Investbank JSC

Annual Financial Statements

as at 31 December 2022

With Independent Auditor's Report

Audit Correct
AUDIT - CONSULTING - LAW

ECOVIS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Investbank JSC
Sofia City, No. 85 Bulgaria Blvd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Investbank JSC** (the "Bank"), comprising the statement of financial position as of December 31, 2022, and the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended that date, as well as the explanatory notes to the financial statements, also including a summary disclosure of the significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as of December 31, 2022, and its financial performance and its cash flows for the year ended that date, in accordance with the International Financial Reporting Standards (IFRSs) adopted by the EU (European Union).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.
We are independent of the Bank within the meaning of the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of financial statements in Bulgaria, and have fulfilled our other ethical responsibilities in accordance with the IFAA and the IESBA Code. We believe that the audit evidence obtained by us are sufficient and relevant to form a basis for our opinion.

Key audit matters

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

Determination of the impairment of loans and advances granted, including the correct application of the requirements of IFRS 9 "Financial Instruments" (effective from 01.01.2018)	
Key audit matter	**How this key audit matter was addressed during our audit**
IFRS 9 "Financial Instruments" applies to annual periods beginning on 1 January 2018. The Standard introduces changes in the classification and measurement of financial	During our audit, our audit procedures included, but were not limited to, the following: - Review of the adopted approach for impairment and provisioning policy by the

assets, a new model for the calculation of impairment of financial assets (expected credit loss model). The application of the standard is a complex process and has a serious effect on the financial statements of banking and non-banking financial institutions. The application of significant judgments and assumptions by the management, and the possibility for selection of a particular model in measuring the Bank's financial assets implies that this issue should be defined as a key audit issue. The granting of freedom to choose a model for accrual of provisions that directly affect the financial condition of the Bank is reflected in the following areas: - **Regular review of the classifiedd financial instruments:** The management has concluded that the cash flows of financial assets classified as loans and advances granted to customers are held only within a business model whose purpose is to aggregate the contractual cash flows that only represent principal and interest payments on the outstanding principal at set dates. Both regular review and analysis have significant importance since the loans and advances granted by the Bank constitute a significant part of the Bank's assets. This group of financial assets is subsequently measured at amortized cost. - **Expected Credit Loss Model:** The implemented model of the Bank calculates the expected credit losses based on probabilities, which are dependent on historical statistical information. The statistical information is derived from both models used by the Bank - the corporate credit rating model and the credit scoring model. The loans and advances granted to customers as of December 31, 2022, amounted to BGN 1 045 861 thousand and accounted for 36.79% of the Bank's assets. Notes 2 Basics of the Accounting Policy, 3.a Credit Risk and 18 Loans and Advances to Customers to the financial statements present information about the judgments and	Bank and the compliance of the approach with the requirements of IFRS 9; - Review and evaluation of the policies and procedures developed for the implemented models for expected credit loss calculation of the of financial assets, including those for the loans and advances granted We reviewed the amended policies and procedures and models for calculating expected credit losses on financial assets, including loans and advances; - We gained an understanding of the credit exposure monitoring processes and the determination of loan impairment. We reviewed the amended policies and procedures for monitoring credit exposures. - We reviewed the rules and management decisions to strengthen the processes and capacity to meet the effects of the pandemic, as well as to create new processes and regulations in response to the challenges of the COVID-19 pandemic; - Review and performance of comparative analysis of calculated provisions for different exposures in the Bank; - Performance of procedures for recalculating the currently charged provisions; - Review and evaluation of the credit classification processes and determining the necessary impairment on an individual basis. - Verification, using a sampling principle, of specific receivables from the credit portfolio. Recalculation of provisions based on a specific model. We adopted a conservative approach to provisions recalculation. The applied specific model is in line with the regulation on provisioning. - We derived a summary of the result for the required impairment. - We reviewed the estimates made by the Bank's management of the expected credit losses on an individual basis and compared the results obtained with our expectations and estimates based on our professional judgment.

assumptions of the Bank's management in the formation of the expected credit losses from the impairment of the loans and advances granted to customers of the Bank for 2022.	- We reviewed the measures taken by the Bank regarding the risk reduction resulted from the Russia-Ukraine conflict, including the restructuring of customers portfolio, the impact of the war on provisions and the credit quality of the loan portfolio. - We communicated the estimated provisions with Bank's management and those charged with governance.
Measurement and Presentation of financial instruments in the financial statements, including the correct application of the requirements of IFRS 9 "Financial Instruments" (effective from 01.01.2018)	
Key audit matter	**How this key audit matter was addressed during our audit**
Financial instruments as of 31 December 2022 amount to BGN 678 871 thousand and account for 24.88% of the Bank's assets. Notes 17, 20, and 21 to the financial statements presents the basic information on financial instruments held by the Bank. Notes 2 Basis of Accounting Policies, 3.a Credit Risk provide additional information on the Bank's management's assumptions for the recognition and measurement of these assets. The Bank's management decided to reclassify financial assets from the category of financial assets accounted at fair value through other comprehensive income to the category of financial assets carried at amortised cost. The Bank classifies financial assets based on the Bank's chosen business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The application of significant judgements and assumptions by management, and the ability to select a particular model in relation to the subsequent measurement of the Bank's financial assets and the management of day-to-day liquidity needs, the maintenance of interest yields, respectively, the receipt of contractual cash flows to the maturity date of the relevant financial asset from reclassification under IFRS 9, requires the definition of this matter as a key audit matter.	During our audit, our audit procedures included, but were not limited to, the following: - We reviewed the Bank's internal policies to obtain an understanding of the updated valuation policy applied to financial instruments, determining the required impairment under IFRS 9; - We reviewed the Bank's approach of accounting and subsequent measurement of financial instruments and its compliance with the requirements of IFRS 9; - We reviewed and assessed the processes financial instruments classification and the compliance with impairment requirements before and after reclassification. We reviewed and reassessed the impairments on an individual basis for each financial asset; - We verified the compliance with the requirement to record the cumulative gain or loss generated prior to this reclassification; - We verified the allowance for losses was properly recognized as an adjustment to the gross carrying amount of the financial asset as of the date of reclassification; - We analysed the reasons, rationale, and performed analysis for the reclassification of financial assets and verified whether there were any restrictions, breaches or deviations from the requirements of IFRS 9. We considered the impact of current economic conditions on the credit risk, the estimates of the expected cash flows, the business model applied, and other factors that may influence the Bank's management's decisions to hold or not any financial asset subject to reclassification to maturity. We evaluated the adequacy of

	management's assumptions and adjustments resulting from the impact of the current economic environment on these judgments. - We assessed the completeness, appropriateness, and adequacy of the disclosures in the Bank's financial statements relating to the subsequent valuation of financial assets and the reclassifications made.

Information Other than the Financial Statements and Auditor's Report Thereon

The management is responsible for such other information. The other information consists of an activity report, including a corporate governance statement and a non-financial statement, prepared by the management in accordance with Chapter Seven of the Accountancy Act but does not include the financial statements and our auditor's report on them.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion about it unless expressly stated in our report and insofar as stated therein.

In relation to our audit of the financial statements, our responsibility consists of reading the other information and thus ascertaining whether such other information is materially inconsistent with the financial statements or with our knowledge acquired during the audit, or otherwise appears to contain material misstatement. Where, based on the work we have done, we come to the conclusion that there is material misstatement in such other information, we are required to report this fact.

We have nothing to report in this respect.

Responsibilities of the management and the persons charged with general governance for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards (IFRSs) adopted by the EU and for such an internal control system as the management deems necessary to ensure the preparation of financial statements that do not contain any material misstatements, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Bank's ability to continue operating as a going concern by disclosing, where applicable, matters related to the going concern assumption and using the accounting base based on the going concern assumption, unless the management intends to liquidate the Bank or wind up its operations, or unless the management has virtually no other alternative than doing so.

The persons charged with general governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our goals are to obtain a reasonable degree of assurance that the financial statements as a whole do not contain any material misstatements, whether due to fraud or error and to issue an auditor's report that includes our auditor opinion. A reasonable degree of assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with the ISAs and the Independent Financial Audit Act will always reveal a material misstatement where such exists. Misstatements may arise as a result of fraud or error and are to be accounted as material if it could be reasonably expected that they, either individually or in aggregate, could impact the users' economic decisions made on the basis of these financial statements.

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

- identify and measure the risks of material misstatements in the financial statements, whether due to fraud or error, develop and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and relevant to provide a basis for our opinion. The risk of failure to detect any material misstatement resulting from fraud is higher than the risk of failure to detect any material misstatement resulting from an error, since fraud may involve collusion, forgery, deliberate omissions, statements aiming to mislead the auditor, as well as neglect or circumvention of internal control;
- obtain an understanding of the internal control relevant to the audit in order to develop audit procedures that are appropriate given the specific circumstances, but not to express an opinion on the effectiveness of the Bank's internal control;
- assess the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the management;
- come to a conclusion on the appropriateness of the management's use of the accounting base, on the basis of the going concern assumption and, on the basis of the audit evidence obtained on whether there is significant uncertainty related to events or conditions that could raise significant doubts about the Bank's ability to continue as a going concern. If we come to the conclusion that there is significant uncertainty, we are required to draw attention in our auditor's report to the disclosures in the financial statements related to such uncertainty or, in the event that such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained as of the date of our auditor's report. Future events or conditions may, however, cause the Bank to cease operating as a going concern;
- evaluate the overall presentation, structure, and content of the financial statements, including disclosures, and whether the financial statements present the underlying transactions, and events in a manner that achieves a fair presentation.

We communicate with the persons charged with general governance, among other issues, the envisaged scope and timing of the audit, and the material audit findings, including significant internal control deficiencies that we identify during our audit.

We also provide the persons charged with general governance with a statement that we have complied with the applicable ethical requirements in relation to independence, and that we will communicate with them all relationships and other matters that could reasonably be regarded as being relevant to our independence, and, where applicable, any associated precautions.

Among the issues communicated to the persons charged with general governance, we identify the issues that were most relevant to the audit of the current period's financial statements and which are therefore key audit issues. We describe such issues in our auditor's report, except in cases where a law or a regulation prevents the public disclosure of information on such issue or where, in extremely rare cases, we decide that a given issue should not be communicated in our report, since it could reasonably be expected that the adverse consequences of such action would outweigh the public interest benefits of such communication.

We are jointly and severally liable for the performance of our audit and for the audit opinion we express, in accordance with the requirements of the IFAA applicable in Bulgaria. Upon assuming and implementing the joint audit engagement in relation to which we are reporting, we were also guided by the Joint Audit Guidelines issued on 13 June 2017 by the Institute of Certified Public Accountants in Bulgaria and by the Commission for Public Oversight of Registered Auditors in Bulgaria.

Report on Other Statutory and Regulatory Requirements

Other Matter for Reporting under the Accountancy Act

In addition to our responsibilities and reporting under the ISAs described above in the Information Other than the Financial Statements and Auditor's Report Thereon section, in respect of the activity report, incl. the corporate governance statement and the non-financial statement, we have also performed the procedures added to those required under the ISAs pursuant to the Guidelines of the Professional Organization of Certified Public Accountants and Registered Auditors in Bulgaria - the Institute of Certified Public Accountants (ICPA). These procedures relate to verifications of the existence and verifications of the form and content of such other information in order to assist us in formulating opinions on whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and the Art. 100, para. 8, if applicable, of the Public Offering of Securities Act.

Statement in relation to Art. 37, para. 6 of the Accountancy Act
Based on our procedures, our opinion is that:

(a) the information included in the activity report for the financial year for which the financial statements were prepared is consistent with the financial statements;
(b) the activity report has been prepared in accordance with the applicable legal requirements and, more specifically, the requirements of Chapter Seven of the Accountancy Act;
(c) the corporate governance statement for the financial year for which the financial statements were prepared presents the information required by the Chapter Seven of the Accountancy Act and the Art. 100 (н), para. 8 of the Public Offering of Securities Act;
(d) the non-financial statement for the financial year for which the financial statements were prepared has been provided and prepared in accordance with the requirements of the Chapter Seven of the Accountancy Act.

Additional reporting under Ordinance No.58/2018 of the Financial Supervision Commission

Opinion in relation to Art. 11 of Ordinance No. 58 of the Financial Supervision Commission of 28.02.2018 on the Requirements for the Protection of Client Financial Instruments and Cash, for Product Management and for the Granting or Receiving of Remunerations, Commissions, other Cash or Non-cash Benefits
Based on our audit procedures and our acquired knowledge and understanding of the Bank's operations in the context of our audit of the financial statements as a whole, our opinion is that the organization created in relation to the custody of client assets complies with the requirements of Articles 3-10 of the Ordinance No. 58 of the FSC and Articles 92 – 95 of the Financial Instruments Market Act with regard to the Bank's operations in its role as an investment intermediary.

Reporting under Art. 10 of Regulation (EU) No. 537/2014 in accordance with Art. 59 of the Independent Financial Audit Act
Pursuant to the requirements of the Independent Financial Audit Act in conjunction with Art. 10 of Regulation (EU) No. 537/2014, we further report the following information:

- Audit – Correct LTD and Ecovis Audit Bulgaria LTD were appointed as mandatory joint auditors of the financial statements of Investbank JSC for the year ended 31 December 2022 by the General Meeting of Shareholders held on 20 May 2022, for a period of one year.
- The audit of the financial statements for the year ended 31 December 2022 of the Bank represents the fifth year of continuous commitment to a statutory audit of this entity performed by Audit – Correct LTD and Ecovis Audit Bulgaria LTD.
- In support of our joint audit opinion, in the Key Audit Matters section, we have provided a description of the most essential risks assessed, a summary of the joint auditors' reply and important observations on these risks, where appropriate.
- We confirm that our joint audit opinion is consistent with the additional report submitted to the Audit Committee of the Bank in accordance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We confirm that we have not provided the banned services outside the audit as specified in Art. 64 of the Independent Financial Audit Act.
- We confirm that in the performance of the audit we have retained our independence from the Bank.

February, 14, 2023

For Audit Correct LTD
Auditing company

Rositsa Trichkova
Managing Partner
Registered auditor in charge of the audit

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Одиторско дружество
София
Рег. № 064
Одит-Корект ООД

For Ecovis Audit Bulgaria LTD
Auditing company

Georgi Trenchev
Managing Partner
Registered auditor in charge of the audit

Ecovis Audit Bulgaria LTD
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Одиторско дружество
София
Рег. № 114
Ековис Одит България ООД

STATEMENT OF FINANCIAL POSITION

Assets	Note	31/12/2022	31/12/2021
Cash and balances with central banks and other deposits on demand	15	**670,978**	**615,874**
Receivables from banks	16	**2,936**	**3,721**
Financial assets carried at fair value through profit or loss	17	**414**	**426**
Government securities		*414*	*426*
Loans and receivables	18	**1,045,861**	**929,592**
Loans and receivables from credit institutions		*31,810*	*1*
Loans and receivables other than those from credit institutions		*1,014,051*	*929,591*
Net investment in finance lease	19	**2,864**	**3,609**
Financial assets carried at fair value through other comprehensive income	20	**48,896**	**422,780**
Equity instruments		**21,728**	**21,749**
Debt securities		*27,168*	*401,031*
Financial assets carried at amortized cost, excluding loans and advances (debt securities)	21	**629,561**	**135,522**
Debt securities		*629,561*	*135,522*
Tangible assets		**301,877**	**276,505**
Property, plant and equipment	22.1	*14,645*	*13,983*
Investment property	22.2	*287,232*	*262,522*
Intangible assets		**2,412**	**2,668**
Intangible assets	23	*2,412*	*2,668*
Non-current assets and decommissioning groups classified as held for sale	24	**22,857**	**847**
Other assets		**114,191**	**151,553**
including Deferred Tax Assets		*160*	*73*
Total assets		**2,842,847**	**2,543,097**

STATEMENT OF FINANCIAL POSITION (continued)

Liabilities	**Note**	**31/12/2022**	**31/12/2021**
Deposits from credit institutions	26	**31,811**	**-**
Financial liabilities measured at amortized cost		**2,488,070**	**2,272,495**
Deposits other than those of credit institutions	27	*2,482,357*	*2,267,802*
Other financial liabilities	27.1	*5,713*	*4,693*
Bond loans			
Other liabilities	28	**16,020**	**15,187**
including Provisions	29	*1,029*	*1,029*
Total liabilities		**2,535,901**	**2,287,682**
Equity			
Fixed capital		**155,572**	**155,572**
Reserves		**151,374**	**99,843**
including Retained earnings from past years		*(12,079)*	*(26,033)*
Current profit		*48,951*	*13,954*
Total equity	30	**306,946**	**255,415**
Total equity and liabilities		**2,842,847**	**2,543,097**

The Notes on pages 8 to 88 constitute an integral part of the Annual Financial Statements.

Svetoslav Milanov
Executive Director

Maya Stancheva
Executive Director

Mladen Ivanov
Compiler

In accordance with Auditor's Report dated 14 February 2023:

Rositsa Trichkova
Registered Auditor, responsible for the engagement

Audit Correct OOD
Audit Company

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 064 ОДИТ-КОРЕКТ ООД

Georgi Trenchev
Registered Auditor, responsible for the engagement

Ecovis Audit Bulgaria LTD
Audit Company

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 114 ЕКОВИС ОДИТ БЪЛГАРИЯ ООД

PROFIT AND LOSS STATEMENT *In BGN '000*	Note	**2022**	**2021**
Interest revenues		40,534	31,339
Interest expenses		(5,974)	(8,582)
Net interest income	6	**34,560**	**22,757**
Fee and commission revenues		35,337	29,319
Fee and commission expenses		(3,701)	(3,537)
Net fee and commission income	7	**31,636**	**25,782**
Net revenues on trading operations	8	2,657	2,776
Net income form investment securities (Net gains or losses on the write-off of financial assets and liabilities not carried at fair value through profit or loss)	9	1,284	107
Other operating revenues	10	5,678	(2,552)
Net exchange rate differences		(375)	(229)
Total operating revenues		**75,458**	**48,641**
		(47,052)	(100,836)
Administrative expenses	11	*(39,947)*	*(36,740)*
Losses on impairment of financial assets	12	*(7,105)*	*(64,096)*
Net result from remeasurement of investment property	13	21,916	77,521
Gain or loss before tax on current operations		**50,322**	25,326
Taxation (Tax expenses or revenues related to the gain or loss on current operations)	14	(1,371)	(11,372)
Profit or loss after taxation for the year		**48,951**	**13,954**

The Notes on pages 8 to 88 constitute an integral part of the Annual Financial Statements.

Svetoslav Milanov
Executive Director

Maya Stancheva
Executive Director

Mladen Ivanov
Compiler

In accordance with Auditor's Report dated 14 February 2023:

Rositsa Trichkova
Registered Auditor, responsible for the engagement

Audit Correct OOD
Audit Company

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Ecovis Audit Bulgaria LTD
Audit Company

STATEMENT OF COMPREHENSIVE INCOME

In BGN '000

	2022	2021
Profit/(Loss) after tax	**48,951**	**13,954**
Items that may not be subsequently reclassified to profit or loss:		
Actuarial gains and losses	(64)	(23)
Change in the fair value of equity instruments measured at fair value through other comprehensive income	1	1
Items that are or may be subsequently reclassified to profit or loss:		
Debt instruments measured at fair value through other comprehensive income	**2,643**	**(5,125)**
Change in the fair value of available-for-sale financial assets		
Other comprehensive income	**2,580**	**(5,147)**
Total comprehensive income	**51,531**	**8,807**

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Svetoslav Milanov
Executive Director

Maya Stancheva
Executive Director

Mladen Ivanov
Compiler

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Georgi Trenchev
Registered Auditor, responsible for the engagement

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ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 064
ОДИТ-КОРЕКТ ООД

CASH FLOW STATEMENT	**Note**	**2022**	**2021**
Net cash flow from operating activities			
Profit/(Loss) after tax		48,951	13,954
Impairment losses		6,845	64,097
Depreciation		5,244	5,478
Expense/(Revenue) on taxes		1,371	11,372
		62,411	**94,901**
Changes in operating assets			
(Increase)/Decrease in financial assets carried at fair value through profit or loss		12	2,533
Decrease in deposits provided to credit institutions		(20,412)	20,742
(Increase)/Decrease in loans and advances to customers		(120,885)	(116,130)
(Increase)/Decrease in net investment in finance lease		745	599
(Increase)/Decrease in non-current assets held for sale		(22,010)	10,267
(Increase)/Decrease in other assets		37,342	70,241
Changes in operating liabilities			
Increase/(Decrease) in deposits from credit institutions		31,811	(12)
Increase/(Decrease) in deposits from customers		236,772	303,998
Increase/(Decrease) in other liabilities		834	8,436
Taxes (paid)/recovered		(1,371)	(11,372)
Net cash flows from core operations		**205,249**	**384,203**
Cash flows from investment operations			
(Purchase)/Sale of property, plant, equipment and investment property		(30,360)	(134,329)
(Purchase)/Sale of investment in investment portfolio		(119,785)	(54,327)
Net cash flows from investment operations		**(150,145)**	**(188,656)**
Cash flows from financial operations			
Net cash flows from financial operations		-	-
Net increase/(decrease) in cash and cash equivalents		**55,104**	**195,547**
Cash and cash equivalents at the beginning of the year		**615,874**	**420,327**
Cash and cash equivalents at the end of the year	**32**	**670,978**	**615,874**

The Notes on pages 8 to 88 constitute an integral part of the Annual Financial Statements.

