



ANNUAL MANAGEMENT REPORT

OF

INVESTBANK JSC

For 2023

APPROVED ON 14 February 2024

INFORMATION ABOUT THE BANK

Scope of Business

Investbank JSC (the Bank) is a universal commercial bank holding a full license to provide banking services in the country and abroad. The main priority in its business is to provide complete servicing both to leading and small and medium-sized enterprises in various branches of the national economy, lending to companies under programs of the Bulgarian government, retail banking, operations on the domestic and international money and capital markets, asset management, assistance in the implementation of projects under operational programs, including lending, full banking services to municipalities, budget spending units, etc.

Incorporation

Investbank JSC (previous company names - Commercial Bank Investbank JSC, Commercial Bank Neftinvestbank JSC, International Orthodox Bank of Saint Nikola JSC) was established by decision of 16 December 1994 under company case No. 23891/1994 of Sofia City Court, Lot. No. 21604, Volume 261, Reg. 1, Page 130, as per the docket of Sofia City Court, for an indefinite term as a joint stock company.

Banking license

Investbank JSC is a universal commercial bank fully licensed to provide banking services in the country and abroad, in local and foreign currency, as well as to perform all other transactions under Art.2(1) and (2) of the Credit Institutions Act (CIA).

Legal status and shareholder information

The registered (with the Commercial Register) share capital of Investbank JSC as at 31 December 2020 amounts to BGN 155,571,612, divided in 155,571,612 ordinary registered dematerialized voting shares, with a par value of 1 BGN each.

Address

The seat and the registered office of Investbank JSC is at 85 Bulgaria Blvd., Triaditsa District, Sofia Municipality, 1404 Sofia.

Shareholder structure

The shareholder structure of Investbank JSC as at 31 December 2022 is as follows:

No.	Shareholder structure of Investbank	% shareholding
1	Festa Holding AD	83.80
2	Petya Ivanova Barakova-Slavova	10.55
3	Other natural persons and legal entities	5.65
	Total:	100.00

Governance

Investbank JSC has a two-tier governance system, with a Supervisory Board and a Management Board. The members of the Supervisory Board (SB) are elected and dismissed by the General Meeting of Shareholders (GMS), which also determines their remuneration. The SB appoints and dismisses the members of the Management Board (MB) and determines their remuneration. The MB appoints the executive directors from among its members, and its decision is subject to approval by the SB.

- As at 31 December 2022, the composition of the Supervisory Board, as registered with the Commercial Register, is:
 - Petya Ivanova Barakova-Slavova – SB Chairperson;
 - Festa Holding AD – SB Member;
 - Martin Tsvetkov Bogdanov – SB Member.
- As at 31 December 2019, the composition of the Management Board (MB), as registered with the Commercial Register, is:
 - Svetoslav Rumenov Milanov – MB Member and Executive Director;
 - Maya Ivanova Stancheva – MB Member and Executive Director;
 - Stoyan Tsvetkov Tsvetkov – MB Member and Executive Director;
 - Nedyo Yankov Tenev – MB Member.

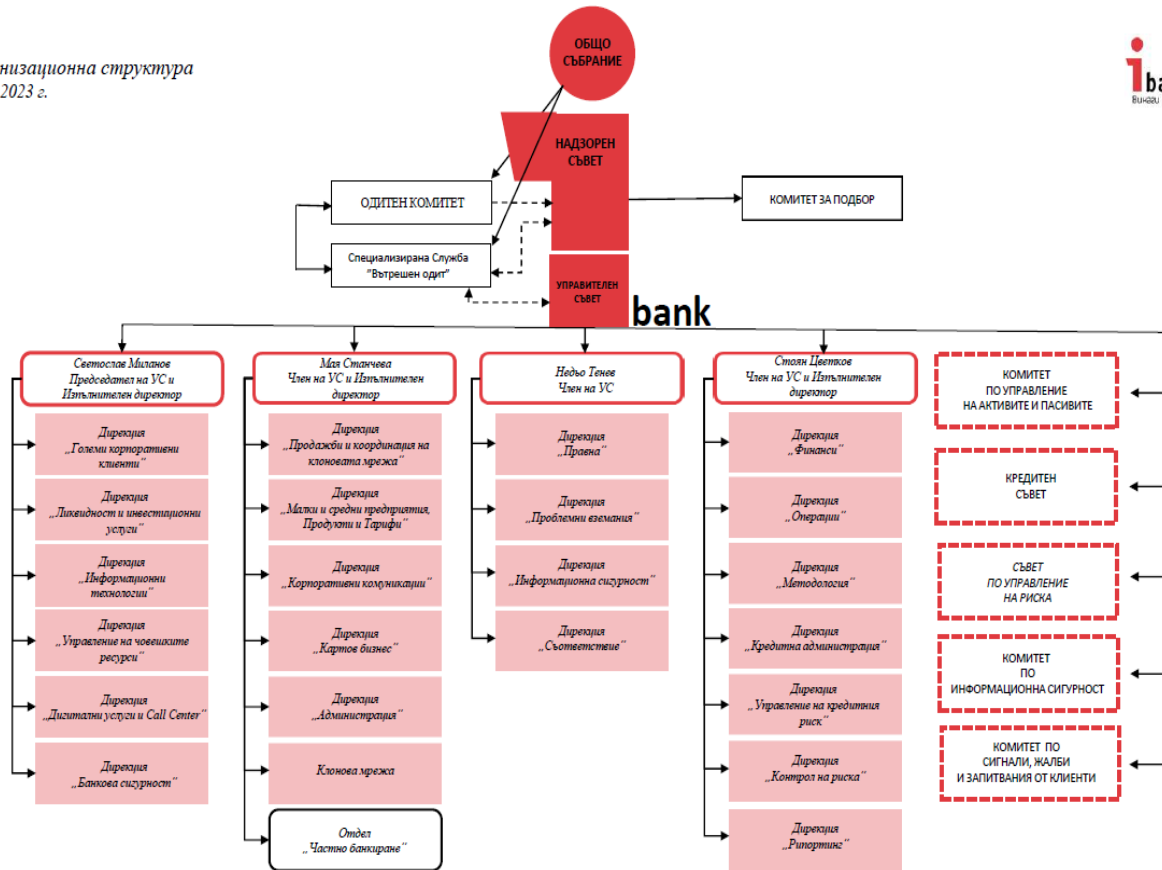
Mission

Investbank JSC strives to strengthen its position as a dynamically developing Bulgarian bank and to expand its presence on the financial markets through:

- Offering its customers and partners innovative products, digital services and individual approach to service, consistent with the modern business standards and technologies and in compliance with the best banking practices;
- Building long-term business relations with customers and partners;
- Attracting and retaining highly qualified, proven professionals and implementing best practices in effective governance;

- Providing a career development environment and employee motivation to promote affiliation with the Bank, its goals and performance;
- Generating sustainable growth and high value for investors;
- Establishing the Bank as a preferred business partner and providing mutually beneficial business conditions to customers.

Организационна структура
01.12.2023 г.



MACROECONOMIC REVIEW

Key macroeconomic indicators

Basic macroeconomic indicators	Reported data*			Forecast		
	2021	2022	2023 f	2024	2025	2026
Gross domestic product						
GDP (BGN mln.)	138,979	167,809	191,182	205,849	217,811	231,357
GDP (real growth, %)	7.7	3.9	1.8	3.2	3.0	3.0
Consumption	6.5	4.2	4.1	3.5	3.3	3.6
Gross fixed capital formation	-8.3	6.5	0.6	9.6	7.9	4.9
Export of goods and services	11.2	11.6	0.5	4.0	4.1	3.9
Import of goods and services	10.7	15.0	-1.9	6.0	5.8	5.0
Labour market and prices						
Employment (System of National Accounts) (%)	0.2	-0.3	1.2	0.6	0.4	0.3
Unemployment rate (Labour Force Survey) (%)	5.3	4.3	4.2	4.0	4.0	3.9
Compensation per employee (%)	11.3	14.2	14.3	11.2	8.1	7.3
GDP deflator (%)	7.1	16.2	11.9	4.3	2.7	3.1
Average annual inflation (HICP) (%)	2.8	13.0	9.1	4.8	2.8	2.2
Balance of payments						
Current account (% of GDP)	-1.7	-1.4	1.7	0.0	-0.8	-1.0
Balance of trade (% of GDP)	-4.1	-5.9	-3.1	-4.8	-5.9	-6.1
Foreign direct investment (% of GDP)	2.9	3.6	3.8	3.9	3.8	3.8
Monetary sector						
M3 (%)	10.7	13.2	9.8	9.6	9.2	8.9
Claims on entities (%)	6.1	11.1	8.3	7.0	7.3	7.8
Claims on households (%)	13.4	14.6	11.9	9.6	8.5	8.0

Sources: MF, NSI, BNB*When preparing the forecast, statistical data published until 10 October 2022 were used, with the exception of GDP data that are as of 19 October 2023

2023 passed with heightened geopolitical tensions and weak economic activity in the Eurozone. This led to weaker global trade and a reorientation of demand from goods back to services.

The GDP growth in Bulgaria is expected to come to 1.8% (compared to 3.9% in 2022), which is mainly driven by the growth of the private consumption and the positive contribution of the net export, while the change in inventories will have a significant negative impact on the change of the economic activity of the country. In 2024, the expectations are that the growth of economic activity will accelerate to 3.2% The real GDP growth during the period was mainly driven by a significant acceleration of the investment growth.

The average annual inflation rate for the end of 2023, according to reported data, is 8.6%, and is expected to slow down for the next year.

At the end of December 2023, the unemployment rate nationwide is projected to decrease to 4.2% and to remain at this level in the following year.

The main factor that will also support the development of the economy to the greatest extent in 2024 is the absorption of funds under the National Recovery and Sustainability Plan (NRSP) of Bulgaria by both the private and the public sectors.

BANKING SECTOR REVIEW

Key banking sector indicators

	2020	2021	2022	2023
Financial indicators (BGN mln.)				
Net interest revenues	2,649	2,757	3,227	4,846
Net fee and commission revenues	1,039	1,241	1,430	1,474
Other net revenues	512	501	700	654
Total operating revenues	4,200	4,499	5,357	6,974
Administrative expenses	(2,300)	(2,107)	(2,300)	(2,552)
Impairment	(876)	(594)	(570)	(428)
Result after tax	816	1,416	2,079	3,417
Balance-sheet indicators (BGN mln.)				
Total assets	124,006	135,410	155,406	172,072
Cash, balances with central banks and other deposits on demand	27,114	28,487	32,428	36,267
Net loans and advances to customers (including finance leases)	65,922	74,562	82,631	94,272
Securities	17,640	22,014	23,607	25,960
Deposits from customers	100,671	109,356	126,197	136,768
household deposits	62,636	68,107	74,282	82,614
corporate deposits	38,034	41,249	51,915	54,153
Deposits from credit institutions	5,062	6,072	7,882	10,539
Equity and reserves	15,354	16,421	17,038	19,811
Basic ratios (%)				
Return on assets (after taxes)	0.69	1.09	1.43	2.09
Return on equity (after taxes)	5.50	8.91	12.42	18.55
Net interest margin	2.34	2.322	2.31	3.07
Loans/deposits from customers	65.48	68.18	65.48	68.93
Loans/assets	53.16	55.06	53.17	54.79
Capital adequacy*	22.74	22.762	20.88	21.84

*CA of BS for 2023 is announced by the BNB as of September 2023

At the end of Q4 2023, the assets of the banking system amounted to BGN 172.1 billion and represented 90.0% of the projected GDP.

As at 31 December 2022, the banking sector reported a net profit of BGN 3.4 billion (an increase by 64.4% compared to December 2022 - BGN 2.1 billion).

The higher financial result is mainly due to the higher net interest income (50.2%), higher but lower growth of fees and commissions net income (3.13%), as well as net impairment expense compared to the figures for the preceding year.

As a result of the high liquidity, strong competition and the continued inflow of borrowed funds into the banking system, the effects of tightening the monetary policy in the Eurozone, as well as the increase of the rate of mandatory minimum reserves to 12% by the BNB on interest rates on deposits and credits in the household sector remained limited as of mid-Q4 2023. The process of increasing interest rates in the country continues to proceed relatively slowly, with a more substantial increase observed in the sector of non-financial enterprises. The expectations of the experts are for a gradual increase in interest rates on deposits, as well as a slowdown in wage growth, these are the factors with the main influence on the estimated dynamics of the attracted funds in the banking system.

At its December 2023 meeting, the Governing Council of the ECB decided to keep unchanged its three main interest rates - for the main refinancing operations, the interest rates on the marginal credit and on the deposit facility - 4.50%, 4.75% and 4.00 %, respectively.

REVIEW OF THE PERFORMANCE OF INVESTBANK JSC IN 2023

Key indicators

	2020	2021	2022	2023
Financial indicators (BGN '000)				
Net interest revenues	24,346	22,757	34,560	67,031
Net fee and commission revenues	24,230	25,782	31,636	31,802
Other net revenues	8,253	102	9,262	19,478
Total operating revenues	56,829	48,641	75,458	118,311
Administrative expenses	(39,049)	(36,740)	(39,947)	(51,159)
Impairment	(16,879)	(64,096)	(7,105)	(23,962)
Net result from remeasurement of investment property	1,248		21,916	17,795
Result after tax	2,200	13,954	48,951	60,371
Balance-sheet indicators (BGN '000)				
Total assets	2,200,670	2,543,097	2,842,847	3,164,646
Cash, balances with central banks and other deposits on demand	420,327	615,874	670,978	777,919
Net loans and advances to customers (including finance leases)	879,677	933,201	1,048,725	1,405,721
Securities	514,157	558,728	678,871	513,464
Deposits from customers	1,940,725	2,267,802	2,482,357	2,719,809
<i>household deposits</i>	1,265,334	1,411,202	1,408,444	1,499,083
<i>corporate deposits</i>	675,391	856,600	1,073,913	1,220,726
Deposits from credit institutions	12	-	31,811	46,002
Equity and reserves	246,608	255,415	306,946	366,284
Basic ratios (%)				
Return on assets (after taxes)	0.11	0.59	1.82	2.01
Return on equity (after taxes)	1.01	5.56	17.41	17.93
Net interest margin	1.47	1.16	1.53	2.63
Loans/deposits from customers	45.33	41.15	42.25	51.68
Loans/assets	39.97	36.70	36.89	44.42
Capital adequacy	19.93	18.91	19.86	21.47
Resources				
Personnel	627	596	589	589
Financial centers	28	26	26	26

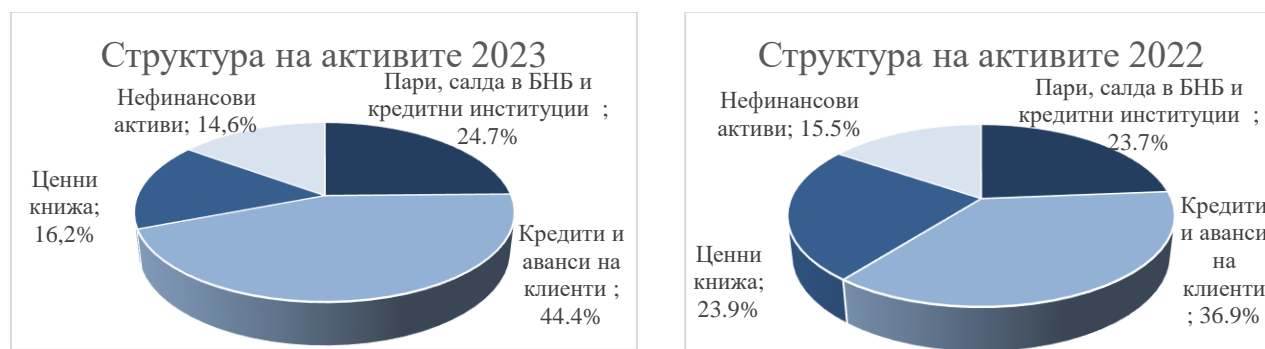
STATEMENT OF FINANCIAL POSITION

ASSETS

Total assets

In terms of total assets at the end of 2023, Investbank JSC ranks 11th, whereby as at the end of 2021 it has a market share of 1.83% among the banks nation-wide. The business model structures the Bank's assets is with a dominance of loans and advances to customers.

As at the end of December 2023, the Bank's assets amount to BGN 2,843 million (year 2022: BGN 2,843 million). In the assets structure of Investbank JSC, net loans and advances to customers (including finance leases) account for the largest share of 44.4% (36.9% as at December 2022) of total assets, followed by cash on hand and balances with the BNB and receivables from credit institutions of 24.7% (23.7% as at December 2022), securities of 15.9% (23.9% as at December 2022) and non-financial assets formed a share of 15.0%, compared to 15.5% for the previous year.



Loans and advances to customers

Loans and advances to customers account for 44.4% of total assets compared to 36.9% for the previous year. Loans/deposits ratio amounts to 51.68% compared to 42.25% for the previous year. In 2023, the total amount of net loans grew by BGN 357 million (increase by 34.04%) and reached BGN 1,405.7 million (year 2022: BGN 1,048.7 million). Loans also comprise receivables under finance leases for BGN 2.12 million compared to BGN 2.86 million at the end of the previous year. At the end of December 2023, the balance sheet impairment amounts to BGN 24.71 million, which is a decrease in the degree of coverage with impairment of non-performing from 15.95% for 2022 to 34.03% for 2023 and during the year the amount of BGN 2.06 million was written off at the expense of provisions for non-performing loans.

