

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

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

13 March 2024

Re: Annual individual (audited) financial statements of First Investment Bank AD as at 31 Dec 2023

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 2023, containing

- ✓ Audited individual financial statements as at 31.12.2023 and notes thereto, accompanied by the auditors' report as per Art. 100m, para. 4(1) of POSA;
- ✓ 2023 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)

Svetozar Popov
Executive Director
Member of the MB

(signed)

Chavdar Zlatev
Executive Director
Member of the MB

FIRST INVESTMENT BANK AD

INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
WITH INDEPENDENT AUDITORS' REPORT THEREON

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

<i>in thousands of BGN</i>	Note	2023	2022
Interest income		404,711	310,785
Interest expense		(34,809)	(40,045)
Net interest income	6	369,902	270,740
Fee and commission income		192,605	172,990
Fee and commission expense		(41,056)	(33,475)
Net fee and commission income	7	151,549	139,515
Net trading income	8	23,295	19,717
Other net operating income	9	(27,192)	14,195
TOTAL INCOME FROM BANKING OPERATIONS		517,554	444,167
Administrative expenses	10	(210,667)	(205,113)
Other income/(expenses), net	12	(18,902)	(12,960)
Profit before impairment		287,985	226,094
Allowance for impairment	11	(137,168)	(135,349)
PROFIT BEFORE TAX		150,817	90,745
Income tax expense	13	(15,776)	(9,540)
NET PROFIT		135,041	81,205
Other comprehensive income for the period			
Items which should or may be reclassified as profit or loss			
Revaluation reserve of investments in securities		9,676	(21,860)
Total other comprehensive income		9,676	(21,860)
TOTAL COMPREHENSIVE INCOME		144,717	59,345

The statement of profit or loss and of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 75.

The financial statements were approved by the Management Board on 12 March 2024 and signed on its behalf by:

Nikola Bakalov
Chief Executive Officer

Chavdar Zlatev
Executive Director

Svetozar Popov
Executive Director

Ralitsa Bogoeva
Executive Director

Ianko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated 08/03/2024:

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 2023

<i>in BGN '000</i>	Note	2023	2022
ASSETS			
Cash and balances with Central Banks	14	2,325,807	1,911,371
Investments in securities	15	2,583,949	2,598,137
Loans and advances to banks and other financial institutions	16	259,718	264,984
Loans and advances to customers	17	7,158,309	6,384,541
Property and equipment	18	99,517	98,240
Intangible assets	19	23,007	14,925
Derivatives held for risk management		1,765	1,609
Repossessed assets	21	403,523	412,996
Investment Property	22	756,767	750,324
Investments in subsidiaries	23	34,579	38,526
Rights of use assets	24	121,410	124,159
Other assets	25	120,177	114,246
TOTAL ASSETS		13,888,528	12,714,058
LIABILITIES AND CAPITAL			
Due to banks	26	54,326	45,703
Due to other customers	27	11,494,164	10,798,450
Liabilities evidenced by paper	28	439,634	116,487
Financial liabilities at fair value through profit and loss		3,165	8,488
Hybrid debt	29	257,871	256,861
Deferred tax liabilities	20	27,604	27,823
Current tax liabilities		2,028	398
Lease liabilities	24	121,503	124,240
Other liabilities	30	15,307	7,399
TOTAL LIABILITIES		12,415,602	11,385,849
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		(5,639)	(15,315)
Revaluation reserve on property		4,500	4,500
Other reserves and retained earnings	31	1,035,102	900,061
TOTAL SHAREHOLDERS' EQUITY		1,472,926	1,328,209
TOTAL LIABILITIES AND GROUP EQUITY		13,888,528	12,714,058

The statement of the financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 75.

The financial statements were approved by the Management Board on 12 March 2024 and signed on its behalf by:

Nikola Bakalov
Chief Executive Officer

Chavdar Zlatev
Executive Director

Svetozar Popov
Executive Director

Ralitsa Bogoeva
Executive Director

Ianko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated 08/03/2024:
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 cash flows for the year ended 31 December 2023

<i>in BGN '000</i>	2023	2022
Net cash flow from operating activities		
Net profit	135,041	81,205
Adjustment for non-cash items		
Allowance for impairment	137,168	135,349
Net interest income	(369,902)	(270,740)
Depreciation and amortization	12,969	12,060
Tax expense	15,776	9,540
(Profit)/loss from sale and write-off of tangible and intangible fixed assets, net	33	(5)
(Profit) from sale of other assets, net	(6,668)	1,134
(Positive) revaluation of investment property	-	(14,769)
	(75,583)	(46,226)
Change in operating assets		
Decrease in financial assets at fair value through profit or loss	33,063	(2,859)
Decrease/(increase) in financial assets at fair value in other comprehensive income	(598,563)	406,355
Decrease in loans and advances to banks and financial institutions	8,973	2,869
(Increase) in loans to customers	(1,028,541)	(297,535)
(Increase) in other assets	(3,337)	(43,499)
	(1,588,405)	65,331
Change in operating liabilities		
Increase in due to banks	8,621	15,823
Increase in amounts owed to other depositors	696,357	1,375,988
Net increase in other liabilities	5,465	42,896
	710,443	1,434,707
Interest received	485,822	395,403
Interest paid	(33,450)	(49,705)
Dividends received	2,348	578
Tax on profit, paid	(14,945)	(5,528)
NET CASH FLOW FROM OPERATING ACTIVITIES	(513,770)	1,794,560
Cash flow from investing activities		
(Purchase) of tangible and intangible fixed assets	(27,070)	(35,523)
Sale of tangible and intangible fixed assets	231	15
Sale of other assets	38,338	44,708
(Increase)/decrease of investments	602,654	(1,540,427)
NET CASH FLOW FROM INVESTING ACTIVITIES	614,153	(1,531,227)
Financing activities		
Increase in borrowings	315,806	16,679
Increase/(decrease) in subordinated liabilities	1,028	(57,275)
NET CASH FLOW FROM FINANCING ACTIVITIES	316,834	(40,596)
NET INCREASE IN CASH AND CASH EQUIVALENTS	417,217	222,737
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	2,138,377	1,915,640
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	2,555,594	2,138,377

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 75.

The financial statements were approved by the Management Board on 12 March 2024 and signed on its behalf by:

Nikola Bakalov
Chief Executive Officer

Chavdar Zlatev
Executive Director

Svetozar Popov
Executive Director

Ralitsa Bogoeva
Executive Director

Ianko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated 08/03/2024:
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 2023

<i>in BGN '000</i>	Issued share capital	Share premium	Other reserves and retained earnings	Revaluation reserve of investments in securities	Revaluation reserve on property	Statutory reserve	Total
Balance at 01 January 2022	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
Total comprehensive income for the period							
Net profit for the year ended 31 December 2022	-	-	135,041	-	-	-	135,041
Other comprehensive income for the period							
Revaluation reserve of investments in securities	-	-	-	9,676	-	-	9,676
Balance as at 31 December 2023	149,085	250,017	1,035,102	(5,639)	4,500	39,861	1,472,926

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 75.

The financial statements were approved by the Management Board on 12 March 2024 and signed on its behalf by:

Nikola Bakalov
Chief Executive Officer

Chavdar Zlatev
Executive Director

Svetozar Popov
Executive Director

Ralitsa Bogoeva
Executive Director

Ianko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated 08/03/2024:

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
- Ms Radka Mineva – Supervisory Board member
- Ms Maya Georgieva – Supervisory Board member
- Mr Jyrki Koskelo – Supervisory Board member

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

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

(b) Statement of compliance

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

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

(c) Presentation

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

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

Notes to the financial statements

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 2023

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Company does not have any contracts that meet the definition of an insurance contract under IFRS 17.

- IAS 1 - the amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors - the amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.
- IAS 12 Income taxes: the amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may occur after the recognition of a lease liability and the respective right-of-use asset upon the application of IFRS 16 on the lease commencement date.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the Company is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

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

Notes to the financial statements

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

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 statements.

- IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current, effective as of 01 January 2024, adopted by the EU.

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items, adopted by the EU on 19 December 2023, published in the Official Journal on 20 December 2023

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

- IFRS 16 Leases: Lease Liability in a Sale and Leaseback, effective as of 1 January 2024.

The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.

The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to sale and leaseback transactions entered into after the date of initial application.

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability, effective 1 January 2025

The amendments:

Specify when a currency is exchangeable into another currency and when it is not — a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.

Specify how an entity determines the exchange rate to apply when a currency is not exchangeable — when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing.

Require the disclosure of additional information when a currency is not exchangeable — when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

The amendments also extend to conforming amendments to IFRS 1 which previously referred to, but did not define, exchangeability.

The amendments also extend to conforming amendments to IFRS 1 which previously referred to, but did not define, exchangeability.

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements, effective 1 January 2024.

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

Notes to the financial statements

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

2. 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

Notes to the financial statements

between amortised cost in functional currency in the beginning of period, adjusted with effective interest and received payments during the period, and amortised cost in foreign currency at the spot exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined.

(iii) Foreign operations

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

(d) Financial assets

(i) Recognition

The Bank recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Bank initially recognizes trade and other receivables on the date of transaction. Advances to customers are recognised when cash is advanced to the borrowers. At initial recognition, the Bank measures all financial assets at fair value plus, in the case of financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

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.

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.

Notes to the financial statements

(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.

(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.

Notes to the financial statements

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.

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

Notes to the financial statements

financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

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

The Bank enters into transactions whereby it transfers financial assets recognised in its statement of financial position, but retains either all or substantially all risks and rewards of the transferred asset. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised in the statement of financial position (an example of such transactions are repo deals).

In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate.

In transfers in which, control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

(e) **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances on hand, cash deposited with central banks and short-term highly liquid accounts and advances to banks with original maturity of up to three months.

(f) **Investments**

Investments in debt instruments held by the Bank as part of a business model for the purpose of collecting contractual cash flows are classified as financial assets at amortised cost. Investments in debt instruments held by the Bank as part of a business model for the purpose of collecting contractual cash flows and sale are classified as financial assets at fair value in other comprehensive income. All other investments, including those whose contractual terms do not meet the requirement for generation of only principal and interest payments are classified as recognised at fair value in profit or loss.

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

(i) **Securities borrowing and lending**

Investments lent under securities lending arrangements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy applicable for assets at fair value in profit or loss or at fair value in other comprehensive income. Cash collateral received in respect of securities lent is recognised as liabilities to either banks or customers. Investments borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. 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).

Notes to the financial statements

(h) Borrowings

Borrowings are recognised initially at 'cost', being their issue proceeds (fair value of consideration received) net of transaction costs incurred.

Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognized in profit or loss over the period of the borrowings using the effective yield method. If the Bank purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of a liability and the consideration paid is included in other operating income.

(i) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Bank has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

(j) Impairment of financial assets

The Bank recognizes 12-month expected credit loss as loss allowance when there is no significant increase in the credit risk since the initial recognition of the financial asset. When there is a significant increase in credit risk since initial recognition, expected credit losses for the whole life of the financial assets are recognized as loss allowance.

Whether credit risk is significantly increased or not is determined based on the following factors and events for the debtor or the exposure:

- Internal behavioural scoring of natural persons, companies and institutions whose exposures are above the threshold for significance;
- Decrease in credit rating (internal or external) by a given number of notches for companies and institutions whose exposures are above the threshold for significance.
- Delinquencies;
- Other factors.

(k) Property and equipment

Land and buildings are presented in the statement of financial position at their revalued amount which is the fair value of the asset as at the date of revaluation less any subsequent amortisation and depreciation and accumulated impairment losses. All others classes of items of property, plant and equipment are stated in the statement of financial position at their acquisition cost less accumulated depreciation and allowance for impairment.

Depreciation is calculated on a straight-line basis at prescribed rates designed to decrease the cost or valuation of fixed assets over their expected useful lives. The annual rates of amortisation are as follows:

Assets	%
• Buildings	3 - 10
• Equipment	10 - 50
• Fixtures and fittings	10 - 15
• Motor vehicles	20
• Leasehold Improvements	2 - 50

Assets are not depreciated until they are brought into use and transferred from assets in the course of construction into the relevant asset category.

Notes to the financial statements

2. Significant accounting policies, continued

(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 reclassification of assets reported under IAS 16 Property and equipment into investment properties is carried out upon termination of the use of the relevant asset by the Bank. The fair value of assets constituting investment property was determined by independent property assessors holding recognised professional qualification and recent experience in assessing property with similar location and category, using reliable techniques for determining fair values.

(n) Provisions

A provision is recognised in the statement of financial position when the Bank has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable assessment of the amount due can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(o) Acceptances

An acceptance is created when the Bank agrees to pay, at a stipulated future date, a draft drawn on it for a specified amount. The Bank's acceptances primarily arise from documentary credits stipulating payment to be made a certain number of days after receipt of required documents. The Bank negotiates most acceptances to be settled at a later date following the reimbursement from the customers. Acceptances are accounted for as liabilities evidenced by paper.

(p) Off-balance sheet commitments

In the ordinary course of its business, the Bank enters into off-statement of financial position commitments such as guarantees and letters of credit. The Bank recognizes provision for off-statement of financial position commitments when it has a present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and when a reliable estimate can be made of the obligation.

(q) Taxation

Tax on the profit for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted by the statement of financial position date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

Notes to the financial statements

Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

The effect on deferred tax of any changes in tax rates is charged to profit or loss, except to the extent that it relates to items previously recognised either in other comprehensive income or directly in equity. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Critical accounting estimates and judgements in applying accounting policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

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

Information on the valuations and the valuation uncertainty, for which there is a significant risk of change as of 31 December 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 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

Notes to the financial statements

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 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

Notes to the financial statements

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.

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

Notes to the financial statements

- 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.

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.

Notes to the financial statements

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.

(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.

Notes to the financial statements

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	2023			31 December
<i>in thousands of BGN</i>	2023	average	low	high	2022
VaR	1.0	2.1	0.8	15.2	1.4

B. Non-trading activities

Below is a discussion of the various risks the Bank is exposed to as a result of its non-trading activities and the approach taken to manage those risks.

(i) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises in the general funding of the Bank's activities and in the management of positions.

It includes both the risk of being unable to fund assets at appropriate maturity and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame to meet the liability obligations.

Funds are raised using a broad range of instruments including deposits, other liabilities evidenced by paper, subordinated debt instruments and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank makes its best efforts to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturity. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Bank strategy. The body managing liquidity is the Assets, Liability and Liquidity Management Council.

In compliance with the requirements of the Law on Credit Institutions, Ordinance No 7 of BNB for the organization and management of risks in banks and Directive 2014/59/EU of the European Parliament and of the Council for establishing a framework for the recovery and resolution of credit institutions and investment firms transposed in the Law on the Recovery and Restructuring of Credit Institutions and Investment Intermediaries, First Investment Bank AD prepared a recovery plan if financial difficulties occur. It includes qualitative and quantitative early warning signals and indicators of recovery such as capital and liquidity indicators, income indicators, market-oriented indicators upon the occurrence of which recovery measures are triggered. Liquidity indicators include Liquidity Coverage Ratio (LCR); net withdrawal of financing; liquid assets to deposits by non-financial customers ratio; Net Stable Funding Ratio (NSFR). Different stress test scenarios related to idiosyncratic shock, system shock and aggregate shock have been prepared. In case of liquidity pressure, there are systems in place to ensure prompt and adequate reaction which include obtaining additional funds from local and international markets through issuance of appropriate financial instruments depending on the specific case as well as sale of non-liquid assets. The levels of decision making are clearly determined. In order to 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 Bank 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
Liquid assets

<i>in BGN '000</i>	31 December 2023	31 December 2022
Balances with BNB	1,799,904	1,382,525
Current accounts and amounts with other banks	695,777	698,396
Unencumbered government securities	2,009,526	1,884,950
Gold	3,303	2,642
Total liquid assets	4,508,510	3,968,513

Reasonable liquidity management requires avoidance of concentration of the borrowings from large depositors. Analysis of the significant borrowings in terms of total amount is performed on a daily basis and the diversity of the total liabilities portfolio is supervised.

As at 31 December 2023 the thirty largest non-bank unguaranteed depositors represent 11.85% of total deposits from other customers (31 December 2022: 12.43%).

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 2023	31 December 2022
Ratio of liquid assets to total borrowings from other clients	39.22%	36.75%

3. Risk management disclosures, continued

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.

<i>in thousands of BGN</i>	Maturity table as at 31 December 2023						Maturity not defined	Total
	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		
Assets								
Cash and balances with Central Banks	2,325,807	-	-	-	-	-	-	2,325,807
Financial assets at fair value through profit or loss	218,660	-	-	-	-	24,931	-	243,591
Financial assets at fair value through other comprehensive income	1,077,079	-	-	-	-	-	-	1,077,079
Financial assets at amortised cost	131,101	242,868	253,329	127,687	508,294	-	-	1,263,279
Loans and advances to banks and other financial institutions	235,314	-	322	-	24,082	-	-	259,718
Loans and advances to customers	557,602	208,069	949,010	752,040	4,691,588	-	-	7,158,309
Other trading assets	1,111	654	-	-	-	-	-	1,765
Total financial assets	4,546,674	451,591	1,202,661	879,727	5,223,964	24,931	-	12,329,548
Liabilities								
Due to banks	54,326	-	-	-	-	-	-	54,326
Due to other customers	7,740,869	1,036,588	2,045,464	382,970	288,273	-	-	11,494,164
Liabilities evidenced by paper	886	2,182	27,584	104,579	304,403	-	-	439,634
Financial liabilities at fair value through profit and loss	967	596	666	936	-	-	-	3,165
Hybrid debt	-	-	-	-	-	257,871	-	257,871
Other financial liabilities, net	-	-	-	-	-	-	-	-
Total financial liabilities	7,797,048	1,039,366	2,073,714	488,485	592,676	257,871	-	12,249,160
Net liquidity gap	(3,250,374)	(587,775)	(871,053)	391,242	4,631,288	(232,940)	-	80,388

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 31.12.2023 the modified portfolio duration is 1.7 years, while a year earlier it was 2.2 years.

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 2022

in thousands of BGN	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	From 1 to 2 years	More than 2 years	Maturity not defined	Total
Assets							
Cash and balances with Central Banks	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	-	2,071,969	-	-	-	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)

Notes to the financial statements

The following table provides a remaining maturities analysis of the financial assets and liabilities of the Bank as at 31 December 2023 based on the contractual undiscounted cash flows.

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	2,325,807	-	-	-	-	2,325,807
Financial assets at fair value through profit or loss	243,591	-	-	-	-	243,591
Financial assets at fair value through other comprehensive income	1,077,079	-	-	-	-	1,077,079
Financial assets at amortised cost	131,101	242,868	253,311	128,439	549,327	1,305,046
Loans and advances to banks and other financial institutions	235,314	-	322	-	24,082	259,718
Loans and advances to customers	557,988	209,887	979,345	811,510	5,912,337	8,471,067
Total financial assets	4,570,880	452,755	1,232,978	939,949	6,485,746	13,682,308
Financial liabilities						
Due to banks	54,326	-	-	-	-	54,326
Due to other customers	7,740,879	1,036,602	2,045,570	383,018	288,358	11,494,427
Liabilities evidenced by paper	888	2,194	28,346	110,503	373,487	515,418
Financial liabilities at fair value through profit and loss	967	596	666	936	-	3,165
Hybrid debt	-	-	-	82,597	261,405	344,002
Total financial liabilities	7,797,060	1,039,392	2,074,582	577,054	923,250	12,411,338
Derivatives held for risk management						
Outgoing cash flow	63	59	-	-	-	122
Incoming cash flow	1,174	713	-	-	-	1,887
Cash flow from derivatives, net	1,111	654	-	-	-	1,765

The 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 2022 based on the contractual undiscounted cash flows.

Notes to the financial statements

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

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

Notes to the financial statements

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 2023 is BGN +35,665/-14,815 thousand.

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 2023 is BGN +19,584/-19,987 thousand.

Effect in BGN '000	Net interest income		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
2023				
as at 31 December	19,584	(19,987)	35,665	(14,815)
Average for the period	8,062	(8,726)	21,878	(1,759)
Maximum for the period	19,584	(1,136)	38,549	12,788
Minimum for the period	327	(19,987)	8,242	(17,068)
2022				
as at 31 December	(3,003)	2,131	5,033	15,452

Credit Spread Risk in the Banking Book (CSRBB)

It 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 fair 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 2023 amounted to BGN -5,945 thousand, and the effect on the net interest income amounted to BGN 3,164 thousand.

Effect in BGN '000	Net interest income	Equity
	2023	
as at 31 December	3,164	(5,945)
Average for the period	1,989	(6,640)
Maximum for the period	3,309	(5,275)
Minimum for the period	492	(9,636)
2022		
as at 31 December	269	(9,574)

Notes to the financial statements

The following table indicates the effective interest rates at 31 December 2023 and the periods in which financial liabilities and assets reprice.

Fixed rate instruments

<i>in thousands of BGN</i>	Total	Floating rate Instruments	Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	More than 1 year
Assets						
Cash and balances with Central Banks	179,460	179,460	-	-	-	-
Financial assets at fair value through profit or loss	104	-	104	-	-	-
Financial assets at fair value through other comprehensive income	1,077,079	-	1,077,079	-	-	-
Financial assets at amortised cost	1,263,279	-	131,101	242,868	253,329	635,981
Loans and advances to banks and other financial institutions	97,187	4,596	19,079	19,950	53,562	-
Loans and advances to customers	6,649,595	6,267,845	1,481	18,078	93,447	268,744
Total interest-bearing assets	9,266,704	6,451,901	1,228,844	280,896	400,338	904,725
Liabilities						
Due to banks	54,326	48,773	5,553	-	-	-
Due to other customers	11,423,336	6,450,036	1,186,109	895,557	2,141,544	750,090
Liabilities evidenced by paper	423,366	105,680	393	1,848	25,707	289,738
Hybrid debt	257,871	-	-	-	-	257,871
Total interest-bearing liabilities	12,158,899	6,604,489	1,192,055	897,405	2,167,251	1,297,699

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 2022 and the periods in which financial liabilities and assets reprice.

Fixed rate instruments

<i>in thousands of BGN</i>	Total	Floating rate Instruments	Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	More than 1 year
Assets						
Cash and balances with Central Banks	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

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

(ii) Market risk, continued

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Bank is exposed to currency risk in performing transactions in foreign currencies and foreign-currency denominated financial instruments.

As a result of the currency Board in place in Bulgaria, the Bulgarian currency is pegged to the Euro. As the currency in which the Bank presents its financial statements is the Bulgarian lev, the Bank's financial statements are affected by movements in the exchange rates between the Bulgarian lev and currencies other than the Euro.

The Bank's transactional exposures give rise to foreign currency gains and losses that are recognised in profit or loss. These exposures comprise the monetary assets and monetary liabilities of the Bank that are not denominated in the presentation currency of the Bank. These exposures were as follows:

<i>in thousands of BGN</i>	2023	2022
Monetary assets		
Euro	4,768,618	5,176,973
US dollar	598,005	629,436
Other	159,119	162,075
Gold	3,303	2,642
Monetary liabilities		
Euro	4,212,550	3,914,067
US dollar	592,056	632,495
Other	158,312	162,700
Gold	2,327	1,548
Net position		
Euro	556,068	1,262,906
US dollar	5,949	(3,059)
Other	807	(625)
Gold	976	1,094

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	
	2023	2022	2023	2022	2023	2022	2023	2022
Carrying amount	7,158,309	6,384,541	2,273,762	1,927,815	2,543,262	2,567,031	-	-
Amount committed/ guaranteed	-	-	-	-	-	-	1,186,167	1,026,495

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 2023

Class of exposure	Gross amount of loans and advances to customers	Allowance for impairment	<i>in thousands of BGN</i>
			Carrying amount of loans and advances to customers
Performing			
Collectively impaired	6,536,073	(55,663)	6,480,410
Nonperforming			
Collectively impaired	218,657	(63,422)	155,235
Individually impaired	768,466	(245,802)	522,664
Total	7,523,196	(364,887)	7,158,309

31 December 2022

Class of exposure	Gross amount of loans and advances to customers	Allowance for impairment	<i>in thousands of BGN</i>
			Carrying amount of loans and advances to customers
Performing			
Collectively impaired	5,550,250	(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

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iii) Credit risk, continued

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

	31/12/2023		31/12/2022	
	Gross amount of loans and advances to customers	Allowance for impairment	Gross amount of loans and advances to customers	Allowance for impairment
Exposures without increase of credit risk after the initial recognition (phase 1)	5,483,101	(3,866)	4,285,771	(4,227)
Exposures with significant increase of credit risk after the initial recognition (phase 2)	1,052,972	(51,797)	1,264,479	(50,294)
Non-performing (impaired) exposures (phase 3)	987,123	(309,224)	1,217,059	(328,247)
Total	7,523,196	(364,887)	6,767,309	(382,768)

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

As at 31 December 2023 the gross amount of overdue loans and advances to customers measured as exposures 90+ days overdue is BGN 628,420 thousand (2022: BGN 804,062 thousand)

In addition, the Bank is exposed to off-balance sheet credit risk through commitments to extend credits and issue contingent liabilities (See Note 32).

Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The major concentrations of credit risk arise by location and type of customer in relation to the Bank's investments, loans and advances and off-balance sheet commitments.

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iii) Credit risk, continued

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

<i>in thousands of BGN</i>	2023	2022
Trade	1,142,686	691,864
Industry	1,246,137	1,263,715
Services	632,773	602,983
Finance	140,139	178,683
Transport, logistics	179,416	224,795
Communications	77,502	107,859
Construction	413,143	386,055
Agriculture	227,553	231,850
Tourist services	388,899	302,557
Infrastructure	419,674	366,385
Private individuals	2,616,194	2,395,978
Other	39,080	14,585
Allowance for impairment	(364,887)	(382,768)
Total	7,158,309	6,384,541

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 2023 with total exposures outstanding amounting to BGN 277,095 thousand (2022: BGN 223,479 thousand) - ferrous and non-ferrous metallurgy, BGN 19,813 thousand (2022: BGN 85,333 thousand) – mining industry and BGN 89,543 thousand (2022: BGN 60,752 thousand) - power engineering.

The Bank has extended loans, confirmed letters of credit and granted guarantees to 5 individual clients or groups (2022: 7) with each individual exposure exceeding 10% of the capital base of the 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 1,223,119 thousand, i.e. 79.57% of tier 1 capital (2022: BGN 1,265,514 thousand which represented 83.08% of tier 1 capital).

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iii) Credit risk, continued

As at 31.12.2023 and as at 31.12.2022, 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	
		2023	2022
Repurchase agreements	Tradable securities	99%	99%
Loans and advances to banks	None	-	-
Mortgage loans	Real estate	262%	261%
Consumer lending	Mortgage, warrant, financial and other collateral	13%	14%
Credit cards	None	-	-
	Mortgage, pledge of enterprise, pledge of long-term tangible assets, pledge of goods, pledge of other short-term tangible assets,		
Loans to companies	financial and other collateral	808%	649%

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

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 130,515 thousand. (2022: BGN 138,855 thousand).

<i>in BGN '000</i>	2023	2022
Mortgage	1,513,268	1,542,191
Pledge of receivables	1,934,879	1,910,087
Pledge of commercial enterprise	6,715	7,299
Securities	4,084	8,168
Bank guarantees	3,750	3,750
Other guaranties	3,462,847	2,892,788
Pledge of machines	30,892	42,477
Money deposit	303,959	15,310
Unsecured	132,287	206,384
Total	7,392,681	6,628,454

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

Notes to the financial statements

collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

The table below represents a separation of the gross amount of housing mortgages granted to households according to the LTV ratio.

<i>in BGN '000</i>	2023	2022
Loan to value (LTV) ratio		
Less than 50%	312,211	241,766
51% to 70%	445,553	401,108
71% to 90%	422,870	389,319
91% to 100%	9,448	12,261
More than 100%	87,660	83,962
Total	1,277,742	1,128,416

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.

As at 31 December 2023 the net carrying amount of individually impaired loans to corporate customers amounts to BGN 581,494 thousand (2022: BGN 788,329 thousand) and the value of collateral held against those loans amounts to BGN 549,859 thousand (2022: BGN 720,462 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>	2023		2022	
Type of renegotiation	Gross amount of loans and advances to customers	Allowance for impairment	Gross amount of loans and advances to customers	Allowance for impairment
Loans to individuals	222,089	4,738	165,345	5,200
Change of maturity	120,212	4,001	114,425	4,026
Change in repayment instalments	-	-	-	-
Change of interest rate	61,727	-	13,037	-
Change due to customers request	27,301	28	25,224	46
Other reasons	12,849	709	12,659	1,128
Loans to companies	1,730,631	103,891	1,719,079	123,445
Change of maturity	118,429	251	104,789	262
Change in repayment instalments	305,693	359	319,997	691
Change of interest rate	236,611	1,273	109,282	58
Change due to customers request	821,649	54,923	927,801	31,895
Other reasons	248,249	47,085	257,210	90,539
Total:	1,952,720	108,629	1,884,424	128,645

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

Notes to the financial statements

Structure and organization of credit risk management functions

Credit risk management as a comprehensive process is accomplished under the supervision of the Management Board of the Bank. The Supervisory Board exercises control over the activities of the Management Board on the credit risk management either directly or through the Risk Committee, which supports the Supervisory Board with the extensive supervision over the risk management function in the Bank, including over the formation of risk exposures.

There are collective bodies in the Bank the function of which is to support the activities of the Management Board on the credit risk management- Credit Council and Restructuring Committee. The Credit Council supports the adopted credit risk management and forms an opinion on loans as per its limits of competence. The Restructuring Committee is a specialized body for supervision of the loan exposures with indicators for deterioration. In addition to the collective bodies in the Bank, there are other independent specialized bodies - the Risk Analysis and Control Department and the Credit Risk Management, Monitoring and Provisioning Department, which fulfil the functions of identification, evaluation and management of the credit risk, including performing additional second control over the risk exposures. The realization, coordination and current control over the lending process is organized from the following departments: Corporate Banking, SME financing, Retail Banking, and Loan Administration, while the problem assets management is performed by the Impaired Assets Department.

(iv) Government debt exposures

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

The table below shows the carrying amount of the government debt portfolio by country issuer. The assets are presented without any allowance for impairment. The Bank does not recognise allowance for impairment against the government debt exposures which are measured at amortised cost as at 31 December 2023 and 31 December 2022 as well as those at fair value through other comprehensive income.

in thousands of BGN	<u>31/12/2023</u>			
Country issuer	at fair value through profit and loss	at fair value through other comprehensive income	at amortised cost	Total
Bulgaria	9	127,450	414,874	542,333
Lithuania	-	-	41,772	41,772
Latvia	-	60	-	60
Slovakia	-	-	1,981	1,981
USA	-	130,829	79,428	210,257
Romania	95	41,478	12,161	53,734
Italy	-	38,405	1,962	40,367
Spain	-	18,981	48,371	67,352
Portugal	-	-	20,181	20,181
Hungary	-	-	15,457	15,457
Croatia	-	6,981	-	6,981
European Union	-	141,883	68,581	210,464
Ireland	-	-	19,955	19,955
Saudi Arabia	-	-	9,984	9,984
Belgium	-	48,582	95,907	144,489
France	9	95,830	155,510	251,340
Germany	-	242,215	144,938	387,153
Great Britain	-	33,503	22,455	55,958
Finland	-	38,280	-	38,280
Switzerland	-	-	12,761	12,761
Austria	-	48,789	-	48,789
Czechia	-	38,360	-	38,360
Israel	-	5,521	-	5,521
Total	104	1,057,147	1,166,278	2,223,529

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

in thousands of BGN

31/12/2022

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

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

Maturity table of government debt securities by country issuer as at 31 December 2023

*in thousands of
BGN*

Country issuer	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Bulgaria	-	-	27,460	142,216	138,628	234,029	542,333
Lithuania	-	-	-	-	41,772	-	41,772
Latvia	-	-	60	-	-	-	60
Slovakia	-	-	-	-	1,981	-	1,981
USA	79,368	70,249	60,581	-	-	59	210,257
Romania	-	-	-	-	41,478	12,256	53,734
Italy	-	-	38,405	-	-	1,962	40,367
Spain	-	-	48,371	-	18,981	-	67,352
Portugal	-	-	-	-	-	20,181	20,181
Hungary	-	-	-	-	-	15,457	15,457
Croatia	-	-	-	6,981	-	-	6,981
European Union	-	67,988	141,882	-	-	594	210,464
Ireland	-	-	-	-	-	19,955	19,955
Saudi Arabia	-	-	-	-	9,984	-	9,984
Belgium	-	48,582	95,907	-	-	-	144,489
France	29,278	126,232	95,830	-	-	-	251,340
Germany	87,890	48,648	250,615	-	-	-	387,153
Great Britain	22,455	33,503	-	-	-	-	55,958
Finland	-	-	38,280	-	-	-	38,280
Switzerland	-	-	12,761	-	-	-	12,761
Austria	48,789	-	-	-	-	-	48,789
Czechia	-	-	38,360	-	-	-	38,360
Israel	-	-	-	-	5,521	-	5,521
Total	267,780	395,202	848,512	149,197	258,345	304,493	2,223,529

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iv) Government debt exposures, continued

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

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 Bank 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;

Notes to the financial statements

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 2023 the Bank has no instruments classified as Tier 2 Capital.

Total own funds
2023
2022
In thousands of BGN
Common Equity Tier 1 capital

Paid up capital instruments	149,085	149,085
(-) Indirect shareholding in Common Equity Tier 1 capital instruments	-	(38)
Premium reserves	250,017	250,017
Other reserves	939,921	858,717
Accumulated other comprehensive income	(1,139)	(10,815)
Adjustments of Common Equity Tier 1 capital		
(-) Intangible assets	(23,007)	(14,925)
Transitional adjustments of Common Equity Tier 1 capital	-	62,273
(-) Other deductions	(32,015)	(25,273)
Common Equity Tier 1 capital	1,282,862	1,269,041

Additional Tier 1 capital instruments

Hybrid debt	254,258	254,258
Tier 1 Capital	1,537,120	1,523,299
Tier 2 Capital	-	-
Total own funds	1,537,120	1,523,299

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

The Bank calculates the following ratios:

- a) the Common Equity Tier 1 capital ratio is the Common Equity Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount;
- b) the Tier 1 capital ratio is the Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount;
- c) the total capital ratio is the own funds of the institution expressed as a percentage of the total risk exposure amount.

The total risk exposure is calculated as the total of the risk weighted assets for credit, market and operational risk.

The Bank calculates the requirements for credit risk for its exposures in banking and trading portfolios based on a standardised approach. Exposures are taken into account using their balance sheet amount. Off-balance-sheet credit-related commitments are taken into account by applying different categories of conversion factors designed to convert these items into balance sheet equivalents. The resulting equivalent amounts are then weighted for risk using different percentages depending on the class of exposure and its credit rating assessment. Various credit risk mitigation techniques are used, for example collateralised transactions and guarantees. Forwards and options based derivative instruments are weighted for counterparty credit risk.

The Bank calculates also capital requirements for market risk for foreign currency and commodity instruments in trading book and banking book.

The Bank calculates capital requirements for operational risk by application of the standardized approach. In this approach the Bank distributes the net income from banking operations (called the relevant indicator) over the last three years for the respective business lines. Next, the distributed amount from the relevant indicator is multiplied by its corresponding percentage (beta factor) to obtain the annual capital requirement for each business line. The Bank calculates the capital requirement for operational risk as the average value for the three-year period of the sum of the annual capital requirements for all business lines. The respective risk exposure is calculated by further multiplication of the capital requirement by 12.5.

The Bank has complied with the regulatory capital requirements throughout the period.

Capital adequacy level is as follows:

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

BGN '000	Balance sheet/notional amount		Risk exposures	
	2023	2022	2023	2022
Risk weighted exposures for credit risk				
Balance sheet assets				
Exposure class				
Central governments or central banks	4,110,854	3,636,457	73,763	2,009
Multilateral development banks	15	18	-	-
International organizations	894	624	-	-
Institutions	477,219	451,715	171,328	186,203
Corporates	2,925,782	2,435,831	2,318,383	2,046,646
Retail	1,646,175	1,531,781	1,103,871	1,024,212
Secured by mortgages on immovable property	2,140,151	1,842,333	803,006	683,701
Exposures in default	671,215	887,513	723,806	960,277
Collective investments undertakings	9,494	4,090	9,494	4,090
Equity	65,772	65,504	73,896	73,628
Other items	1,672,562	1,764,711	1,363,433	1,428,197
Total	13,720,133	12,620,577	6,640,980	6,408,963
Off balance sheet items				
Exposure class				
Institutions	-	-	47	57
Corporates	648,425	545,383	47,008	40,086
Retail	508,173	459,869	4,602	4,631
Secured by mortgages on immovable property	29,206	20,091	5,661	3,883
Other items	-	-	102	47
Total	1,185,804	1,025,343	57,420	48,704
Derivatives				
Exposure class				
Central governments or central banks	-	-	-	-
Institutions	114	2,618	57	1,309
Corporates	1,829	1,953	1,829	1,953
Other items	2,327	1,548	2,327	1,548
Total	4,270	6,119	4,213	4,810
Total risk-weighted exposures for credit risk			6,702,613	6,462,477
Total amount of exposures to market risk			4,413	4,350
Amount of exposures for deferred risk			582,100	540,238
Total amount of risk exposures			7,289,126	7,007,065
Capital adequacy ratios	Equity		Capital ratios %	
	2023	2022	2023	2022
Common Equity Tier 1 capital	1,282,862	1,269,041	17.60%	18.11%
Tier 1 Capital	1,537,120	1,523,299	21.09%	21.74%
Total own funds	1,537,120	1,523,299	21.09%	21.74%

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 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.

Notes to the financial statements

4. Segment Reporting

Segment information is presented in respect of the Bank's geographical segments. The primary format, geographical segments, is based on the Bank's management and internal reporting structure.

Reporting and measurement of segment assets and liabilities and segment revenues and results is based on the accounting policies set out in the accounting policy notes.

Transactions between segments are conducted on an arm's length basis.

The Bank operates principally in Bulgaria, but also has operations in Cyprus.

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

<i>in BGN '000</i>	Bulgarian operations		Foreign operations		Total	
	2023	2022	2023	2022	2023	2022
Interest income	391,224	310,748	13,487	37	404,711	310,785
Interest expense	(34,809)	(37,726)	0	(2,319)	(34,809)	(40,045)
Net interest income	356,415	273,022	13,487	(2,282)	369,902	270,740
Fee and commission income	181,797	159,085	10,808	13,905	192,605	172,990
Fee and commission expense	(39,786)	(32,087)	(1,270)	(1,388)	(41,056)	(33,475)
Net fee and commission income	142,011	126,998	9,538	12,517	151,549	139,515
Net trading income	21,489	17,373	1,806	2,344	23,295	19,717
Administrative expenses	(207,761)	(202,013)	(2,906)	(3,100)	(210,667)	(205,113)
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Assets	13,175,064	12,456,007	713,464	258,051	13,888,528	12,714,058
Liabilities	11,788,780	10,655,814	626,822	730,035	12,415,602	11,385,849

Notes to the financial statements
4. Segment Reporting, continued

The table below shows assets and liabilities and income and expense by business segments as at 31 December 2023.

