



ANNUAL REPORT

of

„TEXIM BANK” AD

31 December 2022

Sofia

March, 2023

Contents

- 1. Annual separate financial statements**
- 2. Notes to annual separate financial statements**
- 3. Independent Auditors' report**
- 4. Annual separate management report of „Texim Bank“ AD for 2022**
- 5. Corporate governance statement under art. 100n, para. 8 in relation to para. 7, item 1 of the Public Offering of Securities Act (POSA)**
- 6. Report on the implementation of the remuneration policy of the members of the Supervisory Board and the Management Board of „Texim Bank” AD**
- 7. Information under art. 100n, para. 4, item 6 of POSA and art. 10, item 2 (Appendix № 3) from Ordinance № 2 of FSC dated 09.11.2021**
- 8. Information under art. 100n, para. 4, item 6 of POSA and art. 10, item 4 from Ordinance № 2 of FSC dated 09.11.2021**
- 9. Declaration from the independent auditors under art. 100n, para. 4, item 3 of POSA**
- 10. Declaration from those charged with governance under art. 100n, para. 4, item 4 of POSA**

TEXIM BANK AD

SEPARATE STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

	Note	As at 31.12.2022	As at 31.12.2021
ASSETS			
Cash and balances with the Central Bank	4	183,493	110,667
Financial assets at fair value through profit or loss	5	36,366	35,109
Financial assets at fair value through other comprehensive income	6	39,073	88,885
Loans and receivables	7	202,744	223,243
Receivables under repurchase agreements of securities	8	34,228	32,431
Debt instruments at amortized cost	9	57,786	5,389
Property, plant and equipment	10	19,955	19,954
Investment properties	11	12,920	11,820
Intangible assets	10	1,825	1,908
Investments in subsidiaries	12	452	952
Other assets	13	8,019	6,434
TOTAL ASSETS		596,861	536,792
LIABILITIES			
Deposits and loans from credit institutions		1,788	1,704
Deposits from customers other than credit institutions	14	525,422	468,716
Lease liabilities	15	2,936	3,991
Issued debt securities	16	22,160	22,208
Tax liabilities	17.1	1,050	318
Other liabilities	18	2,987	1,158
Provisions	19	335	321
TOTAL LIABILITIES		556,678	498,416
EQUITY			
Share capital	20	27,995	27,995
Retained earnings		1,066	1,141
Revaluation reserves	20	8,127	6,505
Legal reserves	20	2,863	2,603
Other reserves	20	132	132
TOTAL EQUITY		40,183	38,376
TOTAL LIABILITIES AND EQUITY		596,861	536,792

These separate financial statements were approved by the Management Board of Texim Bank AD on 29 March 2023.

Ivaylo Donchev
Executive Director

Mariya Vidolova
Executive Director

Dobromir Tanov
Chief accountant

Auditors' report issued by:

Grant Thornton OOD, reg. № 032

RSM BG OOD, reg. № 173

Mariy Apostolov
Managing partner

Silvia Dinova
Registered auditor

Mariana Mihaylova
Registered auditor
Managing partner

The notes to the separate financial statements from pages 5 to 71 form an integral part of these financial statements.

TEXIM BANK AD

SEPARATE STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

	Note	The year ended 31.12.2022	The year ended 31.12.2021
Interest income	21	11,832	11,765
Interest expense	21	(1,342)	(1,619)
Net interest income		10,490	10,146
Dividend income		307	360
Fee and commission income	22	4,833	4,467
Fee and commission expenses	22	(799)	(744)
Net fee and commission income		4,034	3,723
Net gains on financial assets at fair value through profit or loss	23	2,556	2,327
Net gains on financial assets at fair value through other comprehensive income	23	85	138
Net gains/(losses) on foreign currency revaluation		17	(15)
Net gains on assets written-off, other than assets for sale	10, 11	57	(24)
Gain on sale of subsidiaries	12	300	-
Change in the fair value of investment property	11	1,767	387
Other operating expenses, net	24	(1,384)	(1,000)
Administrative expenses	25	(13,427)	(11,909)
Depreciation and amortisation expenses	10	(3,758)	(3,753)
Net income/(expenses) from impairment and uncollectibility	26	(56)	(52)
Impairment of non-financial assets		(329)	-
Income from /(expenses for) provisions	19	4	(92)
PROFIT BEFORE TAXATION		663	236
Income tax	17.2	(158)	24
PROFIT FOR THE YEAR		505	260
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of non-financial assets		2,586	829
Income tax related to the revaluation of non-financial assets		(258)	(83)
Changes in the fair value of equity instruments at fair value through other comprehensive income		4	16
Remeasurement of defined benefit liability		(49)	2
Income tax related to remeasurement of defined benefit liability		5	-
Items that may be reclassified subsequently to profit or loss:			
Changes in the fair value of debt instruments at fair value through other comprehensive income		(658)	(1,539)
OTHER COMPREHENSIVE INCOME		1,630	(775)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,135	(515)
Earnings per share (in BGN)	27	0.018	0.009
Diluted earnings per share (in BGN)	27	0.024	0.019

These separate financial statements were approved by the Management Board of Texim Bank AD on 29 March 2023.

Ivaylo Donchev
Executive Director

Mariya Vindolova
Executive Director

Dobromir Tanov
Chief accountant

Auditors' report issued by:

Grant Thornton OOD, reg. № 032

RSM BG OOD, reg. № 173

Mariya Apostolova
Managing partner

Silvia Dinova
Registered auditor

Mariana Mihaylova
Registered auditor
Managing partner

The notes to the separate financial statements from pages 5 to 71 form an integral part of these financial statements.

TEXIM BANK AD

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

	Share capital	Revaluation reserves	Legal reserves	Other reserves	Retained earnings	Total
BALANCE AS AT 1 January 2021	27,995	7,280	2,449	132	1,035	38,891
Profit for the year	-	-	-	-	260	260
Other comprehensive income	-	(775)	-	-	-	(775)
Total comprehensive income	-	(775)	-	-	260	(515)
Increase of legal reserves with undistributed profit	-	-	154	-	(154)	-
BALANCE AS AT 31 December 2021	27,995	6,505	2,603	132	1,141	38,376
Profit for the year	-	-	-	-	505	505
Other comprehensive income	-	1,630	-	-	-	1,630
Total comprehensive income	-	1,630	-	-	505	2,135
Increase in retained earnings from previous years with revaluation reserves of reclassified financial instruments	-	(8)	-	-	8	-
Decrease of retained earnings from prior years related to deferred taxes	-	-	-	-	(328)	(328)
Increase of legal reserves with retained earnings	-	-	260	-	(260)	-
BALANCE AS AT 31 December 2022	27,995	8,127	2,863	132	1,066	40,183

These separate financial statements were approved by the Management Board of Texim Bank AD on 29 March 2023.

Ivaylo Donchev
Executive Director

Mariya Yidolova
Executive Director

Dobromir Tanoy
Chief accountant

Auditors' report issued by:

Grant Thornton OOD, reg. №. 032

RSM BG OOD, reg. №. 173

Mariya Apostolov
Managing partner

Silvia Dinova
Registered auditor

Mariyana Mihaylova
Registered auditor
Managing partner



The notes to the separate financial statements from pages 5 to 71 form an integral part of these financial statements.

TEXIM BANK AD

SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

	Note	The Year ended 31.12.2022	The Year ended 31.12.2021
OPERATING ACTIVITIES			
Net profit		505	260
Income tax revenue /(expense)	17.2	158	(24)
Adjustments for non-monetary items:			
Depreciation	10	3,758	3,753
Allowances for impairment losses and uncollectability, net	26	56	52
Net result from revaluation of investment properties and assets held for sale	11	(1,767)	(387)
Net result of operations with financial assets at fair value through other comprehensive income	23	(85)	(138)
Net result of operations with financial assets at fair value through profit or loss	23	(2,556)	(2,327)
Net result from assets disposals		(57)	24
Gain on sale of subsidiaries		(300)	-
Income from / (expenses for) provisions	19	(4)	92
Staff costs for defined benefit at retirement		49	136
Impairment of non-financial assets		329	-
Net interest income		(10,490)	(10,146)
Interest received		11,506	11,875
Interest paid		(1,357)	(1,421)
Dividends received		(307)	(360)
Other operating income from operating leases		(23)	(28)
Total adjustments to non-monetary items		(1,090)	1,101
Increase in loans and receivables		(5,681)	(23,130)
(Increase)/Decrease of receivables under repurchase agreements of securities		(1,704)	(1,195)
(Increase)/Decrease of financial assets at fair value through profit or loss		1,299	(3,762)
(Increase)/decrease of other assets		(1,933)	4,685
Increase of deposits from credit institutions		84	74
Increase of deposits from clients other than credit institutions		56,691	77,260
Increase/(Decrease) in other liabilities		1,635	(1,314)
NET CASH FLOW FROM OPERATING ACTIVITIES		49,806	53,979
INVESTING ACTIVITIES			
Cash proceeds on sale (payments for the acquisition) of financial assets at fair value through other comprehensive income		49,104	(9,766)
Cash payments for the acquisition of financial assets at amortized cost		(52,487)	-
Payments for acquisition of property, plant and equipment, net		(305)	(1,570)
Proceeds from sales of property, plant and equipment and investment properties		348	51
Payments for acquisition of intangible assets		(285)	(279)
Cash proceeds from sale/(acquisition payments) of investments in subsidiaries		800	(501)
Dividends received		307	363
NET CASH FLOW FROM INVESTING ACTIVITIES		(2,518)	(11,702)
FINANCING ACTIVITIES			
Lease contract payments	15	(1,630)	(1,791)
NET CASH FLOW FROM FINANCING ACTIVITIES		(1,630)	(1,791)
Net increase in cash and cash equivalents		45,658	40,486
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		151,659	111,173
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	197,317	151,659

These separate financial statements were approved by the Management Board of Texim Bank AD on 29 March 2023.

Ivaylo Donchev
Executive Director

Mariya Vidlova
Executive Director

Dobromir Tanov
Chief accountant

Auditors' report issued by:

Grant Thornton OOD, reg. № 032

RSM BG OOD, reg. № 173

Mariy Apostolov
Managing partner

Silvia Dinova
Registered auditor

Mariana Mihaylova
Registered auditor
Managing partner

The notes to the separate financial statements from pages 5 to 71 form an integral part of these financial statements.



TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

1. ORGANIZATION AND OPERATIONAL POLICY

„Texim Bank“ AD (the Bank) is a joint stock company registered in the Republic of Bulgaria in 1992. The bank is registered in the Trade register with UIC 040534040. The Bank’s registered address is 117, “Todor Aleksandrov“ Blvd., Sofia, Bulgaria.

The Bank possesses a full license from Bulgarian National Bank (BNB), the Central Bank of Bulgaria, to perform all banking activities in the country and abroad, namely: attracting deposits in local and foreign currency, providing loans, transactions with foreign payment means, precious metals, securities, transactions under art. 54, para 1 of the Public Offering of Securities Act, etc.

The Bank is a listed company and its shares are traded on the Bulgarian Stock Exchange, Sofia. In 2021 the Bank issued bonds, which are also traded on the Bulgarian Stock Exchange, Sofia.

The Bank's management system is two-tier and consists of a Supervisory and Management board. The Supervisory Board is composed of: Mr. Apostol Apostolov, Mr. Milen Markov, Mr. Petar Hristov, Mrs. Ivelina Shaban, Mr. Veselin Morov.

The Management Board is composed of: Mrs. Igljka Logofetova, Mr. Ivaylo Donchev, Mrs. Mariya Vidolova, Mr. Dimitar Zhilev.

The Bank is represented before third parties, together by the representatives: Mr. Ivaylo Lazarov Donchev and Mrs. Mariya Petrova Vidolova.

The Bank operates through Head Office, offices and outsourced workstations. As of 31 December 2022 the number of offices is 31. As of 31 December 2022 the number of employees of the Bank is 273 persons.

2. BASES FOR THE PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS

2.1 General Financial Reporting Framework

These financial statements are separate financial statements and have been prepared for the year ended 31 December 2022. The amounts in the financial statements are presented in thousand Bulgarian Leva (BGN'000).

Management is responsible for the compilation and fair presentation of the information in these financial statements.

These separate financial statements have been prepared for general purposes, under the going concern assumption. These separate financial statements are prepared in all material respects in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and the interpretations, issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union (EU) and applicable in the Republic of Bulgaria.

As of 31.12.2022 the Bank controls the subsidiaries “UD Texim Asset Management” AD, “Texim Project Company” EOOD and “Texim Solutions” EOOD. In accordance with the requirements of IFRS 10 “Consolidated financial statements”, the Bank prepares consolidated financial statements, which will be issued in April 2023.

These financial statements have been prepared in accordance with the Bulgarian national legislation. The

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

Bank's operations are regulated by the Law on Credit Institutions and BNB Ordinances. BNB supervises and monitors the compliance with the banking legislation.

The Bank prepares its financial statements using the historical cost convention for accounting assets and liabilities except for financial assets at fair value through profit and loss, financial assets at fair value through other comprehensive income and investment properties, which are measured at fair value; land and buildings which are measured at revaluated cost and non-current assets held for sale which are measured at the lower of their carrying amount or fair value, less realization costs. Loans, receivables and financial assets held to maturity are measured at amortized cost.

These separate financial statements have been prepared in accordance with the going concern principle. The Bank's management has analyzed and assessed the Bank's ability to continue as a going concern based on available information about the foreseeable future and Management expects that the Bank has sufficient financial resources to continue its operations in the near future and continues to apply the going concern principle in preparing the separate financial statements.

2.2 Significant events in 2022

In its capacity as an investment intermediary, the Bank acts on behalf and on behalf of its clients and stores the clients' financial instruments separately from its own. The bank does not manage client portfolios and does not make recommendations for the purchase or sale of financial instruments.

The Bank has integrated sustainability risks into its investment decision-making process, considering sustainability risk as an environmental, social or governance (ESG) event or condition that, if it occurs, could have a material negative impact on value and/or return on investment.

As of the date of the financial statement, the Bank, incl. and in its capacity as an investment intermediary, it does not take into account the adverse effects of investment decisions on the sustainability factors of the portfolios.

Texim Bank AD takes into account the importance of environmental issues and climate risk. The Bank strives to carry out its activities in a manner that ensures the protection of the environment and to comply with all laws and regulations aimed at ecological balance.

Banks in general can play an important role in minimizing the impact on climate change, through their customers, as Texim Bank AD makes efforts to minimize its direct impact on the environment and prioritizes the rational consumption of natural resources.

During the year, Texim Bank AD revised its strategy by including a section related to Environmental lending in the Rules for granting loans to natural persons secured by a mortgage on real estate. A special discount from the individually determined annual interest rate is applied when lending for the purchase of an energy-efficient home.

The bank will also determine target volumes of exposures in the main business segments, meeting the requirements for "green" lending.

By the end of 2022, an analysis of customers and the corporate credit portfolio was carried out, and as of 31.12.2022, the Bank does not classify customers with economic activity that meets the requirements of "contributing significantly to the mitigation of climate change or to adaptation to the change of the climate",

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

according to REGULATION (EU) 2021/2139 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council.

As of 31.12.2022, the Bank has no disclosure value for economic activities eligible for the taxonomy, according to Art. 10 (3) of DELEGATED REGULATION (EU) 2021/2178. As a consequence and in addition, there is no need to disclose the share of exposures to central governments, central banks and supranational issuers and derivatives of the total value of assets.

In the analysis of customers, the Bank does not identify corporate customers that meet the requirements of Article 19a or 29a of Directive 2013/34/EU (average number of employees during the financial year of 500 people), and that are accordingly obliged to publish non-financial information ;

Undoubtedly, dealing with the risks arising from climate change and environmental degradation will be among the main challenges for the bank in the coming years. In the context of a changing regulatory framework that has placed even greater emphasis on the topic of climate risk. The Bank will work on developing and implementing a methodology aimed at assessing exposures to climate and environmental risks and the vulnerability of the loan portfolio. A first step towards this is the collection of borrower information and data needed to assess the vulnerabilities of exposures to climate and environmental risks related to sustainability in the sectors and segments most affected by climate change. The second step is to develop appropriate limits to efficiently manage climate and environmental risks in accordance with regular monitoring and escalation rules and integrate them into the overall risk management framework. The Bank is expected to develop and establish appropriate internal stress tests and scenario analyses, as tools regarding climate and environmental risks, taking into account the uncertainty surrounding the future development of climate change and society's response to it.

"Texim Bank" AD defines the following drivers of risks related to the climate and the environment:

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

	Fiscal		Transition related	
	Climate related	Environment related	Climate related	Environment related
Segments affected	Extreme weather events Chronic meteorological regularities	Water shortage Resources shortage Impoverishment of biodiversity Pollution Others	Policies and regulations Technologies Market expectations	Policies and regulations Technologies Market expectations
Credit risk	The probability of default and loss given default in sectors or geographies vulnerable to physical risk		Likelihood that energy efficiency standards will cause substantial increases in adjustment costs and lower corporate profits, leading to a higher probability of default	
Market risk	Extreme physical events can lead to changes in market expectations and cause sudden price revisions, higher volatility and loss of asset value in some markets		The drivers of transition-related risk can cause sudden revisions in security prices for products related to industries that may be affected by stranded assets.	
Operational risk	The operation of the bank may be disrupted due to physical damage to its property as a result of extreme weather conditions		Changing consumer attitudes regarding climate issues may lead to reputational and liability risks for the Bank.	
Other risks (liquidity, business model related)	Liquidity risk may be affected if customers withdraw funds from their accounts to finance damage repairs		The drivers of transition-related risk can affect the performance of some lines of business and lead to strategic risk for specific business models if the necessary adaptation or diversification does not take place. A sudden change in the prices of securities, for example due to an asset lock-in, may lead to a decrease in the value of the Bank's high-quality liquid assets and thereby affect the liquidity buffers.	

The Bank will explicitly define climate and environmental risks in its risk appetite framework, defining quantitative and qualitative indicators to track the implementation of specific targets.

In 2023, the Bank will continue its work on developing and adapting its internal systems to comply with the requirements of the Taxonomy Regulation for classifying economic activities as environmentally sustainable. In this way, compliance of the taxonomy with the main economic activities and directions of development will be achieved, so that the Bank can prepare in a timely and adequate manner for the increased reporting requirements that will come into force in 2024.

The year passed under the sign of several main events and facts - the increased global geopolitical and economic uncertainty mainly due to Russia's military invasion of Ukraine.

Impact of the war between Russia and Ukraine

In 2022, the main moment turned out to be Russia's invasion of Ukraine, which began on 24 February 2022. In this regard, the Bank took timely measures to comprehensively review assets and liabilities, whether and to what extent they have exposure to individuals, companies and/or government institutions from the Russian Federation or Ukraine and could be at risk. The current corporate borrowers have no direct or indirect commercial relationships with Ukraine or Russia. In reality, everyone is equally affected by the rise in the price of energy carriers, but at the moment there are no indications of problematic servicing of credit exposures.

It was found that the Bank has an investment in a bond with the issuer International Bank for Economic Cooperation (IBEC), headquartered in Moscow. The bond issue is registered and traded on the Bulgarian Stock Exchange. Taking into account the escalation of the situation in Ukraine and the introduced sanctions, including in the financial sphere, in February 2022 Texim Bank AD charged an additional depreciation for

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

the next interest payment (June 2022) under the specified bond issue. On 28.02.2022, Moody's downgraded MBIS's credit rating outlook from positive to stable and confirmed the issuer's existing long-term foreign currency credit rating of Baa3. The investment is reported in the category of financial assets at fair value through other comprehensive income as of 31.12.2022, it has a book value of BGN 2,002 thousand, which represents 0.33% of the Bank's total assets as of that date. In 2022, impairment expenses for the amount of BGN 26 thousand were reported.

Influence of the macroeconomic environment

In addition, the global inflation that arose already in 2021 and accelerated in 2022, as well as the end of the expansionary monetary policy conducted by the leading central banks for the last ten years, combined with the provision of (almost) unlimited liquidity were also among the significant ones macroeconomic events during the year. In response to high inflation, the leading central banks began a new monetary cycle of aggressive interest rate hikes in 2022, the magnitude of which was unexpected at the beginning of the reporting period and which continues into 2023. The effects of the 2022 rate hike. have not resulted in material changes to the Bank's estimates, nor to the ECL models, except for the change in the risk parameters of the provisioning model. However, the Bank will continue to identify, assess and monitor existing and emerging risks and vulnerabilities.