Compared to a year ago, the Bank's gross loan portfolio increased by BGN 361 million (33.63% growth) and as of December 2023 it was in the amount of BGN 1,430 million. Compared to a year ago, gross **loans to legal entities** increased by BGN 362 million (43.4% growth) and as of December 2023 they are in the amount of BGN 1,196 million. The new business and the increase in the existing business from the beginning of 2023 compared to the previous year is in the amount of BGN 685.5 million compared to BGN 380 million for the same period the preceding year.

Compared to a year ago, gross **loans to natural persons** decreased by BGN 15.95 million (-7.78% drop) and as of December 2023 it amounts to BGN 189 million. The new business and the increase in the existing business from the beginning of 2023 amounts to BGN 58.8 million compared to BGN 76.9 million for the same period in the preceding year.

In compliance with the non-performing loans risk management and monitoring policies, processes and procedures, the efforts to improve the portfolio continued in 2023. As a result of the effective measures, the percentage of non-performing exposures to the Bank's total credit exposure changed from 13.5% in December 2022 to 5.8% at the end of 2023 with a reported growth of the credit portfolio.

Securities

The portfolio of securities in the structure of assets of Investbank JSC (classified as debt securities carried at amortized cost, financial assets carried at fair value through profit or loss and financial assets carried at fair value through other comprehensive income) remain structurally determining and as at December 2023 they account for 16.2% of total assets (23.9% as at December 2022). Investbank JSC successfully manages its liquid assets by investing part of them in securities, which increased their yield compared to previous periods. With the increase in the basic interest rate, the interbank deposits were also renewed, the yield of which increased.

LIABILITIES

Borrowed funds from customers

In terms of total funds borrowed from customers, Investbank JSC ranks 10th among the banks in Bulgaria with a relative share of 1.95% compared to 1.95% for 2022.

Borrowed funds from customers at the end of December 2023 amount to BGN 2,720 million, reporting a growth by BGN 237.5 million (9.57%) compared to December 2022 (year 2022: BGN 2,482 million).

As at 31 December 2023, the funds borrowed from **legal entities** reported an increase by BGN 146.8 million (13.67% increase) compared to the end of 2022 and come to BGN 1,221 million.

As at the end of December 2023, the funds borrowed from **natural persons** amounted to BGN 1,499 million, reporting an increase by BGN 90.64 million compared to that in December 2022 (BGN 1,408 million). An increase is reported both in termless and in fixed-term deposits. This resource retains its structure-determining share in the total borrowed funds from customers - 54.23% (56.7% as at December 2022).

In order to meet the regulatory requirements under Art. 69 of the Recovery and Resolution of Credit Institutions and Investment Firms Act (RRCIIFA), in 2023 Investbank JSC acquired acceptable liabilities in the amount of BGN 104.3 million with a maturity of up to 5 years.

In the past year, Investbank JSC successfully issued its first bond issue - ordinary, interest-bearing, dematerialized, registered, freely transferable, unsecured, non-convertible, issued under the conditions of an initial private offering in accordance with Article 69a of the Recovery and Resolution of Credit Institutions and Investment Firms Act to meet the requirements for equity and acceptable liabilities, in the amount of EUR 5,100,000. At the General Meeting of bondholders held on 11 December 2023, an

unanimous decision was made to refuse the secondary offering of the bond issue on a regulated market. The bonds have a ten-year maturity and pay a 5% coupon once a year calculated under the interest convention "Actual number of days in the period to the actual number of days in the year".

Equity

The Bank's equity amounts to BGN 366.284 million and includes share capital of BGN 155.57 million, reserves of BGN 210.71 million including retained earnings for the current year of BGN 60.37 million.

PROFIT AND LOSS STATEMENT

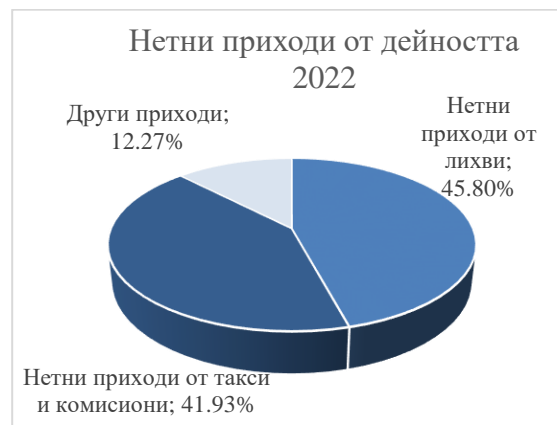
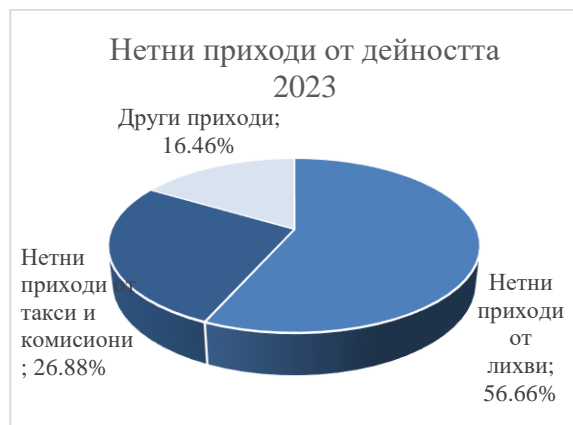
Net financial result

Investbank JSC achieved a significant increase in its annual result compared to the level of the previous year.

As a result of its operating activities in 2023, Investbank JSC reported a positive financial result after tax of BGN 60.37 million (year 2022: BGN 48.95 million).

Total operating revenues

The total operating revenues for the year amount to BGN 118.3 million, reporting an increase compared to the figure of BGN 75.5 million a year earlier. There is growth in all positions: net interest income, net revenues from fees and commissions and other revenues.



The structure and volume of revenues reflect the market dynamics and balance sheet changes during the year.

For 2023, the largest share in the structure of net operating revenues is that of net interest income with a share of 56.66% (45.8% as at December 2022) and net fee and commission income with a relative share of 26.88% (53.0% as at December 2022). The share of other net revenues at the end of 2023 is 16.46% (12.27% as at December 2022).

Net interest income

	2023	2022	Change	Change in %
Interest revenues	78,350	40,534	37,816	93.29
Deposits provided to credit institutions	9,107	610	8,497	1,392.95
Loans and advances to customers	58,210	35,516	22,694	63.90
Securities	11,033	4,408	6,625	150.29
Interest expenses	11,319	5,974	5,345	89.47
Deposits from credit institutions	2,251	1,396	855	61.25
Deposits from customers	8,655	4,242	4,413	104.03
Other borrowed funds	413	336	77	22.92
Net interest income	67,031	34,560	32,471	93.96

As at 31 December 2022, Investbank JSC reports a decrease in net interest income (BGN 32.5 million or a growth by 93.96%) compared to the previous year. A more significant impact on the net interest income is the greater growth of interest income, both from loans and advances to customers, and from the CC (increased profitability in recent years) and from Interest on deposits provided to credit institutions as a result of the renewal of interbank deposits. As at 31 December 2022, the net interest margin is 2.63 % (compared to 1.53% at the end of 2022).

The dynamics of the indicator for the bank and the banking system is positive, i.e. the interest rate profitability is increasing. The banking system as a whole marks a growth of the average interest margin from 2.31% for 2022 to 3.071% for 2023, i.e. an increase by 0.76p.p., while the growth of Investbank JSC was 1.1 p.p. As at 31 December 2023, Investbank JSC ranks 15 in this indicator among the banks in Bulgaria.

The improvement of the indicator is due to the greater growth of net interest income as a result of the increase in the share of loans in the Asset structure and the renewal of interbank deposits. According to information published on the BNB page for Banks with the largest share in the provided resource of the Interbank Money Market, Investbank JSC occupied first place up to and including September, and was second by the end of the year.

Interest revenues as at 31 December 2023 account for an increase by BGN 37,8 million (increase by 93.29%) compared to the previous year. The interest revenues on loans compared to the same period of the previous year account for an increase by BGN 22,7 million due to: higher average portfolio volume (BGN 236 million) – the factor affects by an increase by BGN 11.2 million and a higher average interest rate on the portfolio (increase by 1.16 p. p.), with the effect of the difference in interest rates being BGN 6.6 million or 150.3% over the 2023 December level.

The result of the Bank's security portfolio is a function of the market factors in the country and in EU. The period under review was marked by a decrease in the prices of government securities (yield growth) in a global aspect, determined by the actions of the leading central banks - ECB and the US Federal Reserve and the expectations of global inflation. As a result, the Bank achieved a higher net result from securities in 2022 compared to that in the previous year. The long-term interest rate for assessing the degree of

convergence, which includes BGN bonds of the Bulgarian government with a maturity of 10 years, generally shows this trend.



As a result of an increase in interest rates on borrowed funds from customers, interest expenses increased by BGN 5.3 million compared to December 2022 and amounted to BGN 11.3 million as at 31 December 2023.

Net fee and commission revenues

In 2023 the Bank's net fee and commission revenues amount to BGN 31,8 million compared to BGN 31,6 million at the end of 2022, marking an increase by 0.52%. The greatest increase in absolute value is marked in account servicing - BGN 2.6 million, followed by fees and commissions on loans granted - BGN 0.4 million and fees and commissions on card operations BGN 0.38 million. The increase of other items is smaller.

Lower compared to the same period of the last year are the revenues from fees and commissions for availability on payment accounts, for which the Bank stopped collecting them (-0.87 million BGN), fees for operations with cash availability (-0.33 million BGN) and others where the reduction is less significant.

Other net revenues

	2023	2022	Change	Change %
Net income on foreign currency operations	3,364	2,300	1,064	46.26
Net result from securities	7,262	1,284	5,978	465.58
Net revenues on sale of assets	6,174	1,335	4,839	362.47

Other revenues, net	2,678	4,343	-1,665	-38.34
Total other net revenues	19,478	9,262	10,216	110.30

At the end of 2023, the amount of other net revenues (all revenues other than interest revenues and fees and commissions revenues are presented herein) marks a significant growth and amounts to BGN 19.48 million compared to BGN 9.26 thousand in 2022.

The following significant revenues were realized: Income from operations in financial instruments BGN 5.98 million more; income from the sale of assets with BGN 4.84 million and more income from operations in foreign currency.

Administrative expenses

Administrative expenses	2023	2022	Change	Change %
Expenses on personnel	21,029	16,691	4,338	25.99
Depreciation	5,233	5,243	-10	-0.2
Other administrative expenses	20,918	13,795	7,123	51.63
BDIF	3,979	4,218	-239	-5.67
Total administrative expenses	51,159	39,947	11,212	28.07

As at 31 December 2022, the total amount of administrative expenses amount to BGN 51.16 million, which is by 28.07% higher than their level as at December 2022.

Since 2019 the Bank has applied IFRS 16 for rental expenses, with a significant portion of the rental expenses being recognized in depreciation and interest expenses. As the standard has been applied for four years so far, the data for 2023 and 2022 are completely comparable.

As at the end of December 2023, the level of the indicator Administrative Expenses / Total Operating Revenues (excluding the contributions to Bulgarian Deposit Insurance Fund (BDIF)) according to data reported in the Annual Financial Statements is 47.35% and the value at the end of 2022 is 52.94%. Compared to 2022, in 2023 there is a significantly higher growth in total operating revenues and lower growth in administrative expenses, as the factor total operating income has a greater impact on the change in the indicator.

Net impairment expenses

Impairment expenses as at the end of December 2023 amount to BGN 23.96 million and are by BGN 16.86 million higher compared to the figures in the previous year (BGN 7.1 million in 2022).

Net result from remeasurement of investment property

For the past year the Bank has made a net remeasurement of investment properties for BGN 17.8 million compared to BGN 21.9 million for 2022. The fair value of investment property is updated annually by licensed third-party appraisers holding the relevant qualifications and experience.

BANK REGULATIONS

Liquidity

The effective management of the institution's inherent risks, the monitoring for early warning signals of possible problems, the regular monitoring and control on the ratios in the Recovery Plan are a top priority for the Bank.

Investbank JSC follows a moderately conservative policy with acceptable levels of risk-taking, emphasizing on high liquidity. The main goal is to achieve good return by maintaining an optimal balance sheet structure and improving the market position.

The liquidity management aims to ensure optimal liquidity while balancing the inflows and outflows of cash to ensure the day-to-day implementation of the Bank's obligations. The liquidity management is carried out in compliance with the regulatory requirements and is conditionally divided into two functional areas: liquidity management and liquidity risk control. Operational and strategic liquidity management is carried out by the Liquidity and Investment Services Directorate. Liquidity risk control is performed by the Risk Control Directorate.

In recent years, Investbank JSC has maintained very good liquidity, and in 2023 the controlled liquidity ratios according to Regulation (EU) No. 575/2013 significantly exceed the regulatory requirements. The structure of balance-sheet assets as at 31 December 2022 is indicative of the existence of adequate liquid buffers:

- the volume formed of the security portfolio amounts to 15.8% of the Bank's assets, of which 91.5% are government securities, and the shares account for 2.1% of the total volume of securities, cash balances, balances with central banks and receivables from financial institutions, amounting to 23.65% of the Bank's assets. Cash, balances with central banks and receivables from financial institutions amount to 24.6% of the Bank's assets.

Key ratios – LCR (short-term liquidity) and NSFR (Net Stable Funding Ratio - longer-term ratio) significantly exceeded the minimum required values of 100% throughout 2023.

Date	Dec 22	March 23	June 23	Sep 23	Dec 23
LCR	309%	694%	726%	800%	304%
NSFR	176%	157%	153%	151%	153%

The share of total liquid assets (including cash, accounts with BNB and financial institutions, government securities, corporate bonds and shares) of the Bank's assets decreased from 47.6% as at Dec 2022 to 40.4% as at Dec 2023, while the credit exposure (loans and advances) of total assets increased from 36.5% (Dec 2022) to 44.1% (Dec 2023). Investbank JSC is able and capable of withstanding liquidity pressures and

complicated market environment, including in the conditions of recession as a result of the complicated international situation.

Leverage - for managing and controlling the risk of excessive leverage, Investbank JSC calculates the leverage ratio (balance sheet capital to assets) and the reported figures are significantly higher than the required ones. As at December 2023, the leverage ratio stands at 10.24%.

Capital requirements

In compliance with the regulatory requirements of the European and Bulgarian legislation, Investbank JSC performs and observes the capital ratios specified below.

Total capital adequacy

The Bank calculates the total capital adequacy ratio as a percentage ration between equity (regulatory capital) and risk-weighted assets for credit, market and operational risk.

Pursuant to Art. 92 of Regulation 575/2013, the minimum required capital adequacy ratios are:

- Common Equity Tier I capital ratio (CET 1) – 4.5 %;
- Tier I capital ratio – 6%;
- Total capital adequacy ratio – 8%.

Part Eight of Regulation 575/2013 - Disclosure by Institutions sets out the scope of information disclosure requirements, including for the capital buffers of banks and the terms and conditions of their formation are detailed in Chapter 4 of Directive 2013/23/EU and Ordinance No. 8 of the BNB on the capital buffers of banks. The capital buffers are:

1. Preventive capital buffer;
2. Countercyclical capital buffer;
3. Buffer for Global Systemic Significant Institution (GSSI)
4. Buffer for Other Systemic Significant Institution (OSSI)
5. Buffer for systemic risk

Investbank JSC should maintain the additional capital buffers described above, excluding those relating to significant institutions, and their coverage should be provided by the Common Equity Tier I capital.

From the aforementioned capital buffers, as at 31 December 2022 the Bank allocates capital for preventive capital buffer (2.5%) and buffer for systemic risk (3%) considering the total amount of the risk weighted assets for credit, market and operational risk. By decision of the Board of the BNB, a value for the countercyclical capital buffer applicable to risk exposures in the Republic of Bulgaria has been set at 2.0%, starting from 1 October 2023.

Bank's common equity tier and capital base as at 31 December 2023

Indicators	BGN '000
Common equity Tier 1 Capital (CET 1)	331,250
Tier 1 capital	331,250
Equity (capital base)	331,250

In 2023, an increase in equity by 22.0% (+32,525 thousand BGN) is reported

As at 31 December 2020, the capital surplus is:

Capital structure as at 31 December 2023 in BGN '000	Surplus after capital coverage	Surplus (+) / Shortage (-) after deduction of capital buffers
Common Equity Capital (CEC 1)	261,817	149,544
Common equity Tier 1 Capital (Tier 1)	238,673	126,400
Equity /capital base/ T1 + T2	207,814	95,541

The Bank's risk profile is consistent with the moderately conservative policy for risk-taking adopted by Management. Credit risk accounted for the largest relative share of the risk matrix as at the reporting date (93.7% of risk-weighted exposures), followed by operational risk (6.3% of risk-weighted exposures). The structure is presented in the following table with distribution of risk-weighted exposures of Investbank JSC and its capital coverage as at 31 December 2023.

The operational risk is calculated by applying the method of Basic Indicator and is determined as 15% of the average gross income for the last three financial years.

