



ANNUAL MANAGEMENT REPORT OF INVESTBANK JSC
for 2021
APPROVED ON 22 MARCH 2022

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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, lot 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.

Legal status and shareholder information

The registered (with the Commercial Register) share capital of Investbank JSC as at 31 December 2021 amounts to BGN 155,571,612, divided in 155,571,612 ordinary registered dematerialized voting shares, with a par value of 1 BGN each. The capital is fully paid in by the shareholders.

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 2021 is as follows:

No	Shareholder structure of Investbank	% shareholding
1	Festa Holding AD	52.77
2	Adil Said Ahmed Al Shanfari	28.04
3	Petya Ivanova Barakova-Slavova	10.55
4	Other natural persons and legal entities	8.64
	Total:	100.00

Governance

Investbank JSC has a two-tier management system, with a Supervisory Board and a Management Board. The Supervisory Board (SB) appoints the members of the Management Board (MB), approves the executive directors and determines their consideration.

- As at 31 December 2021, 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 2021 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;
 - Zdravka Rumenova Ruseva – MB Member.

As of the date of approval of the Financial Statements and the Management Report, the following change in the composition of the Management Board of Investbank JSC has been submitted for registration:

- Deletion of Zdravka Rumenova Ruseva as a member of the Management Board.
- Registration of Nedyo Yankov Tenev as a member of the Management Board.

Mission

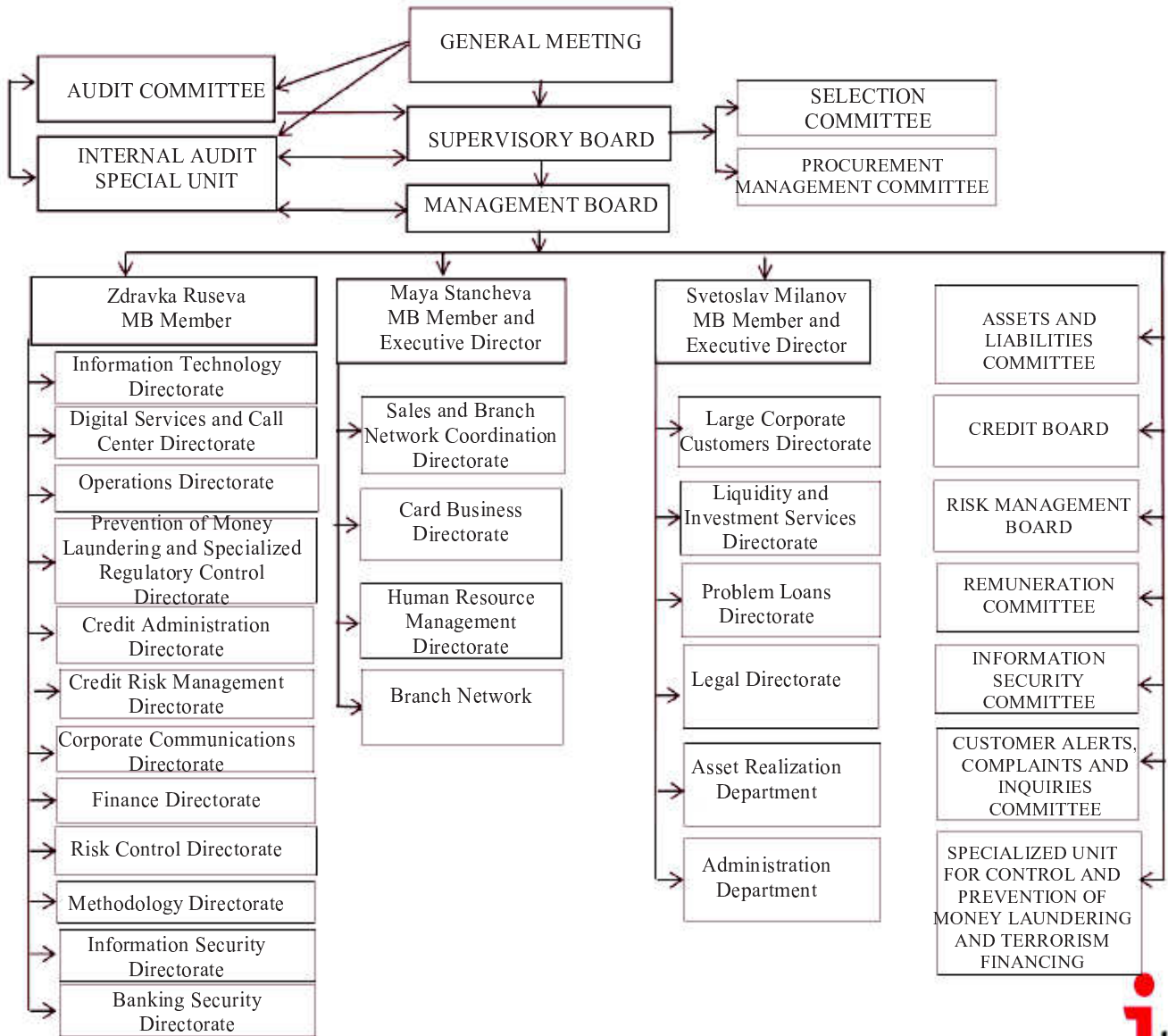
Investbank JSC strives to strengthen its position as a dynamically developing Bulgarian bank and to expand its presence on the financial markets through:

- 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.

*Investbank JSC
Organizational structure*

31 December 2021



MACROECONOMIC REVIEW

Key macroeconomic indicators

Basic macroeconomic indicators	Reported data			Forecast		
	2019	2020	2021 f	2022	2023	2024
Gross domestic product						
GDP (BGN mln.)	120,39					
	5	119,951	130,614	143,024	152,153	160,640
GDP (real growth, %)	4.0	-4.4	3.7	4.8	3.7	3.4
Consumption	5.1	1.5	6.1	4.3	3.0	3.3
Gross fixed capital formation	4.5	0.6	-6.3	11.7	13.8	5.2
Export of goods and services	4.0	-12.1	8.2	6.9	6.5	5.1
Import of goods and services	5.2	-5.4	9.6	8.3	8.6	5.5
Labour market and prices						
Employment (System of National Accounts) (%)	0.3	-2.3	0.1	1.1	1.2	0.8
Unemployment rate (Labour Force Survey) (%)	4.2	5.1	5.4	5.0	4.6	4.3
Compensation per employee (%)	6.9	7.2	8.9	8.1	7.4	7.0
GDP deflator (%)	5.2	4.2	5.0	4.5	2.6	2.1
Average annual inflation (HICP) (%)	2.5	1.2	2.9	5.6	2.7	2.2
Balance of payments						
Current account (% of GDP)	1.9	-0.3	-1.0	-1.3	-1.9	-2.5
Balance of trade (% of GDP)	-4.7	-3.2	-4.3	-6.2	-7.8	-8.1
Foreign direct investment (% of GDP)	3.2	3.9	3.8	3.7	3.7	3.7
Monetary sector						
M3 (%)	9.9	10.9	9.9	9.2	9.4	9.2
Claims on entities (%)	9.9	3.3	4.2	4.8	5.5	5.8
Claims on households (%)	9.5	6.6	12.6	9.4	8.7	8.3

Sources: Ministry of Finance, National Statistical Institute, Bulgarian National Bank

Year 2021 passed under the sign of the Covid-19 pandemic, which inevitably led to a decline in the economic activity and employment, as well as affected extremely unfavourable on a number of sectors of the economy.

In Q3 2021, the Bulgarian economy recovered compared to pre-pandemic levels. The real GDP growth forecast by the end of 2021 provides for 3.7% growth, with a positive contribution almost entirely from private consumption. The risks to the GDP growth forecast for the end of 2021 are assessed as balanced.

Inflation accelerated its growth to 7.7% on an annual basis in Q4 2021.

At the end of December 2021, the unemployment in the country increased to 5.4%.

The budget deficit amounts to -1.1% of GDP at the end of Q4 2021.

Additional fiscal support measures have been announced to address the effects of the subsequent coronavirus pandemic waves. The economic recovery is expected to accelerate in 2022 and 2024, after the health crisis is over and the absorption of EU funds for the implementation of the National Recovery and Sustainability Plan begins.

BANKING SECTOR REVIEW

Key banking sector indicators

	2018	2019	2020	2021
Financial indicators (BGN mln.)				
Net interest revenues	2,742	2,746	2,649	2,757
Net fee and commission revenues	1,066	1,106	1,039	1,241
Other net revenues	414	721	512	501
Total operating revenues	4,223	4,573	4,200	4,499
Administrative expenses	(1,893)	(2,273)	(2,300)	(2,107)
Impairment	(529)	(4312)	(876)	(594)
Result after tax	1,678	1,675	816	1,416
Balance-sheet indicators (BGN mln.)				
Total assets	105,557	114,201	124,006	135,410
Cash, balances with central banks and other deposits on demand	20,336	18,141	27,114	28,487
Net loans and advances to customers (including finance leases)	56,830	62,684	65,922	74,562
Securities	13,266	14,312	17,640	22,014
Deposits from customers	84,571	91,853	100,671	109,356
household deposits	53,383	57,616	62,636	68,107
corporate deposits	31,188	34,237	38,034	41,249
Deposits from credit institutions	5,133	5,358	5,062	6,072
Equity and reserves	13,858	14,307	15,354	16,421
Basic ratios (%)				
Return on assets (after taxes)	1.65	1.52	0.69	1.09
Return on equity (after taxes)	12.70	11.89	5.50	8.91
Net interest margin	2.82	2.63	2.34	2.22
Loans/deposits from customers	67.20	68.24	65.48	68.18
Loans/assets	53.84	54.89	53.16	55.06
Capital adequacy*	20.38	20.16	22.74	22.62

At the end of Q4 2021, the assets of the banking system amounted to BGN 135 billion and represented 103.7% of the projected GDP.

As at 31 December 2021, the banking sector reported a net profit of BGN 1.4 billion (an increase by 73.8% compared to December 2020 - BGN 0.81 billion).

The increased financial result is mainly due to lower administrative expenses as well as lower net impairment expense compared to the figures last year.