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Audit Company

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 064
ОДИТ-КОРЕКТ ООД

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 114
ЕКОВИС ОДИТ БЪЛГАРИЯ ООД

STATEMENT OF CHANGES IN EQUITY

In BGN '000	**Note**	**Fixed capital**	**Statutory reserves**	**Retained earnings**	**Remeasurement reserve from financial assets carried at fair value through other comprehensive income**	**Remeasurement reserve of defined benefit plans**	**Total**
Balance as at 1 January 2021		155,572	123,017	(26,033)	(5,867)	(81)	246,608
Total comprehensive income for the year							
Net profit for the year		0	0	13,954	0		13,954
Actuarial gains and losses		0	0	0	0	(23)	(23)
Other comprehensive income							
Remeasurement of financial assets carried at fair value through other comprehensive income		0	1	0	(5,125)		(5,124)
Total other comprehensive income		0	1	0	(5,125)	0	(5,124)
Total comprehensive income for the year		0	1	13,954	(5,125)	(23)	8,807
Balance as at 31 December 2021		155,572	123,018	(12,079)	(10,992)	(104)	255,415
Total comprehensive income for the year							
Net profit for the year		0	0	48,951	0		48,951
Actuarial gains and losses		0	0	0	0	(63)	(63)
Other comprehensive income							
Remeasurement of financial assets carried at fair value through other comprehensive income		0	1	0	2,643		2,644
Total other comprehensive income/(profit)		0	1	0	2,643	(64)	2,580

Total comprehensive income/(profit) for the year		0	1	48,951	2,643	(64)	51,531
Other changes		0	1	0	(1)	0	0
Equity as at 31 December 2022	31	155,572	123,020	36,872	(8,350)	(168)	306,946

The Notes on pages 8 to 88 constitute an integral part of the Annual Financial Statements.

Svetoslav Milanov
Executive Director

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In accordance with Auditor's Report dated 14 February 2023:

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Registered Auditor, responsible for the engagement

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Audit Company

GENERAL INFORMATION

Investbank JSC is a joint-stock company with seat and registered office at 85 Bulgaria Blvd., Triaditsa District, Sofia, registered with the Commercial Register at the Registry Agency with UIC 831663282.

Investbank JSC is authorized to carry out all banking transactions on the territory of the country and abroad based on a full (universal) license issued by Bulgarian National Bank (BNB) allowing the implementation of all banking operations authorized by the Bulgarian legislation.

1. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

1.1. Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), adopted by the Commission of the European Union, which operate in the Republic of Bulgaria pursuant to the Accountancy Act.
The preparation of financial statements in accordance with IFRS uses certain material accounting estimates and requires the management to make assumptions in the process of applying the Bank's accounting policies. The items that require a higher degree of assessment and complexity or where the assumptions and estimates are significant for the financial statements are are set out in the notes below.

1.2. These financial statements have been prepared on the going concern principle.

The global economy is facing increasing challenges. The growth has lost momentum, the high inflation is proving persistent and the uncertainty is high. The aggressive war of Russia against Ukraine has pushed up prices, especially of energy prices, increasing the inflationary pressures at a time when the cost of living was already rising rapidly around the world. The global financial conditions have tightened significantly amid unusually vigorous and widespread steps of the central banks to raise the interest rates in recent months, weighing on the interest-sensitive spending and increasing the pressure facing many emerging market economies. The labour market conditions remain generally tight, but wage increases have failed to keep up with price inflation, weakening the real incomes despite the actions taken by the governments to cushion the impact of the higher food and energy prices on the households and the businesses.

In late 2022 and early 2023, there are signs of a deterioration in the external economic environment, with the ECB's December 2022 macroeconomic forecast predicting a short-lived and mild recession in the euro area in early 2023.
For 2022, Bulgaria's real GDP is expected to report growth of 3.4%, which will be determined mostly by the growth of the private consumption and the accumulation of stocks in the economy, while the contribution of net exports and investments will be negative. The real GDP growth is forecast for 2023 to slow substantially to 0.4%, which will be driven mostly by the shift from a positive to a negative contribution of the changes in the inventories in the economy. High growth in the investment activity is forecast for 2023 in accordance with the assumed absorption of funds under the National Recovery and Sustainability Plan (NRSP) by both the private and the public sectors.
In 2022, there was an upward trend in the annual rate of change of the consumer prices, which reached 15.6% in September 2022. Subsequently, the inflation rate as measured by the Harmonized Index of Consumer Prices (HICP) slowed to 14.3% in December 2022 due to the downward dynamics in the prices of the energy raw materials. In terms of employment, the overall expectation for 2022 is to increase by 1.2%. At the same time, the reduction of the working-age population is a factor in the gradual lowering of the unemployment rate from 4.3% in 2022 to 4.0% in 2024.
The regime of currency board in Bulgaria implies a relatively quick transmission of the ECB's monetary policy to the monetary conditions in the country. The increases of the main interest rates in the euro area undertaken by the ECB in the second half of 2022 were reflected in a significant increase in the interest rates on the interbank money

market in Bulgaria from the end of the third quarter of the year. At the same time, in the conditions of significant liquidity in the banking system, a relatively small increase in interest rates on deposits and loans was reported in the country. Based on the market expectations for further tightening of the monetary conditions in the euro area, the already started upward trend in lending and deposit interest rates is expected to strengthen and reach their highest levels in late 2023 and early 2024, followed by stabilization at the reached levels.

In line with the expected rise in the lending interest rates over the 2023-2025 forecast period, credit growth to both households and non-financial corporations is forecast to slow from the relatively high rates established in 2022. The increases of the countercyclical capital buffer rate announced by the BNB to 1.5%, in effective from 1 January 2023, and to 2.0%, effective from 1 October 2023, are also expected to have a potential limiting effect on lending activity on the supply side. The projected increase in the interest rates on the deposits and the continued increase in the real disposable income of households will contribute to maintaining a relatively high growth rate of deposits of the non-government sector in the banking system during the forecast period.

The total capital adequacy ratio as of December 2022 is 20.88% and the liquidity coverage ratio is 235.0%.

The Management of Investbank JSC considers that the company is going concern and the financial statements of the Bank have been prepared on the going concern principle.

- Investbank JSC regularly assesses the macroeconomic situation in the country and, in particular, the consequences of the crisis caused by the spread of COVID-19 and the war in Ukraine on the risks to the operations of the institution. The Bank analyses the impact of the crisis by sectors of the Bulgarian economy and by specific counterparties that are exposed to the most unfavourable impact.

- In 2022, Investbank JSC managed to maintain the achieved levels of non-performing exposition (NPE) from 2021, with the increase in enterprises being due to a single case (deteriorated customer with exposures of a more substantial amount). Households report a decrease compared to 2021, despite the increased NPE level of the "fast loans" product. The reported data in the table demonstrate the actual situation as at 31 December 2022, making comparison with the planned values for the same period according to the Plan for Reduction of Non-Performing Exposures. Exposures to credit institutions are not included in the table.

31/12/2022	**Plan acc. to NPL Management Strategy, %**	**Reported data, BGN '000**	**Comment**
NPL ratio	General government – 0.0%	General government – 0%	The reported value for the share of non-performing exposures in total for the portfolio is higher than planned, which is mainly due to the non-performance of the plan to achieve credit exposure (non-performance of 3.4%). A decrease is noted in the institutional sector of other financial enterprises, and an increase is registered in non-financial enterprises and households.
	Other financial - 10.3%;	Other financial - 0%;	
	Non-financial enterprises - 15.4%	Non-financial enterprises - 15.8%	
	Households – 4.3%	Households – 5.7%	
	Total - 13.0%	**Total - 13.5%**	
NPL (nominal value in BGN '000)	General government - 0	General government - 0	Gross value of non-performing exposures as at 31 December 2022, compared to the Bank's NPL Management Strategy for the same period. There is a decrease in absolute value compared to the planned volumes in other financial and non-financial enterprises, and an increase in the household sector (the increase is only in relation to consumer lending - by BGN 2.8 million, a decrease is reported in mortgages).
	Other financial - 1,226	Other financial - 0	
	Non-financial enterprises – 129,268	Non-financial enterprises – 128,434	
	Households – 9,297	Households – 11,674	
	Total - 139,831	**Total - 140,108**	
Loan Portfolio in BGN '000	General government - 9,772	General government - 8,913	The value of the achieved credit portfolio at the end of 2022 is lower than planned. This reflects on the performance of the share of non-performing exposures. Non-performance is reported in all institutional sectors, with the total non-performance amounting to BGN 36.5 million.
	Other financial - 12,247	Other financial - 11,377	
	Non-financial enterprises – 837,204	Non-financial enterprises – 813,951	
	Households – 216,526	Households – 205,007	
	Total – 1,075,749	**Total – 1,039,248**	

As at 31 December 2022, the Bank's total credit exposure amounts to BGN 1,241.76 million, of which BGN 1,071.06 million gross carrying amount in the loan portfolio, BGN 96.9 million off-balance sheet commitments (undrawn debt on loans) and BGN 73.8 million from the bank guarantees portfolio. The share of non-performing exposures is 13.5%, showing a slight increase compared to 11.7% at the end of 2021.

- An integral part of the monitoring of credit exposures in Investbank JSC comprises the review of loan collateral.
- The real estate market in 2022 indicated a 15% decline on an annual basis, but still provides good transaction volumes. The residential segment is considered to be the most affected, while that of luxury apartments and houses are relatively unaffected. The serious growth in prices at the beginning of the year, the high inflation, the general political and economic instability internationally and nationally, the expected rise in mortgage interest rates are the main factors determining the trend. Gradually, supply is catching up and is in the process of exceeding demand.
- Throughout 2022 the Bank maintains high liquidity (over 3 times the required one).
- At the end of 2022 Investbank JSC achieved an increase in its annual result by 3.5 times compared to the level of the previous year.
- By a decision of November 2022, the Bulgarian Credit Rating Agency (BCRA) confirmed the long-term financial strength rating B, changing the outlook from "stable" to "positive", and confirmed the short-term rating: C. It also increased the national-scale long-term rating to BB- (BG) from B+ (BG) with a "stable" outlook and increased the national-scale short-term rating to B (BG) from C (BG).
- In 2022 the Bank has successfully implemented a number of projects related to the digital transformation of the Bank and offered its customers new innovative services. The new Ibank mToken mobile application for bank transfer authorization was released to customers in early 2022. It is intended for both natural persons and legal entities who are customers of the Bank. Its functionalities offer the possibility of signing transfers even when the device on which it is installed is not connected to the Internet. Selecting to use Ibank mToken, the user can authorize transfers to any customer to whom the user is allowed access and in accordance with the assigned rights.
- The Internet banking service was also upgraded with new functionalities: a module for mass BGN payments for legal entities; payment of utility bills and channels for online products.
- The project for Multibanking functionality in Internet and mobile banking is in the final stage of being released to the customers. Multibanking is a new service in Europe that enables the Bank's customers to easily monitor their balances and movements on their accounts in other financial institutions and easily operate all their funds from one place.
- After the successful launch of mobile banking in 2021, the Bank in 2022 continued the processes of digitization of products, also aimed at offering new card services. A project to introduce a digital wallet has been launched, and this service will enrich the functionality of the Bank's mobile and internet banking.

Pursuant to Decree of the Council of Ministers of the Republic of Bulgaria No. 215 of 27 March 2020, the funds from the capital increase of the Bulgarian Development Bank AD should be used for the implementation of measures to support the economy in connection with the Covid-19 epidemic, including issuance of portfolio guarantees to banks.

In 2020 Investbank JSC signed a financial agreement with the Bulgarian Development Bank AD under the Program for guaranteeing interest-free loans in protection of people deprived of the opportunity to work due to the Covid-19 pandemic. The granted loans are fully covered by a portfolio guarantee issued by the Bulgarian Development Bank AD. In 2022, there are no newly granted loans for natural persons, and as at 31 December

2022, Investbank JSC reports loans before impairment in the amount of BGN 12,114 thousand (in 2021 – 3,012 loans for BGN 14,549 thousand).

The second agreement was entered into by and between Investbank JSC and the Bulgarian Development Bank AD under a portfolio guarantee program to support the liquidity of micro, small and medium-sized enterprises affected by the emergency situation and the Covid-19 epidemic. In 2022, there are two loans granted to legal entities in an agreed amount of BGN 2,060 thousand, and as at 31 December 2022 Investbank JSC reports loans before impairment in the amount of BGN 1,388 thousand (in 2021 – 16 loans for BGN 2,610 thousand).

In connection with the conflict in Ukraine and the complicated international situation, the Bank's Management took immediate actions to analyse the situation and limit potential and real risks. The analysis includes both the countries effectively affected by the military actions (Russia and Ukraine) and the possible negative consequences on sectors financed by Investbank JSC with the potential for deterioration. The exposure to the two countries directly affected by the conflict is insignificant, with exposures credit risk being only 0.04% of the total credit exposure.

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 moderately conservative policy in adopting risk and maintaining an acceptable risk profile of the Bank's assets and liabilities.

The strategic plan for 2023-2025 is based on a balanced basis and set higher realistic goals, with a view to achieving a greater market share of the Bank. The forecasts for the development of the Bulgarian economy in 2023, the expected slowdown in economic growth, as well as the reported growth in the second group of banks of the banking system of 7.7% are reported.

The plan for 2023-2025 projects that Investbank JSC fully cover the current regulatory requirements for the period, the required capital and liquidity ratios.

Based on the prepared analyses and stress scenarios in case of deterioration of the situation, the Bank is characterised with very good liquidity and financial stability, and the obtained indicators prove that there is no threat for the future operations of the Bank as a going concern.

Bulgaria's credit rating

Rating agency	**Long-term rating**	**Outlook**	**Short-term rating**
S&P Global rating	**BBB**	**stable**	**A-2**
Moody's Investors Service	**Baa1**	**stable**	**P-2**
Fitch	**BBB**	**positive**	**F2**

1.3. Functional and reporting currency

These financial statements are presented in Bulgarian Lev (BGN) rounded to the nearest thousand. Bulgarian Lev is the functional and reporting currency of Investbank JSC.

1.4. Presentation of financial statements

The financial statements have been prepared in accordance with the fair value principle for derivative financial instruments, financial assets carried at fair value through profit or loss, and assets carried at fair value through other comprehensive income, investment properties. Other financial assets and liabilities, as well as non-financial assets and liabilities, are carried at amortized or historical cost.

1.5. Use of estimates and assumptions

The preparation of financial statements in compliance with IFRS requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

1.6. New standards, interpretations and amendments in force from 1 January 2022

The Company applies the following new standards, amendments and interpretations to IFRSs developed and published by the International Accounting Standards Board that have an impact on the Company's financial statements and are mandatory for the annual period beginning on 1 January 2022:

- **Property, Plant and Equipment: Proceeds Before Intended Use - Amendments to IAS 16 - effective date: 1 January 2022**

The amendment to IAS 16 Property, Plant and Equipment (PPE) prohibits an entity from deducting from the cost of an item of PPE any proceeds from selling items produced while bringing that asset to its intended use. It also clarifies that the entity "tests whether the asset is functioning properly" when assessing the technical and physical characteristics of the asset. The financial performance of the asset is not relevant to this assessment.
The entities must disclose separately the amounts of revenues and expenses related to the items produced that are not the result of the entity's usual operations.

- **Reference to the Conceptual Framework - Amendments to IFRS 3 - effective date: 1 January 2022**

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and interpretation of 21 Levies. The amendments also confirm that contingent assets should not be recognized as at the acquisition date.

- **Onerous Contracts –Cost of Fulfilling a Contract – Amendments to IAS 37 – effective date: 1 January 2022**

The amendment to IAS 37 clarifies that direct costs of fulfilling a contract include both additional costs of fulfilling a contract and allocation of other costs directly related to fulfilling the contracts. Before recognizing a separate provision for an onerous contract, the entity should recognize any impairment loss that has occurred on assets used in fulfilling the contract.

- **Annual Improvements to IFRS Standards 2018-2020 – effective date: 1 January 2022**

The following improvements were finalized in May 2020:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the ‘10 per cent’ test when assessing whether to derecognise a financial liability.
- IFRS 16 Lease - Amendment of Illustrative Example 13 to remove from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives.
- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in the books of their parent companies to also measure any cumulative translation differences using the amounts, reported by the parent company. This amendment will also apply to associates and joint ventures that have used the same exemption under IFRS 1.
- IAS 41 Agriculture – removal of the requirement for entities to exclude taxation cash flows when measuring the fair value under IAS 41. This amendment is intended to ensure consistency with the requirement in the standard to discount cash flows on an after-tax basis.

The Company has applied these new standards, amendments and interpretations to IFRSs developed and published by the International Accounting Standards Board, which are mandatory for annual periods beginning on or after 1 January 2022 but have no material effect on their application to the financial result and the financial position of the Company.

1.7. Standards, amendments and interpretations not yet entered into force and not adopted for early application by the Company

As at the date of approval of these financial statements, new standards, amendments and interpretations to existing standards have been published but have not entered into force or adopted by the EU for the financial year beginning on 1 January 2022 and have not been applied from an earlier date by the Company. Information on those standards and amendments that have an impact on the Company's financial statements is presented below.
The Management expects all standards and amendments to be adopted in the Company's accounting policies for the first period beginning after the date of their entry into force.

- **IFRS 17 Insurance Contracts - effective date: initially on 1 January 2021, but extended to 1 January 2023 by IASB in March 2020**

IFRS 17 was issued in May 2017 to supersede IFRS 4 Insurance Contracts. It requires an ongoing measurement model in which estimates are reviewed each reporting period. Contracts are measured using the building blocks of:
- discounted cash flows with weighted probabilities
- explicit risk adjustment, and
- contracted service margin (CSM), representing the unearned profit on the contract which is recognized as income during the coverage period.

The standard allows for a choice between recognizing the amendments in the discount rates in the profit or loss statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.
The standard allows for an additional simplified premium allocation approach for the remaining coverage obligation on short-term contracts that are often written off by life insurers.
There is a modification of the common measurement model referred to as the "variable fee approach" for certain contracts concluded by life insurers where policyholders participate in the returns on the underlying items. When the variable fee approach is applied, the entity's share of changes in the fair value of the underlying items is included in CSM. Therefore, the results of the insurers using this model are likely to be less variable than with the general model.
The new rules will affect the financial statements and key performance indicators of all entities that enter into insurance contracts or investment contracts with discretionary participation features.
The targeted amendments made in July 2020 were intended to facilitate the application of the standard by reducing the implementation costs and making it easier for the entities to explain the results of applying IFRS 17 to the investors and other users of financial statements. The amendments also postponed the effective date of IFRS 17 to 1 January 2023.
Further amendments made in December 2021 added a transition option that allows an entity to apply an optional classification coverage in the comparative period(s) presented upon the initial application of IFRS 17. The classification coverage applies to all financial assets, including those held in relation to non-contractual activities within the scope of IFRS 17. It allows those assets to be classified in the comparative period(s) in a way that is consistent with how the entity expects those assets to be classified on the initial application of IFRS 9. The classification may be applied on an instrument-by-instrument basis.

- **Classification of Liabilities as Current or Non-current – Amendments to IAS 1 – effective date: 1 January 2023**

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as current or non-current depending on the rights that exist at the end of the reporting period. The classification is not affected by the entity's expectations or the events after the reporting date (e.g. revenue from a fluctuation or breach of agreement). The amendments also clarify what is meant in IAS 1 when referring to "settlement" of a liability.
The changes may affect the classification of liabilities, particularly for entities that previously considered the management's intent in determining the classification, and for certain liabilities that can be converted into equity.
They should be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

- **Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) for annual reporting periods beginning on or after 1 January 2023**

IASB amended IAS 1 to require entities to disclose their material accounting policies instead of their significant accounting policies. The amendments define what is "material accounting policy information" and explain how to determine when accounting policy information is material. In addition, they clarify that information immaterial to the accounting policy need not be disclosed. If disclosed, it must not obscure material accounting information.
To support this amendment, IASB also amended IFRS Practice Statement 2 *Making Materiality Judgements* to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- **Definition of Accounting Estimates (Amendments to IAS 8) for annual reporting periods beginning on or after 1 January 2023**

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in the accounting estimates are applied prospectively to future transactions and other future events, while the changes in the accounting policy are generally applied retrospectively to past transactions and other past events as well as to the current period.

- **Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12, for annual periods beginning on or after 1 January 2023**

Amendments to IAS 12 Income Taxes require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. These generally apply to transactions such as leases to lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should apply to transactions that take place on or after the beginning of the earliest comparative period presented. In addition, entities must recognize deferred tax assets (to the extent that they are likely to be used) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences related to:

- assets with right of use and lease obligations, and
- decommissioning, restoration and similar obligations and the corresponding amounts recognized as part of the cost of the related assets.