*in thousands of
BGN*

Business	Assets	Liabilities	Net interest income	Net fee and commission income	Net trading income	Other net operating income
Large enterprises	2,452,320	1,846,937	89,590	38,273	-	195
Medium enterprises	988,307	399,330	39,494	11,048	-	285
Small business	1,013,144	945,892	44,945	29,780	-	1,619
Retail Banking	2,704,538	8,710,231	148,284	80,663	-	1,546
Treasury	5,171,239	54,326	74,274	(2,712)	23,295	(39,344)
Other	1,558,980	458,886	(26,685)	(5,503)	-	8,507
Total	13,888,528	12,415,602	369,902	151,549	23,295	(27,192)

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.

Level 3: inputs are observable data for a given asset or liability. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Notes to the financial statements

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

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

Other valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

However, where the Bank measures portfolios of financial assets and financial liabilities on the basis of net exposures, it applies judgement in determining appropriate portfolio level adjustments such as bid-ask spread.

Such adjustments are derived from observable bid-ask spreads for similar instruments and adjusted for factors specific to the portfolio.

For more complex instruments, the Bank uses proprietary valuation models, which usually are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include certain over the counter derivatives, certain loans and securities for which there is no active market and retained interests in securitisations. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

The Bank has an established control framework with respect to the measurement of fair values. This framework includes a Risk Management function, which is independent of Treasury division and reports to management, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- proposal of new models and changes to existing models is made by the Risk Analysis and Control Division and approved by the Management Board;
- calibration of models against observed market transactions;
- analysis and investigation of significant daily valuation movements;

Notes to the financial statements

- 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 2023	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	11,958	231,548	85	243,591
Financial assets at fair value through other comprehensive income	1,057,508	19,571	-	1,077,079
Derivatives held for risk management, net	1,079	686	-	1,765
Total	1,070,545	251,805	85	1,322,435
Financial liabilities at fair value through profit and loss	-	3,165	-	3,165

in BGN '000

31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	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

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 31.12.2023 the modified portfolio duration is 1.7 years, while a year earlier it was 2.2 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 2023	Level 1	Level 2	Level 3	Total fair values	Total balance sheet value
Assets					
Cash and balances with Central Banks	-	2,325,807	-	2,325,807	2,325,807
Financial assets at amortised cost	1,171,101	-	-	1,171,101	1,263,279
Loans and advances to banks and other financial institutions	-	259,718	-	259,718	259,718
Loans and advances to	-	677,899	6,485,961	7,163,860	7,158,309
Total	1,171,101	3,263,424	6,485,961	10,920,486	11,007,113
Liabilities					
Due to banks	-	54,326	-	54,326	54,326
Due to other customers	-	7,740,869	3,739,555	11,480,424	11,494,164
Liabilities evidenced by paper	-	435,606	-	435,606	439,634
Hybrid debt	-	257,871	-	257,871	257,871
Total	-	8,488,672	3,739,555	12,228,227	12,245,995

in BGN '000

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	-	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

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

in thousands of BGN

	2023	2022
Interest income		
Accounts with and placements to banks and financial institutions	4,836	1,505
Revenue from interest on liabilities	-	5
Large enterprise	93,147	77,063
Medium enterprise	39,934	32,358
Small business	45,626	37,200
Micro enterprise	9,397	7,427
Households	140,711	129,095
Debt instruments	71,060	24,520
Other interest income	-	1,612
	404,711	310,785
Interest expense		
Deposits from banks	(865)	(135)
Deposits from other customers	(1,043)	(1,567)
Liabilities evidenced by paper	(7,041)	(533)
Hybrid debt	(25,753)	(33,488)
Interest expense on assets	(19)	(4,285)
Lease agreements and other	(88)	(37)
	(34,809)	(40,045)
Net interest income	369,902	270,740

For 2023 he recognized interest income from individually impaired financial assets (loans to customers) amounted to BGN 28,605 thousand (2022: BGN 24,847 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

	2023	2022
Fee and commission income		
Letters of credit and guarantees	3,653	3,559
Payment operations	31,075	28,421
Customer accounts	39,508	48,927
Card services	53,406	46,547
Other	64,963	45,536
	192,605	172,990
Fee and commission expense		
Letters of credit and guarantees	(967)	(640)
Payment systems	(4,791)	(4,407)
Card services	(25,350)	(20,598)
Other	(9,948)	(7,830)
	(41,056)	(33,475)
Net fee and commission income	151,549	139,515

8. Net trading income
in thousands of BGN

	2023	2022
Net trading income arises from:		
- Debt instruments	60	114
- Equities	1,087	(656)
- Foreign exchange rate fluctuations	22,148	20,259
Net trading income	23,295	19,717

9. Other net operating income
in BGN '000

	2023	2022
Other net operating income arising from:		
-net income from transactions and revaluation of gold and precious metals	1,570	2,068
Rental income	6,937	5,579
- Debt instruments	(44,993)	827
- Equities	5,649	(303)
- income from management of assigned receivables	3,282	5,620
- Gain on administration of loans acquired through business combination	363	404
Other net operating income	(27,192)	14,195

Notes to the financial statements
10. Administrative expenses

<i>in thousands of BGN</i>	2023	2022
General and administrative expenses comprise:		
- Personnel cost	85,816	74,545
Amortization of equipment and tangible fixed assets	12,969	12,060
Rights of use assets	32,195	40,021
- Advertising	10,176	8,455
-Telecommunication, software and other computer maintenance	15,351	13,753
- Other expenses for external services	54,160	56,279
Administrative expenses	210,667	205,113

Personnel costs include salaries, social and health security contributions under the provisions of the local legislation. At 31 December 2023 the total number of employees was 2,408 (31 December 2022: 2,454).

The amounts accrued in 2023 for services provided by the registered auditors for independent financial audit amounted to BGN 772 thousand. The amounts accrued in 2022 for services provided by the registered auditors for independent financial audit amounted to BGN 1.064 thousand. In 2023 the amounts for other services unrelated to audit provided by the registered auditors amounted to BGN 46 thousand. There are no amounts accrued in 2022 for other services unrelated to audit and provided by the registered auditors.

11. Allowance for impairment

<i>in thousands of BGN</i>	2023	2022
Write-downs		
Loans and advances to customers	(232,980)	(208,469)
Off balance sheet commitments	(243)	(625)
Reversal of write-downs		
Loans and advances to customers	95,022	72,929
Off balance sheet commitments	1,033	816
Impairment cost, net	(137,168)	(135,349)

The expense for impairment in 2023 and 2022 is due to additional allowances resulting from the development of credit risk in a period of challenging economic environment and the conservative approach applied by the Bank in recognising the risk of loss for certain individually impaired exposures.

12. Other income/(expenses), net

<i>in thousands of BGN</i>	2023	2022
Proceeds/loss from the sale and write-off of assets acquired as collateral	5,013	2,608
Revaluation of investment property	-	14,769
Profit/(Loss) from sale and write-offs of investment property	1,622	(3,221)
Dividend income	2,348	578
Cost of guarantee schemes	(23,838)	(24,534)
Income for provisions for pending court cases	(595)	83
Other (expenses)/income, net	(3,452)	(3,243)
Total	(18,902)	(12,960)

Notes to the financial statements
13. Income tax expense

<i>in BGN '000</i>	2023	2022
Current taxes	(15,996)	(8,325)
Deferred taxes (See Note 20)	220	(1,215)
Income tax expense	(15,776)	(9,540)

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

<i>in thousands of BGN</i>	2023	2022
Accounting profit before taxation	150,816	90,745
Corporate tax at applicable tax rate (10% for 2023 and 10% for 2022)	15,082	9,075
Effect of tax rates of foreign subsidiaries and branches	415	195
Tax effect of permanent tax differences	279	270
Other differences	-	-
Income tax expense	15,776	9,540
Effective tax rate	10.46%	10.51%

14. Cash and balances with Central Banks

<i>in thousands of BGN</i>	2023	2022
Cash on hand		
- in BGN	242,301	184,774
- in foreign currency	69,462	63,766
Balances with Central Banks	1,844,620	1,427,241
Current accounts and amounts with foreign banks	169,424	235,590
Total	2,325,807	1,911,371

15. Investments in securities

<i>In thousands of BGN</i>	2023	2022
Bonds and notes issued by:		
Bulgarian Government		
- denominated in BGN	428,625	446,417
- denominated in foreign currencies	113,709	129,255
Foreign governments	1,681,195	1,575,324
Corporates	280,619	405,558
Banks	39,114	10,477
Other issuers – equity instruments	40,687	31,106
Total	2,583,949	2,598,137
Of which financial assets:		
at fair value through other comprehensive income	1,077,079	468,247
at amortised cost	1,263,279	1,862,203
at fair value through profit and loss	243,591	267,687
Total	2,583,949	2,598,137

As at the end of 2023 there were not foreign government bonds subject to total return swap agreements. As at the end of 2022 these amounted to BGN 37,831 thousand.

At the end of 2023, as at the end of 2022, no securities were subject to repurchase agreements.

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

Notes to the financial statements

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 31.12.2023 the modified portfolio duration is 1.7 years, while a year earlier it was 2.2 years.

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

<i>in thousands of BGN</i>	2023	2022
Placements with banks	121,591	140,685
Other	138,127	124,299
Total	259,718	264,984

(b) Geographical analysis

<i>in thousands of BGN</i>	2023	2022
Domestic banks and financial institutions	117,483	105,262
Foreign banks and other financial institutions	142,235	159,722
Total	259,718	264,984

17. Loans and advances to customers

in thousands of BGN

		31/12/2023	
	Gross value	Allowance for impairment	Amortised cost
Large enterprise	2,557,431	(105,111)	2,452,320
Medium enterprise	1,179,493	(191,186)	988,307
Small business	1,021,711	(8,565)	1,013,146
Micro enterprise	216,593	(1,142)	215,451
Retail Banking			
- Consumer loans	1,139,711	(38,521)	1,101,190
- Mortgage loans	1,277,742	(7,587)	1,270,155
- Credit cards	130,515	(12,775)	117,740
- Other programmes and collateralised financing	-	-	-
Total	7,523,196	(364,887)	7,158,309

in BGN '000

		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

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 2023	382,768
Additional allowances	232,980
Amounts released	(95,022)
Write-offs	(225,693)
Recovered against impairment	70,268
Other	(414)
Balance as at 31 December 2023	364,887

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						
As at 1 January 2022	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)
As at 31 December 2022	26,243	136,647	6,216	38,319	60,715	268,140
Additions	-	32	52	26,986	-	27,070
Reclassified to investment property	(5,135)	(235)	-	(48)	-	(5,418)
Disposals	(591)	(11,332)	(133)	(4)	(10,463)	(22,523)
Transfers	49	14,748	940	(47,902)	20,127	(12,038)
As at 31 December 2023	20,566	139,860	7,075	17,351	70,379	255,231
Amortisation						
As at 01 January 2022	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)
As at 31 December 2022	7,861	113,859	6,185	-	41,995	169,900
Accrued during the year	940	6,373	97	-	1,603	9,013
Reclassified to investment property	(801)	(140)	-	-	-	(941)
On disposals	(331)	(11,331)	(133)	-	(10,463)	(22,258)
As at 31 December 2023	7,669	108,761	6,149	-	33,135	155,714
Carrying amount						
As at 01 January 2022	19,351	18,952	88	17,143	20,347	75,881
As at 31 December 2022	18,382	22,788	31	38,319	18,720	98,240
As at 31 December 2023	12,897	31,099	926	17,351	37,244	99,517

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

Notes to the financial statements

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 2023 the fair value of land and buildings was not significantly different from their balance sheet value as at that date. The fair value of land and buildings is categorised as Level 3 fair value on the basis of incoming data on the assessment methodology used.

Assessment methodology	Significant unobservable inputs	Connection between key unobservable inputs and fair value
<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 (5-8%, weighted average 6.5%). 2. Time required to effect the sale (4 months on average after the offer is placed). 3. Transaction success rate (90-96%, weighted average 95%). 4. Location (1.0-1.05, weighted average 1.025). 5. Property status (1.0-1.1, weighted average 1.05).</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		
As at 01 January 2022	47,255	47,255
Additions	-	-
Disposals	-	-
Transfers	3,926	3,926
As at 31 December 2022	51,181	51,181
Additions	-	-
Transfers	12,038	12,038
As at 31 December 2023	63,219	63,219
Amortisation		
As at 01 January 2022	33,424	33,424
Accrued during the year	2,832	2,832
On disposals	-	-
As at 31 December 2022	36,256	36,256
Accrued during the year	3,956	3,956
As at 31 December 2023	40,212	40,212
Carrying amount		
As at 01 January 2022	13,831	13,831
As at 31 December 2022	14,925	14,925
As at 31 December 2023	23,007	23,007

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:

in BGN '000

	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
Property, equipment and intangibles	-	-	3,144	2,852	3,144	2,852
Investment Property	-	-	24,368	24,815	24,368	24,815
Other	(243)	(178)	334	334	91	156
Net tax (assets)/liabilities	(243)	(178)	27,846	28,001	27,603	27,823

Movements in temporary differences in 2023 at the amount of BGN (220) thousand are recognised in the profit for the year.

21. Repossessed assets
in thousands of BGN

	2023	2022
Land	241,213	245,557
Buildings	151,735	156,173
Machines, plant and vehicles	9,746	10,425
Fixtures and fittings	829	841
Total	403,523	412,996

Notes to the financial statements
21. Repossessed assets, continued

Reposessed assets acquired as collateral are measured at the lower of cost and net realisable value. The net realizable value of the lands and buildings is approximately equal to their fair value. The assessment methodology for land and buildings is given in note 18.

22. Investment Property

in thousands of BGN

Balance as at 01 January 2023	750,324
Additions	147
Costs recognized in the value of assets	11,351
Transferred from repossessed assets	-
Transferred from property and equipment	4,477
Revaluation of investment property to the fair value recognised at transfer	-
Write-offs upon sale	(9,532)
Balance as at 31 December 2023	756,767

23. Investments in subsidiaries

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

in thousands of BGN

31/12/2023

Entity:	% held	Acquisition cost	Allowance for impairment	Carrying amount
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 Garant EOOD	100%	100	-	100
Total		34,683	(104)	34,579

in thousands of BGN

31/12/2022

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 Garant EOOD	100%	100	-	100
Total		38,630	(104)	38,526

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

As at 01 January 2023	124,159
Amortisation	(32,195)
Effect of modification to lease terms and expectations on lease term	29,446
As at 31 December 2023	<u>121,410</u>

Lease liabilities

As at 01 January 2023	124,240
Lease payments	(32,183)
Effect of modification to lease terms and expectations on lease term	29,446
As at 31 December 2023	<u>121,503</u>

Right-of-use assets recognised by the Bank are the branches and offices in various towns in Bulgaria and Cyprus, as well as the buildings in which the Bank's headquarters are located - lines Upon completing the initial recognition, the Bank analysed and took into account information on the expected duration of the period in which the Bank will be using the assets. In 2023 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 29,445 thousand, and in lease liabilities in the amount of BGN 29,445 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
As at 1 January 2023	29,530	94,710	124,240
As at 31 December 2023	28,479	93,024	121,503

25. Other assets
in thousands of BGN

	2023	2022
Deferred expense	13,071	11,338
Gold	3,303	2,642
Other assets	103,803	100,266
Total	<u>120,177</u>	<u>114,246</u>

26. Due to banks
in thousands of BGN

	2023	2022
Term deposits	5,553	3,668
Payable on demand	48,773	42,035
Total	<u>54,326</u>	<u>45,703</u>

Notes to the financial statements
27. Due to other customers

<i>in thousands of BGN</i>	2023	2022
Retail customers		
- current accounts	3,355,008	2,859,322
- term and savings deposits	4,417,226	4,401,427
Businesses and public institutions		
- current accounts	3,165,857	3,157,892
- term deposits	556,073	379,809
Total	11,494,164	10,798,450

28. Other borrowed funds

<i>in thousands of BGN</i>	2023	2022
Debt related to agreements for full swap of profitability	-	39,874
Financing from financial institutions	34,574	36,611
Liabilities related to a structured investment product	1,167	6,884
Obligations under loan agreements	403,893	33,118
Total	439,634	116,487

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 2023
European Investment Fund – JEREMIE 2	0% - 4.68%	30/09/2025	877
Bulgarian Development Bank AD - program for promotion of SMEs and micro	0% - 4.85%	15/03/2027	11,260
Bulgarian Development Bank AD - program for indirect financing of SMEs	0% - 5.68%	30/11/2028	3,071
Fund Manager of financial instruments in Bulgaria - microcredit program with shared risk	0% - 2.96%	31/12/2033	10,048
Fund Manager of financial instruments in Bulgaria - rural financing program	0% - 2.96%	31/12/2031	9,318
Total			34,574

in BGN '000

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
29. Hybrid debt
in thousands of BGN

	Principal amount	Amortised cost as at 31 December 2023
Hybrid debt with principal EUR 60 mio	117,350	123,821
Hybrid debt with principal EUR 30 mio	58,675	58,829
Hybrid debt with principal EUR 30 mio	58,675	55,618
Hybrid debt with principal EUR 10 mio	19,558	19,603
Total	254,258	257,871

in BGN '000

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

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

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

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

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

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

30. Other liabilities
in thousands of BGN

	2023	2022
Liabilities to personnel	1,207	1,157
Provisions for pending court cases	1034	440
Impairment on off balance sheet commitments	363	1,152
Other payables	12,703	4,650
Total	15,307	7,399

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 2023

The subscription for the public offering of shares of First Investment Bank AD was completed successfully on 3 July 2020. Out of the 40 000 000 ordinary dematerialized shares with nominal value of BGN 1, and issue value of BGN 5.00 each, a total of 39 084 800 shares were subscribed and paid up.

On 31 July 2020 First Investment Bank's capital increase was registered in the Commercial Register and Register of Non-for-profit Legal Entities. This registration was carried out after the subscription for shares

Notes to the financial statements

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 2023 together with the number and percentage of total issued shares.

	Number of shares	% of issued share capital
Mr. Ivailo Dimitrov Mutafchiev	46,750,000	31.36
Mr. Tzeko Todorov Minev	46,750,000	31.36
Bulgarian Bank for Development AD	27,350,000	18.35
Valea Foundation	11,734,800	7.87
Other shareholders (shareholders holding shares subject to free trade on the Bulgarian Stock Exchange – Sofia)	16,500,000	11.06
Total	149,084,800	100.00

(c) Statutory reserve

Statutory reserves include amounts set aside for purposes regulated by local legislation. According to Bulgarian legislation the Bank is obliged to set aside at least 1/10 of its annual profit as statutory reserve until the total amount of reserves reaches 1/10 of the Bank's share capital.

In 2023, as in the previous year, the Bank did not distribute dividends.

32. Commitments and contingent liabilities

Contingent liabilities

The 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>	2023	2022
Bank guarantees	160,443	157,251
Unused credit lines	992,286	837,477
Letters of credit	33,438	31,767
Total	1,186,167	1,026,495
Impairment on off balance sheet commitments	363	1,152

Notes to the financial statements
32. Commitments and contingent liabilities, continued
Contingent liabilities, continued

These commitments and contingent liabilities have off balance-sheet credit risk and only organization fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expire. Most of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows. The contingent loan is a framework agreement for collateral management under numerous loan transactions made with one or more clients. The contingent loan does not lead to an obligation of the Bank to extend specific financial instruments. The conclusion of a specific loan transaction with the Bank client, e.g. extension of a loan or overdraft, contingent liabilities, such as bank guarantees and letters of credit, is subject to a separate decision and approval of the Bank.

As at the date of the report there are no other significant contingent liabilities and commitments requiring additional disclosure.

33. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises the following balances with less than 90 days original maturity:

<i>in BGN '000</i>	2023	2022
Cash and balances with Central Banks	2,325,807	1,911,371
Loans and advances to banks and financial institutions with original maturity less than 3 months	229,787	227,006
Total	2,555,594	2,138,377

34. Average balances

The average carrying amounts of financial assets and liabilities are set out in the table below. The amounts are calculated by using a simple average of monthly balances for all instruments.

<i>in BGN '000</i>	2023	2022
FINANCIAL ASSETS		
Cash and balances with Central Banks	1,771,271	2,232,611
Investments in securities	2,808,824	1,655,201
Loans and advances to banks and other financial institutions	233,999	190,966
Loans and advances to customers	6,700,563	6,300,194
FINANCIAL LIABILITIES		
Due to banks	30,748	18,443
Due to other customers	11,019,692	10,056,144
Liabilities evidenced by paper	194,344	97,161
Hybrid debt	261,073	327,160

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

Type of related party	Parties that control or manage the Bank		Enterprises under common control	
	2023	2022	2023	2022
<i>BGN '000</i>				
Loans				
Loans outstanding at beginning of the period	2,944	3,515	78,316	83,666
Loans issued/(repaid) during the period	(1,391)	(571)	(6,957)	(5,350)
Loans outstanding at end of the period	1,553	2,944	71,359	78,316
Deposits and loans received:				
At beginning of the period	14,195	13,725	115,177	125,350
Received/(paid) during the period	1,949	470	(34,426)	(10,173)
At the end of the period	16,144	14,195	80,751	115,177
Deposits placed				
Deposits at beginning of the period	-	-	92,146	5,868
Deposits placed/(matured) during the year	-	-	(10,808)	86,278
Deposits at end of the period	-	-	81,338	92,146
Other receivables				
At beginning of the period	-	-	12,467	18,037
Received/(paid) during the period	-	-	2,651	(5,570)
At the end of the period	-	-	15,118	12,467
Other borrowings				
At beginning of the period	-	-	150	420
Received/(paid) during the period	-	-	6,184	(270)
At the end of the period	-	-	6,334	150
Off-balance sheet commitments issued by the Bank				
At beginning of the period	1,023	1,061	2,029	2,792
Issued/(expired) during the period	1,077	(38)	1,512	(763)
At the end of the period	2,100	1,023	3,541	2,029
Calculation on leasing obligations				
At beginning of the period	-	-	2,684	1,513
Received/(paid) during the period	-	-	(15)	1,171
At the end of the period	-	-	2,669	2,684

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

Type of related party <i>BGN '000</i>	Parties that control or manage the Bank		Enterprises under common control	
	2023	2022	2023	2022
Interest income	31	35	4,193	3,065
Interest expense	7	8	1,512	231
Fee and commission income	30	27	771	1,769
Fee and commission expense	7	6	6	301

The key management personnel received remuneration of BGN 11,288 thousand for 2023 (2022: BGN 12,068 thousand).

36. Subsidiaries
(a) First Investment Finance B.V.

In April 2003 the Bank created a special purpose entity, incorporated in the Netherlands, First Investment Finance B.V. The company is owned by the Bank. The purpose for creating the entity is to accomplish a narrow and well-defined objective of receiving loans from foreign financial institutions and attracting investors by issuing bonds and other financial instruments guaranteed by the Bank. The entity's issued and paid up share capital is EUR 18 thousand divided into 180 issued and paid up shares, each with nominal value of EUR 100.

After completion of winding-up proceedings (between 19.09.2023 and 27.12.2023), on 27.12.2023 the company was deregistered.

(b) Diners Club Bulgaria AD

In May 2005 the Bank acquired 80% of the share capital of Diners Club Bulgaria AD. The company was incorporated in 1996 as a franchise and processing agent of Diners Club International. As at 31 December 2023 the share capital of the company is BGN 910 thousand, and the Bank's shareholding is 96.51%.

(c) First Investment Bank – Albania Sh.a.

In April 2006 the Bank acquired 99.9998% of the capital of First Investment Bank – Albania Sh.a. upon its incorporation. On 27 June 2007 First Investment Bank – Albania was granted a full banking licence by the Bank of Albania, and on 1 September 2007 it effectively took over the activities of the former branch FIB – Tirana, assuming all rights and obligations, assets and liabilities.

As at 31 December 2023 the share capital of First Investment Bank – Albania Sh.a. was EUR 11,975 thousand, fully paid up, and the Bank's shareholding is 100%.

(c) Debita OOD

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

The company was established as a servicing company within the meaning of Article 18 of the Law on Special Investment Purpose Companies, currently a company within the meaning of Article 27 of the Law on Special Purpose Investment Companies and Securitisation Companies. The main lines of business for Debita OOD include acquisition, servicing, management and disposal of receivables and the related consultancy services

Notes to the financial statements

(e) Realtor OOD

Acting jointly the Bank and First Financial Brokerage House OOD (FFBH) set up new company Realtor OOD, which were entered in the Commercial Registry in January 2010. The capital of the two companies is BGN 150,000 each, distributed in shares with value of BGN 100 each, as follows: Realtor OOD - in liquidation - 51%, i.e. 765 shares for the Bank and 49%, i.e. 735 shares for FFBH OOD

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

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

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

(f) Fi Health Insurance AD

In the second half of 2010 the Bank acquired a majority stake capital of Health Insurance Fund FI Health AD (formerly Health Insurance Fund Prime Health AD), a company engaged in voluntary health insurance as well as acquisition, management and sale of investments in other companies. With a decision of the Financial Supervision Commission issued in June 2013 the company has been granted a license to operate as an insurer. The name was changed to FI Health Insurance AD and the principal activity is insurance – Disease and Accident. In June 2018 the company expanded its license with one more insurance class - "Various financial loss". As at 31 December 2023 the share capital of the company is BGN 5,000 thousand, and the Bank's shareholding is 59.10%.

(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.

Notes to the financial statements

(i) AMC Imoti EOOD

AMC Imoti EOOD was registered in September 2010 and was acquired by the Bank in 2013 through the purchase of MKB Unionbank EAD as its subsidiary. The scope of operations of the company includes activities related to acquisition of property rights and their subsequent transfer, as well as research and evaluation of real estate, property management, consulting and other services. As at 31 December 2023 the capital of the company was BGN 500 thousand, and the Bank was the sole owner.

(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 Garant EOOD

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

As at 31 December 2023 the capital of the company is BGN 100 thousand, and the Bank is the sole owner.

37. Post balance sheet events

No adjusting and significant non-adjusting events have occurred after the end of the reporting period, other than those disclosed below:

- At the General Meeting of Shareholders of Diners Club Bulgaria AD held on 09.02.2024 a resolution was made to terminate the operation of Diners Club Bulgaria AD as a payment institution, respectively - to terminate the company's activities for representation of Diners Club International. Following a procedure pursuant to the Law on Payment Services and Payment Systems, the Governing Council of the Bulgarian National Bank issued resolution No. 58 of 15.02.2024 approved the plan proposed by the company for termination of its activities and revoked its license, as of 15.04.2024.

REPORT OF THE INDEPENDENT AUDITOR

To the shareholders of the
First Investment Bank AD

Report on the audit of the individual financial statements

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 2023 and the individual profit or loss statement and other comprehensive income, the individual statement of changes in equity and the individual cash flow statement for the year ending that date, as well as the notes to the individual financial statements, material information about accounting policies.

In our opinion, the attached individual financial statements present fairly, in all material respects, the individual financial position of the Bank as at 31 December 2023 and its individual financial performance and individual cash flows for the year ending that date, 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 Individual Financial Statements". We are independent of the Bank 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 IAMS Code), together with the ethical requirements of the Independent Financial Audit Act (IFA) applicable to our audit of financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFRA and the IASB Code. 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 the greatest significance in the audit of the current period's financial statements. These matters were considered as part of our audit of the individual 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 receivables from customers

<i>Key audit question</i>
The impairment of receivables from clients is a significant management judgement on losses that would be recognised within the Bank's loan portfolio for the relevant reporting period.
The bank assesses the need for credit impairment on an individual and portfolio basis.

This process involves various assumptions and measurement of factors, including an analysis of the financial position of the credited client, estimated future cash flows from its operations, the value of the collateral on the loan, etc.

As a result of the use of different modelling techniques and assumptions, these may lead to differences in the measurement of impairment of receivables from customers, respectively to differences in the loss on loans granted.

The exposures that give rise to the greatest uncertainty in the assessment of receivables from clients are those where there is a significant risk of cash flow shortages and/or insufficiency of the loan collateral.

Receivables from customers represent 51.54% of the Bank's total assets. It categorizes its receivables from customers into 5 business segments: large, medium-sized, small enterprises, micro enterprises, and retail banking. The share of receivables from large enterprises is the largest – 34.25% of total receivables from customers.

Due to the materiality of receivables from clients, as well as the complexity of the calculations for determining the impairment of receivables, the many significant judgments and the high degree of uncertainty in the estimates embedded in the impairment models applied, we have identified this issue as a key audit issue.

How this key audit question was addressed in our audit

In this area, our audit procedures, among other things, included:

- Review of the Bank's internal rules related to determining the impairment of clients' receivables as well as obtaining an understanding of the process for determining the impairment of receivables from customers, including models for its calculation on an individual and portfolio basis and the key assumptions and judgements used in accordance with the requirements of IFRS 9
- Review and measure the adequacy, consistency and relevance of the Bank's methodology and models to the requirements of IFRS 9
- Gain an understanding of the credit monitoring process and crawl key controls when determining the impairment amount of a sample of corporate and consumer loans.
- Review of a risk-based sample of loans for which substantive procedures have been carried out to assess the sufficiency of the impairment recognised and an adjustment of the impairment value of those loans.
- For a sample of loans with individual impairment by the Bank, we conducted a specific analysis of the assumptions and judgements used in determining the amount of expected future cash flows and for the realization of the collateral provided on these loans in relation to the available market information.
- For a sample of loans with portfolio impairment by the Bank, we reviewed the methodology, analysis, and assessment of the adequacy of the main assumptions applied by the management in the context of the specifics of the individual portfolios of

<p>loans of the Bank and the availability of internal historical information, as well as data on future development of the parameters for them.</p> <ul style="list-style-type: none"> - For selected NPLs, we have evaluated management's forecast for cash flow generation, collateral valuations 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 may jeopardise the possibility of repayment of exposures. - Review of subsequent events occurring after the reporting date and aimed at tracking the servicing of loans and receivables from customers in the specified risk-based sample in order to assess the consistency of the Bank's assumptions about expected future cash flows. - Assessment of the adequacy, completeness and relevance of the Bank's disclosures relating to impairment losses of receivables from customers.
<p>Corresponding references in the individual financial statement Notes 17 and 17a</p> <ul style="list-style-type: none"> • Note 2 (j) • Note 3 B (iii)

Assets acquired as collateral

<p><i>Key audit question</i></p> <p>The assets acquired as collateral amounting to BGN 403,523 thousand at the end of 2023 are disclosed in the individual financial statements under relevant subgroups.</p> <p>The Buildings group contains assets with varying degrees of completion at the date of their acquisition, which is relevant for their subsequent realization, as well as for their ongoing measurement, for which appropriate valuation methods are used.</p> <p>During the year, sales of assets amounting to BGN 32,934 thousand were made. The Bank has disclosed in Note 12 a profit of BGN 5,013 thousand from the sale of assets acquired as collateral.</p> <p>The bank, like any other banking institution, is exposed to a significant risk regarding the realisation of assets acquired as collateral.</p> <p>The ongoing valuation of these assets involves the use of significant assumptions and assumptions by the Bank's management that involve a high degree of uncertainty, which is why we have identified these issues as a key audit issue.</p>
<p><i>How this key audit question was addressed in our audit</i></p> <ul style="list-style-type: none"> - In this area, our audit procedures, among other things, included: Analysis and evaluation of the valuation methods and techniques applied, including assumptions and other key indicators, and comparing them with available real estate market and other external information, as well as with the requirements of applicable accounting standards. - Review the Bank's internal rules relating to the valuation of assets acquired as collateral, as well as obtaining an understanding of the control over information (including key data

<p>Key audit question</p> <p>and assumptions) in the process of valuing these assets, as well as carrying out tests on the effectiveness of these controls.</p> <ul style="list-style-type: none"> - Review of the documentation of a sample of newly acquired collateral assets during the year, as well as review and analysis of the reports determining their value at the date of acquisition, as well as a restatement of this value. - Review and assess the adequacy, completeness and relevance of disclosures in relation to Assets acquired as collateral in the individual financial statements in accordance with IFRS requirements adopted by the EU.
<p>Corresponding references in the individual financial statement</p> <ul style="list-style-type: none"> • Note 12 • Note 21

Litigation and provisions

<p>Key audit question</p> <p>The bank, 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 amount of provisions is related to material assumptions and judgments of management, usually based on the opinion of the legal consultants involved.</p> <p>As of December 31, 2023, the Bank has recognized in its individual financial statements provisions for litigation amounting to BGN 1,034 thousand.</p> <p>In connection with issued bank guarantees, the bank has blocked funds amounting to BGN 43,094 thousand, which are disclosed in Note 25 of the individual financial statements (included in the Other Assets subgroup).</p> <p>Due to the significant uncertainty about the duration and outcome of the respective claims in legal disputes with the Bank, the management's assessments used in these cases are significant estimates, which is why we have determined this issue as a key audit question.</p>
<p>How this key audit question was addressed in our audit</p> <ul style="list-style-type: none"> - In this area, our audit procedures, among others, included: Review of the Bank's internal rules related to provisioning litigation, as well as obtaining an understanding of the process of collecting, analysing, and evaluating information about the relevant legal dispute. - Receiving and analysing information from external legal consultants on cases filed in foreign jurisdictions, with forecasts of their outcome. - Conducting an interview with the management, as well as receiving information from the internal legal department of the Bank about legal disputes with the Bank filed on the territory of the country, as well as with forecasts of their outcome. - Checking the timeliness and completeness of information on a sample of legal cases by using information from independent court registers and systems in the country and abroad.

<p>Key audit question</p> <ul style="list-style-type: none"> - Follow-up of subsequent events regarding the receipt of new information on the sample of legal disputes in order to monitor the adequacy and relevance of the assumptions used by the Bank's legal advisers as well as its management. - Review and assess the adequacy, completeness, and relevance of disclosures in relation to the Litigation Provisions in the individual financial statements, as required by applicable accounting standards.
<p>Corresponding references in the individual financial statement</p> <ul style="list-style-type: none"> • Note 25 • Note 30

Other questions

When determining risk-weighted exposures in Explanatory Note No 3 *Risk Management, C. Capital Adequacy*, the Bank's management has excluded Right-of-Use Assets under IFRS 16 "Leasing" in the amount of BGN 121,410 thousand.

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

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

Our opinion on the individual 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 individual financial statements, our responsibility lies in reading the other information and thus assessing whether that other information is materially inconsistent with the individual 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 individual financial statements in accordance with IFRSs applicable in the EU and for such internal control system as management determines is necessary to ensure the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for evaluating the Bank's ability to continue operating 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 the management has no practical alternative but to do so.

Those charged with governance are responsible for the supervision of the Bank's financial reporting process.

Responsibilities of auditors for the audit of individual financial statements

Our objectives are to obtain a reasonable assurance about whether the individual 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 an audit in accordance with ISAs, 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 individual financial statements, including disclosures, and whether the individual financial statements present 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 met applicable ethical requirements regarding independence and that we will communicate with them any relationship and other matters that could reasonably be considered relevant to our independence and, where applicable, related 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 on other legal and regulatory requirements

Additional Questions Raised for Reporting the Accountancy Act and the Public Offering of Securities Act

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 relation to art. 37, para. 6 of the Law on Accounting

Based on the procedures conducted, our opinion is that:

- a) The information included in the individual management report for the financial year for which the individual financial statements are prepared corresponds to the individual financial statements;
- b) The individual 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 individual corporate governance statement for the financial year for which the individual financial statement has been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100n, para. 8 of the Public Offering of Securities Act information;
- d) The non-financial statement (on an individual basis) for the financial year for which the individual financial statement has been prepared is provided 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 individual financial statement has 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 conjunction 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 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 management report (as an element 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 proposals do not contain cases of material misreporting.

Additional reporting on the audit of the individual financial statements in relation to art. 100(n), para. 4, item 3 of the Public Offering of Securities Act

Statement in relation to art. 100(n), para. 4, item 3, letter "b" of the Public Offering of Securities Act

Information about related party transactions is disclosed in Note 35 to the individual financial statements. Based on our audit procedures on related party transactions as part of our audit of the individual financial statements as a whole, we are not aware of facts, circumstances or other information on the basis of which to conclude, that related party transactions are not disclosed in the attached separate financial statements for the year ending 31 December 2023 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 relation to art. 100(n), para. 4, item 3, letter "c" of the Public Offering of Securities Act

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 our audit procedures on the material transactions underlying the individual financial statements for the year ending December 31, 2023, we have not become aware of facts, circumstances or other information on the basis of which to conclude that there are cases of material unreliable presentation and disclosure in accordance with the applicable requirements of IFRSs, 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 the compliance of the electronic format of the individual financial statements, included in the annual individual financial statements for the activity under art. 100n, paragraph 4 of POSA, with the requirements of the EEEF Regulation

In addition to our responsibilities and reporting under the ISAs described above in the section "Auditor's responsibilities for the audit of individual financial statements", we have completed the procedures under the "Guidelines on the expression of an audit opinion in relation to the application of the European Single 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 the Bulgaria, the Institute of Certified Public Accountants (ICPA)". These procedures concern verification of the format and whether the human-readable part of this electronic format corresponds to the audited individual financial statements and expressing an opinion regarding the compliance of the electronic format of the individual financial statements of First Investment Bank AD for the year ending December 31, 2023, attached to the electronic file "549300UY81ESCZJ0GR95-20231231-BG-SEP. 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 ('EEEF Regulation'). Based on these requirements, the electronic format of the individual financial statements, included in the annual individual financial statements for the activity under art. 100n, para. 4 of the POSA, must be presented in XHTML format. The management of First Investment Bank AD is responsible for the application of the requirements of the EEEF Regulation in the preparation of the electronic format of the individual financial statements in XHTML. Our opinion is only with regard to the electronic format of the individual financial statements, attached in the electronic file "549300UY81ESCZJ0GR95-20231231-BG-SEP. XHTML" and does not cover the other information included in the annual individual financial statements for the activities under art. 100n, para. 4 of POSA. Based on the procedures performed, our opinion is that the electronic format of the individual financial statements of First Investment Bank AD for the year ending December 31, 2023, contained in the attached electronic file "549300UY81ESCZJ0GR95-20231231-BG-SEP. XHTML", has been prepared in all essential respects in accordance with the requirements of the EEEF Regulation.

Additional reporting in connection with Ordinance No 58/2018 of the Financial Supervision Commission

Statement in relation to art. 11 of Ordinance No 58/2018 of the FSC on the requirements for the protection of financial instruments and client funds, for product management and for providing or receiving remuneration, commissions, other monetary and non-monetary benefits.

Based on the audit procedures performed and the knowledge and understanding of the Bank's activities in the course and context of our audit of its individual financial statements as a whole, the organization established and applied in connection with the storage of client assets complies

with the requirements of Art. 3-10 of Ordinance No 58 of the FSC and art. 92-95 of the Markets in Financial Instruments Act, with regard to the Bank's activities in its role as an investment intermediary.

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 OOD were appointed as mandatory auditors of the financial statements of First Investment Bank AD (the "Bank") for the year ending December 31, 2023, by the General Meeting of Shareholders held on May 18, 2023, for a period of one year.
- The audit of the individual financial statements for the year ending December 31, 2023, of the Bank is a second full continuous statutory audit engagement of this enterprise performed by Mazars Ltd. and a second full continuous statutory audit engagement of this enterprise, conducted by Ecovis Audit Bulgaria OOD.
- In support of the audit opinion, we have provided, in the "Key Audit Question" section, a description of the most important risks assessed, a summary of the auditor's response and important observations in relation to those risks where appropriate.
- We confirm that the audit opinion expressed by us is in accordance with the additional report submitted to the audit committee of the Bank, 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.
- For the period to which our statutory audit relates, apart from the audit, we have not provided any other services to the Bank and its controlled entities.
- We confirm that in performing the audit we have maintained our independence from the Bank.

