Investbank JSC
Interim Financial Statements
as at 30 June 2023
With Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the interim financial statements

Opinion

We have audited the interim financial statements of **Investbank JSC** (the "Bank"), comprising the interim statement of financial position as of June 30, 2023, and the interim statement of profit and loss and other comprehensive income, the interim statement of changes in equity, and the interim statement of cash flows for the year ended that date, as well as the explanatory notes to the interim financial statements, also including a summary disclosure of the significant accounting policies.

In our opinion, the accompanying interim financial statements give a true and fair view of the financial position of the Bank as of June 30, 2023, and its interim 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 Interim 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 interim 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 interim 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

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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 impact 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 June 30, 2023, amounted to BGN 1 031 473 thousand and accounted for 36.04% 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 assumptions of the Bank's management in the	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. - Review and performance of comparative analysis of calculated provisions for different exposures in the Bank; - Evaluation of key assumptions and judgements made; - Gaining an understanding of upgrading the existing methodology for calculating expected credit losses using the Point in Time model. We reviewed the calculations and analyses, including Bank management's expectations for future developments in the macroeconomic context; - Assessment of whether the methodology used is appropriate by producing a critical analysis of the underlying assumptions and judgments; - 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.

formation of the expected credit losses from the impairment of the loans and advances granted to customers of the Bank as of June 30, 2023.	- 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. - We communicated the estimated provisions with Bank's management and those charged with governance. - We assessed the completeness, relevance, and adequacy of the disclosures in the interim financial report.

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

The management is responsible for such other information. The other information consists of an interim activity report, prepared by the management in accordance with Chapter Seven of the Accountancy Act but does not include the interim financial statements and our auditor's report on it.

Our opinion on the interim 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 interim financial statements, our responsibility consists of reading the other information and thus ascertaining whether such other information is materially inconsistent with the interim 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 Interim Financial Statements

The management is responsible for the preparation and fair presentation of these interim 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 interim financial statements that do not contain any material misstatements, whether due to fraud or error.

In preparing the interim 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 interim financial reporting process.

Auditor's Responsibilities for the Audit of the Interim Financial Statements

Our goals are to obtain a reasonable degree of assurance that the interim 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 interim 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 interim 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 interim financial statements, including disclosures, and whether the interim 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 interim 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 Interim 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.

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 interim activity report for the period ending June 30, 2023 is consistent with the interim financial statements;

(b) the interim activity report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

August, 15, 2023

For Audit Correct LTD
Auditing company

Rositsa Trichkova
Managing Partner
Registered auditor in charge of the audit

For Ecovis Audit Bulgaria LTD
Auditing company

Georgi Trenchev
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ОДИТОРСКО ДРУЖЕСТВО София Рег. № 114 ЕКОВИС ОДИТ БЪЛГАРИЯ ООД

STATEMENT OF FINANCIAL POSITION

Assets	**Note**	**30/06/2023**	**31/12/2022**
Cash and balances with central banks and other deposits on demand	15	**653,681**	**670,978**
Receivables from banks	16	**3,592**	**2,936**
Financial assets carried at fair value through profit or loss	17	**-**	**414**
Government securities		-	*414*
Loans and receivables	18	**1,031,473**	**1,045,861**
Loans and receivables from credit institutions		42,564	31,810
Loans and receivables other than those from credit institutions		*988,909*	*1,014,051*
Net investment in finance lease	19	**1,682**	**2,864**
Financial assets carried at fair value through other comprehensive income	20	**30,596**	**48,896**
Equity instruments		**21,806**	**21,728**
Debt securities		*8,790*	*27,168*
Financial assets carried at amortized cost, excluding loans and advances (debt securities)	21	**677,684**	**629,561**
Debt securities		*677,684*	*629,561*
Tangible assets		**299,590**	**301,877**
Property, plant and equipment	22.1	*12,686*	*14,645*
Investment property	22.2	*286,904*	*287,232*
Intangible assets		**2,390**	**2,412**
Intangible assets	23	*2,390*	*2,412*
Non-current assets and decommissioning groups classified as held for sale	24	**22,660**	**22,857**
Other assets	25	**138,566**	**114,191**
including Deferred Tax Assets	25.1	*160*	*160*
Total assets		**2,862,274**	**2,842,847**

STATEMENT OF FINANCIAL POSITION (continued)

Liabilities	**Note**	**30/06/2023**	**31/12/2022**
Deposits from credit institutions	26	**42,564**	**31,811**
Financial liabilities measured at amortized cost		**2,471,564**	**2,488,070**
Deposits other than those of credit institutions	27	*2,466,892*	*2,482,357*
Other financial liabilities	27.1	*4,449*	*5,713*
Bond loans		-	-
Other liabilities	28	**17,046**	**16,020**
including Provisions	29	*1,162*	*1,029*
Total liabilities		**2,530,951**	**2,535,901**
Equity			
Fixed capital		**155,572**	**155,572**
Reserves		**175,751**	**151,374**
including Retained earnings from past years		-	*(12,079)*
Current profit		*25,829*	*48,951*
Total equity	30	**331,323**	**306,946**
Total equity and liabilities		**2,862,274**	**2,842,847**

The notes on pages 8 to 86 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 15 August 2023:

Rositsa Trichkova
Registered Auditor, responsible for the engagement

Audit Correct OOD
Audit Company

Georgi Trenchev
Registered Auditor, responsible for the engagement

Ecovis Audit Bulgaria LTD
Audit Company

PROFIT AND LOSS STATEMENT *In BGN '000*	Note	**30/06/2023**	**30/06/2022**
Interest revenues		35,775	18,118
Interest expenses		(4,313)	(3,090)
Net interest income	6	**31,462**	**15,028**
Fee and commission revenues		17,699	16,097
Fee and commission expenses		(2,009)	(1,578)
Net fee and commission income	7	**15,690**	**14,519**
Net revenues on trading operations	8	911	1,412
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	(254)	(51)
Other operating revenues	10	2,067	2,007
Net exchange rate differences		(38)	(150)
Total operating revenues		**49,838**	**32,765**
		(24,022)	**(18,276)**
Administrative expenses	11	*(21,382)*	*(16,411)*
Losses on impairment of financial assets	12	*(2,640)*	*(1,865)*
Net result from remeasurement of investment property	13	-	31
Gain or loss before tax on current operations		**25,816**	**14,520**
Taxation (Tax expenses or revenues related to the gain or loss on current operations)	14	13	-
Profit or loss after taxation for the year		**25,829**	**14,520**

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STATEMENT OF COMPREHENSIVE INCOME

In BGN '000

	2023	2022
Profit/(Loss) after tax	**25,829**	**14,520**
Items that may not be subsequently reclassified to profit or loss:		
Actuarial gains and losses	-	-
Change in the fair value of equity instruments measured at fair value through other comprehensive income	-	-
Items that are or may be subsequently reclassified to profit or loss:		
Debt instruments measured at fair value through other comprehensive income	(404)	2,024
Change in the fair value of available-for-sale financial assets		
Other comprehensive income	**(404)**	**2,024**
Total comprehensive income	**25,425**	**16,544**

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CASH FLOW STATEMENT	**Note**	**2023**	**2022**
Net cash flow from operating activities			
Profit/(Loss) after tax		25,829	14,520
Impairment losses		2,640	1,863
Depreciation		2,645	2,586
Expense/(Revenue) on taxes		(13)	-
		31,101	**18,969**
Changes in operating assets			
(Increase)/Decrease in financial assets carried at fair value through profit or loss		414	12
Decrease in deposits provided to credit institutions		(1,016)	(120,490)
(Increase)/Decrease in loans and advances to customers		12,328	(88,749)
(Increase)/Decrease in net investment in finance lease		1,182	541
(Increase)/Decrease in non-current assets held for sale		197	10,472
(Increase)/Decrease in other assets		(24,375)	(18,223)
Changes in operating liabilities			
Increase/(Decrease) in deposits from credit institutions		10,753	-
Increase/(Decrease) in deposits from customers		(16,729)	168,410
Increase/(Decrease) in other liabilities		1,026	(1,462)
Taxes (paid)/recovered		13	-
Net cash flows from core operations		**14,894**	**(30,520)**
Cash flows from investment operations			
(Purchase)/Sale of property, plant, equipment and investment property		(336)	(893)
(Purchase)/Sale of investment in investment portfolio		(31,855)	2,707
Net cash flows from investment operations		**(32,191)**	**1,814**
Cash flows from financial operations			
Net cash flows from financial operations		-	-
Net increase/(decrease) in cash and cash equivalents		**(17,297)**	**(28,706)**
Cash and cash equivalents at the beginning of the year		**670,978**	**615,874**
Cash and cash equivalents at the end of the year	**31**	**653,681**	**587,168**

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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 2022		155,572	123,018	(12,079)	(10,992)	(104)	**255,415**
Total comprehensive income for the year							
Net profit for the year		-	1	48,951	-	-	**48,951**
Actuarial gains and losses		-	-	-	-	(64)	**(64)**
Other comprehensive income							
Remeasurement of financial assets carried at fair value through other comprehensive income		-	1	-	2,642	-	**2,643**
Total other comprehensive income		-	1	48,951	2,642	(64)	**51,530**
Total comprehensive income for the year			**1**	**48,951**	**2,642**	**(64)**	**51,530**
Transactions with shareholders recognised in equity							
Increase in registered capital		-	-	-	-	-	-
Balance as at 31 December 2022		**155,572**	**123,019**	**36,872**	**(8,350)**	**(168)**	**306,946**
Total comprehensive income for the year							
Transfer to statutory reserves		-	-	(36,872)	-	-	**(36,872)**
Net profit for the year		-	-	25,829	-	-	**25,829**
Actuarial gains and losses		-	-	-	-	-	**-**
Other comprehensive income							
Remeasurement of financial assets carried at fair value through other comprehensive income		-	35,825	-	(404)	-	**35,421**

Total comprehensive income/(profit)			-	35,825	25,829	(404)	-	61,250
Total comprehensive income/(profit) for the year			**-**	**35,825**	**(11,043)**	**(404)**	**-**	**24,378**
Other changes								
Equity as at 30 June 2023	**30**	**155,572**	**158,844**	**25,829**		**(8,754)**	**(168)**	**331,323**

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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.

