ Ensure sound capital position and MREL.
- ◆ Effective management of liquidity and financing risks.
- ◆ Maintain optimal asset structure and reduce loan portfolio risk.

RESPONSIBLE BANKING FOR SUSTAINABLE FUTURE

- ◆ Offer products and finance projects aimed at sustainability and supporting the green idea.
- ◆ Implement environmentally friendly internal processes.
- ◆ Support responsible projects and initiatives with social impact.

RETURN FOR SHAREHOLDERS AND COST OPTIMISATION

- ◆ Achieve high return on equity.
- ◆ Maintain maximum efficient cost-to-income ratio.
- ◆ Invest in profitable securities and revenue diversification.

OTHER INFORMATION

MEMBERS OF THE SUPERVISORY BOARD

Evgeni Lukanov - Chairman of the Supervisory Board

Mr. Lukanov joined First Investment Bank AD in 1998 as Deputy Director, and later as Director and General Manager of the Tirana Branch, Albania. From 2001 to 2003 he was Director of the Bank's Vitosha Branch (Sofia).

Mr. Lukanov has occupied a number of senior positions with First Investment Bank AD. From 2003 to 2007 he was Director of the Risk Management Department and Member of the Managing Board. From 2004 to 2012 - Executive Director and Member of the Managing Board of First Investment Bank AD.

During his years of work in First Investment Bank AD, Mr. Lukanov has been Chairman of the Credit Council and the Liquidity Council of the Bank. He has been in charge of the following departments: Risk Management, Impaired Assets and Provisioning, Loan Administration, Specialized Monitoring and Control, Retail Banking, Methodology, and Liquidity.

Mr. Lukanov has also been member of the Managing Board of First Investment Bank – Albania Sh.a.

At the beginning of February 2012, Mr. Lukanov was elected as Chairman of the Supervisory Board of First Investment Bank AD. For the period 2012-2019 he was Chairman of the Risk Committee to the Supervisory Board of the Bank and since May 2019 was elected as Chairman of the Remuneration Committee to the Supervisory Board of the Bank.

Mr. Lukanov holds a Master's Degree in Economics from the University of National and World Economy, Sofia. Prior to joining First Investment Bank AD, Mr. Evgeni Lukanov worked as currency broker with First Financial Brokerage House OOD.

Besides his position on the Supervisory Board of the Bank, Mr. Lukanov is also Chairman of the Board of Directors of Fi Health Insurance AD. He is owner of ET Imeksa-Evgeni Lukanov.

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;
- Gulf Marine Services PLC (GMS International), UK – Member of the Board of Directors.
- Serengeti Energy Ltd, Mauritius – Member of the Board of Directors.

During the period 2012 – up to 2021 Mr. Koskelo acted in multiple Supervisory Board and advisory positions including in the Africa Development Corporation, Germany; African Banking Corporation, Botswana; RSwitch, Rwanda; EXPO Bank, Latvia, AtlasMara Co-Nvest LLC, UK, Al Jaber Group, UAE and in EXPO Bank, Czech Republic.

Mr. Koskelo holds a Master of Science (M.Sc.) degree in Civil Engineering from the Technical University of Helsinki, Finland and a Master of Business Administration (MBA) in International Finance from the Massachusetts Institute of Technology (MIT), Sloan School of Management in Boston, USA.

MEMBERS OF THE MANAGING BOARD



Nikola Bakalov – Chief Executive Officer (CEO) and Chairman of the Managing Board

Mr. Nikola Bakalov has extensive experience in the banking and insurance sector in Bulgaria, combined with proven professional and managerial skills. From December 2000 to September 2011, he worked at First Investment Bank AD, taking increasing responsibilities from Card Services Specialist to Director of the Card Payments Department, which position he held for almost 6 years. During this period he was also elected as member of the executive committees of Mastercard Bulgaria and VISA Bulgaria.

In the period December 2011 - August 2012, Mr. Bakalov was member of the Managing Board of Allianz Bank Bulgaria AD, where he served as Executive Director, and subsequently as Chief Executive Officer.

From 2013 to August 2020, Mr. Bakalov was Executive Director of FiHealth Insurance AD, where he expanded significantly the activity of the company and transformed it in a leading company in the sphere of health insurance.

At the beginning of 2020, he was elected as Chief Retail Banking Officer (CRBO), Member of the Managing Board and Executive Director of First Investment Bank AD, responsible for the retail banking business lines within the Bank.

Since April 2020 Mr. Bakalov has been elected as Chief Executive Officer (CEO) and Chairman of the Managing Board of First Investment Bank AD.

Responsibilities in the Bank – Compliance function, Legal Department, Corporate Communications Department, Marketing and Advertising Department, Human Capital Management Department, Administrative Department, Asset Management Department, Information Technologies Department, Sustainable Development Department, Protocol and Secretariat Department and Specialised Unit Project Management.

Mr. Bakalov holds a Master's degree in International Economic Relations from the University of National and World Economy in Sofia, and has additional specializations in card payments, finance retail services and corporate governance.

Apart from his position at the Bank, Mr. Bakalov is Deputy chairman of the Board of Directors of FiHealth Insurance AD, Member of the Board of Directors of BORICA AD and Member of the Management Board of Association of Banks in Bulgaria.



Svetozar Popov – Chief Risk Officer (CRO), Member of the Managing Board and Executive Director

Mr. Svetozar Popov joined First Investment Bank AD in 2004 as part of the Risk Management Department, and was shortly thereafter promoted to Head of the Credit Risk Division. From 2006 to 2008 he was Deputy Director of Risk Management, during which period he also chaired the Bank's Credit Council. From 2016 to 2017, Mr. Popov held the office of Chief Compliance Officer (CCO), and

in May 2017 he was appointed as Chief Risk Officer (CRO), Member of the Management Board and Executive Director of First Investment Bank AD.

From 2008 to 2015, Mr. Popov was member of the Managing Board and Executive Director of UNIBank AD, Northern Macedonia, where he gained significant management experience and was responsible for the areas of risk management, credit administration, and finance. Prior to joining First Investment Bank AD, Mr. Popov worked at Raiffeisenbank (Bulgaria) EAD as an SME loan officer.

Mr. Popov holds a Masters degree in Finance from the University of National and World Economy in Sofia, and has obtained additional qualifications in the field of financial analysis from the European Bank for Reconstruction and Development (EBRD) and other internationally recognized institutions, as well as practical experience in foreign banks.

In the Bank he is responsible for the Risk Analysis and Control Department, the Credit Risk Management, Monitoring and Provisioning Department, the Impaired Assets Department, the Loan Administration Department, Security Department, Information Security Department and the specialized unit Strategic Risk Management.

Besides his position in the Bank, Mr. Popov is a Chairman of the Supervisory Board of UNIBank, Republic of Northern Macedonia, Chairman of the Board of Directors of MyFin EAD and a Manager of Debita OOD.



Chavdar Zlatev - Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director

Mr. Chavdar Zlatev joined the team of First Investment Bank AD in 2004 as Chief specialist in the SME Lending Department. Soon afterwards he was promoted to Deputy Director of the Department. From 2006 to 2009 he was manager of the Vitosha branch of First Investment Bank AD. He was subsequently appointed Deputy Director of the Branch Network Department, and in 2010 promoted to Director of the Department. In early 2011, he was appointed Director of the Corporate Banking Department, and has participated in the development and implementation of a number of banking products. In November 2014 Mr. Zlatev was elected member of the Managing Board of First Investment Bank AD, and from February 2018 was appointed as Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director.

Alongside his responsibilities in the Bank for the period during 2011-August 2020 he was member of the Board of Directors of FiHealth Insurance AD.

Prior to joining First Investment Bank AD, Mr. Zlatev worked in CB Unionbank AD as a senior bank officer, Corporate clients. He holds a Master's degree in Macroeconomics from the University of National and World Economy in Sofia. He has specialized loan products and practices in Bank of Ireland, as well as contemporary banking practices in Banco Popolare di Verona.

Responsibilities in the Bank – Large Enterprises Banking Department, Medium-sized Enterprises Banking Department, Corporate Sales and Public Procurements Department, Financial Analysis unit, Loan Facility Management unit, Trade Financing unit and Factoring and Leasing unit.

Besides his position with the Bank, Mr. Zlatev is a 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. and member of the Supervisory Board of UNIBanka AD, Northern Macedonia.



Nadia Koshinska – Member of the Managing Board and Director of Small Enterprises Banking Department

Ms. Nadia Koshinska joined Fibank in 1997 as a corporate loan expert. In 2002, she was appointed Deputy Director Loan Administration and held this position until 2004. In 2004 Nadia Koshinska was appointed Director SME Lending Department responsible for increasing the market share of the Bank through implementing special programs and dedicated products for SMEs. Also in 2004, she was appointed as a member of the Credit Council. At the end of 2015, Ms. Koshinska was elected as Chief Retail Banking Officer (CRBO) and Member of the Managing Board, while since September 2017 is a Member of the Managing Board and Director of SME Banking Department.

Prior to joining First Investment Bank AD she worked in the balance of payments and foreign debt division in Bulgarian National Bank.

Ms. Nadia Koshinska holds a Masters degree in Accounting and Control from the University of National and World Economy in Sofia.

In the Bank she is responsible for the Small Enterprises Banking Department.

Ms. Koshinska does not hold outside professional positions.

LIST OF ABBREVIATIONS

| | |
|--------------|---|
| AD | Joint Stock Company |
| ALCO | Asset, liability and Liquidity management Council |
| AML | Anti Money Laundering |
| ATM | Automated Teller Machine |
| BAF | Bulgarian Athletics Federation |
| Bank/Fibank | First Investment Bank AD |
| BEIA | Bulgarian Export Insurance Agency |
| BISERA | Bank integrated system for electronic payments |
| BISERA 7-EUR | System for servicing customer transfers in euros |
| BNB | Bulgarian National Bank |
| BOC | Bulgarian Olympic Committee |
| BORICA | Banking organization for payments using cards |
| BRGF | Bulgarian Rhythmic Gymnastics Federation |
| BPM | Business Process Management |
| BRRD II | Bank Recovery and Resolution Directive II (Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC) |
| CAGR | Compound Annual Growth Rate |
| CEO | Chief Executive Officer |
| CET1 | Common Equity Tier 1 |
| CCBO | Chief Corporate Banking Officer |
| CFO | Chief Financial Officer |
| CGS | Continuous Gross Settlement |
| CO2 | Carbon footprint |
| CRBO | Chief Retail Banking Officer |
| CRO | Chief Risk Officer |
| CSRBB | Credit Spread Risk in the Banking Book |
| DvP | Delivery versus Payment (Доставка срещу плащане) |
| DPO | Data Protection Officer |
| EAD | Exposure at Default |
| EAD | Sole-owned joint stock company |
| EBA | European Banking Authority |
| EEA | European Economic Area |
| EC | European Commission |
| ECB | European Central Bank |
| EOOD | Sole-owned limited liability company |
| EP | European Parliament |
| ERM | Exchange Rate Mechanism |
| ESG | Environmental, Social, Governance |
| ESMA | European Securities and Markets Authority |

| | |
|--------|---|
| EU | European Union |
| FDI | Foreign Direct Investments |
| FSC | Financial Supervision Commission |
| GDP | Gross domestic product |
| GDPR | General Data Protection Regulation |
| GVA | Gross value added |
| HIC | Health insurance company |
| HHI | Herfindahl-Hirschman Index |
| ICAAP | Internal Capital Adequacy Assessment Process |
| IFRS | International Financial Reporting Standards |
| ILAAP | Internal Liquidity Adequacy Assessment Process |
| IFC | International Finance Corporation |
| IRRBB | Interest Rate Risk in the Banking Book |
| IT | Information Technology |
| ITP | Internal-transfer prices |
| LCR | Liquidity Coverage Ratio |
| LIFO | Law on independent financial audit |
| LGD | Loss Given Default |
| LPOSA | Law on public offering of securities |
| LR | Leverage Ratio |
| LRE | Leverage Risk Exposure |
| MB | Managing Board |
| MiFIR | Markets in Financial Instruments Regulation (Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012) |
| MREL | Minimum requirements for own funds and eligible liabilities |
| MRR | Minimum Required Reserved |
| NATO | North Atlantic Treaty Organization |
| NFC | Near Field Communication |
| NPE | Non-performing exposures |
| NPL | Non-performing loans |
| NSFR | Net Stable Funding Ratio |
| OECD | Organization for Economic Cooperation and Development |
| OOD | Limited liability company |
| OSII | Other Systemically Important Institution |
| PAMP | Produits Artistiques de Métaux Précieux |
| PD | Probability of Default |
| PRIIPS | Packaged Retail Investment and Insurance Products (Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products) |
| RCSA | Risk Control Self Assessment |

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|-------|---|
| RINGS | Real-time Interbank Gross Settlement System |
| ROA | Return-on-assets |
| ROE | Return-on-equity |
| SB | Supervisory Board |
| SCA | Strong Customer Authentication |
| SEPA | Single Euro Payments Area |
| SME | Small and medium-sized enterprises |
| SP | Sole proprietor |
| SPPI | Solely Payments of Principal and Interest |
| SRM | Single Resolution Mechanism |
| SSM | Single Supervisory Mechanism |
| TCR | Total Capital Ratio |
| TPPs | Third party providers |
| TREA | Total Risk Exposure Amount |
| UAB | Union of Artists in Bulgaria |
| UN | United Nations |
| VaR | Value-at- Risk |

LIST OF BRANCH NETWORK

HEAD OFFICE

Sofia 1784, 111P, Tsarigradsko shose Blvd.
Phone: 02/817 1100, fax: 02/817 1101
SWIFT CODE: FINVBGSF
REUTERS DEALING CODE: BFIB
e-mail: fib@fibank.bg, www.fibank.bg
Contact centre: 0800 11 011

BRANCHES IN SOFIA

Aleksandar Stamboliyski
Sofia 1301, 20, Aleksandar Stamboliyski Blvd.
phone: (+359 2) 817 1493

Bulgaria
Sofia 1404, 81G Bulgaria Blvd.
phone: (+359 2) 800 2501, fax: (+359 2) 800 2500

Business Park Sofia
Sofia 1712, 1, Business Park Sofia St.
phone: (+359 2) 800 2535

Diners Club Bulgaria
Sofia 1142, 35, Vasil Levski Blvd.
phone: (+359 2) 800 2921

Dragalevtsi
Sofia 1415, Zh.k. (Quarter) Dragalevtsi
20A, Krushova gradina St.
phone: (+359 2) 800 2601

Dragan Tsankov
Sofia 1797, 37, Dragan Tsankov Blvd.
phone: (+359 2) 800 2020, fax: (+359 2) 970 9597

Evropa
Sofia 1528, 7, Iskarsko shose Blvd.
phone: (+359 2) 817 1454

Flavia
Sofia 1303, 125, Aleksandar Stamboliyski Blvd.
phone: (+359 2) 800 2864

Generali
Sofia 1000, 79-81, Dondukov Blvd.
phone: (+359 2) 817 1437

Hadzhi Dimitar
Sofia 1510, 28-30, Doncho Vatah St.
phone: (+359 2) 817 1576

Hristo Botev
Sofia 1000, 28 Hristo Botev Blvd.
phone: (+359 2) 800 2645

Iliyantsi
Sofia 1268, 31, Rozhen Blvd.
phone: (+359 2) 800 2973

Ivan Vazov
Sofia 1408, 184, Vitosha Blvd.
phone: (+359 2) 817 1553

Journalist
Sofia 1164, 44, Hristo Smirnenski Blvd.
phone: (+359 2) 800 2939

Krasna Polyana
Sofia 1330, Nikola Mushanov Blvd., bl. 31A,
floor 1
phone: (+359 2) 800 2665

Krasno selo
Sofia 1612, 107 A, Tsar Boris III Blvd.
phone: (+359 2) 800 25 84

Lyulin
Sofia 1324, 70, Tsaritsa Yoanna Blvd.
phone: (+359 2) 817 1483

Mall – Sofia
Sofia 1303, 101, Aleksandar Stamboliyski Blvd.
phone: (+359 2) 817 1672

Maria Luisa
Sofia 1202, 67, Maria Luisa Blvd.
phone: (+359 2) 817 1463

Mladost
Sofia 1784, 11, Andrey Saharov Blvd.
phone: (+359 2) 817 1641

Mall – Serdika
Sofia 1505, 48, Sitnyakovo Blvd.
phone: (+359 2) 800 2550

Nadezhda 2
Sofia 1220, 7, Strazhitsa St., 1st floor
phone: (+359 2) 800 2521

Narodno sabranie 1
Sofia 1000, 12, Narodno sabranie Sq.
phone: (+359 2) 817 1559

Narodno sabranie 2
Sofia 1000, 3, Narodno sabranie Sq.
phone: (+359 2) 817 1359

National Theatre
Sofia 1000, 7, Dyakon Ignatij St.
phone: (+359 2) 817 1421

NDK (National Palace of Culture)
Sofia 1000, 110, Vitosha Blvd.
phone/fax: (+359 2) 800 2641