In the analysis and management of the different types of risk, the guidelines of the European Banking Authority (EBA) are taken into account, and more specifically those related to the stress testing of institutions, as well as the procedures and methodology for the supervisory review and assessment process and the supervisory stress tests, the management the interest rate risk arising from activities outside the trading portfolio, the management of non-serviced and restructured exposures, etc.

As of 31.12.2022, the financial result of Texim Bank AD is a net profit of BGN 505 thousand.

As of 31.12.2022, the main indicators of the Bank's activity are as follows:

- Compared to the previous year, the Bank's balance sheet number increased by 11.19%.
- The balance sheet value of the assets is BGN 596,861 thousand and compared to the same period of the previous year, it increased by BGN 60,069 thousand.
- Liabilities and equity - BGN 596,861 thousand, of which total capital - BGN 40,183 thousand, total liabilities - BGN 556,678 thousand, incl. deposits and loans from credit institutions BGN 1,788 thousand, deposits of other customers BGN 528,358 thousand, incl. liabilities under leasing contracts - BGN 2,936 thousand, issued debt securities BGN 22,160 thousand. In total, the Bank's liabilities as of 31.12.2022 increased by 11.69% compared to the amount of liabilities as of 31.12.2021. The increase for the year is BGN 58,262 thousand.

The total amount of the regulatory equity capital of "Texim Bank" AD as of 31.12.2022 is BGN 58,559 thousand, with the basic equity capital of the first tier amounting to BGN 38,487 thousand. The capital adequacy ratios exceed the legally required minimum ratios, and their values as of 31.12.2022 are as follows:

- Tier 1 core equity ratio – 14.34%, with a legally required ratio of 4.5%;
- Tier 1 capital ratio – 14.34%, with a legally required ratio of 6%;
- Total capital adequacy ratio – 21.82%, with a legally required ratio of 10.05%.

The total amount of the regulatory capital requirements as of 31.12.2022 is BGN 21,470 thousand, and their structure by types of risk is as follows:

- Capital requirements for credit risk – BGN 19,220 thousand;
- Capital requirements for operational risk – BGN 2,250 thousand.

In accordance with the requirements for capital buffers, the Bank maintains a safety capital buffer in the amount of 2.5% of its total risk exposure, a systemic risk buffer in the amount of 3% of the risk-weighted exposures and an anti-cyclical buffer in the amount of 1% of the risk-weighted exposures. As of 31.12.2022, their amounts are respectively BGN 6,709 thousand (2021: BGN 6,582 thousand) and BGN 7,710 thousand (2021: BGN 7,607 thousand) and BGN 2,603 BGN thousand (2021: BGN 1,264 thousand).

2.3 Changes in IFRS

2.3.1 Initial implementation of new amendments to existing standards that entered into force during the current reporting period

The Bank applies the following new standards, amendments and clarifications to IFRS, developed and published by the International Accounting Standards Board, which are mandatory to apply from the annual period starting on 1 January 2022, but they do not have a material effect of their application on the financial result and the Bank's financial position:

- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets effective from 1 January 2022, adopted by the EU
- Annual improvements 2018-2020 effective 1 January 2022 adopted by the EU

2.3.2 Standards, amendments and interpretations that have not yet entered into force and are not applied by an earlier date by the Bank

At the date of approval of these financial statements, certain new standards, amendments and clarifications to existing standards have been issued but have not entered into force or have not been adopted by the EU for the financial year commencing 1 January 2022 and have not been implemented earlier by the Company. They are not expected to have a material impact on the Company's financial statements. Management expects all standards and amendments to be adopted in the Company's accounting policy during the first period beginning after their effective date. Below is a list of changes to the standards:

- IFRS 17 Insurance Contracts and its amendments, effective from 1 January 2023, adopted by the EU
- Amendments to IAS 1 Presentation of Financial Statements, IFRS Statements of Appendix 2: Disclosure of Accounting Policies Effective 1 January 2023 Adopted by the EU
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates Effective 1 January 2023 Adopted by the EU
- Amendments to IAS 12 Income Taxes: Deferred Taxes Related to Assets and Liabilities Arising from Single Transactions Effective 1 January 2023 Adopted by the EU
- Amendments to IFRS 17 Insurance contracts: Initial application of IFRS 17 and IFRS 9 – Comparative information effective from 1 January 2023 as adopted by the EU.
- Amendments to IAS 1 Presentation of financial statements: Classification of liabilities as current and non-current, effective no earlier than 1 January 2024, not yet adopted by the EU
- Amendments to IFRS 16 Leases: Sale and leaseback obligations effective no earlier than 1 January 2024 Not yet adopted by the EU
- IFRS 14 "Deferred accounts at regulated prices" in force from January 1, 2016, have not been adopted by the EU.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting estimates and accounting assumptions

The presentation of financial statements requires management to apply certain accounting estimates and reasonable assumptions that affect the reported carrying amount of assets and liabilities as of the date of the financial statements, as well as the amount of revenues and expenses during the reporting period and to disclose contingent assets and liabilities. These estimates and assumption are based on the information available at the date of the preparation of the separate financial statements and the future actual results may differ from these estimates.

In the conditions of an uncertain market environment, the amount of impairment losses on debt instruments measured at amortized cost, financial assets measured at fair value through other comprehensive income, other financial instruments, as well as the values of other accounting estimates, in subsequent reporting periods could differ materially from those determined and reported in this individual financial statement. The return on loans and the adequacy of the recognized impairment losses, as well as the maintenance of the Bank's liquidity, are dependent on the financial condition of the borrowers and their ability to repay their obligations on the agreed maturity dates in subsequent accounting periods. The Bank's management applies the necessary procedures to manage these risks, as disclosed in note 28.

The accounting estimates and assumptions are related mainly to fair value measurement of financial instruments according to hierarchical groups, depending on the methods for determining the fair value, as disclosed in note 3.16.

Significant management's judgment in the application of the Bank's accounting policies that have the most impact on the financial statements and the main sources of uncertainty in the estimates used are described below.

In the preparation of the financial statements, the management makes a number of assumptions, assessments and judgements about the recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from management's assumptions, assessments and judgements and, in rare cases, entirely in line with previously assessed results.

Information on the material assumptions, estimates and judgements that have the most significant impact on the recognition and measurement of assets, liabilities, income and expenses is presented below.

Determination of the business model

The classification and subsequent valuation of financial assets depends on the results of the test to determine whether the cash flows from the asset are only principal and interest, and on the business model test. The Bank has set a business model at a level that reflects how groups of financial assets are managed together to achieve a specific business objective. This valuation includes judgments reflecting how the presentation of assets is valued and measured, the risks that affect performance. The Bank monitors the financial assets measured at amortized cost and those measured in other comprehensive income, which were written off before their maturity, in order to understand the reasons for the write-off and whether these reasons are in accordance with the business model under which those assets are held. Monitoring is part of the policy of continuing assessment of whether the adopted model continues to be appropriate, if not - to carry out the necessary reclassification of those assets.

Significant increase of credit risk

Expected credit loss (ECL) is measured for a twelve-month basis for Phase 1 assets and the full asset life of Phase 2 and 3 assets. An asset is transferred to Phase 2 when its credit risk has increased significantly since initial recognition by taking quantitative and qualitative indicators and information.

Determination of group with similar credit characteristics

When ECL is determined on a collective basis, financial instruments are grouped on a basis of shared risk characteristics that are observed on an ongoing basis to ensure that if the credit characteristics change, appropriate asset re-allocation will take place.

Models and assumptions

The Bank uses different models and assumptions to determine the fair value of financial assets and the expected credit loss. Assumptions are applied in determining the most appropriate model of each asset type, as well as in determining the assumptions used in the particular model, including in terms of credit risk. Refer to note 28.1 for more information on the expected credit loss and note 3.16 for more information regarding the determination of fair values.

3.2 Significant sources of uncertainty

Future-oriented information

In measuring expected credit losses, the Bank uses reasonable and supported information about future expectations, which is based on assumptions about future changes in various economic indicators and how they interact, taking into account the possible expected effects that the Covid-19 pandemic could have had on the financial condition and financial performance of the debtors. See Note 28.1 for more information, including an analysis of the sensitivity of reported expected credit losses to changes in assumptions regarding future expectations.

Probability of default

Probability of default is a key input in determining expected credit losses. It is an estimate of the probability of default for a certain time horizon, its calculation includes historical data, assumptions and expectations of future conditions. See note 28.1 for more details, including an analysis of the sensitivity of reported expected credit losses to changes in the probability of default resulting from changes in economic indicators.

Loss given default

Loss Given Default is an estimate of the loss given default. It is based on the difference between the agreed cash flows due and those the lender expects to receive, taking into account collateral cash flows. See Note 28.1 for more details, including an analysis of the sensitivity of reported expected credit losses to changes in loss given default as a result of changes in economic indicators.

Fair value measurement

When assessing the fair value of the Bank's assets, observable market information is used to the extent that it is available. In the event that these level 1 outputs are not available, the Bank uses valuation models to determine the fair value of its financial assets. Refer to note 3.16 for more information on determining the fair value of financial instruments.

Provisions

The Bank is a defendant in several lawsuits to the current period. The management of the Bank has reviewed the legal and constructive obligations and has accepted that the execution of a pending court case is likely to result in outgoing cash flows.

Lease contract terms

When determining the lease contract terms, management takes into account all the facts and circumstances that create an economic incentive to exercise the option of extension or not to exercise the option of termination. Extension options (or periods after the termination options) are included in the lease term only if it is reasonably certain that the lease is extended (or not terminated).

Some leases include options for extension and termination. Management considers all material factors that give rise to economic incentives to exercise or not to renew or terminate options to reliably determine the lease term for which it calculates leases. In the event of a change in circumstances or significant events, the lease term is revalued.

3.3 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual terms of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and substantially all the risks and rewards are transferred.

Financial liabilities are derecognized when the obligation specified in the contract is fulfilled, canceled or expires.