Sofia, March 12, 2024

About Ecovis Audit Bulgaria Ltd:

Georgi Trenchev
Managing Director

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

About MAZARS Ltd:

Athanasios Petropoulos
Procurator

Iva Slavkova
Registered auditor responsible for the audit
Sofia, str. Moscovska No 3A



ACTIVITY REPORT

(ON AN INDIVIDUAL BASIS)

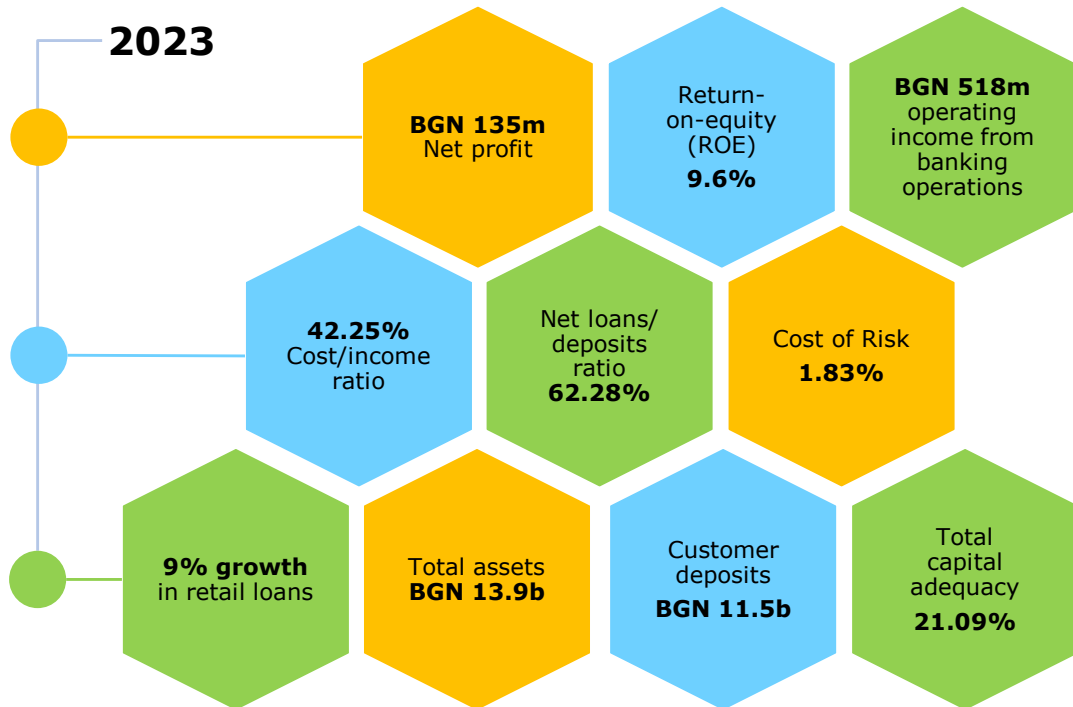
OF FIRST INVESTMENT BANK AD

FOR 2023

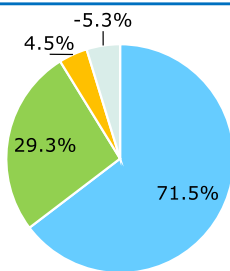
MARCH 2024

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

SELECTED INDICATORS



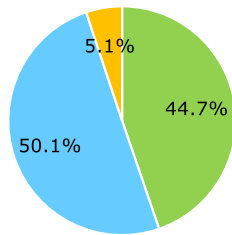
OPERATING INCOME BY TYPE OF INCOME



2023

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

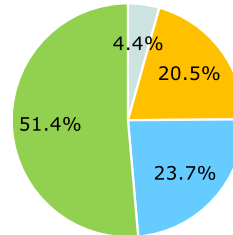
LOANS FOR INDIVIDUALS



2023

- Consumer loans
- Mortgage loans
- Credit cards

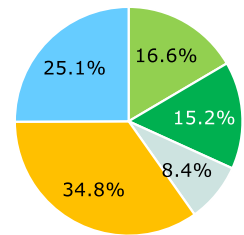
LOANS FOR CORPORATES



2023

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

PORTFOLIO BY SECTORS



2023

- Industry
- Trade
- Services
- Individuals
- Others

MISSION AND DEVELOPMENT PRIORITIES

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

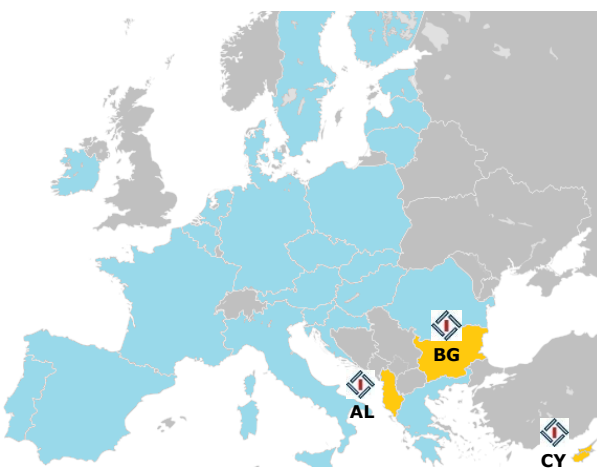


TABLE OF CONTENTS

MACROECONOMIC DEVELOPMENT.....7	<i>Lines of defence</i> Error! Bookmark not defined.
BANKING SYSTEM11	<i>Structure and internal organisation</i> 45
FIBANK PROFILE16	<i>Collective risk management bodies</i> 46
Corporate status..... 16	<i>System of limits</i> Error! Bookmark not defined.
Memberships..... 16	<i>Recovery plan</i> 48
Market position Error! Bookmark not defined.	<i>Restructuring planning process</i> 49
Market share Error! Bookmark not defined.	Credit risk..... Error! Bookmark not defined.
Correspondent relations 17	<i>Loan process</i> 49
Branch network..... 17	<i>Models for credit risk measurement</i> 51
Subsidiaries..... 17	<i>Credit risk mitigation methods</i> 52
Awards 2023..... Error! Bookmark not defined.	<i>Problem exposures, repossessed assets and reduction strategy</i> 52
FIBANK: DATES AND FACTS.....18	<i>Classification, impairment and provisioning of exposures</i> 53
HIGHLIGHTS 202321	Market risk..... Error! Bookmark not defined.
FINANCIAL REVIEW.....25	<i>Position risk</i> 55
Key indicators 25	<i>Interest rate risk in the banking book</i> 55
30 years Fibank. Error! Bookmark not defined.	<i>Currency risk</i> 56
Financial results..... 27	<i>Counterparty risk and settlement risk</i> 56
Balance sheet 30	Liquidity risk..... 57
Loan portfolio 32	<i>Internal liquidity adequacy assessment process</i> 58
<i>Loans</i> 32	Operational risk Error! Bookmark not defined.
<i>Related party transactions</i> 34	<i>Information security</i> 60
<i>Contingent liabilities</i> 34	<i>Personal data protection</i> 60
Attracted funds 35	<i>Outsourcing</i> 61
Capital..... 37	Risk exposures 61
<i>Regulatory capital</i> 37	Internal capital adequacy analysis..... 62
<i>Capital requirements</i> ... Error! Bookmark not defined.	DISTRIBUTION CHANNELS.....64
<i>Capital buffers</i> 39	Branch network Error! Bookmark not defined.
<i>Leverage</i> 40	Contact center .. Error! Bookmark not defined.
<i>Eligible liabilities</i> 41	Corporate website Error! Bookmark not defined.
RISK MANAGEMENT42	Corporate blog.. Error! Bookmark not defined.
Risk management strategy 42	Sales..... Error! Bookmark not defined.
<i>Risk appetite framework</i> ... Error! Bookmark not defined.	Digital banking .. Error! Bookmark not defined.
<i>Risk map</i> Error! Bookmark not defined.	<i>My Fibank electronic banking</i> 67
<i>Risk culture</i> .. Error! Bookmark not defined.	CORPORATE GOVERNANCE STATEMENT69
Risk management framework Error! Bookmark not defined.	

Corporate governance framework.....	70	<i>Environmental issues</i>	94
Corporate governance code.....	70	<i>Social issues</i> ..	Error! Bookmark not defined.
Corporate structure.....	72	<i>Governance issues</i>	100
Supervisory Board	73	Ethical issues.....	100
<i>Structure and competences</i>	73	<i>Code of ethics</i>	100
<i>Diversity policy and independence</i>	73	<i>Responsibility and compliance</i>	100
<i>Functions and responsibilities</i>	74	<i>Whistleblowing</i>	101
<i>Assessment of the activity</i>	74	HUMAN CAPITAL ..	Error! Bookmark not defined.
<i>Committees</i>	74	Policy for nomination and suitability	
Managing Board	77	assessment	104
<i>Structure and competences</i>	77	INFORMATION TECHNOLOGY	105
<i>Diversity policy</i>	77	BUSINESS REVIEW	107
<i>Functions and responsibilities</i>	78	Retail banking	107
<i>Committees and councils to MB</i>	78	<i>Deposits</i>	107
General meeting of shareholders.....	79	<i>Loans</i>	108
Control environment and processes	79	Corporate banking.....	110
<i>Internal audit</i>	80	<i>Deposits</i>	110
<i>Registered auditors</i>	80	<i>Loans</i>	110
Protection of shareholders' rights.....	81	External programs and guarantee schemes	115
<i>Convening of GMS and information</i>	81	Payment services	115
<i>Main transfer rights and restrictions</i>	81	<i>Card payments</i>	116
<i>Minority shareholders and institutional</i>		<i>International payments</i>	117
<i>investors</i>	82	Gold and commemorative coins.....	118
Information disclosure	82	Private banking	118
<i>Investor relations director</i>	83	Capital markets.....	118
Stakeholders.....	84	MEETING THE 2022 GOALS	121
Shareholders' structure.....	84	SUBSEQUENT EVENTS	124
Share price and market capitalisation.....	85	DEVELOPMENT PRIORITIES	125
REPORT ON THE IMPLEMENTATION OF THE		OTHER INFORMATION	126
REMUNERATION POLICY	86	Members of the Supervisory Board.....	126
<i>Remuneration policy</i>	87	Members of the Managing Board	129
NON-FINANCIAL DECLARATION Error! Bookmark		LIST OF ABBREVIATIONS	133
not defined.		LIST OF BRANCH NETWORK	136
Business model.....	92		
Sustainable development.....	93		

MACROECONOMIC DEVELOPMENT

REPUBLIC OF BULGARIA	INDICATORS	
	Population	6.45 mln. people
	Area	110,994 km ²
	Member of the European Union	2007
	Member of NATO	2004
	Memberships in the European exchange mechanism II and the Banking union	2020
	Exchange rate EUR/BGN (fixed)	1.95583
	Flat tax rate	10%
	Fitch Ratings	BBB, Positive
	S&P	BBB, Positive
	Moody's	Baa1, Stable

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

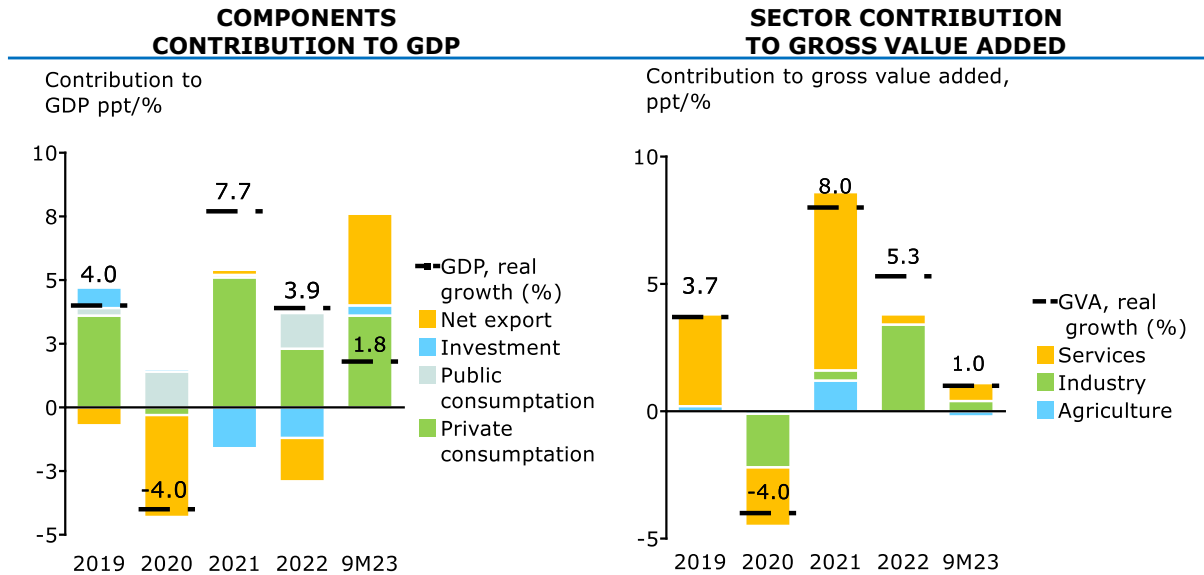
	2023	2022	2021	2020	2019
Gross domestic product (BGN million)	184,029	167,809	138,979	120,492	120,342
Gross domestic product, real growth (%)	1.8 ¹	3.9	7.7	(4.0)	4.0
- Private consumption, real growth (%)	6.3 ¹	3.9	8.5	(0.6)	6.0
- Public consumption, real growth (%)	(0.8) ¹	5.5	0.4	8.3	2.0
- Investments, real growth (%)	2.4 ¹	6.5	(8.3)	0.6	4.5
- Net exports, real growth (%)	5.1 ¹	-3.3	0.4	(6.1)	(1.3)
Inflation, at period-end (%)	4.7	16.9	7.8	0.1	3.8
Average annual inflation (%)	9.5	15.3	3.3	1.7	3.1
Unemployment, at period-end (%)	5.6	5.4	4.8	6.7	5.9
Current account (% of GDP)	0.3	(1.4)	(1.7)	(0.0)	1.9
Trade balance (% of GDP)	(3.8)	(5.9)	(4.1)	(3.2)	(4.7)
International reserves of BNB (BGN million)	81,999	75,151	67,666	60,334	48,574
FDI in Bulgaria (% of GDP)	3.6	3.1	2.1	4.8	2.7
Gross external debt (% of GDP)	47.2 ²	51.6	58.1	63.3	61.3
Government and government guaranteed debt (% of GDP)	22.9	22.5	23.9	24.3	19.7
Consolidated budget balance (% of GDP)	(3.1)	(0.8)	(2.7)	(2.9)	(1.0)
USD exchange rate (BGN for USD 1)	1.77	1.83	1.73	1.59	1.74

Sources: NSI, BNB, MF, Employment agency

¹ Data for nine months of 2023

² Data as of November 2023

In 2023, gross domestic product growth slowed to 1.8% for the first nine months of the year (2022: 3.9%). Private consumption was the main driver (9M23: 6.3%; 2022: 3.9%) as a result of stronger domestic demand and falling inflation rates. Fixed capital investment (9M23: 2.4%; 2022: 6.5%) and net exports (9M23: 5.1%; 2022: -3.3) also contributed to economy growth, notwithstanding the impact of the still slow recovery of supply flows on trade and investment activity.

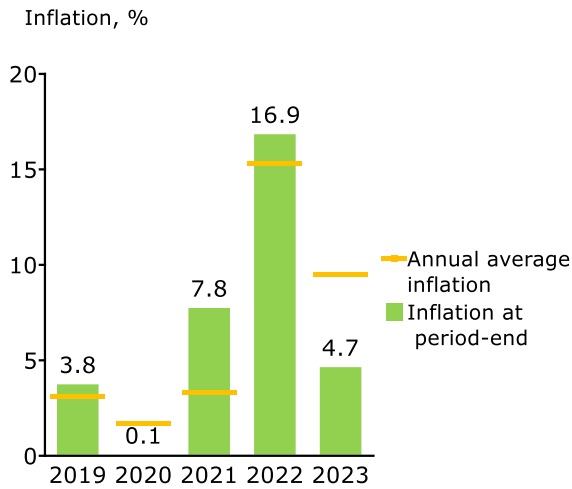


For the nine months of 2023, gross value added in the economy grew by 1.0%, decelerating from 5.3% for the previous year 2022. The services sector had the most significant share to value added (9M23: 1.1%; 2022: 3.9%), including trade, transport and tourism (9M23: 2.3%), government and healthcare (9M23: 1.2%), real estate operations (9M23: 1.0%) and financial and insurance activities (9M23: 0.9%). The industrial sector also rose by 1.2% overall for the period (2022: 12.1%), in particular mining and manufacturing (9M23: 1.3%) and construction (9M23: 0.6%). A decline was reported in the agricultural sector (9M23: -4.6%; 2022: -4.4%), influenced by lower volumes of production in the plant growing industry and especially in technical crops, due to droughts and associated lower yields during the year.

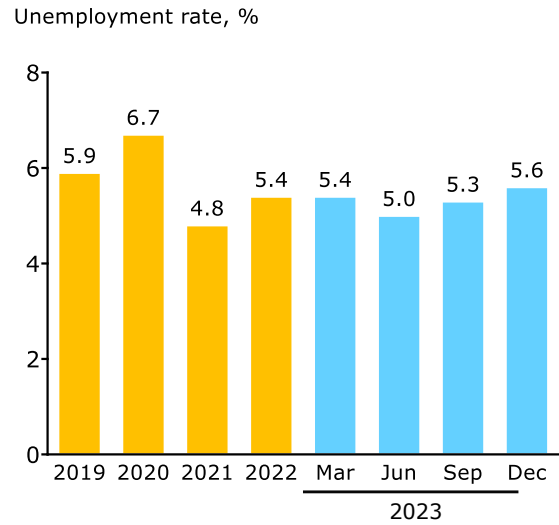
In 2023, the labor market remained stable, with unemployment rate standing at 5.6% at the end of the year (2022: 5.4%). More pronounced positive trends were observed in the summer months, due to higher seasonal employment. The total number of employed persons increased to 2,288,000 people in December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

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

INFLATION

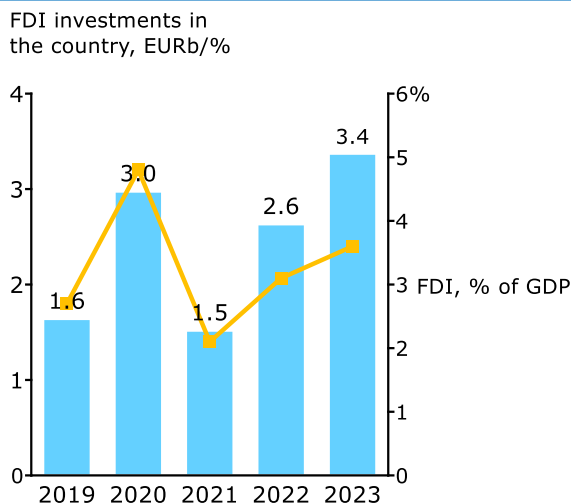


UNEMPLOYMENT RATE

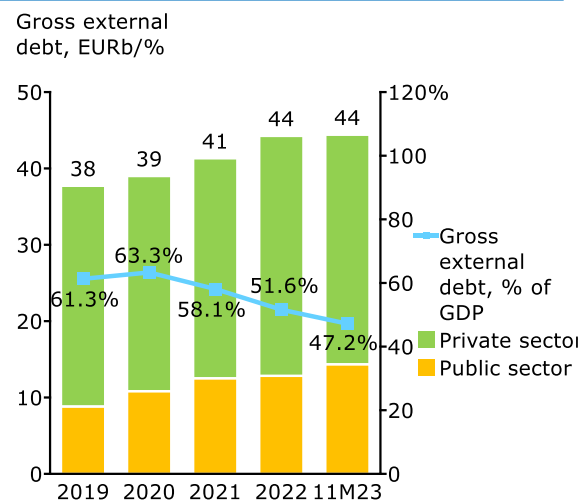


In 2023, direct investments in the country increased to EUR 3,371 million or 3.6% of GDP (2022: EUR 2,631 million or 3.1% of GDP). Such dynamics were mainly due to higher reinvested earnings, reflecting the share of foreign investors in the financial result of companies, rather than to proceeds from debt instruments (financial, bond and trade loans) and equity investments. By country, most investments were attracted from Switzerland (EUR 821 million), followed by Austria (EUR 377 million) and Belgium (EUR 336 million). The higher decline in imports (-10.0% for 2023 YoY to EUR 46,990 million) compared to exports (-7.9% to EUR 43,439 million) led to a decrease in the trade balance deficit to EUR -3,551 million or -3.8% of GDP at the end of 2023. This, combined with the growth in transport services and tourism, caused a current account surplus of EUR 274 million or 0.3% of GDP (2022: EUR -1200 million or -1.4% of GDP).

FDI INVESTMENTS IN THE COUNTRY



GROSS EXTERNAL DEBT

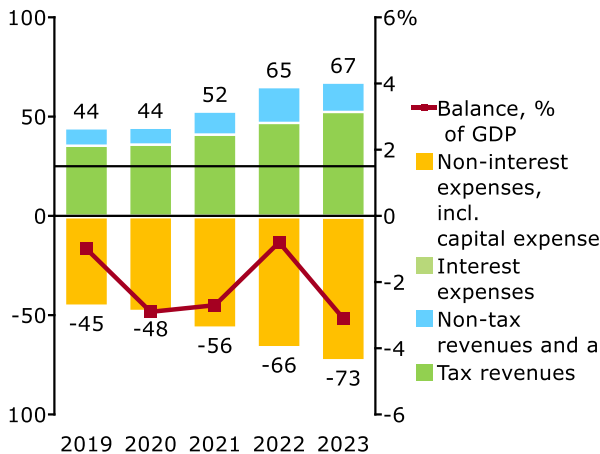


Gross external debt decreased to 47.2% of GDP as of November 2023 (2022: 51.6%), with a decrease reported in the private sector (11M23: 31.9% of GDP). Public sector debt, despite the reported increase (11M23: 15.2% of GDP), remained among the lowest in the European Union. Total government and government-guaranteed debt, including debt issued on the domestic market, amounted to 22.9% of GDP at the end of 2023 (2022: 22.5%).

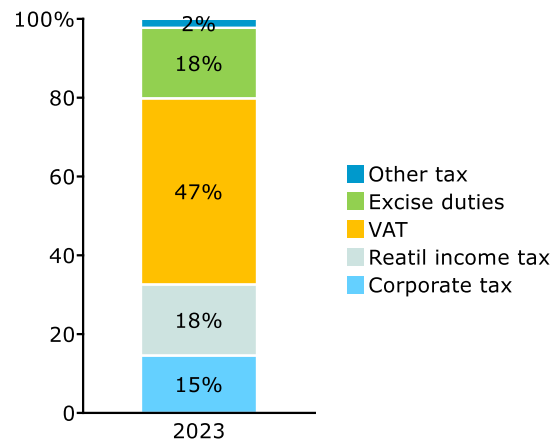
In 2023, the consolidated budget reached a deficit of BGN 5,619 million or 3.1% of GDP by the end of the year (2022: BGN 1,324 million or 0.8% of GDP), reflecting the higher growth of costs relative to revenues in the national budget and a deficit on EU funds. Expenditures under the consolidated fiscal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

CONSOLIDATED BUDGET

Budget, BGNb/%



STRUCTURE OF TAX REVENUES



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

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

BANKING SYSTEM

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

in % / change in p.p.	2023	2022	2021	23/22	22/21
CET 1 ratio	20.22 ³	19.98	21.66	0.24	(1.68)
Tier 1 capital ratio	20.68 ³	20.48	22.04	0.20	(1.56)
Capital adequacy ratio	21.84 ³	20.88	22.62	0.96	(1.74)
Leverage ratio	9.88 ³	9.41	10.52	0.47	(1.11)
Liquidity coverage ratio (LCR)	246.7	235.0	274.1	6.9	(39.1)
Loans/deposits ⁴	71.21	68.21	69.38	3.0	(1.17)
Return-on-equity (ROE)	18.64 ³	12.01	8.53	6.63	3.48
Return-on-assets (ROA)	2.18 ³	1.34	1.05	0.84	0.29
Non-performing loans and advances ⁵	2.76	3.55	4.60	(0.79)	(1.05)

Source: Bulgarian National Bank

The total capital ratio (TCR) for the system amounted to 21.84% at the end of September 2023. (2022: 20.88%), and the CET1 ratio to 20.22% (2022: 19.98%), both indicators being significantly above the regulatory requirements. From January 1, 2023, adjustments related to the transitional treatment according to Regulation (EU) 2017/2395 for mitigating the impact of the introduction of IFRS 9 no longer apply to these indicators. The leverage ratio, comparing Tier 1 capital to the total on- and off-balance sheet exposures of banks, was 9.88% as of September 2023, compared to 9.41% as of end-2022. It is used as an additional supervisory tool, measuring the capital held by banks which is not sensitive or risk-weighted.

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

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

³ Data as of 30 September 2023.

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).

effective from June 1, 2023, and from 10% to 12% for borrowings residents and non-residents, effective July 1, 2023.

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

Source: Bulgarian National Bank

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

Net interest income for 2023 increased by 50.2% to BGN 4,846 million (2022: BGN 3,227 million), and net fee and commission income reached BGN 1,474 million (2022: BGN 1,430 million), providing a solid contribution to profit comprising 21.3% of the system's total operating income. The achieved financial results accounted for return on assets (ROA) of 2.18% for the nine months of 2023 (2022: 1.34%) and a return on equity (ROE) of 18.64% for the same period (2022: 12.01%).

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

Source: Bulgarian National Bank

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

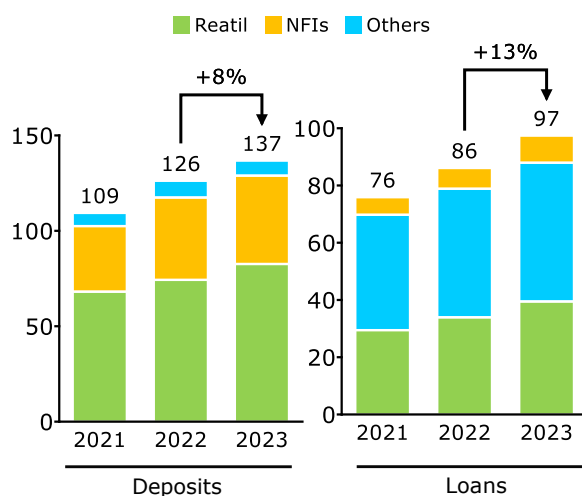
Lending activity in 2023 remained high, with more pronounced dynamics in households compared to non-financial corporations. Residential mortgage loans increased by 19.9% to BGN 22,028 million (2022: BGN 18,365 million) and consumer loans by 11.8% to BGN 18,040 million (2022: BGN 16,138 million) at the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

The share of non-performing loans and advances continues to decline, down to 2.76% of gross loans and advances as of December 2023 (2022: 3.55%). Loans to non-financial corporations accounted for

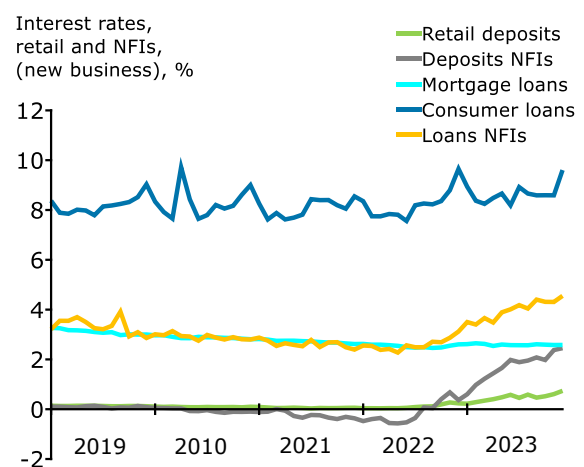
the largest share in the structure of non-performing loans (65.0%), followed by loans to households (31.6%) and other financial corporations (2.1%).

In 2023, borrowed funds in the banking system (excluding credit institutions) increased by 8.4% to BGN 136,768 million as of December 2023 (2022: BGN 126,197 million), reflecting confidence in the system. An increase was reported mainly in deposits of households (by 11.2% to BGN 82,614 million), which retained their dominant share at 60.4% of all borrowings, and to a lesser extent in deposits of non-financial corporations (by 7, 3% to BGN 46,303 million). The currency structure of deposits remained unchanged, the share of BGN deposits standing at 65.9%, deposits in EUR at 27.6% and those in other currencies at 6.5% as of December 2023.

LOANS AND DEPOSITS (BGNm)



INTEREST RATES ON LOANS AND DEPOSITS



During the year, the trend of increasing interest rates in the country strengthened but remained less pronounced compared to other EU and Eurozone countries. This was mainly due to high levels of liquidity in the system and to binding reference interest rates on loans applied by banks (mainly in the retail banking segment) to average cost of deposits. Interest rates on deposits (new business⁶) of households and non-financial corporations increased on average for 2023 (volume-weighted) to 0.48% and 1.88%, respectively (2022: 0.11% and -0.13%). An increase was also reported in average interest rates on loans for the period (new business⁷): in consumer loans up to 8.63% (2022: 8.16%), in mortgage loans up to 2.58% (2022: 2, 54%), and in loans to non-financial corporations up to 4.00% (2022: 2.60%).

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

⁶ Term deposits in BGN up to 1 year

⁷ Loans by original maturity in BGN

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

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

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

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

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

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

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

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

Banks operated in an environment of strong competition, advanced development of technologies, process transformation and customer behavior. The competition increased also from online banking,

fintech companies and e-commerce as a whole. This requires expanding opportunities for cross sales and fast digital solutions in response of customers' expectations, proactiveness and personalization of services.

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

FIBANK PROFILE

CORPORATE STATUS









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

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





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

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




MEMBERSHIPS

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

MARKET POSITION⁸

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

MARKET SHARE⁹

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

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 2023 First Investment Bank had 119 branches and offices, 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 2023, First Investment Bank AD had nine subsidiary companies: First Investment Bank - Albania Sh.a., Fi Health Insurance AD, MyFin EAD, Diners Club Bulgaria AD, Debita OOD, AMC Imoti EAD, Creative Investment EOOD, Lega Solutions EOOD and Inkaso Garant EOOD.

For further information regarding subsidiary companies, see Note 36 "Subsidiaries" of the Standalone Financial Statements for the year ended 31 December 2023.

AWARDS 2023

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



FIRST INVESTMENT BANK: DATES AND FACTS

1993	<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"> ❖ Fibank was the first in Bulgaria to offer services enabling banking from home or from the office. ❖ Fibank was the first bank to receive a 5-year loan from the European Bank for Reconstruction and Development for financing small and medium-sized enterprises in Bulgaria.
1997	<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. ❖ A foreign banking branch in Tirana, Albania was opened servicing 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.
2002-04	<ul style="list-style-type: none"> ❖ Fibank was named twice “Bank of the Client” in the annual rating of ‘Pari’ daily. ❖ Products and services to individuals became the focus of the Bank’s activities. Loans to individuals increased over five times during the year. ❖ The Bank expanded its infrastructure. The branch network expanded by 27 new branches and offices, the ATM network more than doubled.
2005	<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. ❖ €185 million syndicated loan, organised by Bayerische Landesbank with 33 international banks participation. ❖ The Bank’s share capital was increased from BGN 20 million to BGN 100 million by transforming retained profits into new shares.
2007	<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 EUR 100 million hybrid debt. ❖ 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"> ❖ A joint project with the IFC for upgrading Fibank’s risk management and corporate governance systems was realized in line with the principles of the Basel Committee and the recognized international standards. ❖ A new independent member of the Supervisory Board was elected: Mr. Jyrki Koskelo, an accomplished professional having extensive experience with the IFC. ❖ A new organizational structure of the Bank was adopted, further developing the control functions. ❖ Fibank was named the strongest brand among banks in Bulgaria by the global organization Superbrands.
2016	<ul style="list-style-type: none"> ❖ An innovative platform was launched for electronic payments using NFC-enabled mobile devices and digital bank cards. ❖ The Bank repaid the liquidity support received pursuant to EC Decision C(2014) 8959/25.11.2014. ❖ Fibank successfully passed the asset quality review and the stress test conducted in the country. ❖ New contactless debit cards for children and teenagers were developed.
2017	<ul style="list-style-type: none"> ❖ Fibank created its integrated e-banking platform My Fibank, as a single customer omnichannel. ❖ The Bank became direct participant in the STEP2 SCT (SEPA Credit Transfer) system. ❖ Fibank updated its core banking information system by migrating to Oracle Flexcube12. ❖ Fibank developed its online consumer credit services at www.credit.fibank.bg.

<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"> ❖ 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 (XAU). ❖ A new video consultation service was launched for customers interested in retail credit products, available at www.fibank.bg and through My Fibank electronic banking. ❖ A new Business Process Management (BPM) system for retail lending was implemented. ❖ MyCard was launched: a new virtual credit card with pre-approved limit, issued entirely online through the My Fibank mobile application. ❖ Debit Mastercard Platinum was launched: a new debit card for the premium segment offering a number of benefits, including a virtual assistant app (AskPLEEZ!) and concierge services.
<p>2022</p>	<ul style="list-style-type: none"> ❖ First Investment Bank launched an innovative service for instant payments (up to 10 seconds) in BGN under the Blink scheme. ❖ Electronic signing of documents by e-Sign pad was introduced at the Bank's offices. ❖ A new Debit Instant Card was offered: a virtual debit card issued through the My Fibank mobile app, intended for making online payments by smartphone. ❖ The use of the BPM credit process management system was extended to business customers. ❖ A new Sustainable Future mortgage loan was developed according to responsible banking policies, for financing real estate with high energy efficiency (class A+, A or B).

HIGHLIGHTS 2023

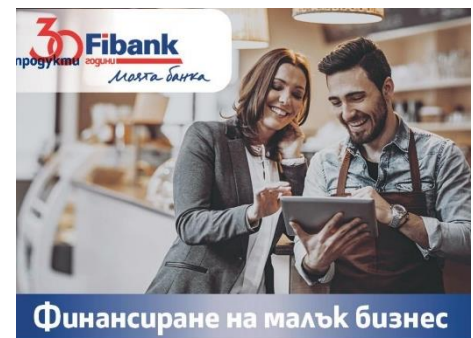
JANUARY

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



FEBRUARY

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



MARCH

- ❖ The Bank successfully migrated to the new T2 (TARGET2) real-time gross settlement (RTGS) system of Eurosystem for processing large-value payments.
- ❖ Fibank's Smart Lady program in support of women entrepreneurs marked its fifth anniversary by organizing the Business Lady Excellence international conference, attended by business leaders from across Europe.
- ❖ The fully online issuance of virtual credit cards was launched through the My Fibank mobile application.
- ❖ The Bank offered financing to Bulgarian enterprises under the EU competitiveness and innovation programs, for development of rural areas and under the National Recovery and Resilience Plan.
- ❖ Fibank participated in the European Money Week 2023 initiative for early financial literacy in a number of schools in the country.



APRIL

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



MAY

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

JUNE

- ❖ A Regular Annual General Meeting of the shareholders of First Investment Bank was held, at which a decision was taken that the net profit for 2022 would be capitalized.
- ❖ Fibank experts presented opportunities for career development at the banking institution at the Career and Life - Why in Bulgaria forum, held by Bulgaria Wants You in Sofia Tech Park.

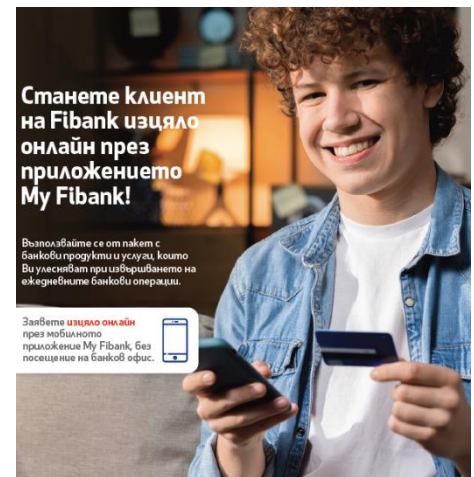


JULY

- ❖ The Bank actively offered its POS Overdraft product to small businesses: a revolving credit facility based on the volume of realized POS transactions.
- ❖ For yet another year, Fibank organized the Best Bulgarian Company of the Year competition. It aims to raise public awareness of good business examples in the country and promote successful business models.