Nevski
Sofia 1504, 1, Yanko Sakazov Blvd
phone: (+359 2) 800 2542

Obelya
Sofia 1387, 58A, Akademik Dimitri Lihachov Blvd.
phone: (+359 2) 800 2091

Ovcha kupel
Sofia 1632, 51, Montevideo St.
phone: (+359 2) 800 2525

Paradise Center
Sofia 1407, 100, Cherni vrah Blvd.
phone: (+359 2) 800 2545

Park Center
Sofia 1421, 2, Arsenalski Blvd.
phone: (+359 2) 817 1666

Patriarch Evtimiy
Sofia 1000, 36, Patriarch Evtimiy Blvd.
phone: (+359 2) 800 2622

Shipchenski prohod
Sofia 1111, 49, Shipchenski prohod Blvd.
phone: (+359 2) 800 2958

Slatina
Sofia 1574, Satinska St., bl. 20
phone: (+359 2) 800 2839

Sofia Mega Mall
Sofia 1324, 15, Tzaritza Yoanna Blvd.
phone: (+359 2) 800 2510

Sofia Ring Mall
1434 Sofia, 214, Okolovrasten pat St.
Phone: (+359 2) 800 2583

Sofia Theatre

Sofia 1527, Yanko Sakazov Blvd.
phone: (+359 2) 800 2825

The Mall
Sofia 1784, 115, Tsarigradsko Chaussee Blvd. „Z“
phone/fax: (+359 2) 800 2538

Vitosha
Sofia 1408, 4, Mayor Parvan Toshev St.
phone: (+359 2) 942 6666

Yuzhen park (South Park)
Sofia 1404, Gotse Delchev Blvd., bl. 1
phone: (+359 2) 800 2975

Zaharna Fabrika
Sofia 1309, 127, Slivnitsa Blvd.
phone: (+359 2) 817 1586

BRANCHES IN THE COUNTRY

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Bansko
Bansko 2770, 68, Tsar Simeon St.
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Bansko Municipality
Bansko 2770, 12, Demokratsia Sq.
phone: (+359 749) 86 189

Strazhite – Bansko
Bansko 2770, 7, Glazne St.
phone: (+359 749) 86 986

Belene
Belene 5930, 2, Ivan Vazov St.
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Belitsa
Belitsa 2780, 12 Georgi Andreichin str.
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Blagoevgrad
Blagoevgrad 2700, 11, St.St. Kiril i Metodiy Blvd.
phone: (+359 73) 827 709

GUM – Blagoevgrad
Blagoevgrad 2700, 6, Trakia St.
phone: (+359 73) 827 756

| | |
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| Rila Hotel – Borovets Borovets 2010, Rila Hotel phone: (+359 2) 800 2549 | Gabrovo Gabrovo 5300, 5, Vazrazhdane Sq. phone: (+359 66) 819 444 |
| Botevgrad Botevgrad 2140, 5, Osvobozhdenie Sq. phone: (+359 723) 69 046 | Gorna Oryahovitsa Gorna Oryahovitsa 5100, 1, St. Knyaz Boris I St. phone: (+359 618) 61 766 |
| Burgas Burgas 8000, 58, Aleksandrovska St. phone: (+359 56) 800 138 | Gotse Delchev Gotse Delchev 2900, 41, Targovska St. phone: (+359 751) 69 642 |
| Bratya Miladinovi – Burgas Burgas 8000 Zh. k. (Quarter) Bratya Miladinovi, bl. 117, entr. 5 phone: (+359 56) 804 463 Kiril i Metodiy – Burgas Burgas 8000, 71, Slavyanska St. phone: (+359 56) 804 482 | FC Harmanli Harmanli 6450, 1, Vazrazhdane Sq. phone: (+359 373) 88 684 |
| Meden rudnik – Burgas Burgas 8011 Zh. k. (Quarter) Meden rudnik, zone B, bl. 192 phone: (+359 56) 804 442 | Haskovo Haskovo 6304, 7, San Stefano Blvd. phone: (+359 38) 661 848 |
| Slaveykov – Burgas Burgas 8005 Zh. k. (Quarter) Slaveykov, bl. 107, entr. 2 phone: (+359 56) 804 472 | Kardzhali Kardzhali 6600, 52, Bulgaria Blvd. phone: (+359 361) 21 629 |
| IRM PZ Devnya 9160 Devnya, Industrial Zone South phone: (+359 52) 662 755 | Karlovo Karlovo 4300, 6, General Kartsov St. phone: (+359 335) 90 799 |
| Dimitrovgrad Dimitrovgrad 6400, 6, Tsar Simeon St. phone/fax: (+359 391) 67 008 | Kazanlak Kazanlak 6100, 11, Sevtopolis Sq. phone: (+359 431) 67 078 |
| Dobrich Dobrich 9300, 1, Nezavisimost Sq. phone: (+359 58) 838 590 | AER – Kozloduy Kozloduy 3321, Nuclear Power Station, phone: (+359 973) 89 320 Kozloduy Kozloduy 3320, 1V, Vasil Vodenicharski St. phone: (+359 973) 85 020 |
| Dulovo Dulovo 7650, 6, Vasil Levski St. phone: (+359 864) 21 180 | Kyustendil Kyustendil 2500, 147, Tsar Osvoboditel Blvd. phone: (+359 78) 558 144 |
| Dupnitsa Dupnitsa 2600, 19, Hristo Botev St. phone: (+359 701) 59 153 | Levski Levski 5900, 40, Aleksandar Stamboliyski St. phone: (+359 650) 88 909 |
| | Lovech Lovech 5500, 12, Targovska St. phone: (+359 68) 689 612 |

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|--|---|
| Montana Montana 3400, 74, 3-ti Mart Blvd. phone: (+359 96) 399 516 | Plovdiv 4002, 8, Perushtitsa St. phone: (+359 32) 270 630 |
| Nesebar Nesebar 8230, 9, Ivan Vazov St. phone: (+359 554) 46 055 | Mall Trakia – Plovdiv Plovdiv 4023, 41, Saedinenie Blvd. phone: (+359 32) 270 580 |
| Novi pazar Novi pazar 9900, 4, Rakovski Sq. phone/fax: (+359 537) 25 222 | Plovdiv Plovdiv 4000, 95, Maritsa Blvd. phone: (+359 32) 270 510 |
| FC Omurtag Omurtag 7900, 1, 28 January St. phone: (+359 605) 61 043 | Skopie – Plovdiv Plovdiv 4004, Skopie St., bl. 1519 phone: (+359 32) 270 590 |
| Pazardzhik Pazardzhik 4400, 11, Bulgaria Blvd. phone: (+359 34) 403 644 | Sveti Mina – Plovdiv Plovdiv 4000, 56, Kapitan Raycho St. phone: (+359 32) 270 560 |
| Trakia Papir – Pazardzhik Pazardzhik 4400, Trakia Papir EAD phone: (+359 34) 401 217 | Primorsko Primorsko 8180, 82A, Treti mart St. phone: (+359 550) 31 000 |
| Pernik Pernik 2300, 1, Rayko Daskalov St. phone: (+359 76) 688 613 | Radnevo Radnevo 6260, 3, Georgi Dimitrov St. phone: (+359 426) 98 764 |
| FC Peshtera Peshtera 4550, 13, 3rd March St. phone: (+359 350) 60 702 | Razgrad Razgrad 7200, 3, Vasil Levski St. phone: (+359 84) 631 065 |
| Petrich Petrich 2850, 11A, Tsar Boris III St. phone: (+359 745) 69 577 | FC Razlog Razlog 2760, 6, Sheynovo St. phone: (+359 747) 80 177 |
| Pleven Pleven 5800, 138, Doyran St. phone: (+359 64) 893 101 | Aleksandrovska – Ruse Ruse 7000, 10, Aleksandrovska St. phone: (+359 82) 889 534 |
| Vasil Levski – Pleven Pleven 5800, 126, Vasil Levski St. phone: (+359 64) 893 141 | Ruse Ruse 7000, 11, Rayko Daskalov St. phone: (+359 82) 889 541 |
| 6th september – Plovdiv 4002 Plovdiv, 35, 6th september Blvd. Phone: (+359 32) 270 783 | Tezhko mashinostroene – Ruse Ruse 7000, 100, Tutrakan Blvd. phone: (+359 82) 889 551 |
| Mall – Plovdiv | Tsar Osvoboditel – Ruse Ruse 7000, 1, Tsar Osvoboditel Blvd. phone: (+359 82) 889 498 |

| | |
|--|---|
| Sevlievo Sevlievo 5400, Svoboda Sq. phone: (+359 675) 31 053 | Stara Zagora 6000, 141, Tsar Simeon Veliki Blvd. phone: (+359 42) 698 752 , fax: (+359 42) 266 021 |
| Shumen Shumen 9700, 67, Simeon Veliki Blvd. phone: (+359 54) 856 611 | Svilengrad Svilengrad 6500, 58, Bulgaria Blvd. phone: (+359 379) 74 440 |
| Silistra Silistra 7500, 3, Geno Cholakov St. phone: (+359 86) 871 320 | Svishtov Svishtov 5250, 1, Nikola Petkov St. phone: (+359 631) 61 171 |
| Simitli Simitli 2730, 27, Hristo Botev St. phone: (+359 747) 89 051 | Targovishte Targovishte 7700, 46, Hristo Botev St. phone: (+359 601) 69 530 |
| Slanchev bryag (Sunny Beach) Slanchev bryag (Sunny Beach) 8240, Central Alley phone: (+359 554) 23 335 | FC Troyan 14, Vasil Levski St. phone: (+359 670)60 443 |
| Central – Sliven Sliven 8800, 2, Hadzhi Dimitar Blvd. phone: (+359 44) 610 954 | Troyan Troyan 5600, 108, Vasil Levski St. phone: (+359 670) 60 040 |
| Sliven Sliven 8800, 50, Tsar Osvoboditel Blvd. phone: (+359 44) 610 708 | 8-mi Primorski polk – Varna Varna 9000, 128, 8-mi Primorski polk Blvd. phone: (+359 52) 662 624 |
| Smolyan Smolyan 4700, 80V, Bulgaria Blvd. phone: (+359 301) 67 020 | Breeze – Varna Varna 9000, 80-82, 8-mi Primorski polk Blvd. phone: (+359 52) 662 731 |
| Sozopol Sozopol 8130, 7, Republikanska St. phone: (+359 550) 25 191 | FC Mall Varna Varna 9009, 186 Vladislav Varnenchik Blvd. phone: (+359 52) 662 699 |
| FC Stara Zagora 2 74, Tsar Simeon Veliki Blvd. phone: (+359 42) 611 964 | Rayonen sad (Regional Court) – Varna Varna 9000, 57, Vladislav Varnenchik Blvd. phone: (+359 52) 662 666 |
| Stara Zagora Stara Zagora 6000, 104, Tsar Simeon Veliki Blvd. phone: (+359 42) 698 813 | Tsaribrod – Varna Varna 9000, 2, Dunav St. phone: (+359 52) 662 721 Varna Varna 9000, 113, General Kolev Blvd. phone:(+359 52) 662 600 |
| Trayana – Stara Zagora Stara Zagora 6000, 69, Tsar Simeon Veliki Blvd. phone: (+359 42) 698 771 | Bacho Kiro – Veliko Tarnovo Veliko Tarnovo 5000, 5, Bacho Kiro St. phone: (+359 62) 682 436 |
| Tsar Simeon – Stara Zagora | |

Veliko Tarnovo
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Vratsa
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phone: (+359 46) 682 363

Zlatitsa
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BRANCHES OUTSIDE BULGARIA

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130 Limassol Ave., CY-2015 Nicosia, Cyprus
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SWIFT CODE: FINVCY2N

BRANCHES OF FIRST INVESTMENT BANK – ALBANIA SH.A.

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Twin Towers Branch - "Deshmoret e Kombit"
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phone: +355/ 42 276 794

Tirana 2 Branch
Rr. Teodor Keko, Unaza Re, Tirane
phone: +355/ 69 408 7788

Tirana 3 Branch
Bulevardi Zogu I Pare, Tirane
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Berat Branch
Lagjia "10 Korriku", Rruga Antipatrea, pranë
Gjykatës Berat
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Durres Branch
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prane Gjykates, Durres
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Elbasan Branch
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Fier Branch
Lagjia "Apollonia", Rruga "Jakov Xoxa", ish-
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Korca Branch
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Pare, Korce
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Lushnje Branch
Lagjia Clirim, Ish Hotel Myzeqeja, Lushnje
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Saranda Branch
Rruga Onhezmi 18 , Sarande
phone: +355/ 69 707 035

Shkoder Branch
Rruga Studenti, prane Radio Shkodra, Sheshi
Demokracia
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Vlora Branch
Rr. "Sadik Zotaj", Lagjia "Lef Sallata", Vlore
phone: +355/ 33 236 101

The present Consolidated Activity report for 2022 was approved by the Managing Board of First Investment Bank AD in accordance with the Bank's internal regulations at a meeting dated 27 April 2023.

Signed

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

Signed

Svetozar Popov
*Executive Director,
Chief Risk Officer,
Member of the Managing Board*

Signed

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

Signed

Ralitsa Bogoeva
*Executive Director,
Chief Retail 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, Svetozar Alexandrov Popov, Executive Director and Member 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, Ralitsa Ivanova Bogoeva, 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 consolidated financial statements of First Investment Bank AD as at 31 December 2022, 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, as well as of the companies included in the consolidation.
- The consolidated annual report of First Investment Bank AD as at 31 December 2022 contains a fair review of the development and results from the activities of First Investment Bank AD, as well as of the companies included in the consolidation.

Signed

Nikola Bakalov
Chief Executive Officer
Chairman of MB

Signed

Svetozar Popov
Executive Director
Member of MB

Signed

Chavdar Zlatev
Executive Director
Member of MB

Signed

Ralitsa Bogoeva
Executive Director
Member of MB

Signed

Ianko Karakolev
Chief Financial Officer
Member of MB

27 April 2023
Sofia

INDEPENDENT AUDITORS' REPORT

To the shareholders of
First Investment Bank AD

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of First Investment Bank AD and its subsidiaries (the "Group"), containing the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary disclosure of significant accounting policies.

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

Basis for expressing an opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these standards are further described in the section of our report "*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*". We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Standards of Ethics for Accountants Board (the IAAS Code), along with the ethical requirements of the Independent Financial Audit Act (IFAA) applicable to our audit of the consolidated financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the SMEC 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 most significance in our audit of the consolidated financial statements for the current period. These issues were considered as part of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of receivables from customers

| Key audit matters - Impairment of receivables from clients | Matters discussed with an audit committee |
|--|---|
| <p>Impairment is a material judgment of management in respect of losses incurred within the First Investment Bank AD’s loan portfolio. First Investment Bank AD assesses the need for impairment of loans on an individual and portfolio basis.</p> <p>Loans represent 50.54% of the assets of First Investment Bank AD. 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 one – 63.87% of total receivables from customers.</p> <p>Due to their significance and the inherent estimation uncertainty of the process of identifying deteriorating loans, the assessment of objective evidence of impairment and determination of recoverable value is defined as a key audit matter.</p> <p>The process involves a variety of assumptions and factors, including the financial position of the counterparty, expected future cash flows and collateral value.</p> <p>As a result, the use of different modelling techniques and assumptions may lead to differences in the valuation of loss provision. Exposures that give rise to the greatest uncertainty in valuations 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 embedded in the impairment model. First Investment Bank AD has complied with IFRS requirements when developing the policy and provisioning rules.</p> <p>Improvements have been discussed in the procedures that First Investment Bank AD should introduce in order to:</p> <ul style="list-style-type: none"> – a clearer documentation of judgements about the of future cash flows of borrowers and the expected development of future credit exposures, with particular attention being paid to lending for working capital by the Bank. – systematic confirmation commitment of borrowers' owners to provide continued support to companies. <p>A recommendation was also discussed with The Audit Committee that the risk management bodies of First Investment Bank AD 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.</p> |
| <p>How this key audit matters was addressed in our audit</p> | |
| <p>Procedures carried out to support our conclusions and discussions:</p> <ul style="list-style-type: none"> - The internal rules of First Investment Bank AD have been reviewed, we have gained an understanding of the key controls in key business processes, and tests the effectiveness of controls are performed according to the audit strategy. | |

| Key audit matters - Impairment of receivables from clients | Matters discussed with an audit committee |
|--|--|
| <ul style="list-style-type: none"> - A sample of borrowers has been reviewed on a risk-based basis for which substantive procedures have been carried out in relation to a sufficient assessment of the adequacy of the recognized impairment provision. - For individually accrued provisions, we tested assumptions regarding 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 First Investment Bank AD 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 forecast for cash flow generation, collateral estimates and other repayment sources. In addition, we have tested a sample of performing loans for which financial indicators have been assessed for weaknesses and other risks that could jeopardize the ability to repay exposures. | |
| <p>Relevant references in the consolidated financial statements</p> <ul style="list-style-type: none"> • Notes 18 • Note 2 (j) • Note 3 C (iii) • Note 4 | |