The average interest rates on newly contracted loans and fixed-term deposits maintain the achieved low values.

The banking sector operates in the conditions of partial recovery of the economic activity, which is better compared to the same period of the previous year, and in the conditions of restrictive measures taken in connection with the Covid-19 pandemic.

REVIEW OF THE PERFORMANCE OF INVESTBANK JSC IN 2021

Key indicators

	2018	2019	2020	2021
Financial indicators (BGN '000)				
Net interest revenues	30,081	26,146	24,346	22,757
Net fee and commission revenues	24,884	27,930	24,230	25,782
Other net revenues	33,906	7,160	8,253	102
Total operating revenues	88,871	61,236	56,829	48,641
Administrative expenses	(39,259)	(40,969)	(39,049)	(36,740)
Impairment	(30,271)	(31,392)	(16,879)	(64,096)
Net result from remeasurement of investment property	666	14,682	1,248	77,521
Result after tax	22,647	2,089	2,200	13,954
Balance-sheet indicators (BGN '000)				
Total assets	2,122,039	1,898,475	2,200,670	2,543,097
Cash, balances with central banks and other deposits on demand	531,753	259,863	420,327	615,874
Net loans and advances to customers (including finance leases)	763,547	718,119	879,677	933,201
Securities	457,079	517,288	514,157	558,728
Deposits from customers	1,886,794	1,655,779	1,940,725	2,267,802
household deposits	1,266,682	1,226,620	1,265,334	1,411,202
corporate deposits	620,112	429,159	675,391	856,600
Deposits from credit institutions	6	0	12	0
Equity and reserves	180,266	188,094	246,608	255,415
Basic ratios (%)				
Return on assets (after taxes)	1.11	0.10	0.11	0.59
Return on equity (after taxes)	13.62	1.13	1.01	5.56
Net interest margin	1.77	1.61	1.47	1.16
Loans/deposits from customers	40.47	43.37	45.33	41.15
Loans/assets	35.98	37.83	39.97	36.70
Capital adequacy	18.69	19.36	19.93	18.91
Resources				
Personnel	725	625	628	598
Financial centers	43	42	28	26

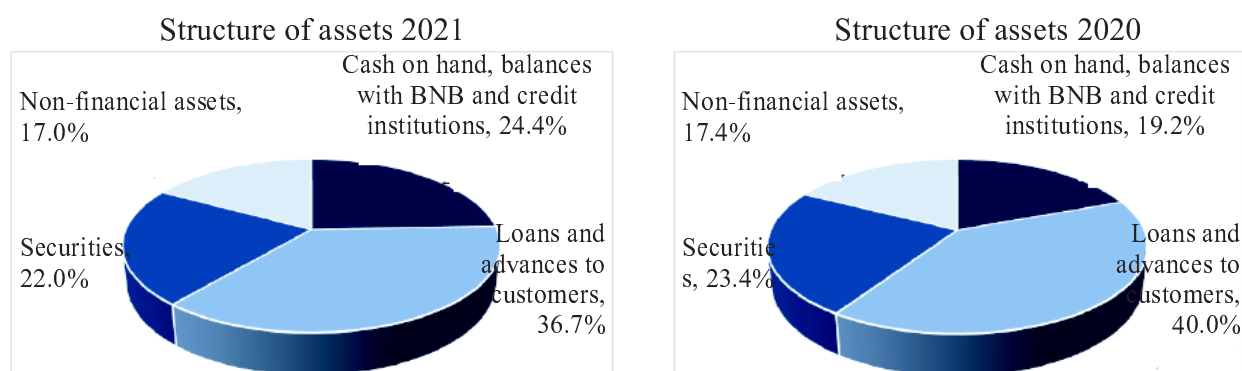
STATEMENT OF FINANCIAL POSITION

ASSETS

Total assets

In terms of total assets at the end of 2021, Investbank JSC retains the 11th position, whereby as at the end of 2020 it has a market share of 1.88% among the banks in the country. The business model structures the Bank's assets with a dominance of loans and advances to customers.

As at the end of December 2021, the Bank's assets amount to BGN 2,543 million (year 2020: BGN 2,201 million). In the assets structure of Investbank JSC, net loans and advances to customers (including finance leases) account for the largest share of 36.7% (40.0% as at December 2020) of total assets, followed by cash on hand and balances with the BNB and receivables from credit institutions of 24.4% (19.2% as at December 2020), securities of 22.0% (23.4% as at December 2020) and non-financial assets formed a share of 17%, compared to 17.4% for the previous year.



Loans and advances to customers

Loans and advances to customers account for 36.7% of total assets compared to 40% for the previous year. Loans/deposits ratio amounts to 41.15% compared to 45.34% for the previous year. In 2021, the total amount of net loans grew by BGN 53.5 million (increase by 6.08%) and reached BGN 933.2 million (year 2020: BGN 879.7 million). Loans also comprise receivables under finance leases for BGN 3.61 million compared to BGN 4.21 million at the end of the previous year. At the end of December 2021, the balance sheet impairment amounts to BGN 22.12 million, which decreases the degree of coverage with impairment of impaired loans from 26.83% for 2020 to 19.78% for 2021 and during the year the amount of BGN 90.88 million was written off at the expense of provisions for non-performing loans.

Compared to a year ago, the Bank's gross loan portfolio has increased by BGN 24.6 million (2.65% increase) and as at December 2021 it amounted to BGN 955 million. Compared to a year ago, gross loans to legal entities increased by BGN 19.8 million (2.7% increase) and as at December 2021 they amounted to BGN 748 million. The new business and the increase in the existing business since the beginning of 2021 compared to the previous year have marked a lower growth and amount to BGN 265 million compared to BGN 298 million for the same period previous year.

Compared to a year ago, gross **loans to natural persons** increased by BGN 5 million (2.4% increase) and as at December 2021 they amounted to BGN 207 million. The new business and the increase in the existing business since the beginning of 2021 amount to BGN 68 million compared to BGN 50 million for the same period previous year.

In compliance with the policies, processes and procedures for risk management and monitoring of non-performing loans, the measures to improve the portfolio continued in 2021. As a result of the effective measures, the percentage of non-performing exposures to the Bank's total credit exposure decreased from 20.42% in December 2020 to 11.7% at the end of 2021.

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 2021 they account for 22% of total assets (23.4% as at December 2020). Investbank JSC successfully manages its liquid assets by investing part of them in securities, which, although with declining yield, make up an alternative to interbank deposits the yield of which is even negative at the time.

LIABILITIES

Borrowed funds from customers

In terms of funds borrowed from customers in total, the market position of Investbank JSC is the 10th with a relative share of 2.06% compared to the 11th position for 2020. In terms of funds borrowed from non-financial customers, the market position is the 14th, which is an increase compared to the 16th position for 2020. In the sector of natural persons and households, the market share is 2.07%, preserving the Bank's 9th position as in 2020.

Borrowed funds from customers at the end of December 2021 amounted to BGN 2,268 million, reporting a growth by BGN 327 million (16.85%) compared to December 2020 (year 2020: BGN 1,941 million).

As at 31 December 2021, the funds borrowed from legal entities reported an increase by BGN 181 million (26.83% increase) compared to the end of 2020.

As at the end of December 2021, the funds borrowed from natural persons amounted to BGN 1,411 million, reporting an increase by BGN 146 million compared to that in December 2020 (BGN 1,265 million). An increase is reported both in current accounts and in fixed-term deposits. This resource retains its structure-determining share in the total borrowed funds from customers - 62.68% (65.2% as at December 2020).

Equity

The Bank's equity amounts to BGN 255.4 million and includes share capital of BGN 155.57 million, reserves of BGN 99.8 million including retained earnings for the current year of BGN 13.95 million.

PROFIT AND LOSS STATEMENT

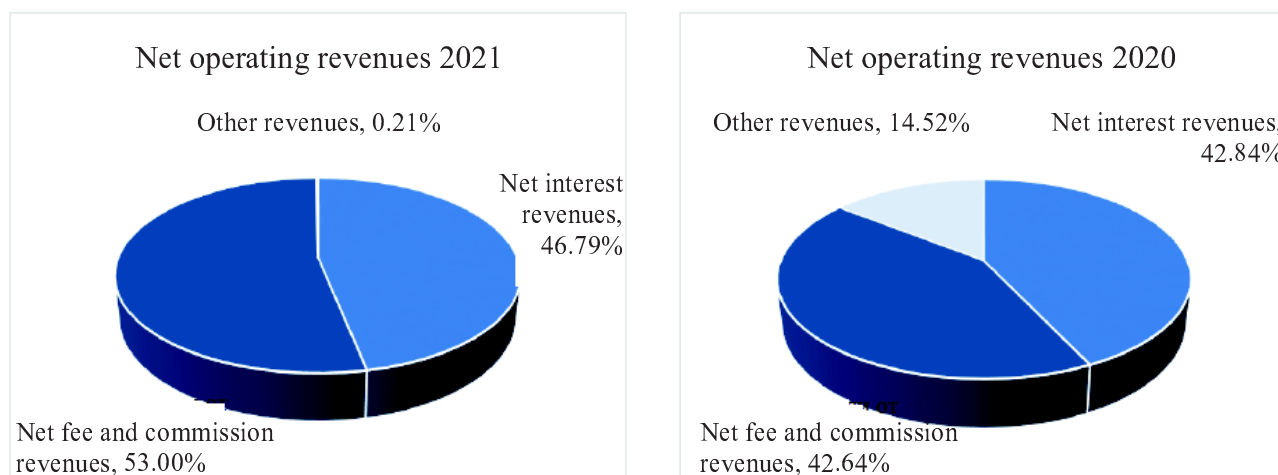
Net financial result

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 2021, Investbank JSC reported a positive financial result after taxes of BGN 13.95 million (2020: BGN 2.2 million).

Total operating revenues

The total operating revenues for the year amount to BGN 48.6 million, reporting a decrease compared to the figure of BGN 56.8 million a year earlier. There is a decrease in net interest income and other income, and an increase in net fee and commission revenues.