1.3. The dynamics of the global economy over the past year reflected the ongoing recovery from the Covid pandemic along with the Europe's energy problems and the military conflict between Russia and Ukraine. The first half of 2023 marked economic growth both in the EU and globally.

1.4. 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.

1.5. In 2022, Bulgaria's real GDP growth reached 3.4%, compared to the estimated figure of 2.9% in the experts' autumn forecast. In 2023, the GDP growth is expected to slow to 1.8%, with slowdown referring to consumption, exports and inventory changes. The growth in private consumption will be supported by the growth in real disposable income, yet being slower compared to 2022 in line with the weaker growth in employment and household lending. The growth in government consumption is also expected to be lower than in 2022. At the same time, fixed capital investment will grow, supported by public investment. Private investment will continue to be depressed due to the high uncertainty and deteriorating financing conditions.

1.6. The forecast for the average annual inflation for the end of 2022 is 12.7%, with expectations for the following year to decrease to 6.4%.

1.7. As of the last quarter of 2022, there is a trend towards a decrease in the annual rate of inflation. The slowdown in inflationary processes nationwide is largely due to the decrease in the international prices of energy goods and other raw materials, which is expected to continue throughout the entire forecast period. The inflation rate at the end of 2023 is expected to decrease to 5.6%, and the annual average rate to be 8.7%.

1.8. The main factor that will support the development of the economy to the greatest extent in 2023 is the absorption of funds under the National Recovery and Sustainability Plan (NRSP) of Bulgaria by both the private and the public sectors. Bulgaria received the first tranche at the end of 2022. The funding will support the implementation of capital investments in areas such as energy, healthcare, education, transport, sustainable economic development. The projected acceleration of real GDP growth in the coming years is consistent with the technical assumption of a recovery in external demand and the expected acceleration of growth in final consumer spending in the context of easing inflationary pressure.

1.9. 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 total capital adequacy ratio as of June 2023 is 21.09% and the liquidity coverage ratio (LCR) is 726.0%.

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 the first half of 2023, Investbank JSC managed to improve the quality of its credit exposure, with NPE levels decreasing from 13.6% as at 12/2022 to 12.2% as at 06/2023. Growth is reported in households for the period as a result of both the "quick loans" product and the lower amount of credit exposure to the segment. For corporate customers, there is a decrease both in absolute value and as a relative share. The NPE Strategy was reviewed out and the Operational Plan for its implementation until 2025 was updated.
  Exposures to credit institutions and repo transactions are not included in the analysis.

30/06/2023	Plan acc. to NPL Management Strategy, %	Reported data, %/BGN '000	Comment on the implementation of the set target values
NPL ratio	General government – 0.0% Other financial - 11.5%; Non-financial enterprises - 11.2% Households – 4.6% **Total - 9.6%**	General government – 0% Other financial - 0%; Non-financial enterprises - 13.5% Households – 7.3% **Total - 12.2%**	The values planned to be reached by the end of 2023 according to the 2022 NPL Strategy are presented. In June 2023, the Strategy to 2025 was revised and updated, with implementation monitoring starting from Q3 2023. In 2023, a real decrease in NPE was recorded in the Non-Financial Corporations segment - both as a share (from 15.8% to 13.5%) and as an absolute value (from BGN 128.4 million to BGN 108.8 million). In the Households segment, an increase in the share of NPE is reported, with the negative effect mainly due to the 9.8% decrease in loans to individuals and households. The non-performance of the plan to achieve credit exposure to this segment is 30.1%, which is not likely to be compensated until the end of 2023.
NPL (nominal value in BGN '000)	General government - 0 Other financial - 1,226 Non-financial corporations – 97,033 Households – 12,131 **Total - 110,390**	General government - 0 Other financial - 0 Non-financial corporations – 108,832 Households – 13,575 **Total - 122,407**	Gross value of non-performing exposures as at 30 June 2023 is presented, compared to the Bank's NPL Management Strategy as at 12/2023. The decrease in the NPL value in the Non-Financial Corporations segment comes to BGN 19.6 million in 2023, but the target value of BGN 97.0 million has not yet been reached. An increase of BGN 1.9 million was reported in the Household sector, with the increase being in terms of consumer lending only. Considering the increased control and the actions taken, a decrease in NPE is expected in accordance with the planned values.
Loan Portfolio in BGN '000	General government - 10,650 Other financial - 10,678 Non-financial corporations – 863,735 Households – 264,511 **Total - 1,149,574**	General government - 9,841 Other financial - 2,685 Non-financial corporations – 806,860 Households – 184,923 **Total - 1,004,309**	The value of the credit portfolio for the first half of 2023 is significantly lower than planned. The main factor is the limited lending as a result of the increase in the reference interest rate (EURIBOR) used in the Bank to form the interest rate on credit products. In addition, a significant share of refinanced loans in other banks was reported, which negatively affects the credit quality of the exposure. The non-performance is 12.6%, with corrective actions being taken, but the planned values are unlikely to be achieved.

As at 30 June 2023, the Bank's total credit exposure (on-balance sheet and off-balance sheet, excluding repo transactions) amounts to BGN 1,219.58 million, of which BGN 1,046.087 million gross carrying amount in the loan portfolio, BGN 101.48 million off-balance sheet commitments (undrawn debt on loans), BGN 39.18 million from the bank guarantees/letters of credit portfolio and BGN 32.04 million undisbursed amounts on limits. As at 30 June 2023, there is one repo transaction in the amount of BGN 10,033 thousand.

- An integral part of the monitoring of credit exposures in Investbank JSC comprises the review of loan collateral.
- After the extremely turbulent and strong 2022, in 2023 the real estate market is expected to be calmer and more balanced. A slight "cooling" of interest is expected due to factors such as significant inflation rate, the change and expected rise in mortgage interest rates, as well as a result of the complicated international environment due to the ongoing war in Ukraine. The analysts predict that the market activity will decrease due to the increase in the interest rates and in the

cost of credit. However, the first six months of 2023 are marked by monitoring and waiting on the real estate market in the country. The growth of the real estate prices nationwide continues in the first half of 2023, but the rate of increase is significantly more moderate compared to the last few years.

- In 2023, the Bank maintains high liquidity, significantly exceeding the minimum required.
- For the first half of 2023 Investbank JSC achieved an increase in its financial performance by 77.9% compared to the same period in the previous year.
- As of November 2022 the Bulgarian Credit Rating Agency (BCRA) increased the national-scale long-term rating to BB- (BG) from B+ (BG) with a "stable" outlook and the national-scale short-term rating to B (BG) from C (BG). A long-term financial strength rating of B has been affirmed, with the outlook changed from "stable" to "positive".
- In 2023, the Bank continues the implementation of a number of projects with the aim of upgrading the Bank's digital transformation and offering innovative services to its customers. Advanced mobile banking applications Ibank Mobile and mobile verification application Ibank mToken were developed, allowing the authorization of transfers to customers with authorized access and in accordance with the relevant rights granted.
- An option was provided for creating new users entirely online through digital platforms, concluding contracts for deposit, debit or credit card. The process is fully automated using Eurotrust authentication services with mandatory BIO identification for identification and signing.
- The Internet Banking service was upgraded with new functionalities: providing access to products, various types of checks and payments. An option is provided for opening/closing banking products, settings and registrations. The Multibanking functionality is developed, allowing the customers to add accounts from other banks and financial institutions in the interface of the remote banking systems of Investbank JSC. Instant payment functionality is offered by Blink transfers executed within seconds. In order to increase security, two-factor authentication was introduced in the Internet Banking service.
- An automated system for internal DTS processes (processing of invoices and payments, electronic forms for access to IT resources and TFA/IFA management) has been introduced.
- Fraud module has been developed for monitoring and managing payments through digital channels - each transaction is assessed according to rules and treated according to the anti-fraud rules.
- RepXpress - system for centralized data storage and processing for the BNB regulatory reporting package; Impairments and Prudential Provisions Module, integration of reporting in BG ANACREDIT, including Register of Loans and Credit Risk Details.
- Digitalization of one-counter processes - digitally creating a customer and signing documents for products through a single QES (Qualified Electronic Signature) / Eurotrust mobile application. Integration with a new advanced lending system i-Apply - automated connection with the core system for accepting customer data and subsequent sending of data for credit opening, including automated connection to the Central Credit Register (CCR) and the National Social Security Institute (NSSI) for checks and digital signing of the loan documents.
- The registration of the cards with Google pay and Apple pay in the Digital Wallet is in the stage of implementation.

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 connection with the conflict in Ukraine and the complicated international situation, the Bank's Management took relevant 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 of the Bank.

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**

1.10. 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.

1.11. 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.

1.12. 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.

1.13. New standards, interpretations and amendments in force from 1 January 2023

1.13.1. New standards, amendments and interpretation, which have entered into force for the financial year beginning 1 January 2023.

These Interim Financial Statements have been prepared in compliance with the adopted accounting policy for the latest annual financial statements of the Company as at 31 December 2022, exclusive of the application of the new standards, amendments and interpretations to IFRS, which have become mandatory for application for the first time from the financial year beginning on 1 January 2023.

IFRS 17 Insurance Contracts, in force from 1 January 2023, adopted by the EU

IFRS 17 replaces IFRS 4 Insurance Contracts. It requires the application of an ongoing valuation model, according to which estimates are reviewed during each reporting period. Contracts are valued using:

- discounted cash flows with weighted probabilities;
- explicit risk adjustment, and
- allowance for contracted services, representing the unrealized gain on the contract which is recognized as income during the coverage period.