AUGUST

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



SEPTEMBER

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



OCTOBER

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



NOVEMBER

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



DECEMBER

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



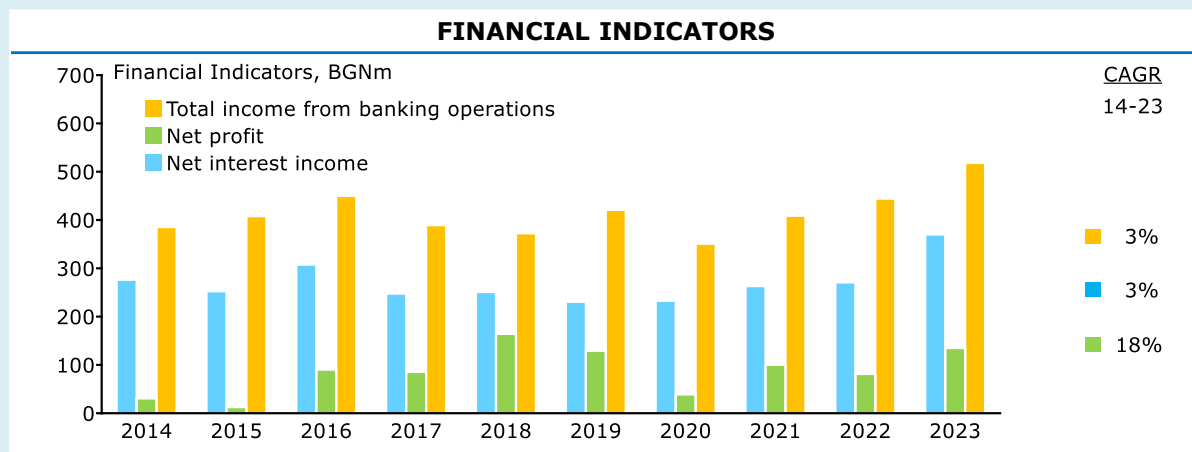
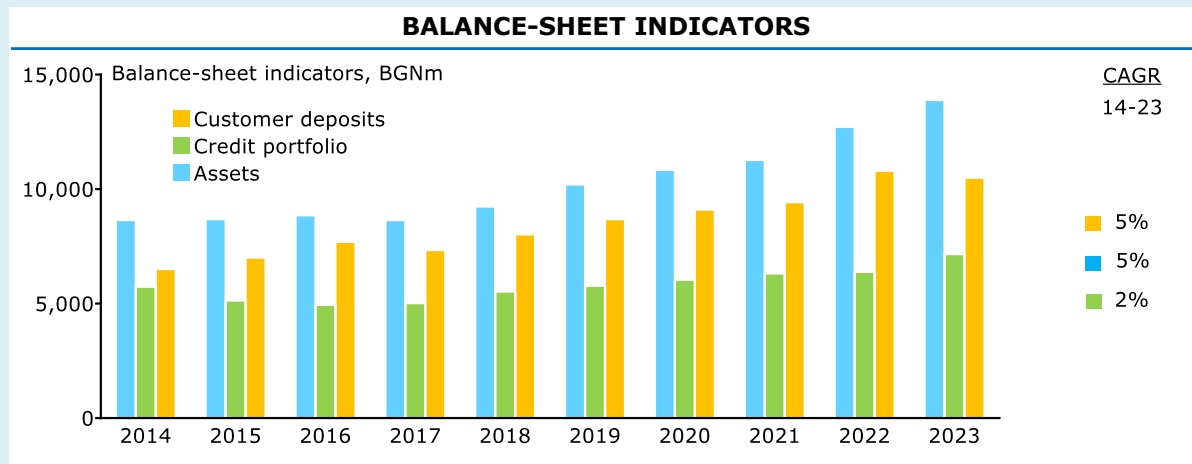
FINANCIAL REVIEW

KEY INDICATORS






	2023	2022	2021	2020	2019
Financial indicators (BGN thousand)					
Net interest income	369,902	270,740	263,144	232,649	230,696
Net fee and commission income	151,549	139,515	118,865	95,849	103,230
Net trading income	23,295	19,717	15,380	11,991	14,929
Total income from banking operations	517,554	444,167	408,757	350,833	420,785
Administrative expenses	(210,667)	(205,113)	(179,441)	(181,842)	(209,157)
Impairment	(137,168)	(135,349)	(122,494)	(93,660)	(117,490)
Net profit	135,041	81,205	100,083	38,881	129,221
Balance-sheet indicators (BGN thousand)					
Assets	13,888,528	12,714,058	11,268,870	10,832,829	10,200,031
Loans and advances to customers	7,158,309	6,384,541	6,315,581	6,038,889	5,776,915
Investments in securities	2,583,949	2,598,137	1,482,699	1,132,106	843,378
Due to other customers	11,494,164	10,798,450	9,425,251	9,100,155	8,684,001
Other borrowed funds	439,634	116,487	106,271	104,151	109,723
Hybrid debt	257,871	256,861	320,733	267,579	267,615
Shareholders' equity	1,472,926	1,328,209	1,268,864	1,177,749	943,065
Key ratios (in %)					
Capital adequacy ratio	21.09	21.74	21.46	21.78	18.80
Tier 1 capital ratio	21.09	21.74	21.46	21.78	18.80
CET 1 ratio	17.60	18.11	17.86	18.18	15.00
Leverage ratio	11.05	11.84	13.26	13.79	12.13
Liquid assets/deposits from customers	39.22	36.75	28.07	29.84	27.43
Liquidity coverage ratio (LCR)	278.55	225.36	230.36	236.84	198.25
Net stable financing ratio (NSFR)	150.48	145.47	137.42	132.35	130.38
Net loans/deposits ratio	62.28	59.12	67.01	66.36	66.52
Cost of risk	1.83	2.02	1.82	1.40	1.86
Net interest income/total income from banking operations	71.47	60.95	64.38	66.31	54.83
Cost/income ratio	42.25	47.57	43.39	56.99	44.43
Resources (in numbers)					
Branches and offices	120	126	127	134	144
Staff	2,408	2,454	2,466	2,524	2,572

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

30 YEARS FIBANK



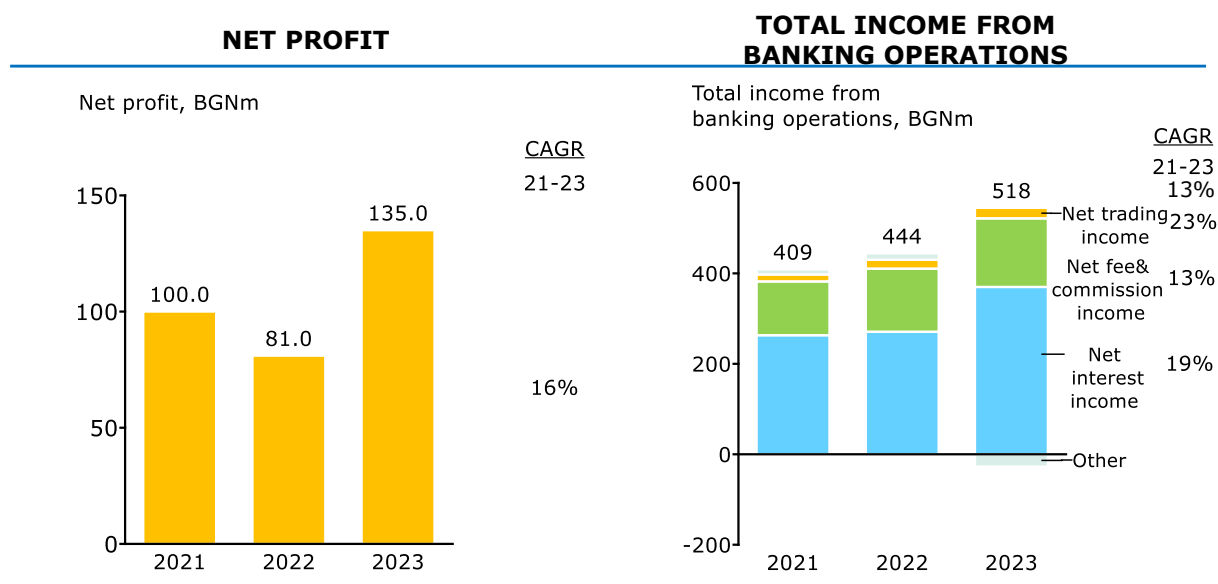
*In 2023, First Investment Bank celebrated its 30th anniversary.
During these 30 years, Fibank:*

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



FINANCIAL RESULTS

In 2023, First Investment Bank reported very good financial results as the net profit increased by 66.3% to BGN 135,041 thousand (2022: BGN 81,205 thousand), and the profit before impairment – to BGN 287,985 thousand compared to BGN 226,094 thousand a year earlier. The results were influenced by the higher operating income and the policies to reduce non-performing exposures and repossessed assets. Total income from banking operations increased to BGN 517,554 thousand (2022: BGN 444,167 thousand) with an increase in all main sources of income, incl. mainly in net interest income. The return on equity (after tax) was 9.60% and the return on assets (after tax) was 1.03%.

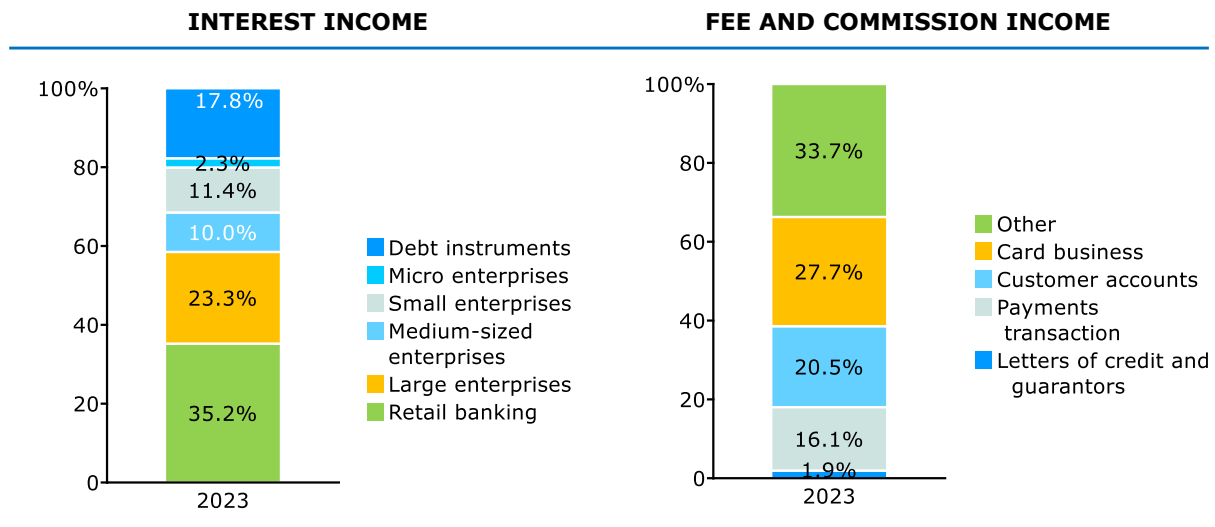


In 2023, net interest income increased by 36.6% to BGN 369,902 thousand (2022: BGN 270,740 thousand), increasing its share as the main source of income for the Bank accounting for 71.5% of total operating income (2022: 61.0%). For the reporting period, interest income increased to BGN 404,711 thousand (2022: BGN 310,785 thousand), as a result of an increase in the main business segments, including of retail banking (2023: BGN 140,711 thousand; 2022: BGN 129,095 thousand) and enterprises¹⁰, incl. large enterprises (2023: BGN 93,147 thousand; 2022: BGN 77,063 thousand), medium-sized enterprises (2023: BGN 39,934 thousand; 2022: BGN 32,358 thousand), small enterprises (2023: BGN 45,626 thousand; 2022: BGN 37,200 thousand) and micro-enterprises (2023: BGN 9,397 thousand; 2022: BGN 7,427 thousand). An increase was also recorded in investments in the debt instruments (2023: BGN 71,060 thousand; 2022: BGN 24,520 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 1,043 thousand, compared to BGN 1,567 thousand a year earlier. A decrease was recorded in the interest expenses on hybrid debt (2023: BGN 25,753 thousand; 2022: BGN 33,488 thousand) as a result of the undertaken by the Bank measures for its optimisation. Increase was recorded in the interest expenses on other attracted funds (2023: BGN 7,041 thousand; 2022: BGN 4,285 thousand), related to increasing obligations on loan

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.

contracts, offered to meeting MREL requirements. The net interest margin of the Bank amounted to 3.75% for the period.



Net fee and commission income for 2023 increased by 8.6% to BGN 151,549 thousand (2022: BGN 139,515 thousand), forming 29.3% (21.3% average for the banking system) of total income from banking operations (2022: 31.4%), providing a solid contribution to operating profit. An increase was recorded in all major sources of income, incl. payment operations (2023: BGN 31,075 thousand; 2022: BGN 28,421 thousand), card services (2023: BGN 53,406 thousand; 2022: BGN 46,547 thousand), letters of credit and guarantees (2023: BGN 3,653 thousand; 2022: BGN 3,559 thousand), as well as other services (2023: BGN 64,963 thousand; 2022: BGN 45,536 thousand), at the expense of customer accounts which decreased (2023: BGN 39,508 thousand; 2022: BGN 48,927 thousand). The Bank aims for developing banking services, with focus in the field of cross-selling and maintaining long-term relations with clients.

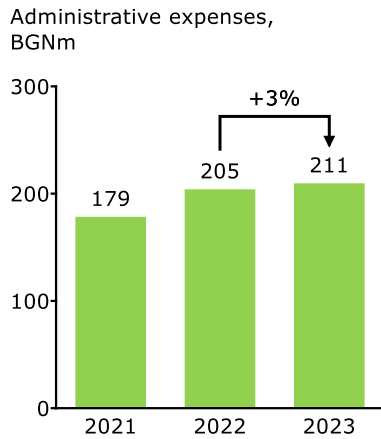
For 2023, net trading income reached BGN 23,295 thousand (2022: BGN 19,717 thousand), the increase mainly due to higher income from foreign currency transactions, which amounted to BGN 22,148 thousand, compared to BGN 20,259 thousand a year earlier. Net income was reported for debt and equity instrument transactions, which totaling BGN 1,147 thousand for the period, compared to net expenses of BGN 542 thousand for the previous year. The relative share of net trading income remained insignificant at 4.5% of total income from banking operations (2022: 4.4%).

The other net operating expenses amounted to BGN 27,192 thousand, compared to net revenues of BGN 14,195 thousand a year earlier, influenced mainly due to higher operating expenses related to debt instruments BGN 44,993 thousand.

For the period, administrative expenses increased to BGN 210,667 thousand compared to BGN 205,113 thousand a year earlier, influenced mainly by the inflationary processes in the country and the related increase in the personnel costs (2023: 85,816 thousand; 2022: BGN 74,545 thousand). An increase was also recorded in the costs for advertising (2023: BGN 10,176 thousand; 2022: BGN 8,455 thousand), related to organised marketing campaigns, as well as those related to telecommunications, software and other computer maintainance (2023: BGN 15,351 thousand; 2022: BGN 13,753 thousand), which are in line with the development of information technologies. At levels close to the previous year remained the costs for depreciation of property, plant and equipment (2023: BGN 12,969 thousand; 2022: BGN 12,060 thousand), while decrease was registered in the costs of depreciation of right-of-use assets (2023: BGN 32,195 thousand; 2022: BGN 40,021 thousand), as well as in the costs of external services (2023: BGN 54,160 thousand; 2022: BGN 56,279 thousand). For the

period, cost/income ratio amounted to 42.25% on an individual basis (2022: 47.57%), which is within the target value of below 50%, set as a quantitative indicator in the development strategy.

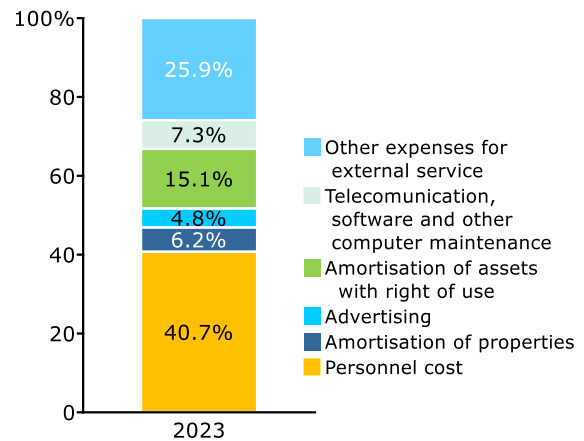
ADMINISTRATIVE EXPENSES



CAGR
21-23

8%

STRUCTURE OF ADMINISTRATIVE EXPENSES



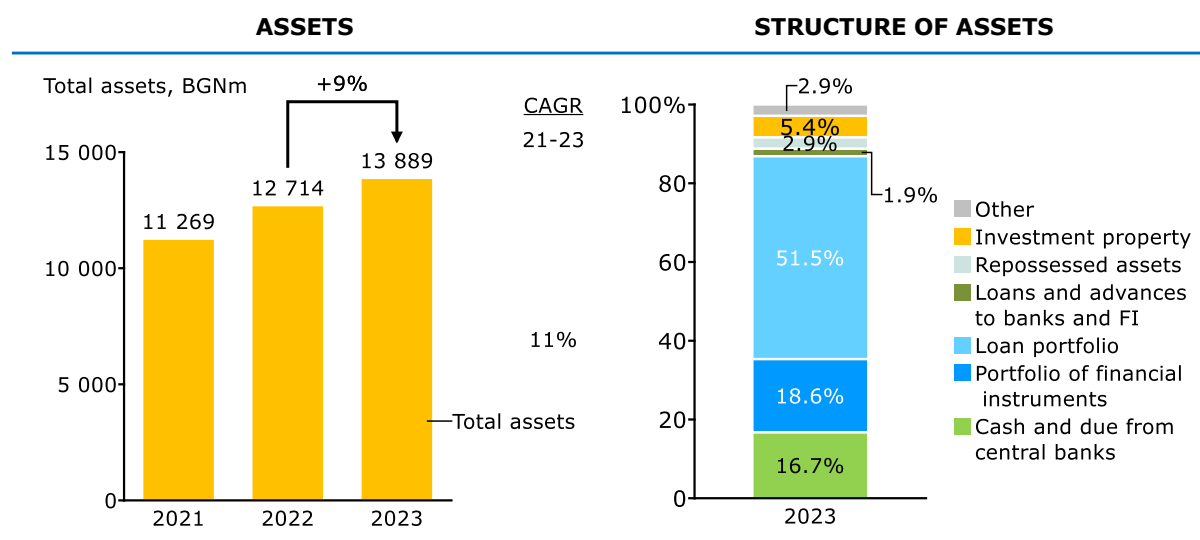
During the year additional write-downs were made on loans, off-balance sheet commitments amounting to BGN 233,223 thousand, while BGN 96,055 thousand impairment losses were reversed. As a result, net impairment for 2023 amounted to BGN 137,168 thousand (2022: BGN 135,349 thousand). *For more information see the ["Risk Management"](#) section.*

For the reporting period, First Investment Bank reported other net expenses in the amount of BGN 18,902 thousand, compared to BGN 12,960 thousand a year earlier, which included mainly contributions made by the Bank to guarantee schemes, including deposit insurance funds, for restructuring and investor compensation (2023: BGN 23,838 thousand; 2022: BGN 24,534 thousand).

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

BALANCE SHEET

In 2023, the total assets of First Investment Bank increased by 9.2% to BGN 13,888,528 thousand, compared to BGN 12,714,058 thousand a year earlier. The dynamics reflected the increase of the borrowed funds, the development of the loan portfolio and the management of cash and liquid assets. Fibank maintains its leading position among banks in the country, ranking fifth in terms of assets at the end of 2023 (2022: fifth), with a market share of 8.07% on an individual basis (2022: 8.18%).



In the structure of the Bank's assets, loans and advances to customers strengthen their structure-determining share - 51.5% of total assets (2022: 50.2%), followed by investments in securities - 18.6% (2022: 20.4%) and cash and receivables from central banks – 16.7% (2022: 15.0%). The repossessed assets continue to reduce their share to 2.9% (2022: 3.2%) and investment properties to 5.4% (2022: 5.9%) as part of actions aimed at reducing of non-interest-bearing assets and their effective realization. The net loans/deposits ratio amounted to 62.3% compared to 59.1% for the previous year in accordance with the conservative risk management policy.

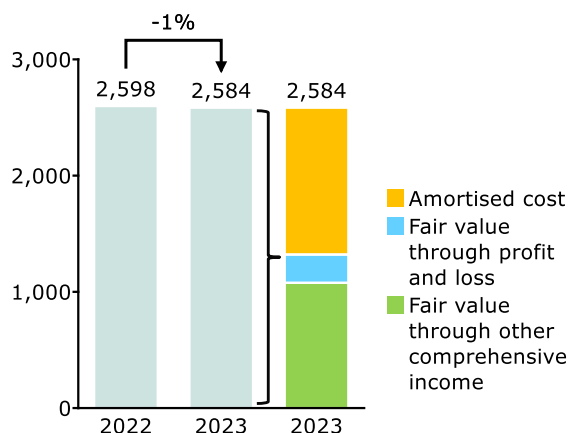
Cash and receivables from central banks increased to BGN 2,325,807 thousand, compared to the levels of the previous year - BGN 1,911,371 thousand, mainly as a result of an increase in receivables from central banks (2023: BGN 1,844,620 thousand; 2022: BGN 1,427,241 thousand), which is influenced by the requirements increased by the BNB during the period for maintaining minimum mandatory reserves for borrowed funds from 10 to 12 percent. As of the end of 2023, cash on hand increased (2023: BGN 311,763 thousand; 2022: BGN 248,540 thousand), at the expense of current accounts in foreign banks (2023: BGN 235,590 thousand; 2022: BGN 165,600 thousand), managed as part of liquidity.

Loans and advances to banks and financial institutions decreased (2023: BGN 259,718 thousand; 2022: BGN 264,984 thousand), mainly influenced by the receivables from foreign banks, at the expense of those from local banks and financial institutions.

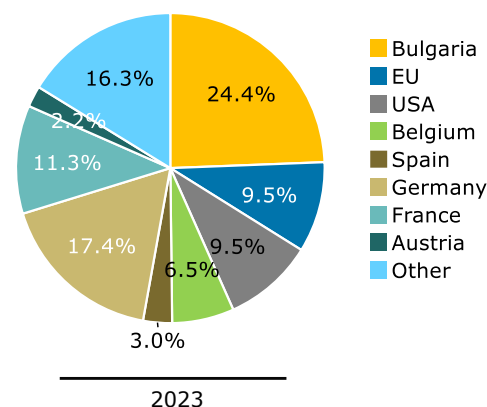
The securities investment portfolio remains almost unchanged at the end of the year (2023: BGN 2,583,949 thousand; 2022: BGN 2,598,137 thousand), managed according to market conditions and with a view to generating additional income while maintaining proper balance between risk and return. The structure of the portfolio mainly includes government securities of the Bulgarian government (2023: BGN 542,334 thousand; 2022: BGN 575,672 thousand) and of foreign governments (2023: BGN 1,681,195 thousand; 2022: BGN 1,575,324 thousand), which mainly contain government debt of

European Union member states. Bonds and other securities issued by enterprises amount to BGN 280,619 thousand, and those issued by banks - to BGN 39,114 thousand).

PORTFOLIO OF FINANCIAL INSTRUMENTS



PORTFOLIO OF GOVERNMENT DEBT BY COUNTRIES



In accordance with the requirements regarding the business models and the IFRS 9 criteria for classification and valuation of financial assets in the Bank's portfolios BGN 1,077,079 thousand of the securities portfolio were measured at fair value through other comprehensive income (2022: BGN 468,247 thousand), BGN 1,263,279 thousand - at amortized cost (2022: BGN 1,862,203 thousand), and BGN 243,591 thousand - at fair value through profit or loss (2022: BGN 267,687 thousand). Investments in subsidiaries decreased to BGN 34,683 thousand at the end of the period, compared to BGN 38,526 thousand a year earlier, as a result of terminated subsidiary during the year - First Investment Finance B.V., Netherlands.

As of December 31, 2023, Fibank's operations abroad (Cyprus branch) formed 5.1% (2022: 2.0%) of the Bank's assets and 5.0% (2022: 6.4%) of the Bank's 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 403,523 thousand (2022: BGN 412,996 thousand), while investment properties were BGN 756,767 thousand (2022: BGN 750,324 thousand). During the year, such properties were acquired in the amount of BGN 147 thousand and properties sold amounting to BGN 9,532 thousand were written off. Additional costs were recognized in asset value at BGN 11,351 thousand, as well as transferred assets from property and equipment at BGN 4,477 thousand.

Other assets of the Bank amounted to BGN 120,177 thousand (2022: BGN 114,246 thousand), including deferred expenses, gold and other receivables. The right-of-use assets amounted to BGN 121,410 thousand at the end of the year (2022: BGN 124,159 thousand), decreasing mainly in connection with the accumulated depreciation for the period.

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

LOAN PORTFOLIO

LOANS

In 2023 the net loan portfolio of First Investment Bank increased by 12.1% to BGN 7,158,309 thousand (2022: BGN 6,384,541 thousand), with an increase in all main business segments. As of December 31, 2023, Fibank ranked fifth in terms of loans among banks in the country, reporting a market share of 8.23% (2022: 8.27%).

In BGN thousand / % of total	2023	%	2022	%	2021	%
Retail banking	2,547,968	33.9	2,334,010	34.5	2,120,134	31.3
Micro enterprises	216,593	2.9	198,538	2.9	182,625	2.7
Small enterprises	1,021,711	13.6	878,135	13.0	878,125	13.0
Medium-sized enterprises	1,179,493	15.7	1,085,974	16.0	1,123,631	16.6
Large enterprises	2,557,431	34.0	2,270,652	33.6	2,474,806	36.5
Gross loan portfolio	7,523,196	100	6,767,309	100	6,779,321	100
Impairment	(364,887)		(382,768)		(463,740)	
Net loan portfolio	7,158,309		6,384,541		6,315,581	

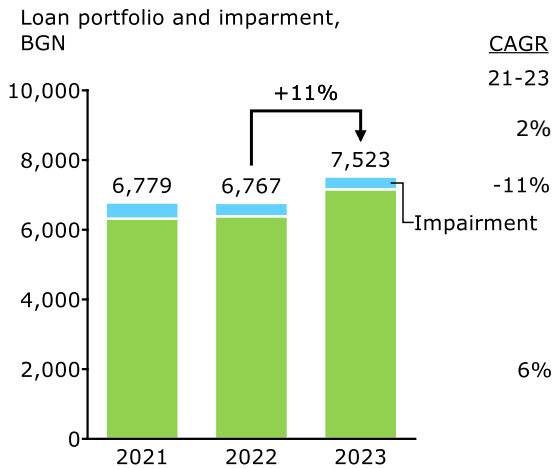
The structure of the portfolio remained balanced, with exposures in the retail banking segment forming 33.9% of the gross portfolio (2022: 34.5%), micro, small and medium-sized enterprises¹¹ – respectively 2.9% (2022: 2.9%), 13.6% (2022: 13.0%) and 15.7% (2022: 16.0%) or a total of 32.2% (2022: 31.9%) structured according to the Law on Small and Medium-sized Enterprises, while the large enterprises – 34.0% of the gross portfolio (2022: 33.6%).

In BGN thousand / % of total	2023	%	2022	%	2021	%
Loans in BGN	4,976,546	66.2	4,233,941	62.6	4,048,836	59.7
Loans in EUR	2,342,198	31.1	2,326,562	34.4	2,481,510	36.6
Loans in other currency	204,452	2.7	206,805	3.0	248,975	3.7
Gross loan portfolio	7,523,196	100	6,767,309	100	6,779,321	100
Impairment	(364,887)		(382,768)		(463,740)	
Net loan portfolio	7,158,309		6,384,541		6,315,581	

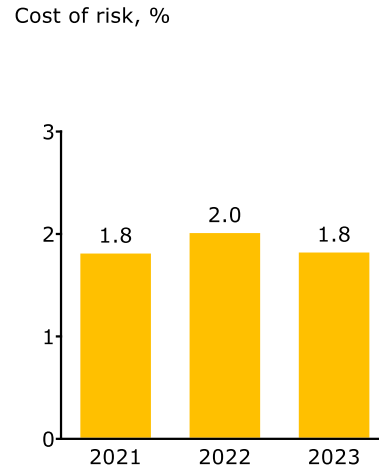
In the currency structure of the loan portfolio, loans in BGN had a predominate share – BGN 4,976,546 thousand (2022: BGN 4,233,941 thousand) or 66.2% of the total portfolio (2022: 62.6%), followed by those in euro – BGN 2,342,198 thousand (2022: BGN 2,326,562 thousand) or 31.1% (2022: 34.4%) of total loans. The country has a currency board system in place which minimizes the BGN/EUR currency risk. Since 2020, Bulgaria is part of the European Exchange Rate Mechanism (ERM) II and the Single Supervisory Mechanism (SSM), which was a step towards the country's accession to the Eurozone. Loans in other currencies amounted to BGN 204,452 thousand (2022: BGN 206,805 thousand), forming 2.7% of total loans (2022: 3.0%).

¹¹ According to business segments of the Bank, incl. criteria for annual turnover/assets, as well as: microenterprises – up to BGN 3.9 million; small enterprises – up to BGN 19.5 million; medium-sized enterprises – up to BGN 97.5 million/ BGN 84 million.

LOAN PORTFOLIO AND IMPAIRMENT



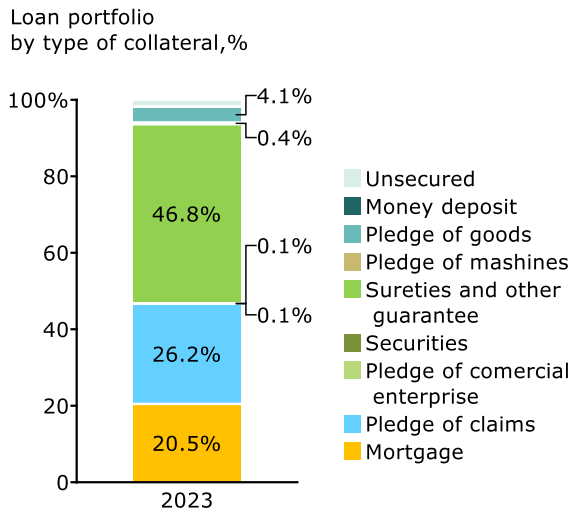
COST OF RISK



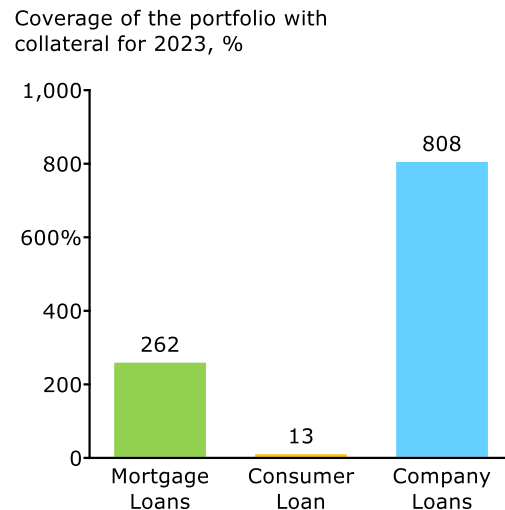
At the end of the period, impairment charges for potential losses on the loan portfolio amounted to BGN 364,887 thousand compared to BGN 382,768 thousand a year earlier. In 2023, additional impairment was recognized in the amount of BGN 232,980 thousand, impairment losses in the amount BGN 95,022 thousand were reversed, and BGN 225,693 thousand were written off as part of the successive actions to reduce non-performing exposures.

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

LOAN PORTFOLIO BY TYPE OF COLLATERAL



COVERAGE OF THE PORTFOLIO WITH COLLATERAL



As of the end of 2023, the type of collateral with the largest share in the Bank's portfolio were sureties and other guarantees – 46.8%, followed by pledges of receivables – 26.2% and mortgages – 20.5%.

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

RELATED PARTY TRANSACTIONS

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

Type of related party	Parties that control or manage the Bank			Enterprises under common control			
	In BGN thousand	2023	2022	2021	2023	2022	2021
Loans		1,553	2,944	3,515	71,359	78,316	83,666
Deposits and loans received		16,144	14,195	13,725	80,751	115,177	125,350
Deposits placed		-	-	-	81,338	92,146	5,868
Other receivables		-	-	-	15,118	12,467	18,037
Other borrowings		-	-	-	6,334	150	420
Off-balance sheet commitments		2,100	1,023	1,061	3,541	2,029	2,792
Leasing liabilities		-	-	-	2,669	2,684	1,513

Type of related party	Parties that control or manage the Bank			Enterprises under common control			
	In BGN thousand	2023	2022	2021	2023	2022	2021
Interest income		31	35	24	4,193	3,065	3,089
Interest expense		7	8	8	1,512	231	547
Fee and commission income		30	27	16	771	1,769	1,082
Fee and commission expense		7	6	4	6	301	296

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

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 period, the total amount of off-balance sheet commitments amounted to BGN 1,186,167 thousand compared to BGN 1,026,495 thousand a year earlier. An increase was reported in unused credit lines – up to BGN 992,286 thousand (2022: BGN 837,477 thousand), in bank guarantees – up to BGN 160,443 thousand (2022: BGN 157,251 thousand) and in letters of credit – up to BGN 33,438 thousand (2022: BGN 31,767 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, 2023.

ATTRACTED FUNDS

In 2023, attracted funds from customers increased by 6.4% and reached BGN 11,494,164 thousand (2022: BGN 10,798,450 thousand), remaining the main source of funding for the Bank and forming 92.6% of total liabilities (2022: 94.8%). First Investment Bank offers savings products and package programs tailored to market conditions and customer needs. As at December 31, 2023, the Bank ranked fifth by deposit size among banks in Bulgaria (2022: fifth) with a market share of 8.40% on individual basis (2022: 8.59%).

Deposits of individuals increased by 7.0% to BGN 7,772,234 thousand at the end of the period compared to BGN 7,260,749 thousand a year earlier. They retained a major share of total borrowings at 67.6% (2022: 67.2%). The currency structure of retail deposits was dominated by funds in BGN accounting for 43.8% of all borrowings (2022: 42.2%), followed by funds in euros at 19.5% (2022: 20.2%) and in other currencies at 4.3% (2022: 4.9%).

In BGN thousand / % of total	2023	%	2022	%	2021	%
Attracted funds from individuals	7,772,234	67.6	7,260,749	67.2	6,993,994	74.2
In BGN	5,031,180	43.8	4,552,829	42.2	4,352,688	46.2
In EUR	2,244,113	19.5	2,182,818	20.2	2,131,028	22.6
In other currency	496,941	4.3	525,102	4.9	510,278	5.4
Attracted funds from corporate, state-owned and public institutions	3,721,930	32.4	3,537,701	32.8	2,431,257	25.8
In BGN	2,153,963	18.7	2,018,602	18.7	1,400,350	14.9
In EUR	1,343,191	11.7	1,272,193	11.8	883,292	9.4
In other currency	224,776	2.0	246,906	2.3	147,615	1.6
Total attracted funds from customers	11,494,164	100	10,798,450	100	9,425,251	100

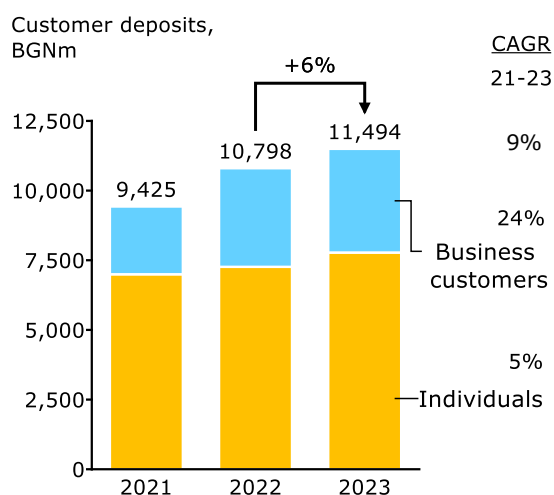
In accordance with the regulatory requirements, First Investment Bank allocates annual contributions to the Deposit Insurance Fund. As provided by law, the Fund guarantees amounts up to BGN 196,000 kept in a customer's accounts with the Bank.

Attracted funds from corporates and institutions increased by 5.2% to BGN 3,721,930 thousand (2022: BGN 3,537,701 thousand), which is influenced by the Bank's consistent policy of developing the transaction business and maintaining lasting customer relationships. At the end of 2023 their relative share amounts to 32.4% of the total borrowings from customers (2022: 32.8%). As regards the currency structure, funds in BGN attracted from corporates and public institutions formed 18.7% of all borrowings (2022: 18.7%), those in euros – 11.7% (2022: 11.8%), and those in other currencies – 2.0% (2022: 2.3%).

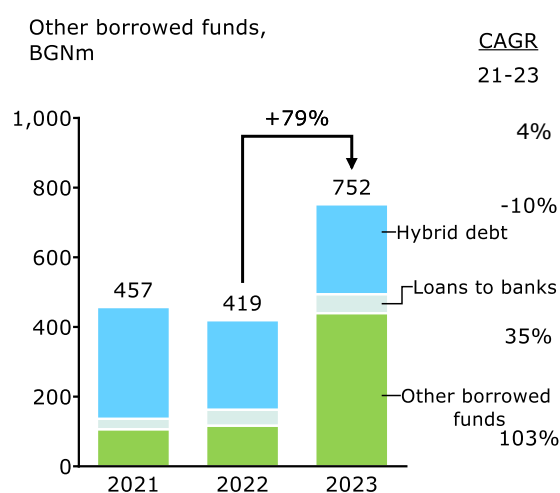
Other borrowings increased to BGN 439,634 thousand as of December 31, 2023 compared to BGN 116,487 thousand a year earlier, mainly as a result of an increase in the obligations under borrowing agreements for the fulfillment of the requirements for eligible liabilities (MREL) according to Regulation (EU) № 575/2013 and the Law on Recovery and Restructuring of Credit Institutions and Investment Intermediaries. *For more information, see the „[Capital](#)“ section.*

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

CUSTOMER DEPOSITS



OTHER ATTRACTED FUNDS



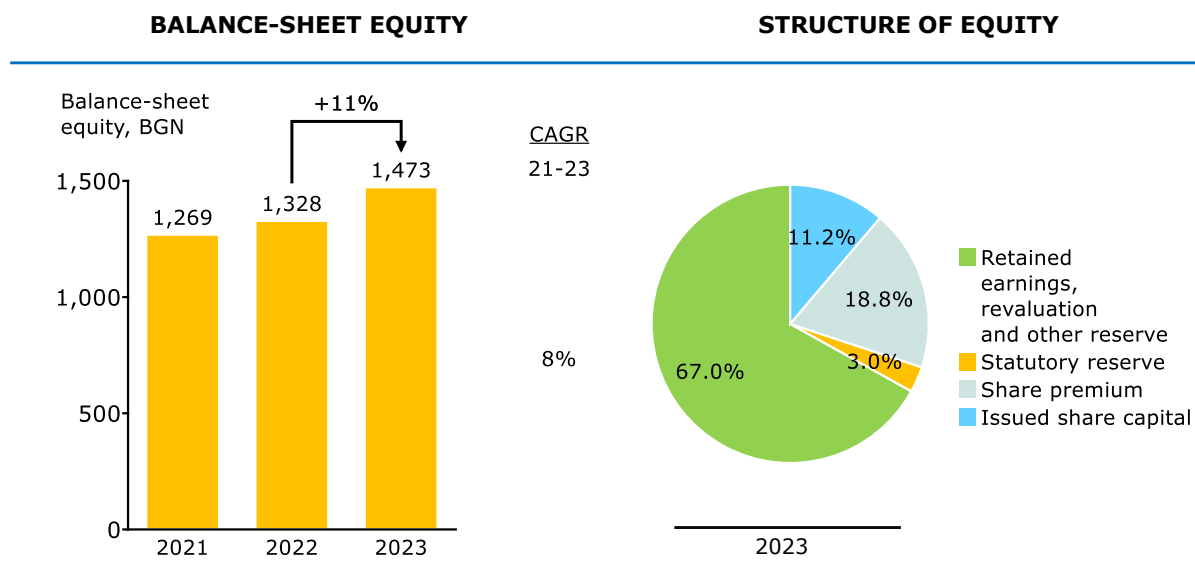
For 2023, liabilities due to banks in the form of current and term accounts amounted to BGN 54,326 thousand, compared to BGN 45,703 thousand a year earlier.

Leasing liabilities amounted to BGN 121,503 thousand at the end of the year (2022: BGN 124,240 thousand), decreasing in connection with the lease payments made during the period.

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

CAPITAL

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



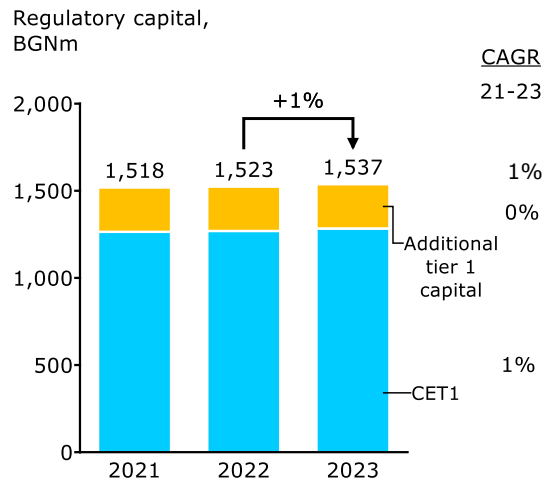
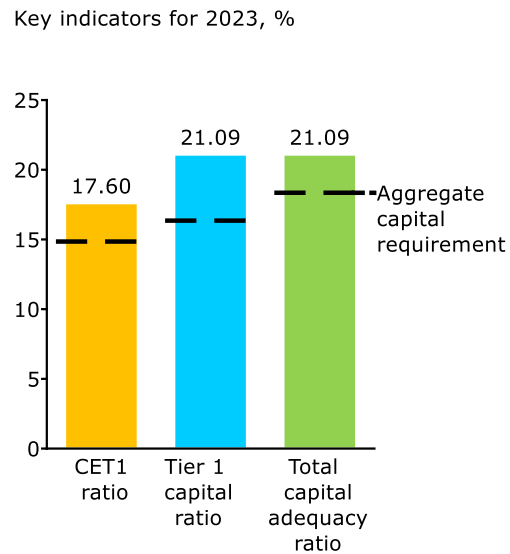
The balance sheet equity of First Investment Bank increased by 10.9% to BGN 1,472,926 thousand (2022: BGN 1,328,209 thousand), influenced by the increase in other reserves and retained earnings, which reached BGN 1,035,102 thousand at the end of the period (2022: BGN 900,061 thousand).