Assets acquired as collateral.

| Key audit matters - Assets acquired as collateral | Matters discussed with an audit committee |
|--|---|
| <p>The position in the consolidated financial statements amounting to BGN 423,585 thousand is disclosed by relevant subgroups.</p> <p>The Buildings group contains assets of varying degrees of completion and are in accordance with their condition at the date of acquisition. First Investment Bank AD has recognized in profit of Other income / (expenses), net (Note 12) profit of BGN 2,698 thousand.</p> <p>First Investment Bank AD, like any other banking institution, is exposed to a significant</p> | <p>The actions and procedures that First Investment Bank AD should introduce in order to allow the consistent tracking of changes in the part of income and expenses by groups and subgroups until the time of realization of the relevant assets are discussed. In addition, we set out our recommendation to improve the inventory processes of assets acquired as collateral for better and full implementation of the national financial reporting framework.</p> |

| Key audit matters - Assets acquired as collateral | Matters discussed with an audit committee |
|---|--|
| risk regarding the realization of assets acquired as collateral. | |
| How this key audit matters were addressed in our audit | |
| <p>Procedures carried out to support our conclusions and discussions:</p> <ul style="list-style-type: none"> - The internal rules of First Investment Bank AD have been reviewed, we have gained an understanding of the key controls in the essential business processes and tests have been made for the effectiveness of the controls according to the audit strategy. - For a sample of newly acquired collateral assets, acquisition documents have been reviewed and fair value reports have also been reviewed for a sample of acquired assets. - The supporting documents for our sample in connection with the largest site – an agency contract, a lease agreement, a commission contract, as well as the annexes to them have been reviewed. Substantive procedures have been carried out to confirm the completeness and correctness of reclassification between groups. | |
| <p>Relevant references in the consolidated financial statements</p> <ul style="list-style-type: none"> • Note 12 • Note 22 | |

Litigation and provisions

| Key Audit Matters - Litigation and Provisions | Matters discussed with an audit committee |
|---|---|
| <p>First Investment Bank AD, like any other banking institution, is exposed to significant risk of litigation and regulatory scrutiny. The degree of impact cannot always be predicted but may result in provisions for contingent and other liabilities depending on the relevant facts and circumstances. The level of provisions is subject to management and discretion based on legal advice.</p> <p>First Investment Bank AD has recognized provisions amounting to BGN 0.440 thousand in litigation.</p> <p>In connection with issued bank guarantees, First Investment Bank AD has blocked funds amounting to BGN 43,094 thousands which are disclosed in Note 25 of the consolidated</p> | <p>The recognition and evaluation of provisions have been discussed with the Audit Committee to ensure that First Investment Bank AD has properly implemented its provisioning policies.</p> <p>The disputes in which First Investment Bank AD has not recognized provisions were discussed in order to make sure to a sufficient extent that there is no need for additional provisioning, and in particular:</p> <p>The legal department of First Investment Bank AD reports to the Audit Committee on the current status of litigation. Substantial changes have been discussed, taking into account potential changes in provision.</p> <p>The discussion is also made for the purpose of identifying all substantial litigation.</p> |

| Key Audit Matters - Litigation and Provisions | Matters discussed with an audit committee |
|--|--|
| <p>financial statements (included in the subgroup Other Assets).</p> <p>Due to the uncertainties from the occurrence and filing of claims related to lawsuits against First Investment Bank AD, there is a risk of incomplete or untimely recording in the consolidated financial statements of legal claims related to the relevant reporting period.</p> | |
| How this key audit matters were addressed in our audit | |
| <p>Procedures carried out to support our conclusions and discussions.</p> <ul style="list-style-type: none"> - The internal rules of First Investment Bank AD have been reviewed, we have gained an understanding of the key controls in the essential business processes and tests have been made for the effectiveness of the controls according to the audit strategy. - A letter has been received from the legal department of First Investment Bank AD, as well as from external legal advisers, regarding information about cases filed in foreign jurisdiction and subsequent proceedings in Bulgaria. Pending court cases in Bulgarian and Romanian courtson which no final decisions have entered into force are listed. | |
| <p>Relevant references in the consolidated financial statements</p> <ul style="list-style-type: none"> • Note 25 • Note 30 | |

Other matters

The management has excluded right-of-use assets under IFRS 16 “Leases” to the amount of BGN 1,71,638 thousand from the amount of the risk-weighted assets.

Information other than the Consolidated Financial Statements and the auditor’s report thereon

Management is responsible for other information. The other information consists of a consolidated activity report, including a corporate governance statement, a consolidated non-financial statement remuneration policy implementation report, prepared by the management in accordance with Chapter Seven of the Accountancy Act, but does not include the consolidated financial statements and our audit report on it, which we received before the date of our audit report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read other information and thereby determine whether that other information is materially inconsistent with the

consolidated financial statements or with our knowledge acquired during the audit or otherwise it appears to contain material misstatement.

In the event that, based on the work we have done, we conclude that there has been a material misstatement in 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of this consolidated financial statement in accordance with IFRSs applicable in the EU and for such internal control system as it deems necessary to ensure the preparation of consolidated financial statements that do not contain material misstatements, regardless of whether due to fraud or error.

In preparing consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, where applicable, matters relating to the going concern assumption and using the accounting basis based on the going concern assumption, unless management either intends to liquidate the Group or discontinue the Group's operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the audit of the Consolidated Financial Statements

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

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

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the particular circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the Group's internal control. Evaluate the appropriateness of the accounting policies and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, on whether there is material uncertainty about events or conditions that could raise significant doubts about the Group's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if those disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence received up to the date of our auditor's report. However, future events or conditions may cause the Group to cease operating as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements present underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence about the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for instructing, supervising, and implementing the Group's audit. We remain solely responsible for our audit opinion.

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

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

Among the issues communicated with those charged with governance, we identify those issues that were of most significance in the audit of the consolidated financial statements for the current period and which are therefore key audit issues. We describe these matters in our auditor's report, unless law or regulation prevents public disclosure of information about the matter or when, in extremely rare cases, we decide that an issue should not be communicated in our report because it could reasonably be expected that the adverse effects of doing so would outweigh the public interest benefits of such communication.

We are jointly and severally responsible for the implementation of our audit and for the audit opinion expressed by us, in accordance with the requirements of the IFAA applicable in Bulgaria. Undertaking and performing the joint audit engagement in relation to which we report, we have also been guided by the Guidance for performing a joint audit issued on 13.06.2017 by the Institute of Certified Public Accountants in Bulgaria and the Commission for Public Oversight of Statutory Auditors in Bulgaria.

Report on other legal and regulatory requirements

Additional Matters Raised for Reporting the Accountancy Act and the Public Offering of Securities Act

In addition to our responsibilities and reporting under the ISAs described above in the section "Information other than the consolidated financial statements and the auditor's report " in relation to the consolidated activity report, the Group's corporate governance statement, the consolidated non-financial statement and the report on the implementation of the remuneration policy, we also complied with the procedures added to those required under the ISA under the " Guidelines on New and Extended Auditor Reports and Auditor Communication of the Professional Organization of Registered Auditors in Bulgaria, Institute of Certified Public Accountants (ICPA)". These procedures concern checks on the availability, as well as checks on the form and content of this other information in order to assist us in forming an opinion on whether the other information includes the disclosures and reports provided for in Chapter Seven of the Accountancy Act and the Public Offering of Securities Act (Art. 100n, para. 10 of the Public Offering of Securities Act in conjunction with Art. 100n, para. 8, items 3 and 4 of POSA), applicable in Bulgaria.

Opinion in relation to art. 37, para. 6 of the Accountancy Act

Based on the procedures carried out, our opinion is that:

- (a) The information included in the consolidated management report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.
- b) The consolidated activity report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and Art. 100(n), para. 7 of the Public Offering of Securities Act.
- c) The corporate governance statement of the Group for the financial year for which the consolidated financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100 (n), para. 8 of the Public Offering of Securities Act.
- d) The consolidated non-financial statement for the financial year for which the consolidated financial statements have been prepared has been submitted and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.
- e) The report on the implementation of the remuneration policy for the financial year for which the financial statements have been prepared is provided and meets the requirements set out in the Ordinance under art. 116c, para. 1 of the Public Offering of Securities Act.

Opinion in relation to art. 100(n), para. 10 in connection with Art. 100 n, para. 8, items 3 and 4 of the Public Offering of Securities Act

Based on the procedures performed and the knowledge and understanding of the Group's activities and the environment in which it operates, in our opinion, the description of the main features of the Group's internal control and risk management systems in relation to the financial reporting process, which forms part of the consolidated management report (as part of the content of the corporate governance statement). and the information under art. Article 10(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 shall not contain cases of material misstatement.

Reporting on the compliance of the electronic format of the consolidated financial statements, included in the annual consolidated financial statements for the activities under art. 100n, para 5 of POSA, with the requirements of the EEEF Regulation

We are committed to providing reasonable assurance regarding the compliance of the electronic format of the Group's consolidated financial statements of First Investment Bank AD and its subsidiaries for the year ended December 31, 2022, enclosed in the electronic file '549300UY81ESCZJ0GR95-20221231-BG-CON. XHTML', with the requirements of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council by means of regulatory technical standards laying down a single electronic reporting format ('ESEF Regulation'). Our opinion is only with regard to the electronic format of the consolidated financial statements and does not cover other information included in the annual consolidated financial statements for the activities under Art. 100n, para. 5 of POSA.

Description of subject matter and criteria applicable

The management has prepared an electronic format of the consolidated financial statements of the Group for the year ending December 31, 2022 under the ESEF Regulation in order to comply with the requirements of POSA. The rules for the preparation of consolidated financial statements in this electronic format are set out in the EEEF Regulation and they have, in our opinion, the characteristics of appropriate criteria for the formation of an opinion for a reasonable degree of certainty.

Responsibilities of management and those charged with governance

The Group's management is responsible for the application of the ESEF Regulation requirements in preparing the electronic format of the consolidated financial statements in XHTML. These responsibilities include the selection and application of appropriate iXBRL markings using the taxonomy of the EEEF Regulation, as well as the implementation and implementation of such internal control system as management considers necessary for the preparation of the electronic format of the Group's

annual consolidated financial statements that does not contain material inconsistencies with the requirements of the EEEF Regulation.

Those charged with governance shall be responsible for overseeing the Group's annual consolidated financial statements, including the implementation of the ESEF Regulation.

Auditor's responsibilities

Our responsibility is to express an opinion of reasonable assurance as to whether the electronic format of the consolidated financial statements complies with the requirements of the EEEF Regulation. To this end, we have implemented the " Guidelines on the Audit Opinion on the Application of the Single European Electronic Format (ESEF) for the financial statements of companies whose securities are admitted to trading on a regulated market in the European Union (EU)" of the professional organization of registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA)" and made a reasonable assurance engagement under IAAES 3000 (revised) "Assurance Engagements Other than Audits and Reviews of Historical Financial Information" (IAAES 3000 (revised)). This Standard requires us to comply with ethical requirements, to plan and implement appropriate procedures to obtain a reasonable degree of certainty as to whether the electronic format of the Group's consolidated financial statements has been prepared in all material respects in accordance with the applicable criteria set out above. The nature, timing and scope of the procedures selected depend on our professional judgement, including the assessment of the risk of material non-compliance with the ESEF Regulation's requirements, whether due to fraud or error.

A reasonable assurance is a high level of certainty, but there is no guarantee that a commitment made in accordance with IAAES 3000 (revised) will always disclose material non-compliance where available.

Quality control requirements

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

We meet the ethical and independence requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Standards of Ethics for Accountants Board (IESBA Code) adopted by ICPA through the IFAA.

Summary of work carried out

The purpose of the procedures planned and carried out by us was to obtain a reasonable degree of certainty that the electronic format of the consolidated financial statements has been prepared in all material respects in accordance with the requirements of the ESEF Regulation. As part of an assessment of compliance with the ESEF Regulation requirements regarding the Group's electronic (XHTML)

consolidated report reporting format, we retained professional skepticism and used professional judgment. We also:

—received an understanding of the internal controls and processes involved in the application of the ESEF Regulation to the Group's consolidated financial statements and involving the preparation of the Group's consolidated financial statements in XHTML format and its mark-up in machine-readable language (iXBRL);

– we checked if the applied XHTML format is valid.

— we have checked whether the human-readable part of the electronic format of the consolidated financial statements corresponds to the audited consolidated financial statements;

— we assessed the completeness of the markings in the Group's consolidated financial statements in the use of machine-readable language (iXBRL) in accordance with the ESEF Regulation; — we have assessed the relevance of the iXBRL markings used, chosen from the basic taxonomy, as well as the creation of an element of the extended taxonomy in accordance with the ESEF Regulation when there is no appropriate element in the underlying taxonomy;

— we assess the relevance of correlating (fixing) the elements of the extended taxonomy in accordance with the ESEF Regulation.

We consider that the evidence received by us is sufficient and pertinent to provide a basis for our opinion.

Statement on compliance of the electronic format of the consolidated financial statements with the requirements of the ESEF Regulation

In our opinion, on the basis of our procedures, the electronic format of the consolidated financial statements of the Group for the year ending December 31, 2022, contained in the attached electronic file "549300UY81ESCZJ0GR95-20221231-BG-CON.XHTML", has been prepared in all material respects in accordance with the requirements of the ESEF Regulation.

Reporting according to art. 10 of Regulation (EU) No 537/2014 in relation to 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) No 537/2014, we further report the information set out below.

— Mazars OOD and Ecovis Audit Bulgaria EOOD were appointed statutory auditors of the consolidated financial statements for the year ending 31 December 2022 of First Investment Bank AD (the "Bank") by the General Meeting of Shareholders held on 12 May 2022 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 Mazars OOD and first year commitment for mandatory audit of this company performed by Ecovis Audit Bulgaria EOOD. We confirm that the audit opinion expressed by us is in accordance with the additional report submitted to the audit committee of First Investment Bank AD, as required by Art. 60 of the Independent Financial Audit Act.

- We confirm that we have not provided the provisions of art. 64 of the Independent Financial Audit Act prohibited services outside the audit.
- We confirm that during the audit we have maintained our independence from First Investment Bank AD.

Sofia, 27 April 2023

About Ecovis Audit Bulgaria Ltd:

Georgi Trenchev
Manager

About MAZARS Ltd:

Athanasios Petropoulos
Procurator

Georgi Trenchev
Registered auditor responsible for the audit
G. Sofia, bul. Gen. Stat. Edward Totleben, No.
71-73

Iva Slavkova
Registered auditor responsible for the audit
G. Sofia, 3A Moskovska Str.

On item 2 of the Agenda
for the Regular Annual General Meeting of
Shareholders
of First Investment Bank AD
to be held on 21 June 2023

- Independent Auditors' Report on First Investment Bank's financial statements for 2022 (individual)
- Independent Auditors' Report on First Investment Bank's financial statements for 2022 (consolidated)

REPORT OF THE INDEPENDENT AUDITORS

To the shareholders of
First Investment Bank AD

Report on the audit of the individual financial statement

Opinion

We have audited the individual financial statements of First Investment Bank AD (the "Bank"), which include the individual statement of financial position as at 31 December 2022 and the individual statement of profit or loss and other comprehensive income, the individual statement of changes in equity containing and the individual statement of cash flows for the year then ended, as well as the explanatory notes to the financial statements and summary disclosure of significant accounting policies.