The standard allows a choice in recognizing changes in the discount rate either in profit or loss or in other comprehensive income. The new rules will affect the financial statements and key indicators of all companies that issue insurance contracts.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies, in force from 1 January 2023, adopted by the EU

The Company discloses the material information related to the accounting policy instead of the basic accounting policies. The amendments clarify that accounting policy information is material if the users of the entity's financial statements need it to understand the other material information in the financial statements and if the entity discloses non-material information about the accounting policy, that information should not prevail over the material information about the accounting policy.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, in force from 1 January 2023, adopted by the EU

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 that help entities distinguish the changes in the accounting estimates from the changes in the accounting policies. The amendments will help entities improve the quality of their accounting policy disclosures so that the information is more useful to investors and other primary users of financial statements.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities Arising from a Single Transaction, in force from 1 January 2023, adopted by the EU

The entity should apply the amendments to the standard for transactions that occur on or after the beginning of the closest comparative period presented. In addition, at the beginning of the closest comparative period presented, the Company should recognize deferred taxes for all temporary differences related to leases and decommissioning obligations, and to recognize the cumulative effect of the initial application of the amendments as an adjustment to the opening balance of the retained earnings (or other component of equity, as appropriate) as at that date.

Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information, in force from 1 January 2023, adopted by the EU

The amendments concern the disclosure of comparative information about financial assets presented upon the initial application of IFRS 17. The amendments aim to help entities avoid temporary accounting mismatches between financial assets and liabilities under insurance contracts and therefore improve the usefulness of the comparative information for the users of financial statements.

IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments present different transition requirements. For some insurers, these differences may lead to temporary accounting mismatches between the financial assets and liabilities under insurance contracts in the comparative information they present in their financial statements while first applying IFRS 17 and IFRS 9.

The amendments will help insurers avoid these temporary accounting mismatches and will therefore improve the usefulness of the comparative information for investors by the possibility for presenting comparative information about financial assets.

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

As at the date of the approval of these interim condensed financial statements for publication, 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 2023 and have not been applied from an earlier date by the Company. The amendments are not expected to affect the future financial statements of the Company.

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. Below is presented a list of the amendments to the standards:

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current, in force not earlier than 1 January 2024, not yet adopted by the EU

The amendments to the classification of liabilities as current or non-current only affect the presentation of liabilities in the statement of financial position, but not the amount or timing of recognition of assets, liabilities, revenues or expenses or the information that companies disclose about these items.

The amendments aim to clarify the following:

- the classification of liabilities as current or non-current should be based on the existing entitlements at the end of the reporting period and the wording of the texts in all relevant paragraphs should be aligned to clarify the "entitlement" to defer settlement of liabilities by at least twelve months. It is expressly stated that only the available entitlements "at the end of the reporting period" should affect the classification of the liability;
- the classification is not affected by the Company's expectations as to whether it will exercise its entitlement to defer settlement of liabilities; and
- the settlement of liabilities can be implemented by transferring cash, equity instruments, other assets or services to the counterparty.

Amendments to IFRS 16 Lease: Lease Liability in a Sale and Leaseback, in force no earlier than 1 January 2024, not yet adopted by the EU

The amendments to IFRS 16 require the Company acting as seller-lessee to measure subsequently the lease liabilities arising from the leaseback in a way that does not recognize any amount of the profit or loss that relates to the right of use retained. The new requirements do not prevent the seller-lessee from recognizing in profit or loss any profit or loss related to the partial or full termination of the lease. The amendments to IFRS 16 do not prescribe specific requirements for measuring lease liabilities arising from leasebacks.

IFRS 14 Regulatory Deferral Accounts, effective from 1 January 2016, not yet adopted by the EU

IFRS 14 Regulatory Deferral Accounts allows the entity which is a first-time adopter of IFRSs to continue to recognize amounts related to regulated prices in accordance with its previous generally accepted accounting principles. In order to improve the reporting comparability of companies that already apply IFRSs and do not recognize such amounts, the standard requires separate presentation of the effect of the regulated prices.

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 exposure is not performing for more than 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, there is non-performance 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 30 June 2023, the Bank uses the tax rate applicable for year 2023- 10% (year 2022: 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 mainly 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 ti 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.

<u>Interest rate risk</u> 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.

<u>Foreign currency risk</u> 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.

<u>Price risk</u> 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.

<u>Operational risk management</u> - 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	**30 June 2023**	**31 Dec 2022**	**30 June 2023**	**31 Dec 2022**	**30 June 2023**	**31 Dec 2022**	**30 June 2023**	**31 Dec 2022**
Carrying amount	1,033,155	1,048,725	604,226	616,425	30,596	49,310	101,485	96,914
Contingent liabilities	140,667	152,943	-	-	-	-	-	-
Total:	**1,173,822**	**1,201,668**	**604,226**	**616,425**	**30,596**	**49,310**	**101,485**	**96,914**

Credit risk is the main risk to which the Bank is exposed and covers 93.2% (as at 12/2022: 93.5%) of the total amount of risk exposures (RPE) as at 30 June 2023. 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 for credit exposures from 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 model is based on macroeconomic forecasts and in order to provide reliable information on the expected development, it is necessary to update it regularly. In May 2023, the values of the multipliers were updated, reflecting the updated macroeconomic forecast for the Corporate Customers business segment (calculated based on the GDP forecast) and the Retail Banking business segment (calculated based on the unemployment rate forecast).

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**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Individually impaired						
Phase 3	120,517	138,973	23,011	21,662	97,506	117,311
Total individually impaired	120,517	138,973	23,011	21,662	97,506	117,311
Collectively impaired						
Phase 1	290,752	282,180	426	388	290,326	281,792
Phase 2	10,685	4,050	74	45	10,611	4,005
Total collectively impaired	**301,437**	**286,230**	**500**	**433**	**300,937**	**285,797**
Overdue, but not impaired						
Phase 1	19,591	13,380	-	-	19,591	13,380
Phase 2	4,095	2,284	-	-	4,095	2,284
Total overdue, unimpaired	**23,686**	**15,664**			**23,686**	**15,664**
Individually unimpaired						
Phase 1	607,697	626,370			607,697	626,370
Phase 2	1,647	719			1,647	719
Total individually unimpaired	**609,344**	**627,089**			**609,344**	**627,089**
Total	**1,054,984**	**1,067,956**	**23,511**	**22,095**	**1,031,473**	**1,045,861**

Structure of financial lease transactions

In BGN '000	**Amount before impairment**		**Impairment**		**Carrying amount**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Individually impaired						
Phase 3	786	786	240	240	546	546
Total individually impaired	786	786	240	240	546	546
Overdue, but not impaired						
Phase 1	-	-	-	-	-	-
Total overdue, but not impaired	**-**	**-**	**-**	**-**	**-**	**-**
Individually unimpaired						
Phase 1	1,136	2,318	-	-	1,136	2,318
Total individually unimpaired	1,136	2,318	-	-	1,136	2,318
Total	**1,992**	**3,104**	**240**	**240**	**1,682**	**2,864**

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**	
	2023	**2022**	**2023**	**2022**
Mortgage	48,652	52,857	108,015	122,062
Cash deposits and government securities	41,569	52,456	682,571	674,045
Other collateral*	49,148	46,286	64,677	70,751
Unsecured	5,619	3,826	56,657	48,777
Total	**144,988**	**155,425**	**911,920**	**915,635**

*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:***

	2023	**2022**
Individually impaired		
Qualifying collateral	192,196	243,626
Other collateral	422,957	547,999
Collectively impaired		
Qualifying collateral	208,216	161,849
Other collateral	2,101,971	1,582,828
Overdue, but not impaired		
Qualifying collateral	39,766	36,947
Other collateral	77,815	46,713
Not impaired individually /Regular/		
Qualifying collateral	1,181,365	1,192,602
Other collateral	4,809,908	4,063,181

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	**30 June 2023**	**31 December 2022**
Loan to value (LTV) based on the market value		
LTV ≤ 50 %	70,346	77,688
50 % < LTV ≤ 70 %	4,369	6,153
70 % < LTV ≤ 90 %	303	1,494
90 % < LTV ≤ 100 %	345	744
100 % > LTV	313	312
Total	**75,675**	**86,391**

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)	**30/06/2023**	**30/06/2023**	**31/12/2022**	**31/12/2022**
	credit exposure	**relative share**	**credit exposure**	**relative share**
Agriculture, forestry and fishing	73,893	7.67%	45,366	4.76%
Extractive industry	16	0.00%	19	0.00%
Processing industry	72,686	7.54%	33,977	3.56%
Production and distribution of power and heat energy and gas fuels	195,427	20.28%	914	0.10%
Water supply, sewerage, waste management and recycling	30,103	3.12%	12,931	1.36%
Construction	100,639	10.44%	8,853	0.93%
Trade; repair of cars and motorcycles	137,271	14.24%	280	0.03%
Transport; warehousing and postal services	28,037	2.91%	62,393	6.54%
Accommodation and food service activities	63,222	6.56%	74,218	7.78%
Creation and distribution of information and creative products; telecommunications	259	0.03%	190,712	20.00%
Financial and insurance activities	63,723	6.61%	8,129	0.85%
Real estate operations	63,244	6.56%	72,563	7.61%
Professional, scientific and technical activities	17,275	1.79%	109,590	11.49%
Administrative and support activities	42,284	4.39%	275	0.03%
General government	23,151	2.40%	32,689	3.43%
Education	280	0.03%	137,731	14.44%
Health and social work	43,160	4.48%	54,505	5.72%
Culture, sport and entertainment	8,309	0.86%	60,003	6.29%
Other activities	780	0.08%	48,386	5.07%
Total for the Bank	**963,759**	**100.00%**	**953,534**	**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 2023: 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 30 June 2023 and 31 December 2022.