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

For 2021, the largest share in the structure of Net Operating Revenues is the Net Fee and Commission Income of 53% (42.64% as at December 2020) and the Net Interest Income as its share increased to 46.79% (42.84% as at December 2020). In the structure of Net Operating Revenues, the share of Other Net Revenues as at the end of 2021 was 0.21% (14.52% as at December 2020).

Net interest income

	2021	2020	Change	Change in %
Interest revenues	31,339	29,789	1,550	5.20
Deposits provided to credit institutions	6	125	(119)	(95.20)
Loans and advances to customers	29,541	28,063	1,478	5.27
Securities	1,792	1,601	191	11.93
Interest expenses	8,582	5,443	3,139	57.67
Deposits from credit institutions	1,655	201	1,454	723.38
Deposits from customers	6,726	4,966	1,760	35.44
Other borrowed funds	201	276	(75)	(27.17)
Net interest income	22,757	24,346	(1,589)	(6.53)

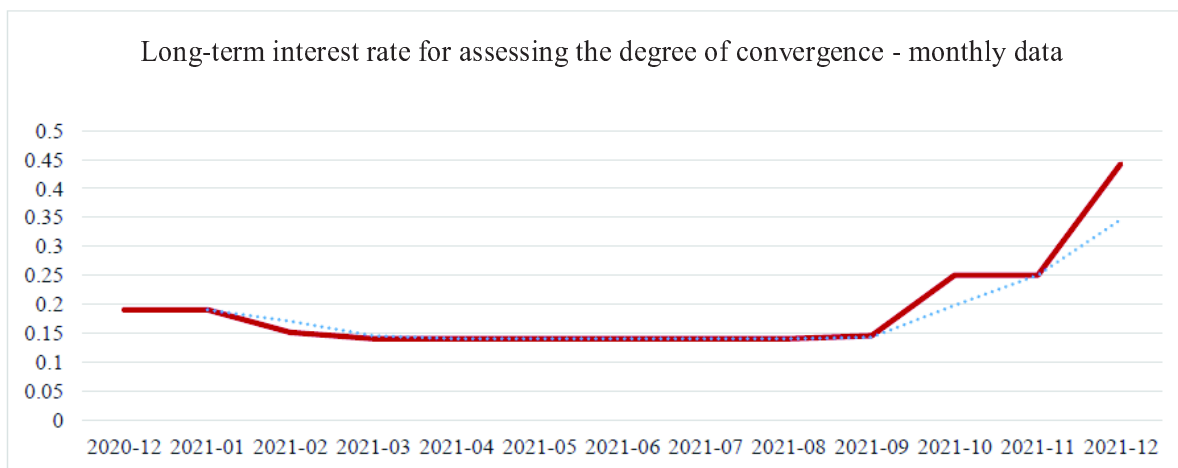
As at 31 December 2021, Investbank reported a decrease in net interest income (BGN 1.6 million or a 6.53% decrease) compared to the previous year. The net interest income is more significantly affected by the higher growth of interest expenses than by the level of interest revenues. The net interest margin is more inert than the interest rates on loans and deposits considered separately. As at 31 December 2021, the net interest margin is 1.16 % (compared to 1.47 % at the end of 2020). This is mainly due to the decline in the share of loans in Bank's assets.

The dynamics of the indicator for the bank and the banking system is negative, i.e. the interest rate profitability is deteriorating. The banking system as a whole marked a decline in the average interest margin from 2.34% for 2020 to 2.22% for 2021, i.e. a decrease by 0.12%, while the decline at Investbank was 0.31%. As at 31 December 2021, Investbank JSC occupies the 21st position in the ranking of this indicator compared to the 17th position at the end of 2020 among the banks in Bulgaria.

A negative factor for the net interest margin is the outpacing growth of borrowed funds compared to loans, while the reduction of average interest rates on borrowed funds is a positive driver, with a positive net effect for 2021.

Interest revenues as at 31 December 2021 account for an increase by BGN 1,55 million (increase by 5.2%) 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 1,48 million due to: higher average portfolio volume (BGN 82.85 million) - the factor affects by an increase by BGN 2.79 million and a lower average interest rate on the portfolio (decrease by 0.14 percentage points), with the effect of the difference in interest rates being (- BGN 1,31 million). Interest revenues on securities come to 12% above the level as at December 2021.

The result of the securities in the bank is a function of the market factors in the country and in Europe. The previous year 2021 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. The yield on the Bulgarian government securities can be determined by three periods. Q1 showed a moderate decline and relatively low volatility and liquidity, followed by price stability and very low liquidity and volatility in Q2 and Q3. The end of summer and the beginning of Q4 was characterized by strong growth in profitability, volatility and moderate liquidity. As a result, the Bank achieved a lower net result of securities in 2021 compared to 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 9.5-10.5 years, generally shows this trend.



As a result of the increase in the volume of the borrowed resource, despite the decrease of the interest rates on the borrowed funds from customers, the interest expenses are significantly reduced. As at 31 December 2021, interest expenses increase by BGN 1.76 million compared to December 2020.

Net fee and commission revenues

In 2021 the Bank's net fee and commission revenues amount to BGN 25,8 million compared to BGN 24,2 million at the end of 2020, accounting for an increase by 6.41%. The largest increase in absolute value is that in fees and commissions on transfer transactions - BGN 446 million, followed by those on granted loans - BGN 328 thousand. The Bank also collects two new fees for the past year - on co-management of BDB loans (collected BGN 333 thousand) and a fee on payment account availability of legal entities (collected BGN 503 thousand). The increase of other items is smaller.

Compared to the same period of the previous year, only the fees on documentary transactions account for decrease by BGN 17 thousand.

Other net revenues

	2021	2020	Change	Change in %
Net income on foreign currency operations	2,547	1,957	590	29.68
Net result from securities	107	1,310	-1,203	-91.79
Net revenues on sale of assets	-5,242	1,647	-6,889	-418.28
Other revenues, net	2,690	3,339	-649	-19.44
Total other net revenues	102	8,253	-8,151	-98.76

At the end of 2021, the amount of Other Net Revenues (all revenues other than interest revenues and fees and commissions revenues are presented here) amounts to BGN 102 thousand compared to BGN 8.25 million in 2020 (a decrease by 98.8%).

The following significant revenues were realized: Currency trading and revaluation - BGN 2.55 million; Investment property rental revenues - BGN 1.21 million. For 2021 the Bank reports a negative net income from the sale of assets.

Administrative expenses

Administrative expenses	2021	2020	Change	Change in %
Expenses on personnel	14,218	14,076	142	1.01
Depreciation	5,478	5,010	468	9.34
Other administrative expenses	13,403	12,318	1,085	8.81
BDIF and BRF	3,641	7,645	-4,004	-52.37
Total administrative expenses	36,740	39,049	-2,309	-5.91

As at 31 December 2021, the total amount of administrative expenses comes to BGN 36.74 million, which is by 5.91% lower than their level as at December 2020.

Since 2019 the Bank has applied IFRS 16 for rental expenses, whereby a significant portion of the rental expenses are recognized in depreciation and interest expenses. As the standard has been applied for three years so far, the data for 2020 and 2021 are completely comparable.

As of the end of December 2021, the level of the indicator Administrative Expenses / Total Operating Revenues (excluding the contributions to Bulgarian Deposit Insurance Fund (BDIF) and the Bank Restructuring Fund (BRF)) according to data reported in the Annual Financial Statements is 68.05% and the value at the end of 2020 is 55.2%. Compared to 2020, in 2021 there is a decrease in Total Operating Revenues and savings 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 2021 amount to BGN 64.10 million and are by BGN 47.2 million higher compared to the figures in the previous year (BGN 16.88 million in 2020).

Net result from remeasurement of investment property

For the past year the Bank has made a net remeasurement of investment properties for BGN 77.5 million compared to BGN 1.25 million for 2020. The fair value of investment property is updated annually by licensed independent external appraisers holding the required qualifications and experience.

BANK REGULATIONS

Liquidity

Investbank JSC follows a moderately conservative policy with acceptable levels of risk-taking, emphasizing on high liquidity. The main goal is to achieve sustainable profit by maintaining an optimal balance sheet structure and improving the market position. Risk management and monitoring of early warning signals are the main priorities in the functioning of all structural units in the Bank.

The main objective of liquidity management is to ensure optimal liquidity while balancing the inflows and outflows of cash flow to ensure the day-to-day implementation of the Bank's obligations. Liquidity management is performed in compliance with the regulatory requirements and in accordance with the rules and methodology for liquidity buffers determining and monitoring, dividing 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 2021 Investbank JSC continued to maintain very good liquidity, and over the period Investbank JSC has maintained liquidity ratios under Regulation 575/2013 significantly exceeding the regulatory requirements. The structure of balance-sheet assets as at 31 December 2021 is sufficiently indicative of the existence of adequate liquid buffers:

- the volume of the securities portfolio formed amounting to 21.97% of the Bank's balance sheet total;
- cash, balances with central banks and other demand deposits, reaching 24.36% (18.6% as at 31 December 2020) of the Bank's balance sheet total.

Total liquid assets account for 45.64% of the Bank's assets (increase by 3.7% compared to 31 December 2020) and credit exposure (loans and advance payments) is 36.7%. Investbank JSC is able and capable of withstanding liquidity pressures and complicated market environment, including under the conditions of a coronavirus pandemic.

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 2021, the leverage ratio stands at 9.17%.

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. System risk buffer.

The banks should maintain the additional capital buffers described above, and their coverage should be provided by the Common Equity Tier I capital.

From the mentioned capital buffers, as at 31 December 2021 the Bank allocated 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 a decision of the Governing Council of the BNB dated 29 September 2020, a countercyclical capital buffer is set as 0.5%, applicable to credit risk exposures in the Republic of Bulgaria. Its gradual increase is projected and from 1 October 2022 it will change to 1.0% and from 1 January 2023 it will be 1.5%.