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

Basis for expressing opinion

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

Key audit matters

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

Impairment of accounts receivable

| Key audit matter | Matters discussed with the audit committee |
|--|--|
| <p>Impairment represents a significant management judgment regarding the losses incurred within the Bank's credit portfolio. The bank assesses the need for credit impairment on an individual and portfolio basis.</p> <p>Loans represent 50,22% of the Bank's assets. The bank categorizes its receivables from customers in 5 (five) business segments: large, middle, small, micro enterprises and households. The share of receivables from large companies is the largest – 33,70% of total receivables from customers. Due to their materiality and the uncertainty associated with the process of identifying impaired loans, assessing objective evidence of impairment and determining recoverable amount, we define them as a key audit matter.</p> <p>The process involves various assumptions and factors, including the financial condition of the borrower counterparty, expected future cash flows, value of the collateral. As a result, the use of different modeling techniques and assumptions may lead to differences in the assessment of credit loss impairment. The exposures that give rise to the greatest valuation uncertainty are those where there is a risk of cash flow shortages or collateral insufficiency.</p> | <p>The issues discussed cover the positive outcomes and good practices set in the impairment model. The Bank has complied with IFRS requirements in developing the impairment policy and rules.</p> <p>Improvements in the procedures that the bank should introduce in order to:</p> <ul style="list-style-type: none"> – more clearly documenting judgments about the future cash flows of borrowers and the expected development of credit exposures for future periods, with particular attention paid to lending for working capital by the bank. – systematically confirming the commitment of the owners of the borrowers to provide continued support to the companies. <p>It was discussed with the audit committee and it was recommended that the bank's bodies responsible for risk management monitor changes in risk factors, the macroeconomic framework and other data used in the impairment models and that significant changes be reflected in the models in a timely manner.</p> |
| <p>How this key audit question was addressed in our audit</p> | |
| <p>Procedures performed to support our conclusions and discussions:</p> <ul style="list-style-type: none"> - The internal rules of the bank have been reviewed, we have gained an understanding of the key controls in the essential business processes, and tests | |

| |
|---|
| <p>have been made for the effectiveness of the controls, according to the audit strategy.</p> <ul style="list-style-type: none"> - A sample of borrowers was reviewed on the basis of risk analysis, for which substantive procedures were carried out in connection with an assessment of the adequacy of the recognized impairment. - For individually charged impairments, we tested assumptions regarding the identification and quantification of impairments, including projections of future cash flows and valuations of credit collateral. We reviewed a sample of credit exposures that continue to be, have occurred or have been exposed to impairment risk. - For collective impairments, we reviewed the methodology used by the Bank to determine them, the reasonableness of the underlying assumptions and the sufficiency of the data used by management. - For selected non-performing loans, we have evaluated management's forecast of cash flow generation, collateral valuations and other repayment sources. In addition, we tested a sample of serviced loans for which an assessment of financial indicators was performed for weaknesses and other risks that could threaten the ability to repay the exposures. |
| <p>Corresponding references in the individual financial statement</p> <ul style="list-style-type: none"> • Notes 17 and 17a • Note 2 (j) • Note 3 C (iii) |

Assets acquired as collateral

| Key Audit Question | Matters discussed with the audit committee |
|---|--|
| <p>The position in the financial statement in the amount of BGN 412,996 thousand is disclosed by relevant subgroups.</p> <p>The Buildings group contains assets of varying degrees of completion and are in accordance with their condition at the date of acquisition.</p> <p>Assets worth BGN 46,780 thousand were sold during the year. The bank has recognized in the group of Others revenues/ (expenses), net (Note 12) profit in the amount of BGN 2,608 thousand.</p> <p>The Bank, like any other banking institution, is exposed to significant risk regarding the realization of the assets acquired as collateral.</p> | <p>The actions and procedures that the bank should introduce in order to enable the consistent tracking of changes in the income and expenses part by groups and subgroups until the time of realization of the relevant assets are discussed. In addition, we set out our recommendation to improve the inventory processes of assets acquired as collateral in order to better and fully implement the national financial reporting framework.</p> |

| Key Audit Question | Matters discussed with the audit committee |
|---|---|
| How this key audit question was addressed in our audit | |
| <p>Procedures performed to support our conclusions and discussions</p> <ul style="list-style-type: none"> - The internal rules of the bank have been reviewed, we have gained an understanding of the key controls in the essential business processes, and tests have been made for the effectiveness of the controls, according to the audit strategy. - For a sample of newly acquired collateral assets, acquisition documents were reviewed, - Fair value determination reports were reviewed for a sample of current collateral assets. - The supporting documents for our sample were reviewed in relation to the largest object - brokerage agreement, lease agreement, commission agreement, as well as their annexes. Substantive procedures were performed to confirm the completeness and accuracy of the reclassification between individual groups. | |
| <p>Corresponding references in the individual financial statement</p> <ul style="list-style-type: none"> • Note 12 • Note 21 | |

Litigation and Provisions

| Key Audit Question | Matters discussed with the audit committee |
|--|--|
| <p>The Bank, like any other banking institution, is exposed to significant risk of litigation and regulatory scrutiny. The extent of the impact cannot always be predicted, but may result in provisions for contingent and other liabilities depending on the relevant facts and circumstances. The level of provisions is subject to management and judgment based on legal advice.</p> <p>The bank has recognized provisions in the amount of BGN 440 thousand for legal disputes.</p> <p>In connection with issued bank guarantees, the bank has blocked funds in the amount of BGN 43,094 thousand, which are disclosed in note 25 of the individual financial statement (included in the Other assets subgroup).</p> | <p>The recognition and valuation of provisions have been discussed with the Audit Committee to ensure that the bank has correctly applied its provisioning policies.</p> <p>Disputes where the bank did not recognize provisions were discussed in order to satisfy ourselves sufficiently that there was no need for additional provisioning and in particular:</p> <p>the legal department of the bank reports to the Audit Committee the current status of legal disputes. Material changes that have occurred are discussed, taking into account potential changes in provisions. Discussion is also done to identify any material litigation.</p> |

| Key Audit Question | Matters discussed with the audit committee |
|--|---|
| <p>Due to the ambiguities of the emergence and presentation of claims related to lawsuits against the bank, there is a risk of incomplete or untimely reflection in the financial statement of legal claims pertaining to the relevant reporting period.</p> | |
| <p>How this key audit question was addressed in our audit</p> | |
| <p>Procedures performed to support our conclusions and discussions</p> <ul style="list-style-type: none"> - The internal rules of the bank have been reviewed, we have gained an understanding of the key controls in the essential business processes, and tests have been made for the effectiveness of the controls, according to the audit strategy. - A letter was received from the bank's legal department, as well as from external legal consultants, regarding information on cases filed in foreign jurisdiction and subsequent proceedings in Bulgaria. The pending court cases in Bulgarian and Romanian courts, on which no final decisions have entered into force, are listed. | |
| <p>Corresponding references in the individual financial statement</p> <ul style="list-style-type: none"> • Note 25 • Note 30 | |

Other matters

In determining risk-weighted assets, the management excluded assets with the right to use according to IFRS 16 "Leasing" in the amount of BGN 1,24,159,000.

Other information different from the financial statement and the auditor's report thereon

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

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

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

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

We have nothing to report in this regard.

Responsibilities of management and individuals charged with general management of the financial statement

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

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

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

Responsibilities of the auditors for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion . The risk of not detecting a material misstatement resulting from fraud is higher than the risk of a material misstatement resulting from error because fraud may involve collusion, forgery, intentional omissions, input statements misleading the auditor, as well as ignoring or circumventing internal control.
- obtain an understanding of internal control relevant to the audit in order to develop audit procedures that are appropriate in the particular circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- reach a conclusion about the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that could give rise to significant doubts about the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the financial statement disclosures related to that uncertainty or, if those disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease functioning as a going concern.
- we evaluate the overall presentation, structure and content of the financial statement, including disclosures, and whether the financial statement presents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Report in relation to other legal and regulatory requirements

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

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

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

Based on the procedures performed, our opinion is that:

- a) The information included in the activity report for the financial year for which the financial statement was prepared corresponds to the financial statement.
- b) The activity report is prepared in accordance with the requirements of Chapter Seven of the Law on Accounting and Art. 100(n), para. 7 of the Law on the Public Offering of Securities.
- c) In the declaration of corporate governance for the financial year for which the financial statement was prepared, the required according to Chapter Seven of the Law on Accounting and Art. 100 (n), para. 8 of the Law on the Public Offering of Securities information.
- d) The non-financial statement for the financial year for which the financial statement was prepared was provided and prepared in accordance with the requirements of Chapter Seven of the Law on Accounting.

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

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

Additional reporting on the audit of the financial statement in connection with Art. 100(n), para. 4, item 3 of the Law on the Public Offering of Securities

Statement in connection with Art. 100(n), para. 4, item 3, b. "b" of the Law on the Public Offering of Securities

Information regarding transactions with related parties is disclosed in Note 35 to the individual financial statements. Based on the audit procedures we performed on the related party transactions as part of our audit of the financial statements as a whole, no facts, circumstances or other information came to our attention on the basis of which we could conclude that the related party transactions did not are disclosed in the attached financial statements for the year ended 31 December 2022, in all material respects, in accordance with the requirements of ISA 24 "Related Party Disclosures". The results of our audit procedures on related party transactions have been 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 related party transactions.

Statement in connection with Art. 100(n), para. 4, item 3, b. "c" of the Law on the Public Offering of Securities

Our responsibilities for an audit of the financial statements as a whole, described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, include evaluating whether the financial statements present the material transactions and events in a manner that achieves fair presentation. On the basis of the audit procedures carried out by us on the material transactions underlying the financial statement for the year ending on 31 December 2022, we have not become aware of any facts, circumstances or other information on the basis of which we can conclude that they there are cases of material misrepresentation and disclosure in accordance with the applicable requirements of IFRS adopted by the European Union. The results of our audit procedures on the transactions and events of the Bank material to the financial statement have been considered by us in the context of forming our opinion on the financial statement as a whole, and not for the purpose of expressing a separate opinion on these material transactions.

Reporting on compliance of the electronic format of the individual financial report, included in the annual individual financial report for the activity under Art. 100n, paragraph 4 of the Law on the Public Offering of Securities with the requirements of the EEEF Regulation.

In addition to our responsibilities and reporting under ISAs described above in the section "Auditor's Responsibilities for the Audit of the Separate Financial Statements", we have performed the procedures in accordance with the "Guidance on the expression of an auditor's opinion in relation to the implementation of the single European electronic format (EEEF) 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". These procedures concern verification of the form and whether the human-readable part of this electronic format corresponds to the audited individual financial statement and expressing an opinion regarding the conformity of the electronic format of the individual financial statement of First Investment Bank AD for the year ending on 31 December 2022, attached in the electronic file "549300UY81ESCZJ0GR95-20221231-BG-SEP.XHTML", with requirements of Delegated Regulation (EU) 2019/815 of the Commission of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council by means of regulatory technical standards for the determination of the single electronic reporting format ("EEEF Regulation "). Based on these requirements, the electronic format of the individual financial report, included in the annual individual financial

report for the activity under Art. 100n, para. 4 of the Law of the Public Offering of Securities, must be presented in XHTML format. The management of First Investment Bank AD is responsible for implementing the requirements of the EEEF Regulation when preparing the electronic format of the individual financial statement in XHTML. Our opinion is only regarding the electronic format of the individual financial report, attached in the electronic file "549300UY81ESCZJ0GR95-20221231-BG-SEP.XHTML" and does not cover the other information included in the annual individual financial report for the activity under Art. 100n, para. 4 of the Law of the Public Offering of Securities. Based on the procedures performed, our opinion is that the electronic format of the individual financial report of "First Investment Bank AD for the year ending on 31 December 2022, contained in the attached electronic file "549300UY81ESCZJ0GR95-20221231-BG-SEP.XHTML" , has been prepared in all material respects in accordance with the requirements of the EEEE Regulation.

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

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

- Mazars OOD and Ecovis Audit Bulgaria OOD were appointed as mandatory auditors of the financial statements for the year ending on 31 December 2022 of First Investment Bank AD ("the Bank") by the General Meeting of Shareholders held on 12 May 2022, for a period of one year.
- The audit of the financial statement for the year ending on 31 December 2022 of the Bank represents the first full continuous commitment for a mandatory audit of this enterprise carried out by Mazars OOD and the first continuous full commitment for a compulsory audit of this enterprise carried out by Ecovis Audit Bulgaria Ltd.
- We confirm that the audit opinion expressed by us is in accordance with the additional report submitted to the Bank's audit committee, in accordance with the requirements of Art. 60 of the Law on the Independent Financial Audit.
- We confirm that we have not provided the specified in Art. 64 of the Law on the Independent Financial Audit prohibited non-audit services.
- We confirm that in performing the audit we have maintained our independence from the Bank.

Sofia, 30 March 2023

About Ecovis Audit Bulgaria OOD:

Georgi Trenchev
Managing Director

Georgi Trenchev
Managing Director
Registered auditor responsible for the audit
Sofia, Gen. Blvd. Edward I. Totleben, 71-73

About MAZARS OOD:

Athanasios Petropoulos
Procurator

Iva Slavkova
Registered auditor responsible for the audit
City of Sofia, St. Moskovskaya No. 3A

INDEPENDENT AUDITORS' REPORT

To the shareholders of
First Investment Bank AD

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of First Investment Bank AD and its subsidiaries (the "Group"), containing the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary disclosure of significant accounting policies.

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

Basis for expressing an opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these standards are further described in the section of our report "*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*". We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Standards of Ethics for Accountants Board (the IAAS Code), along with the ethical requirements of the Independent Financial Audit Act (IFAA) applicable to our audit of the consolidated financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the SMEC 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 most significance in our audit of the consolidated financial statements for the current period. These issues were considered as part of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of receivables from customers

| Key audit matters - Impairment of receivables from clients | Matters discussed with an audit committee |
|--|---|
| <p>Impairment is a material judgment of management in respect of losses incurred within the First Investment Bank AD’s loan portfolio. First Investment Bank AD assesses the need for impairment of loans on an individual and portfolio basis.</p> <p>Loans represent 50.54% of the assets of First Investment Bank AD. 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 one – 63.87% of total receivables from customers.</p> <p>Due to their significance and the inherent estimation uncertainty of the process of identifying deteriorating loans, the assessment of objective evidence of impairment and determination of recoverable value is defined as a key audit matter.</p> <p>The process involves a variety of assumptions and factors, including the financial position of the counterparty, expected future cash flows and collateral value.</p> <p>As a result, the use of different modelling techniques and assumptions may lead to differences in the valuation of loss provision. Exposures that give rise to the greatest uncertainty in valuations 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 embedded in the impairment model. First Investment Bank AD has complied with IFRS requirements when developing the policy and provisioning rules.</p> <p>Improvements have been discussed in the procedures that First Investment Bank AD should introduce in order to:</p> <ul style="list-style-type: none"> – a clearer documentation of judgements about the of future cash flows of borrowers and the expected development of future credit exposures, with particular attention being paid to lending for working capital by the Bank. – systematic confirmation commitment of borrowers' owners to provide continued support to companies. <p>A recommendation was also discussed with The Audit Committee that the risk management bodies of First Investment Bank AD 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.</p> |
| <p>How this key audit matters was addressed in our audit</p> | |
| <p>Procedures carried out to support our conclusions and discussions:</p> <ul style="list-style-type: none"> - The internal rules of First Investment Bank AD have been reviewed, we have gained an understanding of the key controls in key business processes, and tests the effectiveness of controls are performed according to the audit strategy. | |

| Key audit matters - Impairment of receivables from clients | Matters discussed with an audit committee |
|--|--|
| <ul style="list-style-type: none"> - A sample of borrowers has been reviewed on a risk-based basis for which substantive procedures have been carried out in relation to a sufficient assessment of the adequacy of the recognized impairment provision. - For individually accrued provisions, we tested assumptions regarding 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 First Investment Bank AD 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 forecast for cash flow generation, collateral estimates and other repayment sources. In addition, we have tested a sample of performing loans for which financial indicators have been assessed for weaknesses and other risks that could jeopardize the ability to repay exposures. | |
| <p>Relevant references in the consolidated financial statements</p> <ul style="list-style-type: none"> • Notes 18 • Note 2 (j) • Note 3 C (iii) • Note 4 | |

Assets acquired as collateral.

| Key audit matters - Assets acquired as collateral | Matters discussed with an audit committee |
|--|---|
| <p>The position in the consolidated financial statements amounting to BGN 423,585 thousand is disclosed by relevant subgroups.</p> <p>The Buildings group contains assets of varying degrees of completion and are in accordance with their condition at the date of acquisition. First Investment Bank AD has recognized in profit of Other income / (expenses), net (Note 12) profit of BGN 2,698 thousand.</p> <p>First Investment Bank AD, like any other banking institution, is exposed to a significant</p> | <p>The actions and procedures that First Investment Bank AD should introduce in order to allow the consistent tracking of changes in the part of income and expenses by groups and subgroups until the time of realization of the relevant assets are discussed. In addition, we set out our recommendation to improve the inventory processes of assets acquired as collateral for better and full implementation of the national financial reporting framework.</p> |

| Key audit matters - Assets acquired as collateral | Matters discussed with an audit committee |
|--|--|
| risk regarding the realization of assets acquired as collateral. | |
| How this key audit matters were addressed in our audit | |
| Procedures carried out to support our conclusions and discussions: <ul style="list-style-type: none"> - The internal rules of First Investment Bank AD have been reviewed, we have gained an understanding of the key controls in the essential business processes and tests have been made for the effectiveness of the controls according to the audit strategy. - For a sample of newly acquired collateral assets, acquisition documents have been reviewed and fair value reports have also been reviewed for a sample of acquired assets. - The supporting documents for our sample in connection with the largest site – an agency contract, a lease agreement, a commission contract, as well as the annexes to them have been reviewed. Substantive procedures have been carried out to confirm the completeness and correctness of reclassification between groups. | |
| Relevant references in the consolidated financial statements <ul style="list-style-type: none"> • Note 12 • Note 22 | |

Litigation and provisions

| Key Audit Matters - Litigation and Provisions | Matters discussed with an audit committee |
|---|---|
| <p>First Investment Bank AD, like any other banking institution, is exposed to significant risk of litigation and regulatory scrutiny. The degree of impact cannot always be predicted but may result in provisions for contingent and other liabilities depending on the relevant facts and circumstances. The level of provisions is subject to management and discretion based on legal advice.</p> <p>First Investment Bank AD has recognized provisions amounting to BGN 0.440 thousand in litigation.</p> <p>In connection with issued bank guarantees, First Investment Bank AD has blocked funds amounting to BGN 43,094 thousands which are disclosed in Note 25 of the consolidated</p> | <p>The recognition and evaluation of provisions have been discussed with the Audit Committee to ensure that First Investment Bank AD has properly implemented its provisioning policies.</p> <p>The disputes in which First Investment Bank AD has not recognized provisions were discussed in order to make sure to a sufficient extent that there is no need for additional provisioning, and in particular:</p> <p>The legal department of First Investment Bank AD reports to the Audit Committee on the current status of litigation. Substantial changes have been discussed, taking into account potential changes in provision.</p> <p>The discussion is also made for the purpose of identifying all substantial litigation.</p> |

| Key Audit Matters - Litigation and Provisions | Matters discussed with an audit committee |
|--|--|
| <p>financial statements (included in the subgroup Other Assets).</p> <p>Due to the uncertainties from the occurrence and filing of claims related to lawsuits against First Investment Bank AD, there is a risk of incomplete or untimely recording in the consolidated financial statements of legal claims related to the relevant reporting period.</p> | |
| How this key audit matters were addressed in our audit | |
| <p>Procedures carried out to support our conclusions and discussions.</p> <ul style="list-style-type: none"> - The internal rules of First Investment Bank AD have been reviewed, we have gained an understanding of the key controls in the essential business processes and tests have been made for the effectiveness of the controls according to the audit strategy. - A letter has been received from the legal department of First Investment Bank AD, as well as from external legal advisers, regarding information about cases filed in foreign jurisdiction and subsequent proceedings in Bulgaria. Pending court cases in Bulgarian and Romanian courtson which no final decisions have entered into force are listed. | |
| <p>Relevant references in the consolidated financial statements</p> <ul style="list-style-type: none"> • Note 25 • Note 30 | |

Other matters

The management has excluded right-of-use assets under IFRS 16 “Leases” to the amount of BGN 1,71,638 thousand from the amount of the risk-weighted assets.