Classification and initial measurement of financial assets

Financial assets are initially measured at fair value, adjusted for transaction costs, except for financial assets at fair value through profit or loss and trade receivables that do not contain a significant financial component. The initial measurement of financial assets at fair value through profit or loss is not adjusted with transaction costs that are reported as current expenses. The initial measurement of trade receivables that do not contain a significant financial component represents the transaction price in accordance with IFRS 15.

Depending on the method of subsequent measurement, financial assets are classified into the following categories:

- Debt instruments at amortised cost;
- Financial assets at fair value through profit or loss (FVTPL);
- Financial assets at fair value through other comprehensive income (FVOCI) with or without reclassification in profit or loss, depending on whether they are debt or equity instruments.

The classification of financial assets is determined based on the following two conditions:

- the Bank's business model for managing financial assets;
- the characteristics of the contractual cash flows of the financial asset.

Subsequent measurement of financial assets

Debt instruments assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions and are not designated as FVTPL:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Trade receivables

Trade receivables are amounts due from customers for goods or services sold in the ordinary course of business. Typically, they are due to be settled within a short timeframe and are therefore classified as current. Trade receivables are initially recognised at amortized cost unless they contain significant financial components. The Bank holds trade receivables for the purpose of collecting the contractual cash flows and therefore measures them at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Financial assets at fair value through profit and loss

Financial assets that are held within a different business model than “hold to collect” or “hold to collect and sell”, and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below). In the category of financial assets at fair value through profit or loss, net gains from foreign exchange trading are reported.

Changes in the fair value of assets in this category are reflected in profit and loss. The fair value of financial assets in this category is determined by quoted prices in an active market or by using valuation techniques in the absence of an active market.

Financial assets at fair value through other comprehensive income

The Bank accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is “hold to collect” the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets at FVOCI include:

- Debt securities where the contractual cash flows are solely payments of principal and interest and the purpose of the Bank's business model is achieved both by collecting contractual cash flows and by selling the financial assets.

On disposal of debt instruments of this category, any amount recognised in the revaluation reserve is reclassified to profit or loss for the period.

Impairment of financial assets

The impairment requirements under IFRS 9 use more forward-looking information to recognize the expected credit losses - the "expected credit loss" model that replaces the "loss pattern" presented in IAS 39.

Instruments, which fall within the scope of the requirements include:

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

- debt instruments measured at amortized cost: loans and receivables, cash receivables, trade and other financial assets, contract assets recognized and measured under IFRS 15, and credit commitments;
- debt instruments measured at fair value through other comprehensive income.

Loans and receivables

Recognition of credit losses is no longer dependent on the Bank first identifying a credit loss event. Instead the Bank considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2)
- Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date.

“12-month expected credit losses” are recognised for the first category while “lifetime expected credit losses” are recognised for the second category. Expected credit losses are determined as the difference between all contractual cash flows attributable to the Bank and the cash flows it is actually expected to receive (“cash shortfall”). This difference is discounted at the original effective interest rate (or credit adjusted effective interest rate).

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Bank uses a simplified approach to accounting for trade and other receivables as well as contract assets and recognizes impairment losses as expected credit losses over the entire period. These represent the expected shortfall in contractual cash flows, given the possibility of default at any time in the financial instrument's term. The Bank uses its accumulated experience, external indicators and long-term information to calculate the expected credit losses on an individual basis and, if applicable, on a collective basis.

Financial assets measured at fair value through other comprehensive income

The Bank recognizes the expected 12-month credit losses for financial assets measured at fair value through other comprehensive income. At each reporting date, the Bank assesses whether there is a significant increase in the credit risk of the instrument and takes into account available information such as adverse business changes, economic or financial conditions that may affect the issuer's ability to fulfill its debt obligations or unexpected changes in the issuer's operating results.

If any of these indicators results in a significant increase in the credit risk of the instruments, the Bank recognizes expected credit losses for these instruments or for this class of instrument for the entire duration of the instrument.

Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs unless the Bank has designated a financial liability as measured at fair value through profit or loss. Financial

liabilities are subsequently measured at amortized cost using the effective interest method. All interest costs and, if applicable, changes in the fair value of the instrument that are recognized in profit or loss are included in financial expenses or financial income.

3.4 Inventory

Inventory includes materials, fuels and assets acquired as collateral for loans for sale. Cost of inventories includes all expenses directly attributable to the purchase or manufacturing process, recycling and other direct expenses connected to their delivery as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not included in the cost of the inventories. At the end of every accounting period, inventories are carried at the lower of cost and net realizable value. The amount of impairment of inventories to their net realizable value is recognized as an expense for the period of impairment.

Net realizable value is the estimated selling price of the inventories less any applicable selling expenses. In case inventories have already been impaired to their net realizable value and in the following period the impairment conditions are no longer present, than the new net realizable value is used. The reversal amount can only be up to the carrying amount of the inventories prior to their impairment. The reversal of the impairment is accounted for as decrease in material expenses for the period in which the reversal takes place.

The Bank determines the cost of inventories by using the specific identification of the value of inventories method. When inventories are sold, the carrying amount of those inventories is expensed in the period in which the related revenue is recognized.

3.5 Operating segments

In connection with the requirements of IFRS 8, paragraph 2 /a/ /i/ and the need for disclosure of operating segments, the Bank has distinguished itself in the following business lines: corporate and institutional banking, retail banking and money markets and liquidity. The operating results of these lines of business are reviewed and analyzed on a regular basis by the Management.

Types of products and services in business activities:

- Retail banking - attracting funds and lending to individuals through various sales channels and customer service; payment services;
- Corporate and institutional banking - Attracting funds and lending to legal entities - commercial companies and budget enterprises;
- Money markets and liquidity: securities transactions, redemption arrangements for securities; interbank market transactions; currency trading; currency and other financial instruments for customer service and others.

Operating segments pay and receive interest on the assets and liabilities they manage under market conditions through internal transfer prices (FTP), reflecting the financing and liquidity costs of currencies and maturities.

The revenue share at internal transfer prices by segment is as follows:

- Corporate and Institutional Banking: 53%;
- Retail banking: 20%;
- Money markets and liquidity: 27%.

Operating revenue/expenses that are not attributable to transactions in interest-bearing assets/liabilities are allocated directly to the business segments under whose management the specific asset/liability or source

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

of income/expense is held; Expenditure on expected credit losses, impairments and provisions on assets is allocated directly to the segment of the specific asset to which the specific expense relates.

Administrative expenses are monitored generally and by type, and are distributed across business segments through objective criteria.

3.6 Investments in subsidiaries

A subsidiary is an entity over which the Bank, directly or indirectly has control. Control exists when the Bank is exposed to, or has the right to variable return from its participation in the enterprise, in which it has invested and has the possibility to exert impact over this return through its power over the enterprise, in which it has invested. It is assumed that control exists, when the Parent company owns directly or indirectly through its subsidiaries, more than half of the voting rights in a given enterprise, with the exception of cases where there are extraordinary circumstances and when it is not possible to show clearly, that such ownership indicates the existence of control. Control exists when the Parent company owns half or less than half of the voting rights in an enterprise and when it:

- owns more than half of the voting rights by virtue of an agreement with other investors;
- has the power to govern the financial and operating policy of the enterprise by virtue of articles of association or agreement;
- has the power to appoint or dismiss the majority of the members of the Board of Directors or another equivalent managing body and control over the enterprise is through this board or body; or
- has the power to exercise the majority of the votes at meetings of the Board of Directors or another equivalent managing body and control over the enterprise is through this board or body.

In the separate financial statements of the Bank the shares in its subsidiary are initially recognized at cost. Subsequently, the Bank performs periodic reviews for impairment. If impairment exists, it is recognized in the statement of comprehensive income as impairment loss of investments in subsidiaries.

3.7 Off-balance sheet commitments

In the course of its activity, the Bank forms off-balance sheet financial instruments, which consist of letters of credit and guarantees. Such financial instruments are reported in the statement of financial position upon utilization of the funds.

3.8 Property, plant and equipment

Non-current assets include property, plant and equipment (including right of use assets according to IFRS 16). Non-current assets, with the exception of land and buildings, are reported at cost, less accumulated depreciation and impairment losses. The cost includes all expenses for acquisition and for bringing the asset to the condition necessary for it to be capable of operating, paid duties and non-refundable taxes.

Land and buildings include mainly offices of the Bank. Land and buildings are reported at revalued amount, based on the valuation of independent external appraisers, less subsequent accumulated depreciation. Such revaluations are performed as frequently as needed, when the fair value of the non-current assets differs significantly from their carrying amount.

Increases in the carrying amount, arising from revaluations, are reported in the revaluation reserve of equity. Decreases, netted during prior increases, are reported in the revaluation reserve. All other decreases are reported in profit and loss.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

Depreciation of property, plant and equipment is accrued according to the straight-line method and during the expected useful life of the respective assets. The Bank applies the following annual depreciation rates for 2022 and 2021:

Properties	1% - 4%
Machines and equipment	20% - 30%
Office equipment and computers	20%
Vehicles – automobiles	20%
Fixtures and fittings and other non-current assets	10 - 15%
Assets with the right of use	according to the term of the lease
Property, plant and equipment and intangible assets, for which there are legal constraints for the period of use/improvements of leased buildings	according to the term of the legal constraints of the agreement but not higher than 33.3%

3.9 Leases

The bank as a lessee

The Bank considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition the Bank assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank
- the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Bank has the right to direct the use of the identified asset throughout the period of use.

The Bank assesses whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

On the lease inception date, the Bank recognizes the right-of-use asset and the lease liability in the individual statement of financial position. The right-of-use asset is valued at acquisition cost, which consists of the amount of the initial valuation of the lease liability, the initial direct costs incurred by the Bank, an estimate of the costs that the lessee will incur to dismantle and move the underlying asset at the end of the lease and any lease payments made prior to the lease commencement date (minus lease incentives received).

The bank depreciates the right-of-use asset using the straight-line method from the lease inception date to the earlier of the two dates: the end of the right-of-use asset's useful life or the expiration of the lease term. The Bank also reviews right-of-use assets for impairment when such indicators exist.

On the lease inception date, the Bank measures the lease liability at the present value of the lease payments outstanding at that date, discounted at the lease interest rate, if that rate can be directly determined, or the Bank's differential interest rate.