The amount of the Bank's equity as at 31 December 2021 on the basis of reports prepared under the CRDIV Capital Requirements package are:

Indicators	BGN '000
Common equity Tier 1 Capital (CET 1)	239,059
Tier 1 capital	239,059
Equity (capital base)	239,059

As at 31 December 2021, the capital surplus is:

Capital structure as of 31 December 2021 in BGN '000	Surplus after capital coverage	Surplus (+) / Shortage (-) after deduction of capital buffers
Common Equity Capital (CEC 1)	182,180	110,284
Common equity Tier 1 Capital (Tier 1)	163,221	91,324
Equity /capital base/ T1 + T2	137,941	66,044

The Bank's risk profile as at 31 December 2021 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 (92.7% of risk-weighted exposures), followed by operational risk (7.3% of risk-weighted exposures). The structure is presented in the following table "Distribution of risk-weighted exposures of Investbank JSC as at 31 December 2021".

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 31 December 2021, the capital coverage of the Bank's risk exposure is:

Capital coverage of the Bank's risk exposure in BGN '000 as of 12/2021		Total capital adequacy	Capital buffers			Total capital coverage
		Capital coverage - 8%	Prepaid capital buffer - 2.5%	System risk buffer - 3%	Anti-cyclic buffer - 0.47%	
Total risk-weighted exposures, including	1,263,975	101,118	31,599	34,357	5,941	173,015
Credit risk, counterparty credit risk	1,171,587	93,727	29,290	31,585	5,506	160,108
Position, currency and commodity risks	0	0	0	0	0	0
Operational risk	92,388	7,391	2,309	2,772	435	12,907

Distribution of risk-weighted exposures of Investbank JSC as at 31 December 2021

Total risk-weighted exposures, including:	1,263,975	100.0%
Credit risk, counterparty credit risk	1,171,587	92.7%
Position, currency and commodity risks	0	0.0%
Operational risk	92,388	7.3%

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 of 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.

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.

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.

Supporting bodies to the Management Board (MB)

Credit Board – implements the credit policy approved by the SB and adopted by the MB, approval and renegotiation of credit transactions, making decisions for improving the Bank’s lending process organization, taking actions to improve loan portfolio quality.

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.

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.

Customer Alerts, Complaints and Inquiries Committee - examines, analyses and makes decisions regarding alerts, complaints and inquiries from customers received at the Bank.

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.

Remuneration Committee - assists the Management Board and the Supervisory Board in implementing the remuneration policy at Investbank JSC and monitoring its compliance, as well as in complying with the imperative requirements and provisions of the legislation in force.

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 2021, the Bank's total credit exposure amounts to BGN 1,154.6 million, of which BGN 955.3 million gross carrying amount in the loan portfolio, BGN 103.8 million off-balance sheet commitments (undrawn debt on loans) and BGN 95.5 million from the bank guarantees portfolio. The share of non-performing exposures is 10.0%, showing a very significant decrease compared to the end of 2020.

The total exposures renegotiated for Covid-19 come to BGN 68.69 million (BGN 57.32 million from corporate customers and BGN 11.37 million from natural persons and households, respectively), whose share of the Bank's total exposure decreased from 11.7% to 6.5%.

The crisis caused by Covid-19, the restrictive measures and the sharp deterioration of the economic environment affected more or less all sectors of the Bulgarian economy. The impact of the crisis varies in different sectors, i.e. the closed companies have suffered more severely and are therefore slower to recover, while other industries have outperformed their pre-crisis performance.

The following industries are relatively unaffected by the crisis and restrictive measures and subject to a moratorium in the Bank:

- Agriculture, forestry and fisheries – the usual seasonal cyclicality is much more sensitive to the effects of the crisis and constraints and the sector as a whole is weakly affected by the deteriorating economic situation, resulting in the decrease of the share of total renegotiated credit exposures in the total exposures of the industry (BGN 84.575 million as at 31 December 2021) from 0.7% at the end of 2020 to 0.5% as at 31 December 2021 or reduction by 38% in the volume of the renegotiated ones. Total non-performing exposures in the industry decreased from 26% to 23%.
- Construction – also a sector relatively unaffected by the crisis, and in 2021 has left behind the crisis period and continues to grow. The renegotiated exposures decreased by 84% and their share of the total credit exposure in the industry (BGN 92.056 million as at 31 December 2021) decreased from 4.0% to 0.4%. Total non-performing exposures for this sector fell sharply from 48% to 12%, which is also an indicator that the industry continued to grow during the crisis.
- Processing industry – renegotiated exposures decreased by 21%, resulting in a decrease of their share in the credit exposure of the industry (BGN 75.354 million as at 31 December 2021) from 10% to 8.1%. There is also a significant reduction in the share of non-performing exposures in this sector - from 37% to 19%.
- Transport; warehousing and post offices – reduction of the renegotiated exposures by 32% and the share of the credit exposure of the sector (BGN 35.541 million as at 31 December 2021) decreased from 9.5% to 5.0%, and the total share of non-performing exposures remained at 1%.

- Trade; repair of motor vehicles and motorcycles – the enterprises in this sector in 2021 remain relatively stable during the crisis compared to 2020. The renegotiated loans decreased by 83% and their share in the credit exposure of the sector (BGN 151.219 million as at 31 December 2021) drastically decreased from 10.6% to 1.8%. In general, the share of non-performing exposures in the industry decreased slightly from 19% to 18% due to which the exposures are under regular monitoring at the Bank.
- Culture sports and entertainment – in general, this sector is defined as one of the sectors most affected by the Covid crisis in the Bulgarian economy due to the ban on almost the entire sector, but its share of credit exposure in the Bank's total exposure is only 1%, and the share of non-performing exposures in the exposure of the sector (BGN 9.401 million as at 31 December 2021) is only 2%. The renegotiated exposures decreased by 19%, as a result of which their share in the sector's exposure decreased from 18.2% to 15.9% (despite the greater impact of the crisis on the sector).

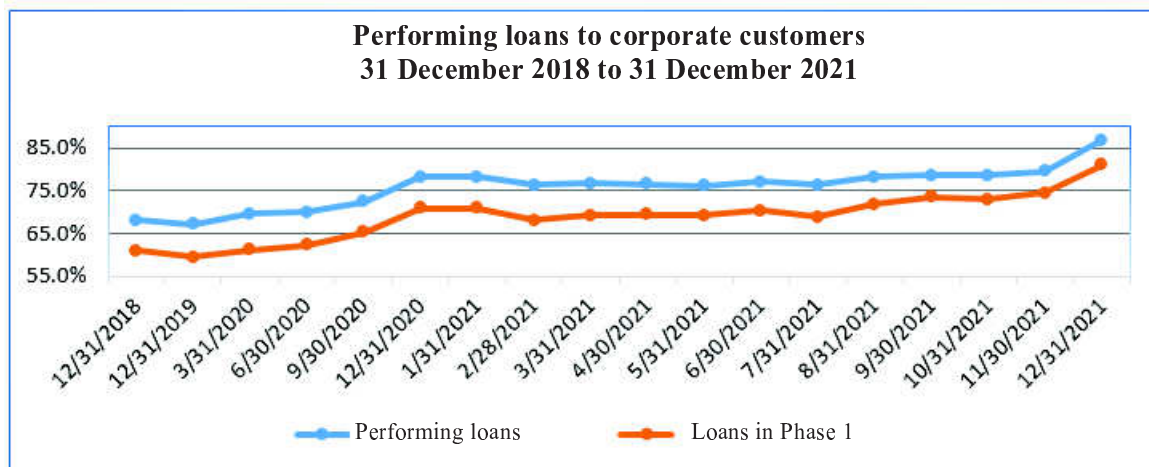
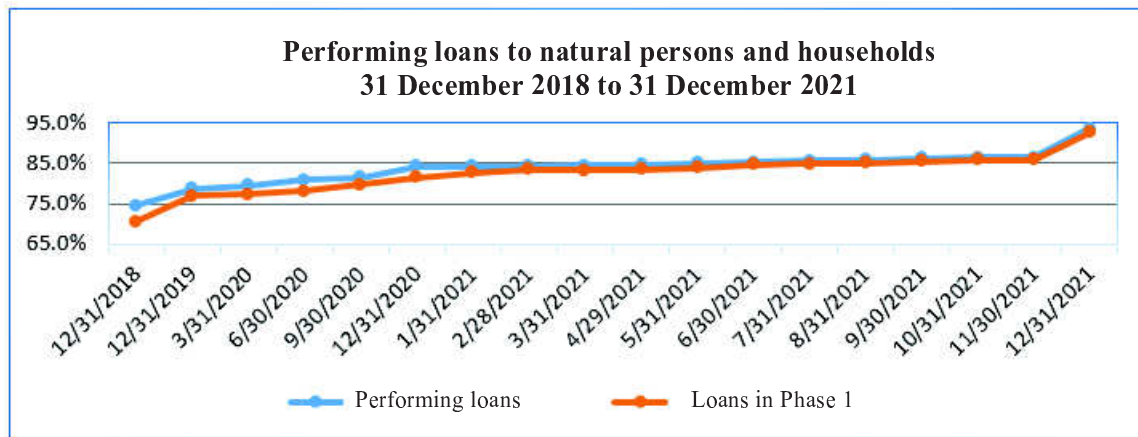
The most unfavourable effects of the crisis continue to be in the Hotel and Restaurant sector (mainly due to the collapse/decline in tourism), Financial and Insurance Operations and Real Estate Operations, which have the largest share of renegotiated exposures, despite the reduction in their share, as well as the reduction in non-performing exposures.