The cumulative effect of recognizing these adjustments is recognized in retained earnings or another component of equity, as appropriate. IAS 12 previously did not address how to account for the tax effects of leases recognized in the balance sheet and similar transactions and different approaches were considered acceptable. Some entities may already have accounted for such transactions in accordance with the new requirements. These entities will not be affected by the amendments.

- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments of IFRS 10 and IAS 28**

IASB introduced narrow-scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures.
The amendments clarify the accounting treatment of sales or contributions of assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business" (as defined in IFRS 3 Business Combinations).
When the non-monetary assets constitute a business, the investor will recognize the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognized by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments are applied prospectively.
* In December 2015, IASB decided to delay the effective date of this amendment until IASB finalizes its research project on the equity method.

As at the date of approval of these financial statements, *new standards, amendments and interpretations to existing standards have been published but have not entered into force or adopted by the EU for the financial year beginning on 1 January 2022 and have not been applied from an earlier date by the Company*, the Management expects that they will not have a material effect on the Company's financial statements. All standards and amendments will be adopted in the Company's accounting policies for the first period beginning after the date of their entry into force.

2. BASIC PRINCIPLES OF THE ACCOUNTING POLICY

2.1. Interest revenue and expense recognition

Interest revenue and expense are recognized in the statement of profit or loss for all interest bearing assets and liabilities on an accrual basis using the effective interest rate method.

The effective interest rate (EIR) is the size of interest that accurately discounts the estimated future cash flows (including any fees and other margins or deductions) for the expected life of the financial asset to its gross carrying amount and to the amortized cost of the financial liability.

When calculating the effective interest rate, the Bank estimates future cash flows, taking into account all contractual terms of the financial instrument without the future loan losses. The calculation of the effective interest rate includes all commissions received or paid, and discounts or premiums that form an integral part of the effective interest rate.

Interest revenue is calculated by applying the effective interest rate to the gross value of the financial asset, except for impaired assets for which the effective interest rate is applied to the amortized cost of the financial asset.

2.2. Foreign currency transactions

The financial statements are presented in BGN, which is the functional currency for the representations made by the Bank.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising from the translation are recognized in the profit or loss statement.

Cash assets and liabilities denominated in foreign currencies are recognized in the functional currency at the closing exchange rate as at the date of preparation of the statement of financial position. The exchange rate difference arising from monetary positions is the difference between the amortized cost in the functional currency at the beginning of the period, adjusted for the effective interest rate and the payments during the period and the amortized cost in foreign currency converted at the exchange rate as at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies, which are carried at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are carried at fair value are converted into the reporting currency at the exchange rate valid as at the date of initial acquisition and at the exchange rate as at which the fair value has been determined.

2.3. Fee and commission revenues and expenses

Fee and commission revenues consist mainly of money transfer fees in BGN and in foreign currency, cash transactions, electronic payment services and credit facilities, and in general are recognized upon accrual or on the date of the transaction.

Fee and commission revenues and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Fee and commission revenues and expenses on financial services of the Bank are recognized through profit or loss when the relevant service has been performed.

2.4. Financial instruments

IFRS 9 Financial Instruments entered into force on 1 January 2018, replacing IAS 39 Financial Instruments: Recognition and Measurement.

2.4.1 Classification of financial assets

IFRS 9 introduces a new approach to the financial assets based on the combination of the asset cash flow characteristics and the business model used for their management.

As of 1 January 2018, the Bank classifies and reports its financial assets in any of the following categories, which replaced the IAS 39 classification categories previously applied:

- Financial assets measured at amortized cost
- Financial assets measured at fair value through other comprehensive income
- Financial assets measured at fair value through profit or loss

2.4.2. Impairment of financial assets

Investbank JSC uses the general, three-level impairment approach that reflects the change in the credit quality of the financial instruments since its initial recognition. The amount of the expected credit losses recognized as an allowance for impairment depends on the credit risk of the instrument on its initial recognition and on the change in the credit risk in the subsequent reporting periods.

The analysis of the changes in the credit quality of the financial assets compared to their initial recording determines their risk classification in three main phases as well as the subsequent recognition of impairment:

- Phase 1 (regular exposures) – classifies financial assets without indication of an increase in credit risk compared to the initial measurement. All credit exposures at this stage are in progress, there is no event directly related to possible portfolio losses and therefore the Bank depreciates assets on a portfolio (collective) basis. The Bank recognizes 12-month expected credit losses for Phase 1 classified financial assets.
- Phase 2 - Impairments are calculated on the basis of the expected credit losses over the entire life of the instrument, weighed against the likelihood of default.

The impairment is on a portfolio (collective) basis (events have occurred that could lead to possible portfolio losses). The transition from Phase 1 to Phase 2 is associated with a relative change in credit risk (transition from low risk to high risk) or where the delay in the agreed payments exceeds 30 days.

- Phase 3 – classifies financial assets with a significant increase in credit risk and objective evidence of impairment / basis for incurring losses (defaulted exposures). Impairments are calculated on the basis of expected credit losses for the remaining life of the instrument on an individual basis. In this phase, assets with objective evidence of credit impairment are classified, with credit losses expected for each asset, interest and/or principal overdue for more than 90 days, and/or enforcement legal action taken to collect the amounts due. The exposures are non-performing and the Bank considers that it is unlikely that the debtor will fully repay its obligations without taking steps to enforced collateral.

2.4.3. Estimation of expected credit losses

Credit losses are considered an integral part of the lending process, which is why, depending on the borrower's credit quality, the Bank calculates and accrues impairment for credit risk even when the financial instrument is initially recognized. The expected credit losses should have a direct impact on the value of the agreed interest rate process, i.e. there is a direct dependence on pricing.

The estimation of the expected credit loss and the calculation of impairment losses on loans is made on the basis of the Bank's Policy for assessment of risk provisions and determining the amount of the impairment required.

2.4.4. Write-off of financial instruments

Write-off of financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the contractual rights over the cash flows from the financial asset have expired; or
- the contractual rights to receive cash flows from the financial asset are transferred, or the contractual rights to receive cash flows from the financial asset have been retained, but a contractual obligation has been assumed to pay all the collected cash flows, without significant delay, to a third party in a transfer transaction whereby:

(a) The Bank has substantially transferred all the risks and benefits of the ownership of the financial asset, or

(b) The Bank has neither transferred nor retained substantially all the risks and benefits of the ownership of the financial asset, but is has retained the control over it.

Write-off of financial liabilities

The Bank derecognizes a financial liability when and only when it is repaid; i.e. when:

- the liability is settled
- the liability period has expired
- the liability specified in the contract has been cancelled or removed

The difference, at the time of the write-off, between the carrying amount of the financial liability settled or transferred to another party and the consideration paid for the settlement, including non-monetary assets and liabilities transferred and assumed, is recognized in the current profit or loss.

The accounting treatment of financial liabilities remains largely unchanged from that required by IAS 39 and the Bank has not changed its classification of financial liabilities to date.

2.5. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash deposited with the Central Bank and receivables form banks with original maturities of three months or less.

2.6. Financial lease receivables

A lease contract is considered to be a finance lease when substantially all of the risks and rewards incidental to ownership of the leased asset are transferred from the lessor to the lessee by the agreement. Typical indicators that the Bank assesses when determining whether substantially all of the risks and rewards are transferred include: the present value of the minimum lease payments that the lessee is required to make in relation to the fair value of the leased asset at the inception of the lease; the duration of the lease in relation to the economic life of the leased asset; and whether the lessee will obtain title of ownership over the leased asset at the end of the finance lease period.

All other lease agreements whereby the risks and rewards incidental to ownership of the leased asset are not transferred from the lessor to the lessee, are classified as operating lease agreements.

2.7. Securities borrowing and lending agreements, repurchase transactions

Investments lent under securities lending arrangements are recognized in the statement of financial position and are measured in accordance with the accounting policy applied for assets held for trading or assets available for sale, as appropriate. Cash collateral received in respect of securities lent is recognized as liabilities to banks or other customers. Investments borrowed under securities borrowing agreements are not recognized as Bank's assets. Cash collateral placements in respect of securities borrowed are recognized as loans and advances to banks or other customers. Revenues and expenses arising from the securities borrowing and lending transactions are recognized on an accrual basis over the period of the transactions and are included in interest revenue or expense. The retained amount paid by the customer, excluding VAT, is recognized as revenue from rent.

Repurchase agreements

The Bank enters into purchases/(sales) of investments under sell/buy-back agreements substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to sell them back at a future date are not recognized in the statement of financial position.

The amounts paid are reported as loans to banks or other customers. The receivables are recognized as collateralized by the underlying security. Investments sold under buy-back agreements continue to be recognized in the statement of financial position and are measured in accordance with the accounting policy applied as assets held for trading or assets available for sale, as appropriate. The proceeds from the sale of the investments are reported as liabilities to banks or other customers.

2.8. Borrowed funds

Deposits from banks, customers and subordinated liabilities are financial instruments representing Bank's borrowed funds, payable on demand or after a fixed period and bearing agreed interest and are recorded in the statement of financial position at their depreciated cost after applying the effective interest rate method.

2.9. Investment property

The Bank holds investment property either to earn rental income or for capital gains. Investment property is measured at its acquisition cost. Transaction costs are included in the initial measurement. Upon the initial recognition, investment property is remeasured using the fair value model. The change in the fair value is recognized in profit or loss in the period in which it occurs. The fair value of the assets classified as investment property is determined by independent external valuers with recognized professional qualifications and experience.

2.10. Property, plant and equipment

Property, plant and equipment are presented in the statement of financial position at their acquisition cost less the accumulated depreciation.

Depreciation is accrued on a straight line basis at prescribed rates designed to fully derecognize the cost of the assets over their expected useful lives. The following are the annual depreciation rates used:

Assets	%
▪ Buildings	4%
▪ Plant and equipment	10% to 50%
▪ Computer, related peripheral equipment and mobiles	15%-30%-50%
▪ Fixtures and fittings	15%
▪ Transport means	25%
▪ Repairs of leased assets	10% to 50%
▪ Other assets	10%-15%-30%

Assets with right of use are depreciated according to the term of the lease contract.
In 2021 a change in the applied accounting policy was made as the capitalized expenses on repair of leased assets are reclassified from intangible assets to the group of property, plant and equipment.

2.11. Intangible assets

The intangible assets acquired by the Bank are reported at their acquisition cost less the accumulated depreciation. Amortization is calculated on a straight-line basis over the expected useful life of the asset.

2.12. Assets acquired from loan collateral

The classification of loan collateral assets acquired by the Bank is based on the intentions of the Bank's management for the future benefits of the asset. The decision on classification/reclassification of assets acquired from loan collateral is made by the Bank's Management.

Depending on their purpose, the assets acquired as loan collateral are classified as follows:

- **Investment property** - assets for rental revenues or capital gains;
- **Inventories** - presented in the balance sheet item "Other assets". This category includes assets acquired from loan collateral that the Bank will not use in its ordinary course of business and are not investment property held for sale within a period of more than 12 months.
- **Non-current assets held for sale** - the Bank recognizes in this group only property for which the Management has started an intensive search for a buyer and the negotiations for sale are in an advanced phase

Non-current assets held for sale are measured at the lower of the carrying amount and the fair value less the selling costs.

Assets classified as non-current assets held for sale are not subject to depreciation.

- **Property, plant and equipment** - assets that the Bank believes will be used in its ordinary course of business.

The Bank remeasures the assets acquired from loan collateral at least once annually based on the market valuation prepared by an independent licensed appraiser. Change in classification - reclassification is made when there is a change in the use of the asset.

2.13. Taxation

The profit tax for the period includes current and deferred taxes. Current tax comprises tax payable calculated on the basis of the expected taxable profit for the period, using the effective tax rate or the tax rate applicable on the date of the statement of the financial position, and any adjustment of the tax payable for previous years.

Deferred tax assets

Deferred tax is calculated on the basis of the tax rates that are expected to apply for the periods when the asset is realized or the liability is settled. The effect of any changes in tax rates on the deferred tax is reported in the statement of profit or loss, except to the extent that it relates to items previously charged or credited directly to the equity.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The carrying amount of the deferred tax assets is reviewed at each subsequent reporting / balance sheet date and should be reduced to the extent that it is probable that sufficient taxable profit will be realized. Any such reduction is reversed to the extent that it again becomes probable that sufficient taxable profit will be available.

In order to calculate the amount of deferred taxes as at 31 December 2021, the Bank uses the tax rate applicable for year 2022- 10% (year 2021: 10%).

2.14. Personnel revenues

Defined benefit plans for post-employment benefits are plans where:

- The Bank is obliged to provide the agreed benefit to current and future employees (staff);
- The pension (retirement benefit) is based on a formula that is not based solely on the contributions made, and the Bank retains the risk that these contributions may not be sufficient to pay the pensions thereafter (cost of income = present value of earned income entitlement)). Complex calculations are required, with influence of multiple variables factors such as pre-retirement and average pay levels, etc.;
- The statistical actuarial investment risk (that the earnings will cost more than expected) is essentially borne by the Bank;
- The ultimate cost to the Bank as an employer is more difficult to predict.

The Bank has the obligation to pay certain amounts to each employee who retires with the Bank in accordance with the requirements of the Labour Code.

Termination benefits

Termination benefits are recognized as an expense when the Bank is committed demonstrably, without realistic possibility to withdrawal, to a formal detailed plant to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized if the Bank has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Short-Term Employee Remunerations

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The Bank recognizes as an obligation the undiscounted amount of the estimated annual leave expense, expected to be paid out to employees in return of their service for current reporting period.

3. DISCLOSURE OF RISK MANAGEMENT POLICY

Introduction and overview

Investbank JSC aims to implement the best practices related to corporate governance, taking into account and complying with the legal and regulatory requirements of Basel Committee on Banking Supervision, European Banking Authority, European Central Bank, Bulgarian National Bank and all decisions of other competent authorities responsible for the supervision of the Bank.

Risk management is based on a Risk Management Strategy that defines the Bank's target risk profile and risk appetite, i.e. the overall level of risk that the Bank is able to absorb within its risk-bearing capacity. The purpose is to limit the risk taken so that both the short-term and the long-term future of the Bank are not jeopardized. This is achieved by maintaining sustainable levels of risk coverage from a regulatory and economic point if view. Furthermore, the Strategy clearly defines the risk structure that is relevant to the business model and determines rules to address any 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 Management Rules (Limit Framework).

Investbank JSC manages its risk exposures in accordance with the regulatory requirements for capital adequacy. The capital and capital components must be maintained in accordance with the minimum required ratios in accordance with Regulation (EU) No 575/2013 and the additionally calculated capital requirements in the framework of the Internal Capital Adequacy Analysis (ICAA) so that to:

- comply with the regulatory requirements for adequacy within the normal course of business;
- provide sufficient capital buffer to handle stress conditions without compromising business continuity;
- limit the development of extremely high concentrations of credit or other types of risk.

In all areas of occurrence and manifestation of risks, Investbank JSC uses effective means for their management. The methods, organizational rules and information systems used make it possible to identify risks in a timely manner and to implement adequate measures to limit them, including early identification of the significant risks to which the Bank is exposed.

Risk organization and management

The risk management organization in Investbank JSC ensures the existence of clear and precise responsibilities, effective division of functions and protection against conflicts of interest at all levels, including at the level of Management Board, senior management, as well as at the level of customers and shareholders.

In order to carry out adequate risk management, the Bank has established and operates the following management bodies (in compliance with Guidelines of EBA/GL/2017 of 21 March 2018), which are related to the processes of provision, monitoring, evaluation / measurement and control of risk and whose decisions affect the level of risk:

The Supervisory Board of Investbank JSC 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.

The 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.

The executive directors organize the work on the overall implementation of the adopted strategy and exercise direct control over the compliance with the accepted limits for the activities for which they are responsible; make decisions for personnel, material-technical, procedural-methodical, software and other provision of the risk management activities in the Bank; create optimal conditions for raising the qualification of the employees.

The Risk Management Board assigns the preparation and adopts the Risk Management Strategy, the Risk Management Policy and the Bank's Lending Policy. It exercises ongoing control on the Bank's capital adequacy and strictly supervises the application of the Financial Instruments Assessment Policy using the established principles for reporting financial assets, in accordance with IFRS 9. It performs a periodic review of risk exposures and the amount of provisions formed in accordance with the methodological framework for recognizing losses on credit exposures. It offers solutions related to the management of the quality of risk exposures, and in the case of established deviations or breaches of the approved limits, proposes specific measures for their elimination.

The Assets and Liabilities Management Committee is a collective, permanent body supporting the operation of the Management Board. It is responsible for the management and control of liquidity in compliance with the current regulatory and internal policies and rules for liquidity management in Investbank JSC and performs constant analysis of the 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. It approves changes in the Tariff for the conditions, interest rates, fees and commissions of the Bank and the interest rate policy, including interest conditions on deposit, payment and credit products.

The Internal Audit function, which reports directly to the Supervisory Board, complements the risk management structure, acting as an independent control level, focusing on the effectiveness of the risk management structure and the control environment. The Audit Committee is a specialized supervisory body which operates on behalf of the shareholders independently of the Bank’s Management Board and the Supervisory Board. It is elected by and reports to the General Meeting of Shareholders and performs its functions in compliance with the relevant regulatory requirements. Its main role is to monitor 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.

Risk Management Policy

The Risk Management Policy of Investbank JSC regulates the main framework of the risk management activity and is consistent with the effective regulatory and legal requirements, aiming at achieving an optimal “return/risk” ratio and preservation of the share capital. The Bank pursues a unified and coherent risk management policy, which is consistent with its size and complies with the approved development strategy in order to meet the objectives set in the business plan. The Bank's risk management strategy is, in essence, an instrument of senior management that ensures the control, monitoring and mitigation of risks inherent in the ordinary course of banking business in order to ensure adequate governance in relation to the Bank's objectives. Risk management is a process in which the development of existing risks is investigated, analysed and monitored, in order to avoid them or to reduce the negative effect of their possible occurrence.

Investbank JSC's risk management policy is aimed to identify, analyse, measure and control the risks to which the Bank is exposed. It is based on the core principles for effective banking supervision of the Basel Committee on Banking Supervision, the BNB's regulatory requirements, and the internal banking regulatory framework. The activities for risk identifying, monitoring, managing and limiting their 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 - through daily, weekly, monthly and quarterly risk-related reports.

Principles and goals 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 management of the most essential risk for Investbank JSC - the credit risk - 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.
- limiting the possibility of large, unexpected, unpredictable losses, as well as the concentration of the risk borne by the Bank, application of clearly defined 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.

Investbank JSC is exposed to the following types of risk as a result of its transactions in financial instruments:

- Credit risk;
- Market risk;
- Liquidity risk;
- Operational risk.

The various types of risk are managed and controlled by the Bank's specialized units in compliance with the internal regulations for risk management and the effective legislation of the Republic of Bulgaria, thus all aspects of risk are adequately covered, monitored and controlled.

The credit risk management aims to preserve the share capital and achieve a return relevant to the risk profile, based on the adopted lending policy, rules for competences and workflow organization with respect to loan transactions, rules of credit risk concentration management, credit risk monitoring system and limits framework, collateral policy and problem loan exposure management and ongoing monitoring rules. The credit process in the Bank is based on the division of responsibilities between the business process and the credit risk management functions. To reduce the risk, the Bank requires collateral and applies appropriate risk mitigation techniques and adheres to the approved credit risk limits. The Bank's lending operations are subject to relevant rules and procedures approved by the relevant competent authorities which ensure coverage, monitoring and control of all aspects of credit risk. The Bank supports all economic sectors in Bulgaria, but in order to diversify the risk, the credit exposure to any economic sector/industry may not exceed the set limit/percentage of the total exposure of the corporate segment (this does not include the corporate securities portfolio), which is duly defined in the "Limit Framework" to the Concentration Risk Rules.

Basic principles by which Investbank JSC is guided in its operations:

- establishing and applying strict lending procedures;
- maintaining a proper loan administration;
- constant process of credit risk monitoring, measuring and controlling.

Due to the inherent risks of lending process in general, the Bank has developed procedures for ongoing analysis and monitoring of the quality of credit exposures. A system of limitations that defines thresholds by size, products (in the retail segment), by economic sectors (in the corporate segment) or a selected risk indicator has been developed and implemented in order to maintain the credit risk within reasonable limits and to ensure the balance of risk, profitability, impairment losses and liquidity. For credit risk assessment, models are applied to assess the creditworthiness of individuals (scoring system) and legal entities (rating system) by determining the internal rating of borrowers.