As at 30 June 2023, the capital coverage of the Bank's risk exposure is:

Capital coverage of the Bank's risk exposure in BGN '000 as at Dec 2023		Total capital adequacy	Capital buffers			Total capital coverage
		Capital coverage - 8%	Prepaid capital buffer - 2.5%	System risk buffer - 3%	Anti-cyclic buffer - 1.94%	
Total risk-weighted exposures, including	1,542,948	123,436	38,574	43,766	29,933	235,709
Credit risk, counterparty credit risk	1,445,073	115,606	36,127	40,830	28,034	220,597
Position, currency and commodity risks	-	-	-	-	-	-
Operational risk	97,875	7,830	2,447	2,936	1,899	15,112

Distribution of risk-weighted exposures of Investbank JSC as at 31 December 2023

Total risk-weighted exposures, including:	1,542,948	100.0%
Credit risk, counterparty credit risk	1,445,073	93.7%
Position, currency and commodity risks	-	-
Operational risk	97,875	6.3%

RISK MANAGEMENT

Overview

In the normal course of business, Investbank JSC is exposed to various financial risks, the most important of which are: credit risk, market risk (including foreign currency risk, interest rate and price risk), liquidity and operational risk. To maintain the level of risk within the limits required by the Bank's Management, a system of rules, procedures and limits for identification and management of the main banking risks has been established and is functioning in compliance with the restrictive regulatory requirements and the Strategic Development Plan of the Bank. According to the requirements of the regulatory framework, Internal Capital Adequacy Analysis (ICAA), Internal Liquidity Adequacy Analysis (ILAA), Recovery Plan, Business Continuity Plan (BCP), "Liquidity Management Plan in Adverse Events and a Liquidity Crisis Scenario have been prepared and are subject to approval by the Management of Investbank JSC.

Risk management is based on the Risk Management Strategy, which defines the target risk profile and risk appetite of Investbank JSC. The aim is to limit the risk taken so that in the short and long term the Bank remains sustainable and viable. This may be achieved by maintaining sustainable levels of funds to ensure risk coverage in regulatory and economic aspect and ensuring that the Bank maintains a good risk-taking capability at all times. Furthermore, the Strategy clearly defined the risk structure that is relevant to the business model, including by defining a risk profile and determining rules to address significant concentration risks. Thus Investbank JSC aims to achieve a balanced portfolio mix by focusing on retail customers, on the one hand, and on corporate customers, on the other hand, so that the concentration of risk is maintained within the established limits detailed in the Concentration Risk Rules (Limit Framework).

The general risk management focuses on the difficulties in forecasting the financial markets and minimizing the potential negative effects that may affect the financial performance and situation of the Bank. These financial risks are currently identified, measured and monitored through various control mechanisms implemented to establish adequate prices of the bank services and types of products and the borrowed capital from customers, and to adequately assess the market circumstances of the investments made by the Bank and the methods of maintenance of free liquid funds without allowing undue concentration of a particular risk. The Bank manages its trading operations according to the type of risk and on the basis of the different categories of financial instruments held.

Risk Management Policy

Investbank JSC follows a moderately conservative policy with acceptable levels of risk-taking, emphasizing on high liquidity. The Supervisory Board and the and Management Board of the Bank discuss and adopt the risk policy according to their intentions to invest in activities generating stable growth and income, as well as consistent with the availability of sufficient capital to cover banking risks. Investbank JSC's risk management policy is aimed to identify, analyse, measure and control the risks to which the Bank is exposed, based on the core principles for effective banking supervision by the Basel Committee on Banking Supervision, the regulatory requirements of the BNB and the internal banking regulatory framework. The leading goal of the Bank is to achieve stable earning by maintaining an optimal balance sheet structure and maintaining a competitive market position. Risk management is the main professional model of work in all

structural units of the Bank. The protection of shareholders and depositors is guaranteed through an adequate system for identification, management and control of the risk profile.

The activities for risk identifying, monitoring, managing and limiting its negative manifestation are regulated in the adopted internal regulatory documents - policy, rules and procedures, which have been adopted by the Management Board and approved by the Supervisory Board of Investbank JSC and are subject to regular review in order to reflect the changes in regulations, market conditions, products and services offered, etc. They specify the procedures for the overall risk management process:

- risk identification (establishment) (by type of risk and/or business units);
- Risk measurement – quantified with respect to the required capital or thresholds set;
- Risk management (risk tolerance) – a system of limits, pre-thresholds, and adequacy of the capital position management processes;
- Risk monitoring and control – a centralized approach for monitoring of set limits and/or selected key ratios;
- Risk reporting – a framework for form and timing of reporting related to the risk events.

Principles for managing the risks borne by the Bank

- Implementation of clearly defined rules and decision-making processes in risk-taking and strict application of the "four eyes" principle;
- Risk management is completely independent of the Bank's business activities, both functionally and organizationally;
- The basis of credit risk management is the analysis of the customer' risk profile, which enables the Bank to pre-select its customers;
- Limiting the possibility of large, unexpected, unpredictable losses, as well as the concentration of the risk borne by the Bank through the use of certain risk tolerance values (limits);
- Periodic review of the principles and processes in place at the Bank for their application in order to adapt to the ever-changing market and competitive environment.

The activity of control over the management of general banking risks is carried out by the Risk Control Directorate through an independent system for information and risk reporting. The Directorate is an independent structural unit managed by a director who is directly subordinated to a member of the Management Board. Risk identification, measurement, monitoring and reporting is performed on an ongoing or periodic basis in compliance with the rules and procedures for managing individual risks. The management of the specific risks inherent in the activity is carried out mainly by the operational units and the managements of the financial centers and are regulated in separate rules related to the performance of the respective activity. The system established at the Bank for allocation of the responsibilities and decision-making in risk management ensures adequate management of the main risks by providing the necessary flexibility combined with clarity of responsibilities at all levels of management.

The control on the compliance with rules and procedures set for risk management is carried out within the established system of internal control. The bodies that exercise control are the Management Board, the

Executive Directors, the Risk Control Directorate, as well as the directors of directorates in the Central Office and the heads of the financial centers. The Specialized Internal Audit Unit (SIAU) performs independent internal inspections on the quality and the effectiveness of the established internal controls. The Management Board is responsible for the overall organization and effective functioning of the risk management system.

Structure and organization of risk management functions

The main units directly responsible for risk management at the Bank are:

Supervisory Board – approves and periodically reviews the adopted strategies and policies for taking, managing, monitoring and mitigating the risks to which the Bank is exposed or may be exposed, including the risks arising from the macroeconomic environment, according to the relevant phase of the economic cycle. It consists of three members, and in 2023 there is no change in the composition of the board.

Audit Committee – a specialized supervisory body that monitors the objectivity of the financial reporting process, the effectiveness of internal control systems, including the practices related to internal audit and risk management, and the effectiveness of the independent financial audit and procedures established by the Bank's governing bodies to protect shareholders' interests. It consists of three members, and in 2023, with the decision of ROSA dated 30 March 2023, Ms. Minka Slavova Kirkova was released from the committee at her request, and Ms. Anka Yordanova Arnautska was elected in her place as a member of the Audit Committee.

Selection Committee - recommends for election/dismissal of the members of the Board of Directors and the Supervisory Board, taking into account the balance of professional knowledge and skills, the various qualifications and professional experience of the members of the board, necessary for the management of the Bank; prepares a description of the functions and the requirements for the candidates and determines the time that the elected members are expected to devote to the work of the Management Board and the Supervisory Board; sets a target level in relation to the participation of the underrepresented gender in the composition of the councils and develops relevant policies and practices in this regard; periodically analyses the structure, composition, number of members and the results of the work of the Board of Directors and the Supervisory Board and makes recommendations for possible changes; periodically analyses and evaluates the knowledge, skills and experience of the Board and the SB as a whole and of their members individually and reports accordingly to each of them; periodically reviews the policy of the MB for the selection and appointment of senior management staff and makes recommendations to it. There is no change in its composition in 2023.

Management Board – actively participates in and ensures the allocation of sufficient resources to manage all material risks under Regulation (EU) No 575/2013, including asset valuation processes and the use of external credit ratings and internal models related to those risks. In 2023, its composition increased by one member and from three, the members became four. On 23 June 2023 Mr. Stoyan Tsvetkov was registered as a member of the Board of Directors, and on 30 November 2023 he was registered as a legal representative - executive director of the Bank.

Supporting bodies to the Management Board (MB)

Credit Board – implements the credit policy approved by the SB and adopted by the MB, approves and renegotiates credit transactions, makes decisions on improving the Bank’s lending process organization, taking actions to improve loan portfolio quality. At the beginning of 2023, the composition of the Board consists of five members, and in view of the election of a new member of the Management Board with a portfolio including the function of risk control, a change was made in the composition. At the end of 2023, the composition of the CB was changed again - on the recommendation of the BNB, the employees responsible for risk were removed from it - the director of Credit Risk Management Directorate (CRMD) and the Head of Credit risk management - Natural Persons Directorate and Sales and Coordination of Branch Network Directorate (SCBND) and ДМСПИИТ were added.

Risk Management Board – continuously monitors, analyses and assesses the risk factors pertaining to banking operations in compliance with the core principles for effective banking supervision of the Basel Committee on Banking Supervision. In 2023, the composition of six members is preserved, while there are personal changes in the composition.

Asset and Liability Management Committee – responsible for managing the Bank's assets and liabilities and liquidity and exercises control over the Bank's liquidity in compliance with the regulatory requirements of BNB and the liquidity management policies and rules that are in place at Investbank JSC. Continuously analysing the Bank's liquidity position in order to identify any possible liquidity crisis in a timely manner, optimize asset and liability structure and prepare plans and measures to handle potential crisis trends in order to guarantee the Bank's solvency by reasonably balancing risk and profitability. The Asset and Liability Management Committee manages different types of risk - liquidity, interest rate, foreign exchange, price, and sets up limits on types of assets and liabilities, positions, transactions, exposures in order to limit foreign exchange, interest rate and liquidity risk, controlling and periodically analysing their compliance. In 2023, the composition consists of seven members, and there are personal changes in two of the members.

Customer Alerts, Complaints and Inquiries Committee - examines, analyses and makes decisions regarding alerts, complaints and inquiries from customers received at the Bank. Removal of identified gaps and deviations from the Code of Ethics, the good practices and standards for customer service, identified on an ongoing basis or through the "mystery customer" method or other methods, by setting specific tasks with precisely defined responsible persons and deadlines. The body consists of a Chairperson and six members, and in 2023 there will be personal changes for two of the members.

Information Security Committee - a collective body that prepares and submits the Information Security Policy of Investbank JSC for approval by the MB. It is responsible for the regular and periodic review and, if necessary, update of the contents of this document. The Committee reviews, discusses, approves and submits for approval by the Management Board all policies and internal banking rules, procedures and regulatory documents ensuring the information security of the Bank. The Committee shall periodically monitor and analyse the compliance and implementation of the internal banking information security

regulations. The composition of the collective body includes a chairperson, two deputy chairpersons and three members, with no change in 2023.

Credit risk

Credit risk covers the risks arising from the inability of a counterparty, debtor, issuer or borrower to duly implement its current, possible or contingent liabilities in a timely manner in accordance with the initially agreed terms and conditions, due to changes either in their own financial and economic condition or due to other specific circumstances. Credit risk is related to the potential partial or total loss of exposure that the Bank may suffer from a borrower who fails to make due payments to the Bank.

As at 31 December 2023, the total credit exposure (on-balance sheet and off-balance sheet exposure, including exposure to credit institutions, without repo transactions; data presented in the table below) of the Bank is in the amount of BGN 1,530,355 thousand, which, compared to the figure as at 31 December 2022, has grown by 29.5% (an increase of BGN 348,290 thousand). From the structure of the total credit exposure, total gross loans showed a growth of 33.9% or (an increase by BGN 359,362 thousand), reaching a volume of BGN 1,420,397 thousand, for which the Bank has set aside provisions in the amount of BGN 24,711 thousand. The total amount of non-performing exposures marked a significant decrease, with their share falling from 13.2% to 5.1% (a decrease by 48.2%). In this way, the Bank achieves a more significant reduction in NPE compared to the set goals according to the "Plan for reduction of non-performing exposures" for 2023. It is most significant in the portfolio of non-financial enterprises - 54.1%, followed by exposures in the portfolio of "residential mortgage loans" - a reduction of 30.5%. There was a 35.2% increase in the volume of non-performing consumer loans, which was due to a deterioration of the "quick consumer loans" portfolio.

Качество на кредитен портфейл по бизнес линии

(в хил.лева/ в %)

Бизнес линия /БЛ	31.12.2022				31.12.2023			
	кредитен портфейл	отн. дял	необслужвани кредити	отн. дял от БЛ	кредитен портфейл	отн. дял	необслужвани кредити	отн. дял от БЛ
1. Бюджетни разпоредители	8 913	0.8%	-	-	9 656	0.7%	-	-
2. Кредитни институции	31 811		-	-	45 104	3.2%	-	-
3. Некредитни институции	1 353	0.1%	-	-	80 513	5.7%	-	-
4. Нефинансови предприятия	813 952	76.7%	128 435	15.8%	1 096 067	77.2%	58 993	5.4%
5. Жилищни ипотечни кредити	86 651	8.2%	3 291	3.8%	73 885	5.2%	2 289	3.1%
6. Потребителски кредити	118 356	11.2%	8 383	7.1%	115 172	8.1%	11 334	9.8%
Общо за Банката	1 061 036	97%	140 109	13.2%	1 420 397	100.0%	72 616	5.1%

Забележка: Кредитен портфейл=дълг преди обезценки

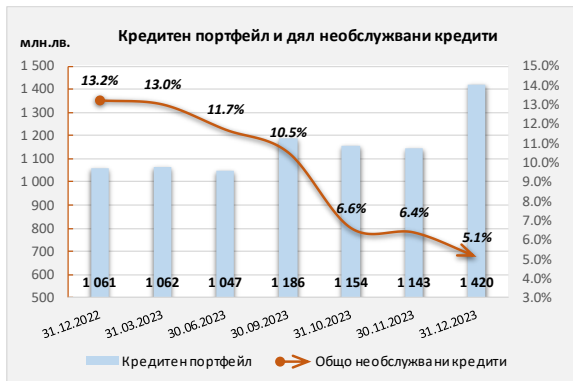
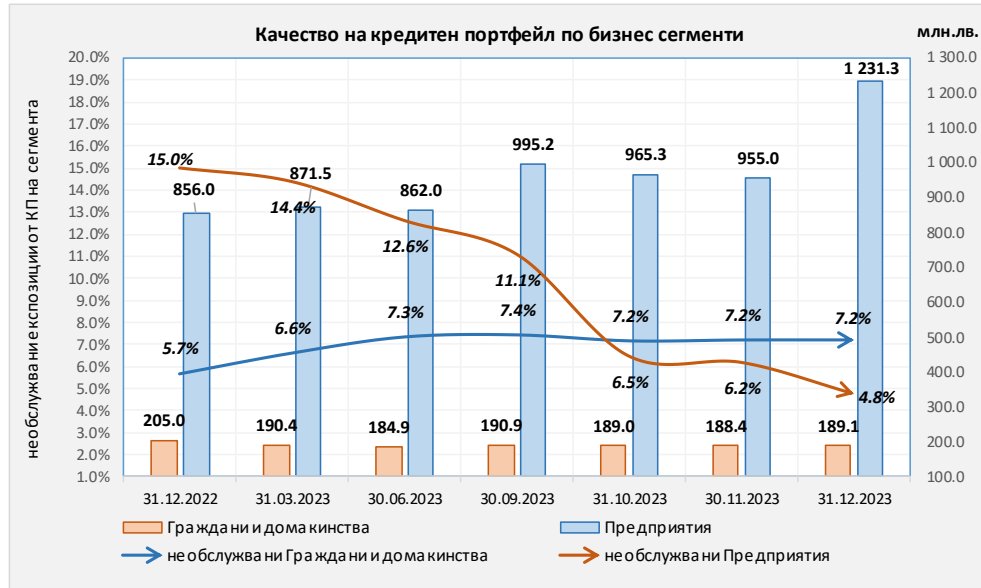
Compared to the end of 2022, as at 31 December 2023 the Bank reports an improvement in quality in each of the financed economic sectors/industries, with the largest reduction in non-performing loans being reported in "Real estate operations" - a reduction by BGN 31,593 thousand (by 87.4%) and "Trade; repair of cars and motorcycles" - a decrease by BGN 15,641 thousand (by 63.6%); Manufacturing industry - a

decrease by BGN 7,720 thousand (by 42.6%) and "Construction" - a decrease by BGN 7,801 thousand (by 80.4%).

Based on the analysis of the loan portfolio for the impact of the military conflict between Russia and Ukraine, and subsequently in the Middle East, the Bank carried out a situational analysis in order to limit the potential risks. The analysis includes both the countries effectively affected by the military actions and the possible negative consequences on sectors financed by Investbank JSC with probable potential for deterioration. The presence of early warning signals is effectively monitored in order to identify in a timely manner the probability that borrowers may be unable to service their liabilities, including by exposures subject to a moratorium, through the introduced rules for credit limit monitoring, identification of deteriorated / problem exposures. As at 31 December 2023, the available credit exposure to Russia and Ukraine represents 0.01%

of the total amount of gross credits, the limits to both countries have been revised and no increase in exposure is permitted.