In BGN '000	Bulgaria	Germany	Spain	Italy	Luxembourg	Ireland	USA	France	Finland	Romania	Slovenia	Poland	Total
30 June 2023													
Trading portfolio*	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment portfolio													
-at fair value	428,617	19,406	59,846	28,563	9,318	13,677	35,801	54,063	3,661	5,776	12,607	36,945	708,280
Total	**428,617**	**19,406**	**59,846**	**28,563**	**9,318**	**13,677**	**35,801**	**54,063**	**3,661**	**5,776**	**12,607**	**36,945**	**708,280**

In BGN '000	Bulgaria	Germany	Spain	Italy	Luxembourg	Ireland	USA	France	Finland	Romania	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	**392,224**	**19,414**	**59,521**	**28,307**	**9,318**	**19,391**	**35,552**	**60,900**	**3,658**	**-**	**12,600**	**37,572**	**678,457**

*** 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	2023	2022
Government securities	-	414
BBB		
Total	**-**	**414**

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 30 June 2023 (by residual maturity): ***In BGN '000***	**Up to 1 month**	**1 to 3 months**	**3 months to 1 y**	**1 year to 5 years**	**Over 5 years**	**Without defined maturity**	**Total**
Financial assets carried at fair value through profit or loss							
Government securities							
Bulgaria	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-
Financial assets carried at fair value through other comprehensive income							
Government securities							
Bulgaria	-	-	-	-	-	-	-
Spain	-	-	-	-	-	-	-
Italy	-	-	-	-	-	-	-
France	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-
Slovenia	-	-	-	-	-	-	-
Poland	-	-	-	-	-	-	-
Finland	-	-	-	-	-	-	-
Corporate equity instruments							
Bulgaria	-	-	-	-	10,198	-	10,198
USA	-	-	-	-	5,304	-	5,304
Luxembourg	-	-	-	-	9,318	-	9,318
Romania	-	-	5,776	-	-	-	5,766
Corporate debt instruments							
Total	**-**	**-**	**5,776**		**24,820**	**-**	**30,596**
Total financial assets	**-**	**-**	**5,776**		**24,820**	**-**	**30,596**

Maturity structure of investments by country of the issuer as at 31 December 2022 (by residual maturity): ***In BGN '000***	**Up to 1 month**	**1 to 3 months**	**3 months to 1 y**	**1 year to 5 years**	**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	**-**	**-**	**-**	**27,168**	**21,728**	**-**	**48,896**
Total financial assets	**-**	**414**	**-**	**27,168**	**21,728**	**-**	**49,310**

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

30/06/2023	**Increases due to occurrence and acquisition**	**Changes due to change in credit risk (net)**	**Total for the current year**
Impairment of financial assets	**-**	(25,785)	(23,958)
Debt securities	-	(2,124)	(1,625)
Loans and advance payments made	-	(23,751)	(22,333)
Provisions	**-**	157	24
Commitments and guarantees	-	157	24
Impairment of non-financial assets	**-**	1,005	1,005
Other	-	1,005	1,005

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

Movement of adjustments and provisions for credit losses

30/06/2023	**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	(4,542)	-	-	(580)	(5,122)
Loans and advance payments made	(22,239)	510	-	(2,022)	(23,751)
Provisions	-	-	-	-	-
Commitments and guarantees	24	-	3	130	157

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

Credit exposure and collateral

	30/06/2023 Maximum credit exposure	**31/12/2022** Maximum credit exposure
Equity instruments	21,806	21,728
Debt instruments	686,474	657,143
Loans and advance payments made	1,031,473	1,045,861
Unutilized credit commitments	101,483	96,914
Total	**1,841,236**	**1,821,646**

Security held as per the credit register

	30 Jun 2023 / 31 Dec 2022	
	Fair value of the security held	Fair value of the security held
Financial assets	9,034,195	7,875,745
Loans and advance payments made	9,034,195	7,875,745

Security obtained for possession during the period

	30/06/2023	**31/12/2022**
Non-current assets held for sale, acquired, including reclassified	22,660	22,857
Total	**22,660**	**22,857**

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.

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

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	12/2022	06/2023
LCR	309%	726%

- 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.

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

Date	12/2022	06/2023
NSFR	176%	151%

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:

30 June 2023

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	653,681	-	-	-	-	-	653,681
Receivables from banks	-	-	-	-	-	3,952	3,952
Financial assets carried at fair value through profit or loss	-	-	-	-	-	-	-
Loans and advances to customers	66,012	112,058	122,749	314,333	416,321	-	1,031,474
Net investment in finance lease	-	-	71	1,610	-	-	1,682
Financial assets carried at fair value through other comprehensive income	-	-	5,776	-	24,819	-	30,596
Debt securities carried at amortised cost	14,116	-	28,563	448,097	186,909	-	677,684
Property, plant, equipment and investment property	-	-	-	-	-	299,590	299,590
Intangible assets	-	-	-	-	-	2,390	2,390
Non-current assets held for sale	-	-	-	-	-	22,660	22,660
Other assets	-	-	-	-	-	138,566	138,566
Total assets	**733,809**	**112,058**	**157,159**	**764,040**	**628,050**	**467,158**	**2,862,273**

Liabilities							
Deposits from credit institutions	-	-	42,564	-	-	-	42,564
Deposits from customers	182,744	182,093	713,376	57,871	951	1,329,857	2,466,892
Other financial liabilities, including:	-	-	247	2,191	2,011	-	4,449
Payables on financial lease contracts	-	-	-	-	-	-	-
Payables on operating lease contracts under IFRS 16	-	-	247	2,191	2,011	-	4,449
Bond loans	-	-	-	-	-	-	-
Hybrid debt-equity instrument	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	17,046	17,046
Total liabilities	182,744	182,093	756,187	60,062	2,961	1,346,903	2,530,951
Difference in maturity of assets and liabilities	551,065	(70,035)	(599,028)	703,978	625,088	(879,747)	331,323
Cumulative difference	551,065	481,030	(117,998)	585,980	1,211,069	331,323	
Off-balance sheet commitments	(25,129)	(18,198)	(53,737)	(50,652)	(24,994)	-	
Cumulative difference including off-balance sheet commitments	525,936	462,832	(171,735)	535,328	1,186,075	331,323	

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

- *(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 30 June 2023 in accordance with the GAP analysis model used (presented in the Market Risk Report as at 30 June 2023) is 4.15% (12/2022: 2.96%), and for interest-sensitive liabilities, it is 0.47% (12/2022: 0.30%). The interest rate spread (the difference between interest-bearing assets and interest-sensitive liabilities) is 3.69%, and the net interest margin (net interest income to interest-bearing assets) is 3.58%.

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.

30 June 2023				**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 months to 1 year**	**1 to 5 years**	**Over 5 years**
Assets								
Cash, balances with central banks and other deposits on demand	653,681	653,681	-	-	-	-	-	-
Receivables from banks	3,952	3,952	-	-	-	-	-	-
Financial assets carried at fair value through profit or loss	-	-	-	-	-	-	-	-
Loans and advances to customers	1,031,474	21,065	921,389	2,456	503	12,665	61,172	12,223
Net investment in finance lease	1,682	-	1,136	-	-	-	546	-
Financial assets carried at fair value through other comprehensive income	30,596	-	-	-	-	5,776	-	24,819
Debt securities carried at amortised cost	677,684	-	-	14,116	-	28,563	448,097	186,909
Property, plant, equipment and investment property	299,590	299,590	-	-	-	-	-	-
Intangible assets	2,390	2,390	-	-	-	-	-	-
Non-current assets held for sale	22,660	22,660	-	-	-	-	-	-
Other assets	138,566	138,566	-	-	-	-	-	-
Total assets	**2,862,274**	**1,141,904**	**922,525**	**16,572**	**503**	**47,004**	**509,815**	**223,952**
Liabilities								
Deposits from credit institutions	42,564	-	-	-	-	42,564	-	-
Deposits from customers	2,466,892	1,384,388	-	198,610	156,993	668,911	57,871	119
Other financial liabilities, including:	4,449	-	-	-	-	247	2,191	2,011
Payables on operating lease contracts under IFRS 16	4,449	-	-	-	-	247	2,191	2,011
Other liabilities	17,046	17,046	-	-	-	-	-	-
Total liabilities	**2,530,950**	**1,401,433**	**-**	**198,610**	**156,993**	**711,722**	**60,062**	**2,130**
Cumulative interest gap	**331,324**	**(259,529)**	**922,525**	**(182,037)**	**(156,490)**	**(664,719)**	**449,753**	**221,822**

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 months 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	-	-	-	-	-	-
Receivables from banks	2,936	2,936	-	-	-	-	-	-
Financial assets carried at fair value through profit or loss	414	-	-	-	414	-	-	-
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	-	-	-	-	78	2,412	374
Financial assets carried at fair value through other comprehensive income	48,896	21,728	-	-	-	-	5,530	21,638
Debt securities carried at amortised cost	629,561	-	-	-	92,605	14,226	273,929	248,801
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	114,191	114,191	-	-	-	-	-	-
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**

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 30 June 2023, based on assumptions, the total interest-bearing assets amount to BGN 2,133,766 thousand compared to interest-bearing liabilities of BGN 2,502,995 thousand, as a result of which the Bank reports: negative imbalance of BGN 369,229 thousand/imbalance ratio of -0.17, annual cumulative discrepancy ratio of -0.37; imbalance ratio is –0.46; Net Interest Income (NII) of BGN 78,272 thousand at 3.67% Net Interest Margin (NIM) and 3.75% interest spread.

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

- Parallel Shock Down – shift of the yield curve by -200 basis points, the reduction of the NII is from BGN 9,438 thousand;
- Steepener – negative effect of BGN 9,334 thousand;
- Shock Rates Shock Down – reduction of BGN 9,379 thousand.