Basic principles in credit risk management in Investbank JSC:

- credit risk-taking (including any extension or substantial change in terms, collateral or clauses leading to an increase in credit risk) requires the approval of the relevant persons / bodies with delegated powers to take credit decisions;
- double control ("four eyes" principle) is applied when approving all credit transactions without exception. It is subject to the approval of the business unit and the risk unit;
- "No risk without limit” - the conclusion of a new transaction without an approved limit is not allowed;
- taking credit risk within the set limits only;
- credit decisions are always based on credit offers / requests;
- non-admission of credit limit approval without scoring / rating;
- continuous management of credit risks and periodic /at least annually/ review of credit limits and ratings of borrowers;

The primary objective of **liquidity risk management** is to ensure that the Bank can meet in a timely manner its payables (commitments) at a reasonable price and with minimal risk. Liquidity risk management is based on defining and monitoring funding ratios, maturity mismatches, composition and amount of liquidity buffers, internal pricing, including direct and indirect liquidity-related expenses, and analysis of the results of the quarterly liquidity stress tests and liquidity ratios under Regulation 575 (LCR &

NSFR). Prudent liquidity risk management and appropriate control are important for the effective management of the Bank. The main goal of the Bank is to maintain a stable liquidity position and to be able to implement all its liabilities at a reasonable price, even in adverse market conditions. Sufficient liquidity access should be maintained at all times (LDP - liquidity potential) in order to ensure that Investbank can service its debt and refinance at any time. Liquidity Coverage Potential quantifies the amount and timing for possible liquid fund-raising, thus measuring the ability of the Bank to cover the traditional liquidity risk. The focus of the liquidity risk management is to prevent liquidity shortages. In the event of a shortage, liquidity shall have priority over return in the hierarchy of objectives. An additional objective is to maintain at all times the required supervisory liquidity ratios. The Bank uses a Recovery Plan developed and approved by the Management Board / Supervisory Board (pursuant to the Credit Institutions Act, Art. 6 of the Recovery and Resolution of Credit Institutions and Investment Firms Act, and Art. 25 of BNB Ordinance No.7 on risk organization and management in banks), which analyses the impact of adverse events that may severely affect the financial condition of the Bank, including crises affecting the entire financial market or the Bank, and/or the corporate structure to which it belongs. This plan identifies the sources of liquid funds and the sequence of actions to be followed, notes the factors that affect the liquidity of the Bank and identifies the functions of all managers and employees involved in the process of using/attracting liquidity in a liquidity crisis and is subject to regular review and update.

The Assets and Liabilities Committee (ALCO) is the main responsible body with powers to implement the strategic management of assets and liabilities in order to effectively manage the Bank's liquidity risk, as well as to ensure regular and timely settlement of current and future liabilities both in normal situations and in crisis situations. The ALCO regularly reviews liquid assets and buffers, sources and consumers of liquidity and liquidity forecasts, the deposit base and external financing, the price of the resource, as well as local and international markets and macroeconomic forecasts. In addition, it has the authority to take all necessary decisions on interest rate policy, liquidity, asset and liability management, and to set targets for potential external financing.

Liquidity risk measurement includes risk assessment under normal market conditions and under stress conditions. The results of the conducted stress scenarios play an important role in the development of the liquidity crisis action plans and analyse the adequacy of the Bank's liquidity to address crisis situations (e.g. in case of significant outflow of deposits) and assess the available liquidity buffer. In preparing stress test scenarios, the Bank applies a conservative approach to assumptions, taking into account not only the historical events but also hypotheses based on expert assessment with factors reflecting future market conditions, as well as idiosyncratic ones. The results are presented to the Bank's management and are part of the overall liquidity management strategy.

Market risk management – the internal rules define the basic principles in the risk management process and cover:

- goals and principles of market risk management;
- approaches for identification, measurement, analysis, minimization, determination of acceptable levels / limits for market risk, monitoring and control;
- distribution of responsibilities between the units and bodies in the Bank in the management of market risk;
- provision of information security, reporting and other information in connection with market risk management;
- procedure for monitoring and control in market risk management;
- disclosure of market risk management information.

The main goal in market risk management is to maintain the risks assumed by the Bank at a level that is in line with the strategic goals / plan of the Bank, ensuring maximum security of assets while minimizing possible losses, observing the principle of maximum and timely notification to the management in managing and achieving the strategic goals / plan of Investbank JSC.

The operational management of market risk is carried out by the Assets and Liabilities Committee (ALCO) that implements the policy adopted by the Bank. To manage and limit the level of market risk, the Bank applies a system of acceptable levels/limits subject to adoption by the ALCO and approval by the Management Board of the Bank. The system for allocation of responsibilities and decision-making ensures the market risk management, providing it with the necessary flexibility combined with clarity of responsibilities at all levels of management in the Bank. 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. The control on the compliance with the established rules and procedures for market risk management is carried out within the internal control system established in the Bank and is based on the principles of comprehensiveness of internal control and coverage with control procedures at all levels in the Bank's organizational structure. 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. 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.

The Bank is exposed to the following main types of market risk: interest rate risk; foreign currency risk; price risk (risk of changes in the price of equity instruments). 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.

Interest rate risk is the current or potential risk to income and equity arising from a change in the volatility of interest rates/interest rate derivatives, the shape of the yield curve and the spread between interest rates. The main internal instrument used to measure, monitor, report and manage the Bank's exposure to interest rate risk is the "GAP Interest Rate Report", which is based on the requirements of the EBA Guidelines (EBA/GL/2018/02 "Guidelines on the Management of Interest Rate Risk Resulting from Activities Outside the Trading Portfolio", conducting regular stress tests to assess the impact of potential interest rate changes on the Bank's profit and economic value.

Foreign currency risk is the current or potential risk to income and equity arising from adverse movements in spot and forward exchange rates in the banking and trading portfolios. The Bank's open foreign currency positions are monitored on a daily basis. Investbank JSC calculates a capital requirement for foreign currency risk arising from positions in the banking and trading portfolios using the standardized approach described in Chapter Three (in compliance with Art. 351-354) of Regulation (EU) 575/2013. In order to limit the risk and to preserve the equity, the Bank sets a limit for the total net open foreign currency position which should not exceed ± 2% of its equity.

Price risk is the risk of loss as a result of adverse changes in market prices of securities and derivative financial instruments under the influence of factors related to both general fluctuations in market prices of financial instruments and the issuers of securities and instruments. The measurement of price risk is performed according to the foreign currency denomination of the securities and instruments.

Operational risk management - this is the risk of loss as a result of inadequate or malfunctioning internal processes, people or systems, as well as external events. The operational risk includes legal risk. The established system of internal rules regulates the principles, methods and organization of the activities that ensure the effective management of the operational risk in Investbank JSC. The main focus is on recognizing the operational risks in time and mitigate their effects, as well as on preventing their recurrence in the future, while increasing the rate of voluntary reporting of occurring operational risk related events. The specialized internal body of the Bank in the field of operational risk management and control is the Risk Management Board.

The process of operational risk management involves the simultaneous operation of the following main components:

- Methods and tools used to identify and manage operational risks;
- Mechanisms for limiting, eliminating and preventing identified operational risks and losses;
- Operational risk management network with clearly defined risk management tasks and responsibility structure;
- Operational risk reports providing information to the Management, the shareholders and the supervisory authority;

The Management Board determines the risk management framework, periodically reviews and changes it in accordance with the changes in its risk profile.

➢ ***(a) Credit risk***

Nature of credit risk – it is the potential risk for revenue and capital arising from the inability of the counterparty to a financial transaction to implement its contractual obligations in due time and in full volume. The significant risk subtypes in this case are:

- ✓ Counterparty risk – the inability or unwillingness of the customer / counterparty to settle its liabilities to the Bank in full volume on the agreed date;
- ✓ Concentration risk – consequence of poor diversification of portfolios by sector, industry, size or other risk indicators. Consequence of the existence of large exposures to related parties or a group of counterparties with similar characteristics whose probability of default is due to common factors – sector, market, suppliers, customers, etc.;
- ✓ Settlement risk – this is the risk that a third party may not be able to meet its obligations on the agreed date or make a payment later than that date for reasons other than bankruptcy;
- ✓ Risk of collateral – results from the type of the collateral received, the degree of liquidity, the volatility of its value, and the control exercised over it.

Occurrence of credit risk – the performance of lending and investment activities, in which actual, potential or future receivables are formed in respect of business partners, borrowers or debtors.

The table below summarizes the credit risk exposure:

Minimum credit risk exposure	**Loans and receivables from other customers, including net investments in finance lease**		**Loans and receivables from banks, including the Central Bank**		**Investment in securities carried at fair value**		**Off-balance sheet commitments**	
In BGN '000	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**
Carrying amount	1,048,725	929,592	616,425	568,290	49,310	423,206	96,914	103,779
Contingent liabilities	152,943	164,258						
Total:	**1,201,668**	**1,093,850**	**616,425**	**568,290**	**49,310**	**423,206**	**96,914**	**103,779**

Credit risk is the main risk to which the Bank is exposed and covers 93.5% (for year 2021: 92.7%) of the total amount of risk exposures (RPE) as at 31 December 2022. The main volume of counterparty credit risk occurs with the Bank's business customers, while the volume of counterparty risk from operations with banking and non-banking financial institutions is relatively limited.

Credit risk measurement

Credit risk is measured by determining the creditworthiness of counterparties on the basis of financial quantitative and qualitative indicators by credit risk analysts possessing the necessary professional qualifications and experience to evaluate and measure credit risk.

Since 1 January 2018 Investbank JSC has reported its financial assets in accordance with the requirements of International Financial Reporting Standard (IFRS) 9 - Financial Instruments (Regulation (EU) 2016/2067 of the European Commission). Risk exposures are measured at their occurrence, and the provisioning is based on a model of expected credit losses and is forward-looking, unlike IAS 39 Financial Instruments, where recognition and measurement was based on a loss-incurred model.

Initial recognition - the Bank presents a financial asset in its statement of financial position when it becomes a party to the contractual terms of this instrument. On initial recognition, the Liquidity and Investment Services Directorate classifies investments in debt or equity financial instruments (bonds and shares) and the Risk Control, Credit Risk Management and Sales and Coordination of Branch Network Directorates for loans and receivables based on two conditions:

(a) the business model (approach) selected by the Bank for managing the financial asset.

(b) the characteristics of the contractual cash flows of the financial asset.

The financial asset is measured at amortized cost if the instrument is held to maturity for the purpose of obtaining the contractual cash flows, which are only principal payments and interest on the outstanding principal amount - determined by the cash flow test (solely payments of principal and interest (SPPI) test). In order to perform the test, cash flows must include the time value of money (consideration for past time only), credit and/or liquidity risk allowance, expense allowance and profit margin. The sale of assets held for the purpose of collecting contractual cash flows aimed at managing credit risk concentration without increasing credit risk are compatible with the business model if sales are infrequent and their value is not significant.

A financial asset is measured at fair value through other comprehensive income if the business model is aimed to collect both contractual cash flows and sales of financial assets. According to the contractual terms of the financial asset at specific dates cash flows arise, which are only principal payments and interest on the outstanding amount of the principal. The purpose of this business model is to manage day-to-day liquidity needs and maintain interest yields. With this business model, sales of financial assets are expected to occur more frequently and with greater value.

A financial asset is measured at fair value through profit or loss if it is not held within the above two business models. Active sale and purchase of assets from this portfolio is expected. The management of a financial instrument is for the purpose of realizing cash flows from the sale of assets, not the collection of the contractual cash flows.

Investbank JSC measures its financial assets (investments in equity instruments) at fair value. For investments held for trading, the gain or loss on the change in fair value is recognized in the statement of profit or loss (SPL), and all other investments in equity instruments are presented in other comprehensive income (OCI).

Approach for impairment of financial assets – Investbank JSC uses the general, three-level impairment approach that reflects the change in the credit quality of the financial instruments since its initial recognition. The amount of the expected credit losses recognized as an allowance for impairment depends on the credit risk of the instrument on its initial recognition and on the change in the credit risk in the subsequent reporting periods.

All financial assets are categorized into three phases (stages) that take into account credit risk deterioration, with provided specific requirements for each stage, according to which at each reporting date estimation is made about the phase to which the respective asset relates. In determining the amount of credit losses, the value of money over time is taken into account using the effective interest rate determined at the initial recognition of the instrument.

Investbank JSC deployed a system for assessing the creditworthiness of the customers, including the Scoring System for Natural Persons and the Rating System for Legal Entities. In addition, a subsystem for credit risk assessment and expected credit losses has been developed in accordance with IFRS 9 Financial Instruments.

The credit risk assessment for legal entities is obtained on the basis of a set of indicators, divided into three main groups (financial risk, business risk and general risk), participating with different weightings in the overall final rating, which forms the customer's rating. The scale applied by the Bank is with 7+1 stages in accordance with Regulation 575.

The credit risk assessment for individuals is the customer's assessment prepared on the basis of the risk profile and the compliance of the credit transaction with the standard product parameters. A set of criteria, each of which has a digital score, is applied to determine the risk and prepare the customer's profile, the sum of which forms the overall score of the customer

For the purposes of fully implementing the requirements of IFRS 9 for the calculation of provisions on credit exposures from the end of March 2022, the Bank upgraded the applied methodology by introducing the Point in Time model. All calculations and analyses include the expectations of the Bank's Management for the future development of the macroeconomic context. Based on selected macro indicators that have been observed and projected, predictive models have been developed and calibrated for the two analysed portfolios (corporate and retail), for which three macro scenarios - Optimistic, Basic and Conservative - are prepared and Point-in-Time multipliers are calculated for 4 periods (separate for corporate and retail) based on which impairments are charged on credit exposures.

The internal rules and procedures developed and applied for the organization of the different types of activities and the responsibilities, powers, control and security mechanisms defined make sure that the risks underlying the banking activity are securely mitigated. Credit risk assumption is based on a centralized approach based on credit proposals and opinions when approving each transaction.

The amounts shown in the table below (loans and advances to customers) represent the maximum accounting loss that would be recognized as at the date of the financial statements if counterparties failed completely to perform their contractual obligations.

Loan portfolio structure, excluding financial lease transactions

In BGN '000	**Amount before impairment**		**Impairment**		**Carrying amount**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Individually impaired						
Phase 3	138,973	109,704	21,662	21,083	117,311	88,621
Total individually impaired	138,973	109,704	21,662	21,083	117,311	88,621
Collectively impaired						
Phase 1	282,180	261,158	388	683	281,792	260,475
Phase 2	4,050	4,681	45	99	4,005	4,582
Total collectively impaired	**286,230**	**265,839**	**433**	**782**	**285,797**	**265,057**
Overdue, but not impaired						
Phase 1	13,380	29,377			13,380	29,377
Phase 2	2,284	35,597			2,284	35,597
Total overdue, unimpaired	**15,664**	**64,974**			**15,664**	**64,974**
Individually unimpaired						
Phase 1	626,370	506,139			626,370	506,139
Phase 2	719	4,801			719	4,801
Total individually unimpaired	**627,089**	**510,940**			**627,089**	**510,940**
Total	**1,067,956**	**951,457**	**22,095**	**21,865**	**1,045,861**	**929,592**

Structure of financial lease transactions

In BGN '000	**Amount before impairment**		**Impairment**		**Carrying amount**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Individually impaired						
Phase 3	786	2,076	240	250	546	1,826
Total individually impaired	786	2,076	240	250	546	1,826
Overdue, but not impaired						
Phase 1	0	0	0	0	0	0
Total overdue, but not impaired	**0**	**0**	**0**	**0**	**0**	**0**
Individually unimpaired						
Phase 1	2,318	1,783	0	0	2,318	1,783
Total individually unimpaired	**1,856**	**1,783**	**0**	**0**	**2,318**	**1,783**
Total	**3,104**	**3,859**	**240**	**250**	**2,864**	**3,609**

The table below shows the gross amount of total loans and advances to customers extended by type of collateral:

Types of collateral on loans and lease

Type of collateral	Classified exposures		Regular and unimpaired	
	2022	**2021**	**2022**	**2021**
Mortgage	52,857	63,988	122,062	124,711
Cash deposits and government securities	52,456	61,589	674,045	571,888
Other collateral*	46,286	48,655	70,751	77,196
Unsecured	3,826	2,523	48,777	4,766
Total	**155,425**	**176,755**	**915,635**	**778,561**

*Bulgarian Export Insurance Agency insurance, pledge on receivables, pledge on assets and guarantees.

The table below shows the ***fair value of all collaterals provided to the Bank, divided into groups depending on the risk exposures:***

	2022	**2021**
Individually impaired		
Qualifying collateral	243,626	198,663
Other collateral	547,999	451,425
Collectively impaired		
Qualifying collateral	161,849	149,148
Other collateral	1,582,828	1,449,862
Overdue, but not impaired		
Qualifying collateral	36,947	127,280
Other collateral	46,713	201,010
Not impaired individually /Regular/		
Qualifying collateral	1,192,602	876,568
Other collateral	4,063,181	3,442,842

3. DISCLOSURE OF RISK MANAGEMENT POLICY, CONTINUED

(a) Credit risk, continued

Residential mortgage lending

The table below shows the loan exposure of mortgages to individuals in accordance with the Loan-to-value ratio (LTV). LTV is calculated as a ratio between the gross loan value and the market value of the collateral. The collateral assessment is exclusive of future expenses for the acquisition and realization of the collateral.

In BGN '000	**31 December 2022**	**31 December 2021**
Loan to value (LTV) based on the market value		
LTV ≤ 50 %	77,688	78,781
50 % < LTV ≤ 70 %	6,153	5,576
70 % < LTV ≤ 90 %	1,494	612
90 % < LTV ≤ 100 %	744	1,202
100 % > LTV	312	537
Total	**86,391**	**86,708**

The table below shows the concentration of risk exposure by economic sectors (excluding individuals on housing mortgages and consumer loans):

Economic sector under Classification of Economic Activities (CEA)	**31/12/2022 credit exposure**	**31/12/2022 relative share**	**31/12/2021 credit exposure**	**31/12/2021 relative share**
Agriculture, forestry and fishing	45,366	4.76%	1,427	0.17%
Extractive industry	19	0.00%	195	0.02%
Processing industry	33,977	3.56%	34,473	4.12%
Production and distribution of electricity and heat energy and gas fuels	914	0.10%	1,004	0.12%
Water supply, sewerage, waste management and recycling	12,931	1.36%	7,795	0.93%
Construction	8,853	0.93%	9,401	1.12%
Trade; repair of cars and motorcycles	280	0.03%	280	0.03%
Transport; warehousing and postal services	62,393	6.54%	69,840	8.36%
Accommodation and food service activities	74,218	7.78%	75,224	9.00%
Creation and distribution of information and creative products; telecommunications	190,712	20.00%	155,984	18.66%
Financial and insurance activities	8,129	0.85%	5,448	0.65%
Real estate operations	72,563	7.61%	84,298	10.09%
Professional, scientific and technical activities	109,590	11.49%	92,056	11.01%
Administrative and support activities	275	0.03%	356	0.04%
General government	32,689	3.43%	35,541	4.25%
Education	137,731	14.44%	151,219	18.09%
Health and social work	54,505	5.72%	17,849	2.14%
Culture, sport and entertainment	60,003	6.29%	46,970	5.62%
Other activities	48,386	5.07%	46,491	5.56%
Total for the Bank	**953,534**	**100.00%**	**835,851**	**100.00%**

The Bank introduces internal limits by industries in order to control the concentration in a specific industry. The approval of new credit limits is suspended for all industries that have reached or exceeded the specified risk thresholds. Exceptions are allowed only after approval by the Management Board. In order to prevent the limits being exceeded, the Bank controls the absorption of the limits through a clearly defined process, including monthly control and monitoring of the industry limits. The report is submitted to the Risk Management Board (RMB) and the information on the free limit is sent to the Business Units.

The implementation of Art. 45 of the Credit Institutions Act, in conjunction with Art. 392 of Regulation (EU) No 575/2013 requires the Bank to observe the legal restrictions in relation to decision-making for large exposures (exposures equal to or exceeding 10% of the Bank's capital basis) formed to one person or economically related persons. Business and Risk units involved in the proposal and acceptance of exposures are responsible to monitor the compliance with the legal limits concerning large exposures, their formation and accountability.

The Bank carefully monitors and manages the sovereign debt credit risk which leads to a good overall quality of the government securities portfolio. In 2020, the government securities portfolio is well diversified both in terms of maturity structure and regionally. The majority of issuers are central governments of EU member-states.

The table below shows the carrying amount of the portfolio by country as at 31 December 2022 and 31 December 2021.

In BGN '000	Bulgaria	Germany	Spain	Italy	Luxembourg	Ireland	USA	France	Finland	Slovenia	Poland	Total
31 Dec 2022												
Trading portfolio*	414											414
Investment portfolio												
-at fair value	392,224	19,414	59,521	28,307	9,318	19,391	35,552	60,900	3,658	12,600	37,572	678,457
Total	**392,638**	**19,414**	**59,521**	**28,307**	**9,318**	**19,391**	**35,552**	**60,900**	**3,658**	**12,600**	**37,572**	**678,871**

In BGN '000	Bulgaria	Germany	Spain	Italy	Luxembourg	Ireland	USA	France	Finland	Slovenia	Poland	Total
31 Dec 2021												
Trading portfolio*	426											426
Investment portfolio												
-at fair value	280,943	19,430	62,730	29,128	9,318	12,635	33,117	60,677	3,484	11,294	35,546	558,302
Total	**281,369**	**19,430**	**62,730**	**29,128**	**9,318**	**12,635**	**33,117**	**60,677**	**3,484**	**11,294**	**35,546**	**558,728**

*** With the introduction of IFRS 9 from 1 January 2018, the trading portfolio was renamed to portfolio at fair value through profit or loss (FVTPL)**

The following is the trade portfolio exposures (FVTPL - through profit or loss) by credit quality based on ratings (in accordance with the credit quality grades of Standard & Poor's):

In BGN '000	2022	2021
Government securities	414	426
BBB		
Total	**414**	**426**

The table below shows the assets in the Bank's trade portfolio (FVTPL - through profit or loss) and the investments by maturity and country of incorporation of the issuer.