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 1,282,862 thousand, compared to BGN 1,269,041 thousand a year earlier, when corrections related to the transitional treatment according to Regulation (EU) 2017/2395 on mitigating the impact of the introduction of IFRS9 were last applied. Tier 1 capital amounted to BGN 1,537,120 thousand (2022: BGN 1,523,299 thousand), and total regulatory equity was BGN 1,537,120 thousand (2022: BGN 1,523,299 thousand).

As of 31.12.2023, First Investment Bank had four hybrid instruments (bond issues) with an original principal amount of EUR 60 million (ISIN: BG2100022123), EUR 30 million (ISIN: BG2100023196), EUR 30 million (ISIN: XS2419929422) and EUR 10 million (ISIN: XS2488805461), included in the additional Tier 1 capital of the Bank. Three of the issues are admitted to trading on the regulated market of the Luxembourg Stock Exchange (LuxSE). At the end of the reporting period, the amortized cost of the hybrid debt amounted to BGN 257,871 thousand (2022: BGN 256,861 thousand). *For more information, see Note 29 "Hybrid Debt" of the Individual Financial Statements for the year ending 31 December 2023.*

REGULATORY CAPITAL

CAPITAL ADEQUACY IN 2023


For the purpose of reporting qualifying holdings outside the financial sector, First Investment Bank applies the definition of eligible capital, which includes tier 1 capital and tier 2 capital, which cannot exceed 1/3 of tier 1 capital. As at 31 December 2023, the eligible capital of First Investment Bank, 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 1,537,120 thousand.

CAPITAL REQUIREMENTS

At the end of 2023, First Investment Bank reported stable capital ratios as follows: Common Equity Tier 1 (CET1) ratio at 17.60%, Tier 1 capital ratio at 21.09% and Total Capital Adequacy ratio at 21.09%, exceeding the minimum regulatory capital requirements expressed by the overall capital requirement, including the additional capital requirement for risks other than the risk of excessive leverage (in the amount of 2.10% of the risk exposures) and the combined buffer requirement. *For more information, see the "[Capital buffers](#)" section.*

In BGN thousand / % of risk exposures	2023	%	2022	%	2021	%
CET 1 capital	1,282,862	17.60	1,269,041	18.11	1,264,009	17.86
Tier 1 capital	1,537,120	21.09	1,523,299	21.74	1,518,267	21.46
Own funds	1,537,120	21.09	1,523,299	21.74	1,518,267	21.46
Total risk exposures	7,289,126		7,007,065		7,075,369	

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

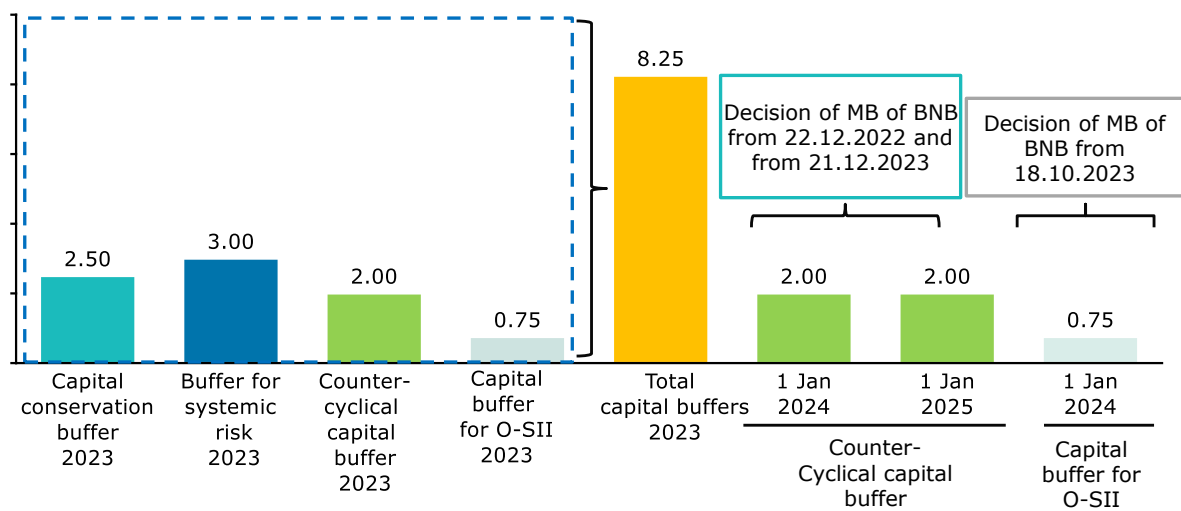
In addition to the capital requirements set out in Regulation (EU) № 575/2013 and the Law on Credit Institutions, First Investment Bank maintains four capital buffers in accordance with the requirements of Ordinance №8 of the BNB on Capital Buffers, the Combined Buffer Requirement, Restrictions on Distributions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

First Investment Bank maintains a capital conservation buffer, comprised of common equity tier 1 capital, equal to 2.5% of the total risk exposure of the Bank, as well as 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 2023 the level of the capital buffer for systemic risk applicable to all banks in Bulgaria remained unchanged at 3% of the total risk exposures in the country.

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

CAPITAL BUFFERS

Types of capital buffers, maintained by the Bank
%



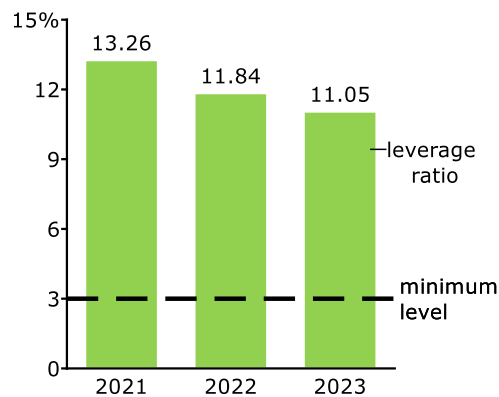
In addition, the determined by BNB other systematically important institutions (O-SII) in the country among which First Investment Bank AD should maintain a buffer for O-SII with a view on their significance for the national economy and financial system. The applicable for Fibank buffer for O-SII on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

LEVERAGE

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

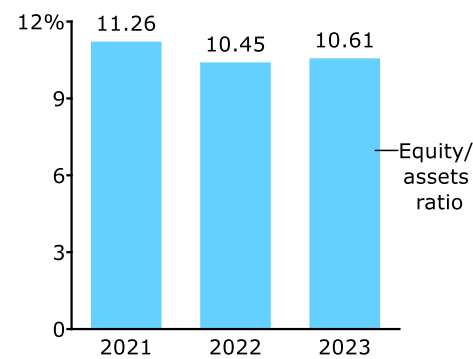
LEVERAGE RATIO

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 2023, the leverage ratio amounted to 11.05% on a standalone basis compared to 11.84% for the previous period, impacted by the increase in the total exposure measure.

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

ELIGIBLE LIABILITIES

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

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

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

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

RISK MANAGEMENT

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

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

RISK MANAGEMENT STRATEGY


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

KEY ELEMENTS OF RISK STRATEGY



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

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

-  achieving a sustainable level of capital to ensure good risk-taking capacity, as well as capacity to cover risks in the long term;

- ◆ maintaining good asset quality while providing for an efficient decision-making process;
- ◆ achieving a balanced risk/return ratio for all business activities of the Bank through defining a risk tolerance for achieving the targeted business goals and tasks.

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

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



RISK APPETITE FRAMEWORK

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

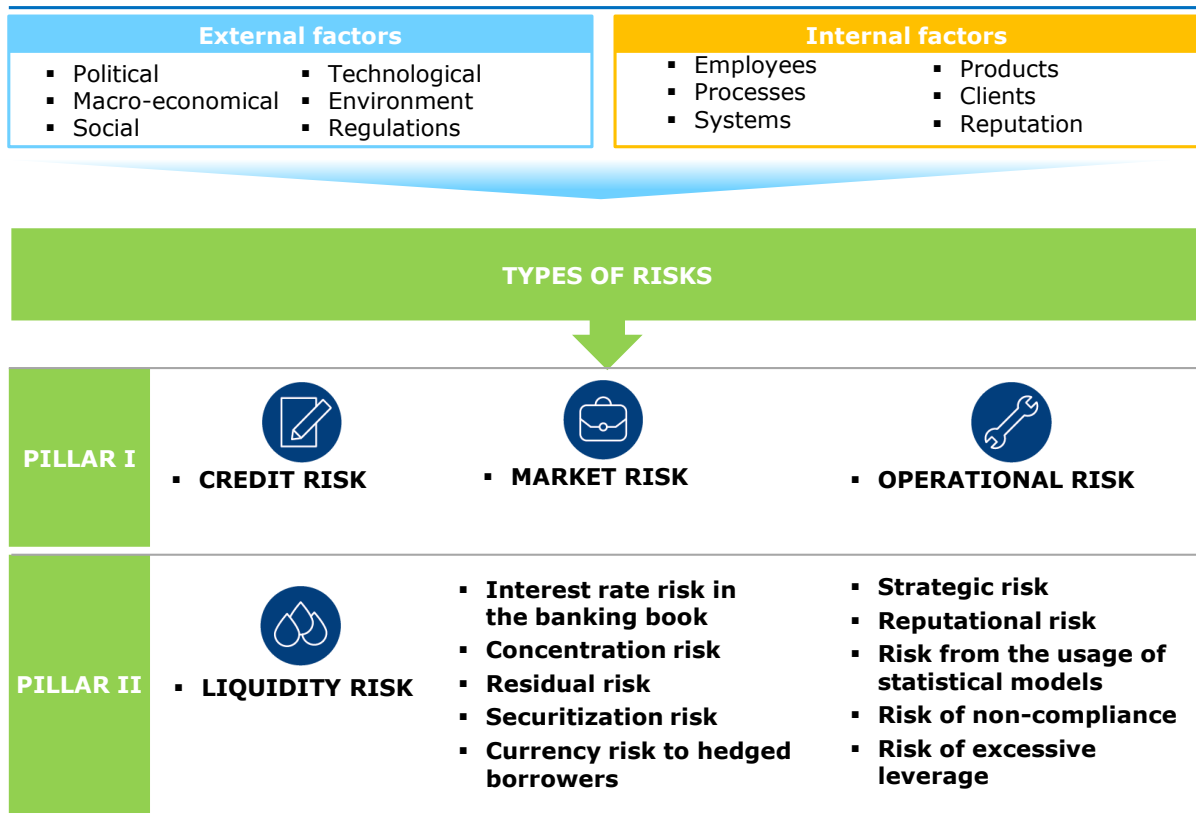
The risk appetite framework is subject to review by the Managing Board and approval from the Supervisory Board once a year or more often, if needed, in accordance with the business environment dynamics. It is part of the annual process for defining the strategy and planning within the Bank.



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, the EBA Guidelines on internal governance pursuant to Directive 2013/36/EU (EBA/GL/2021/05) and the EBA Guidelines on policies and procedures in relation to compliance management and the role and responsibilities of the AML/CFT Compliance Officer under Article 8 and Chapter VI of Directive (EU) 2015/849 (EBA/GL/2022/05).

STRUCTURE AND INTERNAL ORGANISATION

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

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

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

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

COLLECTIVE RISK MANAGEMENT BODIES

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

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

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

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

The **Asset, liability and Liquidity management Council (ALCO)** is a specialized collective body which advises the Managing Board on matters relating to implementing the policy for asset and liability management, and maintaining adequate liquidity in the Bank. It carries out systematic analysis of the interest-rate structure of assets and liabilities, of the maturity ladder and of liquidity indicators, with a

view to possible early warning and taking actions for their optimization. During the year there were no changes in the composition of ALCO. The Chairperson of ALCO is the Chief Executive Officer (CEO), and other members include, the Chief Financial Officer (CFO), and the directors of the Treasury, Risk Analysis and Control, Retail Banking and Large Enterprises Banking departments.

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

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

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

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

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

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

The Compliance – Regulations and Standards department carries out the activities of identifying, assessing and managing the risk of non-compliance, ensures adequate and legitimate internal regulatory framework in the structure of the Bank, and monitors for compliance of the Bank's products and services with existing regulations. It also manages and analyses 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 – Anti-Money Laundering and Terrorism Financing Department performs the Bank's activities related to prevention of money laundering and terrorist financing as a specialized service under Article 106 of the Measures Against Money Laundering Act (MAMLA). It also ensures regulatory compliance of this activity according to the EBA Guidelines on policies and procedures in relation to compliance management and the role and responsibilities of the AML/CFT Compliance Officer under Article 8 and Chapter VI of Directive (EU) 2015/849 (EBA/GL/2022/05) and BNB Ordinance 10 on the Organization, Management and Internal control in Banks, as well as exercises control over the application of fraud prevention requirements.



SYSTEM OF LIMITS

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

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

RECOVERY PLAN

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

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

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

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

In connection with the implementation of the plan, an effective process of communication and disclosure has been structured in First Investment Bank, including internal communication (to internal bank bodies and employees) and external communication (to supervisors, shareholders and investors,

customers and counterparties, and other stakeholders), as well as measures for the management of potential negative market reactions.

RESTRUCTURING PLANNING PROCESS

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

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



CREDIT RISK

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

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

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

LOAN PROCESS

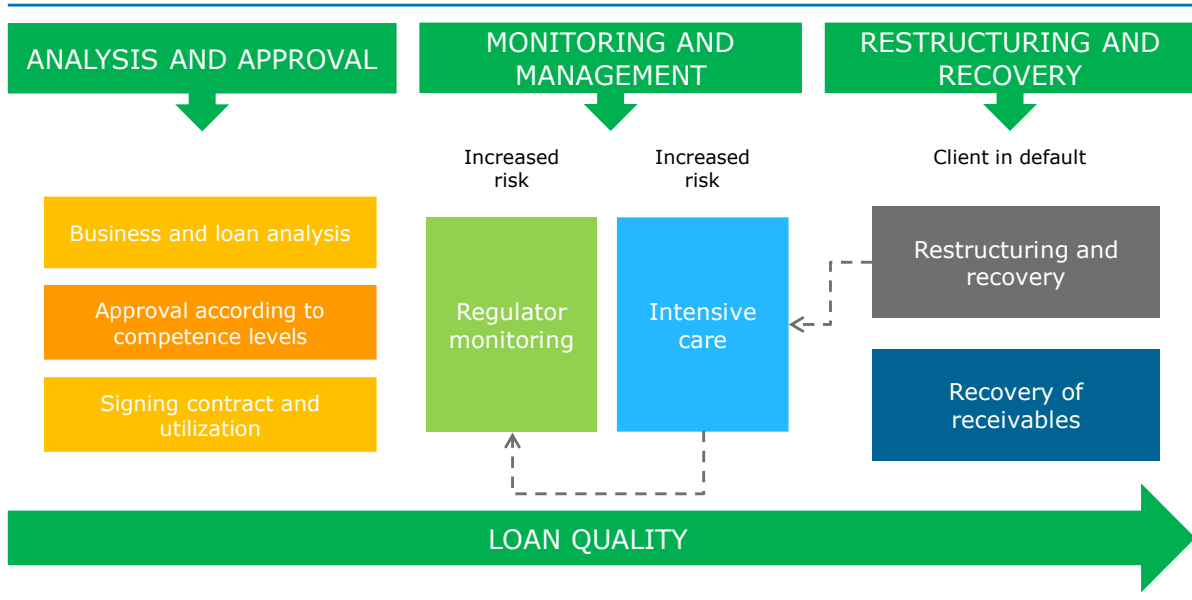
The credit process at First Investment Bank is automated through the Business Process Management (BPM) system, developed on the IBM Business Automation Workflow platform. It is integrated in the core information system of the Bank and includes control mechanisms and levels of authority in the review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

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

In 2023, changes were made to the lending rules and to the levels of authority for approval of credit transactions. The aim was to optimize the internal decision-making processes, bringing them in line

with structural units and automated credit processing systems in the Bank, as well as to refine the requirements for off-balance sheet commitments. During the year, changes were also made to the internal rules for real estate lending to individuals in line with the Law on consumer real estate loans. Those included updating the internal processes for working with credit intermediaries, as well as the methodology for assessing the creditworthiness of individuals.

LOAN-LIFE CYCLE



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

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

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

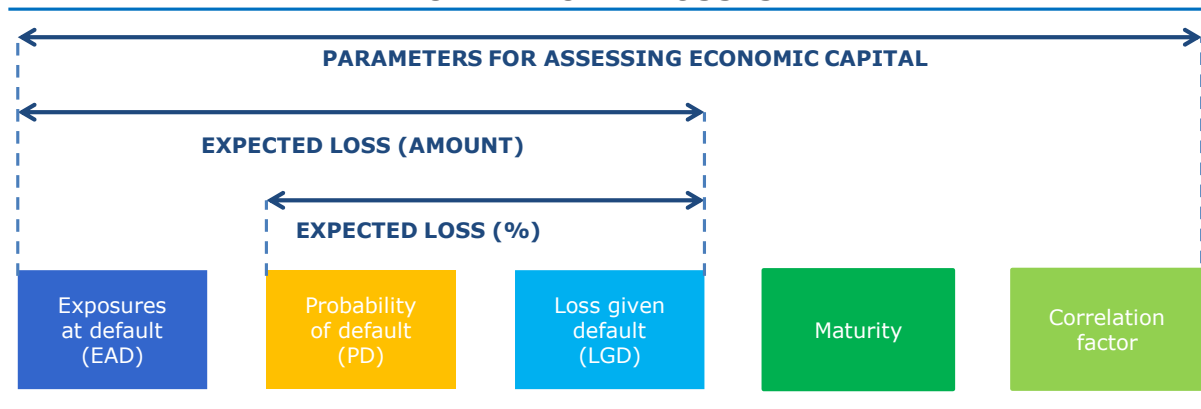
In the Bank a department functions for Intensive loan management, which manages the exposures of customers transferred from the business units with increased credit risk compared to the initial disbursement of the loan, as well as from the impaired assets unit, when there are indicators for recovery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

MODELS FOR CREDIT RISK MEASUREMENT

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

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

RISK PARAMETERS FOR ASSESSING EXPECTED AND UNEXPECTED LOSSES



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

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

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

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

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

CREDIT RISK MITIGATION METHODS

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



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

PROBLEM EXPOSURES, REPOSSESSED ASSETS AND STRATEGY FOR THEIR REDUCTION

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

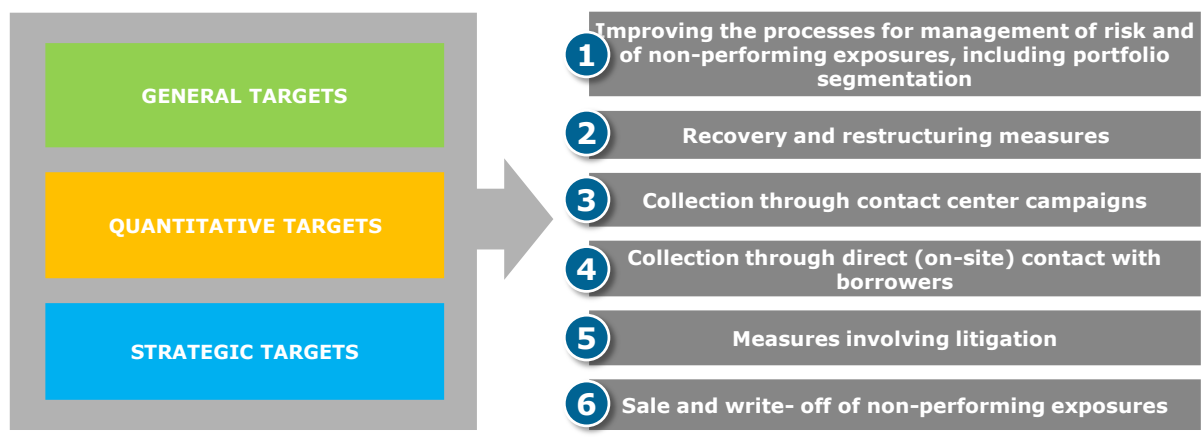
The Bank has structured processes and internal organization regarding the management and sale of repossessed assets, as well as for debt-to-asset/debt-to-equity conversion. There is an Asset Management and Sale Committee acting as an auxiliary body to the Management Board. It performs functions related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

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

-  Regular write-off of fully impaired and uncollectible credit exposures and sale of portfolios of non-performing exposures, in such volume and time horizon as the market dynamics allow and the prices offered;
-  Achieving stable recovery, covering the entire life cycle of credit exposures and perfecting the practices and processes in order to achieve higher recovery rates;

- ❖ Improving the ways and methods for restructuring, aimed at increasing collections from non-performing exposures;
- ❖ Reduction of the risk profile of the loan portfolio and applying a conservative approach in collateral valuation;
- ❖ Reduction of the relative weight of the portfolio of foreclosed assets in the Bank's balance sheet in order to free up cash resources and reduce risk.

MEASURES/OPTIONS REDUCE NON-PERFORMING EXPOSURE



During the year, as a result of the consistent actions and measures for improving collection, write-offs and reduction of problem exposures, non-performing exposures decreased net by 18.9% or by BGN 229,936 thousand y/o/y. As at 31 December 2023, the nonperforming loan (NPL) ratio calculated in accordance with the requirements of the European Banking Authority decreased by 3.9 percentage points to 10.1% of gross loans and advances under the FinREP financial reporting framework (2022: 14.0%), and the nonperforming exposure (NPE) ratio decreased by 2.8 percentage points to 8.0% of gross loans and advances and debt instruments other than held for trading (2022: 10.8%).

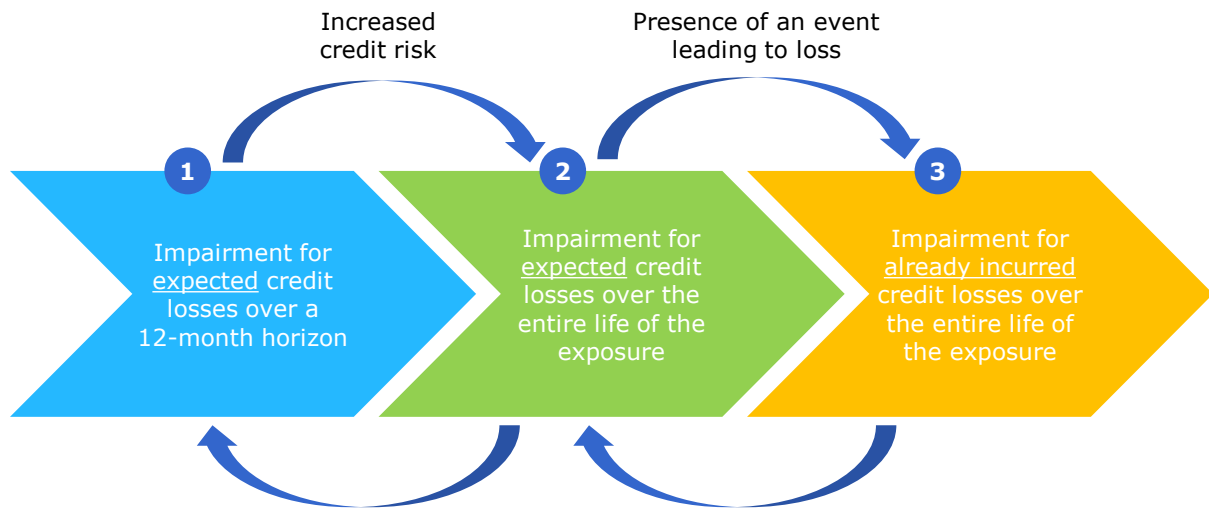
CLASSIFICATION, IMPAIRMENT AND PROVISIONING OF EXPOSURES

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

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

the Bank applies impairment on a portfolio basis (taking into account potential losses), grouping exposures with similar credit risk characteristics. According to IFRS9 an allowance for impairment loss is calculated equal to the expected credit losses over the life of the instrument, if the credit risk of the financial instrument has increased significantly since the original recognition. Otherwise, an allowance for impairment losses is calculated equal to the expected credit losses over a 12-month horizon.

IMPAIRMENT OF RISK EXPOSURES



The Bank has written parameters for defining the increased credit risk, which includes days past due, as well as other indicators i.e. presence of 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.

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

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



MARKET RISK

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

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

The limits applied by the Bank for debt and capital instruments are structured with the aim of minimizing the risk and applying a wide and risk-based framework of limits, which are directly connected with the risk profile of the investments, as well as with the dynamics of the risk profile in time. The Bank applies a uniform framework regarding its limits on investments in debt securities to governments and financial institutions in accordance with the development of market conditions and

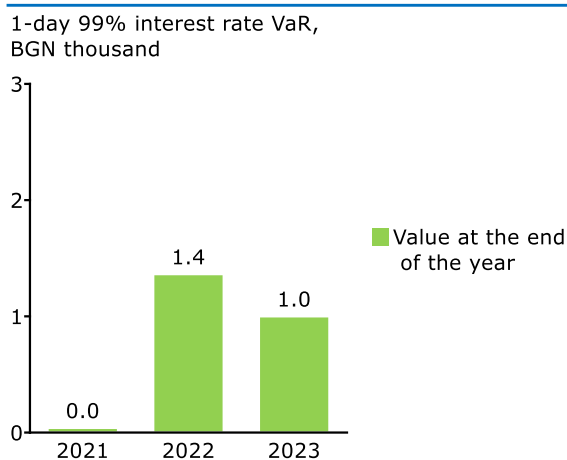
opportunities to generate returns and returns. In 2023, the rules for managing market risks were updated, mainly with respect to overview of the positions and assessment of the inherent risks, incl. towards ecological, social and governance (ESG) risk factors.

POSITION RISK

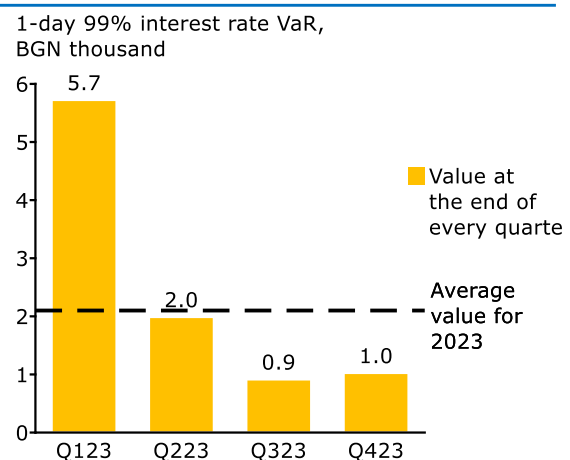
Position risk is the risk of changes in the prices of debt and equity instruments as a result of circumstances related to the issuer and / or changes in market conditions. Position risk includes general and specific position / price risk.

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

INTEREST RATE VAR FOR THE TRADING BOOK OF DEBT INSTRUMENTS



INTEREST RATE VAR FOR THE TRADING BOOK OF DEBT INSTRUMENTS DURING 2023



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

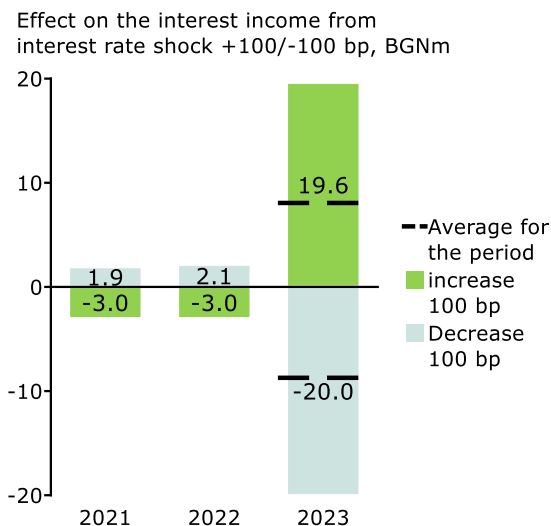
INTEREST RATE RISK IN THE BANKING BOOK

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.

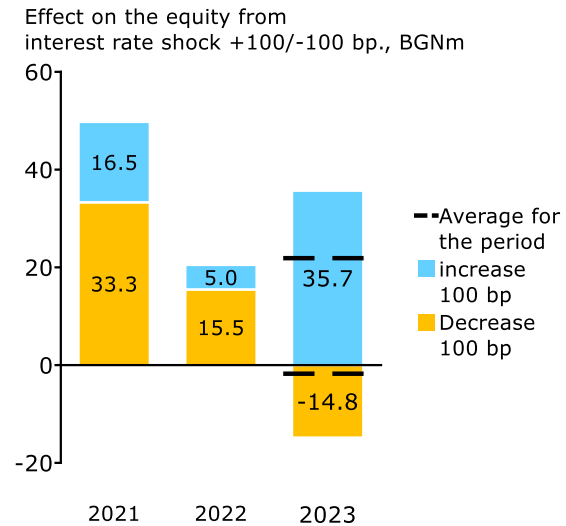
First Investment Bank manages this type of risk through written rules, limits and procedures aimed at reducing the interest sensitivity gap of assets and liabilities in accordance with the requirements of the EBA Guidelines issued on the basis of Article 84 (6) of Directive 2013/36/EU specifying criteria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

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

EFFECT ON THE INTEREST INCOME



EFFECT ON THE EQUITY



As at 31 December 2023 the interest rate risk on the economic value of the Bank (IRRBB) following a standardized shock of +100/-100 bp was BGN +35.7/-14.8 million, while on the net interest income one year forward was BGN +19.6/-20.0 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 2023.



LIQUIDITY RISK

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

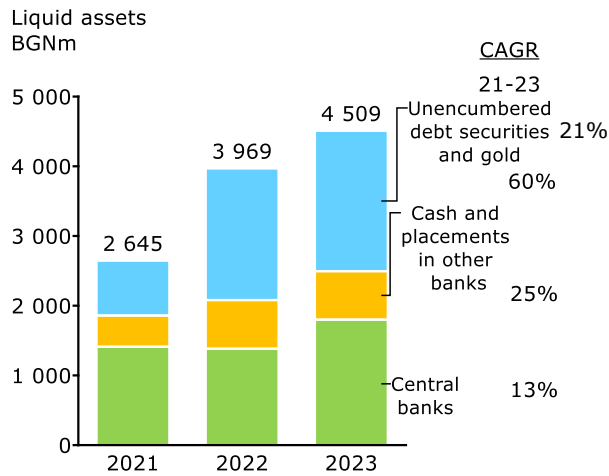
First Investment Bank manages liquidity risk through an internal system for monitoring and daily liquidity management, maintenance of a sufficient amount of cash consistent with the currency structure of assets and liabilities and maturity ladder, regular gap analysis of inflows and outflows, maintaining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

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

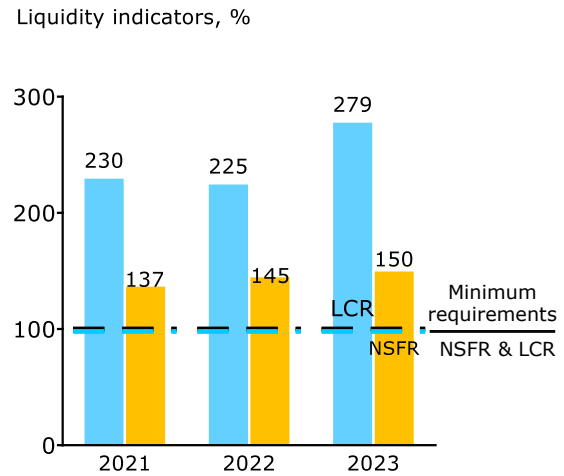
During the year, in implementation of the changes in Ordinance No. 21 of the BNB, actions were taken to reflect the increased mandatory minimum reserves that banks maintain at the Bulgarian National Bank at the systemic, operational and reporting levels. The internal processes for managing asset encumbrance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

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

LIQUID ASSETS



LCR AND NSFR



During the reporting year Fibank maintained an adequate volume of liquid assets, as at 31 December 2023 the ratio of liquid assets covering the attracted funds due to other customers amounted to 39.22% (2022: 36.75%), 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 278.55% on an individual basis (2022: 225.36%).

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 150.48% on an individual basis (2022: 145.47%) and was above the reference value of 100% in accordance with Regulation (EU) No 575/2013.

INTERNAL LIQUIDITY ADEQUACY ASSESSMENT PROCESS

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

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

With respect to the internal processes and organization on ILAAP the CFO has general responsibility for controlling the process for updating, for making proposals for amendments on the document, as well as ensuring control before presenting for approval from the competent bodies within the Bank.

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

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

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



OPERATIONAL RISK

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

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

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

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

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

INFORMATION SECURITY

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

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

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

PERSONAL DATA PROTECTION

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

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

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

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

BUSINESS CONTINUITY MANAGEMENT

In order to ensure the effective management of business continuity, First Investment Bank maintains contingency and business continuity plans, as well as plans for the recovery of all its critical functions and resources, which are regularly tested. Business continuity management ensures sustainability at all organizational levels within the Bank, as well as the opportunity for effective actions and reactions

in crisis situations. The organization of processes ensured within the Bank aims at protecting the interests of all stakeholders, its reputation, brand and the value-adding activities.

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

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

OUTSOURCING

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

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

RISK EXPOSURES

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

In BGN thousand/ % of total	2023	%	2022	%	2021	%
For credit risk	6,702,613	92.0	6,462,477	92.2	6,546,743	92.5
For market risk	4,413	0.1	4,350	0.1	4,713	0.1
For operational risk	582,100	8.0	540,238	7.7	523,913	7.4
Total risk exposures	7,289,126	100	7,007,065	100	7,075,369	100

In 2023 the structure of risk-weighted assets comprised predominantly of those to credit risk at 92.0% of total exposures (2022: 92.2%), following by those for operational risk at 8.0% (2022: 7.7%) and to market risk at 0.1% (2022: 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 information was expanded regarding the maintained capital buffers and the so-called management buffer, as well as the required documentation package including the governing body's opinion on adequacy of capital positions and capital planning. The ICAAP methodology was refined taking into account integrated stress test assumptions, as well as scenario changes regarding liquidity risk and interest rate risk in the banking portfolio.

When preparing the ICAAP report, a business model assessment is made, as well as internal control framework, incl. independent risk, compliance and internal audit functions 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.

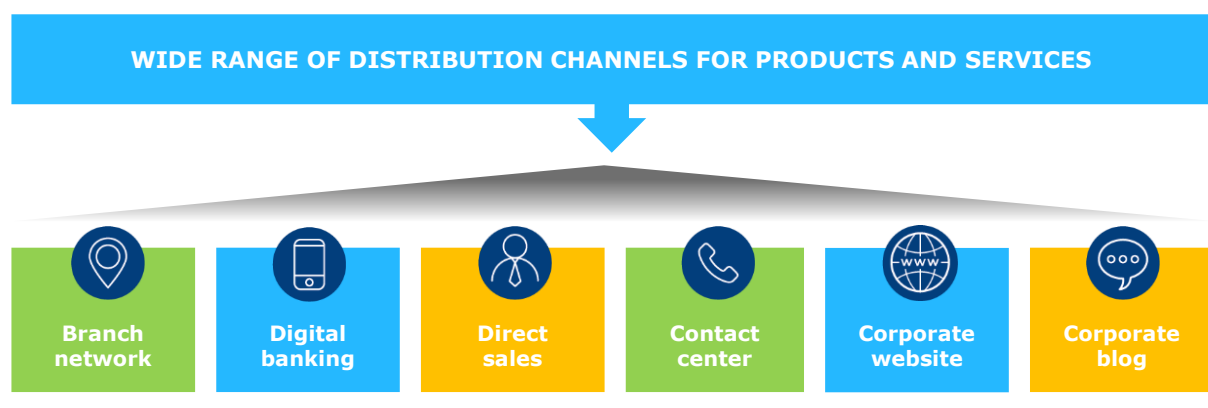


To assess **liquidity risk**, the Bank differentiates the analysis in two directions regarding the risk of insolvency and the risk of providing liquidity. The risk of insolvency is managed and covered by maintaining an appropriate buffer of unencumbered, highly liquid assets, while the risk of providing 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 2023 the Bank continued to optimize its branch network, taking into account the external environment and market conditions, the workload of individual locations and the volumes of activity, as well as the processes related to activity digitalization. During the year, five offices in the city of Sofia were closed and one new office was opened – Sofia Tech Park. As at 31 December 2023 the branch network of First Investment Bank comprised a total of 120 branches and offices on an individual basis (2022: 126), located in over 60 cities in Bulgaria: 38 locations in the city of Sofia (2022: 42), 81 branches and offices in the rest of the country (2022: 83), 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 branch digitization project, aimed at introducing a new model of customer servicing, developing digitalization in everyday operations, an electronic signing of documents via e-Sign pad in the branch network is provided for. When registering for the service, a sample of the customer's signature (electronic specimen) is taken and used for comparison in subsequent signing. The use of e-signing in basic banking transactions speeds up payment processing, improves customer service and contributes to the Bank's consistent efforts to reduce CO2 emissions by digitizing banking services.

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



The Bank has 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 more information on branch network see „[List of branches](#)“.



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

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.

In 2023 through the contact center, 12 outgoing campaigns of different nature and topics were conducted, including information campaigns, those related to the direct offer of card



products and services, as well as for researching the attitudes of users. According to them, nearly 65,000 outgoing calls were recorded with a high degree of addressees reached, as well as an increase in the success rate of direct sales during the conducted commercial campaigns

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

Through the Contact Center, customers may also apply for debit card overdrafts or apply for consumer loans. They may receive up-to-date and timely information on products and services, the Tariff and interest rates of the Bank, the location of branches and their working hours, as well as adequate and

professional assistance by employees in case of questions or problems. Customers may communicate remotely with the Bank by phone, email or online chat in real time through the corporate website of the Bank.



CORPORATE WEBSITE – www.fibank.bg

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

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

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



CORPORATE BLOG

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

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

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



SALES

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

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



DIGITAL BANKING

MY FIBANK ELECTRONIC BANKING

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

Through 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.

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

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

In accordance with current EU regulations and trends in the development of digital banking, First Investment Bank has provided Third Party Providers (TPPs) with access to customer accounts kept at the Bank and available online, for payment initiation and account information services: 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 section „[Payment services](#)“.*

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

MY FIBANK MOBILE APPLICATION

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

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

In 2023, Fibank further developed the services provided through its mobile application. Instant Blink P2P transfers were introduced where a mobile phone number is used as secondary account identifier

instead of an IBAN. When ordering Blink P2P transfers from a mobile device registered with My Fibank, recipients can be selected from the contact list or their number can be entered manually. The new functionality makes online money transfers fast and simple, in line with modern trends.