With a planned NII as at 31 December 2023 in the amount of BGN 59,917 thousand and with a continued increase in interest rates (the Base Interest Rate began to grow from October 2022, when it rose from zero percent to 0.49 percent, continuing to grow every month - January this year it reached 1.42 percent, in March it rose to 2.18 percent, in June it reached 2.96 percent, and for August it reached 3.12 percent, which is another increase in the indicator, which is set on the basis of the concluded transactions on the interbank market in Bulgaria), a conclusion can be made that regardless of the results of the stress scenarios carried out under the worst-case assumptions, there are no indications that the Bank may not implement the planned NII for 2023.

The effect of the performed stress scenarios (according to paragraph 113 EBA/GL/2018/02 and according to paragraph 114 EBA GL/2018/02) on reported equity of BGN 304,679 thousand as at 30 June 2023 is a decrease by 3.8% and no violation of the interest rate risk control limit is considered: in case of sudden and unexpected changes in interest rates by 200 b.p., the reduction in 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 30 June 2023, Investbank JSC has no positions in the portfolio reported at fair value through profit or loss (FVTPL), and its balance sheet value is equal to zero BGN.

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:

30/06/2023	**Weight pursuant to Regulation 575**	**Amount in BGN '000**	**Relative share**	**Weighted amount in BGN '000**
Government securities	0%	298,062	42.08%	-
Government securities	4%	36,946	5.22%	1,478
Government securities	10%	340,185	48.03%	34,019
Corporate bonds	100%	11,273	1.59%	11,273
Shares	100%	16,487	2.33%	16,487
Shares	20%	5,298	0.75%	1,060
TOTAL for counterparty's risk		708,251	100%	64,316

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		558,728	556,473	35,554

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.

(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 due to the maintenance of 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.

30 June 2023
In BGN '000

	BGN	EUR	Other currency	Total
Assets				
Cash, balances with central banks and other deposits on demand	456,446	185,733	11,502	653,681
Receivables from banks	1,148	2,157	647	3,952
Financial assets held for trading	-	-	-	-
Loans and advances to customers	524,973	487,338	19,162	1,031,473
Net investment in finance lease	1,682	-	-	1,682
Financial assets carried at fair value through other comprehensive income	10,198	15,094	5,304	30,596
Debt securities carried at amortised cost	84,003	563,183	30,498	677,684
Property, plant, equipment and investment property	299,590	-	-	299,590
Intangible assets	2,390	-	-	2,390
Non-current assets held for sale	22,660	-	-	22,660
Other assets	121,224	17,342	-	138,566
Total assets	**1,524,314**	**1,270,847**	**67,113**	**2,862,274**
Liabilities				
Deposits from credit institutions	12,329	30,235	-	42,564
Deposits from customers	1,621,230	784,481	61,181	2,466,892
Other financial liabilities, including:	4,449	-	-	4,449
Payables on financial lease contracts	-	-	-	-
Payables on operating lease contracts under IFRS 16	4,449	-	-	4,449
Other liabilities	16,643	377	26	17,046
Total liabilities	**1,654,651**	**815,093**	**61,207**	**2,530,951**
Net position	**(130,337)**	**455,754**	**5,906**	**331,323**

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**

- *(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.

In the first half of 2023, various operational events were registered, which were systematized, analysed and classified by risk categories and business lines, according to the requirements of the EBA (European Banking Authority) and the BNB. The highest potential gross amount of loss from a single event comes to BGN 28,400.

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 30 June 2023 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 1.5% of RPE.

Equity indicators

Equity (capital base)	**2023**	**2022**
In BGN '000		
Common Equity Tier I capital	**304,679**	**271,584**
Repaid equity instruments	155,572	155,572
Reserves	158,844	123,020
Deductions from Common equity Tier I Capital:		
Intangible assets	1,487	1,441
Accumulated other comprehensive income	8,250	5,567
Equity	**304,679**	**271,584**

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

	30 June 2023	**31 December 2022**
Total capital adequacy ratio	21.09%	19.86%
Common Equity Tier 1 capital ratio	21.09%	19.86%

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

Indicators, BGN '000	**30 June 2023**	**31 December 2022**
Common Equity Capital (CEC)	304,679	271,584
Common Equity Tier 1 Capital (CEC + Hybrid debt instruments issued)	304,679	271,584
Equity (capital base)	304,679	271,584

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

Surplus (+) / Shortage (-) as at 30 June 2023 in BGN '000	Equity	After deducting the capital buffers
Surplus (+) / Deficit (-) of Common Equity Tier 1 Capital	239,661	142,888
Surplus (+) / Deficit (-) of Tier 1 Capital	217,988	121,215
Surplus (+) / Deficit (-) of the common equity	189,091	92,318

The Bank's risk profile as at 30 June 2023 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 (93.2% of RPE), followed by operational risk (6.8% of RPE).

Distribution of risk-weighted exposures of Investbank JSC as at 30 June 2023:

Total risk-weighted exposures, including:	**1,367,459**	**100.00%**
Credit risk, counterparty credit risk	1,346,969	93.23%
Position, currency and commodity risks	-	-
Operational risk	97,875	6.77%

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

Capital coverage of the Bank's risk exposure in BGN '000		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:	1,444,844	115,588	36,121	40,280	20,372	212,361
Credit risk, counterparty credit risk	1,346,969	107,758	33,674	37,344	18,992	197,768
Position, currency and commodity risks	-	-	-	-	-	-
Operational risk	97,875	7,830	2,447	2,936	1,380	14,593

In addition to maintaining regulatory capital, Investbank JSC should also maintain sufficient acceptable liabilities so that the target levels are covered both as a ratio to the total risk exposure and to the measure of the total exposure. The BNB, in its capacity as a restructuring authority, has determined an intermediate (as at 1 January 2023) and a final target level, which must be reached by 1 January 2024. In order to meet these requirements by the end of the first half of 2023, Investbank JSC attracted additional eligible liabilities and issued bonds, which by the end of 2023 would ensure the achievement of the minimum requirements for equity and eligible liabilities (MREL). The restructuring authority shall carry out performance control based on reports submitted by Investbank JSC pursuant to the Implementation Regulation (EU) 2021/763.

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 30 June 2023	**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	-	-	30,596	-	30,596	19,162	-	11,434	30,596	-	-	-	-
Financial assets carried at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities carried at amortised cost	-	677,684	-	-	677,684	669,421	-	8,263	677,684	-	-	-	-
	-	**677,684**	**30,596**	**-**	**708,280**	**688,583**	**-**	**19,697**	**708,280**	-	-	-	-
Financial assets not measured at fair value													
Cash on hand and in deposits with the Central Bank	653,681	-	-	-	653,681	653,681	-	-	653,681	-	-	-	-
Receivables from banks	3,952	-	-	-	3,952	3,952	-	-	3,952	-	-	-	-
Loans and advances to customers	1,031,473	-	-	-	1,031,473	-	-	1,067,127	1,067,127	-	-	-	-
	1,689,106	**-**	**-**	**-**	**1,689,106**	**657,633**	**-**	**1,067,127**	**1,724,760**				
Financial liabilities not measured at fair value													
Deposits from credit institutions	-	-	-	42,564	42,564		-		-	-	-	-	-
Deposits from customers	-	-	-	2,471,341	2,471,341		2,387,793	55,369	2,443,162	-	-	-	-
Hybrid debt-equity instrument	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**2,513,905**	**2,513,905**	**-**	**2,387,793**	**55,369**	**2,443,162**	-	-	-	-

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

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	-	-	-	-
Financial assets carried at fair value through profit or loss	-	414	-	-	414	414	-	-	414	-	-	-	-
Debt securities carried at amortised cost	-	629,561	-	-	629,561	621,368	-	8,193	629,561	-	-	-	-
	-	**629,975**	**48,896**	**-**	**678,871**	**633,212**	**26,032**	**19,627**	**678,871**	-	-	-	-
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	**-**	**-**	**-**	**1,719,775**	**619,595**	**-**	**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	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**2,519,881**	**2,519,881**	**-**	**2,413,393**	**81,333**	**2,494,726**	-	-	-	-

6. NET INTEREST REVENUES

In BGN '000	**30/06/2023**	**30/06/2022**
Interest revenues		
Deposits provided to credit institutions	3,933	10
Loans and advances from customers, including	**26,762**	**16,264**
Loans and advances from credit institutions	974	-
Loans and advances from non-banking financial institutions	356	119
Loan and advances from budget spending units	173	87
Loans and advances from undertakings	19,808	11,521
Loans and advances from individuals and households	5,451	4,537
Net investment in finance lease	58	100
Financial assets carried at fair value through other comprehensive income	300	47
Financial assets carried at fair value through profit or loss	2	4
Revenues from interest on liabilities	57	
Debt securities carried at amortised cost, including	**4,663**	**1,693**
General government	4,513	1,393
Non-financial corporations	150	300
Total	**35,775**	**18,118**

In BGN '000	**30/06/2023**	**30/06/2022**
Interest expenses		
Deposits	**(4,035)**	**(3,025)**
Deposits from credit institutions	-	(1,014)
Deposits from customers	(4,035)	(2,011)
Loans and advance payments made	**(184)**	**-**
Central banks	(184)	-
Other liabilities	**(94)**	**(65)**
Total	**(4,313)**	**(3,090)**
Net interest revenues	**31,462**	**15,028**

Interest revenues as at 30 June 2023 account for an increase by BGN 17,657 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 10,498 thousand due to: the higher average portfolio interest rate (3.43% as at December 2022 and 5.04% for June 2023, respectively) and to a lesser extent to the higher average portfolio volume.