Information other than the Consolidated Financial Statements and the auditor’s report thereon

Management is responsible for other information. The other information consists of a consolidated activity report, including a corporate governance statement, a consolidated non-financial statement remuneration policy implementation report, prepared by the management in accordance with Chapter Seven of the Accountancy Act, but does not include the consolidated financial statements and our audit report on it, which we received before the date of our audit report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read other information and thereby determine whether that other information is materially inconsistent with the

consolidated financial statements or with our knowledge acquired during the audit or otherwise it appears to contain material misstatement.

In the event that, based on the work we have done, we conclude that there has been a material misstatement in 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of this consolidated financial statement in accordance with IFRSs applicable in the EU and for such internal control system as it deems necessary to ensure the preparation of consolidated financial statements that do not contain material misstatements, regardless of whether due to fraud or error.

In preparing consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, where applicable, matters relating to the going concern assumption and using the accounting basis based on the going concern assumption, unless management either intends to liquidate the Group or discontinue the Group's operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the audit of the Consolidated Financial Statements

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

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

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the particular circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the Group's internal control. Evaluate the appropriateness of the accounting policies and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, on whether there is material uncertainty about events or conditions that could raise significant doubts about the Group's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if those disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence received up to the date of our auditor's report. However, future events or conditions may cause the Group to cease operating as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements present underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence about the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for instructing, supervising, and implementing the Group's audit. We remain solely responsible for our audit opinion.

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

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

Among the issues communicated with those charged with governance, we identify those issues that were of most significance in the audit of the consolidated financial statements for the current period and which are therefore key audit issues. We describe these matters in our auditor's report, unless law or regulation prevents public disclosure of information about the matter or when, in extremely rare cases, we decide that an issue should not be communicated in our report because it could reasonably be expected that the adverse effects of doing so would outweigh the public interest benefits of such communication.

We are jointly and severally responsible for the implementation of our audit and for the audit opinion expressed by us, in accordance with the requirements of the IFAA applicable in Bulgaria. Undertaking and performing the joint audit engagement in relation to which we report, we have also been guided by the Guidance for performing a joint audit issued on 13.06.2017 by the Institute of Certified Public Accountants in Bulgaria and the Commission for Public Oversight of Statutory Auditors in Bulgaria.

Report on other legal and regulatory requirements

Additional Matters Raised for Reporting the Accountancy Act and the Public Offering of Securities Act

In addition to our responsibilities and reporting under the ISAs described above in the section "Information other than the consolidated financial statements and the auditor's report " in relation to the consolidated activity report, the Group's corporate governance statement, the consolidated non-financial statement and the report on the implementation of the remuneration policy, we also complied with the procedures added to those required under the ISA under the " Guidelines on New and Extended Auditor Reports and Auditor Communication of the Professional Organization of Registered Auditors in Bulgaria, Institute of Certified Public Accountants (ICPA)". These procedures concern checks on the availability, as well as checks on the form and content of this other information in order to assist us in forming an opinion on whether the other information includes the disclosures and reports provided for in Chapter Seven of the Accountancy Act and the Public Offering of Securities Act (Art. 100n, para. 10 of the Public Offering of Securities Act in conjunction with Art. 100n, para. 8, items 3 and 4 of POSA), applicable in Bulgaria.

Opinion in relation to art. 37, para. 6 of the Accountancy Act

Based on the procedures carried out, our opinion is that:

- (a) The information included in the consolidated management report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.
- b) The consolidated activity report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and Art. 100(n), para. 7 of the Public Offering of Securities Act.
- c) The corporate governance statement of the Group for the financial year for which the consolidated financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100 (n), para. 8 of the Public Offering of Securities Act.
- d) The consolidated non-financial statement for the financial year for which the consolidated financial statements have been prepared has been submitted and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.
- e) The report on the implementation of the remuneration policy for the financial year for which the financial statements have been prepared is provided and meets the requirements set out in the Ordinance under art. 116c, para. 1 of the Public Offering of Securities Act.

Opinion in relation to art. 100(n), para. 10 in connection with Art. 100 n, para. 8, items 3 and 4 of the Public Offering of Securities Act

Based on the procedures performed and the knowledge and understanding of the Group's activities and the environment in which it operates, in our opinion, the description of the main features of the Group's internal control and risk management systems in relation to the financial reporting process, which forms part of the consolidated management report (as part of the content of the corporate governance statement). and the information under art. Article 10(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 shall not contain cases of material misstatement.

Reporting on the compliance of the electronic format of the consolidated financial statements, included in the annual consolidated financial statements for the activities under art. 100n, para 5 of POSA, with the requirements of the EEEF Regulation

We are committed to providing reasonable assurance regarding the compliance of the electronic format of the Group's consolidated financial statements of First Investment Bank AD and its subsidiaries for the year ended December 31, 2022, enclosed in the electronic file '549300UY81ESCZJ0GR95-20221231-BG-CON. XHTML', with the requirements of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council by means of regulatory technical standards laying down a single electronic reporting format ('ESEF Regulation'). Our opinion is only with regard to the electronic format of the consolidated financial statements and does not cover other information included in the annual consolidated financial statements for the activities under Art. 100n, para. 5 of POSA.

Description of subject matter and criteria applicable

The management has prepared an electronic format of the consolidated financial statements of the Group for the year ending December 31, 2022 under the ESEF Regulation in order to comply with the requirements of POSA. The rules for the preparation of consolidated financial statements in this electronic format are set out in the EEEF Regulation and they have, in our opinion, the characteristics of appropriate criteria for the formation of an opinion for a reasonable degree of certainty.

Responsibilities of management and those charged with governance

The Group's management is responsible for the application of the ESEF Regulation requirements in preparing the electronic format of the consolidated financial statements in XHTML. These responsibilities include the selection and application of appropriate iXBRL markings using the taxonomy of the EEEF Regulation, as well as the implementation and implementation of such internal control system as management considers necessary for the preparation of the electronic format of the Group's

annual consolidated financial statements that does not contain material inconsistencies with the requirements of the EEEF Regulation.

Those charged with governance shall be responsible for overseeing the Group's annual consolidated financial statements, including the implementation of the ESEF Regulation.

Auditor's responsibilities

Our responsibility is to express an opinion of reasonable assurance as to whether the electronic format of the consolidated financial statements complies with the requirements of the EEEF Regulation. To this end, we have implemented the " Guidelines on the Audit Opinion on the Application of the Single European Electronic Format (ESEF) for the financial statements of companies whose securities are admitted to trading on a regulated market in the European Union (EU)" of the professional organization of registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA)" and made a reasonable assurance engagement under IAAES 3000 (revised) "Assurance Engagements Other than Audits and Reviews of Historical Financial Information" (IAAES 3000 (revised)). This Standard requires us to comply with ethical requirements, to plan and implement appropriate procedures to obtain a reasonable degree of certainty as to whether the electronic format of the Group's consolidated financial statements has been prepared in all material respects in accordance with the applicable criteria set out above. The nature, timing and scope of the procedures selected depend on our professional judgement, including the assessment of the risk of material non-compliance with the ESEF Regulation's requirements, whether due to fraud or error.

A reasonable assurance is a high level of certainty, but there is no guarantee that a commitment made in accordance with IAAES 3000 (revised) will always disclose material non-compliance where available.

Quality control requirements

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

We meet the ethical and independence requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Standards of Ethics for Accountants Board (IESBA Code) adopted by ICPA through the IFAA.

Summary of work carried out

The purpose of the procedures planned and carried out by us was to obtain a reasonable degree of certainty that the electronic format of the consolidated financial statements has been prepared in all material respects in accordance with the requirements of the ESEF Regulation. As part of an assessment of compliance with the ESEF Regulation requirements regarding the Group's electronic (XHTML)

consolidated report reporting format, we retained professional skepticism and used professional judgment. We also:

—received an understanding of the internal controls and processes involved in the application of the ESEF Regulation to the Group's consolidated financial statements and involving the preparation of the Group's consolidated financial statements in XHTML format and its mark-up in machine-readable language (iXBRL);

– we checked if the applied XHTML format is valid.

— we have checked whether the human-readable part of the electronic format of the consolidated financial statements corresponds to the audited consolidated financial statements;

— we assessed the completeness of the markings in the Group's consolidated financial statements in the use of machine-readable language (iXBRL) in accordance with the ESEF Regulation; — we have assessed the relevance of the iXBRL markings used, chosen from the basic taxonomy, as well as the creation of an element of the extended taxonomy in accordance with the ESEF Regulation when there is no appropriate element in the underlying taxonomy;

— we assess the relevance of correlating (fixing) the elements of the extended taxonomy in accordance with the ESEF Regulation.

We consider that the evidence received by us is sufficient and pertinent to provide a basis for our opinion.

Statement on compliance of the electronic format of the consolidated financial statements with the requirements of the ESEF Regulation

In our opinion, on the basis of our procedures, the electronic format of the consolidated financial statements of the Group for the year ending December 31, 2022, contained in the attached electronic file "549300UY81ESCZJ0GR95-20221231-BG-CON.XHTML", has been prepared in all material respects in accordance with the requirements of the ESEF Regulation.

Reporting according to art. 10 of Regulation (EU) No 537/2014 in relation to 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) No 537/2014, we further report the information set out below.

— Mazars OOD and Ecovis Audit Bulgaria EOOD were appointed statutory auditors of the consolidated financial statements for the year ending 31 December 2022 of First Investment Bank AD (the "Bank") by the General Meeting of Shareholders held on 12 May 2022 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 Mazars OOD and first year commitment for mandatory audit of this company performed by Ecovis Audit Bulgaria EOOD. We confirm that the audit opinion expressed by us is in accordance with the additional report submitted to the audit committee of First Investment Bank AD, as required by Art. 60 of the Independent Financial Audit Act.

- We confirm that we have not provided the provisions of art. 64 of the Independent Financial Audit Act prohibited services outside the audit.
- We confirm that during the audit we have maintained our independence from First Investment Bank AD.

Sofia, 27 April 2023

About Ecovis Audit Bulgaria Ltd:

Georgi Trenchev
Manager

About MAZARS Ltd:

Athanasios Petropoulos
Procurator

Georgi Trenchev
Registered auditor responsible for the audit
G. Sofia, bul. Gen. Stat. Edward Totleben, No.
71-73

Iva Slavkova
Registered auditor responsible for the audit
G. Sofia, 3A Moskovska Str.

On item 5 of the Agenda
for the Regular Annual General Meeting of
Shareholders
of First Investment Bank AD
to be held on 21 June 2023

Report of the Investor Relations Director for 2022

**REPORT
OF THE INVESTOR RELATIONS DIRECTOR
OF FIRST INVESTMENT BANK FOR
2022**

Dear Shareholders,

In 2022 First Investment Bank AD continued its efforts to maintain high professional standards by information disclosure practices ensuring compliance with its legal obligations as a public company, as well as greater transparency and flexibility in the interactions between First Investment Bank and its shareholders, potential investors, the regulatory authorities and the mass media.

Activities in 2022

The main objective of the Investor Relations Director is to ensure the efficient communication between First Investment Bank AD and its shareholders, the regulatory authorities, the Central Depository and the media. In performance of this key task in 2022 all investor relations activities were focused on implementing the obligations provided for in Article 116g(3) of the Public Offering of Securities Act (POSA):

- Timely submission of all required reports and notification from the company to the Financial Supervision Commission (FSC), the Bulgarian Stock Exchange – Sofia and the Central Depository;
- Efficient communication between the company’s managing bodies and its shareholders and the persons interested in investing in the company’s shares, by providing information about the current financial and economic position of the company;
- Keeping true and complete minutes of meetings of the company’s managing and supervisory bodies;
- Keeping a register of all materials sent and all information disclosed.

Disclosure of Information

In 2022, as in previous years, detailed and accessible information on First Investment Bank AD was published in a timely manner. All regular reports required by the POSA and the ordinances for its implementation were submitted within the stipulated deadlines: consolidated and individual quarterly and annual financial reports, as well as information required pursuant to Ordinance No 2 of the Financial Supervision Commission on the prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market and on disclosure of information.

The financial reports submitted in 2022 present truly and accurately the information about the Bank and contain all data required by law. The reports were submitted to the Financial Supervision Commission and the Bulgarian Stock Exchange – Sofia.

The reports are disclosed simultaneously to the Financial Supervision Commission and the Bulgarian Stock Exchange – Sofia, as well as to the public by the specialized POSA-compliant platform X3-News (www.x3news.com) and the Bank’s website (www.fibank.bg).

Other information which might have an effect on the price of FIBank's shares (ad hoc information) was submitted in compliance with the stipulated deadlines.

Effective Communication with the Investment Community

In 2022 the customary interest in the Bank's activities was expressed by institutional investors, financial analysts and the media. During the year, despite the pandemic situation, two meetings of minority shareholders with the Bank's management were held.

A number of inquiries were received during the year – both by shareholders and by potential investors – most often with relation to the published financial statements and the expected future developments. All persons who requested information about First Investment Bank received detailed and timely responses in strict compliance with the legal norms concerning the disclosure of information on public companies.

Keeping of minutes from the meetings of the Bank's governing bodies

In 2022 all meetings of the Supervisory Board and of the Managing Board of First Investment Bank AD were convened pursuant to the regulatory requirements and the Bank's internal rules and procedures. The meetings of the Supervisory Board were held at least once month, the meetings of the Managing Board were held at least twice a week and the minutes of meetings are accurate and detailed and are kept in an appropriate manner.

General Meetings of Shareholders

The regular Annual General Meeting of shareholders of First Investment Bank was held on 16 June 2022.

The General Meeting approved the audited financial statements of the Bank for 2021 (consolidated and individual), the Management Reports of First Investment Bank for 2021 (consolidated and individual), and the auditors' reports thereon, as well as the report of the Investor Relations Director of First Investment Bank for 2021, the report of the Internal Audit Unit for 2021 and the 2021 report of the Audit Committee of the Bank.

The General Meeting of Shareholders voted to capitalise the profit for 2021 and to include it in other provisions with general purpose, not to pay dividends or make other deductions from the profit for 2021.

The members of the Managing and Supervisory Boards of the Bank were released from responsibility for their activities in 2021.

The General Meeting of Shareholders appointed Ecovis Audit Bulgaria OOD and Mazars OOD as auditing companies to perform an independent financial audit of the financial statements (individual and consolidated) of First Investment Bank AD for 2022, and to certify the annual financial statements of the Bank for 2022.

The General Meeting of Shareholders approved the change in the registered address of First Investment Bank AD from: Sofia, Izgrev District, 37 Dragan Tsankov Blvd., to: Sofia, Mladost District, 111 P Tzarigradsko Shose. Respectively, the GMS adopted amendments to the By-Laws of FIBank.