Maturity structure of investments by country of the issuer as at 31 December 2022 (by residual maturity): ***In BGN '000***	**Up to 1 m**	**1 to 3 months**	**3 m to 1 y**	**1 y to 5 y**	**Over 5 years**	**Without defined maturity**	**Total**
Financial assets carried at fair value through profit or loss							
Government securities							
Bulgaria		414					414
Total		414					414
Financial assets carried at fair value through other comprehensive income							
Government securities							
Bulgaria							
Spain							
Italy							
France							
Ireland							
Slovenia							
Poland							
Finland							
Corporate equity instruments							
Bulgaria					7,611		7,611
USA					4,799		4,799
Luxembourg					9,318		9,318
Corporate debt instruments							
Bulgaria				21,638			21,638
Ireland				5,530			5,530
Total	**0**	**0**	**0**	**27,168**	**21,728**	**0**	**48,896**
Total financial assets	**0**	**414**	**0**	**27,168**	**21,728**	**0**	**49,310**

Maturity structure of investments by country of the issuer as at 31 December 2021 (by residual maturity): *In BGN '000*	Up to 1 m	1 to 3 months	3 m to 1 y	1 y to 5 y	Over 5 years	Without defined maturity	Total
Financial assets carried at fair value through profit or loss							
Government securities							
Bulgaria				426			426
Total				426			426
Financial assets carried at fair value through other comprehensive income							
Government securities							
Bulgaria		33,196		116,890	83,990		234,076
Spain				24,771	37,959		62,730
Italy				29,128	0		29,128
France				6,952	0		6,952
Ireland				0	12,635		12,635
Slovenia				0	11,294		11,294
Poland				0	35,546		35,546
Finland					3,484		3,484
Corporate equity instruments							
Bulgaria						7,672	7,672
USA					2,370	2,389	4,759
Luxembourg						9,318	9,318
Corporate debt instruments							
Bulgaria				5,186			5,186
Total	**0**	**33,196**	**0**	**182,927**	**187,278**	**19,379**	**422,780**
Total financial assets	**0**	**33,196**	**0**	**183,353**	**187,278**	**19,379**	**423,206**

Credit risk mitigation tools

The Credit Risk Management Policy of Investbank JSC requires taking credit risk with counterparties whose cash flow is sufficient for the timely and complete servicing of the cash liabilities taken. In order to limit the risk of possible limited or incomplete solvency, the Bank requires the counterparties to provide appropriate collateral. This collateral may take the form of tangible assets or payment obligations assumed by third parties, which limit the risk of default on the liabilities taken. In practice, collateral is an alternative source of funds to cover payment obligations in the event of default. However, the provision of collateral does not imply exemption from the obligation to analyse and evaluate the solvency of the Bank's counterparties, i.e. their ability to meet their payment obligations on a timely basis.

From the beginning of Q2 2022, the impairments of credit exposures are calculated taking into account the forecasts for the development of the macroeconomic environment. Appropriate macroeconomic variables are selected, highly correlated with historical data on the performance of the portfolios in the different business segments. The generated probabilities of default are adjusted by coefficients related to the predicted values of these variables. Thus, a more accurate assessment and full implementation of the requirements of IFRS 9 for the calculation of provisions for credit exposures is achieved.

The collaterals accepted can be classified in the following two categories:

- financial and other collateral such as cash deposit, securities (shares and bonds), tangible assets such as machinery, equipment, vehicles, as well as real estate, real property rights, etc.;
- guarantees provided by third parties, such as bank guarantees, sureties, letters of credit, insurance contracts, insurance of export insurance agencies, etc.

Additional information on credit risk and impairment

Review of impairment

31/12/2022	**Increases due to occurrence and acquisition**	**Changes due to change in credit risk (net)**	**Total for the current year**
Impairment of financial assets		(23,958)	(23,958)
Debt securities		(1,625)	(1,625)
Loans and advance payments made		(22,333)	(22,333)
Provisions		24	24
Commitments and guarantees		24	24
Impairment of non-financial assets		1,005	1,005
Other		1,005	1,005

Review of impairment

31/12/2021	**Increases due to occurrence and acquisition**	**Changes due to change in credit risk (net)**	**Total for the current year**
Impairment of financial assets		(22,311)	(22,311)
Debt securities		(198)	(198)
Loans and advance payments made		(22,113)	(22,113)
Provisions		258	258
Commitments and guarantees		258	258
Impairment of non-financial assets		771	771
Other		771	771

Movement of adjustments and provisions for credit losses

31/12/2022	**Opening balance 01/01/2022**	Decrease of the adjustments due to write-off	Increases due to occurrence and acquisition	Changes due to change in credit risk (net)	**Balance at the end of the period**
Impairment of financial assets					
Debt securities	(2,331)	-	-	(2,211)	(4,542)
Loans and advance payments made	(22,113)	4,631		(4,851)	(22,333)
Provisions					-
Commitments and guarantees	258	-	11	(245)	24

Movement of adjustments and provisions for credit losses

31/12/2021	**Opening balance 01/01/2021**	Decrease of the adjustments due to write-off	Increases due to occurrence and acquisition	Changes due to change in credit risk (net)	**Balance at the end of the period**
Impairment of financial assets					
Debt securities	(255)	-	-	(2,076)	(2,331)
Loans and advance payments made	(50,991)	90,879		(62,001)	(22,113)
Provisions					-
Commitments and guarantees	254	-	207	(203)	258

Credit exposure and collateral

	31/12/2022 Maximum credit exposure	**31/12/2021** Maximum credit exposure
Equity instruments	21,728	21,749
Debt instruments	657,143	536,979
Loans and advance payments made	1,045,861	929,592
Unutilized credit commitments	96,914	103,778
Total	**1,821,646**	**1,592,098**

Security held as per the credit register

	31 Dec 2022 / 31 Dec 2021	
	Fair value of the security held	Fair value of the security held
Financial assets	7,875,745	6,896,798
Loans and advance payments made	7,875,745	6,896,798

Security obtained for possession during the period

	31/12/2022	31/12/2021
Non-current assets held for sale, acquired, including reclassified	22,857	847
Total	**22,857**	**847**

Limiting the consequences arising from Covid-19 and the crisis related to the international war conflict

Investbank JSC actively participates in the individual programs for support of the individuals and companies affected by the crisis. To this end, clear rules / extraordinary temporary procedures have been approved for facilitated consideration of renegotiations of loans to individuals and business customers, detailing the processes of renegotiation of credit exposures affected directly or indirectly by the negative impact related to the spread of the coronavirus (Covid-19). Investbank JSC implements effective procedures to handle renegotiations have been preperaed, allowing timely differentiation of borrowers with temporary difficulties caused by the effects of Covid-19 from those with permanent difficulties.

In 2022, the effects of the global pandemic gradually decreased and subsided, but a new crisis arose related to the military conflict in Europe and the disparities and inflation it provoked. Investbank JSC carried out an analysis of the affected credit exposures both in terms of connectivity with the countries involved in the conflict, and of the activities seriously affected by the sharp change in the relative prices, especially those of energy carriers. The analysis showed that Investbank JSC is relatively slightly exposed to the risks arising from the conflict, but some limits were reduced and regular monitoring of customers exposed to these risks is carried out.

The presence of early warning signals is effectively monitored in order to identify in a timely manner the probability that borrowers may be unable to service their liabilities, including by exposures to customers whose activity is affected by the conflict, through the introduced rules for credit limit monitoring, identification of deteriorated / problematic exposures.

3. DISCLOSURE OF RISK MANAGEMENT POLICY, CONTINUED

- *(b) Liquidity risk*

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 accordance with the rules and methodology for liquidity buffers determining and monitoring.

The principles and internal rules are based on:

- Appropriate structuring of the business portfolio;
- Ensuring stable financing;
- Balancing short-term cash flow and maintaining a sound financial position.

Liquidity risk management is divided into two functional areas: liquidity management and liquidity risk control. Liquidity management is implemented from an operational and strategic point of view by the Liquidity and Investment Services Directorate. Liquidity risk control is performed by the Risk Control Directorate.

The Bank's liquidity status is visualized by means of a three-level colour scale and provides a summary of the Bank's liquidity position. With regard to the system of limits and early warning indicators, the status draws the attention to the increasing liquidity risks over time. The main measures to prevent the deterioration of the liquidity position are taken by the Liquidity and Investment Services Directorate.

- Normal situation - green:

All liquidity indicators are within the limit and there are no indications of circumstances threatening the Bank's liquidity position.

- Risk situation - yellow (early warning level):

The solvency of the Bank or its access to the necessary financing is not directly threatened, but certain risk parameters or indicators exceed the acceptable levels. The increasing costs of refinancing or liquidity shortages include the risk of financial losses. There is an increased risk of an emergency liquidity situation. Measures are required to strengthen the liquidity position or to eliminate further deterioration, respectively.

- Dangerous situation - orange (liquidity crisis level):

There is a significant risk that the Bank may become insolvent or unable to raise the necessary financing, which could result in significant financial loss through forced liquidation or increased financing costs.

The Liquidity Management Plan in Adverse Events and the Liquid Crisis scenario should enter into force. Prompt steps should be taken, effectively and in the short term, to improve the liquidity position, supported by a sound communication policy. Providing the necessary liquidity and reducing risks take priority over profitability aspects.

- Emergency situation - red:

Limit status that can only be reached by manually changing the limit level. The solvency of the Bank is directly endangered. In order to ensure the survival of the Bank, liquidity is temporarily a major factor in decision making. Liquidity Management Plan in Adverse Events is triggered.

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 properly define the actual expected cash flow. Liquidity risk is managed 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 Risk Control Directorate prepares an analysis of a stress scenario (calculation) for measuring the liquidity risk under aggravated stress conditions (combined scenario). This scenario includes a combination of a severe general market and liquidity crisis and a severe individual banking crisis, with the Stress scenario modelled in separate currencies (BGN, EUR, USD and all others in total), as well as in total for all currencies in the Bank.

Specific product assumptions when allocating cash inflows and outflows are detailed in the Liquidity Modelling Handbook.

Liquidity ratios under Regulation (EU) 575/2013 (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.

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

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	12/2021	12/2022
LCR	412%	309%

- 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.

$$\frac{\textbf{Availability of stable funding}}{\textbf{Required amount of stable funding}} \geq \mathbf{100\%}$$

Date	12/2021	12/2022
NSFR	172%	176%

3. DISCLOSURE OF RISK MANAGEMENT POLICY, CONTINUED

(b) Liquidity risk, continued

The Bank's assets and liabilities analysed for the remaining period are as follows:

31 December 2022

In BGN '000	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Without defined maturity**	**Total**
Assets							
Cash, balances with central banks and other deposits on demand	670,978	0	0	0	0	0	670,978
Receivables from banks	0	0	0	0	0	2,936	2,936
Financial assets carried at fair value through profit or loss	0	414	0	0	0	0	414
Loans and advances to customers	1,273	23,018	177,453	208,152	635,965	0	1,045,861
Net investment in finance lease	0	0	78	2,413	373	0	2,864
Financial assets carried at fair value through other comprehensive income	0	0	0	5,530	21,638	21,728	48,896
Debt securities carried at amortised cost	0	92,605	14,226	273,929	248,801	0	629,561
Property, plant, equipment and investment property	0	0	0	0	0	301,877	301,877
Intangible assets	0	0	0	0	0	2,412	2,412
Non-current assets held for sale	0	0	0	0	0	22,857	22,857
Other assets	0	0	0	0	0	114,191	114,191
Total assets	**672,251**	**116,037**	**191,757**	**490,024**	**906,777**	**466,001**	**2,842,847**

Liabilities							
Deposits from credit institutions						31,811	31,811
Deposits from customers	191,773	186,781	574,082	81,189	987	1,447,545	2,482,357
Other financial liabilities, including:	0	289	682	4,742	0	0	5,713
Payables on financial lease contracts							0
Payables on operating lease contracts under IFRS 16		289	682	4,742			5,713
Bond loans							0
Hybrid debt-equity instrument							0
Other liabilities	16,020	0	0	0	0	0	16,020
Total liabilities	207,793	187,070	574,764	85,931	987	1,479,356	2,535,901
Difference in maturity of assets and liabilities	464,458	(71,033)	(383,007)	404,093	927,518	(1,035,083)	306,946
Cumulative difference	464,458	393,425	10,418	414,511	1,342,029	306,946	
Off-balance sheet commitments	(195,896)	(38,112)	(41,640)	(70,364)	(48,011)		
Cumulative difference including off-balance sheet commitments	268,472	355,313	(31,222)	344,147	1,294,018		

3. DISCLOSURE OF RISK MANAGEMENT POLICY, CONTINUED

(b) Liquidity risk, continued

The Bank's assets and liabilities analysed for the remaining period are as follows:

31 December 2021

In BGN '000	**Up to 1 month**	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Without defined maturity**	**Total**
Assets							
Cash, balances with central banks and other deposits on demand	615,874	0	0	0	0	0	615,874
Receivables from banks	0	0	0	0	0	3,721	3,721
Financial assets carried at fair value through profit or loss	0	426	0	0	0	0	426
Loans and advances to customers	5,425	54,610	131,503	222,914	515,140	0	929,592
Net investment in finance lease	0	0	0	0	3,609	0	3,609
Financial assets carried at fair value through other comprehensive income	0	33,196	0	177,890	187,278	24,416	422,780
Debt securities carried at amortised cost	0	83,817	51,705	0	0	0	135,522
Property, plant, equipment and investment property	0	0	0	0	0	276,505	276,505
Intangible assets	0	0	0	0	0	2,668	2,668
Non-current assets held for sale	0	0	0	0	0	847	847
Other assets	0	0	0	0	0	151,553	151,553
Total assets	**621,299**	**172,049**	**183,208**	**400,804**	**706,027**	**459,710**	**2,543,097**

Liabilities							
Deposits from credit institutions						0	0
Deposits from customers	196,525	204,500	533,066	109,984	1,530	1,222,197	2,267,802
Other financial liabilities, including:	0	97	523	4,073	0	0	4,693
Payables on financial lease contracts							0
Payables on operating lease contracts under IFRS 16		97	523	4,073			4,693
Bond loans							0
Hybrid debt-equity instrument							0
Other liabilities	15,187	0	0	0	0	0	15,187
Total liabilities	211,712	204,597	533,589	114,057	1,530	1,222,197	2,287,682
Difference in maturity of assets and liabilities	409,587	(32,548)	(350,381)	286,747	704,497	(762,487)	255,415
Cumulative difference	409,587	377,039	26,658	313,405	1,017,902	255,415	
Off-balance sheet commitments	(195,986)	(38,112)	(41,640)	(70,364)	(48,011)		
Cumulative difference including off-balance sheet commitments	213,601	338,927	(14,982)	243,041	969,891		

3. DISCLOSURE OF RISK MANAGEMENT POLICY, CONTINUED

➢ *(c) Market risk*

Trading in financial instruments gives rise to market risk, which represents the risk of their possible impairment as a result of changes in market conditions. The impairment of financial instruments in the Bank's trading portfolio results in the formation of losses that affect the revenue on its trading operations.

Market risk is monitored and controlled through a strictly established limit system consisting of limits for currency and interest rate risk.

(i) Interest rate risk

It represents the current or potential risk to revenue and capital arising from adverse changes in interest rates, as a result of unforeseen and unfavourable for the Bank interest rate changes leading to a significant decrease in the margin. Interest rate risk exists when there is an imbalance in the maturity structure of interest-sensitive assets and liabilities. The Risk Management Policy aims at optimizing net interest revenues and reaching market interest rate levels consistent with the Bank's business strategies.

The weighted average interest rate on interest-bearing assets as at 31 December 2022 is 2.96 % (year 2021: 1.99%), and for interest-sensitive liabilities, it is 0.30% (year 2021: 0.24%). The interest rate spread according to the GAP analysis in the market risk report (the difference between interest-bearing assets and interest-sensitive liabilities) is 2.66%, and the net interest margin (net interest income to interest-bearing assets) is 2.63%.

The following table shows the Bank's positions in terms of residual maturity of interest-bearing assets and liabilities as at the date of the preparation of the financial statements.

31 December 2022				**Fixed interest rate instruments**				
In BGN '000	**Total**	**Non-interest bearing instruments**	**With floating interest rates**	**Up to 1 month**	**1 to 3 months**	**3 m to 1 year**	**1 to 5 years**	**Over 5 years**
Assets								
Cash, balances with central banks and other deposits on demand	670,978	670,978	0	0	0	0	0	0
Receivables from banks	2,936	2,936	0	0	0	0	0	0
Financial assets carried at fair value through profit or loss	414	0	0	0	414	0	0	0
Loans and advances to customers	1,045,861	23,499	914,998	644	1,436	22,787	20,350	62,147
Net investment in finance lease	2,864	0	0	0	0	78	2,412	374
Financial assets carried at fair value through other comprehensive income	48,896	21,728	0	0	0	0	5,530	21,638
Debt securities carried at amortised cost	629,561	0	0	0	92,605	14,226	273,929	248,801
Property, plant, equipment and investment property	301,877	301,877	0	0	0	0	0	0
Intangible assets	2,412	2,412	0	0	0	0	0	0
Non-current assets held for sale	22,857	22,857	0	0	0	0	0	0
Other assets	114,191	114,191	0	0	0	0	0	0
Total assets	**2,842,847**	**1,160,478**	**914,998**	**644**	**94,455**	**37,091**	**302,222**	**332,960**
Liabilities								
Deposits from credit institutions	31,811	0	0	0	0	31,811	0	0
Deposits from customers	2,482,357	1,495,922		217,325	156,082	536,438	76,447	143
Other financial liabilities, including:	5,713	0	0	0	289	682	4,742	0
Payables on operating lease contracts under IFRS 16	5,713	0	0	0	289	682	4,742	0
Other liabilities	16,020	16,020	0	0	0	0	0	0
Total liabilities	**2,535,901**	**1,511,942**	**0**	**217,325**	**156,371**	**568,931**	**81,189**	**143**
Cumulative interest gap	**306,946**	**(351,464)**	**914,998**	**(216,681)**	**(61,916)**	**(531,840)**	**221,033**	**332,817**

31 December 2021 *In BGN '000*	**Total**	**Non-interest bearing instruments**	**With floating interest rates**	**Fixed interest rate instruments** Up to 1 month	1 to 3 months	3 m to 1 year	1 to 5 years	Over 5 years
Assets								
Cash, balances with central banks and other deposits on demand	615,874	589,778	-	26,096	-	-	-	-
Receivables from banks	3,721	3,721	-	-	-	-	-	-
Financial assets carried at fair value through profit or loss	426	-	-	-	426	-	-	-
Loans and advances to customers	929,592	28,416	808,958	651	11,513	9,167	21,822	49,065
Net investment in finance lease	3,609	-	-	-	-	-	-	3,609
Financial assets carried at fair value through other comprehensive income	422,780	24,416	-	-	33,196	-	177,890	187,278
Debt securities carried at amortised cost	135,522	-	-	-	83,817	51,705	-	-
Property, plant, equipment and investment property	276,505	276,505	-	-	-	-	-	-
Intangible assets	2,668	2,668	-	-	-	-	-	-
Non-current assets held for sale	847	847	-	-	-	-	-	-
Other assets	151,553	151,553	-	-	-	-	-	-
Total assets	**2,543,097**	**1,077,904**	**808,958**	**26,747**	**128,952**	**60,872**	**199,712**	**239,952**
Liabilities								
Deposits from credit institutions	-	-	-	-	-	-	-	-
Deposits from customers	2,267,802	1,320,127	-	101,997	139,432	600,169	105,901	176
Other financial liabilities, including:	4,693	-	-	-	97	523	4,073	-
Payables on operating lease contracts under IFRS 16	4,693	-	-	-	97	523	4,073	-
Other liabilities	15,187	15,187	-	-	-	-	-	-
Total liabilities	**2,287,682**	**1,335,314**	**-**	**101,997**	**139,529**	**600,692**	**109,974**	**176**
Cumulative interest gap	**255,415**	**(257,410)**	**808,958**	**(75,250)**	**(10,577)**	**(539,820)**	**89,738**	**239,776**

3. DISCLOSURE OF RISK MANAGEMENT POLICY, CONTINUED

(c) Market risk, continued

(i) Interest rate risk, continued

Sensitivity analysis – interest rate risk

The main model used by the Bank to monitor and assess the interest rate risk is based on the analysis of inconsistencies (GAP analysis). The Interest GAP model is presented to a reporting period (report basis) and in simulation scenarios according to EBA/GL/2018/02 "Guidelines on the management of interest rate risk arising from non-trading book activities". For the needs of the stress scenarios, the weighting factors are calculated based on parallel and non-parallel changes in the yield curve, in accordance with Annex III Guidelines EBA/GL/2018/02.