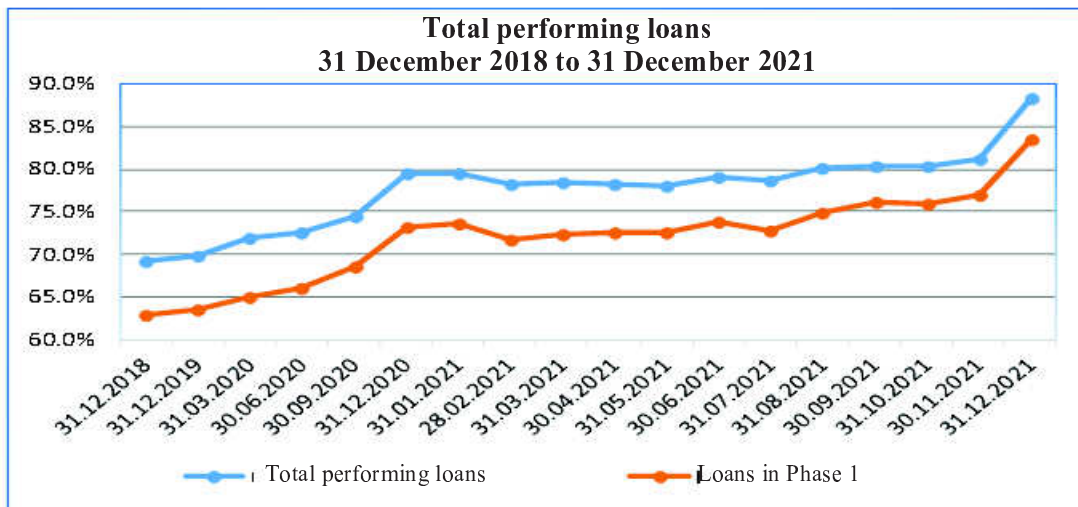
- Hotel and Restaurant Business – the renegotiated exposures decreased by 11% and their share of the exposure of the industry (BGN 46.97070 million as at 31 December 2021) decreased from 42.6% to 35.5%. Total non-performing exposures increase from 2% to 3%.
- Financial and Insurance Operations – the renegotiated exposures decreased by 24%, but their share in the sector's exposure increased (BGN 17.851 million as at 31 December 2021) from 29.1% to 49.9% due to the reduced volume of credit exposure. In total, the share of non-performing exposures in the credit exposure of this sector has drastically decreased from 57% to 7%, due to the measures taken for the full provisioning and write-off of the receivables in 2021.
- Real Estate Operations – reduction of renegotiated loans by 16%, resulting in a decrease of the exposures in the industry (BGN 69.840 million as at 31 December 2021) from 29.4% to 26%. The overall reduction in the share of non-performing exposures is from 10% to 8%.

The total loans granted to natural persons and households and renegotiated because of Covid-19 decreased by 11%, and their share in the total exposure of the segment (BGN 216.838 million as at 31 December 2021) decreased from 6.1% to 5.2% and represents 1.3 % of the Bank's credit exposure. The non-performing exposures decreased by 59% and accounted for 6% of the Bank's credit exposure.

In general, it can be concluded that as at 31 December 2021, the share of non-performing loans in the total loans renegotiated because of Covid-19 (including natural persons and households) accounts for 2.5%, which is 1.5% of the total volume of non-performing exposures and only 0.2% of the Bank's credit exposure.

Although the impact of the crisis on the Bulgarian economy is not uniform, as a result of which the recovery is not performed at a steady pace, the reported effects in reducing non-performing exposures as at 31 December 2021 are largely due to the regular quality monitoring of the entire credit portfolio (which are subject to monthly discussion at the Risk Management Board and the Management Board of credit exposures with a delay of more than 1 day for loans to legal entities and more than 30 days for loans to natural persons), resulting in taking appropriate measures to return exposures in regularity or taking action to enforce debt collection.





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 2021, Credit Risk Management - Legal Entities Department processed 1,030 loan transactions, including 238 proposals for new loans (growth by 9.7%) totalling BGN 388 million (growth by 70%). Of the 238 proposals for new loans received, the approved ones account for 95% of the total value of BGN 384 million. A decision for 46% of the corporate loan transactions was made based on individual competencies, while for 48% of the proposals, the decision was taken at the Credit Board level.

In connection with the state of emergency imposed in the Republic of Bulgaria as a result of the Covid-19 pandemic, in March 2020 the Credit Risk Management Directorate prepared a proposal for the adoption of an extraordinary, temporary procedure for facilitated consideration of renegotiation of loans extended to business customers and customers - natural persons. In 2021, under this procedure, 25 loans to business customers of the Bank were renegotiated, which contributed to maintaining the purity of the Bank's portfolio.

As at 31 December 2021, of the newly authorized loan transactions in 2021 involving the Credit Risk Management - Legal Entities Department, 1 loan is with registered arrears over 30 days or 0.42% of all new authorizations, and 99.58 % (237 loans) are performing loans.

In 2021, the Credit Risk Management - Natural Persons Department processed 6,260 loan transactions (an increase by 29.47% compared to the figure for 2020) with a total value of BGN 93,730,824.

The number of new loan applications is 5,226 (an increase by 24.58% compared to the figure for 2020) for a total amount of BGN 84,220,085. Of these, 4,372 new loans were approved (an increase by 28.85% compared to the figure for 2020) for a total amount of BGN 74,569,991, including 1,851 loans under the BDB program for a total amount of BGN 10,635,772. As at 31 December 2021, 2 loans of all utilized loan transactions to natural persons during the year (4,084) are over 90 days overdue which is 0.049 % of the total number of loans. Loans with arrears over 90 days are divided into types as follows:

- 1 BDB loan – BGN 6,900
- 1 consumer loan – BGN 60,000

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 analyzed 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.

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 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, assessing and controlling interest rate risk is the Interest Rate GAP model, which is based on an analysis of the impact and dynamics of interest rates on the net interest income and is based on the expectations about the changes in the interest rates in the future. The model is presented by the Risk Control Directorate in different scenarios / variants 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.

Foreign 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.

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 likelihood of adverse change in the prices of securities, including contracts (derivatives) and other financial instruments related to commodities.

As at 31 December 2021, 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.

- Analysis of the sensitivity of the portfolio of debt securities to changes in interest rates - assuming a constant balance-sheet position and a parallel shift of the yield curves.
- Analysis of the sensitivity of the portfolio of debt securities to changes in interest rates - assuming a constant balance-sheet position and a non-parallel shift of the yield curves.

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 quick 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 2021 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 2021, the Bank's liquidity position, calculated on the basis of the liquidity stress test, is a "yellow signal" (yellow traffic light). 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. Following the accession of Bulgaria on 10 July 2020 to the monetary mechanism (ERM II), preparing the member states of the European Union for their obligations to join the monetary union (Eurozone), the LIS Directorate maintains a significant resource in EUR in order to protect of the bank from potential currency fluctuations in relation to the currency pair EUR-BGN (EUR 30 million as at 31 December 2021). 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 2021 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 31/12/2021*	0 %	0 %	0 %	0%*
Utilization of the limit as at 30/09/2021*	0 %	0 %	0 %	0%*

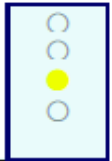
*Total for all currencies

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. The minimum liquidity reserves are BGN 377.3 million (up to 7 days), BGN 371.4 million (up to 1 month), BGN 379.9 million (up to 6 months) and BGN 451.9 million (up to 1 year), respectively. It should be noted that from mid-April 2019, the security accounts with the BNB for the implementation of the MRR (Minimum Required Reserves) are in BGN and EUR.

Liquidity Stress Test
Investbank JSC

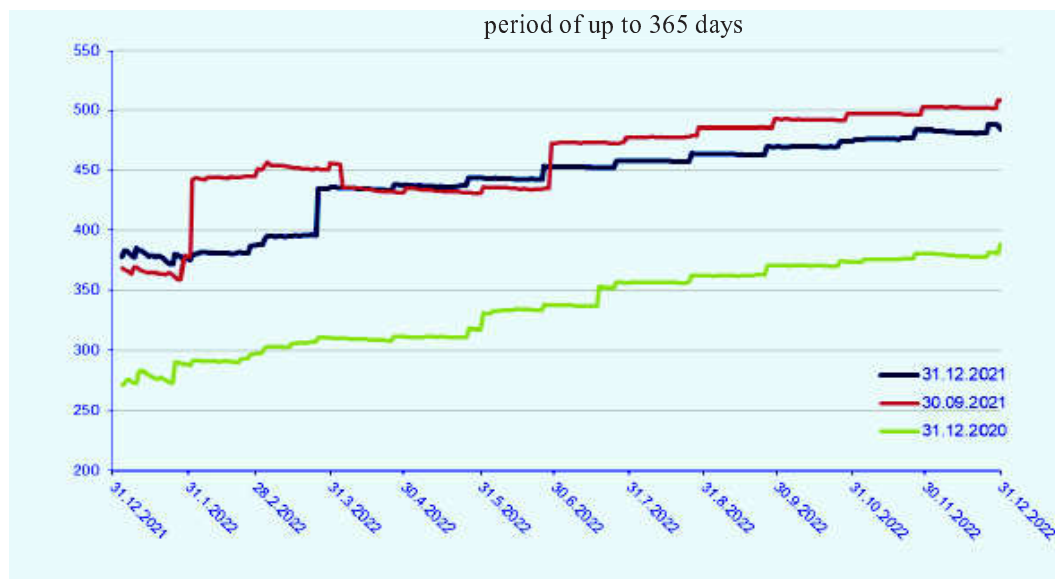
Date: 04/01/2021
Including data as at 31/12/2021

(No)



Combined scenario by type of currency																
Currency	Maximum usability (in %)				Minimum liquidity reserve (BGN '000)											
	1 D 7 D	Date	8 D 30 D	Date	31 D 180 D	Date	181 D 1 Y	Date	1 D 7 D	Date	8 D 30 D	Date	31 D 180 D	Date	181 D 1 Y	Date
Total	0.0%	-	0.0%	-	0.0%	-	0.0%	-	377.3	09.01.2022	371.4	25.01.2022	379.8	04.02.2022	461.8	24.07.2022
BGN	10352.0%	10.01.2022	12105.2%	02.02.2022	12005.5%	04.02.2022	9508.4%	24.07.2022	-75.4	10.01.2022	-68.2	02.02.2022	-67.5	04.02.2022	-69.2	24.07.2022
EUR	0.0%	-	0.0%	-	0.0%	-	0.0%	-	430.6	10.01.2022	428.6	15.01.2022	437.1	19.02.2022	490.0	24.07.2022
USD	7.2%	09.01.2022	0.0%	-	0.0%	-	0.0%	-	14.1	09.01.2022	20.9	01.02.2022	22.1	28.02.2022	24.3	28.08.2022
Other currency	0.0%	-	0.0%	-	0.0%	-	0.0%	-	1.8	04.01.2022	6.7	01.02.2022	6.6	28.06.2022	6.5	03.01.2023

Liquidity Reserves
(Combined scenario for all currencies)



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.

$$\frac{\text{Available high-quality assets}}{\text{Total net cash outflows over the next 30 calendar days}} \geq 100\%$$

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	12/2014	12/2015	12/2016	12/2017	12/2018	12/2019	12/2020	12/2021
LCR	297%	331%	479%	538%	440%	444%	286%	412%

- 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 ≥ 100%
Required amount of stable funding

Date	12/2014	12/2015	12/2016	12/2017	12/2018	12/2019	12/2020	12/2021
NSFR	269%	183%	211%	214%	199%	186%	178%	172%

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.