In summary, the dynamics in loan portfolio quality are presented by the following figures:



The main competent bodies with respect to credit risk management and control are the Management Board, the Executive Directors, the Risk Management Board (RMB), the Credit Board, the Risk Control Directorate, the Credit Risk Management Directorate, the Problem Receivables Directorate, the SIAU and the heads of the financial centers.

The following basic techniques are used to manage and minimize credit risk in the Bank: diversification, application of a system of limits, ongoing monitoring and management of the loan portfolio, requirement for security of exposures, etc. The Bank assesses and classifies its risk exposures and reports impairment

losses for credit risk in compliance with the adopted Policy of the Management Board consistent with the requirements of Regulation (EU) 2016/2067 and Regulation (EU) 575/2013.

Investbank JSC regularly monitors the quality of the entire loan portfolio, submitting monthly for discussion to the Risk Management Board and the Management Board a report of the Credit Risk Management Directorate on credit exposures overdue for over 1 day for legal entities and a report of the Problem Receivables Directorate for loans granted to natural persons which are in arrears over 30 days. The reasons are analysed and mechanisms are proposed for returning the exposures in regularity or taking actions for their acceleration. The business units contact the customers and offer workable options consistent with the possibilities of the borrowers aimed at improving the quality of the credits. Detailed information on the implementation of the goals set in the Business Plan and the capital planning related to the set business goals is presented on a monthly basis.

The main principles that are followed in risk management include::

No risk without limit – all types of risk that should be limited are defined, as well as the respective risk-bearing units (borrower, borrower's group);

Four-eye principle – a combination of at least two steps is applied in the approval of a business transaction by two independent units to ensure efficient management of the business process. The work process in lending is based on the division of the responsibilities between the sales units and the risk management unit.

Delegated credit competencies – all decisions related to risk-taking are taken by persons or boards / committees to which the necessary credit competencies, as defined in the Competence Rules, have been delegated.

Credit decisions are always based on credit offers / requests.

Credit limits and ratings are reviewed periodically /annually/.

Collateral is a risk mitigating factor. They are subject to regular evaluation in accordance with the requirements of the Collateral Policy.

They are implemented in the work process and early warning signals are actively used. Recognizing and analysing early warning signals is a daily and continuous process. In case the signals jeopardize the collection of the receivables, the necessary steps are taken to transfer the customer / customer group to problem management in order to timely and adequately manage them and prevent / reduce future losses or expenses for Bank's provisions. Early signals of increased credit risk may be grounds for taking measures to "recover" the customer by renegotiating / restructuring the credit transaction. They are regularly monitored by the business and risk units in the Bank in compliance with the prescribed rules and procedures in their daily work in order to assess the probability of the debtors becoming insolvent.

An analysis of the financial condition of all legal entities - customers of the Bank is performed in the Credit Risk Management - Legal Entities Department at the Credit Risk Management Directorate. A rating is prepared for each customer, as well as an opinion on the extent and types of risk that the Bank assumes or possibly may undergo on the credit exposure, as well as recommendations and guidelines for their minimization. The Credit Risk Management - Natural Persons Department performs scoring of the

customers who are natural persons. The Credit Risk Management Directorate monitors the proper functioning of the procedures, systems and processes related to the analysis and approval of loan transactions of customers of the Bank, as well as the day-to-day management of credit risk on risk exposures, until their transfer to be managed at the Problem Receivables Directorate. The Bank's internal rules ensure and arrange the compliance with the principle of the four eyes when making decisions on loan transactions. In accordance with the foregoing, the processed loan transactions are forwarded to the respective competent decision-making unit for the transaction, whereby the Credit Risk Management Directorate is responsible and performs monitoring to prevent decision-making at a level lower than the appropriate one. The levels of credit competencies are defined in the Rules for Competencies in Granting, Renegotiating, Restructuring Credit Exposures of Investbank JSC.

The levels of decision-making competence for loan transactions (new financing, changes in parameters on current exposures, renegotiation of loan transactions and restructuring of credit exposures) and holders of credit competencies are:

- Management Board (MB)
- Credit Board (CB)
- Risk Management Board (RMB)
- Employees of the Bank who are personally delegated lending authorities.

In 2023, Credit Risk Management - Legal Entities Department processed 910 loan transactions, including 205 proposals for new loans totalling BGN 492 million. Of the 205 proposals for new loans received, 98.5% were approved and totaled BGN 489.5 million. The decision for 32% of the credit transactions of legal entities was made on the basis of individual competencies, and for 63% of the proposals, the decision was made at the level of the Credit Board/Management Board.

As at 31 December 2023, of the newly authorized credit transactions in 2023, with the participation of the "Credit Risk Management - Legal Entities" Department, there are no registered transactions with overdue amounts over 30 days.

In 2023, the Credit Risk Management - Natural Persons Department processed 3,703 loan transactions with a total value of BGN 73.27 million.

Requests for new loans are 3,032 with a total value of BGN 70.21 million. Of these, 2,583 new loans with a total value of BGN 62.44 million have been approved. As at 31 December 2023, of all utilized loan transactions granted to natural persons during the year (2,035 loans) 3 loans with total debt of BGN 32 thousand are over 90 days overdue which is 0.125 % of the total number of loans.

Credit risk is controlled and managed by setting limits that determine the tolerance allowed (degree of risk to be assumed) to an individual debtor, a group of counterparties and/or a segregated in portfolios - concentration risk. This risk may cause significant losses threatening the financial position of the institution and/or a material change in the risk profile and/or significant capital pressures. The Bank has established an internal system for monitoring, control and effective management of concentration risk, which are detailed in the Concentration Risk Management Rules. By diversifying, reducing concentration and creating a limit framework at portfolio and sub-portfolio level, the Bank seeks to control and limit the potential risk of unacceptable losses through diversification of the credit exposure based on different attributes - country, borrower's segment (business lines), segment lines, sectoral, regional principle, large exposure to customer

/ customer groups - related parties that are bearers of common risk, including affiliation with the Bank's shareholders. Concentration risk management is based on: application of a complex system for timely identification of risk sub-portfolios; application of a set of limits by risk category, by business line/unit. The levels of the limits, including pre-threshold values, reflect the risk tolerance that the Bank is prepared to accept in its usual course of business.

The following limits are monitored, controlled and managed on a daily basis, and analysed and reported to the RMB and the MB on a monthly basis: Country; Sectoral; Customer Segment; Product; Customer / Customer Group, bearers of common risk and forming large exposures; Bank's related parties.

Every year, a review is carried out and, if necessary, a correction of the established limits in order to achieve the target levels for the quality of the risk exposure and the implementation of the Operational Plan for the reduction of NPE. The threshold levels comply with the Budget Plan and the three-year Development Strategy.

Market risk

Market risk is the probability that the Bank may incur losses and/or a decrease in equity under the influence of adverse changes in purely market variables such as: interest rates, exchange rates, and the value of portfolios of financial instruments due to changes in prices.

Timely risk identification and management is carried out on an independent basis by the Liquidity and Investment Services (LIS) Directorate and the Risk Control Directorate with the main objective of ensuring that appropriate management decisions are made to reduce the impact of market risk. To measure and assess the level of market risk of a portfolio of securities, the Bank applies the Value at Risk (VaR) model using the Monte Carlo simulation method.

Market risk management is carried out in compliance with the internal bank and regulatory documents. To manage and limit the level of market risk, the Bank applies a system of limits by issuers, currency positions, interest rate sensitive exposures and exposures influenced by market risk components. The minimization of market risk is carried out through a set of measures aimed at reducing the probability of the occurrence of events or circumstances that would lead to losses from market risk and/or reducing the amount of potential loss.

The main task of the market risk monitoring system is to achieve a sufficiently fast and adequate response by the Bank to external and internal changes and fluctuations in the financial markets, in order to minimize losses / prevent potential ones and achieve optimal profitability from operations in financial instruments while maintaining the established level of risk.

To measure the level of market risk of the portfolio of securities, the Bank mainly uses the Value at Risk (VaR) indicator through the PMS system. Measuring the level of market risk is focused on the main subclasses of this risk (interest rate, price and currency risk) and the components of market variables that affect them on the one hand and their mutual correlation on the other hand. The measurement and assessment of market risk is performed by applying stress tests (stress test for interest rate risk of activities outside the trading book / GAP-analysis, stress test for interest rate / price risk of debt securities).

Risk Control Directorate carries out ongoing monitoring of the change in the volume and risk characteristics of the securities held. For all securities, residual term and yield to maturity, duration and modified duration are calculated. The imbalance of interest-sensitive assets and liabilities (GAP analysis) is analysed for interest rate risk analysis and assessment. To examine the risk of changing stock prices, a number of interest scenarios are considered and their effect on the Bank's performance. The open currency position by currency types is subject to ongoing monitoring, including the compliance with the internal and regulatory requirements. A quarterly report is prepared to the MB/SB on the manifestation of the market risk and its impact on the Bank's operations and performance, including covering the implementation of the limits on the structure of the banking and trading portfolios, degree of risk, classification by portfolios and issuers.

Interest rate risk

The interest rate risk in the current or potential risk to earnings and capital arising from unfavourable changes in interest rates. This type of risk is considered as part of the market risk assessment for the trading book and as a self-assessed type of risk for the banking book. The fluctuations in market interest rates lead to a change in interest revenues and a risk of a decrease in the value of the capital.

Interest rate risk management is based on the internal banking and regulatory framework. Risk management policy aims at optimizing net interest income and reaching market interest rate levels consistent with the Bank's business strategies. Interest rate risk management procedures are related to maintaining an acceptable interest margin between the applicable interest rates on borrowed funds and interest-bearing assets and are applied to changes in market interest rates.

The Bank constantly monitors the changes in foreign currencies, discrepancies in interest rates and in the maturity structure of assets and liabilities. Interest rate risk is monitored by the Risk Control Directorate and the Liquidity and Investment Services Directorate to ensure compliance with market risk limits. The Assets and Liabilities Management Committee (ALMC) defines and regulates the interest rate policy, including controls the interest rate risk to which the Bank is exposed and decides on changes in interest rates. It makes timely decisions to regulate interest-sensitive assets and liabilities and the possible interest rate risk mismatch. The quarterly report regularly submitted to the Management Board contains an analysis of the interest rate risk of the Bank's financial assets and liabilities and their sensitivity to the behaviour of interest rates.

The main model for measuring, evaluating and controlling interest rate risk is the "Interest GAP" model, which is based on the requirements of the EBA Guidelines (EBA/GL/2022/14" issued on the basis of Article 84(6) Directive 2013/36/EU. The impact and dynamics of interest rates on net interest income is analysed and based on estimated future changes in interest rates. The model is presented by the Risk Control Directorate in different scenarios / options of simulation and stress tests and reporting to the Bank's ALMC (Asset and Liability Management Committee) and the Management Board. The analysis for change in the net interest income in the different scenarios assists the Management in making timely decisions for taking actions for the implementation of the business plan of the Bank, and it assesses the impact of potential interest rate changes on the Bank's profit and its economic value.

Currency risk

Currency risk is the probability that the Bank may suffer losses or missed profits as a result of adverse changes in foreign exchange rates. The net position in each currency is monitored and controlled on a day-to-day basis by the Risk Control Directorate, Liquidity and Investment Services Directorate and by the members of the Assets and Liabilities Management Committee. Investbank JSC calculates a capital requirement for foreign currency risk arising from positions in the banking and trading portfolios using the standardized approach described in Chapter Three (in compliance with Art. 351-354) of Regulation (EU) 575/2013. In order to limit the risk and to preserve the equity, the Bank sets a limit for the total net open foreign currency position which should not exceed $\pm 2\%$ of its equity.

The Bank is not exposed to currency risk through transactions in financial instruments denominated in foreign currencies. Following the introduction of the Currency Board in Bulgaria, the Bulgarian Lev is pegged to the Euro and as a consequence there is no open currency risk associated with it. The movements in the exchange rates of the BGN to the currencies outside of the Eurozone affect the indicators in the financial statements.

The Bank's policy lays down that most of the Bank's assets and liabilities are denominated in EUR or BGN and therefore it does not support open positions in currencies other than the EUR.

The Liquidity and Investment Services Directorate manages the assets and liabilities of the Bank within the limits set for the achievement of the determined goals and indicators of return on investments. The amount of the Bank's open currency position (by individual currencies) is monitored daily and the necessary steps are taken to minimize any possible effects on the Bank from changes in exchange rates. The analyses show that the Bank is not exposed to currency risk, as at any time it is within the regulatory limits regarding the currency position.

Price risk

Price risk is the risk of loss as a result of adverse changes in market prices of securities and derivative financial instruments under the influence of factors related to both general fluctuations in market prices of financial instruments and the issuers of securities and instruments. The measurement of price risk is performed according to the foreign currency denomination of the securities and instruments. The assessment of the sensitivity to changes in interest rates in the portfolio is made using the method of change in the price of debt instruments with the change in the yield curve and a constant balance-sheet position.

Liquidity risk

Liquidity risk is the risk of loss due to inability to meet current and future liabilities in due time and at a reasonable price without jeopardizing the interests of depositors, shareholders and creditors or the possibility of meeting them but by paying a high price. The Bank strives to maintain such an asset structure that ensures relatively fast and easy transformation of assets into available funds with insignificant losses.

The Bank maintains its liquidity profile in accordance with regulatory requirements and the relevant internal bank regulations. Prudent liquidity risk management and appropriate control are important for the effective management of the Bank.

The primary objective of liquidity risk management is to maintain the Bank's balance sheet in terms of size, structure and ratios, ensuring that the Bank can meet in a timely manner its payables (commitments) at a

reasonable price and with minimal risk. To measure and control liquidity risk, the Bank applies various models and techniques presented below.

ALMC functions as an internal body for management of assets, liabilities and risk in the Bank, in order to achieve stable income, high rate of return at appropriate capital level and optimal liquidity, consistent with the adopted strategy for development of the Bank.

Liquidity risk management is based on monitoring and defining:

- funding ratios;
- maturity mismatches;
- composition and amount of liquid buffers;
- analysis of the results of the quarterly liquidity stress tests and liquidity ratios under Regulation 575 (LCR & NSFR).

The main methodological tool for liquidity risk monitoring and reporting is the liquidity mismatch analysis based on original (contractual) maturities, supplemented with simulations of possible transactions (future cash flow modelling) in order to define the actual expected cash flow. Investbank JSC measures the liquidity risk based on the comparison between the maximum cumulative outflow and the potential for its liquidity coverage that can be realized within a short timeframe through the liquidity report. The different economic assumptions are modelled by separate stress scenarios. The analysis includes a scenario for measuring liquidity risk in an extremely serious stress situation (combined scenario). The Liquid Coverage Potential measures (in terms of size and timing) the ability to raise liquid cash in the shortest possible period of time under market conditions and shows the potential to cover net cumulative cash outflows (liquidity imbalances / mismatches).

The compliance and the controlled non-compliance with maturities and interest rates on assets and liabilities is at the heart of the Bank's liquidity management. A mismatch in the maturity structure can potentially improve profitability but also increase the risk of losses. The maturities of assets and liabilities, as well as the ability to substitute, at an acceptable cost, the interest payables at their maturity, are important factors in assessing the Bank's liquidity and the impact of changes in interest rates and exchange rates on it. In order to manage the risk, the Bank maintains high liquid assets in different currencies at all times. General liquidity is controlled and monitored on an ongoing basis by the Bank's Asset and Liability Management Committee, on the basis of reporting information from the "maturity ladder" introduced by Regulation (EU) 2017/2114 of the European Commission.

Banks are required to maintain a certain amount of funds as reserves in their current accounts with Bulgarian National Bank, whereby the basis on which the amount, maintenance period and reporting are determined is regulated in BNB Ordinance No. 21 of 2015. In 2023 Investbank JSC maintained minimum reserves in accordance with the requirements of Art.3 of Ordinance No. 21. The management and control of the reserves is carried out on a daily basis by the Liquidity and Investment Services Directorate.

As at 31 December 2023, the Bank's liquidity position, calculated on the basis of the liquidity stress test, is a "green signal" (green traffic light). There is no liquidity shortage or currency imbalance. Following the accession of Bulgaria on 10 July 2020 to the monetary mechanism (ERM II), preparing the EU member states for their obligations to join the monetary union (Eurozone), the LIS Directorate maintains a significant

resource in EUR in order to protect the bank from potential currency fluctuations in relation to the currency pair EUR-BGN. It should be borne in mind that at any time without restriction and without realizing a negative effect on the Bank, this recourse may be converted at a fixed rate with the BNB.

The maximum utilization of available liquidity potential (operating liquidity limits) as at 31 December 2023 is presented in the following table:

Scenario	Up to 1 week	Up to 1 month	Up to 6 months	Up to 1 year
Combined stress scenario – requirement	< 95%	< 95%	< 100%	≤ 100%
Utilization of the limit as at 31 December 2023 *	0 %	0 %	0 %	0%*
Utilization of the limit as at 30 September 2023 *	0 %	0 %	0 %	0%*

*Total for all currencies

The stress scenario is modelled in separate currencies (BGN, EUR, USD and all other total), as well as in total for all currencies in the Bank. In total for all currencies in the analysed intervals, the liquidity ratios are within the required limits and no usability of the liquidity potential is observed for the entire one-year horizon in the stress test.