Assets and liabilities are allocated to portfolios and sub-portfolios depending on the interest rate (floating/fixed), separately in BGN and foreign currency (in BGN equivalent in BGN, EUR, USD and other currencies) and in total, respectively according to the term of the real or potential change of interest rates in the respective time intervals (each column of data reflects the absolute amount of assets and liabilities within the respective interval).

As at 31 December 2022, for a one-year period on a simulation basis, the Bank reports a negative imbalance of BGN 630,939 thousand compared to a positive imbalance over one year, as a result of which a negative interest GAP of BGN 121,610 thousand; annual cumulative discrepancy ratio of -0.18; ratio of interest-sensitive assets (ISA) to interest-sensitive liabilities (ISL), cumulative for 1 year +0.74 and net interest income (NII) of BGN 64,915 thousand; 2.74% net interest margin (NIM) and 2.76% interest spread.

In the six stress scenarios carried out, a negative effect on NII is expected in three of them, namely:

- Parallel Shock Down – with a parallel shift of the yield curve by -200 b.p., the reduction of NII from BGN 7,880 thousand, resulting in 2.41% net interest margin (NIM) and 2.43% interest spread;
- Steepener – in the case of a steep shock, a negative effect of BGN 7,866 thousand; NIM of 2.41% and interest spread of 2.43%;
- Shock Rates Shock Down – in the event of a shock decrease in short-term interest rates, a negative effect of BGN 8,557 thousand, NIM of 2.38% and interest spread of 2.40%.

With a planned NII as at 31 December 2023 in the amount of BGN 59,917 thousand and with further expectations of an increase in interest rates (in January 2023 the main interest rate rose to 1.42% compared to 1.30% as at December 2022, which is another increase of the measure, determined on the basis of concluded transactions on the interbank market in Bulgaria), it can be concluded that regardless of the results of the stress scenarios, including the most unfavourable assumptions, there are no indications that the Bank may not implement the planned NII for 2023.

In the case of sudden and unexpected changes in interest rates by -200 b.p., the effect on the Equity is -2.9% and -3.3% contributed capital according to the ICAA, respectively: according to the reported capital base as at 31 December 2022 in the amount of BGN 271,584 thousand, there is no violation of the interest rate risk control limit – the reduction of the economic value should not be more than 20% of the Bank's equity.

Investbank JSC calculates the capital requirements for market risk by applying the standardized approach, which includes calculation of the capital requirements for position, currency and commodity risk. Position risk is the risk of change in prices of debt and equity instruments in the trading portfolio and includes two components - specific position risk and common position risk. The specific position risk is the risk of change in prices of the instruments created by the issuer, while the common position risk is the risk of changing interest rates. As at 31 December 2022, the Bank's fair value portfolio through the profit or loss (trading portfolio) only includes government guaranteed Bulgarian securities. The carrying amount of the fair value portfolio through profit or loss amounts to BGN 0.4 million.

Along with the standardized market risk assessment approach in the trading portfolio, the Bank also applies the Value at Risk (VaR) method - a parametric and historical stress-test model for calculating VaR (using specialized software). The market risk assessment of the portfolio is determined by the calculated VaR showing the loss in the value that at a certain degree of probability will not be exceeded for a specific time horizon. VaR is calculated based on the variability of different risk parameters and takes into account the correlation of the parameters and calculates the change in the portfolio value compared to its current market value. The method used for calculation of VaR is "Monte Carlo Simulation", based on a standard scenario, one day holding period, 99% confidence level, and 2.33 standard deviation.

The allocation of the securities portfolio - shares and bonds by their risk weight, exclusive of capital discounts, is as follows:

31/12/2022	**Weight pursuant to Regulation 575**	**Amount in BGN '000**	**Relative share**	**Weighted amount in BGN '000**
Government securities	0%	520,897	93.23%	-
Corporate bonds	100%	13,525	2.42%	13,525
Shares	100%	22,051	3.95%	22,029
TOTAL for counterparty's risk		556,473		35,554

31/12/2021	**Weight pursuant to Regulation 575**	**Amount in BGN '000**	**Relative share**	**Weighted amount in BGN '000**
Government securities	0%	523,262	93.65%	-
Corporate bonds	100%	13,717	2.46%	13,717
Shares	100%	21,749	3.89%	21,722
TOTAL for counterparty's risk		558,728		35,439

The interest rate risk positions are managed by the Liquidity and Investment Services Directorate, which uses securities, receivables from banks, deposits from banks to manage the overall position of the Bank.
In the first half of 2022, the economic conditions and expectations in the country and in Europe changed significantly, which led to an increase in the general uncertainty of the global financial markets. The volatility and yield to maturity of almost all fixed-income securities increased, while some financial instruments became more illiquid. At the same time, the volume of attracted budget funds is steadily increasing, which leads to the maintenance of large volumes of government securities to be used to guarantee budget funds. As a result, in the second quarter of 2022, based on the changed objectives and business model for financial assets management, BGN bonds with a nominal value of BGN 7,148 thousand, as well as bonds denominated in EUR with a value of EUR 260,821 thousand were reclassified to the category "debt instruments carried at amortized cost".

(ii) Currency risk

It represents the risk of negative changes in the value of the positions in foreign currency arising from changes in the exchange rate. The Bank is not exposed to currency risk through transactions in financial instruments denominated in EUR. Following the introduction of the Currency Board in the Republic of Bulgaria, the Bulgarian Lev is pegged to the Euro and the movements in the exchange rates of the BGN to currencies other than the EUR affect the revenue.

The control at the Bank is carried out in accordance with the established position limits for the open currency position for each individual currency, as well as the limit for the total net open currency position. As to currency risk, it is considered insignificant as at any moment there is an open currency position under 2% of the capital base. Currency risk management is defined as a limit - the maximum allowable stop loss to avoid a speculative open position, the amount of a single open speculative position and the term for its closure. The amount of open currency positions is being daily monitored and controlled, as well as the compliance with established limits.

31 December 2022
In BGN '000

	BGN	EUR	Other currency	Total
Assets				
Cash, balances with central banks and other deposits on demand	455,329	201,837	13,812	670,978
Receivables from banks	119	2,158	659	2,936
Financial assets held for trading	-	414	-	414
Loans and advances to customers	516,385	507,858	21,618	1,045,861
Net investment in finance lease	2,864	-	-	2,864
Financial assets carried at fair value through other comprehensive income	7,611	36,486	4,799	48,896
Debt securities carried at amortised cost	77,866	520,942	30,753	629,561
Property, plant, equipment and investment property	301,877	-	-	301,877
Intangible assets	2,412	-	-	2,412
Non-current assets held for sale	22,857	-	-	22,857
Other assets	113,522	669	-	114,191
Total assets	**1,500,842**	**1,270,364**	**71,641**	**2,842,847**
Liabilities				
Deposits from credit institutions	12,058	19,753		31,811
Deposits from customers	1,635,515	778,248	68,594	2,482,357
Other financial liabilities, including:	5,713	-	-	5,713
Payables on financial lease contracts				-
Payables on operating lease contracts under IFRS 16	5,713	-	-	5,713
Other liabilities	15,751	242	27	16,020
Total liabilities	**1,669,037**	**798,243**	**68,621**	**2,535,901**
Net position	**(168,195)**	**472,121**	**3,020**	**306,946**

31 December 2021
In BGN '000

	BGN	EUR	Other currency	Total
Assets				
Cash, balances with central banks and other deposits on demand	162,951	433,408	19,515	615,874
Receivables from banks	98	3,005	617	3,720
Financial assets held for trading	426			426
Loans and advances to customers	395,785	509,299	24,508	929,592
Net investment in finance lease	2,328	1,280		3,609
Financial assets carried at fair value through other comprehensive income	14,967	403,053	4,760	422,780
Debt securities carried at amortised cost	13,902	93,240	28,380	135,522
Property, plant, equipment and investment property	275,981			275,981
Intangible assets	3,192			3,192
Non-current assets held for sale	847			847
Other assets	151,252	302		151,553
Total assets	**1,021,729**	**1,443,587**	**77,779**	**2,543,095**
Liabilities				
Deposits from credit institutions				-
Deposits from customers	1,391,535	799,257	77,006	2,267,799
Other financial liabilities, including:	4,693			4,693
Payables on financial lease contracts				-
Payables on operating lease contracts under IFRS 16	4,693			4,693
Other liabilities	14,164	984	38	15,186
Total liabilities	**1,410,393**	**800,241**	**77,044**	**2,287,679**
Net position	**(388,664)**	**643,346**	**735**	**255,417**

➢ *(d) Operational risk*

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. Operational events are events leading to negative financial result, additional expenses and deviation from expected outcome, caused by errors or malfunctioning in systems, people, processes. The loss from an operational event is the financial effect related to the occurrence of operational events and is subject to disclosure in the Bank's financial statements, including unrealized gains. Investbank JSC has introduced appropriate mechanisms and requirements to implement the current standards of operational risk management and control. The main focus is on identifying the operational risks in a timely manner in order to minimize the potential negative impacts and prevent them from recurring in the future. This is also achieved by increasing the proportion of voluntary reporting of occurrences related to operational risk.

- The loss from an operational event may take the form of: assets impairment – direct write-off or decrease in the carrying amount of financial assets as a result of theft, fraud or breach of internal regulations; external expenses – related to litigation, expert's appraisals on operational events; regulatory actions against the Bank – penalties, fines, employee benefits paid, compensations to customers or third parties; loss of right for counter-claim/recourse as a result of failed deals; suffered loss or damage on tangible assets, etc.

- Investbank JSC calculates its capital requirements for operational risk using the basic indicator method by multiplying the average gross annual income by 0.15. The average gross income is formed by the sum of the positive values of net interest and net non-interest income, averaged over the last three calendar years based on audited figures. The annual gross income for each year is calculated before deduction of impairment losses and operating expenses. The calculation of gross annual income is exclusive of income from sale of securities in the Bank's portfolio, irregular and extraordinary income and insurance benefits received.

- At the same time, the Bank uses a two-dimensional model to accurately define and evaluate the operational events and to subsequently apply advanced models:
  - The first dimension aims at precise distribution of operational events that lead to loss, arranged by risk category and trigger event. The Bank uses seven major risk categories and twenty sub-categories.
  - The second dimension complies with Basel 3 requirements and classifies events (that incur losses or concern potential loss and unrealized gains only) by selected groups of activities (business lines).

- Investbank JSC maintains a database of operational events in order to provide sufficient detail and reliance in order to:
  - trace and detect events that incur loss, including events that affect numerous activities;
  - prepare reports for internal use regarding operational risk measurement and results from its management, including trends for loss and/or risk evaluation established by the data base;

develop new or improve existing control procedures.

- The Bank defines and observes basic key indicators causing operational risk:
  - human error – risk of fraud due to understated, non-existent or deficient control procedures, as well as unintentional mistakes due to ignorance of products, insufficient staff training, complexity of applicable procedures and lack of experience, negligence, intentional, staff shortages;
  - information systems – 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, breakdown in information and/or communication systems.
  - organization of activity – inappropriate structure and delegation of duties, lack of appropriate procedures, violation of processes, violation of policies and procedures.

- external factors – misappropriation of assets, external fraud, intentional acts, natural disasters, etc.

With respect to the amount of losses resulting from operational events, the Internal Rules set a materiality threshold of BGN 400. The procedure and form of reporting as well as the necessary documents for the formation of the file of the operational event are set out.

4. DISCLOSURE OF EQUITY MANAGEMENT POLICY

(a) Equity management

The regulations of the package CRD IV are effective as of 1 January 2015, and through Regulation (EU) No 575/2013 on the prudential requirements for credit institutions and investment firms and Directive 2013/36 of the European Parliament and of the Council on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms they transpose the new standards for bank capital - Basel III into the European law.

Regulatory capital

The Bank's equity for regulatory purposes consists of the sum of the following elements:

- Common Equity Tier I capital is formed by the shareholders' equity, premium reserves and retained earnings, the accumulated other comprehensive income and other reserves (if available to the Bank for unrestricted and immediate use to cover risks) after applying the adjustments that are required under Articles 32-35 and the deductions under Article 36 of Regulation (EU) 575/2013;
- Tier I capital is the sum of Common Equity Tier I capital and Additional Tier 1 capital (hybrid instruments);
- Tier II capital: subordinated debt, net of regulatory adjustments relating to items that are included in the balance sheet capital or assets of the Bank, but treated differently to regulate capital adequacy. Depreciation of Tier II capital instruments - account should be taken of the extent to which Tier II capital instruments meet the requirements for Tier II capital elements over the last five years of the maturity of the instruments;
- The equity - the capital base of the institution consists of the sum of its Tier I capital and Tier II capital.

Pursuant to Art. 92 of Regulation (EU) 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%;

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.

Part Eight of Regulation (EU) 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. The purpose of regulation is to make the internal banking market function with increasing efficiency. The capital buffers are:

1. Preventive capital buffer;
2. Anti-cycling capital buffer specific to each bank
3. Buffer for Global Systemic Significant Institution (GSSI);
4. Buffer for Other Systemic Significant Institution (OSSI);
5. System risk buffer.

In addition to Common Equity Tier 1 capital held to meet the capital requirement, banks should maintain the additional capital buffers described above.

From the mentioned capital buffers, as at 31 December 2022 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 and a countercyclical capital buffer requirement of 1.0% of RPE.

Equity indicators

Equity (capital base)	**2022**	**2021**
In BGN '000		
Common Equity Tier I capital	**271,584**	**239,059**
Repaid equity instruments	155,572	155,572
Reserves	123,020	123,019
Deductions from Common equity Tier I Capital:		
Intangible assets	1,441	1,979
Accumulated other comprehensive income	5,567	37,553
Equity	**271,584**	**239,059**

Investbank JSC developed a Capital Plan for a three-year horizon in compliance with the objectives for development and the achievement of certain quantitative and qualitative indicators. The development of the plan takes into account the results of the periodic stress tests and the estimated changes in the economic environment.

The main points in the process of capital planning and maintaining a consistent stable ratios may be summarized as follows:

- Quality initial assessment of business operations and, accordingly, proper definition and identification of operational risks;
- Implementation of effective control procedures in compliance with the regulatory framework and internal limits aimed at keeping the risk in the Bank's acceptable range;
- Timely assessment of all significant risks by calculating their impact on capital adequacy;
- Stress testing for evaluation of adverse, but plausible events on different business areas.

Capital ratios

	31 December 2022	**31 December 2021**
Total capital adequacy ratio	19.86%	18.91%
Common Equity Tier 1 capital ratio	19.86%	18.91%

The reported values for the amount of capital and capital adequacy as at 31 December 2022 are as follows:

Indicators	**BGN '000**
Common Equity Capital (CEC)	271,584
Common Equity Tier 1 Capital (CEC + Hybrid debt instruments issued)	271,584
Equity (capital base)	271,584

As at 31 December 2022, the capital surplus is estimated at:

Surplus (+) / Shortage (-) as at 31 December 2022 in BGN '000	Capital	After deducting the capital buffers
Surplus (+) / Deficit (-) of Common Equity Tier 1 Capital	210,048	125,179
Surplus (+) / Deficit (-) of Tier 1 Capital	189,536	104,667
Surplus (+) / Deficit (-) of the common equity	162,187	77,317

The Bank's risk profile as at 31 December 2022 is consistent with the moderately conservative policy for risk-taking adopted by Management. Credit risk accounted for the largest relative share of the risk matrix as at the reporting date (93.5% of RPE), followed by operational risk (6.5% of RPE).

Distribution of risk-weighted exposures of Investbank JSC as at 31 December 2022:

Total risk-weighted exposures, including:	**1,367,459**	**100.00%**
Credit risk, counterparty credit risk	1,279,134	93.54%
Position, currency and commodity risks	-	-
Operational risk	88,325	6.46%

As at 31 December 2022, the capital coverage of the Bank's risk exposure is:

Capital coverage of the Bank's risk exposure in BGN '000		Total capital adequacy	Capital buffers			Total capital coverage
		Capital coverage 8%	Preventive capital buffer 2.5%	System risk buffer 3.0%	Anti-cyclic buffer 1%	
Total risk-weighted exposures, including:	1,367,459	109,397	34,186	37,829	12,854	194,267
Credit risk, counterparty credit risk	1,279,134	102,331	31,978	35,180	12,024	181,512
Position, currency and commodity risks	0	0	0	0	0	0
Operational risk	88,325	7,066	2,208	2,650	830	12,754

5. SIGNIFICANT ACCOUNTING ASSUMPTIONS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

Fair value measurement

The fair value is an output price and is based on the assumption that the sales transaction will be realized either on the primary market for that asset or liability or, in the case of absence of primary market, on the most advantageous market for the asset or liability. Both the primary, and the most advantageous markets are those markets that the Bank necessarily has access to.

The measurement of the fair value is made from the assumptions and judgements that potential market participants would make when they would have to determine the price of the asset or liability concerned, assuming that they would act to achieve the best economic benefit for them. When measuring the fair value of non-financial assets, the baseline is always the assumption of what would be the best and most efficient use of the asset for market participants.

The Bank applies various measurement methods that would be appropriate to the specifics of the relevant conditions and for which it has sufficient input database, aiming to make the most use of the available publicly observable information and, respectively – to minimize the use of the unobservable information. The Bank mainly uses the market approach, the most commonly used valuation techniques being: direct and/or adjusted market prices, market analogues and discounted cash flows.

The Bank uses the following hierarchy to determine and disclose the fair value of financial instruments using the following valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for similar assets or liabilities;

Level 2: other techniques for which all the input that has a material effect on the reported fair value is subject to monitoring either directly or indirectly;

Level 3: techniques that use input information that has a material effect on the reflected fair value that is not based on market data subject to monitoring.

For those assets and liabilities that are measured at fair value in the financial statements on a recurring basis, the Bank determines at each reporting date whether a transfer in the fair value hierarchy levels of a particular asset or liability is required, depending on the available and used input data at that time.

The Bank uses the expert services of external licensed appraisers to determine the fair valuesof the following assets and liabilities: real estate pledged as collateral in favour of the Bank, acquired or assigned to the Bank real estate for sale of collateral.

The measurement methods used include market comparison approach and income based approach.

(iii) Fair value measurement, continued
The following table summarizes the carrying amounts and the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Fair value hierarchy

As at 31 December 2022	**Carrying amount**					**Fair value**				**Cumulative change in fair value before taxes**			
In BGN '000	**Loans and Receivables**	**Held for trading**	**Available for sale**	**Other**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value													
Financial assets carried at fair value through other comprehensive income			48,896		48,896	11,430	26,032	11,434	48,896				0
Financial assets carried at fair value through profit or loss		414			414	414			414				0
Debt securities carried at amortised cost		629,561			629,561	621,368		8,193	629,561				0
	0	**629,975**	**48,896**	**0**	**678,871**	**633,212**	**26,032**	**19,627**	**678,871**	0	0	0	0
Financial assets not measured at fair value													
Cash on hand and in deposits with the Central Bank	670,978				670,978	670,978			670,978				
Receivables from banks	2,936				2,936	2,936			2,936				
Loans and advances to customers	1,045,861				1,045,861			1,058,830	1,058,830				
	1,719,775	**0**	**0**	**0**	**1,719,775**	**619,595**	**0**	**1,058,830**	**1,732,744**				
Financial liabilities not measured at fair value													
Deposits from credit institutions				31,811	31,811		31,620		31,620				
Deposits from customers				2,488,070	2,488,070		2,381,773	81,333	2,463,106				
Hybrid debt-equity instrument					0				0				
	0	**0**	**0**	**2,519,881**	**2,519,881**	**0**	**2,413,393**	**81,333**	**2,494,726**				

5. SIGNIFICANT ACCOUNTING ASSUMPTIONS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES, CONTINUED

Fair value hierarchy

As at 31 December 2021	**Carrying amount**					**Fair value**				**Cumulative change in fair value before taxes**			
In BGN '000	**Loans and Receivables**	**Held for trading**	**Available for sale**	**Other**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value													
Financial assets carried at fair value through other comprehensive income			422,780		422,780	406,113		16,667	422,780				0
Financial assets carried at fair value through profit or loss		426			426	426			426				0
Debt securities carried at amortised cost		135,522			135,522	126,990		8,531	135,521				0
	0	**135,948**	**422,780**	**0**	**558,728**	**533,529**	**0**	**25,198**	**558,727**	0	0	0	0
Financial assets not measured at fair value													
Cash on hand and in deposits with the Central Bank	615,874				615,874	615,874			615,874				
Receivables from banks	3,721				3,721	3,721			3,721				
Loans and advances to customers	929,592				929,592			939,824	939,824				
	1,549,187	**0**	**0**	**0**	**1,549,187**	**619,595**	**0**	**939,824**	**1,559,419**				
Financial liabilities not measured at fair value													
Deposits from credit institutions				0	0		0		0				
Deposits from customers				2,272,495	2,272,495		2,162,430	114,191	2,276,620				
Hybrid debt-equity instrument					0				0				
	0	**0**	**0**	**2,272,495**	**2,272,495**	**0**	**2,162,430**	**114,191**	**2,276,620**				

6. NET INTEREST REVENUES

In BGN '000	**31/12/2022**	**31/12/2021**
Interest revenues		
Deposits provided to credit institutions	610	6
Loans and advances from customers, including	**35,317**	**29,331**
Loans and advances from credit institutions	252	-
Loans and advances from non-banking financial institutions	419	144
Loan and advances from budget spending units	218	183
Loans and advances from undertakings	25,000	20,318
Loans and advances from individuals and households	9,428	8,686
Net investment in finance lease	199	210
Financial assets carried at fair value through other comprehensive income	355	663
Financial assets carried at fair value through profit or loss	8	11
Debt securities carried at amortised cost, including	**4,045**	**1,118**
General government	3,604	818
Non-financial corporations	441	300
Total	**40,534**	**31,339**

In BGN '000	**31/12/2021**	**31/12/2021**
Interest expenses		
Deposits	**(5,638)**	(8,381)
Deposits from credit institutions	(1,396)	(1,655)
Deposits from customers	(4,242)	(6,726)
Loans and advance payments made	(201)	(3)
Central banks	(201)	(3)
Other liabilities	(135)	(198)
Total	**(5,974)**	**(8,582)**
Net interest revenues	**34,560**	**22,757**

Interest revenues as at 31 December 2022 account for an increase by BGN 9,195 thousand compared to the previous year. The growth in interest revenues on loans compared to the same period of the previous year is by BGN 5,986 thousand due to: higher average portfolio volume (BGN 29 million) - the factor affects by BGN 3.8 million and higher average interest rate of the portfolio (3.32% as at December 2021 and 3.43% for 2022, respectively), with the effect of the difference in interest rates being BGN 2.1 million.