7. NET FEE AND COMMISSION REVENUES

In BGN '000	**30/06/2023**	**30/06/2022**
Fee and commission revenues		
Revenues on securities	94	87
Revenues on performing credit commitments	2,447	2,969
Revenues on fees for off-balance sheet commitments	460	669
Fees related to payment services	14,579	12,282
Other fees and commissions	119	90
Total	**17,699**	**16,097**
Fee and commission expenses		
Clearing and settlement fees	(1,998)	(1,499)
Other fees and commissions	(11)	(79)
Total	**(2,009)**	**(1,578)**
Net fee and commission revenues	**15,690**	**14,519**

As at June 2023, the Bank's net revenues from fees and commissions amount to BGN 15,690 thousand compared to BGN 14,519 thousand at the end of June 2022, with the increase being by BGN 1,171 thousand and mainly due to the increase in the revenues from fees related to servicing accounts and payment services.

8. NET REVENUES ON TRADING OPERATIONS

In BGN '000	**30/06/2023**	**30/06/2022**
Net gains or losses on operations in financial assets and liabilities carried at fair value through profit or loss	-	-
Revenues on changes in the fair value of financial assets carried at fair value through profit or loss	-	(8)
Net income on foreign currency operations	911	1,420
Net revenues on trading operations	**911**	**1,412**

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

	30/06/2023	**30/06/2022**
Net gains / losses on operations in financial assets	(2,189)	(20)
Net change in the fair value of the financial assets	1,935	(31)
Total net result	**(254)**	**(51)**

10. OTHER REVENUES ON OPERATIONS

In BGN '000	**30/06/2023**	**30/06/2022**
Other operating revenues		
Revenues on dividends, including:	-	-
Financial assets available for sale	-	-
Gain on other non-financial services provided	122	1
Revenues on sale of fixed assets and investment property	77	32
Revenues on sale of non-current held-for-sale assets, including collateral	668	518
Revenues on rentals of investment properties	492	536
Other revenues	708	920
Total other revenues on operations	**2,067**	**2,007**

At the end of June 2023, the amount of other net revenues comes to BGN 2,067 thousand, compared to BGN 2,007 thousand in June 2022.

11. ADMINISTRATIVE EXPENSES

In BGN '000	**30/06/2023**	**30/06/2022**
Expenses on staff, including:	(9,834)	(7,218)
Remuneration and salaries	(7,589)	(5,985)
Social security contributions	(2,245)	(1,233)
Depreciation expenses	(2,645)	(2,585)
Expenses on Bulgarian Deposit Insurance Fund and BRF	(1,988)	(428)
Expenses on taxes and fees	(1,970)	(957)
Expenses on rental of offices and other assets	(21)	(15)
Expenses on security guards	(247)	(208)
Expenses on communications	(796)	(658)
Other administrative expenses	(3,881)	(4,342)
Total administrative expenses	**(21,382)**	**(16,411)**

As at 30 June 2023, the total amount of administrative expenses amounted to BGN 21,382 thousand, which is by BGN 4,971 thousand higher than their level as at 30 June 2022.

The other administrative expenses are distributed as follows:

Other administrative expenses	**30/06/2023**	**30/06/2022**
Expenses on business trips	(101)	(50)
Expenses on expert assessment	(46)	(188)
Expenses on subscriptions	(199)	(4)
Expenses on vehicles	(112)	(153)
Expenses on ATM and POS	(59)	(25)
Expenses on considerations of the SB	(209)	(165)
Expenses on fines and penalties	(22)	-
Expenses on donations and sponsorship	(45)	(10)
Expenses on vehicle insurance	(46)	(121)

Expenses on insurance of other assets	(36)	(127)
Expenses on building insurance	(83)	(118)
Expenses on cash collections	(158)	(83)
Expenses on consultancy services	(185)	(115)
Expenses on materials	(658)	(734)
Expenses on training	(31)	(10)
Expenses on auditing	(74)	(189)
Expenses on written-off receivables, shortages and waste	(16)	-
Expenses on maintenance of other assets	(183)	(140)
Expenses on maintenance of buildings	(15)	(839)
Expenses on software support	(375)	(358)
Expenses on cleaning	(54)	(42)
Advertising expenses	(169)	(149)
Other expenses	(1,005)	(722)
Total	**(3,881)**	**(4,342)**

For an independent financial audit of the interim financial statements as at 30 June 2023, BGN 63 thousand are due, agreed as a separate commitment with the joint auditors.

In the first half of 2023, funding was received from the state as compensation for the increased electricity prices in the amount of BGN 40 thousand, which were reported as offset in a reduction of the total amount of material costs for June 2023.

12. LOSS ON IMPAIRMENT OF FINANCIAL ASSETS

In BGN '000	**30/06/2023**	**30/06/2022**
Provisions for impairment loss set aside	(6,877)	(8,429)
Provisions for impairment loss reintegrated	4,237	6,564
Total impairment loss	**(2,640)**	**(1,865)**

Structure of impairment loss	**30/06/2023**	**30/06/2022**
Impairment of loans and debt instruments carried at amortized cost	(2,638)	(1,876)
Impairment of financial guarantees	(2)	13
Provisions for lawsuits	-	(2)
Other	-	-
Total	**(2,640)**	**(1,865)**

At the end of June 2023, the Bank reported impairment loss in the amount of BGN 2,640 thousand, of which: impairment of loans and debt instruments carried at amortized cost in the amount of BGN (2,638) thousand and impairment of financial guarantees in the amount of BGN (2) thousand.

13. NET RESULT FROM REVALUATION OF INVESTMENT PROPERTY

In BGN '000	**30/06/2023**	**30/06/2022**
Net result from revaluation		
Revenues on revaluation	-	1,203
Expenses on revaluation	-	(1,172)
Net result from revaluation	**-**	**31**

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

	30/06/2023	**30/06/2022**
Current tax expenses		
Revenue / expense on movement in deferred taxes	13	-
Total tax expense	13	-

The Company has accumulated tax losses from 2018 to 2022 in the amount of BGN 67,736 thousand and is entitled to use this amount to reduce the realized tax profits in the following years. For the reporting year 2023, BGN 27,954 thousand of tax losses have been absorbed, and BGN 4,480 thousand tax losses from 2019 and 2021 remain for the periods after 30 June 2023.

	30/06/2023	**30/06/2022**
Profit before tax	25,816	14,520
Tax rate	10%	10%
Estimated income tax expense	**2,582**	**1,452**
Tax effect from:		
Adjustments for tax-exempt income:		
Increase of the financial performance for tax purposes	8,292	45,379
Adjustment for unrecognized expenses for tax purposes:		
Decrease of the financial performance for tax purposes	(6,154)	(41,211)
Current income tax (expense)	**2,795**	**1,869**
Deferred tax (expenses)/revenues:		
Temporary differences occurrence and reversal effect	(2,782)	(1,869)
Effect of changes to the accounting rules		
Expenses on income taxes	**13**	**-**

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

In BGN '000	**Carrying amount 30/06/2023**	**Carrying amount 31/12/2022**
Cash and balances with central banks and other deposits on demand		
Cash on hand	40,530	47,080
Cash in transit	8,925	7,473
Current accounts with banks	95,542	86,648
Deposits with banks	265,777	-
Cash balances with central banks	242,907	529,777
Total	**653,681**	**670,978**

As at 30 June 2023 and, respectively, as at 31 December 2022, the funds on accounts with BNB also include the amount, which represents the participation of Investbank JSC in the guarantee mechanism of the system in the amount of BGN 4,290 thousand.

16. RECEIVABLES FROM BANKS

In BGN '000	**Carrying amount 30/06/2023**	**Carrying amount 31/12/2022**
Receivables from local banks	1,029	44
Receivables from foreign banks	2,923	2,892
Total	**3,952**	**2,936**

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

In BGN '000	**Carrying amount 30/06/2023**	**Carrying amount 31/12/2022**
Government securities, including:	-	414
Short- and medium-term government securities denominated in BGN	-	414
Short- and medium-term government securities denominated in foreign currency	-	-
Total	**-**	**414**

The structure of financial assets carried at fair value through profit or loss as at 30 June 2023 and 31 December 2022, 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 30/06/2023**	**Carrying amount 31/12/2022**
Credit institutions	42,564	31,811
Other financial institutions		
- Loans and advances	12,184	10,847
- Assigned claims	-	-
Individuals (households)		
- Loans and advances	184,922	205,007
- Assigned claims	-	-
Budgetary enterprises	-	-
- Loans and advances	9,841	8,913
- Assigned claims	-	-
Private (non-financial) enterprises		
- Loans and advances	803,932	809,430
- Assigned claims	1,540	1,946
	1,054,983	**1,067,954**
Impairment loss	(23,510)	(22,093)
Total	**1,031,473**	**1,045,861**

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

In BGN '000	**Carrying amount 30/06/2023**	**Carrying amount 31/12/2022**
Balance as at 1 January	22,093	21,865
Accrued	5,322	13,777
Reintegrated	(3,395)	(8,918)
Written off	(510)	(4,631)
Balance as at 30 June	**23,510**	**22,093**

30/06/2023	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	9,769	9,841	9,841	-	-	(72)	-	-	-	-
Credit institutions	42,564	42,564	42,564	-	-	-	-	-	-	-
Other financial corporations	12,182	11,461	11,461	722	-	-	(1)	-	-	-
Non-financial corporations	790,002	684,511	684,511	13,748	107,213	(314)	(67)	(15,089)	-	(347)
Households	176,956	169,663	169,663	1,957	13,303	(38)	(6)	(7,923)	-	(163)
Total	**1,031,473**	**918,040**	**918,040**	**16,427**	**120,516**	**(424)**	**(74)**	**(23,012)**	**-**	**(510)**

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)**

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	**30/06/2023**	**31/12/2022**
Gross investment in finance lease	1,934	3,117
Impairment losses:	240	240
Including Accrued	-	9
Reintegrated	-	(19)
Unrealized finance income	(12)	(13)
Net present values of investment in finance lease	**1,682**	**2,864**

Net investment in finance lease is allocated as follows:

In BGN '000	**30/06/2023**	**31/12/2022**
Lease receivables		
Lease receivables from legal entities	1,922	3,104
Impairment of expected credit losses and impairment losses	(240)	(240)
Lease receivables	**1,682**	**2,864**
Non-current lease receivables	569	660
Current lease receivables	1,113	2,204
	1,682	**2,864**

	Up to 1 year	**1 to 5 years**	**Over 5 years**	**Total**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**
30 June 2023				
Lease proceeds	570	1,365	-	1,935
Discounting	(1)	(252)	-	(253)
Net present values of investment in finance lease	**569**	**1,113**	**-**	**1,682**
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**

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

In BGN '000	**Carrying amount 30/06/2023**	**Carrying amount 31/12/2022**
Equity instruments	**21,807**	**21,728**
Other financial corporations	-	-
Non-financial corporations, including:	21,807	21,728
Stocks and shares in local companies	7,185	7,611
Stocks and shares in foreign companies	14,622	14,117
Debt securities	**8,789**	**27,168**
General government, including	**-**	**27,168**
Bulgarian government securities denominated in BGN	-	-
Bulgarian government securities denominated in foreign currency	-	-
Foreign government securities denominated in foreign currency	-	-
Government securities of non-financial corporations, including:	**8,789**	**27,168**
Debt instruments - Bulgarian issuers	3,013	21,638
Debt instruments - foreign issuers	5,776	5,530
Total	**30,596**	**48,896**

21. DEBT SECURITIES CARRIED AT AMORTISED COST

30/06/2023	**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	669,422			-	-	(2,124)	-	-
Bulgarian government securities denominated in BGN	410,156	411,785	411,785	-	-	(1,629)	-	-
Foreign government securities, denominated in EUR and USD	259,266	259,761	259,761	-	-	(495)	-	-
Debt instruments - non-financial corporations, including:	8,262	-	-	-	11,260	-	-	(2,998)
Bulgarian issuers	8,262	-	-	-	11,260	-	-	(2,998)
Foreign issuers	-	-	-	-	-	-	-	-
Total	**677,684**	**671,546**	**671,546**	**-**	**11,260**	**(2,124)**	**-**	**(2,998)**

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**	**-**	**-**	**(1,625)**	**-**	**-**
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**	**-**	**-**	**-**	**11,110**	**-**	**-**	**(2,917)**
Bulgarian issuers	8,193	-	-	-	11,110	-	-	(2,917)
Foreign issuers	-	-	-	-		-	-	
Total	**629,561**	**622,993**	**622,993**	**-**	**11,110**	**(1,625)**	**-**	**(2,917)**

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 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
Assets written-off	-	(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**
Balance as at 1 January 2023	**13,861**	**10,710**	**2,549**	**2,421**	**1,674**	**14,503**	**45,718**
Newly acquired assets	-	160	162	2	37	95	456
Assets written-off	-	(10)	(128)	-	-	(371)	(509)
Transfers	-	156	-	-	(134)	-	22
Balance as at 30 June 2023	**13,861**	**11,016**	**2,583**	**2,423**	**1,577**	**14,227**	**45,687**
Depreciation							
Balance as at 1 January 2022	**7,987**	**9,544**	**1,816**	**2,393**	**771**	**7,021**	**29,532**
Other changes							
Assets written-off / transfers	-	(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**
Balance as at 1 January 2023	**8,531**	**8,567**	**1,891**	**2,367**	**925**	**8,792**	**31,073**
Assets written-off	-	(10)	(128)	-	-	(143)	(281)
Depreciation	272	619	99	13	76	1,130	2,209
Balance as at 30 June 2023	**8,803**	**9,176**	**1,862**	**2,380**	**1,001**	**9,779**	**33,001**
Carrying amount as at 31 December 2022	**5,330**	**2,143**	**658**	**54**	**749**	**5,711**	**14,645**
Carrying amount as at 30 June 2023	**5,058**	**1,840**	**721**	**43**	**576**	**4,448**	**12,686**

22.2. INVESTMENT PROPERTY

Gross carrying amount	**Amount in BGN '000**
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	**287,562**
Balance as at 1 January 2023	287,562
Newly acquired assets:	
increase	217
transfers from inventories (transfers)	-
Assets written-off	(545)
Remeasurement	21,916
Balance as at 30 June 2023	**287,234**
Depreciation	
Balance as at 1 January 2022	376
Depreciation	-
Assets written-off	(46)
Transfers	-
Balance as at 31 December 2022	**330**
Balance as at 1 January 2023	330
Depreciation	-
Assets written-off	-
Transfers	-
Balance as at 30 June 2023	**330**
Carrying amount as at 31 December 2022	**287,232**
Carrying amount as at 30 June 2023	**286,904**

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 2022	**1,049**	**9,284**	**267**	**10,600**
Newly acquired assets, purchased	-	590	21	611
Transfers	-	267	(267)	-
Assets written-off	-	(212)	-	(212)
Balance as at 31 December 2022	**1,049**	**9,929**	**21**	**10,999**
Transfers	-	-	-	-
Balance as at 1 January 2023	**1,049**	**9,929**	**21**	**10,999**
Newly acquired assets, purchased	36	209	192	437
Assets written-off	-	-	-	-
Transfers	-	18	(40)	(22)
Balance as at 30 June 2023	**1,085**	**10,156**	**173**	**11,414**
Depreciation				
Balance as at 1 January 2022	**801**	**7,131**	**-**	**7,932**
Depreciation	52	815	-	867
Assets written-off	-	(212)	-	(212)
Balance as at 31 December 2022	**853**	**7,734**	**-**	**8,587**
Balance as at 1 January 2023	**853**	**7,734**	**-**	**8,587**
Depreciation	26	411	-	437
Assets written-off	-	-	-	-
Balance as at 30 June 2023	**879**	**8,145**	**-**	**9,024**
Carrying amount as at 31 December 2022	**194**	**2,195**	**21**	**2,412**
Carrying amount as at 30 June 2023	**206**	**2,011**	**173**	**2,390**

24. ASSETS HELD FOR SALE

In BGN '000	**Carrying amount 30/06/2023**	**Carrying amount 31/12/2022**
Balance as at 1 January	22,857	847
Reclassified	-	22,396
Acquired	-	-
Sold	(197)	(386)
Transferred revaluation	-	-
Impairment	-	-
Balance as at 30 June	**22,660**	**22,857**

	Carrying amount 30/06/2023	**Carrying amount 31/12/2022**
Non-current assets held for sale		
Property, plant and equipment	22,660	22,857
including Assets acquired as collateral	22,660	22,857
Total	**22,660**	**22,857**

Non-current assets held for sale as at 30 June 2023 amount to BGN 22,660 thousand. This item presents assets for which a sale procedure has been initiated.

25. OTHER ASSETS

	Carrying amount 30/06/2023	**Carrying amount 31/12/2022**
Other assets		
Estimates with customers	18,659	1,750
Assets acquired from collateral	102,736	95,797
Other estimates with other financial institutions	52	44
Materials	533	602
Deferred expenses	3,277	450
Tax assets, including:		
current tax assets	1,356	65
deferred tax assets	160	160
Other estimates and receivables	11,793	15,323
Total	**138,566**	**114,191**

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 30 June 2023 the assets acquired from collateral amount to BGN 102,736 thousand, of which: land in the amount of BGN 47,710 thousand, buildings under construction in the amount of BGN 11,686 thousand, buildings in the amount of BGN 34,315 thousand and other in the amount of BGN 9,025 thousand.

25.1. DEFERRED TAXES

Deferred tax liabilities (assets)	**31 December 2022**	**Effect of changes to the accounting rules**	**1 January 2023**	**Recognised in other comprehensive income**	**Recognised in profit or loss**	**30 June 2023**
	BGN '000		BGN '000	BGN '000	BGN '000	BGN '000
Assets	**160**	**-**	**160**	**-**	**-**	**160**
Unused leaves	11	-	11	-	-	11
Tax losses	-	-	-	-	-	-
Provisions for lawsuits, Art. 38 CITA	23	-	23	-	-	23
Other assets	61	-	61	-	-	61
Accrued expenses	5	-	5	-	-	65
Liabilities	**(12,280)**	**-**	**(12,280)**	**-**	**13**	**(12,267)**
Deferred tax from revaluation	(12,209)		(12,209)	-	13	(12,196)
Deferred tax liabilities of CB Victoria	-	-	-	-	-	-
Temporary difference under Art. 149 CITA	(71)	-	(71)	-	-	(71)
Total deferred assets and liabilities (offset)	**(12,120)**	**-**	(12,120)	-	13	(12,107)
Deferred tax assets	**160**	**-**	160	-	-	160
Deferred tax liabilities	**(12,280)**	**-**	(12,280)	-	13	(12,267)
Recognized as:						
Net deferred tax (assets)	**(12,120)**	**-**	**(12,120)**	**-**	**13**	**(12,107)**

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 30/06/2023**	**Carrying amount 31/12/2022**
Deposits, including:	42,564	31,811
- in local currency	12,329	12,058
-in foreign currency	30,235	19,753
Total	**42,564**	**31,811**

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 30/06/2023**	**Carrying amount 31/12/2022**
Deposits, including:	**2,466,892**	**2,482,357**
Individuals	1,431,452	1,408,444
Institutions	1,035,440	1,073,913
Other financial liabilities, including:	**4,449**	**5,713**
Payables on financial lease contracts	-	-
Payables on operating lease contracts under IFRS 16	4,449	5,713
Total	**2,471,341**	**2,488,070**

	Carrying amount 30/06/2023	**Carrying amount 31/12/2022**
Deposits other than those of credit institutions	**1,035,440**	**1,073,913**
Current accounts / overnight deposits	843,106	957,346
Deposits with agreed maturity	192,029	116,407
Deposits refundable on notice	305	160
Total	**1,035,440**	**1,073,913**

Term of deposits	**30/06/2023**	**31/12/2022**
up to 1 month	636,225	639,079
1 to 3 months	159,837	160,465
3 months to 1 year	577,314	527,507
1 year to 5 years	57,871	81,189
over 5 years	205	204
Total	**1,431,452**	**1,408,444**

Payables on operating lease contracts under IFRS 16

Age analysis of liabilities under lease contracts	**30/06/2023**	**31/12/2022**
- Up to 1 year	2,076	1,585
- 1 to 5 years	2,294	2,054
- Over 5 years	79	-
Total amount of undiscounted liabilities under lease contracts	**4,449**	**3,639**
Discount at 3.9%	289	209
Total amount of the present value of the liabilities under lease contracts	**4,738**	**3,848**
Current portion	2,201	1,674
Non-current portion	2,537	2,174
Total amount of the present value of the liabilities under lease contracts	**4,738**	**3,848**

In order to meet the regulatory requirements according to Art. 69 of the Recovery and Resolution of Credit Institutions and Investment Firms Act (RRCIIFA), as at June 2023 Investbank JSC acquired acceptable liabilities in the amount of BGN 41.3 million with a maturity of up to 5 years.