Lease payments included in the measurement of the lease liability consist of fixed payments (including essentially fixed), variable payments based on an index or percentage, amounts expected to be payable by the lessee under residual value guarantees and payments arising of options if it is sufficiently certain that the Bank will exercise these options.

After the start date, the lease liability is reduced by the amount of payments made and increased by the

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

amount of interest. The lease liability is revalued to reflect revaluations or lease amendments or to reflect adjusted substantially fixed lease payments.

When the lease liability is revalued, the corresponding adjustment is reflected in the right-of-use asset or recognized in profit or loss if the carrying amount of the right-of-use asset has already been reduced to zero.

The bank has chosen to account for short-term leases and leases of low-value assets using the practical reliefs provided for in the standard. Instead of recognizing right-of-use assets and lease liabilities, payments related to them are recognized as an expense in profit or loss on a straight-line basis over the term of the lease.

In the individual statement of financial position, right-of-use assets are included in property, plant and equipment, and lease liabilities are presented in the item "Deposits from other customers, other than credit institutions and lease liabilities." Right-of-use assets are subsequently accounted for using the cost model, less accumulated depreciation and accumulated impairment losses.

Extension and termination options are included in a number of property leases. They are used to increase operational flexibility regarding the management of assets used in the Bank's operations.

The Bank as a lessor

As a lessor, the Bank classifies its leases as operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of the underlying asset and as an operating lease if it does not transfer substantially all the risks and rewards of ownership of the underlying asset active

3.10 Intangible assets

Intangible assets include mainly investments in software, rights of use and licenses. They are reported at historic cost less accumulated amortization and impairment. Amortization of intangible assets is calculated and recognized by applying the straight-line method.

The Bank applies the following amortization rates for 2022 and 2021:

Software and other intangible assets	10 - 20%
--------------------------------------	----------

3.11 Investment properties

Investment property is real estate, which is held by the Bank for the purpose of receiving income from rent or gaining profit. Investment property is reported at revalued amount and the difference between the carrying amount and the revalued amount is reported in profit or loss.

3.12 Interest income and expense

Interest income and expense are recognized on a time proportion basis, using the effective interest rate method as amortization of any difference between the amount at initial recognition of the respective asset or liability and the amount at maturity.

The effective interest rate is assumed to be equal to the contracted rate for loans granted to the Bank and liabilities to depositors, where the interest is calculated on a daily basis by applying the contracted interest rate to the residual amount.

Interest income from possession of financial assets, reported at fair value, is reported as interest income from financial assets at fair value.

For all assets for which the Bank has made an assessment that no contractual cash flows are expected to be

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

collected, or the contractual cash flows carry an additional risk in which the expected future cash flows will be realized at a reduced rate or at a later point in time the Bank recognizes interest income on the net carrying amount of the asset.

For financial assets where the Bank does not expect to collect the contractual cash flows, the recognized interest income on the net asset value is zero.

3.13 Fees and commissions

Fees and commissions consist mainly of fees for payment transactions in Bulgarian Levs and foreign currency, fees for servicing bank accounts, for opening letters of credit and issuing guarantees and annual fees for loans. Only fees and commissions, which are for granting and processing short-term and long-term loans, are an integral part of the effective interest rate and are recognized as an adjustment to interest income, other fees, incl. the annual fees for servicing loans are currently recognized in the income from fees and commissions for the period.

3.14 Foreign currency transactions

Transactions, denominated in foreign currencies, have been translated into Bulgarian Levs at the rates of BNB on the date of transaction. Receivables and payables in foreign currencies are revalued on a daily basis. At the end of the year they are revalued into Bulgarian Levs equivalent at the final exchange rates of the BNB, which in the more important currencies as of the dates of the statement of financial position are the following:

<u>Currency</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
USD	1.83371	1.72685
EUR	1.95583	1.95583

Effective from 1999 the exchange rate of the Bulgarian Lev is fixed to the Euro, official currency of the European Union, at a rate of EUR 1 = BGN 1.95583.

Net gains or losses resulting from change in exchange rates, arising from revaluation of receivables, liabilities and from settlement of foreign currency transactions are recognized in the statement of comprehensive income in the period they have occurred.

3.15 Taxation

The Bank accrues taxes currently due in accordance with the Bulgarian legislation. Income tax is computed on the basis of taxable profit for the period, calculated in compliance with the requirements of the tax legislation, related to tax payment/refunding.

Tax effect, related to transactions or other events, which are reported in the statement of comprehensive income, is also reported in the statement of comprehensive income, and the tax effect related to transactions or other events, which are reported directly to equity, is also reported directly to equity.

A deferred tax liability is recognized for all taxable temporary differences unless it arises from the initial recognition of an asset or liability in a transaction, which at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. This does not apply to cases where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction, which at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

Deferred taxes are recognized as income or expense and are included in the net profit for the period except to the extent that the tax arises from a transaction or event which is recognized in the same or different period, directly in equity. Deferred taxes are charged or credited directly to equity when the tax relates to items that are credited or charged in the same or a different period, directly to equity.

3.16 Fair value of financial assets and liabilities

The Bank applies IFRS 13 “Fair value measurements”. The standard establishes a single source of guidance for fair value measurements and disclosures. The scope of IFRS 13 is broad applying to both financial and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures.

IFRS 13 defines the fair values as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or the most advantageous) market at the measurement date under current market condition. Fair value under IFRS 13 is an exit price regardless of whether the price is directly observable or estimated using another valuation technique.

3.16.1 Fair value measurement, valuation methods

Some of the assets and liabilities of the Bank are being recognized at fair value for the purposes of financial reporting. For these assets and liabilities, as well as for assets and liabilities whose fair value disclosure is required, the Bank discloses for each class financial instruments the hierarchy level of fair value to which the measurements of fair value are categorized in their full scope, each significant transfer between level 1 and 2 of the fair value hierarchy and the respective reasons, as well as reconciliation of opening and closing balances for the level 3 measurements.

Fair value hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Some of the Bank's financial assets are measured at fair value at the end of each reporting period.

The following table presents an analysis of financial instruments that are measured after their initial recognition at fair value, grouped by hierarchical level of fair value.

3.16.2 Financial instruments measured at fair value

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

	Periodic fair value estimates as at 31 December 2022			
	Level 1	Level 2	Level 3	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Assets held for trading				
– equity securities	26,720	-	-	26,720
Investments in securities that are necessarily measured at fair value through profit or loss				
– shares in mutual funds and shares of VISA inc.	-	8,066	1,580	9,646
Investments at fair value through other comprehensive income				
– debt securities	26,832	3,967	3,212	34,011
– equity securities	3,449	-	1,613	5,062
Total assets	57,001	12,033	6,405	75,439
	Periodic fair value estimates as at 31 December 2021			
	Level 1	Level 2	Level 3	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Assets held for trading				
– equity securities	24,368	-	1,369	25,737
Investments in securities that are necessarily measured at fair value through profit or loss				
– shares in mutual funds and shares of VISA inc.	3	7,772	1,597	9,372
Investments at fair value through other comprehensive income				
– debt securities	68,664	-	19,941	88,605
– equity securities	-	-	280	280
Total assets	93,035	7,772	23,187	123,994

Unrealized gains related to financial assets at fair value through profit or loss:

2022		
Fair value through profit and loss	Assets at fair value through profit or loss on initial recognition – equity instruments	Investments in securities measured at fair value through profit and loss – shares, mutual funds
Assets		
Net income from revaluation and transactions with financial assets at fair value through profit and loss	1,911	(50)
2021		
Fair value through profit and loss	Assets at fair value through profit or loss on initial recognition – equity instruments	Investments in securities measured at fair value through profit and loss – shares, mutual funds
Assets		
Net income from revaluation and transactions with financial assets at fair value through profit and loss	1,709	95

Unrealized gains / (losses) related to financial assets at fair value through other comprehensive income held at year-end:

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

	2022 r.			2021 r.		
	Fair value through other comprehensive income	Investments at fair value through other comprehensive income - equity	Total	Fair value through other comprehensive income	Investments at fair value through other comprehensive income - equity	Total
Assets						
Net income from other financial instruments at fair value through other comprehensive income	(1,429)	(15)	(1,444)	(771)	(11)	(782)

In determining the fair values of financial assets categorized as Level 3, i.e. the lack of an active market for a financial instrument is assessed using the evaluation techniques described below that can be used to determine the price that market participants would receive in order to sell an asset or would pay to transfer a liability in a typical transaction between them on the relevant reporting date.

The rating techniques are applied in the order described (valuation hierarchy):

1. Market comparison method: comparison with the prices of similar / identical financial products
2. Pricing models: price calculation using an estimation model, using primarily the discounted cash flow method.

In inactive markets, indicative market prices are also used as far as possible and reasonably.

All valuation models used are in accordance with generally accepted economic methods of valuation of financial instruments. For financial instruments with fixed or determinable cash flows, the Discounted Cash Flow Method is applied as a rule.

Market inputs used in valuation techniques include prices of debt and equity securities, equity indices, risk-free or benchmark interest rates, credit spreads, exchange rates and other factors necessary to determine discount rates.

As of the end of 2022, the fair value of debt instruments classified as Level 3 in the fair value hierarchy are estimated using the discounted cash flow method, all such assets having fixed and determinable cash flows. Discount factors are calculated by adding to the risk-free interest rate the additional spread determined at the initial offering of the issue or at a later time when a large volume of concluded transactions is reported.

In determining the fair value of equity securities held for trading classified as Level 3 in the 2022 fair value hierarchy, the net asset value and discounted cash flow methods were used and a weighted market value method was applied.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

3.16.3 Financial instruments not measured at fair value

	Non-periodic fair value measurements as at 31 December 2022				Total carrying amount BGN'000
	Level 1	Level 2	Level 3	Total fair value	
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
2022					
Financial assets					
Loans and advances granted					
– Loans and advances to customers at amortized cost	-	-	220,179	220,179	220,611
Investments in securities valued at amortized cost					
– Debt securities	43,540	-	-	43,540	57,786
Total	43,540	-	220,179	263,719	278,397
Financial liabilities					
Deposits from banks					
– Money market deposits	-	-	1,788	1,788	1,788
Deposits from clients					
– Term deposits	-	-	141,497	141,497	143,427
– Current accounts	-	-	383,782	383,782	383,783
Debt securities issued	-	-	22,160	22,160	22,160
Total	-	-	549,227	549,227	551,158

The fair value of loans and advances is calculated on the basis of market interest rates based on BNB statistics.