7. NET FEE AND COMMISSION REVENUES

In BGN '000	**31/12/2022**	**31/12/2021**
Fee and commission revenues		
Revenues on securities	191	240
Revenues on performing credit commitments	6,111	5,879
Revenues on fees for off-balance sheet commitments	1,307	938
Fees related to payment services	27,555	22,115
Other fees and commissions	173	147
Total	**35,337**	**29,319**
Fee and commission expenses		
Clearing and settlement fees	(3,686)	(3,052)
Other fees and commissions	(15)	(485)
Total	**(3,701)**	**(3,537)**
Net fee and commission revenues	31,636	**25,782**

In 2022, the Bank's net revenues from fees and commissions amount to BGN 31,636 thousand compared to BGN 25,782 thousand at the end of 2021, with the increase being by BGN 5,854 thousand and mainly due to the increase in the revenues from fees related to payment services.

8. NET REVENUES ON TRADING OPERATIONS

In BGN '000	**31/12/2022**	**31/12/2021**
Net gains or losses on operations in financial assets and liabilities carried at fair value through profit or loss	0	09
Revenues on changes in the fair value of financial assets carried at fair value through profit or loss	(11)	(11)
Net income on foreign currency operations	2,668	2,778
Net revenues on trading operations	**2,657**	**2,776**

9. NET RESULT FROM FINANCIAL ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31/12/2022	**31/12/2021**
Net gains / losses on operations in financial assets	1,315	(1,588)
Net change in the fair value of the financial assets	(31)	1,695
Total net result	**1,284**	**107**

10. OTHER REVENUES ON OPERATIONS

In BGN '000	31/12/2022	31/12/2021
Other operating revenues		
Revenues on dividends, including:	264	223
Available-for-sale financial assets	264	223
Gain on other non-financial services provided	2	2
Revenues on sale of fixed assets and investment property	34	(582)
Revenues on sale of non-current held-for-sale assets, including collateral	1,301	(4,660)
Revenues on rentals of investment properties	929	1,209
Other revenues	3,148	1,256
Total other revenues on operations	**5,678**	**(2,552)**

At the end of 2022, the amount of other net revenues comes to BGN 5,678 thousand, compared to BGN (2,922) thousand in 2021.

11. ADMINISTRATIVE EXPENSES

In BGN '000	**2022**	**2021**
Expenses on staff, including:	(16,691)	(14,218)
Remuneration and salaries	(13,484)	(11,984)
Social security contributions	(3,207)	(2,234)
Depreciation expenses	(5,243)	(5,478)
Expenses on Bulgarian Deposit Insurance Fund and BRF	(4,218)	(3,641)
Expenses on taxes and fees	(4,768)	(3,289)
Expenses on rental of offices and other assets	(57)	(224)
Expenses on security guards	(454)	(536)
Expenses on communications	(1,449)	(1,383)
Other administrative expenses	(7,067)	(7,971)
Total administrative expenses	**(39,947)**	**(36,740)**

As at 31 December 2022, the total amount of administrative expenses amounted to BGN 39,947 thousand, which is by BGN 3,207 thousand higher than their level as at December 2021.

Other administrative expenses	**31/12/2022**	**31/12/2021**
Expenses on business trips	(174)	(164)
Expenses on expert assessment	(257)	(9)
Expenses on subscriptions	(354)	(1)
Expenses on vehicles	(234)	(276)
Expenses on ATM and POS	(35)	(50)
Expenses on considerations of the SB	(330)	(405)
Expenses on fines and penalties	-	(20)
Expenses on donations and sponsorship	(30)	(52)
Expenses on vehicle insurance	(76)	(78)
Expenses on insurance of other assets	(158)	(354)
Expenses on building insurance	(235)	(202)
Expenses on cash collections	(224)	(172)

Expenses on consultancy services	(418)	(371)
Expenses on materials	(1,267)	(1,064)
Expenses on training	(35)	(22)
Expenses on auditing	(307)	(141)
Expenses on written-off receivables, shortages and waste	-	(1,208)
Expenses on maintenance of other assets	(442)	(190)
Expenses on maintenance of buildings	(28)	(115)
Expenses on software support	(647)	(811)
Expenses on cleaning	(132)	(415)
Advertising expenses	(378)	(251)
Other expenses	(1,306)	(1,600)
Total	**(7,067)**	**(7,971)**

In 2022 the Bank reports expenses on independent financial audit in the amount of BGN 280 thousand to the joint auditors.

In 2022, funding was received from the state as compensation for the increased electricity prices in the amount of BGN 482 thousand, which were reported as offset in a reduction of the total amount of material costs for 2022.

12. LOSS ON IMPAIRMENT OF FINANCIAL ASSETS

In BGN '000	**31/12/2022**	**31/12/2021**
Provisions for impairment loss set aside	(17,530)	(73,581)
Provisions for impairment loss reintegrated	10,425	9,485
Total impairment loss	**(7,105)**	**(64,096)**

Structure of impairment loss	**31/12/2022**	**31/12/2021**
Impairment of loans and debt instruments carried at amortized cost	(6,842)	(64,225)
Impairment of financial guarantees	16	142
Provisions for lawsuits	(260)	(13)
Other	(19)	-
Total	**(7,105)**	**(64,096)**

At the end of 2022, the Bank reported impairment loss in the amount of BGN 64,096 thousand, of which: impairment of loans and debt instruments carried at amortized value in the amount of BGN (6,842) thousand, provisions for lawsuits in the amount of BGN (260) thousand, others in the amount of BGN (19) thousand and reintegration of impairment of financial guarantees in the amount of BGN 16 thousand.

13. NET RESULT FROM REVALUATION OF INVESTMENT PROPERTY

In BGN '000	**31/12/2022**	**31/12/2021**
Net result from revaluation		
Revenues on revaluation	23,332	77,798
Expenses on revaluation	(1,415)	(278)
Net result from revaluation	**21,916**	**77,521**

For subsequent reporting of investment property, the Bank has selected the fair value model. In compliance with IFRS 40 Investment Property, this model provides that investment property, after initial recognition, should be evaluated and measured at fair value without accruing depreciation. Fair value measurement is carried out in accordance with IFRS 13 Fair Value Measurement. The fair value of investment property is updated annually by licensed independent external appraisers holding the required qualifications and experience.

14. TAXATION

	2022	**2021**
Current tax expenses		
Revenue / expense on movement in deferred taxes	(1,371)	(11,372)
Total tax expense	(1,371)	(11,372)

The company has accumulated tax losses from 2017 to 2021 in the amount of BGN 95,677 thousand and is entitled to use this amount to reduce the realized tax profits in the following years. For the reporting year 2022, BGN 31,657 thousand of tax losses have been absorbed, and BGN 36,079 thousand tax losses from 2019 and 2021 remain for the periods after 31 December 2022.

	2022	**2021**
Profit before tax	50,322	25,326
Tax rate	10%	10%
Estimated income tax expense	**5,032**	**2,533**
Tax effect from:		
Adjustments for tax-exempt income:		
Increase of the financial performance for tax purposes	57,002	32,452
Adjustment for unrecognized expenses for tax purposes:		
Decrease of the financial performance for tax purposes	(72,220)	(115,416)
Current income tax (expense)	**3,510**	**(5,764)**
Deferred tax (expenses)/revenues:		
Temporary differences occurrence and reversal effect	**(4,881)**	**(5,608)**
Effect of changes to the accounting rules		
Expenses on income taxes	**(1,371)**	**(11,372)**

15. CASH, BALANCES WITH CENTRAL BANKS AND OTHER DEPOSITS ON DEMAND

In BGN '000	**Carrying amount 31/12/2022**	**Carrying amount 31/12/2021**
Cash and balances with central banks and other deposits on demand		
Cash on hand	47,080	40,631
Cash in transit	7,473	6,953
Current accounts with banks	86,648	74,007
Deposits with banks	-	13,755
Cash balances with central banks	529,777	480,528
Total	**670,978**	**615,874**

As at 31 December 2022 and, respectively 31 December 2021, the funds on accounts with BNB also include the amount which represents the participation of Investbank JSC in the guarantee mechanism of the system processing card-related payment transactions - BORICA in the amount of BGN 3,171 thousand.

16. RECEIVABLES FROM BANKS

In BGN '000	**Carrying amount 31/12/2022**	**Carrying amount 31/12/2021**
Receivables from local banks	44	22
Receivables from foreign banks	2,892	3,698
Total	**2,936**	**3,721**

17. FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

In BGN '000	**Carrying amount 31/12/2022**	**Carrying amount 31/12/2021**
Government securities, including:	414	426
Short- and medium-term government securities denominated in BGN	414	426
Short- and medium-term government securities denominated in foreign currency	-	-
Total	**414**	**426**

The structure of financial assets carried at fair value through profit or loss as at 31 December 2022 and 31 December 2021, respectively, includes government securities of the Republic of Bulgaria issued in BGN.

18. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis by type of borrower

In BGN '000	**Carrying amount 31/12/2022**	**Carrying amount 31/12/2021**
Credit institutions	**31,811**	**1**
Other financial institutions		
- Loans and advances	**10,847**	**3,832**
- Assigned claims	0	28
Individuals (households)		
- Loans and advances	205,007	207,498
- Assigned claims	0	0
Budgetary enterprises	0	0
- Loans and advances	8,913	3,600
- Assigned claims	0	1,445
Private (non-financial) enterprises		
- Loans and advances	809,430	732,451
- Assigned claims	1,946	2,602
	1,067,954	**951,457**
Impairment loss	(22,093)	(21,865)
Total	**1,045,861**	**929,592**

(b) Impairment loss related to loans and advances to customers

In BGN '000	**Carrying amount 31/12/2022**	**Carrying amount 31/12/2021**
Balance as at 1 January	21,865	50,988
Accrued	13,777	69,651
Reintegrated	(8,918)	(7,895)
Written off	(4,631)	(90,879)
Balance as at 31 December	**22,093**	**21,865**

31/12/2022	**Carrying amount**	**Gross carrying amount**				**Accumulated impairment**			**Accumulated partial write-offs**	**Accumulated full write-offs**
		Assets without significant increase in credit risk after initial recognition (Phase 1)	**of which: instruments with low credit risk**	**Assets with significant increase in credit risk after initial recognition, but without credit impairment (Phase 2)**	**Assets with credit impairment (Phase 3)**	**Assets without significant increase in credit risk after initial recognition (Phase 1)**	**Assets with significant increase in credit risk after initial recognition, but without credit impairment (Phase 2)**	**Assets with credit impairment (Phase 3)**		
Loans and advance payments made										
General government	8,853	8,913	8,913	-	-	(60)	-	-	-	
Credit institutions	31,811	31,811	31,811	-	-	-	-	-	-	
Other financial corporations	10,847	10,847	10,847	-	-	-	-	-	-	(20)
Non-financial corporations	795,613	678,640	678,640	5,157	127,579	(276)	(43)	(15,444)	-	(2,056)
Households	198,737	191,718	191,718	1,896	11,393	(51)	(2)	(6,217)	-	(2,555)
Total	**1,045,861**	**921,929**	**921,929**	**7,053**	**138,972**	**(387)**	**(45)**	**(21,661)**	**-**	**(4,631)**

31/12/2021	**Carrying amount**	**Gross carrying amount**				**Accumulated impairment**			**Accumulated partial write-offs**	**Accumulated full write-offs**
		Assets without significant increase in credit risk after initial recognition (Phase 1)	**of which: instruments with low credit risk**	**Assets with significant increase in credit risk after initial recognition, but without credit impairment (Phase 2)**	**Assets with credit impairment (Phase 3)**	**Assets without significant increase in credit risk after initial recognition (Phase 1)**	**Assets with significant increase in credit risk after initial recognition, but without credit impairment (Phase 2)**	**Assets with credit impairment (Phase 3)**		
Loans and advance payments made										
General government	4,995	5,045	5,045	-	-	(50)	-	-	-	
Credit institutions	1	1	1	-	-	-	-	-	-	
Other financial corporations	3,858	3,859	3,859	-	-	(1)	-	-	-	(22,826)
Non-financial corporations	718,329	595,697	595,697	42,817	96,540	(450)	(90)	(16,185)	-	(50,317)
Households	202,409	192,070	192,070	2,260	13,168	(182)	(9)	(4,898)	-	(17,736)
Total	**929,592**	**796,672**	**796,672**	**45,077**	**109,708**	**(683)**	**(99)**	**(21,083)**	**-**	**(90,879)**

As of 1 January 2018, Investbank JSC accrues impairment expenses in accordance with IFRS 9 Financial Instruments that has entered into force, taking into account the impairment allowance for its financial assets carried at amortized cost - loans and debt instruments, financial guarantee contracts and other credit commitments.

19. NET INVESTMENT IN FINANCE LEASE

Net investment in financial lease is the gross investment in financial lease less the unrealized finance revenue and accrued impairment.

In BGN '000	**2022**	**2021**
Gross investment in finance lease	3,117	4,183
Impairment losses:	240	250
Including Accrued	9	288
Reintegrated	(19)	(41)
Unrealized finance income	(13)	(325)
Net present values of investment in finance lease	**2,864**	**3,609**

Net investment in finance lease is allocated as follows:

In BGN '000	**2022**	**2021**
Lease receivables		
Lease receivables from legal entities	3,104	3,859
Impairment of expected credit losses and impairment losses	(240)	(250)
Lease receivables	**2,864**	**3,609**
Non-current lease receivables	660	1,641
Current lease receivables	2,204	1,968
	2,864	**3,609**

	Up to 1 year	**1 to 5 years**	**Over 5 years**	**Total**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**
31 December 2022				
Lease proceeds	663	2,455	-	3,118
Discounting	3	251	-	254
Net present values of investment in finance lease	660	2,204	-	2,864
31 December 2021				
Lease proceeds	1,681	1,862	640	4,183
Discounting	40	510	24	574
Net present values of investment in finance lease	**1,641**	**1,352**	**616**	**3,609**

20. FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In BGN '000	**Carrying amount 31/12/2022**	**Carrying amount 31/12/2021**
Equity instruments	**21,728**	**21,750**
Other financial corporations	-	4,760
Non-financial corporations, including:	21,728	16,990
Stocks and shares in local companies	7,611	7,672
Stocks and shares in foreign companies	14,117	9,318
Debt securities	**27,168**	**401,030**
General government, including	**27,168**	**395,844**
Bulgarian government securities denominated in BGN	-	2,110
Bulgarian government securities denominated in foreign currency	-	231,965
Foreign government securities denominated in foreign currency	-	161,769
Government securities of non-financial corporations, including:	**27,168**	**5,186**
Debt instruments - Bulgarian issuers	21,638	5,186
Debt instruments - foreign issuers	5,530	-
Total	**48,896**	**422,780**

21. DEBT SECURITIES CARRIED AT AMORTISED COST

31/12/2022	Carrying amount	Gross carrying amount				Accumulated impairment		
		Assets without significant increase in credit risk after initial recognition (Phase 1)	of which: instruments with low credit risk	Assets with significant increase in credit risk after initial recognition, but without credit impairment (Phase 2)	Assets with credit impairment (Phase 3)	Assets without significant increase in credit risk after initial recognition (Phase 1)	Assets with significant increase in credit risk after initial recognition, but without credit impairment (Phase 2)	Assets with credit impairment (Phase 3)
Debt securities								
General government, including	621,368	622,993	622,993	0	0	(1,625)	0	0
Bulgarian government securities denominated in BGN	354,781	355,922				(1,141)		
Foreign government securities, denominated in EUR and USD	266,587	267,071	267,071			(484)		
Debt instruments - non-financial corporations, including:	8,193	0	0	0	11,110	0	0	(2,917)
Bulgarian issuers	8,193		0		11,110			(2,917)
Foreign issuers	0							
Total	**629,561**	**622,993**	**622,993**	**-**	**11,110**	**(1,625)**	**-**	**(2,917)**

31/12/2021	**Carrying amount**	**Gross carrying amount**				**Accumulated impairment**		
		Assets without significant increase in credit risk after initial recognition (Phase 1)	**of which: instruments with low credit risk**	**Assets with significant increase in credit risk after initial recognition, but without credit impairment (Phase 2)**	**Assets with credit impairment (Phase 3)**	**Assets without significant increase in credit risk after initial recognition (Phase 1)**	**Assets with significant increase in credit risk after initial recognition, but without credit impairment (Phase 2)**	**Assets with credit impairment (Phase 3)**
Debt securities								
General government, including	126,991	127,190	127,190	0	0	(199)	0	0
Bulgarian government securities denominated in BGN	25,478	25,575				(97)		
Foreign government securities, denominated in EUR and USD	101,513	101,615	101,614			(102)		
Debt instruments - non-financial corporations, including:	8,531	0	0	0	10,664	0	0	(2,133)
Bulgarian issuers	8,531		0		10,664			(2,133)
Foreign issuers	0							
Total	**135,522**	**127,190**	**127,190**	**-**	**10,664**	**(199)**	**-**	**(2,133)**

22.1. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Equipment	Transport means	Fixtures and fittings	Other	Assets with right of use	Total carrying amount
Gross carrying amount							
Balance as at 1 January 2021	21,324	12,401	2,961	2,540	89	11,234	50,549
Newly acquired assets	3	164	-	4	244	1,057	1,472
Disposals	(2,816)	(198)	(1,100)	(77)	(27)	(579)	(4,797)
Transfers	(4,650)	(186)	6	17	1,104		(3,709)
							-
Balance as at 31 December 2021	**13,861**	**12,181**	**1,867**	**2,484**	**1,410**	**11,712**	**43,515**
Balance as at 1 January 2022	**13,861**	**12,181**	**1,867**	**2,484**	**1,410**	**11,712**	**43,515**
Newly acquired assets	-	633	741	6	304	3,473	5,157
Disposals	-	(2,144)	(59)	(69)	-	(682)	(2,954)
Transfers	-	40	-	-	(40)		-
Balance as at 31 December 2022	**13,861**	**10,710**	**2,549**	**2,421**	**1,674**	**14,503**	**45,718**
Depreciation							
Balance as at 1 January 2021	9,977	8,560	2,537	2,396	7	4,717	28,194
Other changes		67		3	651		721
Assets written-off / transfers	(2,816)	(198)	(1,024)	(77)	(27)		(4,142)
Depreciation	826	1,115	303	71	140	2,304	4,759
Balance as at 31 December 2021	**7,987**	**9,544**	**1,816**	**2,393**	**771**	**7,021**	**29,532**
Balance as at 1 January 2022	**7,987**	**9,544**	**1,816**	**2,393**	**771**	**7,021**	**29,532**
Assets written-off	-	(2,140)	(59)	(70)	-	(566)	(2,835)
Depreciation	544	1,163	134	44	154	2,337	4,376
Balance as at 31 December 2022	**8,531**	**8,567**	**1,891**	**2,367**	**925**	**8,792**	**31,073**
Carrying amount as at 31 December 2021	**5,874**	**2,637**	**51**	**91**	**639**	**4,691**	**13,983**
Carrying amount as at 31 December 2022	**5,330**	**2,143**	**658**	**54**	**749**	**5,711**	**14,645**

22.2. INVESTMENT PROPERTY

Gross carrying amount	**Amount in BGN '000**
Balance as at 1 January 2021	125,141
Newly acquired assets:	
increase	99
transfers from inventories (transfers)	64,358

Assets written-off	(4,221)
Remeasurement	77,521
Balance as at 31 December 2021	**262,898**
Balance as at 1 January 2022	262,898
Newly acquired assets:	
increase	3,372
transfers from inventories (transfers)	23,571
Assets written-off	(24,195)
Remeasurement	21,916
Balance as at 31 December 2022	**285,562**
Depreciation	
Balance as at 1 January 2021	376
Depreciation	0
Assets written-off	0
Transfers	0
Balance as at 31 December 2021	**376**
Balance as at 1 January 2022	376
Depreciation	0
Assets written-off	(46)
Transfers	0
Balance as at 31 December 2022	**330**
Carrying amount as at 31 December 2021	**262,522**
Carrying amount as at 31 December 2022	**287,232**

23. INTANGIBLE ASSETS

	Patents, licenses, trademarks	**Acquired software, software products**	**Other intangible assets***	**Total**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**
Gross carrying amount				
Balance as at 1 January 2021	**1,019**	**8,933**	**1,105**	**11,057**

Newly acquired assets, purchased		120	117	237
Other changes		95	(788)	(693)
Transfers	30	136	(167)	(1)
Balance as at 31 December 2021	**1,049**	**9,284**	**267**	**10,600**
Balance as at 1 January 2022	**1,049**	**9,284**	**267**	**10,600**
Newly acquired assets, purchased		590	21	611
Assets written-off		(212)		(212)
Transfers		267	(267)	-
Balance as at 31 December 2022	**1,049**	**9,929**	**21**	**10,999**
Depreciation				
Balance as at 1 January 2021	756	6,448	659	7,863
Depreciation	45	673		718
Other changes		10	(659)	(649)
Balance as at 31 December 2021	801	7,131	0	7,932
Balance as at 1 January 2022	801	7,131	0	7,932
Depreciation	52	815		867
Assets written-off		(212)		(212)
Balance as at 31 December 2022	853	7,734	0	8,587
Carrying amount as at 31 December 2021	248	2,153	267	2,668
Carrying amount as at 31 December 2022	196	2,195	21	2,412

24. ASSETS HELD FOR SALE

In BGN '000	**Carrying amount 31/12/2022**	**Carrying amount 31/12/2021**
Balance as at 1 January	847	11,115
Reclassified	22,396	1,311
Acquired		
Sold	(386)	(11,579)
Transferred revaluation		
Impairment	-	-
Balance as at 31 December	**22,857**	**847**

	Carrying amount 31/12/2022	Carrying amount 31/12/2021
Non-current assets held for sale		
Property, plant and equipment	22,857	847
including Assets acquired as collateral	22,857	847
Total	**22,857**	**847**

Non-current assets held for sale as at 31 December 2022 amount to BGN 22,857 thousand. This item presents assets for which a sale procedure has been initiated.