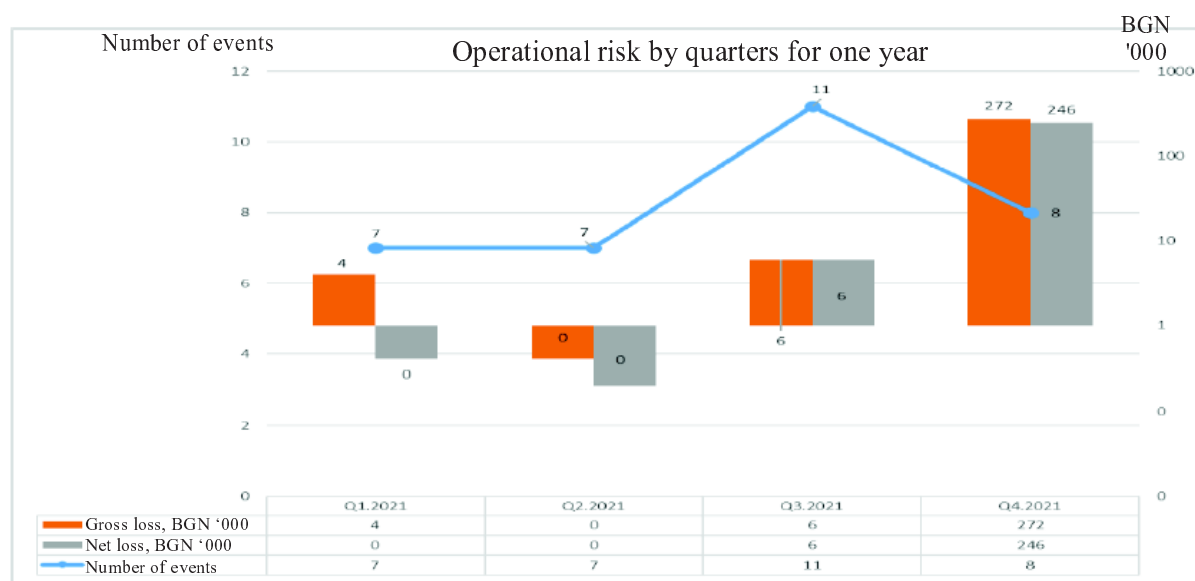
The operational risk management in the Bank is carried out in compliance with the approved “Operational Risk Management Rules” which are consistent with the requirements of the regulatory framework. Summarizing and analysing the information on the operational risk is performed by the Risk Control Directorate 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 - Executive Director / member of the Management Board 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 2021 the event with the largest gross loss amounts to BGN 246 thousand (net BGN 246 thousand, the event is related to legal risk).

In 2020 the event with the largest gross loss amounts to BGN 389 thousand (net BGN 42 thousand, the event is not closed).



Period	BGN '000
Q1 2021	Highest gross loss – BGN 2.4 thousand (no net)
Q2 2021	Highest gross loss – BGN 0.2 thousand (BGN 0.2 thousand net)
Q3 2021	Highest gross loss – BGN 5 thousand (BGN 5 thousand net)
Q4 2021	Highest gross loss – BGN 246 thousand (BGN 246 thousand net)

Frauds related to card payments				in BGN '000
year	number registered	Gross loss	Net loss	of number of events
2020	3	55	3	63
2021	0	0	0	33

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 2021, the unit responsible for large corporate customers in the Bank, i.e. the Large Corporate Customers Directorate, continued the successful development of the segment. The good relations with the customers attracted in the previous years were strengthened and new customers were attracted for the Bank.

Investbank JSC has upgraded its practice of attracting corporate customers by offering quality service, flexible solutions and through the professional qualities of its employees able to review, analyse and finalize transactions in short terms. Due to these features, our customers found a partner in the person of Investbank JSC for their projects, investments, growth and development plans in 2021, thus laying the foundations for a more successful year 2022, both for Investbank JSC and for the corporate customers of the Bank.

A net growth of loans of 25% was realized in 2021 in the Large Corporate Customers (LCC) segment compared to the end of 2020, which in absolute value is over BGN 95 million.

The budget set for 2021 for interest revenues and fee revenues was overperformed for each of the positions. Interest Revenues report 120% performance and Revenues from fees under loans and guarantees report 108% performance.

Along with the good performance of the set goals, a significant improvement of the quality of the portfolio was achieved both in absolute value and the percentage of loans in Phase 1 and Phase 2 compared to the total volume of loans.

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 2021 was successful for the Bank in the large corporate customer 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.

RETAIL BANKING

The operations of Investbank JSC in 2021 in the field of retail business was also influenced by the Covid-19 pandemic, as the Bank continued to perform the program of the Bulgarian Development Bank AD (BDB AD) to guarantee interest-free loans in protection of people deprived of the opportunity to work due to the Covid-19 pandemic and the Program of BDB AD for portfolio guarantees in support of the liquidity of the enterprises affected by the emergency situation and the epidemic of Covid-19 (Recovery Program). The Bank started work on the Program of BDB EAD with a guarantee limit of BGN 5,000,000, but considering the large volumes of loans granted to natural persons, BDB has several times increased the authorized guarantee limit, which reached BGN 17,575,000.

In the other operations, the Bank continues the trends also valid for 2020 in this segment – the high interest in lending continues this year, which is mainly due to the low interest rates on newly issued loans, as well as the extremely fierce competition between banks in the field of retail banking.

Investbank JSC continues to apply more adequate and effective measures regarding credit risk monitoring and control.

The operations in 2021 were focused on a number of main areas:

- Optimization of the structure of the branch network of Investbank JSC.
- 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 employees of these corporate customers.
- Realization of targeted marketing campaigns for the sale of mortgage loans, fast consumer loans, consumer loans and credit cards.
- Organization, implementation and reporting of competitions between the employees and the Financial Centers for stimulating the activity and the interest for the realization of the products and services offered by the Bank.
- Update and modernization of the work processes at the Bank.
- Enrichment of the range of products relevant to customer demand and competitive demand. Creation of new products - Auto Loan and Auto Casco Gold Loan;
- Trainings of the employees in the Bank's branch network regarding new products, qualitative structuring of the loan transactions, which will respectively lead to an increase in the Bank's business.
- Retail lending under the program of the Bulgarian Development Bank AD (BDB AD) for guaranteeing interest-free loans in protection of people deprived of the opportunity to work due to the Covid-19 pandemic.

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 trades mainly in the following currencies: BGN, EUR, USD, CHF and GBP.

Priority is given to ensuring the Bank's liquidity.

The proper management of cash flows and increased deposits from natural persons and businesses did not allow the institution in 2021 to suffer from need for cash. The agreement signed with the depository intermediary Raisin GmbH enabled the Bank to attract long-term deposits from citizens of European Economic Area member-states.

If necessary, the Bank has agreed limits with financial institutions to provide financial resources for borrowings from the interbank money market.

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 the last three years has always been a profit in accordance with market conditions, and the portfolios are structured on the basis of the expected changes in the 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 2020 shows a decrease in the net profit for the period by about BGN 1 million. The main reason for this is the decrease in the low bond yields. The portfolio is optimally structured, mainly with liquidity issues with minimal risk in size and maturity. Despite the low levels of yields (directly affecting interest earnings and depreciation expenses of portfolios) in key maturities of major issuers of debt securities in the Eurozone, the Bulgarian government and corporate debt market in 2021 continued the trend of record low levels of yields. Short-term and medium-term Bulgarian government bonds were traded at a negative yield, as a result of the trend in 2021 for a more pronounced differentiation between the leading countries in the Eurozone and the so-called periphery. Last but not least, the coronavirus pandemic, which is leading to a financial crisis, played a major role in 2021.

Indicators	31/12/2019	31/12/2020	31/12/2021
1. Securities portfolio	517,288	514,157	558,728
2. Net revenues on securities portfolios	5,105	2,911	1,899
2.1. Interest revenues from securities management	2,915	1,601	1,792
2.2. Net revenues from securities management	2,190	1,310	107
3. Yield of securities portfolio	0.99%	0.57%	0.34%

Net income on foreign currency operations

For 2021, Investbank JSC reports the net revenues from foreign exchange transactions and the revaluation of foreign currency balances in the amount of BGN 2,547 thousand.

The results as at 31 December 2021 report an increase in revenues compared to the end of the previous year due to the dynamics of foreign exchange markets during the year, as well as to the increased volume of foreign exchange transactions with customers, whereby the revenues are mainly from the achieved efficiency in managing the Bank's foreign currency assets and liabilities.

Bondholders' trustee bank

As at 31 December 2021, Investbank JSC is a bondholders' trustee bank of 6 corporate bond issues; 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 annual revenues from these operations come to BGN 99 thousand, excl. VAT, which is the same amount as in previous years.

CARD BUSINESS

Card operations

Investbank JSC has fully complied with the regulatory requirements for the application of "strong customer authentication" in online card payments, applying a wide range of methods for authentication of its cardholders. The Bank is a fully certified issuer and acceptor of cards and payment transactions, respectively, using the secure Internet payment technology 3D Secure (3D secure protocol and VISA Secure/ Mastercard Identity Check).

Since January 2021 Investbank JSC has also been officially offering biometric authentication in online payments. The existing cardholders of Investbank JSC with registered cards for the 3D Card Protection service can install the BORICA application, which is a standalone mobile application for smart phones. The service is available to customers for both mobile devices running the Android operating system and iOS of Apple Inc.