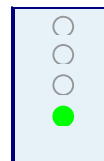
The reported increase in the graph of liquid reserves is due to the maturity of a Bulgarian government bond with a nominal value of EUR 77.8 million / maturity date 3 September 2024/ The minimum liquid reserves come to BGN 333.1 million (up to 7 days), BGN 314.7 million (up to 1 month), BGN 324.1 million (up to 6 months) and BGN 418.9 million (up to 1 year). In Q3 2023, a decrease in minimum liquidity reserves is reported in all zones, but the available surplus remains particularly significant and no imbalance is reported by individual currencies.

Ликвиден стрес тест Инвестбанк АД

Дата: 02/01/2024

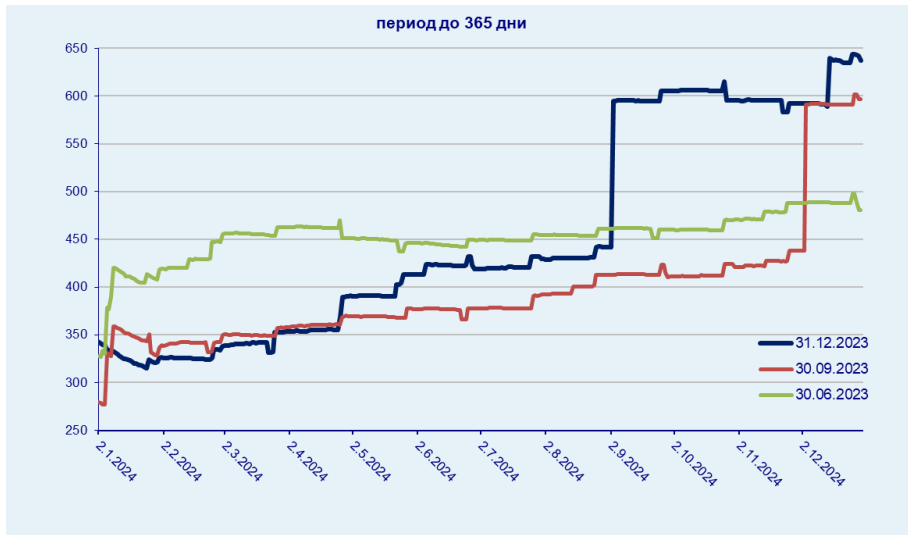
С данни към: 31/12/2023

(No)



Комбиниран сценарий по вид валута								02.01.2024								
Валута	Максимална използваемост (в %)							Минимални ликвидни резерви (в млн. лв.)								
	1 Д - 7 Д	Дата	8 Д - 30 Д	Дата	31 Д - 180 Д	Дата	181 Д - 1 Г	Дата	1 Д - 7 Д	Дата	8 Д - 30 Д	Дата	31 Д - 180 Д	Дата	181 Д - 1 Г	Дата
Общо	0.0%	-	0.0%	-	0.0%	-	0.0%	-	333.1	08.01.2024	314.7	25.01.2024	324.1	24.02.2024	418.9	04.07.2024
BGN	0.0%	-	0.0%	-	0.0%	-	0.0%	-	245.2	08.01.2024	233.1	25.01.2024	236.5	24.02.2024	272.9	04.07.2024
EUR	0.0%	-	0.0%	-	0.0%	-	0.0%	-	82.6	08.01.2024	76.7	25.01.2024	82.2	17.02.2024	139.0	24.07.2024
USD	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.4	08.01.2024	0.1	30.01.2024	0.5	25.02.2024	2.1	25.08.2024
Други валути	0.0%	-	0.0%	-	0.0%	-	0.0%	-	4.9	07.01.2024	4.7	31.01.2024	4.6	28.06.2024	4.6	30.12.2024

Ликвидни резерви
(Комбиниран сценарий за всички валути)



Liquidity ratios under Regulation 575 (LCR & NSFR).

- Liquidity Coverage Ratio (LCR) is a short-term liquidity measure designed to ensure a sufficiently high level of liquid assets needed to survive a significant stress scenario over a period of 1 month. The purpose of this ratio is to ensure that the Bank maintains an adequate level of unblocked (not pledged) high-quality liquid assets that can be converted into cash to cover the required liquidity over a period of 30 calendar days under a much more severe liquidity stress scenario.

Available high-quality assets

≥ 100%

Total net cash outflows over the next 30 calendar days

Therefore, the value of the available high-quality assets must be at least equal to the total net cash flow for the next 30 calendar days.

Date	Dec 2018	Dec 2019	Dec 2020	Dec 2021	Dec 2022	03/2023	06/2023	09/2023	Dec 2023
LCR	440%	444%	286%	412%	309%	694%	726%	800%	304%

- Net Stable Funding Ratio (NSFR) is a ratio aimed to support flexibility over a longer time horizon by creating additional incentives for banks to fund their operations using more stable sources of funding on an ongoing basis. The ratio with one-year time horizon was designed to provide a robust maturity structure for assets and liabilities and to avoid concentrating highly liquid assets only within the 1-month zone (defined by LCR) by providing those outside the 30-day period.

Availability of stable funding

$\geq 100\%$

Required amount of stable funding

Date	Dec 2018	Dec 2019	Dec 2020	Dec 2021	Dec 2022	March 2023	June 2023	Sep 2023	Dec 2023
NSFR	199%	186%	178%	172%	176%	157%	151%	151%	153%

Operational risk

Operational risk - the risk of loss arising from inadequate or malfunctioning internal processes, people and systems, or from external events, and the risk to earnings and capital arising from violations or non-compliance with laws, ordinances, regulations or ethical rules. This risk includes IT risk and legal risk. Operational risk is a non-financial risk that includes the following sub-types:

- Risk of human errors – the risk of abuse due to low, non-existent or imperfect control procedures, as well as unintentional errors arising from ignorance of products, inadequate training, complexity of procedures.
- Risk of information systems – related to the use of incorrect models, incorrect data processing, use of erroneous data, use of system unsuitable for new products or introducing new data sources, levels of access to systems, data storage.
- Organizational risk – risk of inappropriate structuring and allocation of duties, lack of appropriate procedures.
- External factors – abuse, fraud, etc. with external manifestation.

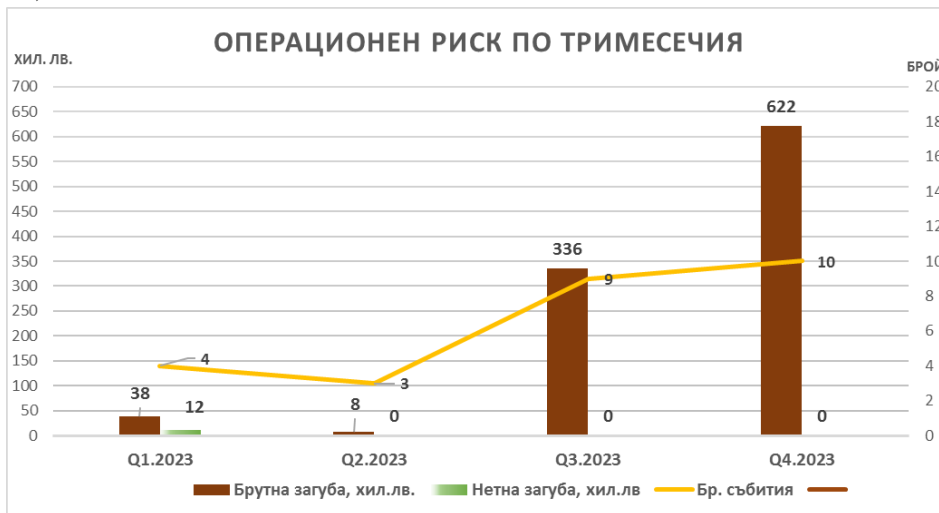
The operational risk management in the Bank is carried out in compliance with the approved “Operational Risk Management Rules” which are consistent with the requirements of the regulatory framework. Summarizing and analysing the information on the operational risk is performed by the Risk Control Directorate through an implemented system for registration of operational events by all structural units in the Bank, as well as by analysing the information for self-assessment on the operational risk by the structural units. The operational risk management in the Bank is carried out by the Risk Control Directorates, the SIAU and the heads of all structural units. A specialized internal body in the field of operational risk management and control is the RMB, which is headed by a Chairman and members appointed by the Management Board of the Bank.

The Internal Rules for Operational Risk Management define the methods for classification and assessment of operational risk, the principles for its monitoring and management, as well as the competencies, relations and responsibilities of the units involved in its management at the Bank. Appropriate mechanisms and requirements have been put in place to implement the current standards of operational risk management and control. The main focus is on recognizing the operational risks in time so that to prevent them or mitigate their effects, as well as on preventing their recurrence in the future, while increasing the rate of voluntary reporting of occurring operational risk events.

Operational events are classified by risk categories and business lines in compliance with the requirements of EBA (European Banking Authority) and BNB.

In 2023 the event with the largest gross loss amounts to BGN 268 thousand (net BGN 246 thousand, the event is related to legal risk).

In 2022 the event with the largest gross loss amounts to BGN 668 thousand (the loss is fully reimbursed by the insurer).



Period	
Q1 2023	Highest gross loss – BGN 28 thousand (BGN 12 thousand net)
Q2 2023	Highest gross loss – BGN 108 thousand (BGN 0 thousand net)
Q3 2023	Highest gross loss – BGN 157 thousand (BGN 0 thousand net)
Q4 2023	Highest gross loss – BGN 268 thousand (BGN 0 thousand net)

Country risk

Country risk is the risk of loss resulting from a government deed, economic, political or other event occurred in the country and beyond the control of the Bank as a lender/investor. The elements of country risk include: transfer risk and currency conversion; sovereign risk resulting from the insolvency of the country to which the institution has assumed exposure; investment and legal risks; risk of systemic banking crises or country-specific economic risks.

The Risk Control Directorate exercises monthly control and monitoring of the state limits and sends information on the free limit to the Large Corporate Customers (LCC) Directorate, the Credit Risk Management (CRM) Directorate, the Liquidity and Investment Services (LIS) Directorate, the Problem Receivables Directorate, the Operations Directorate and the Sales and Coordination of Branch Network (SCBN) Directorate.

LARGE CORPORATE CUSTOMERS

In 2023, the "Large Corporate Clients" Directorate, which manages the Bank's Large Corporate Clients, continued the successful development of the segment. New corporate clients were attracted to the Bank, and good relations with the current clients are maintained.

Investbank JSC continues to attract corporate clients by providing quality service, flexible solutions and short terms for consideration, analysis of projects and completion of transactions. Thanks to this, our clients see Investbank JSC as a reliable partner for their projects, plans for growth and development in 2024 and turn to us. In 2023, the Bank made significant efforts under the ESG directive, with a focus on priority financing of ecological and corporately sustainable companies being emphasized in the segment of Large Corporate Clients.

The implementation of the budget for the volume of loans in 2023 in the LCC segment is 116%. The committed budget for interest income and income from fees on loans and guarantees is also exceeded for each of the items.

Over the past year, the trend for cross-selling of products and services to customers in the segment continued, which is associated with additional profitability from transactions, foreign exchange transactions and retail lending to employees of the customers in the LCC segment.

Overall, year 2023 was successful for the Bank in the large corporate clients segment, which is largely due to the professionalism of the team responsible for the management and development of the LCC portfolio, as well as the mutual efforts of all units and persons involved in the process. In 2024, we will seek to diversify the portfolio and attract new customers from various sectors of the economy.

RETAIL BANKING

The Retail Banking segment was affected in 2023 by the war in Ukraine and the resulting inflationary processes. Bulgaria was not spared by the start of the rise in interest rates in the European Union, which affected mainly deposits and not so much loans. The reason is the over-liquidity of the Bulgarian banks and the tendency of the population to invest their funds with high priority in deposits and real estate. Hyper-liquidity, especially of the biggest banks, has led to mortgage lending anomalies and the lowest mortgage interest rates in Europe.

The main efforts in the segment were focused on digitizing the processes and increasing the options for customers to be served online. As a result, in 2023 the Bank offered its customers digital solutions for almost all products and services for individuals – account opening, transactions, issuance of debit and credit cards,

deposits, loans, insurance, etc. The market allowed for an increase in income from fees and commissions, as well as income from interest despite the modest increase in the interest portfolio of natural persons due to the increased interest margin and the increase in the prices of basic banking services.

Investbank JSC continues to apply more adequate and effective measures regarding credit risk monitoring and control. As a result, the share of overdue loans in the loan portfolio reached record low levels.

The operations in 2023 were focused on a number of main areas:

- Enrichment of the range of online products relevant to customer demand. Looking for flexibility and speed in customer service;
- Focus on full customer service, offering packages including utilities payments, internet banking and an account for each client.
- Focus on attracting new customers from state and municipal enterprises, as well as employees from large companies in the country. Development of specialized loan offers for lending to employees of these corporate clients.
- Realization of targeted marketing campaigns for the sale of mortgage and consumer loans and credit cards. Conducting local campaigns among employees of known employers in certain locations.
- Strong emphasis is placed on organizing, conducting and reporting competitions between employees and Financial Centers to stimulate the activity and interest in implementing the products and services offered by the Bank;
- Continued efforts to update and modernize the work processes at the Bank.
- Conducting trainings for employees in the Bank's branch network regarding products, sales skills, customer communication and negotiation skills;
- Strengthening the synergy with directorates and departments that are directly related to sales in the retail banking segment.

SMALL AND MEDIUM-SIZED ENTERPRISES, PRODUCTS AND TARIFF

The Small and Medium-Sized Enterprises, Products and Tariff Directorate (SMSEPTD) has been functioning since 1 July 2023, implementing the Bank's strategy and goals through:

- Supporting and coordinating the activity of the Financial Centers in the Small and Medium Enterprises sector;
- Developing and updating credit products for financing Small and Medium-Sized Enterprises;
- Improving the efficiency of the credit process and the quality of service in the Small and Medium Enterprises sector;
- Management of the Bank's tariff.

The main activities carried out during the period are related to the development and offering of credit products for financing of SMEs that are adequate to the economic situation and the needs of small and

medium-sized businesses. After an analysis of the offered banking products on the banking market, the current products at Investbank JSC were proposed for updating, as follows:

- During the period, changes were developed and proposed for existing products and new products were created in accordance with the needs of customers and the changes in the the Payment Services and Payment Systems Act (PSPSA);
- A project was prepared for a new product under the Program of the Bulgarian Development Bank EAD (BDB) to support households by financing investments in renewable energy sources, in implementation of the National Recovery and Resilience Plan of the Republic of Bulgaria (Framework Conditions) and Submission of application for interest and participation in a BDP portfolio guarantee;
- 3 new package programs were prepared for natural persons, clients of Private Banking;
- Completion of the Specific procedure for the approval and management of a Loan for working capital secured by BEIA "SME Financial Partners" Insurance for clients of Investbank JSC.

The Directorate supports the overall activity of the Financial Centers related to lending to SMEs, including site visits, meeting with clients and structuring credit transactions. During the reporting period, many credit transactions were structured, both at the proposal of the financial centers and following a direct meeting with clients, which were subsequently administered at the nearest financial center to the address of registration or location of the activity.

Contacts were made with the Financial Centers and the Directorates in the Head Office, with the aim of a more complete and objective analysis of requests for loans in the SME segment. Regarding specific credit transactions, including meetings with clients, various financial centers around the country were visited.

Training was arranged for credit specialists from the Financial Centers to acquire entrepreneurial skills on various products in the SME sector. During the period, representatives of the directorate participated in trainings organized at the central level for all financial consultants distributed by region - Sofia, Burgas, Ruse and Plovdiv.

In line with the strategy of the directorate and with the aim of supporting and coordinating the activity of the FC and improving the efficiency of the credit process and the quality of service in the SME sector, during the reporting period, individual training was carried out for employees from several financial centers with the aim of increasing their competences and skills in performing financial analyses of enterprises and structuring deals.

Amendments were made and new fees and commissions were added to the Bank's Tariffs and Interest Bulletins, both for Legal Entities and Natural Persons, with a view to updating them according to the new products and services offered by Investbank JSC.

The Directorate maintains and develops business relations with partners (ministries and other state institutions) and customers of the Bank in connection with the introduction of new products under various joint programs. He also participated in various projects of the Bank, for example "Project on implementation of the credit process management system - iApply", where meetings and trainings were held in the Bank with representatives of the developer.

And in the coming year, the main goal of the "SME, Products and Tariffs" Directorate is also to deepen the relations with clients in the segment, attract new customers, offer products and services that promote sustainable development, in line with the market and innovative, digital processes in Investbank JSC, in

order to establish it in the market as an institution with a responsible and committed business with initiatives in the field of ecology, education and culture.

LIQUIDITY AND INVESTMENT SERVICES

Asset and liability management

The Bank's assets and liabilities are managed in three main areas: money market, foreign exchange and financial instruments trading. The presence of a network of counterparties, local and international banks, ensures optimal market exchange rates and prices for all transactions.

The Bank mainly trades in BGN and EUR.

Priority is given to ensuring the Bank's liquidity.

The proper management of cash flows and increased customer deposits did not allow the institution in 2022 to suffer from need for cash.

If necessary, the Bank has agreed limits with financial institutions to provide financial resources for borrowings from the interbank money market. Partnership relations with several banks were restored and new ones created. Furthermore, Investbank JSC started negotiations for a repo limit.

Liquidity management is also linked to the maintenance of minimum required reserves in accordance with the regulatory requirements. During the past year, Investbank JSC maintained its minimum required reserves within the required amount.