28. OTHER LIABILITIES

In BGN '000	**Carrying amount 30/06/2023**	**Carrying amount 31/12/2022**
Other liabilities		
Estimates with customers	2,864	1,896
Provisions	1,162	1,029
Staff-related payables	99	115
Estimates for taxes (tax liabilities)	12,813	12,907
Other	108	72
Total	**17,046**	**16,020**

29. PROVISIONS

In BGN '000	**Carrying amount 30/06/2023**	**Carrying amount 31/12/2022**
Provisions		
Pensions and other liabilities for payment of post-employment defined benefits	777	777
Unsettled legal issues and tax lawsuits	228	228
Commitments and guarantees	157	24
Total	**1,162**	**1,029**

30. EQUITY

(a) Share capital

As at 30 June 2023 and as at 31 December 2022, respectively, 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 the first half of 2023 and in 2022 there were no changes in the amount of share capital.

(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 30/06/2023**	**Carrying amount 31/12/2022**
Reserves		
Reserve Fund		
Premium reserve	65,583	65,583
Accumulated other comprehensive income	(8,922)	(8,518)
Retained earnings, including:	25,829	36,872
Other reserves	93,261	57,437
Total	**175,751**	**151,374**

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

In BGN '000	**Carrying amount 30/06/2023**	**Carrying amount 31/12/2022**
Cash on hand	49,455	54,553
Deposits with banks with original maturity of up to 3 months	361,319	86,648
Current accounts with the Central Bank	242,907	529,777
Total	**653,681**	**670,978**

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.

32. ASSETS PLEDGED AS COLLATERAL

The assets with encumbrances in 2023 are set out below:

30 June 2023	**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	**329,259**	**-**	**337,823**	**-**	**-**	**2,523,015**	**-**	**580,282**	**-**	**-**
Loans on demand	-	-	-	-	-	338,449	-	242,907	-	-
Equity instruments	-	-	-	-	-	21,806	-	-	21,806	-
Debt securities	337,823	-	337,823	337,823	337,823	348,651	-	337,375	345,637	337,375
including: covered bonds	-	-	-	-	-	-	-	-	-	-
including: asset-backed securities	-	-	-	-	-	-	-	-	-	-
including: issued by general government	337,823	-	337,823	337,823	337,823	337,375	-	337,375	337,375	337,375
including: issued by financial corporations	-	-	-	-	-	3,014	-	-	-	-
including: issued by non-financial corporations	-	-	-	-	-	8,262	-	-	8,262	-
Loans and advances other than loans on demand	-	-	-	-	-	1,301,449	-	-	-	-
including: mortgages	-	-	-	-	-	671,367	-	-	-	-
Other assets	1,436	-	-	-	-	512,660	-	-	-	-
Total:	**339,259**					**2,523,015**				

As at 30 June 2023 the amount of blocked government securities for securing the borrowed funds in budget accounts is BGN 337,823 thousand.

32. ASSETS PLEDGED AS COLLATERAL, CONTINUED

The assets with encumbrances in 2022 are set out below:

31 December 2022	**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**				

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	**30/06/2023**	**31/12/2022**
Bank guarantees and letters of credit		
- in BGN	58,258	56,210
-in foreign currency	12,968	17,544
Liabilities on unutilized credit commitments	101,484	96,914
Other commitments	-	142,025
Total off-balance sheet exposures	**172,710**	**312,693**

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

	30/06/2023	**31/12/2022**
FINANCIAL GUARANTEES AND LETTERS OF CREDIT GRANTED	**71,225**	**73,754**
General government	-	2
Other financial corporations	2,818	850
Non-financial corporations	68,407	72,902
CREDIT COMMITMENTS	**101,485**	**96,914**
General government	13,676	4,420
Credit institutions	142	-
Other financial corporations	5,250	6,182
Non-financial corporations	72,709	76,948
Households	9,708	9,364
OTHER COMMITMENTS	**-**	**142,025**
Central bank	-	44,984
Other financial corporations	-	-
Non-financial corporations	-	97,041
OFF-BALANCE SHEET EXPOSURES	**172,710**	**312,693**

30/06/2023	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	**71,225**	**-**	**-**	**1**	**-**	**-**
General government	-	**-**	**-**	**-**	**-**	**-**
Other financial corporations	2,818	-	-	-	-	-
non-financial corporations	68,407	-	-	1	-	-
Credit commitments taken	**101,485**	**-**	**-**	**23**	**-**	**-**
General government	13,676	-	-	-	-	-
Credit institutions	142	-	-	-	-	-
Other financial corporations	5,250	-	-	-	-	-
Non-financial corporations	72,709	-	-	20	-	-
Households	9,708	-	-	3	-	-
Other commitments	**-**	**-**	**-**	**-**	**-**	**-**
Central bank	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-
non-financial corporations	-	-	-	-	-	-
OFF-BALANCE SHEET EXPOSURES	**172,710**	**-**	**-**	**24**	**-**	**-**

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	-	-	-	-	-
Credit commitments taken	**96,914**	**-**	**-**	**23**	**-**	**-**
General government	4,420	-	-	-	-	-
Credit institutions	-	-	-	-	-	-
Other financial corporations	6,182	-	-	-	-	-
Non-financial corporations	76,948	-	-	-	-	-
Households	9,374	-	-	23	-	-
Other commitments	**142,025**	**-**	**-**	**-**	**-**	**-**
Central bank	44,984	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-
non-financial corporations	97,041	-	-	-	-	-
OFF-BALANCE SHEET EXPOSURES	**312,693**	**-**	**-**	**24**	**-**	**-**

34. RELATED PARTY TRANSACTIONS

Related parties	**Nature of the related party relationship**	**Type of transaction**	**Outstanding balance 30/06/2023**	**Outstanding balance 31/12/2022**
In BGN '000				
Festa Holding AD	Shareholders	1) Deposits granted	1,822	2,172
		2) Loans and receivables	8	8
	Members of Management Board	1) Deposits granted	85	60
		2) Loans received	375	144
	Members of Supervisory Board	1) Deposits granted	8,226	14,558
		2) Loans received	-	-
	Other	1) Deposits granted and other payables	12,366	19,356
		2) Loans and receivables	15,370	15,439
		Total deposits and payables	22,499	36,146
		Total loans and receivables	15,753	15,591

Expenses and revenues resulting from transactions with related parties

30/06/2023

Transaction amount	Shareholders	Members of Management Board	Members of Supervisory Board	Related parties under common control and other	Total
Expenses					
Interest expenses	-	-	55	2	57
Services Received	851	-	-	549	1,400
Total expenses	**851**	**-**	**55**	**551**	**1,457**
Revenues					
Interest revenues	-	6	-	226	232
Fee and commission revenues	-	-	-	63	63
Revenues from services	37	-		62	99
Total revenues	**37**	**6**	**-**	**351**	**394**

The remunerations of the executive directors and the Management Board and the members of the Audit Committee as at 30 June 2023 amount to BGN 167 thousand (June 2022: BGN 158 thousand) and those of the Supervisory Board amount to BGN 210 thousand (June 2022: BGN 165 thousand).

Income of key management personnel

	30/06/2023	30/06/2022
Short-term employee remunerations		
Current remuneration expenses	365	314
Social expenses	4	-
Social security expenses	8	9
Total	**377**	**323**

30/06/2023

Balances	Key management personnel and other management personnel	Owners	Related parties under common control and other related parties	**Total**
Assets: Loans and advance payments made	375		15,370	15,745
Other receivables		8		8
Total assets	**375**	**8**	**15,370**	**15,753**
Liabilities: Deposits				
Deposits	8,311	1,822	12,366	22,499
Other liabilities				0
Total liabilities	**8,311**	**1,822**	**12,366**	**22,499**

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**	**2023**	**2022**
Gross operating income as at 30 June of the respective year	Notes 6, 7, 8, 9, and 10	49,838	32,765
Profit/ (Loss) before taxes as at 30 June of the respective year	Statement of Profit and Loss	25,816	14,520
(Tax expenses or (-) revenues related to the gain or loss on current operations) as at 30 June of the respective year	Appendix 14	(13)	0
Return on assets (%) as at 30 June 2023 and as at 31 December 2022, respectively	Annual Management Report	0.91	1.82
Equated number of employees employed under full-working-day contracts as at 30 June 2023 and as at 31 December 2022, respectively	Appendix 11	591	608

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

After the date of the issuance of these financial statements, Investbank JSC concluded a bond loan in the amount of EUR 5,100,000. The issue date is 5 July 2023. The bonds are ordinary, interest-bearing and freely transferable. The term is 10 years after the issue date. Approval by the Financial Supervision Commission for the admission of the bonds to trading on a regulated market is pending.