25. OTHER ASSETS

	Carrying amount 31/12/2022	Carrying amount 31/12/2021
Other assets		
Estimates with customers	1,750	1,573
Assets acquired from collateral	95,797	139,623
Other estimates with other financial institutions	44	55
Materials	602	793
Deferred expenses	450	157
Tax assets, including:		
current tax assets	65	25
deferred tax assets	160	73
Other estimates and receivables	15,323	9,254
Total	**114,191**	**151,553**

In accordance with the Bank's Accounting Policy, assets acquired from loan collateral that the Bank does not intend to use in its core operations and are not investment property but are held for to be sold or completed for sale within a period of more than 12 months are presented in item "Other assets" under IAS 2 "Inventories". As at 31 December 2022 the assets acquired from collateral amount to BGN 95,796 thousand, of which: land in the amount of BGN 46,735 thousand, buildings under construction in the amount of BGN 11,686 thousand, buildings in the amount of BGN 28,048 thousand and other in the amount of BGN 9,327 thousand.

25.1. DEFERRED TAXES

Deferred tax liabilities (assets)	31 December 2021	Effect of changes to the accounting rules	1 January 2021	Recognised in other comprehensive income	Recognised in profit or loss	31 December 2022
	BGN '000		BGN '000	BGN '000	BGN '000	BGN '000
Assets	**73**	**0**	**73**	**0**	**87**	**160**
Unused leaves	6		6		5	11
Tax losses	-					
Provisions for lawsuits, Art. 38 CITA	21		21		2	23
Other assets	46		46		15	61
Accrued expenses					65	65
Liabilities	**(10,821)**	**0**	**(10,821)**	**0**	**(1,459)**	**(12,280)**
Deferred tax from revaluation	(10,746)		(10,746)		(1,463)	(12,209)
Deferred tax liabilities of CB Victoria	(14)		(14)		14	0
Temporary difference under Art. 149 CITA	(61)		(61)		(10)	(71)
Total deferred assets and liabilities (offset)	**(10,748)**	**0**	(10,748)	0	(1,372)	(12,120)
Deferred tax assets	**73**		73			160
Deferred tax liabilities	**(10,821)**		(10,821)			(12,280)
Recognized as:						
Net deferred tax (assets)	**(10,748)**		**(10,748)**			**(12,120)**

The Bank's Management has assessed the possibilities for using a deferred tax asset on tax losses in the near future within the next reporting period and has decided to charge the deferred tax asset on tax losses, applying a conservative approach in compliance with the precautionary principle for asset overstatement.

26. DEPOSITS FROM CREDIT INSTITUTIONS

In BGN '000	**Carrying amount 31/12/2022**	**Carrying amount 31/12/2021**
Deposits, including:	31,811	
- in local currency	12,058	0
-in foreign currency	19,753	0
Total	**31,811**	**0**

Deposits from credit institutions are interest-bearing at interest rate levels of 4.5% to 5.5% and have a term of 5 years.

27. DEPOSITS FROM CUSTOMERS. OTHER FINANCIAL LIABILITIES

In BGN '000	**Carrying amount 31/12/2022**	**Carrying amount 31/12/2023**
Deposits, including:	2,482,357	2,267,802
Individuals	1,408,444	1,411,202
Institutions	1,073,913	856,600
Other financial liabilities, including:	5,713	4,693
Payables on financial lease contracts	0	0
Payables on operating lease contracts under IFRS 16	5,713	4,693
Total	**2,488,070**	**2,272,495**

	Carrying amount 31/12/2022	**Carrying amount 31/12/2021**
Deposits other than those of credit institutions	1,073,913	856,600
Current accounts / overnight deposits	957,346	780,601
Deposits with agreed maturity	116,407	75,790
Deposits refundable on notice	160	209
Total	**1,073,913**	**856,600**

Term of deposits	31/12/2022	31/12/2021
up to 1 month	639,079	600,528
1 to 3 months	160,465	185,339
3 months to 1 year	527,507	515,174
1 year to 5 years	81,189	109,974
over 5 years	204	187
Total	**1,408,444**	**1,411,202**

Payables on operating lease contracts under IFRS 16 Age analysis of liabilities under lease contracts	**31/12/2022**	**31/12/2021**
- Up to 1 year	1,585	2,018
- 1 to 5 years	2,054	3,215
- Over 5 years	0	0
Total amount of undiscounted liabilities under lease contracts	**3,639**	**5,233**
Discount at 3.9%	209	270

Total amount of the present value of the liabilities under lease contracts	**3,848**	**4,963**
Current portion	1,674	2,135
Non-current portion	2,174	2,828
Total amount of the present value of the liabilities under lease contracts	**3,848**	**4,963**

In order to meet the regulatory requirements according to Art. 69 of the Recovery and Resolution of Credit Institutions and Investment Firms Act (RRCIIFA), in 2022 Investbank JSC acquired an acceptable liability in the amount of BGN 56.6 million with a maturity of up to 5 years.

28. OTHER LIABILITIES

In BGN '000	**Carrying amount 31/12/2022**	**Carrying amount 31/12/2021**
Other liabilities		
Estimates with customers	1,896	2,470
Provisions	1,029	1,029
Staff-related payables	115	61
Estimates for taxes (tax liabilities)	12,907	11,564
Other	72	63
Total	**16,020**	**15,187**

29. PROVISIONS

In BGN '000	**Carrying amount 31/12/2022**	**Carrying amount 31/12/2021**
Provisions		
Pensions and other liabilities for payment of post-employment defined benefits	777	562
Unsettled legal issues and tax lawsuits	228	209
Commitments and guarantees	24	258
Total	**1,029**	**1,029**

30. EQUITY

(a) Share capital

As at 31 December 2022, the share capital of the Bank amounts to BGN 155,571,612 and is divided into 155,571,612 dematerialized registered shares with a par value of BGN 1 each.

In 2022 and 2021 there were no changes in the amount of share capital. In 2020 the following changes took place:

- Increase of the capital of the Bank by BGN 21,944,445 by issuing new 21,944,445 ordinary registered voting shares, each with a par value of BGN 1 and an issue value of BGN 1.00 per share.
- Conducted procedure for replacement of equity instruments with higher-end equity instruments, with full and final repayment by a one-off contribution of the full bond loan formed under the two debt-equity hybrid instruments, included in the additional tier I capital of the Bank, in the total amount of BGN 39,210,000,

and the amount received for the repayment of the loan principal, the Bondholder should subscribe, purchase and pay all 1,960,500 voting shares from the capital increase of Investbank JSC which is to be performed simultaneously with the repayment of the bond loan, at a single issue price of BGN 20 per share or total issue value of all shares in the increase amounting to BGN 39.210,000.

- Increase of the Bank's capital by BGN 1,960,500 by issuing new 1,960,500 ordinary registered voting shares, with a par value of BGN 1 each and a single issue value of BGN 20 per share or a total issue value of BGN 39,210,000 upon loss of the preferences of the shareholders under Art. 194 (1) of the Commerce Act and on the condition for the redemption of the shares from the increase by the Bondholder of the corporate bonds issued by Investbank JSC with the full amount of the principal of the bond loans on both issues, paid to it by the Issuing Bank at the repayment of the bond loans. The difference between the par and issue value of the new shares has been paid into the Reserve Fund.

(b) Reserves

- **Statutory reserves**

Statutory reserves are set aside in accordance with the requirements of the local legislation. Under the local legislation, the Bank is required to maintain equity which exceeds or is equal to the capital requirements for credit risk; position risk; currency risk and commodity risk; operational and other risks related to the Bank's operations.

- **Retained earnings**

The Bank presents as retained earnings all distributable reserves in excess of the statutory reserves under (b).

In BGN '000	**Carrying amount 31/12/2022**	**Carrying amount 31/12/2021**
Reserves		
Reserve Fund		
Premium reserve	65,583	65,583
Accumulated other comprehensive income	(8,518)	(11,097)
Retained earnings, including:	36,872	(12,079)
Other reserves	57,437	57,436
Total	**151,374**	**99,843**

31. CASH AND CASH EQUIVALENTS FOR THE PURPOSE OF THE CASH FLOW STATEMENT

In BGN '000	**Carrying amount 31/12/2022**	**Carrying amount 31/12/2021**
Cash on hand	**54,553**	**47,584**
Deposits with banks with original maturity of up to 3 months	86,648	87,762
Current accounts with the Central Bank	529,777	480,528
Total	**670,978**	**615,874**

The current account with the Central Bank is used for direct participation in the money market and the securities market and for settlement purposes. The Bank's minimal required reserves are part of the current account. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, current accounts, placements in other banks and current account with the Central Bank with original maturity of up to 3 months.

31. ASSETS PLEDGED AS COLLATERAL

The assets with encumbrances in 2022 are set out below:

31 December 2021	**Assets with encumbrances**					**Assets free of encumbrances**				
	Carrying amount of assets pledged as collateral			**Fair value of assets pledged as collateral**		**Carrying amount of unencumbered assets**			**Fair value of unencumbered assets**	
Assets	**Total**	**including: issued by other entities from the group**	**including: meeting the requirements of the central banks**	**Total**	**including: meeting the requirements of the central banks**	**Total**	**including: issued by other entities from the group**	**including: meeting the requirements of the central banks**	**Total**	**including: meeting the requirements of the central banks**
Assets	276,153		274,729			2,566,694		876,830		
Loans on demand						616,425		529,777		
Equity instruments						21,728			21,728	
Debt securities	274,729		274,729	274,729	274,729	382,814		347,053	355,246	347,053
including: covered bonds										
including: asset-backed securities										
including: issued by general government	274,729		274,729	274,729	274,729	374,053		347,053	347,053	347,053
including: issued by financial corporations						27,168				
including: issued by non-financial corporations						8,193			8,193	
Loans and advances other than loans on demand						1,050,221				
including: mortgages						675,080				
Other assets	1,424					495,9061				
Total:	**276,153**					**2,566,694**				

As at 31 December 2022 the amount of blocked government securities for securing the borrowed funds in budget accounts is BGN 274,729 thousand.

32. ASSETS PLEDGED AS COLLATERAL, CONTINUED

The assets with encumbrances in 2021 are set out below:

31 December 2021	**Assets with encumbrances**					**Assets free of encumbrances**				
	Carrying amount of assets pledged as collateral			**Fair value of assets pledged as collateral**		**Carrying amount of unencumbered assets**			**Fair value of unencumbered assets**	
Assets	**Total**	**including: issued by other entities from the group**	**including: meeting the requirements of the central banks**	**Total**	**including: meeting the requirements of the central banks**	**Total**	**including: issued by other entities from the group**	**including: meeting the requirements of the central banks**	**Total**	**including: meeting the requirements of the central banks**
Assets	194,139		192,733			2,348,958		735,290		
Loans on demand						554,535		404,761		
Equity instruments						21,749			21,749	
Debt securities	192,733		192,733	192,733	192,733	344,246		330,529	339,209	330,529
including: covered bonds										
including: asset-backed securities										
including: issued by general government	192,733		192,733	192,733	192,733	330,529		330,529	330,529	330,529
including: issued by financial corporations						5,037				
including: issued by non-financial corporations						8,680			8,680	
Loans and advances other than loans on demand						949,254				
including: mortgages										
Other assets						562,521				
Total:	**194,139**			**0**	**0**	**2,348,958**				

33. COMMITMENTS AND CONTINGENT LIABILITIES

Off-balance sheet commitments

The Bank provides financial guarantees and letters of credit to guarantee the commitments made by its customers to third parties. These agreements have fixed limits and generally extend for a period of up to one year. Expirations are not concentrated in any period.
The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts shown in the table for commitments assume that amounts are fully advanced. The amounts shown in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognized at the statement of financial position date if counterparties failed completely to perform as contracted.

In BGN '000	**31/12/2022**	**31/12/2021**
Bank guarantees and letters of credit		
- in BGN	56,210	75,979
-in foreign currency	17,544	19,523
Liabilities on unutilized credit commitments	96,914	103,778
Other commitments	142,025	194,832
Total off-balance sheet exposures	**312,693**	**394,112**

These commitments and contingent liabilities have off balance-sheet credit risk only because only organization fees and accruals for probable losses are recognized in the statement of financial position until the commitments are fulfilled or expire. Many of the contingent liabilities and commitments are expected to expire without the need to be advanced by the Bank. Therefore, the amounts do not represent expected future cash flows.

Structure of off-balance sheet exposures

	31/12/2022	**31/12/2021**
FINANCIAL GUARANTEES AND LETTERS OF CREDIT GRANTED	**73,754**	**95,502**
General government	**2**	**29**
Other financial corporations	850	-
Non-financial corporations	72,902	95,473
CREDIT COMMITMENTS	**96,914**	**103,778**
General government	4,420	3,200
Credit institutions	0	102
Other financial corporations	6,182	3,683
Non-financial corporations	76,948	87,150
Households	9,364	9,643
OTHER COMMITMENTS	**142,025**	**194,832**
Central bank	44,984	97,791
Other financial corporations		
Non-financial corporations	97,041	97,041
OFF-BALANCE SHEET EXPOSURES	**312,693**	**394,112**

31/12/2022	Nominal value of off-balance sheet commitments and financial guarantees covered by the impairment under IFRS 9			Provisions on off-balance sheet commitments and financial guarantees covered by the impairment under IFRS 9		
	Instruments without significant increase in credit risk after initial recognition (Phase 1)	Instruments with significant increase in credit risk after initial recognition, but without credit impairment (Phase 2)	Instruments with credit impairment (Phase 3)	Instruments without significant increase in credit risk after initial recognition (Phase 1)	Instruments with significant increase in credit risk after initial recognition, but without credit impairment (Phase 2)	Instruments with credit impairment (Phase 3)
Financial guarantees provided	**73,754**	**-**	**-**	**1**	**-**	**-**
General government	2					
Other financial corporations	850					
non-financial corporations	72,902			1		
Credit commitments taken	**96,914**	**-**	**-**	**23**	**-**	**-**
General government	4,420					
Credit institutions	0					
Other financial corporations	6,182					
Non-financial corporations	76,948			20		
Households	9,374			3		
Other commitments	**142,025**	**-**	**-**	**-**	**-**	**-**
Central bank	44,984					
Other financial corporations	-					
non-financial corporations	97,041			0		
OFF-BALANCE SHEET EXPOSURES	**312,693**	**-**	**-**	**24**	**-**	**-**

31/12/2021	Nominal value of off-balance sheet commitments and financial guarantees covered by the impairment under IFRS 9			Provisions on off-balance sheet commitments and financial guarantees covered by the impairment under IFRS 9		
	Instruments without significant increase in credit risk after initial recognition (Phase 1)	Instruments with significant increase in credit risk after initial recognition, but without credit impairment (Phase 2)	Instruments with credit impairment (Phase 3)	Instruments without significant increase in credit risk after initial recognition (Phase 1)	Instruments with significant increase in credit risk after initial recognition, but without credit impairment (Phase 2)	Instruments with credit impairment (Phase 3)
Financial guarantees provided	**95,502**	**-**	**-**	**6**	**-**	**-**
General government	29					
Other financial corporations	-					
non-financial corporations	95,473			6		
Credit commitments taken	**103,778**	**-**	**-**	**240**	**-**	**-**
General government	3,200			10		
Credit institutions	102			2		
Other financial corporations	3,683			-		
Non-financial corporations	87,150			215		
Households	9,643			13		
Other commitments	**194,832**	**-**	**-**	**12**	**-**	**-**
Central bank	97,791					
Other financial corporations	-					
non-financial corporations	97,041			12		
OFF-BALANCE SHEET EXPOSURES	**394,112**	**-**	**-**	**258**	**-**	**-**

34. RELATED PARTY TRANSACTIONS

Related parties	**Nature of the related party relationship**	**Type of transaction**	**Outstanding balance 31/12/2022**	**Outstanding balance 31/12/2021**
In BGN '000				
Festa Holding AD	Shareholders	1) Deposits granted	2,172	4,010
		2) Loans and receivables	8	6
	Members of Management Board	1) Deposits granted	60	65
		2) Loans received	144	154
	Members of Supervisory Board	1) Deposits granted	14,558	7,351
		2) Loans received	0	15
	Other	1) Deposits granted and other payables	19,356	16,661
		2) Loans and receivables	15,439	14,200
		Total deposits and payables	36,146	28,087
		Total loans and receivables	15,591	14,375

Expenses and revenues resulting from transactions with related parties

31/12/2022

Transaction amount	Shareholders	Members of Management Board	Members of Supervisory Board	Related parties under common control and other	**Total**
Expenses					
Interest expenses			42	4	46
Services Received	1,724			672	2,396
Total expenses	**1,724**	**-**	**42**	**676**	**2,442**
Revenues					
Interest revenues		4		277	281
Fee and commission revenues	1			199	200
Revenues from services	94			323	417
Total revenues	**95**	**4**	**-**	**799**	**898**

The remunerations of the executive directors and the Management Board and the members of the Audit Committee as at 31 December 2022 amount to BGN 309 thousand (year 2021: BGN 509 thousand) and those of the Supervisory Board amount to BGN 330 thousand (year 2021: BGN 405 thousand).

Income of key management personnel

	31/12/2022	31/12/2021
Short-term employee remunerations		
Current remuneration expenses	606	914
Social costs		
Social security expenses	17	25
Total	**623**	**939**

31/12/2022

Balances	Subsidiaries	Key management personnel and other management personnel	Owners	Related parties under common control and other related parties	**Total**
Assets: Loans and advance payments made	6,320	173	-	9,075	15,568
Other receivables	14		8	1	23
Total assets	**6,334**	**173**	**8**	**9,076**	**15,591**
Liabilities: Deposits					
Deposits	2,369	15,056	2,172	16,549	36,146
Other liabilities	-			-	-
Total liabilities	**2,369**	**15,056**	**2,172**	**16,540**	**36,146**

35. OTHER STATUTORY DISCLOSURES

Pursuant to the requirements of Art. 70(6) of the Credit Institutions Act, banks should make certain quantitative and qualitative disclosures relating to key financial indicators and other indicators separately for their business in the Republic of Bulgaria and in other countries where the Bank has subsidiaries and/or branches. Investbank JSC is fully licensed to conduct banking business. In 2022 and 2021 the Bank has no subsidiaries or branches registered outside the territory of the Republic of Bulgaria. Summary of the required disclosures under the Credit Institutions Act and reference to the relevant notes in these financial statements or other reports required is as follows:

In BGN '000	**References to other Notes and statements**	**2022**	**2021**
Gross operating income	Notes 6, 7, 8, 9, and 10	75,458	48,641
Profit/ (Loss) before taxes	Statement of Profit and Loss	50,322	25,326
(Tax expenses or (-) revenues related to the gain or loss on current operations)	Note 14	1,371	11,372
Return on assets (%)	Annual Management Report	1.82	0.59
Equated number of employees employed under full-working-day contracts as at 31 December	Note 11	589	608

36. EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

After the date of the Annual Financial Statements, no material events have occurred that would require adjustments to the report or to be disclosed in this section Events after the Date of the Report.