Register Keeping

In accordance with the requirements of POSA First Investment Bank AD has established and maintains a register of all materials sent and all information disclosed.

Outlook for 2023

As in 2022, in 2023 the investor relations activities at First Investment Bank AD will be focused on strict adherence to the legal requirements and on the further development and enhancement of the relations with the Bank's shareholders, the investment community and the public, in keeping with the best international practices in the field of investor relations.

In conclusion I would like to express my gratitude to the members of the Bank's Managing and Supervisory Boards and to all my colleagues who contribute to the effective processes of investor relations.

May 2023
Sofia

(signed)
V. Stamatova, IR Director

On item 6 of the Agenda
for the Regular Annual General Meeting of
Shareholders
of First Investment Bank AD
to be held on 21 June 2023

Report of the Director of the Internal Audit Unit for 2022

REPORT

on the Activities of the Internal Audit Department for 2022

For the attention of: General Meeting of the Shareholders of First Investment Bank AD
 Supervisory Board of First Investment Bank AD
 Management Board of First Investment Bank AD

Prepared by: Plamen DIMITROV, Director Internal Audit

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1. Introduction

1.1 Objective

The objective of the current report is to present the activities of the Internal Audit Department (the Department) of First Investment Bank AD (Fibank, the Bank) for the period from 01.01.2022 to 31.12.2022. It is prepared in accordance with Art. 27 of Ordinance No 10 of the Bulgarian National Bank on the Internal Control in Banks.¹

1.2 Scope

The current report on the Department's activities covers:

- Review of the control activities of the Department and execution of the Annual Audit Plan for 2022;
- Analysis and evaluation of the established weaknesses in the activities of the structural units of the Bank during the period under review;
- Definition of the objectives and tasks for the development of the Internal Audit Department in 2023.

¹ Issued by the Bulgarian National Bank on 24 April 2019, published in the State Gazette, issue 40 of 17 May 2019

2. Review of the execution of the Audit Plan for 2022

The Annual Audit Plan of the Department was approved by the Supervisory Board at its meeting on 23.02.2022 and it includes 15 audit assignments in branches of the Bank, 25 audit assignments in structural units at Head Office (17 audit engagements of departments, 2 audits of specialized units and 6 audits of information systems), 2 audits of subsidiaries, 3 IT audits и 1 audit under a BNB ordinance and 3 extraordinary audit engagements

Planned audit assignments, Internal Audit Department for 2022 г.

| Structural unit | Number |
|---------------------------------------|--------|
| Department | 17 |
| Branch | 15 |
| BNB Regulation | 1 |
| IT audits | 3 |
| Audit of subsidiary company | 2 |
| Specialized audit of business process | 6 |
| Specialized unit | 2 |
| Total: | 46 |

As of the date of the report, all audit engagements from the Annual Audit Plan for 2022 have been completed, with the exception of two audits of information systems, which will be fulfilled in 2023.

In 2022, unscheduled audit engagements were performed for a total of 238 man-days

The annual planning of the internal audit activity is based on the risk-oriented planning procedure.

The model for risk-oriented annual planning identifies the risks and the required frequency of inspections in general, taking into account the individual objects of inspection - units, processes, products and systems.

The main accents in the audits of the branches are regarding the observance of the internal rules and instructions for carrying out the activity of the branches of FIBank AD, assessment of the quality of assets and liabilities, term and currency structure of assets and liabilities, control environment in the branch.

The total number of gaps identified during audit engagements in the Bank's branch network has decreased. From a total of 357 recommendations made in 2021 to 208 in 2022 or in percentage terms by 41.74%.

The decrease in the number of recommendations given is mainly a result of the decrease in recommendations regarding the operation of the Front Office (from 152 for 2021 to 71 for 2022) with 18 branches inspected in 2021 and 15 branches in 2022

The following table presents the distribution of the recommendations by type of activity and their share of the total identified deficiencies in the branch network of FIBank AD.

Review of the types of the findings in the branch network – 2022 and 2021

| Type | 2022 | | 2021. | |
|-------------------------|--------|--------|--------|--------|
| | Number | Share | Number | Share |
| Front Office | 71 | 34.13% | 152 | 42.58% |
| Loans to individuals | 67 | 32.21% | 84 | 23.53% |
| Loans to legal entities | 47 | 22.60% | 83 | 23.25% |
| Work environment | 12 | 5.77% | 18 | 5.04% |
| ATM | 6 | 2.88% | 2 | 0.56% |
| Cash desk activities | 4 | 1.92% | 10 | 2.80% |
| Vault | 1 | 0.48% | 8 | 2.24% |
| | 208 | 100% | 357 | 100% |

During the inspections in the branch network of FIBank AD, carried out in 2022, 1 152 credit exposures of individuals with a total book value of BGN 73 944 428 and 240 loans to legal entities with a total book value of BGN 80 733 464 were reviewed.

Reviewed loan exposures in the branch network of the Bank

| Branch network | 2022 | | | 2021 | | |
|----------------|-----------------|---|------------------|-----------------|---|------------------|
| | Number of loans | Balance sheet value of the reviewed loans | % of loans total | Number of loans | Balance sheet value of the reviewed loans | % of loans total |
| Individuals | 1 152 | 73 944 428 | 11.90% | 2 921 | 251 246 082 | 16.05% |
| Legal persons | 240 | 80 733 464 | 31.61% | 280 | 117 838 846 | 29.11% |

During the audits of the directorates in the Central Office of the Bank - „Banking for large enterprises", "Banking for small enterprises", "Intensive Care Unit" and „Problem Assets“ a total of 199 credit exposures with a book value of BGN 456 190 855 were reviewed (see the following table).

Reviewed loan exposures at Head Office of the Bank

| Audited object | 2022 | | | 2021 | | |
|---------------------------------|-----------------|---|------------------|-----------------|---|------------------|
| | Number of loans | Balance sheet value of the reviewed loans | % of loans total | Number of loans | Balance sheet value of the reviewed loans | % of loans total |
| Banking for large enterprises | 33 | 215 061 353 | 10.58% | 55 | 280 109 134 | 9.37% |
| Banking for small enterprises " | 45 | 100 966 663 | 33.06% | 50 | 70 880 796 | 20.00% |
| thereof bank warranties | 6 | 4 871 894 | 33.66% | 18 | 1 254 695 | 3.52% |
| Intensive Care Unit | 38 | 116 031 426 | 28.01% | 0 | 0 | 0.00% |
| Problem Assets | 83 | 23 462 394 | | 0 | 0 | 0.00% |
| thereof Legal persons | 30 | 21 142 280 | 4.72% | 0 | 0 | 0.00% |
| thereof Individuals | 53 | 2 320 114 | 1.34% | 0 | 0 | 0.00% |
| Total: | 199 | 456 190 855 | | 105 | 350 989 930 | |

The following Table presents information on the recommendations of high and medium priority of importance, made as a result of the identified omissions from the audits of the credit activity in the Central Office of the Bank.

The following table presents information about the recommendations with high and standard risk level

| Priority of Recommendations | 2022 | 2021 | Increase (Decrease) |
|-----------------------------|------|------|---------------------|
| High | 28 | 11 | 17 |
| Standard | 15 | 5 | 10 |
| | 43 | 16 | |

As a result of the performed audit engagements of the credit activity in the Central Office of FIBank AD 2022, a total of 43 recommendations were given, which are 27 more than those in 2021.

The verified lending directorates in 2022 are 4, while those verified in 2021 are 2.

There are no critical recommendations.

In addition to the assurance commitments, the Directorate also participates in consultative commitments aimed at improving the internal banking organization of the activity based on the observations and expertise of the employees.

As of the date of the report, the Directorate includes 14 auditors (including the Director and Deputy Director) assigned to the Operational Internal Audit and IT Audits.

Positions in the "Specialized audits" department are not occupied.

In 2022, 3 auditors left the Directorate and a total of 4 employees were appointed - 3 employees for operational audit and one employee for the position of "Information Systems Audit Manager"

The reduced staff makes it difficult to perform audit engagements in accordance with the nature, scale and complexity of the risks in the audited units and the business model.

2.1 Findings regarding loans to legal entities

In 2022 the Department carried out the following audits of units responsible for management of the loan portfolio of the Bank – - „Banking for large enterprises", "Banking for small enterprises", "Intensive credit management" and „Problem Assets “. The audits of the lending process aimed at:

- Review and assessment of the Rules on lending in domestic and foreign currency in First Investment Bank AD regulating the activities of the lending departments in relation to the scope of the business processes in the audited units, available inconsistencies, discrepancies, and/or omissions regarding the applicable legislation and the regulatory framework provided by the Bulgarian National Bank;
- Review of loan exposures in order to confirm adherence to requirements of valid legal framework regulating lending activities of the Bank; analysis of borrowers solvency (legal entities and individuals) i.e. the ability to repay the debts when applying for loan and further

on; acceptance of sufficiently liquid assets to secure loans in line with internal regulations; observation of concentration of credit risk by branches and clients; observation and control of the credit risk by borrowers groups in accordance with Credit Institutions Act;

- Process of implementation, approval, disbursement and administration of loan transactions
- Identification of possibilities of optimization and/or improvement of control environment within the lending process.

The Directorate found that corporate lending is carried out in accordance with the Rules for lending in national and foreign currency and the current rules for analysis and assessment of credit risk, as well as for impairment and provisioning of risk exposures. With regard to the administration of credit transactions, no critical recommendations have been made for the audited entity.

In the reviewed credit exposures, non-fulfilment of agreed conditions such as account turnover, provision of expense justification documents and/or financial statements was found. Gaps have been identified regarding collateral - lack of updated market value in the Collateral Register and regular on-site inspections of collateral.

During the review of the activities of the "Problem Assets" Directorate, recommendations were made regarding identified gaps in the preparation of a Strategy for the reduction of non-performing exposures and acquired assets in accordance with the guidelines of the European Banking Authority.

2.2 Findings regarding loans to individuals

The review of the consumer and mortgage loan portfolios of the branches is based on a review and assessment of the controls defined for the respective loan products. The assessment of the Directorate is that the defined requirements, parameters and criteria are observed by the credit specialists. The identified weaknesses have a low risk priority for the Bank and relate to unfulfilled additional requirements set in the respective loan product (credit card issuance, utility payments, etc.) and without scanned credit files in the Archimed record keeping system

2.3 Findings from the audits of other structural units and processes of the Bank

In 2022 the Department performed audits of the following processes and structural units of Head Office, as well as subsidiaries of the Bank:

| Type | Structural unit |
|------------|-----------------------------|
| Department | Retail Banking |
| Department | Lending to SME |
| Department | Main Cash Desk |
| Department | Intensive credit management |
| Department | Card Payments |
| Department | Branch Network |
| Department | Corporate Banking |
| Department | Credit Administration |

| Type | Structural unit |
|--------------------|---|
| Department | Organization and Control of Customer Service |
| Department | Problem Assets |
| Department | Security |
| Department | Accounting |
| Department | Compliance – Specialized Monitoring and Control |
| Department | Asset Management |
| Department | Credit Risk Management, Monitoring and Provisioning |
| Department | Strategic risk management |
| Department | Finance |
| Department | Private Banking |
| Subsidiary company | Diners Club Bulgaria |
| Subsidiary company | Compliance with the requirements of Delegated Regulation (EU) 2018/389 for establishing the identity of customers in MyFin |
| Subsidiary company | FiHealth Insurance AD |
| Ordinance | BNB Ordinance 37 on internal bank exposures |
| Process | Internal Analysis of Liquidity Adequacy |
| Process | Internal Analysis of Capital Adequacy |
| Process | Remuneration policy |
| Process | Review of the Process of Update of the Recovery Plan of First Investment Bank AD |
| Process | Process of targeted utilization of funds under credit transactions of individuals and legal entities |
| Process | Compliance with the requirements of Delegated Regulation (EU) 2018/389 for establishing the identity of customers in Fibank |
| Specialized unit | Control of Investment Services and Activities |

The purpose of each audit is to review and analyse the effectiveness of processes, assess their inherent risk, compliance with the regulatory framework, assess existing control mechanisms and identify opportunities to optimize accepted risks and improve the control environment.

In accordance with the good practices in auditing information systems and those for the management of IT services, in 2021, the Department plans to conduct a detailed inspection and analysis of the activities in the Information Technology Directorate and for this purpose plans 3 specialized IT audit engagements.

The table below presents information on the performed specialized IT audit assignments in 2022

IT audit assignments in 2022

| Direction | Status |
|--|-----------|
| Analysis of the information protection system and event management in the Bank | Planned |
| Information security | Completed |
| Roles and levels of access to basic banking information systems | Planned |

As can be seen from the previous table, two of the IT audit engagements were not fulfilled. The delay will gradually be overcome with the appointment of the Head of "Information Systems Audit" from mid-November 2022.

The audits cover the main activities in providing a reliable IT environment in order to identify and present the main gaps and risks related to the information and system security of the Bank.

2.4 Follow up control over the implementation of audit engagement recommendations

The Directorate performs regular ex-post control over the implementation of the recommendations of the audits and the commitments made by the audited units in order to ensure and report on their effective and timely implementation.

The process of finalizing each audit engagement ends with the submission of a Report to the competent authority and the preparation of an individual action plan for the implementation of the issued recommendations. The action plans prepared in this way are introduced in a system for monitoring the implementation of the recommendations and are subject to ongoing monitoring by the auditors.

The Table presents information on the status of the recommendations as of the date of the report and data on structural units in the Bank that have not taken action to implement the recommendations within the specified deadlines

Current situation, audit plan for 2021 and status of the recommendations as of 20.02.2023

| Type | Structural unit | As of date | Total number of findings | On time | Expired up to 180 days | Expired more than 180 days | Settled |
|------------|---|------------|--------------------------|---------|------------------------|----------------------------|---------|
| Department | Lending to SME | 31.10.2022 | 11 | 11 | 0 | 0 | 0 |
| Department | Problem Assets | 30.06.2022 | 17 | 9 | 0 | 0 | 8 |
| Department | Retail Banking | 31.05.2022 | 11 | 0 | 0 | 0 | 11 |
| Department | Main Cash Desk | 31.08.2022 | 6 | 4 | 0 | 0 | 2 |
| Department | Intensive Credit Management | 28.02.2022 | 8 | 0 | 0 | 0 | 8 |
| Department | Card Payments | 17.10.2022 | 10 | 1 | 0 | 0 | 9 |
| Department | Branch Network | 31.01.2022 | 9 | 4 | 0 | 0 | 5 |
| Department | Corporate Banking | 30.09.2022 | 7 | 3 | 0 | 0 | 4 |
| Department | Credit Administration | 31.08.2022 | 11 | 11 | 0 | 0 | 0 |
| Department | Organization and Control of Customer Service | 31.01.2022 | 9 | 2 | 0 | 0 | 7 |
| Department | Security | 18.02.2022 | 14 | 7 | 0 | 0 | 7 |
| Department | Accounting | 29.03.2022 | 11 | 9 | 0 | 0 | 2 |
| Department | Control of Investment Services and Activities | 31.10.2022 | 5 | 0 | 0 | 0 | 5 |
| Department | Compliance – Specialized Monitoring and Control | 20.04.2022 | 5 | 3 | 0 | 0 | 2 |
| Department | Asset Management | 18.02.2022 | 5 | 1 | 0 | 0 | 4 |
| Department | Strategic risk management | 15.06.2022 | 5 | 0 | 0 | 0 | 5 |

| Type | Structural unit | As of date | Total number of findings | On time | Expired up to 180 days | Expired more than 180 days | Settled |
|--------------------|---|------------|--------------------------|------------|------------------------|----------------------------|------------|
| Department | Finance | 30.04.2022 | 5 | 0 | 0 | 0 | 5 |
| Department | Private Banking | 25.01.2022 | 21 | 13 | 0 | 0 | 8 |
| Subsidiary company | Diners Club Bulgaria | 20.04.2022 | 27 | 14 | 7 | 6 | 0 |
| Subsidiary company | Compliance with the requirements of Delegated Regulation (EU) 2018/389 for establishing the identity of customers in MyFin | 13.06.2022 | 2 | 0 | 0 | 0 | 2 |
| Subsidiary company | FiHealth Insurance AD | 08.04.2022 | 9 | 1 | 1 | 0 | 7 |
| Branch | Blagoevgrad | 30.04.2022 | 11 | 0 | 0 | 0 | 11 |
| Branch | Veliko Tarnovo | 30.06.2022 | 11 | 0 | 0 | 0 | 11 |
| Branch | Vratsa | 30.04.2022 | 8 | 0 | 0 | 0 | 8 |
| Branch | Gabrovo | 31.03.2022 | 13 | 0 | 0 | 0 | 13 |
| Branch | Dobrich | 31.08.2022 | 9 | 0 | 0 | 0 | 9 |
| Branch | Karlovo | 31.05.2022 | 27 | 0 | 0 | 0 | 27 |
| Branch | Lovech | 28.02.2022 | 11 | 0 | 0 | 0 | 11 |
| Branch | Montana | 28.02.2022 | 12 | 0 | 0 | 0 | 12 |
| Branch | Pazardjik | 28.02.2022 | 17 | 0 | 0 | 0 | 17 |
| Branch | Pernik | 28.02.2022 | 17 | 0 | 0 | 0 | 17 |
| Branch | Sliven | 31.05.2022 | 15 | 0 | 0 | 0 | 15 |
| Branch | Smolyan | 31.05.2022 | 10 | 0 | 0 | 0 | 10 |
| Branch | Targovishte | 31.07.2022 | 16 | 0 | 0 | 0 | 16 |
| Branch | Haskovo | 31.07.2022 | 17 | 0 | 0 | 0 | 17 |
| Branch | Shumen | 31.07.2022 | 14 | 0 | 0 | 0 | 14 |
| Process | Internal Analysis of Capital Adequacy | 30.11.2022 | 16 | 16 | 0 | 0 | 0 |
| Process | Remuneration policy | 31.08.2022 | 3 | 3 | 0 | 0 | 0 |
| Process | Review of the Process of Update of the Recovery Plan of First Investment Bank AD | 14.11.2022 | 13 | 8 | 0 | 0 | 5 |
| Process | Compliance with the requirements of Delegated Regulation (EU) 2018/389 for establishing the identity of customers in Fibank | 25.01.2022 | 6 | 5 | 0 | 0 | 1 |
| Total: | | | 454 | 125 | 8 | 6 | 315 |

A main tool through which internal audit benefits and provides support to the organization in achieving goals and improving activities and processes are clearly and precisely formulated, feasible and cost-effective recommendations that are given in the implementation of audit engagements.