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

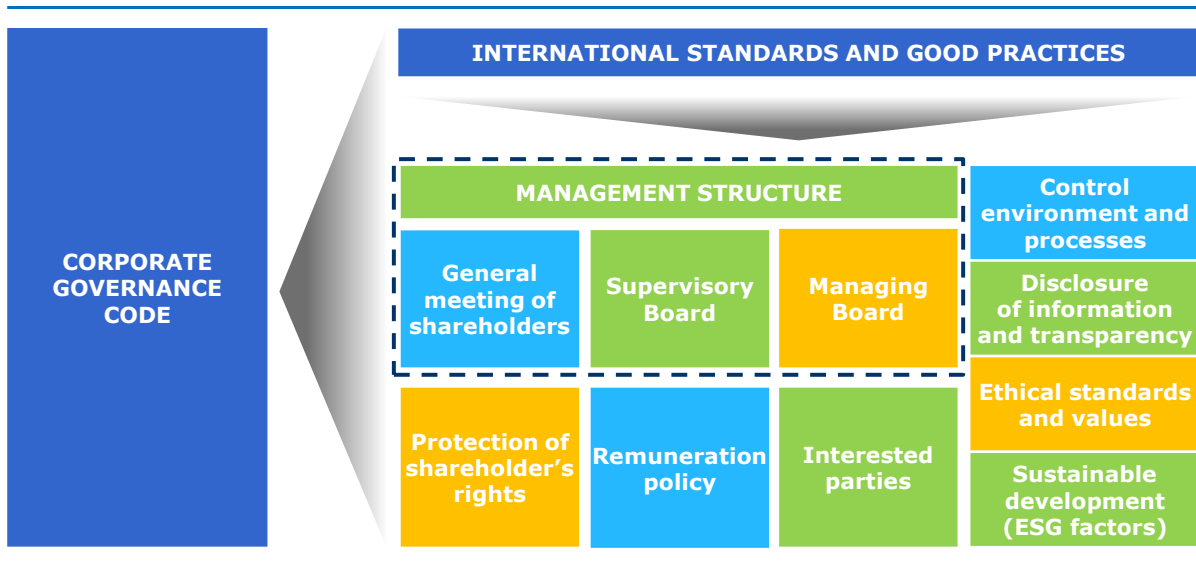
As a public company and public interest entity, First Investment Bank discloses information about its corporate governance practices, as this section of the Annual Report represents a Corporate Governance Statement pursuant to Art. 100m of the Public Offering of Securities Act and Art. 40 of the Accountancy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

CORPORATE GOVERNANCE FRAMEWORK	Error! Bookmark not defined. 0
CORPORATE GOVERNANCE CODE	Error! Bookmark not defined.
CORPORATE STRUCTURE	Error! Bookmark not defined.
SUPERVISORY BOARD	Error! Bookmark not defined. 3
MANAGING BOARD	Error! Bookmark not defined. 7
GENERAL MEETING OF SHAREHOLDERS	79
CONTROL ENVIRONMENT AND PROCESSES	790
PROTECTION OF SHAREHOLDERS' RIGHTS	801
INFORMATION DISCLOSURE	81
STAKEHOLDERS	82
SHAREHOLDERS' STRUCTURE	845
SHARE PRICE AND MARKET CAPITALISATION	84

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

CORPORATE GOVERNANCE CODE

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

recommendations of the National Corporate Governance Code, approved by the Financial Supervision Commission.

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

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

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

In addition to the Corporate Governance Code, First Investment Bank applies a Disclosure Policy. Both documents are publicly available at the corporate website of the Bank (<https://www.fibank.bg/bg/zan-as/korporativno-upravlennie/kodeks-na-korporativno-upravlennie>).

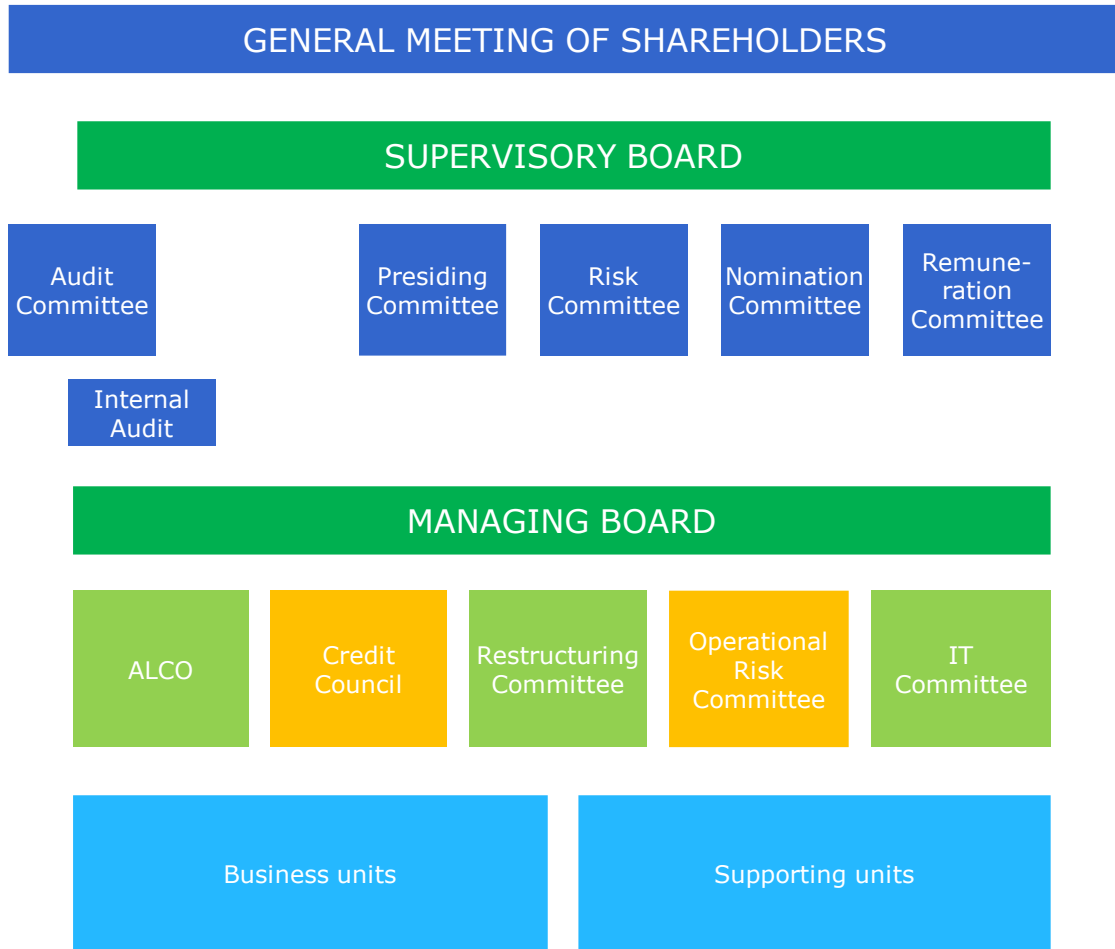
In 2023, the requirements specified in these were met, including the requirements for disclosure of regulated information and information under the financial calendar of the Bank for 2023.

CODE OF CONDUCT AND WHISTLEBLOWING POLICY

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

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

CORPORATE STRUCTURE



SUPERVISORY BOARD

STRUCTURE AND COMPETENCES

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

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

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

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

In 2023 there was no changes in the number of shares of First Investment Bank, held by members of the Supervisory Board. As at 31 December 2023 the members of the Supervisory Board held a total of 367,652 shares of First Investment Bank, as follows: Mr. Evgeni Lukanov (337,139 shares), Ms. Maya Georgieva (11,388 shares), Mr. Jordan Skortchev (19,125 shares), 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 2023, the Bank fulfilled the set target level as two (40%) of the Supervisory Board members were women. The reported levels exceeded the average levels in EU related to management board in its supervisory function (28%) according to latest reported data in research for diversity practices of the European Banking Authority (EBA Report on the benchmarking of diversity practices and the gender pay gap at the level of the Management body at European Union level under Directive 2013/36/EU (2021 data), EBA/REP/2023/07, published at <https://eba.europa.eu/regulation-and-policy/internal-governance>).

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

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

FUNCTIONS AND RESPONSIBILITIES

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

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

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

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

ASSESSMENT OF THE ACTIVITY

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

COMMITTEES

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

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

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

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

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

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

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

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

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

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

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

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

MANAGING BOARD

In 2023 no changes were made to the composition of the Managing Board of First Investment Bank. In April 2023 the mandates of the current members Ms. Ralitsa Bogoeva and Mr. Ianko Karakolev were prolonged for a new 5-year term as members of the Managing Board of the Bank.

STRUCTURE AND COMPETENCES

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

Name	Position	Term of Office
Nikola Hristov Bakalov	Chief Executive Officer (CEO), Chairman of the Managing Board	16.01.2025
Svetozar Alexandrov Popov	Chief Risk Officer (CRO), Member of the Managing Board and Executive Director	21.04.2024
Ralitsa Ivanova Bogoeva	Chief Retail Banking Officer (CRBO), Member of the Managing Board and Executive Director	28.04.2028
Chavdar Georgiev Zlatev	Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director	25.01.2027
Ianko Angelov Karakolev	Chief Financial Officer (CFO) and Member of the Managing Board	21.05.2028
Nadia Vasileva Koshinska	Member of the Managing Board and Director of Small Enterprises Banking Department	30.06.2025

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

The Management Board members are elected for 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 2023 the members of the Managing Board held a total of 33,649 shares of First Investment Bank, as follows: Mr. Nikola Bakalov (374 shares), Mr. Svetozar Popov (5856 shares), Mr. Chavdar Zlatev (27,173 shares), Mr. Ianko Karakolev (12 shares), Ms. Nadia Koshinska (234 shares), 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 2023, the Bank fulfilled the set target level as two (33%) of the Managing Board members were women. The reported levels exceeded the average levels in EU related to management

board in its management function (18%) according to reported data in research for diversity practices of the European Banking Authority (EBA Report on the benchmarking of diversity practices and the gender pay gap at the level of the Management body at European Union level under Directive 2013/36/EU (2021 data), EBA/REP/2023/07, published at <https://eba.europa.eu/regulation-and-policy/internal-governance>). *For further information regarding the professional experience and competences of the Supervisory Board members see section „[Other information](#)“.*

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

FUNCTIONS AND RESPONSIBILITIES

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

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

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

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

COMMITTEES AND COUNCILS TO THE MANAGING BOARD

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

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

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

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

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

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

CONTROL ENVIRONMENT AND PROCESSES

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

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

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

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

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

INTERNAL AUDIT

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

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

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

REGISTERED AUDITORS

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

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

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

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

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

PROTECTION OF SHAREHOLDERS' RIGHTS

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

CONVENING OF GMS AND INFORMATION

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

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.

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

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

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

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

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

INVESTOR RELATIONS DIRECTOR

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

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

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

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

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

STAKEHOLDERS

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

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

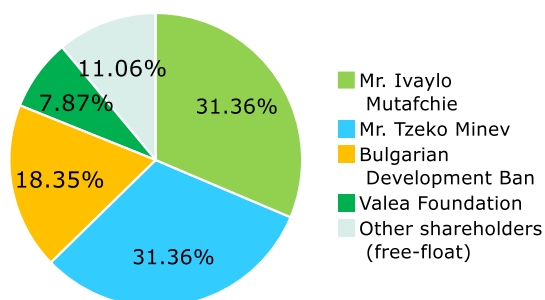
First Investment Bank has maintained and developed a corporate blog which functions as a channel of communication aimed at open dialogue in accessible language with customers, partners and other stakeholders.

SHAREHOLDERS' STRUCTURE

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

SHAREHOLDERS' STRUCTURE AT END-2023

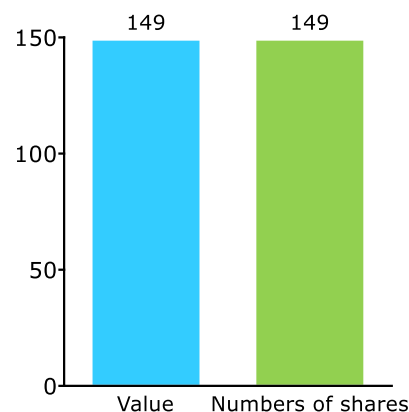
Shareholders' structure, %



2023

ISSUED SHARE CAPITAL AT END- 2023

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 nearly 2,000 which include both individuals and legal entities, including institutional investors.

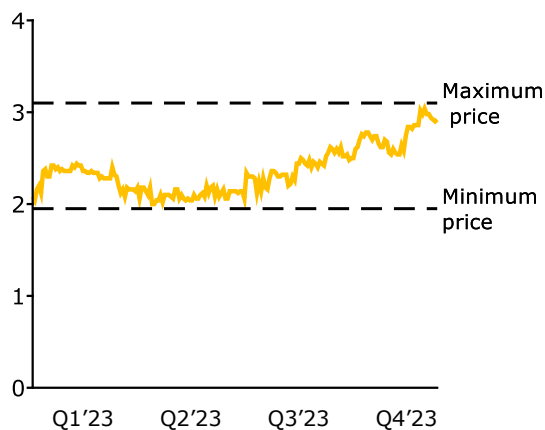
During the reporting period First Investment Bank did not acquire or transfer own shares, and at the end of the reporting period the Bank did not have own shares.

SHARE PRICE AND MARKET CAPITALISATION

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

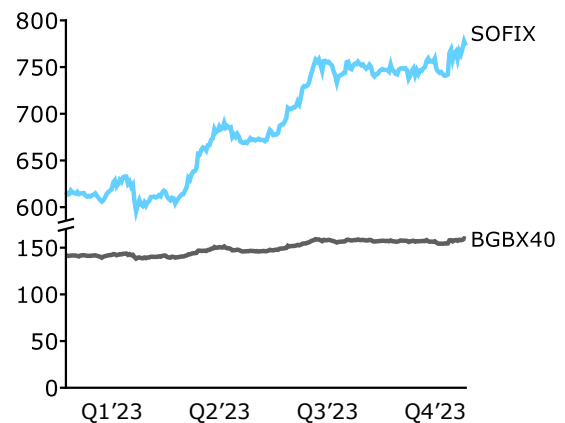
PRICE OF THE BANK'S SHARES FOR 2023

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

REPORT ON THE IMPLEMENTATION OF THE REMUNERATION POLICY

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

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

MAIN PRINCIPLES AND OBJECTIVES	Error! Bookmark not defined.
ENFORCEMENT AND CONTROL AUTHORITIES	87
IDENTIFIED STAFF	87
FIXED REMUNERATION	88
RATIO BETWEEN FIXED AND VARIABLE REMUNERATION.....	88
CRITERIA FOR EVALUATION AND IMPLEMENTATION OF THE ACTIVITY	88
SPECIFIC REQUIREMENTS FOR DEFERRATION, PAYMENT IN INSTRUMENTS AND RETENTION OF VARIABLE REMUNERATION	88
LEAVE BENEFITS.....	89
SUMMARY OF QUANTITATIVE INFORMATION.....	89
INTEGRATION OF SUSTAINABILITY RISKS	89

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 2023 the number of identified staff of First Investment Bank on an individual basis amounts to 37 employees, which include members of the Supervisory Board and the Managing Board, as well as other persons, whose activities are related to risk-taking, incl. in the field of lending and the main business lines, as well as those related to independent control and other corporate functions. They are identified in accordance with the internal methodology for evaluation and determination of the categories of employees by the identified staff, developed according to the qualitative and quantitative criteria of Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile.

FIXED REMUNERATION

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

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

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

LEAVE BENEFITS

According to the concluded contracts for management and control in case of unilateral termination by the Bank, without notice, the members of the Managing Board are entitled to compensation in the amount of up to 6 monthly remunerations under the contract, and the branch managers - 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 2023, no severance pay was paid to the identified staff.

SUMMARY OF QUANTITATIVE INFORMATION

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

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

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

INTEGRATION OF SUSTAINABILITY RISKS

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

In this regard, the Bank publishes the required information on its corporate website 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

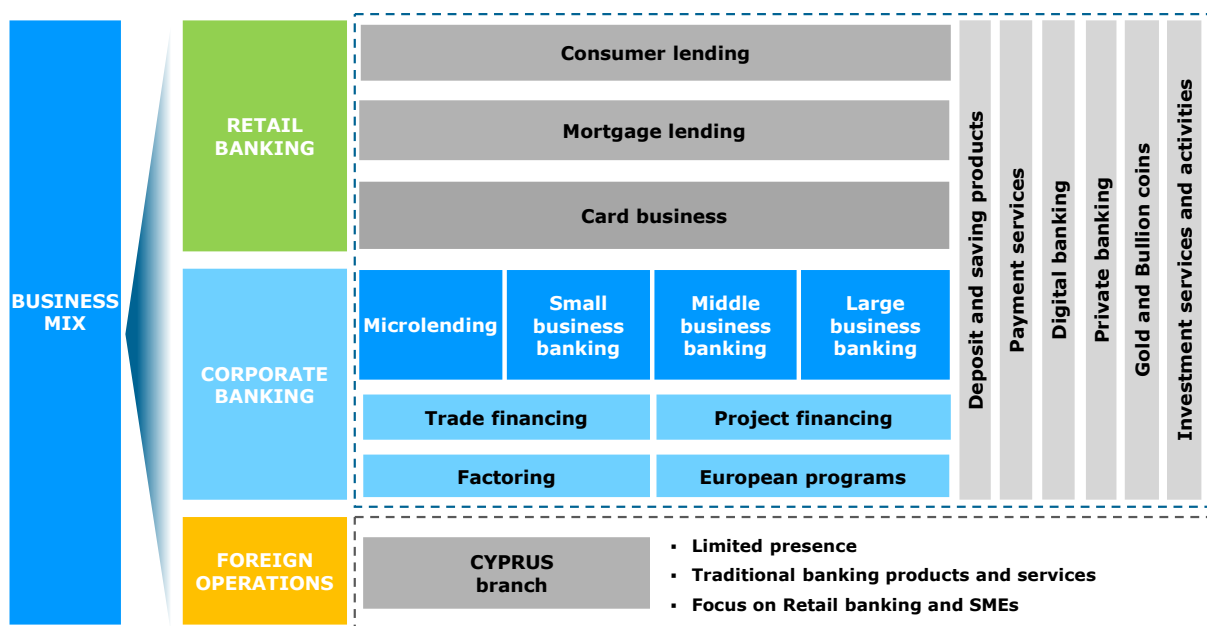
- ❖ In accordance with legal regulations and good practices, First Investment Bank discloses in its Annual Reports non-financial information that represents a Non-financial statement within the meaning of Art. 48 of the Accountancy Act.

BUSINESS MODEL	Error! Bookmark not defined.
SUSTAINABLE DEVELOPMENT	93
ENVIRONMENTAL ISSUES	93
SOCIAL ISSUES	97
GOVERNANCE ISSUES	Error! Bookmark not defined.
ETHICAL ISSUES	100
CODE OF ETHICS	Error! Bookmark not defined.
RESPONSIBILITY AND COMPLIANCE	Error! Bookmark not defined.
WHISTLEBLOWING	Error! Bookmark not defined.
HUMAN CAPITAL	102
POLICY FOR NOMINATION AND SUITABILITY ASSESSMENT	Error! Bookmark not defined.
INFORMATION TECHNOLOGY	Error! Bookmark not defined.

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

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

DEVELOPMENT PRIORITIES

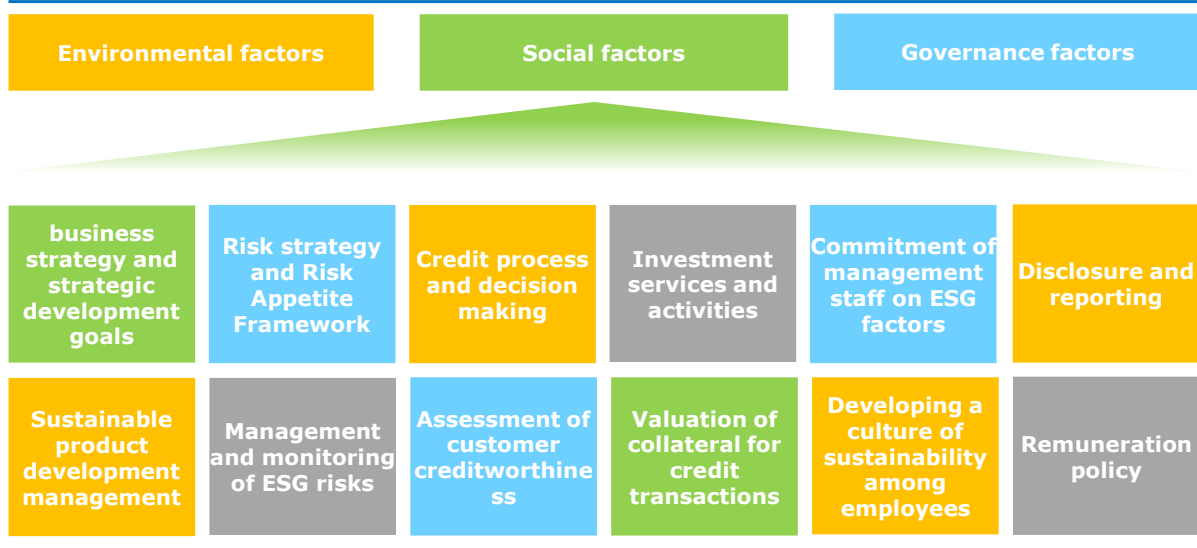
 RESPONSIBLE BANKING FOR SUSTAINABLE FUTURE 
 UNIVERSAL BULGARIAN BANK, LEADING IN KEY SEGMENTS 
 HIGH QUALITY CUSTOMER SERVICE 
 FOCUS ON DIGITIZATION AND INNOVATION 
 STABLE AND SUSTAINABLE BUSINESS MODEL 
 RETURN FOR SHAREHOLDERS AND COST OPTIMISATION 

For more information see section „[Development priorities](#)“.

SUSTAINABLE DEVELOPMENT

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

INTEGRATION OF SUSTAINABLE DEVELOPMENT IN THE ACTIVITY OF THE BANK








A specialized structure has been established in the Bank to ensure the integration of environmental, social and governance factors in the overall activity, as well as to provide advice and support with regard to strategic planning, risk framework and internal management. An ESG rating has also been developed for business customers based mainly on taxonomy requirements and applicable standards for assessment of environmental and social risks.

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

- ❖ A 10-year Sustainable Development Strategy taking into account applicable ESG factors, risks associated with the transition to a sustainable economy and physical risks;
- ❖ A Green Finance Framework setting the standards for green and environmentally friendly lending according to the ICMA (International Capital Market Association) principles;
- ❖ A Climate and Environmental Risk Management Policy of First Investment Bank AD.
 - ❖ According to its priorities and framework documents, First Investment Bank focuses on six of the Sustainable Development Goals of the United Nations,¹² which have been identified as most relevant to the Bank's business activity and its degree of influence on ESG risks:

UN SUSTAINABLE DEVELOPMENT GOALS

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

As a large institution within the meaning of Regulation (EU) No. 575/2013, registered on the stock exchange, in 2023 the Bank began to disclose quantitative and qualitative information about environmental, social and governance risks, structured according to the uniform disclosure formats

¹² The Sustainable Development Goals are 17 global goals set by the UN General Assembly in 2015 for implementation by 2030, aimed at combating poverty, inequality, climate change and environmental degradation, and at achieving prosperity, peace and justice.

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.

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.

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

Reduction of direct emissions from fuel combustion (Scope 1)	<ul style="list-style-type: none"> ◆ Switching to renewable energy sources for the buildings where activity takes place. ◆ Improving the energy efficiency of buildings and using energy-efficient lighting and heating. ◆ Gradual renewal of the car fleet with electric or hybrid vehicles.
Reduction of indirect emissions from purchased or acquired energy like electricity or heating (Scope 2)	<ul style="list-style-type: none"> ◆ Investment in green energy and purchase of energy from renewable sources. ◆ Participation in energy management initiatives and cooperation with suppliers to reduce the overall footprint.
Reduction of indirect value chain emissions (Scope 3)	<ul style="list-style-type: none"> ◆ Further integrating ESG factors in lending, investment and risk management processes at all levels. ◆ Stimulating customers and partners to adopt and implement sustainable practices. ◆ Reduction of water consumption for own use. ◆ Maintaining accountability in relation to emissions reduction commitments.

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

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

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



Exposures	% of total assets			% of covered assets ¹³		
	2023	2022	2021	2023	2022	2021
Taxonomy eligible economic activities	15%	9%	9%	21%	13%	12%
Taxonomy non-eligible economic activities	45%	50%	56%	63%	70%	72%
Total financial and non-financial corporations	59%	59%	65%	84%	83%	84%

At the end of 2023, the Bank's securities investment portfolio included bonds backed by “green” projects or by loans for mitigation of greenhouse gas emissions increased by totaling BGN 58,104 thousand (2022: 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		
	2023	2022	2021
Financial and non-financial corporations, which are obliged to publish non-financial declaration/information	3%	4%	4%
Financial and non-financial corporations, which are not obliged to publish non-financial declaration/information	56%	55%	61%
Total financial and non-financial corporations	59%	59%	65%
Central governments, central banks and supranational issuers	30%	29%	22%
Derivatives	0%	0%	0%
Other	11%	12%	13%
Total assets	100%	100%	100%

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

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

The Bank continued to offer the developed loan products to business clients: the Green Transport loan intended for purchase of new electric and hybrid vehicles; the Green Energy - Free Market loan for

¹³ Covered assets – total assets excluding exposures to central governments, central banks and supranational issuers, and derivatives.

companies wishing to invest in the construction of photovoltaic systems for production of electricity for free market sale; and the Green Energy - Own Use loan for construction of photovoltaic systems generating electricity for own consumption or for sale.

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

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

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

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

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

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

SOCIAL ISSUES

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

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



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

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

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

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

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



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

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



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

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



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

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 illegality operations.

First Investment Bank applies written rules and policies to identify, assess, manage and mitigate current and potential conflicts of interest. The organization of working process in the Bank is meant to minimize the possibility of situations relating to conflicts of interest, as in line with the Code of Conduct of Fibank the employees are obliged to put the interests of the Bank and its clients above their own interests, while keeping confidentiality of information and protection of personal data. Measures and actions are also structured for preventing 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. In 2023, the Bank updated the policy in compliance with the provisions of the new Whistleblower Protection Act.

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

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 2023](#)“, „[Distribution channels](#)“, „[Information technology](#)“, „[Human capital](#)“, „[Corporate governance](#)“, „[Business review](#)“, „[Development priorities](#)“.*

 **HUMAN CAPITAL**

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

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

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



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

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



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

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

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

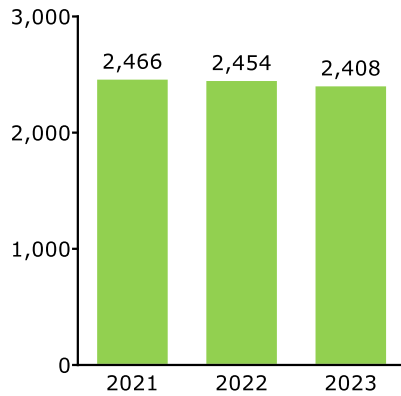
- ◆ **Training in skills for effective communication, sales and conducting commercial negotiations.** A practically oriented training project for managers and specialists, mainly engaged in business banking in the large corporate and SME segments. The training places an emphasis on development of attitudes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



As at 31.12.2023, the number of staff of First Investment Bank on an individual basis amounted to 2,408 employees compared to 2,454 a year earlier. At the end of the year, 24% of the Bank's employees were under the age of 35, and 57% were under the age of 45.

NUMBER OF STAFF

Number of staff,
in numbers

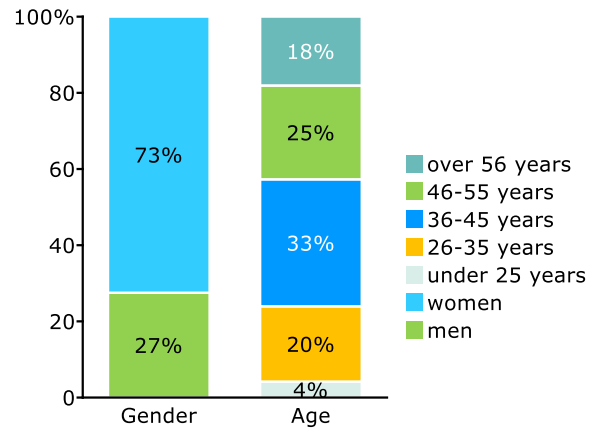


STRUCTURE OF STAFF

Structure of staff,
in %

CAGR
21-23

-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 50%.

POLICY FOR NOMINATION AND SUITABILITY ASSESSMENT

In 2023, the Policy for nomination and assessment of the suitability of members of the managing and supervisory bodies and persons holding other positions was updated, mainly with respect to changes in the key function holders. The internal framework in this sphere is in line with the requirements and good practices, incl. the Law on Credit Institutions, Ordinance No 20 of the BNB on Issuance of Approvals to Members of the Management Board (Board of Directors) and Supervisory Board of a Credit Institution and Performance Requirements for Their Duties and the joint EBA and ESMA Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2021/06).

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

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

INFORMATION TECHNOLOGY

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

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

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

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

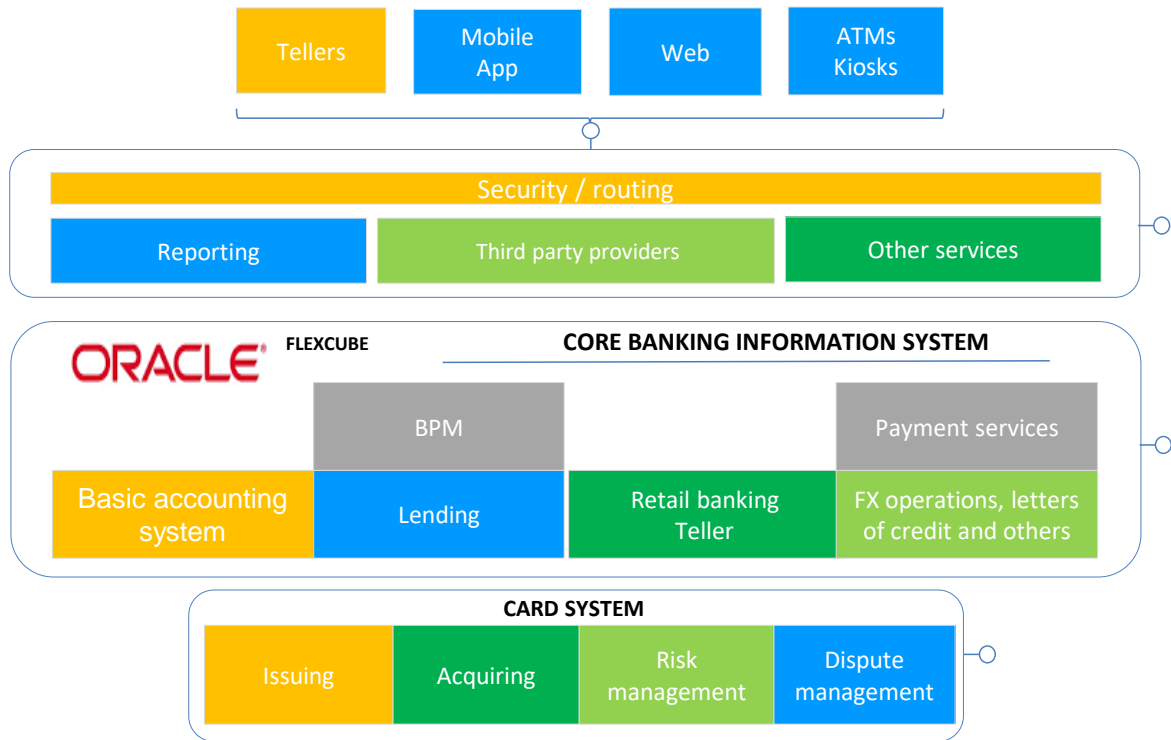
The Bank successfully adapted its payment systems to the new ISO 20022 messaging standard for budget payments.

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

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

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

SYSTEMS MAP



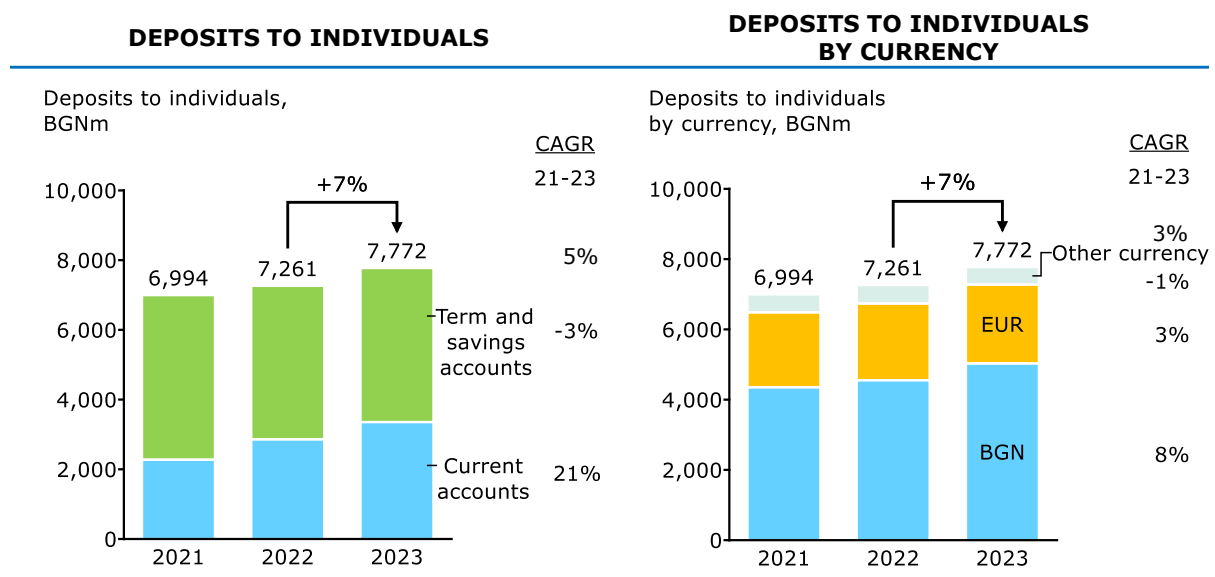
Taking into consideration the importance attached by the Bank to information technology, the activity is managed by Chief Information Technology and Operations Officer. In addition, there is an IT committee functioning as an auxiliary body to the Management Board. It monitors the IT strategic program 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 2023, attracted funds from individuals increased and reached BGN 7,772,234 thousand compared to BGN 7,260,749 thousand a year earlier, mainly driven by the 17.3% increase in current accounts which reached BGN 3,355,008 thousand (2022: BGN 2,859,322 thousand). Such results were determined by the consistent policy of the Bank for establishing long-term customer relationships, while developing cross-selling and transaction business. At the end of the 2023 they increase their shares and formed 43.2% of the of attracted funds from individuals (2022: 39.4%).



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 (XAU).

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

By the end of the 2023, term deposits and savings accounts were in the amount of BGN 4,417,226 thousand (2022: BGN 4,401,427 thousand), with borrowings from individuals retaining a major share at 56.8% (2022: 60.6%). With a view to diversifying its sources of funds.

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

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

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

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

LOANS

The gross loan portfolio of retail banking increased by 9.2% to BGN 2,547,968 thousand compared to BGN 2,334,010 thousand for the previous year, as a result of an increase in mortgage and consumer loans.

In BGN thousand / % of total	2023	%	2022	%	2021	%
Mortgage loans	1,277,742	50.2	1,128,416	48.4	986,104	46.5
Consumer loans	1,139,711	44.7	1,063,724	45.6	982,976	46.4
Credit cards	130,515	5.1	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	2,547,968	100	2,334,010	100	2,120,134	100

MORTGAGE LOANS

As at the end of December 2023, mortgage loans increased by 13.2% to BGN 1,277,742 thousand compared to BGN 1,128,416 thousand a year earlier, increasing their share to 50.2% of the retail loan portfolio (2022: 48.4%). As at 31 December 2023, the market share of the Bank in this segment was 5.88% (2022: 6.23%), as Fibank was placed fifth among banks in the country on an individual basis (2022: sixth).

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

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

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 7.1% to BGN 1,139,711 thousand (2022: BGN 1,063,724 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 44.7% of the gross retail banking portfolio (2022: 45.6%).

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

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

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

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

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

CREDIT CARDS

The utilized limits on credit cards were in the amount of BGN 130,515 thousand at the end of the period (2022: BGN 138,855 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 5.1% (2022: 5.9%).

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

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

CORPORATE BANKING

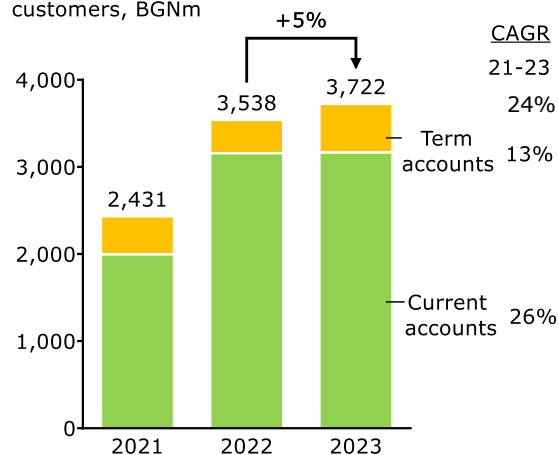
DEPOSITS

Attracted funds from corporates and institutions in 2023 increased by 5.2% to BGN 3,721,930 thousand (2022: BGN 3,537,701 thousand). The increase in volume reflected mainly in the term accounts reaching BGN 556,046 thousand at the end of 2023 (2022: BGN 379,809 thousand) and forming 14.9% of the attracted funds from business customers and public institutions (2022: 10.7%). First Investment Bank offers a variety of savings products for business customers which adapts to market conditions and specific company requirements.

Current accounts amounted to BGN 3,165,857 thousand at the end of 2023 (2022: BGN 3,157,892 thousand) and forming 85.1% of the attracted funds from business customers and institutions (2022: 89.3%). Fibank constantly develops the package programs and services, giving opportunities for optimization of costs and procedures in using different banking services.

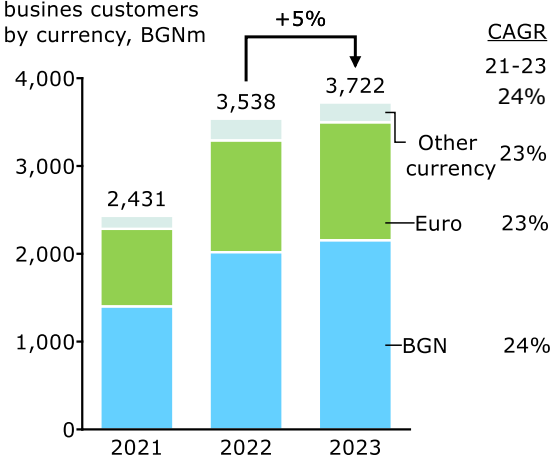
DEPOSITS FROM BUSINESS CUSTOMERS

Deposits from business customers, BGNm



DEPOSITS FROM BUSINESS CUSTOMERS BY CURRENCY

Deposits from business customers by currency, BGNm



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

As at 31 December 2023, funds attracted by the thirty biggest non-banking clients represented 11.85% of the total amount due to other customers (2022: 12.43%).

LOANS

The portfolio of loans to enterprises increased by 12.2% to BGN 4,975,228 thousand at the end of 2023, compared to BGN 4,433,299 thousand a year earlier, as result mainly of increasing the business goals and strategy.