Another major activity in this regard is securing the budgetary funds deposited with the Bank by the respective institutions.

Management of securities portfolios

The result of the management of financial instrument portfolios for Investbank JSC, reflecting the impact of all revenues and expenses, including interest ones, for year 2022 is positive, consistent with the market conditions, and the portfolios are structured on the basis of the estimated changes in market indicators in the relevant period of holding financial instruments. The net result reported at the end of the year compared to the level of 2021 shows an increase in the net profit for the period.

Indicators	31/12/2021	31/12/2022	31/12/2023
1. Securities portfolio	558,728	678,871	513,464
2. Net revenues on securities portfolios	1,899	5,692	18,295
2.1. Interest revenues from securities management	1,792	4,408	11,033
2.2. Net revenues from securities management	107	1,284	7,262
3. Yield of securities portfolio	0.34%	0.84%	3.56%

Net income on foreign currency operations

For 2023, Investbank JSC reports net revenues from foreign exchange transactions and the remeasurement of foreign currency balances in the amount of BGN 1,7 million compared to BGN 2.3 million for 2022.

The revenues mainly come from the efficiency achieved in the management of the Bank's foreign currency assets and liabilities.

Bondholders' trustee bank

This year too, Investbank JSC continued its development as an investment intermediary. The Bank is a preferred registration agent for many customers nationwide.

As at 31 December 2022, Investbank JSC is a bondholders' trustee bank of 4 corporate bond holders; reports on the activities of the companies are submitted within the legal time limits to the FSC and BSE, in accordance with the relevant corporate events. The revenues from this activity on an annual basis amount to BGN 16 thousand, excl. VAT.

CARD BUSINESS

Card Business 2023

The bank's aspiration is to adapt to rapidly changing technological realities and growing customer expectations. The topic of digitization has been a driving force in the last few years and the Bank has been investing in new services and process modernization. This transformation is also key to the card services that the Bank offers, which are becoming increasingly easy and accessible to use without the need for clients to visit a financial center.

In 2023, we emphasized on digitization in the field of services that reach our clients.

The project launched at the end of 2022 to implement a digital wallet, the so-called Wallet through the Apple Pay and Google Pay platforms, was successfully completed and at the end of October 2023 we offered our cardholders the new service through Google Pay. Until the end of the year, the process of implementing the digital wallet through Apple Pay, which was presented as a service in January 2024, continued. The implementation of this new service will widen the functionality of the Bank's mobile and internet banking and will enable our clients to make payments using their smart phones, as well as to carry out transactions on ATM devices. The implemented Apple Pay and Google Pay Wallet will increase the Bank's rating and it will rank the Bank among the largest banks in terms of services offered.

The new technologies set trends in the development of banking services as well. This is also the main motive to create the bank in the hands of our clients and by means of their smart phones as well and mobile banking, every single client can manage their accounts and be able to make payments quickly and securely. In 2022, Investbank JSC offered its clients new digital products – Fast Credit Card, which can be applied for both at the desks in the offices and through the Bank's official website, and Fast Debit Card, which can be applied

for through the Bank's online channels. Fast card products can be received at a specified address, for which customer is subject to verification before the activation of the card.

The Bank strives to improve the customer experience by offering fast, secure and convenient services. Along with the digital wallet, additional options for managing bank cards through digital channels were provided, namely online access to block and unblock a bank card. The introduction of another option for managing bank cards through mobile and Internet banking is about to be introduced - a change of transaction limits on bank cards, which will be carried out independently if required by the cardholder.

Investbank JSC is a fully certified issuer and acceptor of cards and accordingly support payment transactions, using the secure Internet payment technology 3D Secure (3D secure protocol and Visa Secure/ Mastercard Identity Check), having fully complied with the regulatory requirements for the application of "strong customer authentication" in online card payments. The Bank applies a wide range of authentication methods for its cardholders, including biometric authentication when paying online through the BORICA mobile application.

The cardholder authentication process provides more data for increased security and minimizes losses from fraudulent and contested online transactions. The use of biometric features contributes to a high level of security and an improved customer experience.

For another year, Investbank JSC implements a Cash Back Loyalty Program for credit cards of cardholders being natural persons and legal entities with authorized credit limit. The Cash Back program is automated and is applied every six months. It stimulates credit card payments by reimbursing an amount of 0.5% of the turnover for transactions classified as "payments at a merchant".

As a issuer of Mastercard and VISA cards, the Bank supports the VISA Direct and MoneySend services, allowing card-to-card express transfers of funds within 30 minutes of authorization.

In its card portfolio, Investbank offers its retail clients a joint product with Insurance Company Bulgaria Insurance AD – a co-branded debit card Debit Mastercard Bulgaria Insurance. The product combines simultaneous access to the customer's funds and included conditions of additional health insurance valid nationwide.

In 2023, a study was conducted and we launched a project to create a new premium card product for the needs of the wealthy clients of Investbank JSC - World Business Mastercard. The essence of the project is to attract clients, legal entities, with high incomes and needs. This is an extremely high-end debit or credit card that will bring additional services and confidence to our clients. The product type is World Business Mastercard international credit/debit card for legal entities. To both sub-products additional services are offered for our clients related to business travel, convenience in business lounges and fast transit at airports

around the world. This product distinguishes Investbank JSC from other banks in the country, as it is aimed only at business clients.

In 2023, Investbank JSC implemented a process to change the overall design of its bank cards with the Mastercard logo. The change is dictated by the Bank's desire to use the most modern technologies in card personalization, as well as to offer its clients a clean and distinguished design.

The "Card Business" Directorate organized and conducted a Sales campaign for credit and debit cards branded with the Mastercard brand in the form of a competition between individual financial centers and their divisions. The campaign took place under the sponsorship of the international card organization and was aimed at supporting the implementation of the set plan for issued debit and credit cards with the Mastercard logo and increasing the number of new clients. With the end of the campaign on 31.12.2023, an increase in credit cards was reported by over 35% compared to the data from the beginning of 2023. The employees who achieved the highest sales result were awarded both cash prizes and emotional prizes in the form of vouchers for trips to Rome and Barcelona. This activity helped to increase the motivation of the employees in the banking offices and to direct their attention to the sale of card products that Investbank JSC successfully places on the market.

During the past year, efforts were also made in relation to the analysis of the internal processes and the transition to their automation. The purpose of this automation is to achieve the most user-friendly services possible for clients, such as real-time changing the status of a bank card (activation, blocking, unblocking, deactivation, etc.), activation of a credit limit on a credit card in real time. Digitization of the processes and their simplification are part of the optimization of the activity in the directorate, which contributed to the operational processes becoming more attractive for the clients as well, as at least the most time-consuming tasks are automated.

Terminal network

Investbank JSC has a completely renewed ATM network, which provides convenience and the optimal level of 24/7 service to their clients. Part of the ATM devices offer a deposit function, which allows the Bank's customers to deposit funds and operate them in their accounts less than 30 minutes after their deposit, regardless of whether the deposit is made during working hours, at night or on weekends. Customers are able to make contactless transactions on all devices. These services are available through the installed new-generation high-tech ATMs with 15-inch touch screens and wider operational functionality. The Bank's ATM network is managed through the new software of BORICA. This allows real-time monitoring and response to registered accidents on ATMs. At the end of 2023, the total number of installed ATM terminals is 86. Investbank JSC is making efforts towards expanding its ATM network in 2024. Individual software has been applied to the Bank's ATM network, affecting the on-screen menus for customers and giving the Bank its own vision.

During the past 2023, a study was carried out aimed at optimizing the activity of the ATM terminals and the task of the Bank was carried out by BORICA AD, regarding the "Forgotten money" situation, in which the ATM device stops working until an audit is carried out and a settlement procedure is carried out. The Bank's task is to ignore this "Forgotten Money" situation for the device, as it continues to work regardless

of the number of forgotten money recorded. After successfully completed tests in the BORICA laboratory for the implementation of the new software, it was implemented in a production environment.

Investbank JSC is oriented towards its customers and strives to improve their user experience with new, fast and convenient services. In this regard, studies were also executed for additional possibilities for offering services through the ATM network. The possibilities of implementing the "Surcharge" service - an additional fee applied to cardholders for financial operations carried on our ATM devices - were studied and a procedure was started, together with BORICA AD and ASEE EOOD, for the implementation of the "Term Host" project (Interactive ATM), through which software, individual services will be offered to cardholders.

Investbank JSC maintains and expands a network of physical and virtual POS terminals. The number of the Bank's POS terminals at merchants in 2023 increased by 6 % under the conditions of economic crisis and rising inflation. All physical POS terminals of the Bank support dual chip/stripe interface and VISA/Mastercard wireless technology. The POS terminal network is constantly updated in accordance with the regulations of the VISA/Mastercard payment schemes and our terminals support contactless functionality, providing users with additional convenience, speed and flexibility. The new POS terminals offered to our customers are based on the model of outsourcing with BORICA, which reduces the investment costs of their purchase, and the costs of the necessary regulatory certifications are distributed among the banks participating in the project with BORICA. All POS terminals provided under the outsourcing model have individual colour screens branded with the name of the Bank. Investbank JSC has expanded its range of services by offering its clients developing e-commerce a virtual POS/merchant in EUR.

The card activity and the alternative routes used for the implementation of the electronic services offered by Investbank JSC continue to develop in compliance with all regulatory requirements of the payment card schemes.

The Bank has a real-time card transaction monitoring system to prevent suspicious transactions. In 2023 the system was updated in order to detect internet transactions without an authentication method in place, which reduced the number of unauthorized card transactions.

PAYMENT SERVICES

Investbank JSC offers its clients the following types of transactions in local and foreign currency:

- credit and debit transfers in BGN;
- package and budget payments in BGN;
- receiving and issuing credit transfers in EUR;
- documentary operations - letters of credit, collection, bank guarantees.

Investbank JSC is included in the list of banks that can be trustees under the Social Security Code.

The Bank performs foreign currency transfers through its correspondent accounts, the TARGET and credit transfers in the Single Euro Payments Area (SEPA). As a provider of payment services, when executing

EUR payment transactions within the EU, Investbank JSC complies with and applies the requirements of both the PSPSA and the BNB, as well as Regulations 260/2012 and 2019/518.

In 2023:

- launched a new consolidated platform for TARGET services - a large pan-European project in which all Eurosystem banks participated. Investbank JSC actively participated in the tests and successfully passed the certification process.
- in connection with the accession of the Depository of Government Securities in the BNB (Depository of Government Securities) and Central Depository AD to TARGET2-Securities (T2S) in a real environment, the Bank successfully completed all certification tests.
- Payments from/to the budget have also changed to the ISO 20022 standard (SEPA format) and are made through the BISERA6 payment system as of 1 October 2023

To carry out its operations in the field of foreign currency payment services and documentary operations, Investbank JSC has opened correspondent accounts with the following banks:

CORRESPONDENT BANK	SWIFT / BIC
EUR	
INTESA SANPAOLO SpA, MILAN	BCITITMM
LANDESBANK BADEN-WÜRTTEMBERG, STUTT GART	SOLADEST

Investbank JSC has established SWIFT RMA with over 160 banks in different geographical regions worldwide.

Investbank JSC participates in the following payment systems and is in partnership with other payment service providers as follows:

- National payment system for servicing client transfers for amounts up to BGN 100,000 (BISERA 6);
- Real-time INterbank Gross-settlement System (RINGS) in Bulgaria;
- Bank Organization for Payments Initiated by Cards (BORICA);
- Trans-European Automated Real-time Gross Settlement Express Transfer System in Euro (TARGET2);
- Single Euro Payments Area (SEPA) as indirect participant
- Easy pay AD.

The Bank's employees are constantly upgrading their qualifications in the field of payment services and documentary operations by participating in trainings and workshops arranged by counterparties in Bulgaria and foreign correspondent banks.

INFORMATION TECHNOLOGY

Development of information systems

The development of the information systems in Investbank JSC in 2023 was focused on the consistent renewal, sustainable upgrading and phased modernization of its internal and external IT services and systems, while preserving the functionality and security of work for both employees and clients of the Bank.

In line with its strategy for innovations and technological development, the Bank systematically and purposefully invested in technologies consistent with the current trends in the field of banking, in order to offer innovative value-added products for clients and new multifunctional banking solutions. And in 2021 Investbank JSC continued to develop in this direction, successfully implementing a number of projects related to the digital transformation of the Bank, highly appreciated and awarded in the category "Innovative project" in the second edition of the Digital&AI Awards and the categories "Leader in digital transformations" and "Innovations" in the ninth edition of the annual Company of the Year Awards, as well as honoured with the Digital Bank Award during the annual edition of the Mr. and Mrs. Economics 2023 competition, organized by Economics magazine and the largest employer organization in the country - the Confederation of Employers and Industrialists in Bulgaria (CRIB).

In order to expand the range of products and services for the Bank's clients, during the period active actions were taken in the field of optimization, development and upgrading of the functionality of the basic banking system, the card system and the Internet and mobile banking systems. New online services such as debit card opening were successfully realized and implemented; applying for a credit card completely online with a fast approval process of up to 15 minutes; opening an online deposit with a simplified procedure reduced to minutes; as well as applying for a consumer loan through an online application. During the period, the Bank launched its participation in the "Blink" instant payments system, the innovative "Multibanking" service was added to its digital channels, and from October all Investbank clients can add their Mastercard cards to the Google Wallet™ digital wallet, as well as to manage their cards through digital channels.

In the field of payment systems, in March the migration to the consolidated payment platform TARGET ISO 20022 was successfully prepared and carried out, and in September, after active testing and certification, the fundamentally changed Budget payments were launched. In parallel with the task of implementing the Budget payments, the new service for fast, secure and low-cost cross-border payments - SWIFT GO - was developed, tested and successfully implemented.

In connection with the regulatory requirements, the work on the development of functionality for combining data and converting information (XLS/XML) and generating reports for submission to the BNB under the Payment Services and Payment Systems Act (PSPSA) UBX SOPS has also started.

In accordance with the project for digitization of internal bank processes, the modules "System for electronic monitoring of orders, contracts and invoices in Central Bank" and "Assets of the bank" were developed and put into operation, in the part "Fixed assets", and the work on development of an "Electronic card for access control and account management" module.

In the last quarter of the year, after a detailed analysis, the projects for the preparation and implementation of the "System for centralized storage and processing of data for the needs of the regulatory reporting and management information", a new system for optimizing the credit process, as well as for "Robotized process automation" - "Robot Lien Payments" and "Robot Lien Processing".

In the area of assessing the level of cyber protection of the Bank's workstations, an in-depth analysis was carried out regarding the BloxOne Threat Defense solution implemented in the Bank. The currently used functionalities, implemented integrations with other systems and security policies were reviewed. The real

threats to the Bank were analysed and, based on them, measures were taken to improve the level of protection.

Together with the "Information Security" Directorate, a procedure was organized for the selection of a company and the assignment of conducting penetration tests.

Along with the projects for the introduction and development of the main systems, the Bank also continued to optimize and upgrade the internal information infrastructure. In parallel with the renovation of the communication equipment, the construction of the SD WAN connectivity of the branch network and ATMs, as well as SIP telephony centralization, was launched. The UPS devices were replaced in a number of branches of the Bank and the gradual renewal of the computer equipment continued.

Anti-virus protection of all computer systems in the bank was also renewed for a new three-year period.

Projects in the field of software and technical support - 2024

All projects launched in 2023 are to be developed and finalized in 2024, with efforts focused on the strict implementation of the planned schedules.

At the same time, the implementation of other projects planned for the year is forthcoming:

- Projects related to the preparation for the introduction of the EUR;
- Projects related to the implementation of a new version of the main banking system;
- Projects related to online processes in terms of integration with state administration registers, new card management services, implementation of a digital wallet through Apple Pay, etc.;
- Projects related to the inclusion of the bank as a direct participant in EBA Clearing;
- Digitization of new intrabank document processes;
- Implementation of a "System for centralized storage and processing of data for the needs of regulatory reporting and management information";
- Implementation of the new credit process optimizing system.

DIGITAL SERVICES

Development of digital services and products

The development of the digital services and products in Investbank JSC in 2023 took place in compliance with the adopted Strategy for Development of Remote Sales Channels in Investbank JSC.

The Bank has successfully implemented a number of projects related to the digital transformation of the Bank and offered its customers new and innovative services.

In 2023, the of Multibanking functionality on the Internet and mobile banking was launched in a real environment. The project is implemented jointly with Iris solutions and BS technologies. Multibanking is a new service in Europe that enables the Bank's customers to easily monitor their balances and movements on their accounts in other financial institutions and easily operate all their funds from one place. By operating with their payment accounts in various banks and financial institutions through the platforms of Investbank JSC, the customers significantly ease their efforts, save time and receive up-to-date information on their financial situation. Multibanking enables the Bank, based on the access permissions to the clients' financial data, to understand their needs and thus to offer them suitable products.

Measures were taken to increase the level of security in remote banking:

- Two-factor authentication has been introduced when logging into the Internet banking system. The in-depth identification of the client is carried out by a SMS, sent to a phone registered with the Bank to receive an iTAN or by confirmation with a mobile token in Ibank mToken.
- An additional PIN code factor was added to the iTAN authorization method, which is required upon order confirmation, active action and password reset through the Bank's website.

A Fraud module was introduced for monitoring and tracking payments through the digital channels. Each payment is assessed against set risk criteria.