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.

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

Since 2021 Investbank JSC has been offering its customers - natural persons a new card product, namely: a co-branded debit card designated as Debit Mastercard Bulgaria Insurance. The product includes the debit card terms and conditions and the use of additional health insurance valid nationwide.

As of 1 July 2021, **Mastercard** credit cards issued by Investbank JSC (including credit cards without a credit limit) are valid for 5 years. With these products the Bank becomes the issuer of a credit card with the longest life and, respectively, term of credit limit utilization and with the longest grace period – up to 60 days' interest-free period for all transactions made at POS at a merchant in the country and abroad if the repayment of the entire obligation is within the grace period.

In October 2021 Investbank JSC launched a campaign to stimulate the issuance of Mastercard credit cards with cash rewards for the employees who achieved the highest sales results during the campaign period. 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. In addition, the campaign includes a promotional grace period of 3 months for credit card purchases and an additional bonus from the Cash Back Loyalty Program of its new cardholders.

Terminal network

Investbank JSC has completed its project for modernization of its ATM network. The updated ATMs ensure the convenience and the optimal level of 24/7 service to their customers. Using the updated ATMs, the customers are now able to make contactless transactions, to deposit cash on their accounts, as well as to repay credit card obligations during non-working hours and on weekends. These services are available through the installed new-generation high-tech ATMs with 15-inch touch screens and wider operational functionality. Part of the ATM network offers 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. ATMs with deposit function accept different banknotes of BGN 10, 20, 50 and 100 at the same time. The Bank's ATM network is managed through the new software of BORICA - Borica New Generation. This allows real-time monitoring and response to registered accidents on ATMs. At the end of 2021 the total number of installed ATMs is 84. Investbank JSC is working towards expanding its ATM network in 2022.

At present Investbank JSC maintains and expands its well-developed network of POS terminals. The number of POS devices in 2021 has increased by 11% in the complex conditions of the covid pandemic. All 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 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 monitoring system for card transactions, which monitors devices and prevents suspicious transactions.

PAYMENT SERVICES

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

- credit and debit transfers in BGN;
- receiving and issuing credit transfers in EUR, CHF, GBP, RUB, SEK, USD;
- issuing transfers in over 34 different currencies through an AUTO-FX agreement with Société Générale, Paris
- receiving credit transfers in EUR and USD under the Unistream system (for natural persons only);
- 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.

In 2021, the Bank continued its partnership with the German company Raisin DS GmbH to attract time deposits from natural persons in Germany.

The Bank performs foreign currency transfers through its correspondent accounts, the TARGET2 payment system 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. The Bank takes active part in the activities related to the TARGET2 migration project, as well as in the SEPA scheme development process.

In 2021:

- International Investment Bank (SWIFT/BIC IIBMHU22) included Investbank JSC in the list of confirming banks in Bulgaria for documentary operations;
- National Bank of Kenya approved a limit in favour of Investbank JSC for transactions related to commercial financing (letters of credit, bank guarantees).

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
CHF	
SBERBANK OF RUSSIA, MOSCOW	SABRRUMM
SOCIETE GENERALE, PARIS	SOGEFRPP
EUR	
INTESA SANPAOLO SPA, MILAN	BCITITMM
INTERNATIONAL BANK FOR ECONOMIC COOPERATION, MOSCOW	IBECRUMM
SBERBANK OF RUSSIA, MOSCOW	SABRRUMM
SOCIETE GENERALE, PARIS	SOGEFRPP
GBP	
SOCIETE GENERALE, PARIS	SOGEFRPP
RUB	
SBERBANK OF RUSSIA, MOSCOW	SABRRUMM012
SEK	
SOCIETE GENERALE, PARIS	SOGEFRPP
USD	
INTERNATIONAL BANK FOR ECONOMIC COOPERATION, MOSCOW	IBECRUMM
SBERBANK OF RUSSIA, MOSCOW	SABRRUMM

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

Investbank JSC participates in the following payment systems:

- Bank integrated system for processing of customer payments in BGN (BISERA6);
- 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.

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

In 2021 the information systems in Investbank JSC were developed under the specifics of an external environment marked by the continuing emergency situation announced due to the spread of Covid19. Along with the consistent renovation, sustainable upgrading and gradual modernization, the Bank plans and implements a number of measures aimed at ensuring maximum security of its internal and external IT services and systems in the non-standard pandemic conditions. This allowed the Bank to implement its main operations as usual, while maintaining the functionality and security of work for both Bank's employees and customers.

Over the years, the Bank systematically and purposefully invested in technologies in line with the current trends in the field of banking, in order to offer innovative value-added products for customers and new multifunctional banking solutions. In 2021 Investbank JSC continued to develop in this direction, successfully implementing a number of projects related to the digital transformation of the Bank.

The developed and implemented mobile banking application and the completely renewed corporate website of the Bank stand out among the larger projects for electronic financial services in 2021.

The implementation of the project for the replacement of the ATMs with devices of a new generation included in the new BORICA system - Way4 was successfully continued.

In order to expand the range of products and services for the Bank's customers, during the year 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 banking system.

In the field of payment systems, in compliance with the project plan for the forthcoming migration of package BGN payments - BISERA 6 to ISO 20022 XML, the necessary developments were implemented and the required national tests were successfully conducted to verify the readiness for migration of non-budgetary payments with prepaid settlement of all banks and PSPs with access to BISERA6. For this purpose, certificates, groups and users were set up in the real environment of BORICA IPS MM, instructions on migration and the schedule of issuance and receipt of settlements were prepared, which confirmed the readiness for the upcoming real migration to the new platform.

In connection with the new regulatory requirements, a project was successfully implemented aimed at the automation of the secure service of documents from the system of courts and PEAs. The project goal achieved is the automatic registration of the received electronic documents in the Bank's office system and their processing.

Over the year, serious attention was paid to improvements in the protection of electronic channels (new licenses for anti-SPAM email protection, protection of electronic and mobile banking (WAF - FortiWeb), DNS protection, monitoring system (FortiAnalyser) and professional services to build effective perimeter protection based on these technological solutions) and to improvement in ensuring redundancy and upgrading the authorization servers for card systems and HSMs.

The cooperation with Vivacom on increasing the speed of the communication connectivity of a number of branches of the Bank continued, as well as the implementation of a new, more optimal option for ensuring their backup connectivity. The additional refinement of the efficiency of the DDoS Protection service was finalized, which after tests met the higher requirements to the provider Vivacom/TATA.

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. The scope of IP telephony in the branch network was expanded, the UPS devices for a number of branches of the Bank were replaced, the work on optimizing the printing at the bank continued.

Projects in the field of software and technical support - 2022

All projects launched in 2021 are to be developed and finalized in 2022, with efforts focused on the strict implementation of the planned schedules.

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

- Projects relating to online processes relating to the issuance and operation of debit and credit cards, the provision of account information and payment initiation services, digital portfolio of accounts, etc.;
- Development and implementation of iToken in mobile banking;
- Digitization of intrabank document processes;
- In connection with the regulation expected to become effective, a project for providing reporting information to Bulgarian Deposit Insurance Fund (BDIF) (BNB) in a new XBRL format;
- Analysis and implementation of specialized systems and tools for the purposes of optimal use of managerial and analytical information;
- Provision of full redundancy of telephone services through centralized SIP signalling, duplicating the connectivity to the backup location and final migration to IP telephony in a branch network.

DIGITAL SERVICES

Development of digital services and products

The development of the digital services and products in Investbank JSC in 2021 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 innovative services. With its new mobile banking application Ibank Mobile, the Bank was awarded a prize in the Mobile Innovation category in the b2bMedia annual competition. The application is intended for natural persons and legal entities, providing options for access, review of banking products, various types of inquiries, making BGN and foreign currency transfers, utility bill payments, opening deposits and accounts, and other features aimed at achieving high level of customer satisfaction.

The Internet banking service was upgraded with new functionalities: a module for mass BGN payments for legal entities; payment of utility bills and channels for online products.

In coordination with the Corporate Communications Directorate, a new corporate website was built, with design and technology in line with modern trends.

The website has its own management system. Special attention was paid to the online product pages.

At the end of 2021, one more mobile application was finalized – Ibank mToken, designed to confirm payments and requests from Internet banking / Mobile banking.

A new module for PP Bankera 3 providing a higher level of protection against fraud in online payments via the Internet and mobile banking is also to be finalized.

Projects for the development of new digital products under the general scheme of Online Consumer Loan (100% online; 24/7) were launched:

- Fast Credit Card
- Fast Debit Card

The Directorate actively participates in the development of the Online Consumer Loan advertising strategy and in the monitoring of the real sales results.

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

The Directorate published on the Bank's internal website a number of manuals and brief descriptions of the new functionalities and applications in order to facilitate the front office employees.

Projects in the field of digital services - 2022

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

- Developing the functionalities in the Internet banking service.
- Developing the functionalities in the Mobile Banking application.
- 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 customers.
- Customer Service Center - upgrade / new system
- Digitizing the front office process
- Developing lending operations - upgrade / new system
- Digitizing the internal processes
- Joint projects in the holding - product cross-offering
- Image projects

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.

Information security is an indispensable element of the unified banking security concept applied by the Bank. It is designed to protect information from a wide range of attacks in order to ensure business continuity, minimize operational risk, and increase return on investment.

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.

By adopting and periodically reviewing the Policy, the Bank's management sets the following key goals in terms of information security:

- ensuring compliance with the applicable legislation and the agreed requirements;
- 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 Crisis Action Plan, 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.

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 data media and 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

The human resource management and development activities in 2021 were focused on adapting the processes, activities and work organization to the situation of an ongoing pandemic. While 2020 was a year of challenges, surprises and quick solutions, in 2021 we focused on achieving high efficiency, quality and competitiveness in the new reality.

The challenges for the Human Resources Management Directorate were in two directions - handling the waves of illness among employees and managing the increased level of employee turnover.