The structure of the loans portfolio stays balanced and the exposures to micro, small and medium sized enterprises forms 4.4% (2022: 4.5%), 20.5% (2022: 19.8%) and 23.7% (2022: 24.5%) or all together 48.6% (2022: 48.8%), and the share of large enterprises is 51.4% (2022: 33.6%) of all business loans. The customer segmentation, applied by the Bank, corresponds to the European requirements for defining micro, small and medium-sized enterprises, which were transposed by the Law on Small

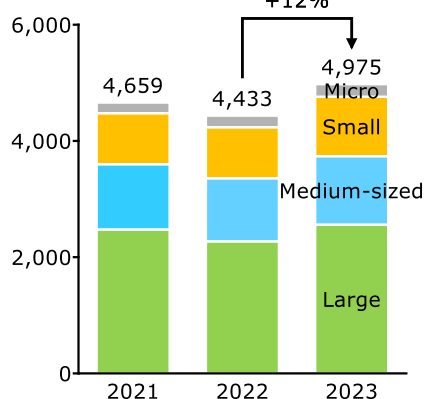
and Medium-sized Enterprises. Criteria for annual sales revenue¹⁴ and/or assets, number of staff and maximum exposure to the customer are applied.

In BGN thousand / % of total	2023	%	2022	%	2021	%
Micro enterprises	216,593	4.4	198,538	4.5	182,625	3.9
Small enterprises	1,021,711	20.5	878,135	19.8	878,125	18.9
Medium-sized enterprises	1,179,493	23.7	1,085,974	24.5	1,123,631	24.1
Large enterprises	2,557,431	51.4	2,270,652	51.2	2,474,806	53.1
Total loans to enterprises	4,975,228	100	4,433,299	100	4,659,187	100

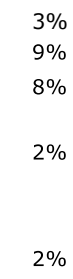
As at 31.12.2023, a leading share in the portfolio structure had the loans to manufacturing sector (2023: BGN 1,246,137 thousand, 2022: BGN 1,263,715 thousand), the trade sector (2023: BGN 1,142,686 thousand, 2022: BGN 691,864 thousand,) and the services sector (2023: BGN 632,773 thousand; 2022: BGN 602,983 thousand), forming respectively 16.6%, 15.2% and 8.4% of total loans (2022: 18.7%, 10.2% and 8.9%). Such dynamics reflected the economic activity in the country, as well as the development goals and diversification of the activity.

BUSINESS LOAN PORTFOLIO

Loans to business customers, BGNm

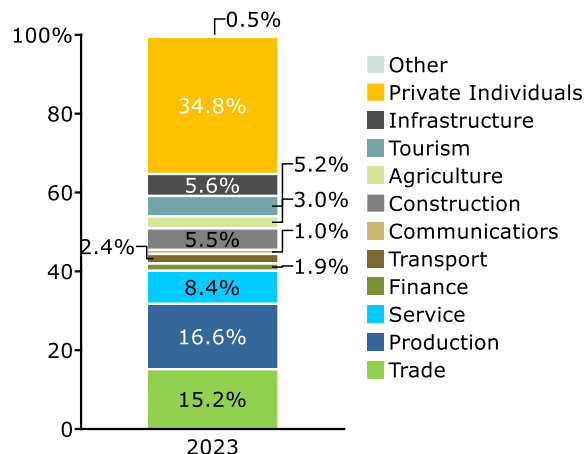


CAGR
21-23



PORTFOLIO BREAKDOWN BY SECTOR

Portfolio breakdown by sector, %



Loans in tourism increased to BGN 388,899 thousand (2022: BGN 302,557 thousand) contributed by the development of the tourist services and recovery in the sector after the COVID-19 pandemic. Increase was registered in loans in construction (2023: BGN 413,143 thousand; 2022: BGN 386,055 thousand) and infrastructure (2023: BGN 419,674 thousand; 2022: BGN 366,385 thousand), as a result of the positive dynamics in the construction sector and started infrastructure projects.

Decrease was registered in loans in transport (2023: BGN 179,416 thousand; 2022: BGN 224,795 thousand), finance (2023: BGN 140,139 thousand; 2022: BGN 178,683 thousand) and communication (2023: BGN 77,502 thousand; 2022: BGN 107,859 thousand). Similar to previous levels registered loans in agriculture (2023: BGN 227,553 thousand; 2022: BGN 231,850 thousand).

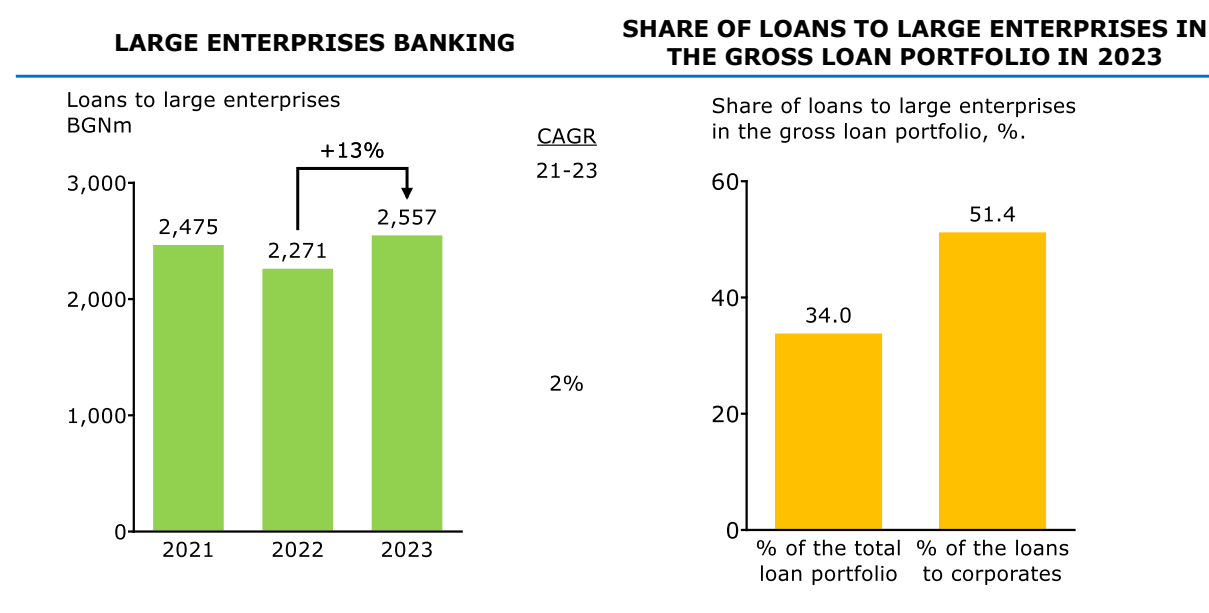
¹⁴ Annual sales revenue/assets as follows: micro-enterprises up to BGN 3.9 million; small enterprises up to BGN 19.5 million; medium enterprises up to BGN 97.5 million/ BGN 84 million.

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

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

LARGE ENTERPRISES BANKING

In 2023, loans to large enterprises amounted to BGN 2,557,431 thousand compared to BGN 2,270,652 thousand a year earlier, forming 51.4% of the total loans to enterprises and 34.0% of the gross portfolio (2022: 51.2% and 33.6%).



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

The Bank offers factoring services to existing and potential business customers, including companies delivering 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.

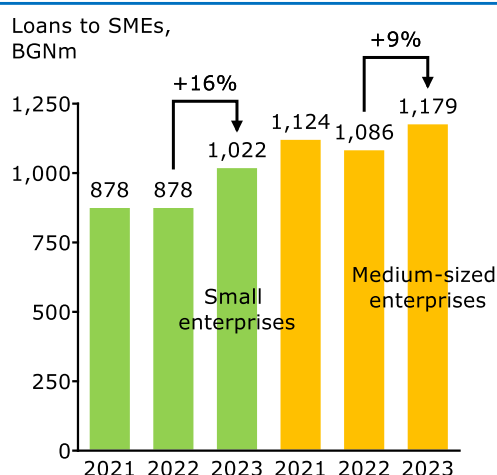
In the area of commercial finance, First Investment Bank has a framework agreement in place with the Taiwan export insurance agency Eximbank Taiwan for financing deliveries of goods from Taiwanese suppliers to customers of Fibank in Bulgaria or abroad.

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. In 2023, it was expanded by signing a new agreement for financing business customers with an insurance mechanism providing coverage against financial losses on loans granted.

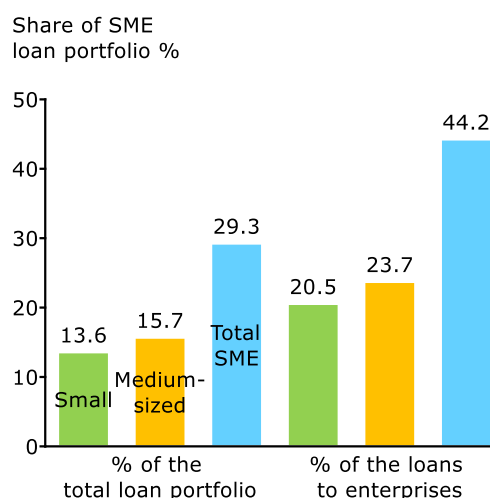
SMALL AND MEDIUM-SIZED ENTERPRISES BANKING

In 2023, loans to small and medium enterprises¹⁵ amounted to BGN 2,201,204 thousand (2022: BGN 1,964,109 thousand) or 44.2% of the business loans, from which to small enterprises were BGN 1,021,711 thousand (2022: BGN 878,135 thousand), and loans to medium-sized enterprises – at BGN 1,179,493 thousand (2022: 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 2023



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

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

¹⁵ According to business segments of the Bank, incl. criteria for annual turnover/assets, as well as: microenterprises – up to BGN 3.9 million; small enterprises – up to BGN 19.5 million; medium-sized enterprises – up to BGN 97.5 million/BGN 84 million.

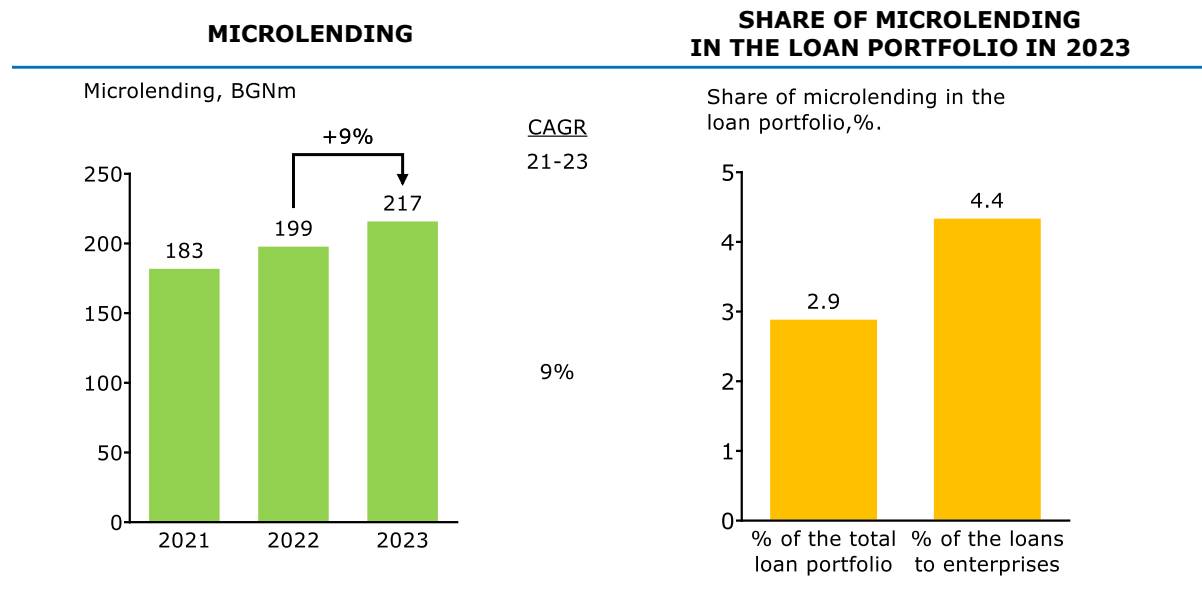
30% of the total investment or BGN 391,166, subject to compliance with requirements and restrictions for state aid.

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

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

MICROLENDING

In 2023, the microlending portfolio grew up to BGN 216,593 thousand compared to BGN 198,538 thousand a year earlier. The Bank continued its targeted efforts for development in this segment.



The Microlending Program¹⁶ of First Investment Bank covers a wide range of retailers, manufacturers, farmers, freelancers, including start-ups and companies with less market experience. The Bank offers specialized products for micro enterprises including investment loans, working capital loans, business credit cards and overdraft facilities at competitive terms.

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

¹⁶ According to business segments of the Bank, incl. criteria for annual turnover/assets, as well as: microenterprises – up to BGN 3.9 million; small enterprises – up to BGN 19.5 million; medium-sized enterprises – up to BGN 97.5 million/BGN 84 million.

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


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

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

PAYMENT SERVICES

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

-  Bank Integrated System for Electronic Transactions (BISERA 6);
-  Real-Time Gross Settlement System (RINGS);
-  System for Servicing of Clients Transfers in Euro (БИСЕРА7-EUR);
-  Wholesale payment system of the Eurosystem (T2), carrying out real-time gross settlement (RTGS);
-  Pan-European system for payments in Euro (STEP2 SEPA Credit Transfer), as a direct participant through EBA Clearing;
-  Bank Organisation for Payments Initiated by Cards (BORICA);
-  Agent of Western Union;

 Agent of Easy pay.

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

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

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

OPEN BANKING

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

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

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

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

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

Fibank continues to develop the functionalities and quality of its ATM network. Voice menus are gradually introduced, starting from major cities of the country, to assist people with impaired vision when withdrawing money. By year-end over 60 ATMs already had such menus, and in 2024 their number is expected to reach 100. The Bank’s ATM network consisted of 585 devices the at the end of the year (2022: 604), and the POS network of 9,436 devices (2022: 9,082).

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

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

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

INTERNATIONAL PAYMENTS

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

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

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

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

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

In support of its clients with international business First Investment Bank continued to cooperate in issuing internationally acknowledged guarantees and letters of credit, incl. through a wide network of partner banks and institutions. During the reporting period, the letters of credit and bank guarantees in foreign currency issued by the Bank to guarantee the performance of its customers to third parties amounted to BGN 94,895 thousand (2022: BGN 86,758 thousand), forming 8.0% of the off-balance sheet commitments of the Bank (2022: 8.5%).

GOLD AND COMMEMORATIVE COINS

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

Revenues from the sale of investment gold and other precious metal products amounted to BGN 1,559 thousand for 2023, compared to BGN 2,070 thousand a year earlier. The reported increase in the number of transactions and volume of sales mainly came from stronger investor demand and the increase in gold price on the international markets.

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

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



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

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

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

PRIVATE BANKING

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



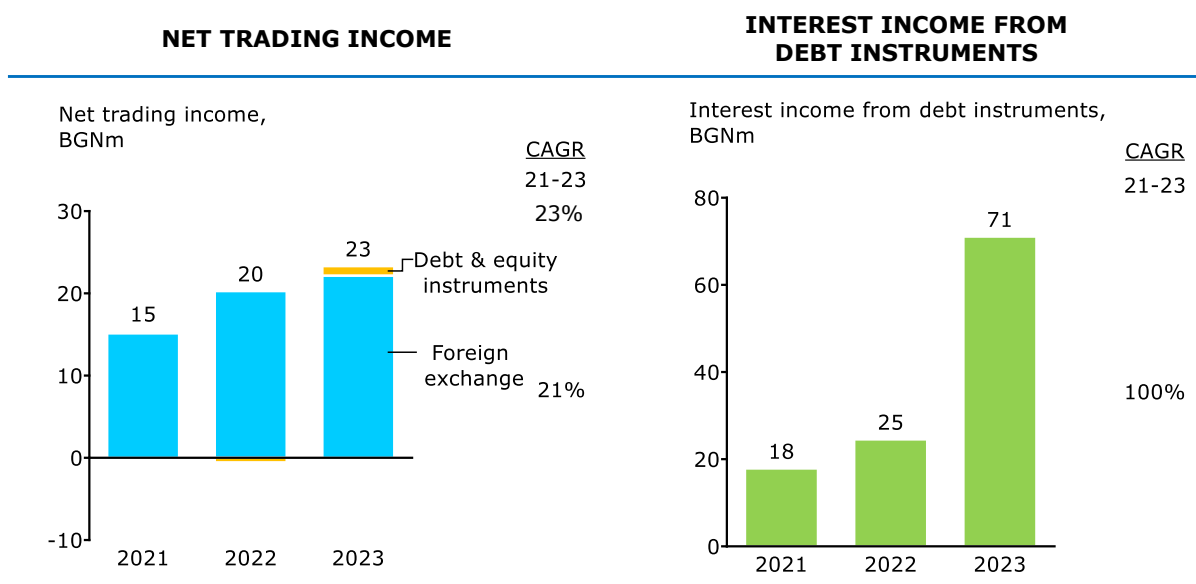
In 2023, the EGO Portfolio private banking service was developed. Building upon previous services, it features not only a personal banker but also a personal investment consultant providing advice in connection with structuring and management of portfolios and investments in various assets. This enables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

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

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

CAPITAL MARKETS

In 2023 net trading income amounted to BGN 23,295 thousand (2022: BGN 19,717 thousand), mainly as a result of the higher income from trade operations related to exchange rates. The interest income related to the Bank's portfolio of debt instruments increased to BGN 71,060 thousand, against BGN 24,520 thousand a year earlier.



The securities portfolio at the end of the year amounted to BGN 2,583,949 thousand, compared to BGN 2,598,137 thousand a year earlier, of which BGN 1,077,079 thousand measured at fair value through other comprehensive income (2022: BGN 468,247 thousand), BGN 1,263,279 thousand measured at amortized cost (2022: BGN 1,862,203 thousand) and BGN 243,591 thousand measured at fair value through profit or loss (2022: BGN 267,687 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 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 2023 GOALS

N	Goals	Fulfilled
1	<p>A UNIVERSAL BULGARIAN BANK, LEADING IN KEY SEGMENTS</p> <ul style="list-style-type: none"> ❖ Set a priority on the development of retail and SME banking segments. ❖ Offer new and creative products, providing convenience and security to customers. ❖ Upgrade cross selling and transactional business models. ❖ 	<ul style="list-style-type: none"> ❖ In 2023, the retail, micro, and SME loan portfolios registered an increase, their combined share reaching 66.0% of the total loan portfolio (2022: 66.4%), This was mainly driven by retail and small enterprise loans which grew by 9% and 16% respectively during the period. ❖ Fibank retained its leading position among banks in the country: fifth in deposits, fifth in corporate loans, fifth in consumer loans, and fifth in mortgage loans. ❖ Two new retail loans were launched: Green Energy for Households and Green Transport for Households, intended for financing solar systems and purchase of electric vehicles. ❖ A new agreement was signed with BEIA, providing insurance coverage against financial losses on loans granted to micro, small and medium-sized enterprises. ❖ Fibank became the institution accepting applications for issuance of European Health Insurance Cards in Bulgaria, through its branch network in the country. <p><i>For more information, see the Business Review and 2023 Highlights sections</i></p>
2	<p>HIGH QUALITY CUSTOMER SERVICE</p> <ul style="list-style-type: none"> ❖ Maintain highest quality of customer service by developing motivational programs and training for employees. ❖ Speed up customer service by improving IT systems and applying customer oriented approaches. ❖ Develop personalized services and loyalty programs. ❖ 	<ul style="list-style-type: none"> ❖ The deposit base grew to BGN 11,494,164 thousand at the end of the period (2022: BGN 10,798,450 thousand), and the total loan portfolio to BGN 7,158,309 thousand (2022: BGN 6,384,541 thousand). ❖ The awards received serve as recognition for the achievements during the period: Bank of the Year and Employer Branding at the Company of the Year ceremony, as well as Mystery Customer Bank for best customer service in Bulgaria, received at the Bank of the Year competition organized by the Bank of the Year Association. ❖ The exclusive metal World Elite™ Mastercard® credit card was launched, offering a number of additional features. ❖ The Bank successfully migrated to the new T2 (TARGET2) real-time gross settlement (RTGS) system of Eurosystem for processing large-value payments. <p><i>For more information, see the Business Review and Awards 2023 sections</i></p>
3	<p>FOCUS ON DIGITIZATION AND INNOVATION</p> <ul style="list-style-type: none"> ❖ Implement technological innovations and digitize the branch network. 	<ul style="list-style-type: none"> ❖ First Investment Bank launched the innovative Blink P2P service for making instant transfers by mobile phone number using the My Fibank mobile application.

<ul style="list-style-type: none"> ❖ Develop digital services, mobile applications and e-banking. ❖ Optimize IT and business processes and automate activity in line with innovation in banking. 	<ul style="list-style-type: none"> ❖ Remote onboarding for retail customers was introduced in My Fibank mobile application, using a third-party authentication service provider. ❖ A new virtual credit card was developed, issued entirely online through the mobile application. ❖ New functionalities were added to My Fibank electronic banking, including detailed reference information on loans. ❖ The Bank successfully adapted its payment systems to the new ISO 20022 messaging standard for budget payments. <p><i>For more information, see the Business Review, Distribution Channels and Awards 2023 sections.</i></p>
<p>4 STABLE AND SUSTAINABLE BUSINESS MODEL</p> <ul style="list-style-type: none"> ❖ Ensure sound levels of own funds and eligible liabilities (MREL). ❖ Effective management of liquidity and funding risk. ❖ Maintain optimal asset structure and reduce loan portfolio risk. 	<ul style="list-style-type: none"> ❖ At the end of 2023, the Bank reported stable capital ratios as follows: common equity Tier 1 (CET1) ratio 17.60%, Tier 1 capital ratio 21.09% and total capital adequacy ratio 21.09%, well above the minimum regulatory requirements.. ❖ Fibank maintained high liquidity, with liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) of 278,55% and 150,48% respectively at the end of the period. ❖ Non-performing exposures decreased by 18.9% net or by BGN 229,936 thousand YoY, in line with the strategy for their reduction and due to measures implemented such as increased loan collection and write-offs. ❖ Other borrowed funds increased to BGN 439,634 thousand (2022: BGN 116,487 thousand), mainly as a result of obligations under loan agreements which the Bank actively raised during the period in order to meet the MREL requirements. ❖ Balance sheet equity increased by 10.9% to BGN 1,472,926 thousand (2022: BGN 1,328,209 thousand), as a result of an increase in other reserves and retained earnings which reached BGN 1,035,102 thousand at the end of the period (2022: BGN 900,061 thousand). <p><i>For more information, see the Financial Review, Risk Management and Sustainable Development sections.</i></p>
<p>5 RESPONSIBLE BANKING FOR A SUSTAINABLE FUTURE</p> <ul style="list-style-type: none"> ❖ Offer products and finance projects that are consistent with green transition and sustainable development. ❖ Implement environmentally efficient internal processes. ❖ Support socially significant projects and initiatives. 	<ul style="list-style-type: none"> ❖ Framework documents and policies were developed in the area of sustainability and ESG risks, including a 10-year Sustainable Development Strategy, a Green Finance Framework and a Climate and Environmental Risk Management Policy. ❖ New retail loans were developed: Green Energy for Households and Green Transport for Households, intended for financing solar systems and purchase of electric vehicles. ❖ A number of social initiatives were carried out in the field of education, culture and sports, including the Children's

				<p>Financial Literacy Week and the Women's Business Arena under the Smart Lady program. Support was provided to the Federation for children deprived of parental care, the Bulgarian Rhythmic Gymnastics Federation, and the Union of Bulgarian Actors. A charity calendar was created focusing on conservation of water as an irreplaceable natural resource.</p>
6	SHAREHOLDER RETURN AND COST OPTIMIZATION			<ul style="list-style-type: none"> ❖ Achieve a high return on equity. ❖ Maintain optimal cost-to-income ratio. ❖ Invest in profitable securities and diversify income. <ul style="list-style-type: none"> ❖ The reported return on equity (after tax) for 2023 was 9.60%, well above the long-term target of 8%. ❖ For 2023, the cost/income ratio on an individual basis stood at 42.25% (2022: 47.57%), in line with the target level of below 50% set in the Development Strategy. ❖ Total operating income increased to BGN 517,554 thousand (2022: BGN 444,167 thousand). Growth was reported in all main income sources, especially in net interest income. ❖ The investment securities portfolio amounted to BGN 2,583,949 thousand (2022: BGN 2,598,137 thousand) at year-end, managed according to market conditions with the aim of generating profitability while maintaining a balanced risk-return ratio. Net interest income from debt instruments increased to BGN 71,060 thousand (2022: BGN 24,520 thousand), serving as an additional income source. <p><i>For more information see the Financial Review and Risk Management sections.</i></p>

SUBSEQUENT EVENTS

- ❖ At an extraordinary General Meeting of Shareholders of First Investment Bank AD held in January 2024, a new Head of Internal Audit was elected for a 5-year term.
- ❖ In February 2024, a General Meeting of Shareholders of Diners Club Bulgaria AD, a subsidiary of First Investment Bank AD, was held at which a decision was taken to terminate the activity of Diners Club Bulgaria AD as a payment institution, respectively to terminate its activity as a franchisee of Diners Club International. Following a procedure under the Payment Services and Payment Systems Act, the plan for termination of the activity proposed by the company, as well as the invalidation of its license as of April 15, 2024, were approved by the BNB by decision dated 15.02.2024.

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.

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 senior positions in European and African organizations and institutions including: Member of the Board of Directors of Gulf Marine Services PLC (GMS International), UK and Member of the Board of Directors of Serengeti Energy Ltd, Mauritius.

During the period 2012 – up to 2023 Mr. Koskelo acted in multiple Supervisory Board and advisory positions including in the Africa Development Corporation, Germany; African Banking Corporation, Botswana; RSwitch, Rwanda; EXPO Bank, Latvia, AtlasMara Co-Nvest LLC, UK, Al Jaber Group, UAE, EXPO Bank, Czech Republic and AATIF (a KfW & EU sponsored Africa Agriculture and Trade Investment Fund), Luxemburg.

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

MEMBERS OF THE MANAGING BOARD



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

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

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

From 2013 to August 2020, Mr. Bakalov was Executive Director of FiHealth Insurance AD, where he expanded significantly the activity of the company and transformed it in a leading company in the sphere of health insurance.

At the beginning of 2020, he was elected as Chief Retail Banking Officer (CRBO), Member of the Managing Board and Executive Director of First Investment Bank AD, responsible for the retail banking business lines within the Bank.

Since April 2020 Mr. Bakalov has been elected as Chief Executive Officer (CEO) and Chairman of the Managing Board of First Investment Bank AD.

Responsibilities in the Bank – Compliance function, Legal Department, Corporate Communications Department, Marketing and Advertising Department, Human Capital Management Department, Administrative Department, Asset Management Department, Information Technologies Department, Sustainable Development Department, Protocol and Secretariat Department and Specialised Unit Project Management.

Mr. Bakalov holds a Master's degree in International Economic Relations from the University of National and World Economy in Sofia, and has additional specializations in card payments, finance retail services and corporate governance.

Apart from his position at the Bank, Mr. Bakalov is Deputy chairman of the Board of Directors of FiHealth Insurance AD, Member of the Board of Directors of BORICA AD, Member of the Management Board of Association of Banks in Bulgaria, Manager of International Banking Institute EOOD and Member of the Trustees Council of the University of National and World Economy (UNWE).



Svetozar Popov – Chief Risk Officer (CRO), Member of the Managing Board and Executive Director

Mr. Svetozar Popov joined First Investment Bank AD in 2004 as part of the Risk Management Department, and was shortly thereafter promoted to Head of the Credit Risk Division. From 2006 to 2008 he was Deputy Director of Risk Management, during which period he also chaired the Bank's Credit Council. From 2016 to 2017, Mr. Popov held the office of Chief Compliance Officer (CCO), and

in May 2017 he was appointed as Chief Risk Officer (CRO), Member of the Management Board and Executive Director of First Investment Bank AD.

From 2008 to 2015, Mr. Popov was member of the Managing Board and Executive Director of UNIBank AD, Northern Macedonia, where he gained significant management experience and was responsible for the areas of risk management, credit administration, and finance. Prior to joining First Investment Bank AD, Mr. Popov worked at Raiffeisenbank (Bulgaria) EAD as an SME loan officer.

Mr. Popov holds a Masters degree in Finance from the University of National and World Economy in Sofia, and has obtained additional qualifications in the field of financial analysis from the European Bank for Reconstruction and Development (EBRD) and other internationally recognized institutions, as well as practical experience in foreign banks.

In the Bank he is responsible for the Risk Analysis and Control Department, the Credit Risk Management, Monitoring and Provisioning Department, the Impaired Assets Department, the Loan Administration Department, Security Department, Information Security Department and the specialized unit Strategic Risk Management.

Besides his position in the Bank, Mr. Popov is a Chairman of the Supervisory Board of UNIBank, Republic of Northern Macedonia, Chairman of the Board of Directors of MyFin EAD and a Manager of Debita OOD.



Chavdar Zlatev - Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director

Mr. Chavdar Zlatev joined the team of First Investment Bank AD in 2004 as Chief specialist in the SME Lending Department. Soon afterwards he was promoted to Deputy Director of the Department. From 2006 to 2009 he was manager of the Vitosha branch of First Investment Bank AD. He was subsequently appointed Deputy Director of the Branch Network Department, and in 2010 promoted to Director of the Department. In early 2011, he was appointed Director of the Corporate Banking Department, and has participated in the development and implementation of a number of banking products. In November 2014 Mr. Zlatev was elected member of the Managing Board of First Investment Bank AD, and from February 2018 was appointed as Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director.

Alongside his responsibilities in the Bank for the period during 2011-August 2020 he was member of the Board of Directors of FiHealth Insurance AD.

Prior to joining First Investment Bank AD, Mr. Zlatev worked in CB Unionbank AD as a senior bank officer, Corporate clients. He holds a Master's degree in Macroeconomics from the University of National and World Economy in Sofia. He has specialized loan products and practices in Bank of Ireland, as well as contemporary banking practices in Banco Popolare di Verona.

Responsibilities in the Bank – Large Enterprises Banking Department, Medium-sized Enterprises Banking Department, Corporate Sales and Public Procurements Department, Financial Analysis unit, Loan Facility Management unit, Trade Financing unit and Factoring and Leasing unit.

Besides his position with the Bank, Mr. Zlatev is a Chairman of the Management Board of First Investment Bank – Albania Sh.a.



**Ralitsa Bogoeva – Chief Retail Banking Officer (CRBO),
Member of the Managing Board and Executive Director**

Ms. Ralitsa Bogoeva has been Chief Retail Banking Officer, Member of the Managing Board and Executive Director of First Investment Bank AD since May 2020. She has extensive professional experience in various fields of banking.

Ms. Ralitsa Bogoeva joined the team of First Investment Bank AD in 2002 as a Retail Loan Officer and a year later was promoted to Deputy Director of the Retail Banking Department, a position she held for eight years. From 2011 to 2018 she was Director, Internal Audit of Fibank. From June 2018 to 2020, Ms. Bogoeva held the position of Chief IT and Operations Officer at the Bank. During her professional career, Ms. Bogoeva has managed various projects in the fields of finance, the development and administration of products for individuals and businesses, as well as innovative projects in the field of information technology and digitalization of banking.

Ms. Bogoeva has a Master's degree in Accounting and Control from the University of National and World Economy in Sofia, as well as a number of additional qualifications in the areas of banking, international auditing standards, planning and project management.

Responsibilities in the Bank – Retail Banking Department, Private Banking Department, Digital Banking Department, Card Payments Department, Branch Network Department, Organisation and Control of Customer Service Department, Gold and Commemorative Coins Department, the Vault.

In addition to her position in the Bank, Ms. Bogoeva is a member of the Board of Directors of Diners Club Bulgaria AD, a member of the Board of Directors of MyFin EAD and a member of the Supervisory Board of UNIBanka AD, Northern Macedonia. She owns 25% of the capital of Raya Homes OOD.



**Ianko Karakolev – Chief Financial Officer (CFO) and
Member of the Managing Board**

Mr. Ianko Karakolev was elected Chief Financial Officer (CFO) and Member of the Managing Board of First Investment Bank AD in June 2020. He is a longtime financial analyst and staff member of First Investment Bank AD.

Mr. Karakolev joined the Bank's team in 1999 as an accountant-controller in the Financial and Accounting Department and soon became Director of the Internet Branch. In the period 2002-2007 he was promoted from Head of the Financial Statements, Analyzes and Budgeting unit to Deputy Chief Accountant. After that, until 2011, he held the position of Deputy Director of the Finance and Accounting Department. From 2011 to 2014 he was Chief Financial Officer and Director of the Finance and Accounting Department, and in the period 2014-2020 was Director of the Finance Department. During his professional career, Mr. Karakolev has participated in the management of many innovative projects contributing to the implementation of international standards and the development of banking, as well as in corporate actions such as the acquisition of MKB Unionbank and its subsequent merger with First Investment Bank AD.

Prior to joining the team of First Investment Bank AD, Mr. Karakolev worked at Bulgarian Commercial and Industrial Bank AD as an accountant. He holds a Master's degree in Finance from the University of

National and World Economy in Sofia and has professional certificates and qualifications in the fields of international financial and accounting standards, the European regulatory framework on banking and reporting, management and business planning.

Responsibilities in the Bank – Finance Department, Accounting Department, Treasury Department, Investor Relations Department, Financial Institutions and Corresponding Banking Department and Intensive Loan Management Department.

In addition to his position in the Bank, Mr. Karakolev is a member of the Steering Council of First Investment Bank - Albania Sh.a. and member of the Supervisory Board of UNIBanka AD, Northern Macedonia.



Nadia Koshinska – Member of the Managing Board and Director of Small Enterprises Banking Department

Ms. Nadia Koshinska joined Fibank in 1997 as a corporate loan expert. In 2002, she was appointed Deputy Director Loan Administration and held this position until 2004. In 2004 Nadia Koshinska was appointed Director SME Lending Department responsible for increasing the market share of the Bank through implementing special programs and dedicated products for SMEs. Also in 2004, she was appointed as a member of the Credit Council. At the end of 2015, Ms. Koshinska was elected as Chief Retail Banking Officer (CRBO) and Member of the Managing Board, while since September 2017 is a Member of the Managing Board and Director of SME Banking Department.

Prior to joining First Investment Bank AD she worked in the balance of payments and foreign debt division in Bulgarian National Bank.

Ms. Nadia Koshinska holds a Masters degree in Accounting and Control from the University of National and World Economy in Sofia.

In the Bank she is responsible for the Small Enterprises Banking Department.

Ms. Koshinska does not hold outside professional positions.