An improvement was introduced in the Internet banking system, which allows the use of the B-trust /BISS/ software. This software greatly facilitates and improves the use of Qualified Electronic Signatures and Bank Certificates in Internet banking when signing orders or performing other active actions.

In 2023, the bank was certified for sending and receiving instant transfers in BGN using the Blink system of Borica AD. The system enables the clients to send and receive transfers in just 10 seconds 24/7.

Based on the Blink system, the bank was also certified for receiving and sending instant transfers by Blink P2P mobile number. With this service, Investbank enables its retail clients through the Ibank Mobile application, to send transfers to a mobile number only, without entering any IBAN. The service is only available to natural persons.

Through Ibank Mobile banking, retail clients have the option to register for the service of receiving transfers by mobile number, if they have not done so at another certified financial institution.

In the core system of the Bank, automation was introduced through Regix with access to the Ministry of Internal Affairs for verification of personal documents.

At the end of 2023, a platform was developed for the online application of Legal Entities who want to become our clients. The legal entity, through its legal representative, can submit a request online, which is processed according to the bank's rules, and upon approval, all documents are sent in a package for signature through the Eurotrust portal.

Functionalities related to card management and registration to digital wallets have been developed in the digital channels.

The employees of the Call Center were acquainted in detail with the new functionalities and applications.

Projects in the field of digital services - 2024

The implementation of the important projects planned during the year is forthcoming:

- Development of functionalities in the Internet banking service Development of functionalities in the Mobile Banking application - under the Blink brand - Parking in a zone;
- Developing the functionalities in the Mobile Token application.
- Developing new online products.
- Developing the remote customer identification and remote signing of documents for the Bank's clients.
- Client Service Center - upgrade / new system
- Digitizing the front office process
- Digitizing the internal processes

- Joint projects in the holding - product cross-offering
- Included link to iApply /Stage 2/, general improvements to automation for easier product offering;
- Transition to the Euro;
- Project to introduce a new generation ATM - integration with TERM HOST.

INFORMATION SECURITY

With the continuous and dynamic development of technology and the globalization of financial services, the frequency and forms of attempts at malicious interference and misappropriation and use of information in the banking sector are increasing dramatically. Therefore, Investbank JSC (the Bank) considers it extremely important to preserve the availability, confidentiality and integrity of this asset in view of its direct impact on the Bank's business and the scale of its potential adverse effects thereon.

An important function of Information Security /IS/ is the protection of information from a wide range of attacks, with the aim of guaranteeing the continuity of business processes and minimizing operational risk.

The document of Information Security Policy (Policy) aims to define the minimum requirements for maintaining an acceptable level of risk for the Bank in terms of information security, as well as and the obligations of the management and the employees for the protection of the information assets of Investbank JSC.

In 2023, the periodic review and update of basic IS documents was carried out. The Bank's management sets the following key goals in terms of information security:

- ensuring compliance with the applicable legislation and regulations;
- ensuring continuity of processes while maintaining the integrity and accessibility of information;
- minimizing the information security risks causing loss or damage to the Bank;
- providing the necessary resources to support the Policy and increase its effectiveness;
- providing information to and training employees in information security.

The document defines a regulatory framework that should be complied with when developing additional rules and procedures regarding the implementation of specific controls related to the information security.

In the course of its functioning, Investbank JSC could face the challenges of situations of short-term or longer-term failure of critical business processes. The reasons for this could be of different nature - natural disasters, technical accidents, malicious human actions, etc. The existence of such threats to the Bank's activities necessitate the implementation of preventive measures, creating and maintaining a plan of action in case of more significant incidents.

The Business Continuity Plan - BCP, by its very nature, is a logical plan for the organization of the Bank to restore partially or completely interrupted critical (core, basic) banking processes in the shortest possible time after a disaster or a prolonged crisis.

Investbank JSC develops, documents, tests and maintains an up-to-date Business Continuity Plan (BCP), which defines the responsibilities and obligations of the banking units in the event of any possible incidents that could jeopardize the performance of the Bank's core activities.

The main objective of the Business Continuity Plan of Investbank JSC is to minimize financial losses in the event of an incident and to ensure timely recovery of critical business processes by creating the necessary prerequisites for:

- providing services to the customers of the Bank and its counterparties during and after the occurrence of the incident;
- maintaining business activity in the locations affected by the incident;
- reducing the negative effects of the incident;
- preventing disorder in the event of an incident.

In 2023, an updated version of the Plan was adopted by the CIS and subsequently by the Management Board.

Risk management for the security of information and communication systems is part of the network and information security management policy at Investbank JSC (the Bank). Risk management is inherently a set of processes for identifying potential threats to the information assets involved in the provision of electronic services, analysis and assessment of the risks posed by these threats.

Risk analysis and assessment is a documented process in which the levels of unacceptable risk and the responsibilities of the persons involved in the various stages of the process are regulated. Risk analysis and assessment operations are performed in compliance with a methodology that guarantees comparable, relatively objective and repetitive results.

HUMAN RESOURCE MANAGEMENT

Human resource management and development activities in 2023 were focused on improving the working environment, working conditions and optimizing processes in order to achieve high efficiency, quality and competitiveness.

In 2023, we were able to successfully switch from a paper to an electronic labor file, which significantly shortened the time for exchanging documents with employees, minimized the risk of document loss and significantly optimized the paper expenses. Documentary communication between employer and employee is fast and timely, and the employees have access to their work and personal data.

The challenges facing the Human Resource Management Directorate were twofold – improving the employer brand, reducing turnover levels and achieving competitive levels of compensation and benefits for employees, while maintaining reasonable levels of costs within the framework of the adopted strategy for 2023.

The dynamics of the labour market, characteristic of the last two years, have been preserved, adding to the shortage of personnel the tendency that the competing companies in the sector undertake several increases in remuneration within the calendar year in an attempt to compensate for the growing inflation rate. On the

other hand, job seekers raised their expectations driven by the sense of uncertainty and impending financial crisis.

Investbank JSC responded to these challenges by taking measures at several stages – analysing remunerations compared to the market ones, introducing additional benefits such as food vouchers and adopting new remuneration levels for the employees in the branch network.

The Human Resource Management Directorate also has a key role in building and maintaining strategic partnerships that contribute to the success and sustainability of the organization. The bank became a golden partner of the software university - SoftUni, which is of utmost importance for the improvement of our employer brand. Another strategic partnership is that with the educational platform "Ucha.se", with which the Bank covers part of the cost of access to educational materials and supports employees and their children. With these partnerships, we have expanded the benefits package for our employees and confirmed Investbank JSC as a preferred employer.

In 2023, updates were made to the staff incentive system in line with the Bank's development strategy. The main focus is in two directions - sales bonuses and project bonuses. The aim is to motivate the employees who are directly involved in the sale of bank products and those employees who are proactive in the Bank's new digitization and transformation projects.

The efforts of the Directorate paid off as we not only managed to retain our employees and reduce the turnover rate, but during the year we managed to attract highly qualified candidates to key units of the Bank. Our efforts in the direction of new channels and methods of selection contributed to this, by applying various techniques for attracting personnel and shortening the search time. Investbank JSC took part in one of the biggest career forums in the country - "Career Show", with which we attracted many young talents.

The training and development program was elaborated to ensure the achievement of the strategic goals for the period 2022-2024. We implemented a new software product with which we digitized the employee training process. Thus we have reduced the cost of training, which until now was done by an external provider, and improved the turnaround time, which gives us better traceability and flexibility.

Certification trainings and preparation of managers for the transition to work under the conditions of the new requirements of the ESG standard were included. *ESG Invest*. All employees directly involved in the sales process of deposit and loan products underwent trainings on new products, regulatory requirements, as well as trainings on sales techniques and successful negotiations. These trainings are entirely internal and are led by directors of departments, team leaders and managers. The return to a face-to-face form of training improved results and employee engagement, which proved its effectiveness with the Bank's excellent financial performance for the past year.

The successful use of the internal platform for e-training of employees on topics related to regulatory requirements, prevention of money laundering and conflict of interest continued successfully. During the calendar year, 166 employees of the Bank were enrolled in external trainings related to regulatory changes, professional and personal development. All newly appointed employees involved in cash operations attended trainings under BNB Ordinance No. 18 and in Cash Foreign Exchange Transactions.

The internship program attracted many students, some of whom successfully passed all stages and continued their careers in Investbank JSC. It was an important element of the talent management strategy, providing mutual benefits, both for the trainees and for us as an employer.

The internal normative documents concerning the activities of the Human Resource Management Directorate were updated and brought into line with the normative and regulatory requirements, structural changes and work processes.

REAL ESTATE

Realization of assets - an overview of the real estate market in 2023

For the past year 2023, a drop in sales by 11.2% was observed - 215,507 transactions were recorded for the entire country, which ranks it immediately after the record 2021 and 2022 and is the third best result for the last five years.

The year began with a 9% drop in the number of transactions in the first quarter, which deepened to 15% in the period April - June. The trend continued in the third quarter, which brought the lowest number of transactions for a period in the last 12 years.

There is a decrease in the volume of transactions in all large cities, and a regularity is observed that the larger the city, the less is the decrease in real estate transactions. For Sofia, for example, the drop for 2023 is by 6% to 32,072 transactions. The real estate market in Plovdiv is half as small - 15,867 transactions and a drop by - 9.9%. However, for Sofia and Plovdiv, movement is observed in the last months of the year. The markets in Varna and Burgas developed similarly - with declines by 12.5% and 12.6%, respectively. The deals in Varna (14,122) are twice as many as those in Burgas – 7,202. In Ruse - a drop by 11.5% to 4,739 transactions. The most massive was the outflow of real estate transactions in Stara Zagora - 16.2%. Only 4,020 sales were registered there during the year, which is the weakest market performance since 2018. The region of Nesebar retains its place as the fourth largest real estate market in the country with a drop by 16.5% to 8,359 transactions.

Despite the reduced number of transactions, the growth of residential property prices continues due to the reduced volumes of new construction projects started, the contracted secondary supply, which does not allow people to find their preferred home or investment property quickly enough.

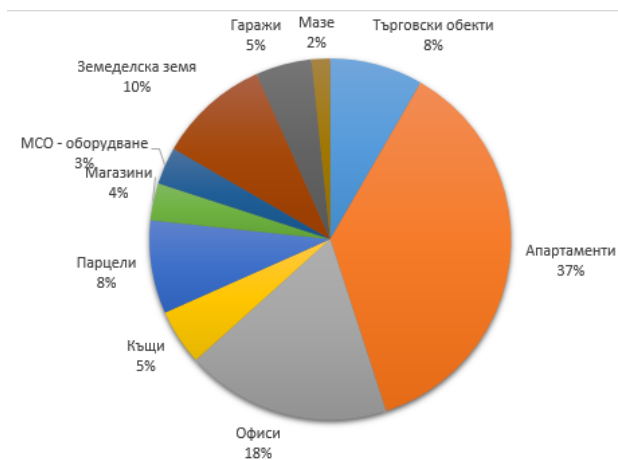
For 2023, the tendency for buyers to look for larger apartments for living purposes is maintained. To a large extent, the decline in the number of transactions is due to the wait on the part of buyers, who choose homes more slowly and carefully and are not inclined to make serious compromises. Many are waiting to find out what will happen to mortgage rates, while others are waiting and hoping for a drop in housing prices. The average amount of the loans shows an annual growth of over 10% and is now over BGN 200,000, and over 60% of transactions are concluded with a mortgage loan. There are no significant differences in the holiday property market in the country compared to the previous year. Demand continues to stagnate, while the number of transactions remains low.

Realized assets

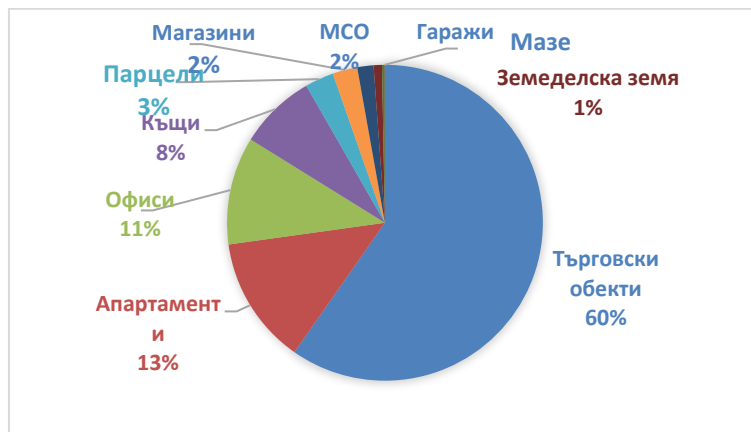
Against this background, 67 assets were realized in 2023, with a total balance sheet value of BGN 21.86 million

The total sale price of the sold assets is BGN 27.18 million, and the result of the transactions is in the amount of BGN 4.69 million. The sales price for 2023 is by 10% lower than the realized sales for 2022, which corresponds to the market situation for the year.

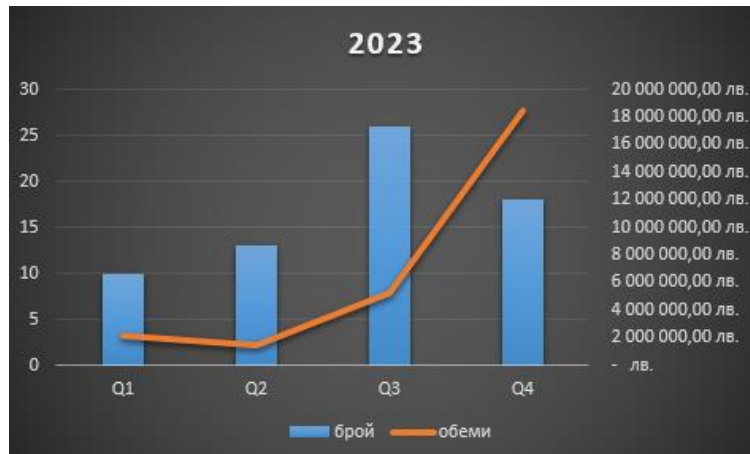
The predominant percentage of transactions were sales of residential properties, offices and farms.



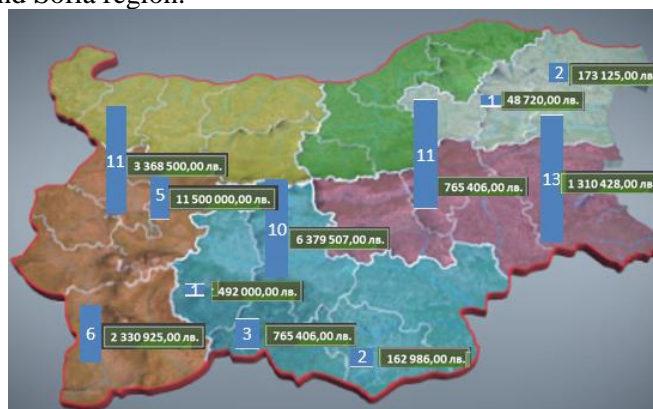
The largest is the share of the sales price of commercial establishments, apartments and offices:



The most active sales period is the end of the third and last quarter of the year, which corresponds to the trends for sales growth at the end of the year for the country:



By region, the number of transactions by assets and volumes is mainly distributed in Burgas, Sofia, Sliven, Plovdiv, Blagoevgrad and Sofia region:



The unit was focused to work in the following areas:

- Valuation of properties in the city of Sofia;
- Uploading advertisements for the sale of properties on the Bank's website;
- Active offering of properties for sale and rent;
- Communication and synergy with bank employees regarding the sale of properties;
- Preparation of opinions on market prices of properties in case of sale and acquisition;
- Coordination of the Bank's centralized asset insurance;
- Operational relations with tenants;
- Regulation of relations with condominiums;
- Property database recruitment in the newly developed DTS-DA software

CORPORATE COMMUNICATIONS

In 2023 the Directorate primarily focused in the active communication of the ongoing process of digitalization of the Bank and the introduced modern solutions and new products in the portfolio of Investbank JSC. The Corporate Communications Directorate fully manages the communication aimed at both customers and partners, as well as employees, regarding the establishment of the financial institution as a responsible and modern bank.

In order to increase the visibility of the new digital services of the financial institution and increase sales, the Directorate conducted a number of large-scale advertising campaigns, using a variety of channels and advertising forms according to the specifics of each particular banking product. There was also an active presence in strategically selected media with articles useful for the end user, providing information about the Bank and its products.

Media monitoring – The Directorate carries out daily monitoring of the print and digital media, as well as monitoring on specific topics, where necessary. On a daily basis, the Bank's Management was informed about the important current news on topics related to banking institutions and business.

Internal communications – The internal corporate communication during the year was actively carried out, following the mission to keep the Bank's employees informed, confident in the decisions taken by the institution and motivated to achieve maximum results in their work. In addition to detailed information about the digital products introduced by the Bank and other innovations, the employees were promptly informed about the achievements and awards that Investbank JSC received during the year.

Advertising – Investbank JSC implements its annual advertising strategy, combining traditional advertising forms with innovative and digital ones. The Bank uses various channels in order to saturate and diversify the submitted advertising forms, namely: positions in established print media with PR materials and native articles, participation of employees in conferences, advertising on social networks, banner advertising on high-ranking websites, Google search and Google display advertising and last but not least – radio advertising.