During the year, a large resource was allocated – financial, time and human for the prevention of incidence of Covid-19, assistance in need of treatment and measures to ensure the effective functioning of activities, especially in periods of high level of incidence. A large part of the employees at the Central Office were allowed to work remotely as a measure for preserving the health and ensuring the continuity of the processes in the Bank. An organization was set up to provide weekly testing of employees, which contributed to controlling morbidity. A number of repeated campaigns were carried out to provide information, instruction and consultation on prevention and health measures.

After a period of lull in 2020, in the past 2021 there was an intensive movement of the labour market and increasing competition in the proposed conditions, which led to the turnover of some employees with many years of experience. Unfortunately, despite the attempts of the Human Resource Management Directorate to retain valuable staff, the lag in salaries over the years proved difficult to overcome. Despite the challenges, efforts have been made to attract experienced candidates and fill vacancies.

The training and development program has been implemented to the maximum, despite repeated periods of restrictions and tightening of safety measures. The transition was entirely to distance learning, both for external and most of the internal training. During the calendar year, 115 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 e-learning platform was used effectively to conduct 6 internal trainings, which were attended by 1209 employees. In-service trainings were gradually held for employees in the branch network occupying commercial positions related to customer service and sales of banking products and anti-money laundering measures.

Despite the epidemic situation and distance learning at universities, the internship program attracted many students, some of whom successfully passed all stages and continued their careers in Investbank JSC.

REAL ESTATE

Asset realization

Real estate market in 2021 can be described as revived, strong and unusually active, especially compared to the situation in 2020, with the predominance of demand over supply, which led to rising prices and increased number of transactions.

The attractive conditions for mortgage lending, the investors' demand for the security provided by the purchase of real estate, as well as the traditional behaviour of Bulgarians to invest savings in their own homes were the main factors that contributed to this result. Although the year was extremely volatile politically, combined with the ongoing waves of the Covid-19 pandemic, people were looking for security in investing in their own property. Housing and building plots were the main commodity, and business real estate deals were made in case of emergency needs.

Against this background we can note the following:

Over-performance by 15.94% of the plan set in the budget of Investbank JSC for the sale of assets with a total carrying amount of BGN 25,000 thousand per year (in compliance with the BNB recommendation to reduce the amount of collateral acquired on loans).

The total carrying amount of the assets sold in 2021 comes to BGN 28,986 thousand (significant increase compared to 2020);

Over the year, 93 transactions were realized with a total selling price of BGN 23,725 thousand.

The total sales result amounts to BGN 5,242.

As particularly active periods we can indicate the month of March - 17 finalized transactions, the month of June - 12 transactions, the month of October - 10 transactions and the month of December - 13 transactions.

The predominant part of the transactions is related to the ongoing sale of apartments and garages in Sofia on P. Dertliev Blvd., the sale of holiday properties in Bansko, active sales in a building in Dragalevtsi r.a. on Vaklinets Street, several sales of undeveloped land plots, as well as fixtures and fittings in Smyadovo and Vratsa. In total, for 2021 real estates were sold at a total selling price of BGN 17,125 thousand and fixtures and fittings at a total selling price of BGN 6,601 thousand.

The unit was focused to work in the following areas:

- Improving asset quality;
- Transformation of the operating model - digitalization and active offering of assets for sale;
- Participation in the centralized property insurance, owned by the Bank;
- Overall coordination of reassessment of the Bank's assets, assignment and implementation of the project as soon as possible;
- Cost optimization.

CORPORATE COMMUNICATIONS

In 2021 the Directorate 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, flexible and digital bank.

At the beginning of 2021, the Corporate Communications Directorate took an active part in the process of updating and redesigning the Bank's internal website. The project contributed to facilitating the work process and providing timely and structured information to the employees in all financial centers. In the same year, the Directorate developed a design for Ibank Mobile mobile application, and played a leading role in the project for creating a new corporate website of the Bank and a new home page of Internet Banking. In order to provide a quick and easy access the Bank's online products and services, a new sales platform was developed as part of the website. In 2021, Ibank Mobile mobile application was awarded the third prize in the annual b2b Media Awards, and the Bank's new corporate website won the First Audience Award in the Corporate Website Category in the fourth edition of the prestigious Website of the Year Competition 2021.

In order to increase the visibility of the Bank's new digital services 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. In view of the continuing emergency epidemiological situation in the country, priority was given to Internet advertising. 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 continued to carry out daily monitoring of the print and digital media, as well as monitoring on specific topics, when 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 on the digital products and other innovations introduced by the Bank, the employees were promptly informed about the achievements of their peers at the financial centers in Sofia and nationwide.

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. The main focus in the Bank's advertising activities in 2021 was placed on product advertising fast online consumer loans and on the promotion of Ibank Mobile mobile application. Banner advertising was implemented to promote the new loan product of the Bank - Autocredit.

Internet advertising is realized both in social networks, Google search and Google display, as well as in specialized websites which to the maximum extent cover the target audience. The Directorate periodically provides all financial centers in the country with the necessary advertising printed materials for the Bank's products and services.

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. 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 Bank's representatives took part in leading economic events organized by Economedia and Banker newspaper.

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. Throughout the year, the indicators of the various types of publications were monitored, as well as the comments and inquiries received from potential and current customers on the social networks about the Bank's products and services, after which feedback was provided to peers in the relevant units.

The forthcoming launch of a new platform for fully online application for fast credit card and other online products will be properly communicated to the external audience as well as among employees. We will further modernize our presence in social networks and work to build a strong brand identity through new campaigns in the field of Corporate Social Responsibility by supporting significant projects.

Relations with media and other key partners

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

In 2021 the Bank continued its traditional partnership within the charity initiative Bulgarian Christmas, held under the patronage of President Rumen Radev. Following its long-standing policy of supporting young Bulgarian athletes, Investbank JSC became an official sponsor of the Balkan Botevgrad basketball club.

In 2022, the Directorate will continue to develop fruitful media and strategic partnerships. 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.

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 members of MB have no participation in the Bank's share capital.

Information under Article 187e and Article 247 of the Commerce Act

The remunerations of Executive Directors and the Management Board as at 31 December 2021 come to BGN 509 thousand (2020: BGN 489 thousand) and the remunerations of the Supervisory Board come to BGN 405 thousand (2020: BGN 387 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)
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)

Chernomorsko Zlato AD – participation in the management (Chairperson of the Supervisory Board)
 Bulgaria Insurance AD – participation in the management (Chairperson of the Supervisory Board)
 Association of the Bulgarian Tourism Industry - participation in the management (Chairperson of the Management Board)
 Investments Properties EOOD – Manager
 F Assets AD – participation in the management (Chairperson of the Board of Directors)

- Festa Holding AD
 - Festa Security – over 25% of the capital (Member of the Supervisory Board)
 - F Assets AD – over 25% of the capital
 - Investbank JSC – over 25% of the capital (Member of the Supervisory Board)
 - Bulgaria Insurance AD - more than 25% of the capital
 - Re PAK AD – participation in the management (Member of the Board of Directors)
 - Festa Hotels AD – over 25% of the capital and participation in the management (Member of the Supervisory Board)
- Ivaylo Stoyanov Stoyanov – Representative of Festa Holding AD in the Supervisory Board of Investbank JSC
 - Festa Holding AD – Member of the Board of Directors and Executive Director
 - Bulgaria Insurance AD – Representative of Festa Holding AD in Chernomorsko Zlato AD – Representative of Festa Holding AD in the Supervisory Board
 - Hedgeclub Ltd. – over 25% of the capital and Manager
- Minka Slalova 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
- Martin Tsvetkov Bogdanov – independent member of the Supervisory Board
 - Paysera Bulgaria JSC – Executive Director and Chairperson of the Board of Directors
 - 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)
 Zdravka Rumenova Ruseva
 There is no data for participation in the Commercial Register and Declaration pursuant to Art. 45 of Credit Institutions Act (CIA)
 Available data on the participation in the following companies as at 31 December 2021:
- GEOENGINEERING AG OOD – partner holding 33.33% and Manager

- GEOENGINEERING-99 OOD – partner holding 25%

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.

The Bank does not have any subsidiaries and holdings of more than 10 percent.

DEVELOPMENT PLANS

The **strategic goal** in the development of Investbank JSC is the establishment of a sustainable business model, allowing 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;
- Further reducing the volume of assets acquired through sales or leasing;
- 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

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 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 - by building technical protection

EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

1. On 22 March 2022 the following change in the composition of the Management Board of Investbank JSC was submitted for registration with the Commercial Register:

1.1. Deletion of Zdravka Rumenova Ruseva as a member of the Management Board.

1.2. Registration of Nedyo Yankov Tenev as a member of the Management Board.

The registration with the Commercial Register and the Register of Non-Profit Legal Entities (CRRNPLE) is expected to be available on 28 March 2022.

After the registration of the aforementioned change with the CRRNPLE, the composition of the Management Board will be as follows:

Chairperson – Svetoslav Rumenov Milanov, Executive Director

Members – Maya Ivanova Stancheva, Executive Director
Nedyo Yankov Tenev

2. On 24 February 2022 the hopes for global and national economic recovery after overcoming the Covid-19 pandemic were dashed by the military conflict between Russia and Ukraine. The invasion has raised geopolitical tensions, shaken financial markets and accelerated inflation. The economic and financial sanctions imposed on Russia by the USA and the EU have led to a deterioration in business confidence, disruptions in supplies and a deterioration in international trade. The increased energy and raw material prices, together with the decreased revenue growth will inevitably affect businesses and households in the coming year. The exclusion of some Russian banks from SWIFT did not cause a shortage of liquidity for the Bank. Considering the extremely uncertain environment, the Bank's Management reacted promptly by minimizing the balances on nostro accounts in the two Russian correspondent banks, although they are not on the list of those excluded from the SWIFT system. There are no significant assets denominated in RUB in the Bank's balance sheet.

According to the Management of Investbank JSC, the forecasts for the development of the Bank in the medium term are moderate and balanced. The prospects for the economy of our country in the coming years will continue to depend on the development of the conflict between Russia and Ukraine and the development of the coronavirus pandemic.

Signed
Stanislav Milanov
MB Chairperson and Executive Director

Signed
Maya Stancheva
MB Member and Executive Director

Affixed the official stamp of Investbank JSC, Head Office, Sofia