LIST OF ABBREVIATIONS

AD	Joint Stock Company
ALCO	Asset, liability and Liquidity management Council
AML	Anti Money Laundering
ATM	Automated Teller Machine
BAF	Bulgarian Athletics Federation
Bank/Fibank	First Investment Bank AD
BEIA	Bulgarian Export Insurance Agency
BISERA	Bank integrated system for electronic payments
BISERA 7-EUR	System for servicing customer transfers in euros
BNB	Bulgarian National Bank
BOC	Bulgarian Olympic Committee
BORICA	Banking organization for payments using cards
BRGF	Bulgarian Rhythmic Gymnastics Federation
BPM	Business Process Management
BRRD II	Bank Recovery and Resolution Directive II (Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC)
CAGR	Compound Annual Growth Rate
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CCBO	Chief Corporate Banking Officer
CFO	Chief Financial Officer
CGS	Continuous Gross Settlement
CO2	Carbon footprint
CRBO	Chief Retail Banking Officer
CRO	Chief Risk Officer
CSRBB	Credit Spread Risk in the Banking Book
DvP	Delivery versus Payment (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

Sofia 1784, 111P, Tsarigradsko shose Blvd.
Phone: 02/817 1100, fax: 02/817 1101
SWIFT CODE: FINVBGSF
REUTERS DEALING CODE: BFIB
e-mail: fib@fibank.bg, www.fibank.bg
Contact centre: 0800 11 011

BRANCHES IN SOFIA

Aleksandar Stamboliyski
Sofia 1301, 20, Aleksandar Stamboliyski Blvd.
phone: (+359 2) 817 1493

Bulgaria
Sofia 1404, 81G Bulgaria Blvd.
phone: (+359 2) 800 2501, fax: (+359 2) 800 2500

Business Park Sofia
Sofia 1712, 1, Business Park Sofia St.
phone: (+359 2) 800 2535

Dragalevtsi
Sofia 1415, Zh.k. (Quarter) Dragalevtsi
20A, Krushova gradina St.
phone: (+359 2) 800 2601

Evropa
Sofia 1528, 7, Iskarsko shose Blvd.
phone: (+359 2) 817 1454

Generali
Sofia 1000, 79-81, Dondukov Blvd.
phone: (+359 2) 817 1437

Hadzhi Dimitar
Sofia 1510, 28-30, Doncho Vatah St.
phone: (+359 2) 817 1576

Hristo Botev
Sofia 1000, 28 Hristo Botev Blvd.
phone: (+359 2) 800 2645

Iliyantsi
Sofia 1268, 31, Rozhen Blvd.
phone: (+359 2) 800 2973

Journalist
Sofia 1164, 44, Hristo Smirnenski Blvd.
phone: (+359 2) 800 2939

Krasna Polyana
Sofia 1330, Nikola Mushanov Blvd., bl. 31A,
floor 1
phone: (+359 2) 800 2665

Krasno selo
Sofia 1612, 107 A, Tsar Boris III Blvd.
phone: (+359 2) 800 25 84

Lyulin
Sofia 1324, 70, Tsaritsa Yoanna Blvd.
phone: (+359 2) 817 1483

Mall – Sofia
Sofia 1303, 101, Aleksandar Stamboliyski Blvd.
phone: (+359 2) 817 1672

Maria Luisa
Sofia 1202, 67, Maria Luisa Blvd.
phone: (+359 2) 817 1463

Mladost
Sofia 1784, 11, Andrey Saharov Blvd.
phone: (+359 2) 817 1641

Mall – Serdika
Sofia 1505, 48, Sitnyakovo Blvd.
phone: (+359 2) 800 2550

Nadezhda 2
Sofia 1220, 7, Strazhitsa St., 1st floor
phone: (+359 2) 800 2521

Narodno sabranie 1
Sofia 1000, 12, Narodno sabranie Sq.
phone: (+359 2) 817 1559

Narodno sabranie 2
Sofia 1000, 3, Narodno sabranie Sq.
phone: (+359 2) 817 1359

National Theatre
Sofia 1000, 7, Dyakon 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

Asenovgrad
Asenovgrad 4230, 3, Nikolay Haytov Sq.
phone: (+359 331) 20 092

Bansko
Bansko 2770, 68, Tsar Simeon St.
phone: (+359 749) 86 183, fax: (+359 749)
88 112

Strazhite – Bansko
Bansko 2770, 7, Glazne St.
phone: (+359 749) 86 986

Belene
Belene 5930, 2, Ivan Vazov St.
phone: (+359 658) 38 411

Belitsa
Belitsa 2780, 12 Georgi Andreichin str.
Phone: (+359 749) 86 199

Blagoevgrad
Blagoevgrad 2700, 11, St.St. Kiril i Metodiy Blvd.
phone: (+359 73) 827 709

GUM – Blagoevgrad
Blagoevgrad 2700, 6, Trakia St.
phone: (+359 73) 827 756

Rila Hotel – Borovets
Borovets 2010, Rila Hotel
phone: (+359 2) 800 2549

Botevgrad
Botevgrad 2140, 5, Osvobozhdenie Sq.
phone: (+359 723) 69 046

Burgas
Burgas 8000, 58, Aleksandrovska St.
phone: (+359 56) 800 138

Bratya Miladinovi – Burgas
Burgas 8000
Zh. k. (Quarter) Bratya Miladinovi, bl. 117, entr. 5
phone: (+359 56) 804 463

Kiril i Metodiy – Burgas
Burgas 8000, 71, Slavyanska St.
phone: (+359 56) 804 482

Meden rudnik – Burgas
Burgas 8011
Zh. k. (Quarter) Meden rudnik, zone B, bl. 192
phone: (+359 56) 804 442

Slaveykov – Burgas
Burgas 8005
Zh. k. (Quarter) Slaveykov, bl. 107, entr. 2
phone: (+359 56) 804 472

IRM PZ Devnya
9160 Devnya, Industrial Zone South
phone: (+359 52) 662 755

Dimitrovgrad
Dimitrovgrad 6400, 6, Tsar Simeon St.
phone/fax: (+359 391) 67 008

Dobrich
Dobrich 9300, 1, Nezavisimost Sq.
phone: (+359 58) 838 590

Dulovo
Dulovo 7650, 6, Vasil Levski St.
phone: (+359 864) 21 180

Dupnitsa
Dupnitsa 2600, 19, Hristo Botev St.
phone: (+359 701) 59 153

Gabrovo
Gabrovo 5300, 5, Vazrazhdane Sq.
phone: (+359 66) 819 444

Gorna Oryahovitsa
Gorna Oryahovitsa 5100, 1, St. Knyaz Boris I St.
phone: (+359 618) 61 766

Gotse Delchev
Gotse Delchev 2900, 41, Targovska St.
phone: (+359 751) 69 642

FC Harmanli
Harmanli 6450, 1, Vazrazhdane Sq.
phone: (+359 373) 88 684

Haskovo
Haskovo 6304, 7, San Stefano Blvd.
phone: (+359 38) 661 848

Kardzhali
Kardzhali 6600, 52, Bulgaria Blvd.
phone: (+359 361) 21 629

Karlovo
Karlovo 4300, 6, General Kartsov St.
phone: (+359 335) 90 799

Kazanlak
Kazanlak 6100, 11, Sevtopolis Sq.
phone: (+359 431) 67 078

AER – Kozloduy
Kozloduy 3321, Nuclear Power Station,
phone: (+359 973) 89 320

Kozloduy
Kozloduy 3320, 1V, Vasil Vodenicharski St.
phone: (+359 973) 85 020

Kyustendil
Kyustendil 2500, 147, Tsar Osvoboditel Blvd.
phone: (+359 78) 558 144

Levski
Levski 5900, 40, Aleksandar Stamboliyski St.
phone: (+359 650) 88 909

Lovech
Lovech 5500, 12, Targovska St.
phone: (+359 68) 689 612

Montana
Montana 3400, 74, 3-ti Mart Blvd.
phone: (+359 96) 399 516

Nesebar
Nesebar 8230, 9, Ivan Vazov St.
phone: (+359 554) 46 055

Novi pazar
Novi pazar 9900, 4, Rakovski Sq.
phone/fax: (+359 537) 25 222

FC Omurtag
Omurtag 7900, 1, 28 January St.
phone: (+359 605) 61 043

Pazardzhik
Pazardzhik 4400, 11, Bulgaria Blvd.
phone: (+359 34) 403 644

Pernik
Pernik 2300, 1, Rayko Daskalov St.
phone: (+359 76) 688 613

FC Peshtera
Peshtera 4550, 13, 3rd March St.
phone: (+359 350) 60 702

Petrich
Petrich 2850, 11A, Tsar Boris III St.
phone: (+359 745) 69 577

Pleven
Pleven 5800, 138, Doyran St.
phone: (+359 64) 893 101

Vasil Levski – Pleven
Pleven 5800, 126, Vasil Levski St.
phone: (+359 64) 893 141

6th september – Plovdiv
4002 Plovdiv, 35, 6th september Blvd.
Phone: (+359 32) 270 783

Mall – Plovdiv
Plovdiv 4002, 8, Perushtitsa St.
phone: (+359 32) 270 630

Mall Trakia – Plovdiv
Plovdiv 4023, 41, Saedinenie Blvd.
phone: (+359 32) 270 580

Plovdiv
Plovdiv 4000, 95, Maritsa Blvd.
phone: (+359 32) 270 510

Skopie – Plovdiv
Plovdiv 4004, Skopie St., bl. 1519
phone: (+359 32) 270 590

Sveti Mina – Plovdiv
Plovdiv 4000, 56, Kapitan Raycho St.
phone: (+359 32) 270 560

Primorsko
Primorsko 8180, 82A, Treti mart St.
phone: (+359 550) 31 000

Radnevo
Radnevo 6260, 3, Georgi Dimitrov St.
phone: (+359 426) 98 764

Razgrad
Razgrad 7200, 3, Vasil Levski St.
phone: (+359 84) 631 065

FC Razlog
Razlog 2760, 6, Sheynovo St.
phone: (+359 747) 80 177

Aleksandrovska – Ruse
Ruse 7000, 10, Aleksandrovska St.
phone: (+359 82) 889 534

Ruse
Ruse 7000, 11, Rayko Daskalov St.
phone: (+359 82) 889 541

Tezhko mashinostroene – Ruse
Ruse 7000, 100, Tutrakan Blvd.
phone: (+359 82) 889 551

Tsar Osvoboditel – Ruse
Ruse 7000, 1, Tsar Osvoboditel Blvd.
phone: (+359 82) 889 498

Sevlievo
Sevlievo 5400, Svoboda Sq.
phone: (+359 675) 31 053

Shumen
Shumen 9700, 67, Simeon Veliki Blvd.
phone: (+359 54) 856 611

Silistra
Silistra 7500, 3, Geno Cholakov St.
phone: (+359 86) 871 320

Simitli
Simitli 2730, 27, Hristo Botev St.
phone: (+359 747) 89 051

Slanchev bryag (Sunny Beach)
Slanchev bryag (Sunny Beach) 8240, Central Alley
phone: (+359 554) 23 335

Central – Sliven
Sliven 8800, 2, Hadzhi Dimitar Blvd.
phone: (+359 44) 610 954

Sliven
Sliven 8800, 50, Tsar Osvoboditel Blvd.
phone: (+359 44) 610 708

Smolyan
Smolyan 4700, 80V, Bulgaria Blvd.
phone: (+359 301) 67 020

Sozopol
Sozopol 8130, 7, Republikanska St.
phone: (+359 550) 25 191

FC Stara Zagora 2
74, Tsar Simeon Veliki Blvd.
phone: (+359 42) 611 964

Stara Zagora
Stara Zagora 6000, 104, Tsar Simeon Veliki Blvd.
phone: (+359 42) 698 813

Trayana – Stara Zagora
Stara Zagora 6000, 69, Tsar Simeon Veliki Blvd.
phone: (+359 42) 698 771

Tsar Simeon – Stara Zagora
Stara Zagora 6000, 141, Tsar Simeon Veliki Blvd.
phone: (+359 42) 698 752 ,
fax: (+359 42) 266 021

Svilengrad
Svilengrad 6500, 58, Bulgaria Blvd.
phone: (+359 379) 74 440

Svishtov
Svishtov 5250, 1, Nikola Petkov St.
phone: (+359 631) 61 171

Targovishte
Targovishte 7700, 46, Hristo Botev St.
phone: (+359 601) 69 530

FC Troyan
14, Vasil Levski St.
phone: (+359 670)60 443

Troyan
Troyan 5600, 108, Vasil Levski St.
phone: (+359 670) 60 040

8-mi Primorski polk – Varna
Varna 9000, 128, 8-mi Primorski polk Blvd.
phone: (+359 52) 662 624

Breeze – Varna
Varna 9000, 80-82, 8-mi Primorski polk Blvd.
phone: (+359 52) 662 731

FC Mall Varna
Varna 9009, 186 Vladislav Varnenchik Blvd.
phone: (+359 52) 662 699

Rayonen sad (Regional Court) – Varna
Varna 9000, 57, Vladislav Varnenchik Blvd.
phone: (+359 52) 662 666

Tsaribrod – Varna
Varna 9000, 2, Dunav St.
phone: (+359 52) 662 721

Varna
Varna 9000, 113, General Kolev Blvd.
phone:(+359 52) 662 600

Bacho Kiro – Veliko Tarnovo
Veliko Tarnovo 5000, 5, Bacho Kiro St.
phone: (+359 62) 682 436

Veliko Tarnovo
Veliko Tarnovo 5005, 18, Oborishte St.
phone: (+359 62) 614 464

Vidin
Vidin 3700, 17, Gradinska St.
phone: (+359 94) 605 522

Vratsa
Vratsa 3000, 1, Nikola Voyvodov St.
phone: (+359 92) 669 310

Yambol
Yambol 8600, 10, Osvobozhdenie Sq.
phone: (+359 46) 682 363

Zlatitsa
Zlatitsa 2080, 2, Medet St.
phone: (+359 728) 68 046

BRANCHES OUTSIDE BULGARIA

Cyprus International Banking Unit
130 Limassol Ave., CY-2015 Nicosia, Cyprus
P.O.Box 16023, CY-2085 Nicosia, Cyprus
phone: (+357 22) 376 454
fax: (+357 22) 376 560

SWIFT CODE: FINVCY2N

The present Individual Activity report for 2023 was approved by the Managing Board of First Investment Bank AD in accordance with the Bank's internal regulations at a meeting dated 12 March 2024.

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 2023, 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 2023 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

12 March 2024
Sofia



INFORMATION

ON

FIRST INVESTMENT BANK AD

FOR 2023

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.

As at 31.12.2023 First Investment Bank had issued one hybrid instrument (bond issue) with original principal in the amount of EUR 10 million (ISIN: XS2488805461), included in the additional Tier 1 capital of the Bank, which is not admitted to trade on a regulated market in the Republic of Bulgaria or another Member State. As at 31.12.2023 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 2023 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 2023 16,500,000 shares (11.06% of share capital) are traded freely at the Bulgarian Stock Exchange AD (free-float).

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

No shareholders have special controlling rights.

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

No such agreements are known to the company.

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

No such contracts exist.

Scorecard / Evaluation form for Corporate governance in Bulgaria

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

Based on the Methodology, developed by Christian Strenger

Notes about the methodology

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

The detached criterias refer to the corresponding chapters of the code

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

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

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

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

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

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

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

Name of the issuer:

Date of completion

Chose the governance system of the company

[One tier system](#)

[Two tier system](#)

Scorecard / Evaluation form for Corporate governance in Bulgaria

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

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

Criteria

Source of information

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

I. Management board

10%

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

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

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

II. Supervisory board

10%

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

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

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

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

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

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

Pursuant to the Rules for activity of Supervisory board when elected, every member of the Supervisory Board participates in introductory 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 2023 presentations have been organized related to changes in regulatory requirements, incl. on capital and prudential requirements, interest rate risk in the banking book, digital operational resilience, ESG stress tests.
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 determinated 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 od 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 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.
					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%
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%
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%
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%
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%
					100%	100%

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.

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 12.03.2024, approved by a decision of SB of 12.03.2024.

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 26.07.2023). The Statute and the Corporate governance code are published on the corporate webpage: www.fibank.bg

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.

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.

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 2021 joint audit by two audit companies - BDO Bulgaria OOD and Ecovis odit BG OOD, for 2022 and 2023 - 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. 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 shareholders' rights is in section Investors/ Corporate governance/ Shareholders' rights at the corporate website www.fibank.bg
V.8	Is there a mechanism ensured for supporting shareholders with rights in accordance with the effective legislation to include additional questions and propose decisions on already included questions in the agenda of the General meeting? Please describe the mechanism.	1			10%	10.0%	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 Managing Board and the Supervisory Board to be present at the General meeting of shareholders (unless important reasons require their absence). At the last Regular GMS five members of the Managing Board and two 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%	The requirement is regulated in the Corporate Governance Code and the Disclosure Policy of Fibank.
VII.2	Does the corporate bodies ensure effective cooperation with stakeholders?	1			20%	20.0%	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.
VII.3	Does the compnay has specific rules for taking into consideration the interests of the stakehodlers, which to ensure their attraction for deciding on certain questions that require their position?	1			20%	20.0%	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.
VII.4	Does the corporate bodies ensure enough information to all stakeholders on their legal rights and if yes, how?	1			20%	20.0%	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.

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 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%
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%
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%
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%
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%
					100%	100%

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. 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.

The Bank acts in relation to these requirements in a way that is compliant with regulatory requirements and good practices.

The reporting on corporate governance policies and procedures are regularly disclosed, incl. the goals for development for the next year and their execution.

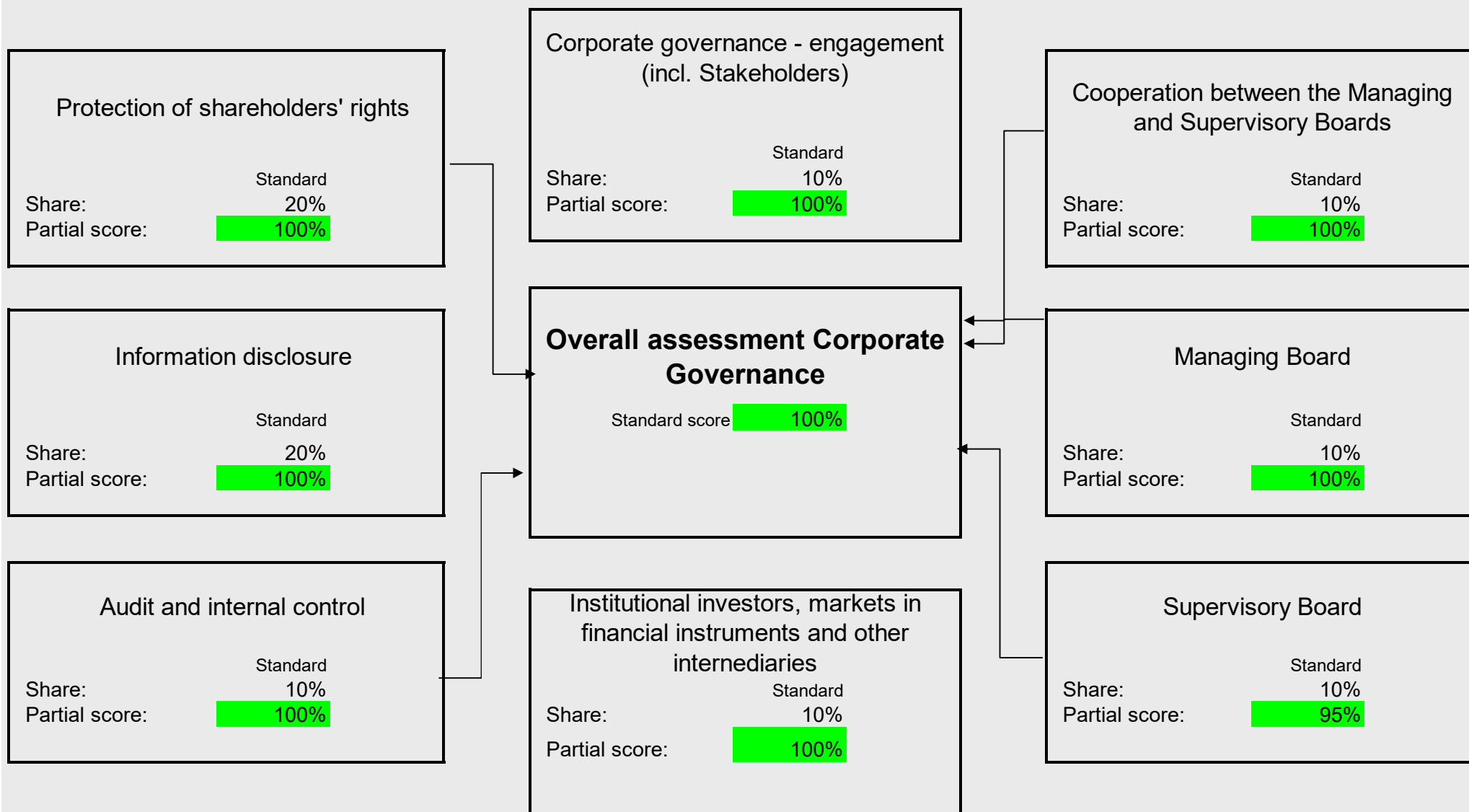
The Bank's policies on avoiding and disclosure of conflicts of interest is in compliance with the regulatory requirements, applicable to the Bank in its capacity of a credit institution, public company and investment intermediary.

First Investment Bank conforms its information disclosure with the requirements, applicable to the place at which the Bank and its financial instruments are admitted for trade.

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

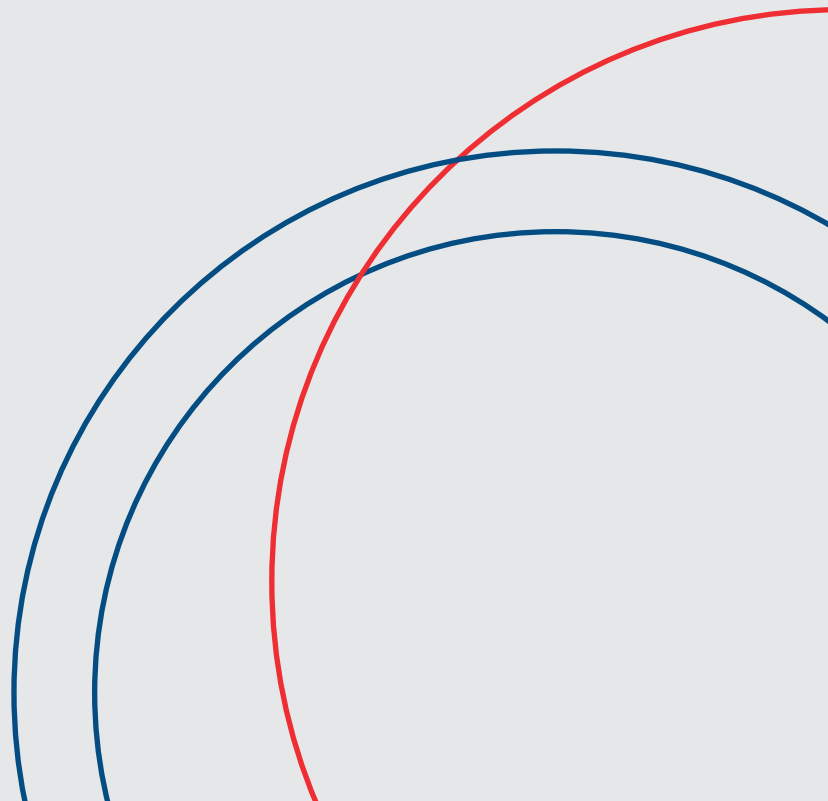


Table of Contents:

Introduction	3
Corporate status and profile	4
Mission.....	4
Scope and application.....	5
Organizational framework.....	7
Principal bodies and functions in corporate governance	8
Supervisory Board	8
Managing Board	12
Remuneration policy in the Bank	15
Control Environment and Processes	16
Risk Management and Risk Control	17
Compliance	18
Internal audit	19
External Auditors (Registered Auditors)	20
Audit Committee	20
Shareholders' rights and equitable treatment	21
Convening of the General Meeting of Shareholders	22
Conducting of the General Meeting of Shareholders.....	23
Results	23
Disclosure of information and transparency	24
Disclosure policy and disclosure practices	24
Additional provisions.....	25
Transitional and Final provisions.....	27

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.

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 2024

- 9.1.** In 2024, 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 2023, also including interim activity report – until 30.01.2024;
 - 9.1.2. Quarterly consolidated financial report for the fourth quarter of 2023, also including interim activity report – until 29.02.2024;
 - 9.1.3. Annual standalone financial report for 2023, certified by registered auditor/s, also including an annual activity report – until 30.03.2024;
 - 9.1.4. Annual consolidated financial report for 2023, certified by registered auditor/s, also including a consolidated annual activity report – until 29.04.2024;
 - 9.1.5. Quarterly standalone financial report for the first quarter of 2024, also including interim activity report – until 30.04.2024;
 - 9.1.6. Quarterly consolidated financial report for the first quarter of 2024, also including interim activity report – until 30.05.2024;

- 9.1.7. Quarterly consolidated disclosure of information pursuant to Regulation (EU) № 575/2013 for the first quarter of 2024 – until 30.06.2024;
 - 9.1.8. Semi-annual standalone financial report for the first half of 2024, also including interim activity report – until 30.07.2024;
 - 9.1.9. Semi-annual consolidated financial report for the first half of 2024, also including interim activity report – until 29.08.2024;
 - 9.1.10. Semi-annual consolidated disclosure of information pursuant to Regulation (EU) № 575/2013 for the first half of 2024 – until 30.09.2024;
 - 9.1.11. Annual consolidated disclosure of information pursuant to Regulation (EU) № 575/2013 for 2023 – until 30.09.2024;
 - 9.1.12. Quarterly standalone financial report for the third quarter of 2024, also including interim activity report – until 30.10.2024;
 - 9.1.13. Quarterly consolidated financial report for the third quarter of 2024, also including interim activity report – until 29.11.2024;
 - 9.1.14. Quarterly consolidated disclosure of information pursuant to Regulation (EU) № 575/2013 for the third quarter of 2024 – until 31.12.2024;
 - 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, by a resolution of MB of 24.01.2023 and approval of SB of 22.02.2023, as well as by a resolution of MB of 12.03.2024 and approval of SB of 12.03.2024.

Bank	FINV9150	First Investment Bank AD
Reporting date	31.12.2023	
Basis for application	Individual	
Accounting standard	IFRS	Reporting currency in BGN '000

1. 1. Balance sheet [statement of financial position]

1.1 Assets

		References	Breakdown in table	Carrying amount part 1, paragraph 27 of Appendix V 0010
0010	Cash and cash balances with central banks and other deposits payable on demand	Para. 54 (i) of IAS 1		2 423 887
0020	Cash	part 2, paragraph 1 of Appendix V		311 764
0030	Cash balances with central banks	part 2, paragraph 1 of Appendix V		1 844 619
0040	Other deposits payable on demand	part 2, paragraph 1 of Appendix V	5	267 504
0050	Financial assets held for trading	Supplement A to IFRS 9		11 962
0060	Derivatives	Supplement A to IFRS 9	10	
0070	Equity	Para. 11 of IAS 32	4	11 858
0080	Debt securities	part 1, paragraph 31 of Appendix V	4	104
0090	Loans and advances	part 1, paragraph 32 of Appendix V	4	
0096	Non-tradable financial assets mandatorily reported at fair value through profit or loss	Para. 8 (a)(ii) of IFRC 7; IFRS 9.4.1.4	4	231 629
0097	Equity	Para. 11 of IAS 32	4	28 829
0098	Debt securities	part 1, paragraph 31 of Appendix V	4	202 800
0099	Loans and advances	part 1, paragraph 32 of Appendix V	4	
0100	Financial assets at fair value through profit or loss	Para. 8 (a)(i) of IFRC 7; IFRS 9.4.1.5	4	0
0120	Debt securities	part 1, paragraph 31 of Appendix V	4	
0130	Loans and advances	part 1, paragraph 32 of Appendix V	4	
0141	Financial assets at fair value through other comprehensive income	Para. 8 (h) of IFRC 7; IFRS 9.4.1.2A	4	1 077 079
0142	Equity	Para. 11 of IAS 32	4	
0143	Debt securities	part 1, paragraph 31 of Appendix V	4	1 077 079
0144	Loans and advances	part 1, paragraph 32 of Appendix V	4	
0181	Financial assets at amortised cost	Para. 8 (f) of IFRC 7; IFRS 9.4.1.2	4	8 583 226
0182	Debt securities	part 1, paragraph 31 of Appendix V	4	1 263 279
0183	Loans and advances	part 1, paragraph 32 of Appendix V	4	7 319 947
0240	Derivatives - hedge accounting	IFRS 9.6.2.1, part 1, paragraph 22 of Appendix V	11	
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		
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	34 579
0270	Tangible assets			856 284
0280	Property, Plant and Equipment	Para. 6 of IAS 16; Para. 54 (a) of IAS 1; Para 47 (a) of IFRS 16	21, 42	99 517
0290	Investment Property	Para. 5 of IAS 40; Para. 54 (b) of IAS 1; Para. 48 of IFRS 16	21, 42	756 767
0300	Intangible assets	Para. 54(c) of IAS 1; Art. 4, Para. 1, item 115 of Reg 575		23 007
0310	Goodwill	Para. B67, (d) of IFRC 3; Art. 4, Para. 1, item 113 of Reg 575		
0320	Other intangible assets	Para. 8 and Para. 118 of IAS 38; Para. 47 (a) of IFRS 16	21, 42	23 007
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		
0360	Other assets	part 2, paragraph 5 of Appendix V		646 875
0370	Non-current assets and disposal groups classified as held for sale	Para. 54, (j) of IAS 1; Para. 38 of IFRC 5; part 2, item 7 of Appendix V		
0380	TOTAL ASSETS	Para. 9, (a), IN 6 of IAS 1		13 888 528

Bank	FINV9150	First Investment Bank AD
Reporting date	31.12.2023	
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 IFRIC 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	
0030	Short positions	BA, Paragraph 7(b) of IFRS 9	8	
0040	Deposits	Part 2, item 9 of Appendix 2 to ECB/2013/33; Part 1, item 36 of Appendix V	8	
0050	Issued debt securities	part 1, paragraph 37 of Appendix V	8	
0060	Other financial liabilities	part 1, paragraph 38-41 of Appendix V	8	
0070	Financial liabilities at fair value through profit or loss	Para. 8 (e)(i) of IFRIC 7; IFRS 9.4.2.2	8	3 165
0080	Deposits	Part 2, item 9 of Appendix 2 to ECB/2013/33; Part 1, item 36 of Appendix V	8	
0090	Issued debt securities	part 1, paragraph 37 of Appendix V	8	
0100	Other financial liabilities	part 1, paragraph 38-41 of Appendix V	8	3 165
0110	Financial liabilities at amortised cost	Para. 8 (g) of IFRIC 7; IFRS 9.4.2.1	8	12 245 995
0120	Deposits	Part 2, item 9 of Appendix 2 to ECB/2013/33; Part 1, item 36 of Appendix V	8	11 548 490
0130	Issued debt securities	part 1, paragraph 37 of Appendix V	8	257 871
0140	Other financial liabilities	part 1, paragraph 38-41 of Appendix V	8	439 634
0150	Derivatives - hedge accounting	IFRS 9.6.2.1, part 1, paragraph 26 of Appendix V	11	
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		
0170	Provisions	Para. 10 of IAS 37; Para. 54 (l) of IAS 1	43	1 397
0180	Pensions and other obligations to pay defined post-employment benefits	Para. 63 of IFRIC 19; Para. 78(d) of IAS 1; part 2, item 9 of Appendix V	43	
0190	Other long-term employee benefits	Para. 153 of IFRIC 19; Para. 78(d) of IAS 1; part 2, item 10 of Appendix V	43	
0200	Restructuring	Para. 71 and 84(a) of IAS 37	43	
0210	Pending legal matters and tax-related court cases	IAS 37, addendum B, examples 6 and 10	43	1 034
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	363
0230	Other provisions	Para. 14 of IAS 37	43	
0240	Tax liabilities	Para. 54 (n)-(o) of IAS 1		29 632
0250	Current tax liabilities	Para. 54(n) of IAS 1; Para. 5 of IAS 12		2 028
0260	Deferred tax liabilities	Para. 54, (o) of IAS 1; Para. 5 of IAS 12; Art. 4, Para. 1, item 108 of Reg 575		27 604
0270	Share capital payable upon request	IAS 32, Illustrative example 33; IFRIC 2; part 2, paragraph 12 of Appendix V		
0280	Other liabilities	part 2, paragraph 13 of Appendix V		135 413
0290	Liabilities in disposal groups classified as held for sale	Para. 54, (p) of IAS 1; Para. 38 of IFRIC 5; part 2, paragraph 14 of Appendix V		
0300	TOTAL LIABILITIES	Para. 9, (b), IN 6 of IAS 1		12 415 602

Bank	FINV9150	First Investment Bank AD
Reporting date	31.12.2023	
Basis for application	Individual	
Accounting standard	IFRS	
		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		
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	
0060	Component of the share capital in compound financial instruments	Paras. 28 -29 of IAS 32; part 2, item 18 of Appendix V		
0070	Other issued equity instruments	part 2, paragraph 19 of Appendix V		
0080	Other own funds	Para. 10 of IFRS 2; part 2, paragraph 20 of Appendix V		
0090	Accumulated other comprehensive income	Art. 4, para. 1, item 100 of Reg 575	46	-1 139
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		
0120	Actuarial gains or (-) losses on defined benefit plans	Para. 7, NI 6 of IAS 1; Para. 120(c) of IAS 19		
0122	Non-current assets and disposal groups classified as held for sale	Para. 38, IN example 12 of IFRS 5		
0124	Share of the other comprehensive income of subsidiaries, associates and joint ventures	NI 6 of IAS1, paragraph 10 of IAS 28		
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 IFRIC 9; part 2, paragraph 21 of Appendix V		
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		
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		
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		
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		
0128	Items which can be reclassified as profit or loss	Para. 81A (a)(ii) of IAS 1		-5 639
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		
0140	Currency exchange	Para. 52 (b) of IFRIC 21; Paras. 32, 38-49 of IAS 21		
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		
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		-5 639
0165	Hedging instruments [unreported elements]	Paragraph 7, (g) and (h) of IAS 1; IFRS 9.6.5.10 and 6.5.11(b); Paragraph 24E (b) and (c) of IFRS 7		
0170	Non-current assets and disposal groups classified as held for sale	Para. 38, IN example 12 of IFRS 5		
0180	Share of the other comprehensive income of subsidiaries, associates and joint ventures	NI 6 of IAS1, paragraph 10 of IAS 28		
0190	Retained earnings	Art. 4, para. 1, item 123 of Reg 575		
0200	Revaluation reserve	Para. 30, D5-D8 of IFRS 1; part 2, item 28 of Appendix V		
0210	Other reserves	Para. 54 of IAS 1; Para. 78 (e) of IAS 1		939 922
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		
0230	Other	part 2, paragraph 29 of Appendix V		939 922
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	
0250	Profit or loss attributable to the owners of the parent company	Para. 81B (b)(ii) of IAS 1	2	135 041
0260	(-) Interim dividends	Para. 11 of IAS 32		
0270	Minority interests [Non-controlling interests]	Para. 54 (r) of IAS 1		
0280	Accumulated other comprehensive income	Art. 4, para. 1, item 100 of Reg 575	46	
0290	Other items		46	
0300	TOTAL SHAREHOLDERS' EQUITY	Para. 9 (c), IN 6 of IAS 1	46	1 472 926
0310	TOTAL SHAREHOLDERS' EQUITY AND TOTAL LIABILITIES	IN 6 of IAS 1		13 888 528

Svetozar Popov
Executive Director

Ralitsa Bogoeva
Executive Director

Chavdar Zlatev
Executive Director

Ianko Karakolev
Chief Financial Officer

BG
ANNEX III

Bank	FINV9150	First Investment Bank AD
Reporting date	31.12.2023	
Basis for application	Individual	
Accounting standard	IFRS	

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	404 711
0020	Financial assets held for trading	Para. 20, (a)(i), Para. B5, (e) of IFRC 7; part 2, paragraphs 33, 34 of Appendix V		5
0025	Non-tradable financial assets mandatorily reported at fair value through profit or loss	Para. 20, (a)(i), Para. B5, (e) of IFRC 7, IFRS 9.5.7.1		11 315
0030	Financial assets at fair value through profit or loss	Para. 20, (a)(i), Para. B5, (e) of IFRC 7		
0041	Financial assets at fair value through other comprehensive income	Para. 20(b) of IFRC 7; IFRS 9.5.7.10-11, IFRS 9.4.1.2A		20 159
0051	Financial assets at amortised cost	Para. 20(b) of IFRC 7; IFRS 9.4.1.2, IFRS 9.5.7.2		373 232
0070	Derivatives — hedge accounting, interest rate risk	supplement A to IFRS 9, C.6.6.16, part 2, paragraph 35 of Appendix V		
0080	Other assets	part 2, paragraph 36 of Appendix V		0
0085	Revenue from interest on liabilities	IFRS 9.5.7.1, part 2, paragraph 37 of Appendix V		0
0090	(Interest expense)	Para. 97 of IAS 1; part 2, paragraph 31 of Appendix V	16	34 809
0100	(Financial liabilities held for trading)	Para. 20, (a)(i), Para. B5, (e) of IFRC 7; part 2, paragraphs 33, 34 of Appendix V		
0110	(Financial liabilities at fair value through profit or loss)	Para. 20, (a)(i), Para. B5, (e) of IFRC 7		36
0120	(Financial liabilities at amortised cost)	Para. 20(b) of IFRC 7; IFRS 9.5.7.2		34 702
0130	(Derivatives — hedge accounting, interest rate risk)	Para. 9 of IAS 39; part 2, paragraph 35 of Appendix V		
0140	(Other liabilities)	part 2, paragraph 38 of Appendix V		52
0145	(Interest expense on assets)	IFRS 9.5.7.1, part 2, paragraph 39 of Appendix V		19
0150	(Expense for share capital payable upon request)	IFRIC 2, item 11		
0160	Dividend income	part 2, paragraph 40 of Appendix V	31	2 348
0170	Financial assets held for trading	Para. 20, (a)(i), Para. B5, (e) of IFRC 7; part 2, paragraphs 40 of Appendix V		137
0175	Non-tradable financial assets mandatorily reported at fair value through profit or loss	Para. 20, (a)(i), Para. B5, (e) of IFRC 7; IFRS 9.5.7.1A, part 2, paragraphs 40 of Appendix V		255
0191	Financial assets at fair value through other comprehensive income	Para. 20, (a)(ii) of IFRC 7; IFRS 9.4.1.2A, IFRS 9.5.7.1A, part 2, paragraph 41 of Appendix V		
0192	Investments in a subsidiary, jointly-controlled entity or associate reported via the equity method	part 2, paragraph 42 of Appendix V		1 956
0200	Fee and commission income	Para. 20 (c) of IFRS 7	22	192 605
0210	(Fee and commission expense)	Para. 20 (c) of IFRS 7	22	41 056
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	3 653
0231	Financial assets at fair value through other comprehensive income	IFRS 9.4.12A; IFRS 9.5.7.10-11		-269
0241	Financial assets at amortised cost	Para. 20(B)(v) of IFRC 7; IFRS 9.4.1.2, IFRS 9.5.7.2		3 922
0260	Financial liabilities at amortised cost	Para. 8 (a)(v) of IFRC 7; IFRS 9.5.7.2		
0270	Other			
0280	Net profits or (-) losses from financial assets and liabilities held for trading	Para. 20, (a)(i) of IFRC 7; IFRS 9.5.7.1, part 2, items 43, 46 of Appendix V	16	1 147
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 IFRC 7; IFRS 9.5.7.1, part 2, items 46 of Appendix V		-40 950
0290	Net profits or (-) losses from financial assets and liabilities at fair value through profit or loss	Para. 20, (a)(i) of IFRC 7; IFRS 9.5.7.1, part 2, items 44 of Appendix V	16, 45	
0300	Net profits or (-) losses from hedge accounting	part 2, paragraph 47 of Appendix V	16	
0310	Net profits or (-) losses from exchange rate differences	Para. 28 and Para 52 (a) of IAS 21		22 148
0320	Net profits or (-) losses from derecognition of investments in subsidiaries joint ventures and associates	Application V, part 2.56		1 599
0330	Net profits or (-) losses from derecognition of non-financial assets	Para. 34 of IAS 1; part 2, paragraph 48 of Appendix V	45	6 635
0340	Other operating income	part 2, paragraphs 314-316 of Appendix V	45	11 021
0350	(Other operating expense)	part 2, paragraphs 314-316 of Appendix V	45	5 542
0355	TOTAL NET OPERATING INCOME			523 510
0360	(Administrative expenses)			197 698
0370	(Personnel costs)	Para. 7 of IAS 19; Para. 102, IN 6 of IAS 1	44	98 056
0380	(Other administrative expenses)		16	99 642
0385	(Cash instalments for restructuring funds and deposit guarantee schemes)	part 2, paragraph 48 of Appendix V		24 263
0390	(Amortisation)	Paras. 102, 104 of IAS 1		12 969
0400	(Property, Plant and Equipment)	Para. 104 of IAS 1; Para. 73, (e), (vii) of IAS 16		9 013
0410	(Investment Property)	Para. 104 of IAS 1; Para. 79, (d), (iv) of IAS 40		
0420	(Other intangible assets)	Para. 104 of IAS 1; Para. 118, (e), (vi) of IAS 38		3 956
0425	Net profits or (-) losses from modification	IFRS 9.5.4.3, supplement A to IFRS 9, part 2, paragraph 49 of Appendix V		0
0426	Financial assets at fair value through other comprehensive income	Paragraph 35J of IFRS 7		

		References	Breakdown in table	Current period
				0010
0427	Financial assets at amortised cost	Paragraph 35J of IFRS 7		
0430	(Provisions or (-) reversed provisions)	Para. 59, 84 of IAS 37; Para. 98, (b), (f), (g) of IAS 1	9 12 43	-194
0435	(Undertaken obligations to make payments for restructuring funds and deposit guarantee schemes)	part 2, paragraph 48 (i) of Appendix V		
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		-789
0450	(Other provisions)			595
0460	(Impairment or (-) impairment adjustment of financial assets which are not accounted at fair value through profit or loss)	Para. 20, (a)(viii) of IFRS 7; IFRS 9.5.4.4, part 2, items 51, 53 of Appendix V	12	137 957
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	
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	137 957
0510	(Impairment or (-) reversed impairment of investments in a subsidiary, jointly-controlled entity or associate)	Paras. 40-43 of IAS 28	16	
0520	(Impairment or (-) reversed impairment of non-financial assets)	Para. 126(a)-(b) of IAS 36	16	0
0530	(Property, Plant and Equipment)	Para. 73, (e), (v)-(vi) of IAS 16		
0540	(Investment Property)	Para. 79, (d), (v) of IAS 40		
0550	(Goodwill)	B67, (d), (v) of IFRS 3; Para. 124 of IAS 36		
0560	(Other intangible assets)	Para. 118, (e), (iv)-(v) of IAS 38		
0570	(Other)	Para. 126(a)-(b) of IAS 36		
0580	Negative goodwill in profit or loss	B64, (n)(i) to IFRS 3		
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		
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		
0610	PROFIT OR (-) LOSS BEFORE TAX FROM CURRENT OPERATIONS	Para. 102, IN 6 of IAS 1; Para. 33 A of IFRS 5		150 817
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		15 776
0630	PROFIT OR (-) LOSS AFTER TAX FROM CURRENT OPERATIONS	IN 6 of IAS 1		135 041
0640	Profit or (-) loss after tax from discontinued operations	Para. 82, (e) of IAS 1; Para. 33(a) and paragraph 33A of IFRS 5; part 2, paragraph 56 of Appendix V		
0650	Profit or (-) loss before tax from discontinued operations	Para. 33, (b)(i) of IFRS 5		
0660	(Tax expense or (-) income related to discontinued operations)	Para. 33, (b)(i) and (iv) of IFRS 5		
0670	PROFIT OR (-) LOSS FOR THE YEAR	Para. 81A (a) of IAS 1		135 041
0680	Relating to minority interests [non-controlling interests]	Para. 81B (b)(i) of IAS 1		
0690	Attributable to the owners of the parent company	Para. 81B (b)(ii) of IAS 1		135 041

Svetozar Popov
Executive Director

Ralitsa Bogoeva
Executive Director

Chavdar Zlatev
Executive Director

Ianko Karakolev
Chief Financial Officer