The main focus of the Bank's advertising activities in 2023 was placed on the promotion of the latest digital services launched during the year, namely: multibanking, platform for online business customers, payments with Google Pay digital wallet, blink instant payments, as well as payments by mobile number - blink P2P.

An advertising campaign was also carried out on the following products: mortgage and consumer credit, online deposit and Mastercard Standard credit card, for which two prize games were organized, the largest of which: "Win a weekend for two in Paris with a Mastercard credit card from Investbank" and "Win a weekend for two in Barcelona with a Mastercard credit card from Investbank".

Internet advertising is realized both in social networks, Google search and Google display, and through banner advertising in a number of specialized websites that cover the target audience to the maximum extent. Radio advertising was also used in addition to the above mentioned channels in the advertising campaign of an online deposit product. The Bank also expanded its advertising activities in the field of contextually offered brand content with articles practical for the end user in niche media – author's materials, articles, interviews. This type of projects, which reach a large number of users and are perceived with a high degree of trust due to the added value of their content, were implemented jointly with national and specialized business publications.

The Directorate periodically provides all financial centers in the country with the necessary advertising printed materials for the Bank's products and services.

Online communications - In order to optimize the results of its activity in the social networks, the Directorate made an analysis of the current trends and jointly with the digital agency updated and specified its strategy. We modernized our presence in the social networks by running campaigns with successful influencers. We will continue working for building a strong brand identity through new campaigns in the field of Corporate Social Responsibility by supporting projects important to society.

The Directorate maintains and expands its partner network of media, advertising and digital agencies, as well as other types of counterparties.

Investbank JSC and Geospatial Research and Technologies Center at Kliment Ohridski Sofia University concluded a cooperation agreement. One of the topics on which the two institutions will cooperate is sustainable development. Following the latest EU regulations on ESG, the banking institutions in Europe will have to change the way they perform risk assessments for their assets, and the first reports on ESG will be made in 2024. As a responsible and sustainable bank, Investbank JSC is already working on the implementation of the extended reporting requirements and the methodology by which it will assess the risks for its assets.

Initiatives - For the second year in a row, Investbank JSC supported the contest for clean and transparent journalism Web Report, organized by dir.bg.

At the beginning of the year, Investbank JSC made donations to the countries affected by the devastating crisis - Turkey and Syria.

Investbank JSC supported the holding of an event on the occasion of the 30th anniversary of the creation of the "Banker" newspaper and the competition for the "Economy of Light" 2022 awards, organized by the Association of Industrial Capital in Bulgaria. Separately, the institution also supported the project of the traveling summer drive-in Open air cinema - a project created by the actor and producer Alexander Sano, with the aim of free distribution of Bulgarian film titles among viewers from smaller settlements in Bulgaria. The Bulgarian municipalities are also partners of the project.

The Bank joined the "European Money Week 2023" initiative by organizing an educational meeting with students from Druzhiba" Private Secondary School under the motto "Plan your money, plan your future" with the aim of increasing the financial literacy of adolescents. Experts from the Bank gave a presentation to the students on topics related to personal budget and money management. The purpose of the presentation was to promote a responsible attitude towards personal finances. An essential focus of the lecture was the similarities and differences between the main banking products and digitalized services, as well as the introduced modern trends in payments.

The internal auditors of Investbank JSC held a meeting - discussion with students from the University of Economics - Varna. The presentation was made on the opening day of the annual Careers Forum organized by the higher educational institution. At the invitation of the university professors, the head of the Specialized Internal Audit Service at Investbank JSC emphasized on the importance of internal audit in the banking system and introduced the students to the benefits of choosing such a profession and how to successfully practice it.

During the year, the financial institution organized a charity exhibition of paintings by children from two family-type accommodation centers - "Paisiy Hilendarski" and "Sofroniy Vrachanski". Both centers are home to talented children who love to draw and use art as art therapy and a means of self-expression. This is not their first exhibition – at the end of the last year, their works were exhibited at the Marinella Hotel, and after the end of the event, almost all the paintings found their new owners in the form of bank employees and other guests. The support of young and talented authors who are yet to develop their potential is an essential component of the corporate social policy of Investbank JSC. Children deserve to be motivated, and their full development to be a priority for every society.

In support of the contemporary Bulgarian art, Investbank JSC, jointly with Oborishte 5 Gallery, arranged a competition for young artists, named MOST. The competition was held with increased interest. This year there was no age limit, which further motivated the authors. The jury awarded five of the finalists, who were awarded a joint closing exhibition in the gallery. The finalist chosen by Investbank JSC is Konstantina Zhivova, and it was her paintings that were used as a motif for the Bank's corporate gifts.

The Bank participated in the gala evening "Horizons 2023", organized by "Manager" magazine under the patronage of the President of the Republic of Bulgaria, as well as participation in the Banking Today conference, organized by the Investor.

The Bank was among the sponsors of one of the major folklore festivals in Bulgaria, Folklore Izvor, which is to be held in the village of Tsarevets, Svishtov Municipality. The initiative is in the spirit of the cause and activity of Investbank JSC for the preservation and development of the Bulgarian spiritual and cultural values. Bearing this in mind, the Bank also supported the municipality of Vetrino on the occasion of the municipality's holiday and the celebrations organized by it.

Awards - With the latest Multibanking service, which was launched at the beginning of 2023, Investbank JSC received awards in the "Innovative Project" Category in the second edition of the Digitalk&A1 Awards and in the ninth edition of the annual "Company of the Year" awards, organized by Business Lady magazine in the categories "Leader in Digital Transformation" and "Innovation".

In the face of increased competition, Investbank JSC was awarded two first places in the "Business Leader of the Year" and "Dynamic Development" categories at the Annual Business Awards of the B2B Media Awards.

Investbank JSC was awarded with the special award "Digital Bank" during this year's edition of the competition "Mr. and Mrs. Economics" 2023, organized by the magazine "Economy" and the largest employer organization in the country - the Confederation of Employers and Industrialists in Bulgaria.

Ms. Maya Stancheva, member of the Board of Directors and executive director of Investbank JSC, was awarded two awards during the first edition of the Leaders of Influence Awards 2023, organized by B2B Media. This competition aims to recognize and honor the most influential companies and individuals who are impacting society and bringing about positive change. The Bank's CEO received a prize in two categories: Business Woman of Influence and Leadership Award.

In 2024, Investbank AD will celebrate 30 years since its establishment, and in this connection numerous events will be held in the capital and in the country. In 2022, the Directorate will continue to develop fruitful media and strategic partnerships. The main topics for communication during the year will be ESG, the

introduced digital products and services of the institution, as well as educational campaigns related to increasing the financial literacy of adolescents and the introduction of the Euro. This will allow not only diversity and maximum efficiency in the upcoming campaigns of the Bank's products and services, but also the implementation of socially significant projects.

RESEARCH AND DEVELOPMENT

The Bank does not carry out any research and development operations.

DISCLOSURE RELATED TO SUSTAINABILITY IN THE FINANCIAL SERVICES SECTOR (ESG, ENVIRONMENTAL, SOCIAL AND GOVERNANCE)

After the adoption in 2015 of the United Nations 2030 Agenda for Sustainable Development, it formed the basis of the strategy for the successful development of companies and became an essential element giving meaning to their goals and activities. The established goals for sustainable development (17 goals set in the UN Agenda) become the ideal analytical network for presenting sustainable and growing economic models aimed at future. Committed as a financial business, we work with the three approach pillars – focus, complementarity and impact measurement in order to show:

- The joint search over time for environmental and social results and financial profitability, while simultaneously controlling the emergence of negative external factors in a timely manner;
- The adoption of a clear and transparent methodology describing the causality mechanisms through which our strategy contributes to the achievement of the environmental and social objectives defined upstream, the relevant period of investment or financing, as well as the measurement methods according to the regulations and accountability frameworks at the local level and at European level, namely: Taxonomy Regulation, CSRD Directive (Corporate Sustainability Reporting Directive) and ESRS Standard
- The achievement of these environmental and social goals within the frameworks of reference, in particular the sustainable development goals, at international, national and local levels.

Investbank JSC includes standards in its internal policies and procedures and by creating a culture of ethics and integrity, sets standards for sustainable business growth. The good business strategy, the introduction of global know-how in various business areas and the company's financial stability contribute to improving the company's credit rating. Its image as an ethical and socially responsible organization is an additional guarantee of success in any new operating activity. Investbank JSC is a business committed to initiatives in the field of ecology, education and culture.

The business model of Investbank JSC is built on the basis of responsibility and transparency towards all interested parties – customers and providers. The Bank contributes to the improvement of the business climate, following at the group level the policy for conducting and building a permanent and successful market presence. The corporate management's understanding of sustainable development is a fundamental principle integrated into the company's structure and corporate values – striving to exceed the expected flexibility, quality and integrity.

Over the past year, Investbank JSC, as a committed bank, has initiated specific activities related to the ESG framework. The main focuses and initiatives are related to:

- S (Social Impact and Human Rights): human capital: transparency in management, provided social benefits, conducted trainings, etc.
- G (Corporate Governance): risk management, transparency, tracking system, etc.
- E (Environmental Impact): reduction of the used resource, optimization of the vehicle fleet, preparation of an energy efficiency strategy, etc.

Aware of the sporadic and segmental activities, the Bank has set itself the goal and built a complete strategic holistic model for managing the ESG strategy, with our efforts directed in the field of new technologies and the digitalization related to climate and sustainability, which go hand in hand.

In terms of ESG (Environmental, Social, Governance) commitments and achievements, 2023 was also marked by non-financial results recognized by our stakeholders.

For 2023, Investbank JSC prepared a separate Annual Report on Sustainable Development as part of the non-financial information of the Bank.

DISCLOSURES

Information about the persons managing and representing the Bank

In compliance with the requirements of the Credit Institutions Act, the provisions of the Articles of Association of Investbank JSC and the commercial registration of the company, it is represented by all members of the MB collectively or jointly by two executive directors.

The executive directors and MB members have no interest in the Bank's share capital.

Information pursuant to Art. 187e and Art. 247(2) of the Commerce Act.

The remunerations of the executive directors and the Management Board and the members of the Audit Committee as at 31 December 2022 amount to BGN 439 thousand (year 2022: BGN 309 thousand) and those of the Supervisory Board amount to BGN 464 thousand (year 2022: BGN 330 thousand).

The rights of the members of the Boards to acquire shares and bonds of the company - according to the effective Articles of Association of the Bank there are no restrictions on the rights of the Board members to acquire shares and bonds of the company (the Bank) in addition to the general requirement for prior approval by the Supervisory Board, which is applicable to each acquisition case.

Participation of Boards members in commercial companies as partners with unlimited liability, holding of more than 25% of the capital of another company, as well as their participation in the management of other companies or cooperatives in the capacity of procurators, managers of board members:

MEMBERS OF THE SUPERVISORY BOARD

- Petya Ivanova Barakova Slavova
 - Festa Holding AD – over 25% of the capital and participation in the management (Chairperson of the Board of Directors and executive director)
 - Festa Hotels AD – participation in the management (Chairperson of the Supervisory Board)
 - Investbank JSC – participation in the management (Chairperson of the Supervisory Board)
 - Properties PS EOOD – over 25% of the capital and participation in the management (Manager)
 - Job SRL – over 25% of the capital (Manager)
 - Ralevitza Property JSCo. – over 25% of the capital (Chairperson of the Board of Directors and Executive Director)
 - Chernomorsko Zlato AD – participation in the control body (Chairperson of the Supervisory Board)
 - INSurane Company Bulgaria Insurance AD – participation in the control body (Chairperson of the Supervisory Board)
 - Association of the Bulgarian Tourism Industry - participation in the management (Chairperson of the Management Board)
 - Investments Properties EOOD – Manager
 - Alegro Property Ltd. – Manager
 - F Assets AD – participation in the management (Chairperson of the Board of Directors)
- Festa Holding AD
 - Festa Security EOOD – over 25% of the capital (member of the Supervisory Board)
 - F Assets AD – over 25% of the capital
 - Eco Invest House EAD – over 25% of the capital
 - Investbank JSC – over 25% of the capital (Member of the Supervisory Board)
 - Insurance Company Bulgaria Insurance AD – over 25% of the capital and participation in the control body (Member of the Supervisory Board)
 - Re PAK AD – participation in the management (Member of the Board of Directors)
 - Dunav Plaza OOD – over 25% of the capital
 - Festa Hotels AD – over 25% of the capital and participation in the control body (Member of the Supervisory Board)
- Minka Slavova Kirkova – Representative of Festa Holding AD in the Supervisory Board of Investbank JSC
 - Festa Holding AD – Member of the Board of Directors and Executive Director
 - F Assets EAD – Member of the Board of Directors
 - Eco Invest House EAD – Member of the Board of Directors
- Martin Tsvetkov Bogdanov – independent member of the Supervisory Board
 - Paysera Bulgaria JSC – Executive Director and Chairperson of the Board of Directors
 - Bulgarian Posts EAD Chairperson of the Supervisory Board
 - Bulgarian Fintech Association – Member of the Management Board
 - Bulgarian Industrial Capital Association – Member of the National Board

MEMBERS OF THE MANAGEMENT BOARD

- Svetoslav Rumenov Milanov
There is no data for participation in the Commercial Register and Declaration pursuant to Art. 45 of Credit Institutions Act (CIA)
- Maya Ivanova Kolarova (Stancheva)
There is no data for participation in the Commercial Register and Declaration pursuant to Art. 45 of Credit Institutions Act (CIA)
- Stoyan Tsvetkov Tsvetkov
Poyas EOOD - over 25% participation in the capital;
Hri Sto Foods OOD - over 25% share in the capital.
- Nedyo Yankov Tenev
There is no data for participation in the Commercial Register and Declaration pursuant to Art. 45 of Credit Institutions Act (CIA)

Responsibility of the Management

According to the Bulgarian legislation, the Management of Investbank JSC is required to prepare annual financial statements for each financial year, which accurately reflect the property and financial position of the Bank at the end of the respective reporting period, as well as the financial performance for that period.

In preparing these statements, the Management confirms that:

- the accounting policy used is appropriate and applied consistently;
- the necessary assessments and proposals made are in accordance with the precautionary principle;
- the applicable accounting standards have been applied consistently;
- the annual financial statements are prepared based on the going concern assumption.

The management declares that:

- where necessary, it has made the best estimates and decisions;
- it has complied with all International Financial Reporting Standards applicable in accordance with the national accounting legislation for banks in Bulgaria;
- the annual financial statements disclose the Bank's position with a reasonable degree of accuracy;
- it has taken all possible measures to safeguard the assets of the Bank and to prevent fraud.

As of the date of the compilation of this report - 31.12.2023, the Bank owns subsidiaries and shareholdings exceeding 10 percent of the capital, as follows:

- Retail BANSKO EOOD;
- KRAIMORIE INVESTMENT PROPERTIES EOOD.

DEVELOPMENT PLANS

The **strategic goal** in the development of Investbank JSC is the establishment of a sustainable business model, providing for the formation of such an income structure that will allow for the internal generation of capital and increase of the market price of the shareholding while simultaneously pursuing a moderate policy in adopting risk and maintaining an acceptable risk profile of the Bank's assets and liabilities.

This goal will be achieved by:

- Implementing the strategic projects set in the investment program of the Bank for the period;
- Providing for investments in human capital;
- Further reducing the volume of assets acquired through sales or leasing;
- Significantly improving the structure of the Bank's assets and liabilities to increase the profitability of the assets and reduce the cost of their refinancing while reducing the Bank's risk profile;
- Further diversifying the Bank's loan portfolio and improving its quality by reducing the relative share of non-performing loans and increasing the total volume of loans;
- Emphasising on granting loans covered by regulatory recognized collateral;
- Enhancing the efficiency of the Bank by increasing the operating income simultaneously with a relatively smaller increase in administrative costs;
- Setting a conservative interest income based on performing exposures only
- Expansion and enrichment of banking products and services with new, digital, competitive on the market and satisfying customer needs;
- Attracting acceptable liabilities to cover regulatory requirements

The main emphasis in the projects for the strategic period is the digitalization of the Bank in:

- Customer service processes;
- Development of new products and services;
- Bank's internal document flow processes;
- Increase in environmental responsibility and addition of the Green Idea to the Bank's image.

The desired result in the implementation of these projects is both satisfying the needs of customers and achieving overall satisfaction with the service, as well as achieving optimization and efficiency of the operations.

Projects are also planned that improve:

- Information security and control of network activities and vulnerabilities;
- Processes for preventing money laundering and monitoring customers and their transactions;
- Processes ensuring the unhindered functioning and security of the Bank.

EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

Change in the balance of Financial assets held for sale after the reporting date is as follows:

- On 23 January 2024 and 2 February 2024, two contributions of assets for a total amount of BGN 20,261 thousand were filed, according to an entry in the Commercial Register.
- On 31 January 2024, BGN 750 thousand was written off according to the Agreement for the sale of shares dated 19 January 2024. On 14 February 2024, the balance of Financial assets held for sale is BGN 30,619 thousand.

In the forecasts for the development of the Bank in the medium term, according to the management of Investbank JSC, higher realistic goals are set with a view to achieving a larger market share. The prospects for the economy of our country in the coming years will continue to depend on the development of geopolitical conflicts, on the utilization of funds under the National Plan for Recovery and Sustainability and the introduction of the Euro in Bulgaria.