	Non-periodic fair value measurements as at 31 December 2021				Total carrying amount BGN'000
	Level 1	Level 2	Level 3	Total fair value	
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
2021					
Financial assets					
Loans and advances granted					
– Loans and advances to customers at amortized cost	-	-	212,483	212,483	212,279
Investments in securities valued at amortized cost					
– Debt securities	5,471	-	-	5,471	5,389
Total	5,471	-	212,483	217,954	217,668
Financial liabilities					
Deposits from banks					
– Money market deposits	-	-	1,704	1,704	1,704
Deposits from clients					
– Term deposits	-	-	186,603	186,603	186,369
– Current accounts	-	-	282,347	282,347	282,347
Debt securities issued	-	-	22,208	22,208	22,208
Total	-	-	492,862	492,862	492,628

4. CASH AND BALANCES WITH CENTRAL BANKS

	As at 31.12.2022	As at 31.12.2021
Cash on hand	21,503	13,006
Account balances with the Central Bank	161,990	97,661
TOTAL	183,493	110,667

The accounts at the Central Bank as of 31 December 2022 and 2021 include minimum non-interest-bearing

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

reserves in the amount of BGN 39,125 thousand and BGN 39,715 thousand, respectively, a reserve fund to guarantee payments through the real-time gross settlement system RINGS, in accordance with the provisions of The Central Bank, worth respectively BGN 249 thousand and BGN 214 thousand. There are no restrictions imposed by the Central Bank on the use of the minimum reserves. These reserves are determined based on the deposits attracted by the Bank.

4.1 Cash and cash equivalents in the Separate statement of cash flows

Cash and cash equivalents within the meaning of their use in the cash flow statement include cash, funds at the Central Bank without restrictions, as well as nostro accounts and resources granted, loans and advances to other banks and receivables from banks under repurchase clause agreements with a residual maturity of up to 3 months.

	As at 31.12.2022	As at 31.12.2021
Cash in cash	21,503	13,006
Accounts with the Central Bank	161,990	97,661
Nostro accounts in local banks	6,897	36,855
- blocked cash	(74)	(74)
Nostro accounts in foreign banks	4,879	6,540
- blocked cash	(2,463)	(2,329)
Deposits with local banks	4,585	-
TOTAL	197,317	151,659

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31.12.2022	As at 31.12.2021
Financial assets at fair value through profit or loss designated as such on initial recognition under IFRS 9	26,720	25,737
Financial assets at fair value through profit or loss, necessarily designated as such under IFRS 9	9,646	9,372
TOTAL	36,366	35,109

	As at 31.12.2022	As at 31.12.2021
Shares in domestic undertakings	26,720	25,737
Units in collective investment schemes	8,066	7,775
Shares of foreign enterprises	1,580	1,597
TOTAL	36,366	35,109

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31.12.2022	As at 31.12.2021
Debt instruments at fair value through other comprehensive income	34,011	88,605
Equity instruments at fair value through other comprehensive income	5,062	280
TOTAL	39,073	88,885

6.1 Debt instruments at fair value through other comprehensive income

	As at 31.12.2022	As at 31.12.2021
Bonds issued by Bulgarian issuers	22,462	24,892
Bulgarian government securities	5,565	59,048
Bonds issued by foreign issuers	5,984	4,665
TOTAL	34,011	88,605

As of 31 December 2022 Bulgarian government securities amounting to 2,704 thousand. Lv. are pledged to the BNB as collateral for budget funds (31.12.2021: BGN 22,536 thousand).

As of 31 December 2022, the average interest rate of Bulgarian government bonds in euro was 0.52% (2021: 0.52%).

6.2 Equity instruments at fair value through other comprehensive income

	As at 31.12.2022	As at 31.12.2021
Equity investment at fair value through other comprehensive income	5,062	280

The table below shows these investments as well as dividend income recognised by these investments.

2022 year	Fair value	Recognised dividend income
	31.12.2022	2022
Stocks and shares of domestic enterprises	4,958	10
Stocks and shares of foreign enterprises	104	-
Total equity investments at fair value through other comprehensive income	5,062	10
2021 year	Fair value	Recognised dividend income
	31.12.2021	2021
Stocks and shares of domestic enterprises	177	7
Stocks and shares of foreign enterprises	103	-
Total equity investments at fair value through other comprehensive income	280	7

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

The following table presents the movement over the period:

	As at 31.12.2022	As at 31.12.2021
1 January	<u>88,885</u>	<u>80,644</u>
Acquired	14,878	22,679
Sold	(62,364)	(10,694)
Interest and principal payments received	(2,862)	(3,721)
Modification of revaluation surplus	(662)	(1,523)
Impairment for credit losses	(106)	(17)
Net gains/(losses) on transactions with financial assets at fair value through other comprehensive income	2,922	(5)
Net (losses)/revaluation gains on financial assets at fair value through other comprehensive income	(2,837)	143
Increase in retained earnings from previous years on revaluation reserves of reclassified financial instruments	8	-
Net interest income	<u>1,211</u>	<u>1,379</u>
31 December	<u>39,073</u>	<u>88,885</u>

7. LOANS AND RECEIVABLES

	As at 31.12.2022	As at 31.12.2021
Loans and receivables from customers	186,383	179,848
Resources provided and deposits to banks	<u>16,361</u>	<u>43,395</u>
TOTAL	<u>202,744</u>	<u>223,243</u>

7.1 Loans and receivables from customers

Analysis by type of clients

	As at 31.12.2022	As at 31.12.2021
Private firms	104,082	105,564
Households and individuals	53,428	51,737
Financial corporations	<u>31,098</u>	<u>25,029</u>
Impairment for non-collectability	<u>(2,225)</u>	<u>(2,482)</u>
TOTAL	<u>186,383</u>	<u>179,848</u>

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

Analysis by industry

	As at 31.12.2022	As at 31.12.2021
Individuals	53,428	51,738
Industry	16,260	10,593
Services and other	41,028	48,318
Trade	35,660	35,496
Construction	1,154	1,625
Transport	22,027	22,014
Agriculture	253	612
Finances	18,798	11,934
Impairment for non-collection	(2,225)	(2,482)
TOTAL	186,383	179,848

The agreed interest rates on loans granted in Bulgarian leva and foreign currency are predominantly variable. The weighted average agreed interest rates on loans in BGN allowed in the years ending 31 December 2022 and 2021 are about 4.96% and 4.03%, respectively. The weighted average agreed interest rates on loans in euro for the years ending 31 December 2022 and 2021 are about 3.86% and 3.18%, respectively.

7.2 Resources provided and deposits to banks

	As at 31.12.2022	As at 31.12.2021
In BGN		
Nostro accounts in local banks	177	11,568
	177	11,568
In foreign currency		
Nostro accounts in foreign banks	4,879	6,540
Nostro accounts in local banks	6,720	25,287
	11,599	31,827
Deposits with local banks	4,585	-
TOTAL	16,361	43,395

The average interest rate on resources made available to banks in euro for the two years ending 31 December 2022 and 2021 is 0%.

The amount of nostro accounts with foreign banks as of 31 December 2022 and 2021 includes BGN 442 thousand blocked funds in favor of Master Card Europe at Bank Santander and BGN 189 thousand in favor of J.P. Morgan Chase Bank (2021: BGN 414 thousand and BGN 189 thousand, respectively).

As of 31 December 2022, funds worth BGN 1,906 thousand were blocked by nostro accounts BGN 74 thousand are in favor of Central Cooperative Bank AD on issued bank guarantees, and BGN 1,832 thousand for collateral on an open letter of credit with UNICREDIT S.P.A. MILANO. (2021: BGN 1,799 thousand blocked amount in favor of Central Cooperative Bank AD for issued bank guarantees and for collateral under an open letter of credit).

As of 31 December 2022, a term deposit in USD has been provided to UniCredit Bulbank AD in the amount of BGN 4,585 thousand.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

8. RECEIVABLES ON SECURITIES REPURCHASE AGREEMENTS

	As at 31.12.2022	As at 31.12.2021
Receivable on private nonfinancial entities	13,885	19,160
Receivables on financial entities	20,343	13,271
	<u>34,228</u>	<u>32,431</u>

9. DEBT INSTRUMENTS AT AMORTISED COST

	As at 31.12.2022	As at 31.12.2021
Government securities of the Bulgarian government	57,786	5,389

Debt instruments at amortized cost were acquired in 2019 and 2022. The value of debt instruments at amortized cost pledged as collateral for budgetary resources as at 31 December 2022 was BGN 40,717 thousand (2021: BGN 5,000 thousand).