One of the most adequate indicators for measuring the effectiveness of internal audit is the relative share of accepted and implemented recommendations.

From the review of the data in the previous table, it is clear that there is a delay in the implementation of the recommendations from two subsidiaries - Diners Club Bulgaria AD (7 with an expired term of 91-180 days and 6 over 181 days) and Fi Health Insurance AD (1 recommendation with period over 91 days).

As of the date of the report, all audited structural units of PIB AD in 2022 take the necessary measures on time, and out of a total of 454 recommendations, 315 or 69.38% have been implemented.

2.5 Detailed analysis – findings

The detailed analysis of the recommendations is based on an internal monitoring system in which each recommendation is rated (classified) in the relevant category, according to the related rate of importance:

- Critical recommendations (C) – the unfulfillment leads to very high risk for the audited entity;
- High risk recommendations (H) – Necessary to be fulfilled, regardless of the audited entity stability;
- Standard recommendations (S).

The distribution of the recommendations for 2022 and 2021 according to their category of importance is presented in the following table

Classification of recommendations

| Priority of Recommendations | 2022 | | 2021 | |
|-----------------------------|--------------------------|---------|--------------------------|---------|
| | Total number of findings | Share | Total number of findings | Share |
| High | 186 | 40.97% | 206 | 36.65% |
| Standard | 268 | 59.03% | 356 | 63.35% |
| Total: | 454 | 100.00% | 562 | 100.00% |

From the review of the data in the table, it is clear that the total number of recommendations for 2022 compared to 2021 has decreased by 108 or 19.22%, with the reduction being greater for recommendations with standard priority (from 356 to 268 or 75.28%).

The following two tables provide information on the type of findings on the basis of which the high-priority recommendations were made and which the audited entity is following to complete. Data are for 2022 and 2021.

High priority recommendations – 2022

| Type of Recommendations | Total number 2021 (A) | Type of findings | Of these, the largest number (B) | Share % (B/A) |
|-------------------------|-----------------------|---|----------------------------------|---------------|
| Working environment | 73 | Optimization of activity (efficiency, additional controls, risk minimization) | 24 | 32.88% |

| Type of Recommendations | Total number 2021 (A) | Type of findings | Of these, the largest number (B) | Share % (B/A) |
|-------------------------|-----------------------|--|----------------------------------|---------------|
| Corporate lending | 38 | No current financial statements presented, non-performance for account turnover, no current protocol in view of the security | 13 | 34.21% |
| Front office | 24 | No required documents attached - "Know your customer" questionnaire and Declaration of origin of funds | 15 | 62.50% |
| Lending Individuals | 20 | Failure to meet the requirements of the credit product (credit card issuance, salary transfer | 9 | 45.00% |
| IT systems | 17 | Missing functionality | 13 | 76.47% |
| Cash activity | 6 | Gaps in the frequency of cash audits | 2 | 33.33% |
| ATM | 5 | Gaps in the frequency of cash audits | 2 | 40.00% |
| Accounting | 3 | Gaps in reconciliation of current accounts | 2 | 66.67% |

High priority recommendations – 2021

| Type of Recommendations | Total number 2021 (A) | Type of findings | Of these, the largest number (B) | Share % (B/A) |
|-------------------------|-----------------------|--|----------------------------------|---------------|
| Working environment | 56 | Complementing and updating internal rules / procedures and policies | 15 | 26.79% |
| Front office | 51 | Lack of mandatory documents applied | 22 | 43.14% |
| Corporate lending | 47 | Without current financial analysis | 9 | 19.15% |
| Lending Individuals | 28 | Failure to comply with the requirements of the credit product (without a credit card issued) | 5 | 17.86% |
| IT systems | 16 | Power supplies - Management / maintenance | 4 | 25.00% |
| Cash activity | 8 | Omissions in the preparation of valuable shipments | 4 | 50.00% |

2.6 Specialized Audits

The main directions in the activity of the Specialized Audits Department are the following: analysis and evaluation of received signals, performance of thematic inspections (audits), development of new models, as well as support activities.

Analysis and evaluation of incoming signals

During the reporting period, 7 cases were examined on the basis of received signals. Checks are classified according to their type as external fraud, internal fraud, violations of procedures, leakage of information and False positive (declared data or circumstances for cases of unreal or unfounded situations and objections from customers of the bank).

Development of new models

The "Specialized Audits" Department performs auxiliary (supporting) activities related to the processing of specialized inquiries and data necessary for the conduct of operational audits of the Directorate

3 Guidelines for the Internal Audit Directorate of 2023 г.

In 2023, the Department will continue to assist the management of First Investment Bank AD in realizing the priorities by exercising enhanced control over the processes in the Bank.

The main priorities for the Department are the following:

- Work continues in a dynamic and rapidly changing business environment aimed at supporting the Bank's operations and providing reasonable assurance that statutory regulations, rules and procedures are followed and appropriate and timely corrective actions are taken;
- Continuous aspiration and efforts of the Directorate to develop as a trusted advisor, actually supporting the Bank's activities, trying to be an objective reviewer, submitting only proven facts and accurate arguments in defence of its work;
- Care and attention to the competence of employees by supplementing the knowledge and expanding the skills and abilities necessary to fulfill individual responsibilities and audit engagements.

Plamen DIMITROV
Director Internal Audit

On item 7 of the Agenda
for the Regular Annual General Meeting of
Shareholders
of First Investment Bank AD
to be held on 21 June 2023

Report of the Audit Committee of First Investment Bank for 2022

**ANNUAL REPORT OF THE AUDIT COMMITTEE
OF FIRST INVESTMENT BANK AD
FOR 2022**

This Report presents the activities of the Audit Committee of First Investment Bank AD (the Bank) in 2022 in compliance with Article 108(1), item 8 of the Independent Financial Audit Act (IFAA).

The Audit Committee of First Investment Bank AD was established with a resolution of the General Meeting of Shareholders on 29.05.2009. Currently the Audit Committee of First Investment Bank AD is in the composition Mr Dimitar Dimitrov (Chair), Mr Jordan Velichkov Skortchev (member) and Ms Rositsa Asova (member).

The Audit Committee of First Investment Bank AD operates in accordance with written competencies, rights and responsibilities, as provided for in the regulatory framework.

In 2022 the Audit Committee held regular meetings, including meetings with the Chief Financial Officer, the head of the Internal Audit Department, the Chief Risk officer, as well as representatives of the independent external auditor, were invited to report and present at the Audit Committee meetings. Thus, the Committee performed its functions related to:

- monitoring of the processes of financial reporting at the Bank;
- monitoring of the efficiency of the Bank's internal audit function;
- monitoring of the efficiency of risk control and management systems at the Bank;
- monitoring of the independent financial audit;
- monitoring of the provision of additional services by the Bank's registered auditor;
- review of the independence of the Bank's registered auditor with a view to ensuring compliance with the regulatory requirements.

Risk Management and Internal Audit

The risk management system of First Investment Bank includes policies, rules and procedures, which provides reliable and efficient evaluation of internal capital, creates an adequate control environment, separation of the functions of supply and approval of risk exposures, as well as comprehensive system for managing the assets, liabilities and liquidity, based on the Risk strategy, approved from the Supervisory Board.

First Investment Bank implement a written 'Policy on risk management and capital adequacy' which, together with policies for managing the credit risk, market risk, operational and other risks, with 'Policy for managing the assets, liabilities and liquidity', as well as related rules, guidelines and instructions, are building the comprehensive internal regulatory system of Fibank for manage risks associated with the Bank's activities and the adequacy of its capital.

First Investment Bank review current systems and processes in order to be guaranteed their inclusiveness and proportionality of the nature, scale and complexity of the activities performed by the Bank as well as to maintain risk adequate capital.

Risk management is based on an information system which ensures the maintenance of data bases and

their subsequent processing for the purposes of risk management, including the preparation of regular reports needed for monitoring the Bank's risk profile. Within First Investment Bank there are specialized organizational units for risk management - the "Risk Analysis and Control" Department and the "Credit Risk Management, Monitoring and Provisioning", where the former performs functions for identification, measurement and management of the various types of risks inherent in the Bank's activity, while the latter performs 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 risk-related collective bodies within the Bank are the Credit Council, the Restructuring Council, the Assets, Liabilities and Liquidity Management Council, the Operational Risk Committee. As an auxiliary body to the Supervisory Board the Risk Committee is responsible for advising the Supervisory Board and the Managing Board in relation to the overall current and future strategy regarding compliance with the risk policy and risk limits, risk appetite and control over its implementation by senior management. All risk management activities are subject to documenting and reporting in accordance with the currently established rules within the Bank.

The activities earned out by First Investment Bank, as well as the auxiliary systems and processes, are subject to regular internal audit which is earned out by the Specialized Internal Audit Unit which operates independently from the structural units it audits. Internal control is implemented as preventive, current and follow-up control on all activities and transactions carried out at the Bank and includes managerial control, risk control, reporting and information, as well as internal audit.

Based on the reviews carried out, the Audit Committee finds that during the reporting period the Bank's systems for risk management and internal control were efficient and adequate to the Bank's activities and the applicable regulatory requirements. No weaknesses or errors which may impact negatively the operation of the Bank with a view to its development goals were found in the processes and systems for risk management and internal control.

Financial Reporting

First Investment Bank applies a system for independent on-going reporting in accordance with the regulatory requirements - the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS), the Credit Institutions Act, the Public Offering of Securities Act, 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. The financial reports prepared by First Investment Bank are submitted to relevant supervisory bodies (the Bulgarian National Bank, the Financial Supervision Commission), and some of them - the quarterly and annual reports - are submitted to the Bulgarian Stock Exchange and made publicly available. The Bank maintains an accounting system which ensures systematic, chronological and true reflection of the financial information (transactions), following a preliminary check of the validity and reporting of transactions in accordance with IFRS the Bank's accounting policy.

Based on its observations and the information provided, the Audit Committee concludes that in 2022 First Investment Bank complied with the financial reporting requirements by submitting reports on a regular basis and publishing financial information in the legally stipulated deadlines and methods. The Bank's financial reports were prepared in accordance with the applicable law and accounting standards. The information contained therein reflects objectively the Bank's activities and financial position. The process of financial reporting is efficient and adequate to the activities and in compliance with good banking practices in this field.

Independent financial audit

At the recommendation of the Audit Committee Ecovis Audit Bulgaria OOD and Mazars OOD and were appointed as specialized audit entities to carry out the independent financial audit of the Bank for 2022 and the verify and certify the annual financial statement. In 2022 the Audit Committee observed

the process of independent financial audit carried out at the Bank by Ecovis Audit Bulgaria OOD and Mazars OOD as the registered auditors of First Investment Bank, including on the basis of data information provided by the auditors.

The opinion of the Audit Committee is that the audit for 2022 carried out by the registered auditors is in compliance with the legal requirements for independence, objectivity, confidentiality, including as per IFAA and the Code of Ethics of Professional Accountants. No errors or discrepancies were found in the process of monitoring of the independent audit.

This report was approved at a meeting of the Audit Committee of First Investment Bank AD.

**Members of the Audit Committee of
First Investment Bank AD:**

(signed)

Dimitar Dimitrov

(Chair)

(signed)

Jordan Skortchev

(signed)

Rositsa Asova

April 2023

On item 8 of the Agenda
for the Regular Annual General Meeting of
Shareholders
of First Investment Bank AD
to be held on 21 June 2023

*Letter from BNB with outgoing N BNB-52152 to approve the selection of audit
companies*

Bulgarian National Bank

Outgoing No. BNB 52152/05.05.2023

To:
Nikola Bakalov, Chief Executive Officer
of First Investment Bank AD
Svetozar Popov, Executive Director
of First Investment Bank AD

Dear Mr. Bakalov,

Dear Mr. Popov,

In response to your letter with incoming No BNB-32245/21.03.2023 I hereby inform you that, pursuant to Art. 151(1) and Art. 76(4) of the Law on Credit Institutions, the Governing Board of the Bulgarian National Bank with its decision No 199/03.05.2023 approved the appointment of the audit companies Ecovis Audit Bulgaria LTD, UIC 131039504 and Mazars, UIC 204638408, to perform the independent financial audit of the financial statements of First Investment Bank AD for 2023, and of the lead auditors Georgi Stoyanov Trenchev – for Ecovis Audit Bulgaria OOD and Iva Biserova Slavkova for Mazars.

Regards,

Radoslav Milenkov,
(signature)

Deputy Governor,
in charge of the Bank Supervision Department

On item 11 of the Agenda
for the Regular Annual General Meeting of
Shareholders
of First Investment Bank AD

Resume of Rositsa Yordanova Asova

PERSONAL DATA

Rositsa Yordanova Asova



PROFESIONAL EXPERIENCE

2018 - currently

Global Process Manager Management Accounting

Paysafe Bulgaria EOOD

- Organizing work
- Participating in analyses, calculation and general ledger accounting
- Preparing financial statements
- Communicating with auditors and other external users of financial information

2007 - 2017

Audit Manager

Ernst and Young Audit OOD

- Organized the audit process and the audit team;
- Went through and summarized the audit work;
- Served as the main point of contact for the audit client

Audit of financial statements prepared in accordance with International Financial Reporting Standards (IFRS) or the Bulgarian National Financial Reporting Standards for Small or Medium-sized Entities of production, trade and other companies.

2001 - 2007

Audit Junior – Audit Supervisor

Ernst and Young

Audit of financial statements of production, trade and other companies; internal audit; due diligence

2001

Accountant

Jung OOD

1999 - 2000

Assistant to the Manager

M3 Communications OOD

1998 - 1999

Marketing Assistant

Ambassador Hotel AD

EDUCATION AND TRAININGS

2002 - 2005

ACCA

- Association of Chartered Certified Accountants: Accounting; Audit; Financial analysis; Management

Currently – Fellow Member of ACCA (FCCA)

EDUCATION AND TRAININGS

2018 - currently

Paysafe Bulgaria EOOD

Compulsory internal trainings: Accounting; Tax; Management; Presentation skills

2001 - 2017

Earnst and Young

Compulsory internal trainings: Accounting; Audit; Tax; Management; Sales; Presentation skills

1994 - 1999

University of National and World Economy

Master of Accounting and Control

Master of International Tourism

1989 - 1994

First English Language School, Sofia

PERSONAL SKILLS

Mother tongue

Bulgarian

Other languages

| | UNDERSTANDING | | SPEAKING | | WRITING |
|---------|---------------|-----------|--------------------|-------------------|-----------|
| | Listening | Reading | Spoken interaction | Spoken production | |
| English | Very Good | Very Good | Very Good | Very Good | Very Good |
| Spanish | Basic | Basic | Basic | Basic | Basic |

Digital competence

| | SELF-ASSESSMENT | | | | |
|--|------------------------|---------------|------------------|------------|-----------------|
| | Information processing | Communication | Content creation | Safety | Problem solving |
| | Very Good | Very Good | Very Good | Basic user | Basic user |

▪ very good command of office suite (word processor, spread sheet, presentation software)

ADDITIONAL INFORMATION

Publications

Articles on IFRS, Capital Daily, 2013 - 2014

Courses

Facilitator of IFRS courses held for clients of Ernst and Young (2013 - 2014).