10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Total	Land and buildings	Office Equipment	Vehicles	Business Inventory	FTA acquisition costs	Other tangible assets	Software and other intangible assets
Gross book value								
1 January 2021	34,744	16,312	4,441	1,538	3,082	913	4,032	4,428
Acquired	2,204	756	-	-	-	1,173	-	2,277
Written off	(953)	(731)	(4)	(73)	(12)	(2)	(131)	-
Transfers	-	186	720	135	88	(1,158)	-	-
Revaluation	829	829	-	-	-	-	-	-
31 December 2021	36,824	17,352	5,157	1,600	3,158	926	3,901	4,772
Acquired	1,116	553	-	-	-	278	-	2,947
Written off	(1,995)	(878)	(633)	-	(47)	-	(437)	-
Transfers	-	158	527	75	88	(1,024)	176	-
Revaluation	2,586	2,586	-	-	-	-	-	-
31 December 2022	38,531	19,771	5,051	1,675	3,199	180	3,640	5,075
Accumulated depreciation/amortisation								
1 January 2021	11,927	2,066	3,550	930	1,266	-	1,694	2,481
Accrued for the year	3,753	1,952	447	210	306	-	437	4,053
Depreciation of Assets written off	(718)	(573)	(4)	(23)	(10)	-	(108)	-
Accrued for the year	3,035	1,379	443	187	296	-	329	4,069
31 December 2021	14,962	3,445	3,993	1,117	1,562	-	2,023	2,820
Accrued for the year	3,758	1,980	504	187	291	-	428	3,048
Depreciation of Assets written off	(1,969)	(878)	(609)	-	(45)	-	(437)	-
Accrued for the year	1,789	1,102	(105)	187	246	-	(9)	3,010
31 December 2022	16,751	4,547	3,888	1,304	1,808	-	2,014	3,118
Net book value as at 31 December 2021	<u>21,862</u>	<u>13,907</u>	<u>1,164</u>	<u>483</u>	<u>1,596</u>	<u>926</u>	<u>1,878</u>	<u>1,952</u>
Net book value as at 31 December 2022	<u>21,780</u>	<u>15,224</u>	<u>1,163</u>	<u>371</u>	<u>1,391</u>	<u>180</u>	<u>1,626</u>	<u>1,857</u>

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

Gain on the sale of property, plant and equipment

	As at 31.12.2022	As at 31.12.2021
Proceeds from sale	4	52
Carrying amount of assets sold	(12)	(51)
Gain on the sale of property, plant and equipment	(8)	1

Right-of-use assets are included in the net carrying amount of property, plant and equipment as follows:

	Buildings	Vehicles	Total right-of-use assets
Gross book value			
Balance as at 1 January 2022	8,195	247	8,442
Newly acquired assets	554	-	554
Assets written off	(653)	-	(653)
Balance as at 31 December 2022	8,096	247	8,343
Depreciation			
Balance as at 1 January 2022	3,371	109	3,480
Depreciation of written off assets	(653)	-	(653)
Depreciation charge	1,732	49	1,781
Balance as at 31 December 2022	4,450	158	4,608
Book value as at 1 January 2022	4,824	138	4,962
Book value as at 31 December 2022	3,646	89	3,735
	Buildings	Vehicles	Total right-of-use assets
Gross book value			
Balance as at 1 January 2021	7,985	247	8,232
Newly acquired assets	755	-	755
Assets written off	(545)	-	(545)
Balance as at 31 December 2021	8,195	247	8,442
Depreciation			
Balance as at 1 January 2021	2,016	60	2,076
Depreciation of written off assets	(386)	-	(386)
Depreciation charge	1,741	49	1,790
Balance as at 31 December 2021	3,371	109	3,480
Book value as at 1 January 2021	5,969	187	6,156
Book value as at 31 December 2021	4,824	138	4,962

In the hierarchy of fair values, land and buildings are classified in level 3 using valuation techniques to determine fair values.

Evaluation technique	Significant unobservable input data	Interrelationship between key unobservable inputs and fair value
Market approach	1. Restrictions on the availability of actual transaction data or stock prices of similar assets in an active market	The fair value will change if:
Method of market analogues	correction for lack of information about concluded transactions from 5% to 10% 2. Adjustments to analogues, such as coefficients for:	a greater or lesser number of analogues are used; more or less correction factors shall be applied;

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

technical parameters from 10% to 30%	the correction factors for technical parameters and current status are higher or lower;
Current status from 10% to 22%	A fair value measurement will be more reliable when a comparison is primarily made with comparable transaction prices than with bid prices.

In 2022 and 2021, a fair value valuation of the properties owned by the Bank was carried out using market valuations prepared by an independent external valuer.

11. INVESTMENT PROPERTY

	As at 31.12.2022	As at 31.12.2021
Balance on 1 January	11,820	11,382
Acquisition	66	76
Sale	(733)	-
Transfers to property, plant and equipment	-	(25)
Change in fair value	1,767	387
Balance as at 31 December	<u>12,920</u>	<u>11,820</u>

The gain on sale of investment property is formed as follows:

	Year ended 31.12.2022	Year ended 31.12.2021
Proceeds from sale	832	-
Book value written off	(733)	-
Gain on sale of investment properties	<u>99</u>	<u>-</u>

Investment property is measured by using the fair value model. In the fair value hierarchy, investment property is classified in level 3 using valuation techniques to determine fair values as disclosed for land and buildings (Note 10).

	As at 31.12.2022	As at 31.12.2021
Lands	5,511	3,691
Commercial buildings	3,173	3,549
Administrative buildings	3,763	3,757
Industrial buildings	473	823
	<u>12,920</u>	<u>11,820</u>

The fair value of the Company's real estate is determined on the basis of reports by an independent licensed appraiser who holds a recognized and appropriate professional qualification and who has recent experience in the location and category of the property being valued.

In 2022 and 2021, the Bank reported rental income from investment properties amounting to 89 thousand, respectively. Lv. and 75 thousand, which are reported as other operating income.

In 2022 and 2021, the cost of taxes, repair and maintenance of investment properties is BGN 116 thousand and BGN 73, respectively.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

12. INVESTMENT IN SUBSIDIARIES

Investments in subsidiaries as at 31 December 2022 and 2021 are as follows:

COMPANY	SHARE		BOOK VALUE	
	As of 31.12.2022	As of 31.12.2021	As of 31.12.2022	As of 31.12.2021
UD "Texim Asset Management" AD	100%	100%	450	450
"Texim Projects" Ltd.	0%	100%	-	501
"Texim Solutions" Ltd.	100%	0%	1	-
"Texim Project Company" Ltd.	100%	100%	1	1
TOTAL			452	952

In these separate financial statements, investments in subsidiaries are presented at cost.

In 2022, the Company sold 100% of the shares held in Texim Projects EOOD and as reported a gain on sale of BGN 300 thousand.

13. OTHER ASSETS

	As at 31.12.2022	As at 31.12.2021
Trade receivables from the sale of property and financial assets	6,961	5,277
Assets acquired from collateral on irregular loans	424	436
Deferred expenditure	493	564
Advances	76	71
Materials	65	86
TOTAL	8,019	6,434

Assets (other than real estate) that are intended for sale but are not realised within one year shall be recognised as inventories in accordance with IAS 2 and presented as other assets.

14. DEPOSITS FROM CUSTOMERS OTHER THAN CREDIT INSTITUTIONS

	As of 31 December 2022			As of 31 December 2021		
	BGN	Foreign currency	Total	BGN	Foreign currency	Total
RESIDENTS	338,841	161,399	500,240	308,300	153,045	461,345
Budget	17,701	-	17,701	13,173	-	13,173
Finances	25,778	7,274	33,052	28,747	8,078	36,825
Households and individuals	123,891	99,300	223,191	118,506	97,856	216,362
Services	55,134	20,991	76,125	61,906	19,511	81,417
Industry	5,246	8,298	13,544	5,115	3,841	8,956
Trade	47,281	15,313	62,594	37,257	12,997	50,254
Transport	5,592	7,838	13,430	3,886	8,070	11,956
Construction	53,260	1,784	55,044	36,652	2,103	38,755
Agriculture	4,958	601	5,559	3,058	589	3,647
NON-RESIDENTS	784	24,398	25,182	899	6,472	7,371
	339,625	185,797	525,422	309,199	159,517	468,716

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

The average interest rates on the different types of deposits for the year ending 31 December 2022 are as follows:

	BGN	USD	EUR
Demand deposits	0.02	0.00	0.00
Term deposits	0.05	0.02	0.08
Savings Deposits	0.02	0.02	0.04

The average interest rates on the different types of deposits for the year ending 31 December 2021 are as follows:

	BGN	USD	EUR
Demand deposits	0.04	0.00	0.02
Term deposits	0.18	0.04	0.25
Savings Deposits	0.06	0.02	0.09

As of 31 December 2022, the Bank had no loans from customers other than credit institutions.

15. LEASE LIABILITIES

	As at 31.12.2022	As at 31.12.2021
Lease liabilities – non-current portion	1,375	2,468
Lease liabilities – current portion	1,561	1,523
TOTAL	2,936	3,991

The bank rents office buildings and vehicles. With the exception of short-term leases and leases of low-value assets, each lease is reflected in the separate statement of financial position as a right-of-use asset and lease obligation. Variable lease payments that are not index-dependent or variable rates (for example, lease payments based on a percentage of the Bank's sales) are excluded from the initial measurement of the lease liability and the lease asset. The Bank classifies its right-of-use assets in a consistent manner in its property, plant and equipment (see note 10).

Any lease normally imposes a restriction that right-of-use assets may be used only by the Bank, unless the Bank has a contractual right to sublease the asset to a third party.

The future minimum lease payments as at 31 December 2022 are as follows:

	Minimum lease payments due						Total BGN'000
	Up to 1 year BGN'000	1-2 Years BGN'000	2-3 Years BGN'000	3-4 Years BGN'000	4-5 Years BGN'000	After 5 years BGN'000	
31 December 2022							
Lease payments	1,652	539	419	346	160	25	3,141
Financial costs	(91)	(57)	(35)	(17)	(5)	-	(205)
Net present value	1,561	482	384	329	155	25	2,936

The future minimum lease payments as at 31 December 2021 are as follows:

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

	Minimum lease payments due						Total
	Up to 1	1-2	2-3	3-4	4-5	After 5	
	year	Years	Years	Years	Years	years	
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
31 December 2021							
Lease payments	1,640	1,517	435	319	245	111	4,267
Financial costs	(117)	(74)	(43)	(26)	(12)	(4)	(276)
Net present value	1,523	1,443	392	293	233	107	3,991

The Bank has chosen not to recognise a lease obligation if they are short-term (leases with an expected term of 12 months or less) or if they are for the lease of low-value assets. Payments made under these leases are recognised as an expense under the straight-line method. In addition, some variable lease payments cannot be recognised as lease liabilities and are recognised as an expense when they arise.

The costs for 2022 related to payments that are not included in the assessment of lease obligations amount to BGN 76 thousand.

The interest expense on leases included in the financial expenses for the year ended 31 December 2022 is BGN 177 thousand (2021: BGN 220 thousand).

The total cash outflow for leases for the year ended 31 December 2022 was BGN 1,630 thousand.

In 2022, as a result of Covid-19, the Bank received discounts on rental installments totaling BGN 23 thousand, which were presented in "Other Revenue" because the Bank applied the amendments to IFRS 16 concerning rent concessions related to Covid-19.

Further information on the types of right-of-use assets is provided in Note 10.