On item 11 of the Agenda
for the Regular Annual General Meeting of
Shareholders
of First Investment Bank AD

- *Resume of Kiril Dimitrov Georgiev*
 - *Court certificate*

PERSONAL INFORMATION

Kiril Dimitrov Georgiev



Gender: Male | Date of birth

| Nationality: Bulgarian

PROFESSIONAL EXPERIENCE

March 2022 – currently

Deputy Director Large Enterprises Banking

First Investment Bank AD

Obligations related to the organization of the activities of the Department for offering, negotiating, and providing credit facilities and products until they are fully repaid by the borrowers.

Research and analysis of credit applicants and monitoring of the customer credits in the segment of large enterprises, as well as carrying out periodic credit analyses, including of the financial statements and forecasts. Controlling and managing the activities of preparation and inclusion of agreements with foreign banks - creditors in connection with various types of commercial financing

November 2018 – March 2022

Deputy Director of Corporate crediting Department

First Investment Bank AD

Assists the Department Director with the overall activity for offering, negotiating, and providing credit facilities and products until their full repayment by the borrowers. Effective coordination and maintenance of relationships with corporate clients in connection with the conclusion of credit transactions, granting and management of loans until their full repayment, as well as activities related to research, analysis, ongoing monitoring, and periodic analyses, including their financial statements and forecasts. Implementation and organization of activities related to credit risk assessment.

Liabilities related to the control and management of the activities related to the preparation and description of agreements between First Investment Bank, clients of the bank and foreign creditor banks in connection with different types of trade finance.

September 2018 – November 2018 **Deputy Director of Risk Management Department**

Bulgarian Development Bank

Assists the Department Director with the overall activity of offering, negotiating, and providing credit products until their full repayment by the borrowers.

Assists the Director in organizing and controlling the implementation of the tasks assigned to the management of the Bank.

August 2017 – September 2018

Managing Director

AMS–Imoti Ltd.

Performs representation and overall organization in the company, organizes the structural units and the workflow, controls the implementation of the tasks provided and the implementation of the overall activity of the company in accordance with internal acts and implementation of the statutory norms.

December 2015 – August 2017

**Deputy Director Credit Risk Management, Monitoring and Provisioning
First Investment Bank AD**

Assists the Director with the overall activity of the Department in formulating and preparing models for managing the bank's exposure to credit risk, market and operational risk, monitoring, and provisioning.

Confirms the results of the analysis and the parameters for risk exposures within the competence of the Risk Management Department or higher authorities according to the current levels of competence.

Organizes the development of methodologies, systems and programs related to the assessment of risk exposures and portfolios by industry. Coordinates the analysis of the state of the loan portfolio, concentration, problematic loans, maturity and other indicators. Monitors monitoring, reporting and compliance with banking regulations, internal rules in order to optimally manage credit, market, operational and other risks inherent in banking. Organizes, monitors the preparation of reports, reports and data related to risk exposures and evaluates the overall risk.

Organizes the development of internal rating models.

July 2008 – December 2015

**Deputy Director of Risk Management
First Investment Bank AD**

Assists the Director of the Department in the activity of formulating and preparing policy and recommendations for specific actions and preparing models for managing the bank's exposure to credit, market, and operational risk. Confirms the results of the analysis and the parameters for risk exposures within the competence of the Risk Management Department or higher authorities/persons according to the current levels of competence. Organizes the development of models and the adoption of exposure limits to different types of risk and concentration by industry, region and counterparty. Coordinates the analysis of the loan portfolio situation, concentration, problem loans, maturity, etc. indicators.

October 2007– July 2008

**Senior Analyst, Credit Risk
First Investment Bank AD**

Manages and organizes the activity of confirming the results of the analysis and the parameters by risk exposures (second control).

Controls the ongoing monitoring of the classification, impairment and provisioning of risk exposures.

Organizes the activity of preparing analyses, reports and forecasts of the bank's loan portfolio and other risky investments. Proposes to confirm or improve the parameters of risk exposures. Proposes, assigns and participates in the development of methodologies, systems and programs related to the valuation of risk exposures and portfolios. Organizes, controls and participates in the activity of preparing periodic analyzes and forecasts of the bank's loan portfolio and other risk investments. Monitors, reports and observes banking regulators in order to optimally manage the credit, the liquid, operational and other types of risk inherent in banking. Supports and provides information activities of the Credit Council and, if necessary, other existing committees and councils of the Bank.

June 2006 - October 2007

**Credit Risk Specialist, Risk Management Department
First Investment Bank AD**

Considers, evaluates, and confirms the results of the analysis and parameters of risk exposures (second control), which are within the competence of the Risk Management Department

Prepares analyses, reports and forecasts of the bank's loan portfolio and other risky investments. Participates in the development of methodologies, systems and programs related to the assessment of risk exposures and portfolios. Prepares periodic analyses and forecasts of the bank's loan portfolio and other risky investments. Monitors and reports compliance with banking regulations with a view to optimal management of credit, operational and other risks inherent in banking. Prepares reports, reports and deposits on risk exposures, as well as on portfolios for valuation of total risk. It takes into account the practical application of banking regulations, and in case of identified weaknesses it proposes measures for improvement.

February 2014 – June 2006

**Chief Expert, Crediting to Small and Medium-sized Enterprises
Economic Investment Bank AD**

Manages and organizes the activity of confirming the results of the analysis and the parameters by risk exposures (second control).

Controls the ongoing monitoring of the classification, impairment and provisioning of risk exposures.

Organizes the activity of preparing analyses, reports and forecasts of the bank's loan portfolio and other risk exposures.

Supports and provides information activities to the Credit Council and, if necessary, to other existing committees and Management.

November 2003 – February 2004 **Credit Expert, Corporate Banking
Eurobank AD**

Manages and organizes the activity of confirming the results of the analysis and the parameters by risk exposures (second control).

Controls the ongoing monitoring of the classification, impairment and provisioning of risk exposures.

Organizes the activity of preparing analyses, reports and forecasts of the bank's loan portfolio and other risk exposures.

Supports and provides information activities to the Credit Council and, if necessary, to other existing committees and Management.

January 2002 – November 2003

**Credit Analyst
ProCredit Bank AD**

Establishes lasting relationships with existing and potential customers of the Bank.

Activates sales through a direct approach to the customer, offers the Bank's products and services and concludes transactions on the spot.

It carries out its activities in strict compliance with all procedures of the employer related to his position.

May, 2001 – January 2002

**Accountant
Latona Development/Rightnet**

Performs tasks related to control over the proper keeping of primary documents, spending cash and material resources, as well as accounting for documents and keeping payrolls. Makes interim and annual closing of accounting records.

Controls the income and expenses of the enterprise.

Participates in the planning of financial activities and prepares estimates for financing capital expenditures for overhaul and acquisition of fixed assets.

Participates in the development of the accounting policy of the enterprise, the preparation of the annual financial statements, the implementation of inventory and inspections of materially responsible persons

**EDUCATION/
TRAINING**

BACHELOR

**University of National and Worldwide Economic
Accounting and Control
1998 -2002**

Disciplines: Accounting, Auditing, Bank and Budget Accounting, Business Control, Bank Control, Financial and Accounting Analysis

| | |
|--------|--|
| MASTER | <p>Veliko-Turnovsky university St. st. Cyril and Methody Finance 2002-2004 Disciplines studied: Bank Management, Financial Econometrics and Management, Financial Risk Management, Banking Supervision, Entrepreneurship</p> |
| MASTER | <p>South West University Neofit Rilsky Law 2004-2009 Disciplines studied: Administrative, International Public and Private, Financial, Tax, Criminal, Banking Law</p> |
| 2019 | Acquiring qualification for Expert at the Sofia City Court of Finance, Accounting and Control |
| 2022 | Sustainable Finance as a global transformation of the financial system |
| 2022 | Cash and liquidity management. Optimizing cash flow in the context of credit risk |
| 2023 | European norms and requirements for business – connection with ESG (environmental, social and governance). |
| 2023 | International standards for internal audit, procedures, and techniques for conducting audit by an internal audit manager. |

PERSONAL SKILLS AND COMPETENCES

Languages Bulgarian (native), English (Pre-Intermediate), Russian (Intermediate)

Soft skills

- Leadership,
- Conflict solving and negotiations.
- Communication
- Stress management
- Public speaking
- Time management

Technical skills Project management and data analysis

Регистрационен номер: 230427012000008126
Registration number: 230427012000008126
Валидно до: 27.10.2023
Date of expiry: 27.10.2023

ЦАИС „Съдебен статус“

**ЕЛЕКТРОННО СВИДЕТЕЛСТВО ЗА СЪДИМОСТ
ELECTRONIC CONVICTION STATUS CERTIFICATE**

**МИНИСТЕРСТВО НА ПРАВОСЪДИЕТО НА РЕПУБЛИКА БЪЛГАРИЯ
MINISTRY OF JUSTICE OF THE REPUBLIC OF BULGARIA**

Удостоверява, че лицето: КИРИЛ ДИМИТРОВ ГЕОРГИЕВ

Certifies that the person: KIRIL DIMITROV GEORGIEV

ЕГН: 7
Personal number:
Роден(а):
Date of birth:



НЕ Е ОСЪЖДАНО
И НЕ Е ОСВОБОЖДАВАНО ОТ НАКАЗАТЕЛНА ОТГОВОРНОСТ ПО ЧЛ. 78a НК
HAS NOT BEEN CONVICTED
AND HAS NOT BEEN RELEASED FROM CRIMINAL RESPONSIBILITY
UNDER Art. 78a OF THE CRIMINAL CODE

Настоящото важи за: Работа - Заемане на контролна позиция Ръководител на вътрешен одит

Дата на издаване: 27.04.2023
Date of issue: 27.04.2023



Адрес за проверка / Verify at:
<https://crr.mjs.bg/Conviction/ViewByCode?Id=a8ce4bf8-e2f5-46a5-a46a-63fc76dc944b>

Забележка. (Попр. – ДВ, бр. 15 от 2013 г., изм., бр. 18 от 2018 г.) Електронното свидетелство за съдимост само в електронния си вид, достъпно на интернет страница на Министерството на правосъдието, има същата сила като свидетелството за съдимост, издадено на хартиен носител.

Електронното свидетелство за съдимост е достъпно от заинтересованото лице на страницата на Министерството на правосъдието чрез предоставения код за достъп.

Note: The Electronic Conviction Status Certificate in electronic format only is accessible through the web page of the Ministry of Justice and has the same legal value as the Conviction Status Certificate issued on paper.

Persons concerned access to Electronic Conviction Status Certificate through the web page of the Ministry of Justice via access code.

Sample Power of Attorney
for the Regular Annual General Meeting of
Shareholders
of First Investment Bank AD
to be held on 21 June 2023

POWER OF ATTORNEY

The undersigned

.....
.....
.....
(name, surname, family name, personal identification number and identity card / personal identity card №....., issued on by, respectively - name, surname, family name, personal identification number and identity card / personal identity card №....., issued on by, acting in and for (company, number, batch, volume and page of inscription in the Trade Register and BULSTAT or Unified Identification Number (UIN), with seat and registered office), in the capacity of shareholder having..... (.....) dematerialized registered shares of the capital of First Investment Bank AD, UIN 831094393

pursuant to article 226 of the Commercial Code (CC) in conjunction with Article 116 of the Public Offering of Securities Act (POSA)

DO HEREBY AUTHORISE

.....
.....
.....
(name, surname, family name, personal identification number, place of residence and address, personal identity card №, issued on by, respectively Company, number, batch, volume and page of inscription in the Trade Register and BULSTAT or Unified Identification Number (UIN), with seat and registered office

to represent me jointly / severally at the Annual Ordinary General Meeting of Shareholders (GMS) of First Investment Bank AD, Unique identification code of the meeting: PFOCA 202306211100, ISIN code of the Company's shares: BG1100106050, which shall be held on **21 June, 2023 at 11:00 AM (08:00 AM UTC)** at the Serdica Hall of Sheraton Sofia Hotel Balkan, 5, Sveta Nedelya Square, Sofia, or, in case of a lack of quorum - on 05 July 2023 from 11:00 AM (08:00 AM UTC), at the same place and under the same agenda, and to vote with (.....) shares of the capital of First Investment Bank AD held by me (by the company) on the items on the agenda as indicated below:

The Agenda shall be as follows:

1. Approval of the audited Annual Financial Statements of First Investment Bank AD for 2022 (individual and consolidated) and the report of the Management Board on the activity of First Investment Bank AD in 2022 (individual and consolidated);
Draft resolution: *The General Meeting of Shareholders approves the audited Annual Financial Statements of First Investment Bank AD for 2022 (individual and consolidated) and the report of the Management Board on the activity of First Investment Bank AD in 2022 (individual and consolidated);*
2. Report of the registered auditors for the performed joint audit of the annual financial statements of the Bank for 2022 (individual and consolidated);
Draft resolution: *The General Meeting of Shareholders approves the Report of the registered auditors for the performed joint audit of the annual financial statements of the Bank for 2022 (individual and consolidated);*
3. Decision on the profit distribution of First Investment Bank AD for 2022;
Draft resolution: *The General Meeting of Shareholders decides that the entire profit of the Bank for 2022 shall be retained as other general reserves;*
4. Relief from responsibility of the members of the Management and Supervisory Board of First Investment Bank AD for their activities in 2022;
Draft resolution: *The General Meeting of Shareholders relieves from responsibility the members of the Supervisory Board of Fibank: Evgeni Krastev Lukanov, Maya Lyubenova Georgieva, Jordan Velichkov*

Skorchev, Radka Veselinova Mineva, Jyrki Ilmari Koskelo, as well as all members of the Management Board of Fibank: Nikola Hristov Bakalov, Svetozar Alexandrov Popov, Chavdar Georgiev Zlatev, Ralitsa Ivanova Bogoeva, Nadia Vasileva Koshinska, Yanko Angelov Karakolev, for their activities in 2022;

5. Report of the Bank's Investor Relations Director for 2022;
Draft resolution: *The General Meeting of Shareholders approves the Report of the Bank's Investor Relations Director for 2022;*
6. Report of the Internal Audit Director for 2022;
Draft resolution: *The General Meeting of Shareholders approves the Report of the Internal Audit Director for 2022;*
7. Report of the Audit Committee for its activities in 2022;
Draft resolution: *The General Meeting of Shareholders approves the Report of the Audit Committee for its activities in 2022;*
8. Appointment of registered auditors for 2023;
Draft resolution: *The General Meeting of Shareholders, after prior consultation with the Bulgarian National Bank under Art. 76 para. 4 and in conjunction with Art. 76, para 6 of the Law on Credit Institutions, appoints ECOVIS AUDIT BULGARIA LTD, UIC 131039504 and MAZARS, UIC 204638408 as auditing companies to perform an independent financial audit of the financial statements (individual and consolidated) of First Investment Bank AD under the terms of Art. 76, para. 1 of the Law on Credit Institutions for 2023, and to certify the annual financial statements (individual and consolidated) of the Bank for 2023;*
9. Determining a new total amount of remuneration for the members of the Supervisory Board and the members of the Management Board of the Bank;
Draft resolution: *The General Meeting of Shareholders amends its resolution of 19.06.2019, taken under item 10 of the Agenda, which determined the total amount of remuneration for the members of the Supervisory Board and the members of the Management Board of the Bank of up to BGN 14,000,000 (fourteen million) per year, by determining a new total amount of remuneration for the members of the Supervisory Board and the members of the Management Board of the Bank of up to BGN 16,000,000 (sixteen million) per year.*
10. Re-election of a member of the Audit Committee of the Bank and determination of her term of office.
Draft resolution: *The General Meeting of Shareholders re-elects Rositsa Yordanova Asova, independent member of the Audit Committee, for a new 3 (three) year term.*
11. Release of the current director of the Bank's Internal Audit Department and election of a new director of the Bank's Internal Audit Department.
Draft resolution: *The General Meeting of Shareholders releases Plamen Todorov Dimitrov as director of the Internal Audit Department, and elects Kiril Dimitrov Georgiev as the director of the Internal Audit Department of the Bank for a term of 5 (five) years, effective from the date of this resolution.*

Voting – (express instructions must be given as to how to vote on each of the proposed draft resolutions on items in the agenda. Where voting instructions are not given for the proposed draft resolutions, the proxy shall have the right, at his/her discretion, to decide whether to vote and how).

The authorization includes/ not includes the right of the proxy during the general meeting, to propose resolutions to each item included in the agenda by observing the law. The deadline to exercise this right is until the end of the discussions under the respective item and before the general meeting casts its vote.

The authorization hereunder extends / does not extend to items which are included in the agenda under the terms of Article 231, paragraph 1 of the Commercial Code and which are not announced or promulgated in accordance with Article 223 and Article 223a of the Commercial Code. In the cases under article 231, paragraph 1 of the Commercial Code, the proxy may not / may decide at his/her own discretion whether and how to vote.

Pursuant to article 116, paragraph 4 of the POSA, delegation to another person of any of the above listed powers shall be null and void.

Date:

.....2023

City of

Authorizer(s):