16. DEBT SECURITIES ISSUED

In 2020, the Bank issued 22,000 ordinary, dematerialized, registered, interest-bearing, freely transferable, unsecured, convertible corporate bonds with a single nominal value of BGN 1,000 with a total amount of BGN 22,000,000 with a maturity of the bond loan of 7 years and a fixed annual interest rate of 2.2%). By decision of the BNB Board of 29.09.2020 Texim Bank AD received approval from the BNB to include in its Tier 2 capital the amount raised from an issue of convertible corporate bonds amounting to BGN 22,000 thousand.

In 2022, the Bank paid interest on the bond loan amounting to BGN 484 thousand (2021: BGN 484 thousand)

The issuer grants each bondholder the right to exchange (convert) all or part of its holdings into shares ('conversion right') and the bondholder shall receive a number of shares in return for the converted bonds equal to that of the particular:

(a) the aggregate nominal value of the converted bonds (BGN 1 000 by the number of bonds requested for conversion) divided by

(b) the current conversion price (the initial conversion price is set at BGN 2.50 and has not been changed so far)

Conversion period: Texim Bank AD undertakes to take the necessary actions for conversion once every three months as long as there are bonds in circulation, at the end of each three-month period, provided that no later than 30 (thirty) days before the expiry of the relevant three-month period, conversion notifications are submitted by bondholders. The total amount of bonds submitted for conversion may not be less than 5% of the current nominal amount of the bond loan.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

Information on the dates on which the quarterly periods expire and the dates on which a notification for conversion may be submitted at the latest is published on the Bank's website.

As of 31 December 2022, no corporate bonds had been converted. Information about the conversion process started after 31 December 2022 is described in Note 33 "Events since the reporting date".

17. TAXES

17.1 Tax liabilities

	As at 31.12.2022	As at 31.12.2021
Current taxes under the Corporate Income Tax Act and the Personal Income Tax Act	20	29
Deferred tax liabilities	1,067	313
Deferred tax assets	(37)	(24)
Total tax liabilities	1,050	318

During the period, deferred tax liabilities amounting to BGN 753 thousand were accrued as a result of a reported revaluation of non-financial assets (2021: BGN 83 thousand). Of these, BGN 258 thousand are deferred real estate tax liabilities accounted for in IAS 16. For properties reported under IAS 40, the deferred tax liability is BGN 495 thousand. BGN 328 thousand are reported in retained earnings from previous years relating to the revaluation of investment property before 2022.

In 2022, deferred tax assets amounted to BGN 13 thousand (12 thousand for defined benefit obligations in retirement and BGN 1 thousand for staff unused leave obligations)

17.2 Income Tax Expense

The income tax expense for the current year is the corporate tax due under Bulgarian law, according to the statutory tax rate of 10% for 2022 and 2021.

The relationship between tax expense and accounting profit is as follows:

	Year ended 31.12.2022	Year ended 31.12.2021
Profit before tax	663	236
Taxes at applicable tax rates	(66)	(24)
Tax effect related to the occurrence or change of deferred tax assets and liabilities	(158)	24
Tax effect related to permanent differences in determining taxable profit	319	235
Effect of an unrecognised deferred tax asset on a tax loss	(253)	(211)
(EXPENSE FOR) INCOME FROM PROFIT TAX	(158)	24

18. OTHER LIABILITIES

	As at 31.12.2022	As at 31.12.2021
Bank transfers in execution	1,928	246
Trade obligations	386	368
Obligations to insurers	179	153
Unused paid leave and other obligations to staff	72	63
Other liabilities	422	328
TOTAL	2,987	1,158

Executed bank transfers are obligations for transfers in BGN, ordered by customers on the last day of 2022 and 2021 respectively, with a value date for execution of the transfer two working days. These transfers were executed on the first working day of 2023 and 2022 respectively.

19. PROVISIONS

	As at 31.12.2022	As at 31.12.2021
Opening balance of provisions	321	68
Accrued provisions for a court case	6	98
Amounts paid	(104)	-
Accrued provisions for commitments and guarantees	119	108
Reintegrated provisions for commitments and guarantees	(129)	(114)
Accrued provisions for defined benefits in the event of staff retirement	137	161
Defined benefit amounts paid in retirement	(15)	-
TOTAL PROVISIONS	335	321

The Bank's management has reviewed the legal and constructive obligations that are likely to result in cash outflows and has assessed that there are no grounds for recognizing a provision in an outstanding court case as of 31.12.2022 (31.12.2021: BGN 98 thousand).

According to the provisions of the Labour Code, each employee is entitled to compensation, amounting to up to two or six gross wages on retirement, depending on the length of service. Provisions shall be charged on the basis of valuation by an independent authorised actuary using the projected unit credit method in accordance with IAS 19. The present value of future defined benefit obligations as of 31.12.2022 amounts to BGN 284 thousand. The main assumptions used in the calculations are growth of salary increases of 1% and 1.7% of staff turnover.

The changes in the provisions for retirement benefits under the Labour Code during the year are presented as follows:

	As at 31.12.2022
Present value of the obligation on 1 January	160
Interest expenses	40
Cost of current traineeship	49
Benefits paid	(14)
Actuarial loss	49
Present value of the obligation on 31 December, incl.	284

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

20. CAPITAL AND RESERVES

20.1 Share capital

The registered capital of the Bank consists of 27,995,036 fully paid ordinary shares with a nominal value of BGN 1. per share. All shares are entitled to receive a dividend and liquidation share and represent one vote of the General Meeting of Shareholders of the Bank.

	As at 31.12.2022	As at 31.12.2021
	Number of shares	Number of shares
Registered capital	27,995,036	27,995,036

Shareholders who hold as of 31.12.2022 directly and indirectly 5 or more of the voting rights at the general meeting of Texim Bank AD are:

Name	UIC	% of voting rights as at 31.12.2022	% of voting rights as at 31.12.2021
1 Web Finance Holding AD	103765841	18.88%	18.88%
2 "Sila Holding" AD	112100237	8.93%	8.93%
3 POK "Saglasie" AD	831284154	6.98%	6.38%
4 "Invest Capital" AD	831541734	5.17%	5.17%
5 "Etrade" AD	130301989	5.10%	5.10%
6 "Datamax" AD	831257470	4.94%	4.94%
7 Datamax System Holding AD	131466552	4.77%	4.77%

As of 31.12.2022, the companies Etrade AD, Datamax System Holding AD and Datamax AD, in their capacity as related parties, together hold 14.81% of the voting rights at the General Meeting of Shareholders of Texim Bank AD.

20.2 Reserves

Reserves include statutory reserves, revaluation reserves, and other reserves.

	As at 31.12.2022	As at 31.12.2021
Legal reserves (Reserve Fund)	2,863	2,603
Revaluation reserves	8,127	6,505
Other reserves	132	132

The Reserve Fund is formed by the distribution of part of the Bank's profits in accordance with the requirements of the Commerce Act.

Revaluation reserves shall include revaluations of:

- property, plant and equipment
- financial assets carried at fair value through other comprehensive income;
- defined benefit plans.

	As at 31.12.2022	As at 31.12.2021
Revaluation reserve of property, plant and equipment	9,613	7,285
Revaluation surplus of financial assets carried at fair value through other comprehensive income	(1,444)	(782)
Provision for revaluations under defined benefit plans	(42)	2
Revaluation reserves total	<u>8,127</u>	<u>6,505</u>

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

The changes in the revaluation surplus of financial assets at fair value through other comprehensive income are as follows:

	As at 31.12.2022	As at 31.12.2021
Balance as at 1 January	(782)	741
Net change in the fair value of debt instruments carried at fair value in other comprehensive income	(3,765)	(1,396)
Net value reclassified in profit or loss on the sale of debt instruments carried at fair value through other comprehensive income	2,837	(143)
Net change in the fair value of equity instruments carried at fair value through other comprehensive income	267	16
Net value reclassified in retained earnings of past years on reclassified equity instruments	(1)	-
Balance as at 31 December	(1,444)	(782)

21. INTEREST INCOME AND INTEREST EXPENSE

21.1 Interest income

	Year ended on 31.12.2022	Year ended on 31.12.2021
Operations in BGN	9,971	10,042
Interest on financial assets held for trading	3	-
Interest on financial assets carried at fair value through other comprehensive income	789	868
Interest on loans and receivables	6,794	6,954
Interest from securities repurchase agreements	2,135	1,987
Interest on other financial assets at amortised cost	250	225
Interest on other liabilities	-	8
Foreign currency operations	1,861	1,723
Interest on financial assets held for trading	-	3
Interest on financial assets at fair value through other comprehensive income	562	701
Interest on financial instruments at amortised cost	116	-
Interest on loans and receivables	1,176	1,016
Interest on other liabilities	7	3
TOTAL INTEREST INCOME	11,832	11,765

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

21.2 Interest expenses

	Year ended on 31.12.2022	Year ended on 31.12.2021
Operations in BGN	(1,021)	(1,208)
Interest on deposits	(90)	(248)
Interest on convertible bonds issued	(437)	(485)
Interest on leases	(177)	(220)
Interest on financial assets at fair value through other comprehensive income	(70)	(115)
Interest on financial instruments at amortised cost	(110)	(72)
Interest on other assets	(97)	(41)
Interest on other liabilities	(40)	(27)
Foreign currency operations	(321)	(411)
Interest on deposits	(64)	(180)
Interest on financial assets at fair value through other comprehensive income	(71)	(72)
Interest on other assets	(186)	(159)
TOTAL INTEREST EXPENDITURE	(1,342)	(1,619)

Texim Bank AD has introduced changes in the Bank's tariff in order to preserve fee and commission income and follow the main market trends.

22. FEE AND COMMISSION INCOME, NET

	Year ended on 31.12.2022	Year ended on 31.12.2021
Fee and commission income	4,833	4,467
In BGN	4,052	3,664
Servicing of loans	279	232
Off-balance-sheet commitments	100	65
Securities management	165	48
Borrowed funds	2,288	2,082
Cash operations	636	675
Other	584	562
In foreign currency	781	803
Servicing of loans	51	25
Borrowed funds	519	510
Other	211	268
Fees and commissions costs	(799)	(744)
In BGN	(446)	(412)
In foreign currency	(353)	(332)
FEE AND COMMISSION INCOME, NET	4,034	3,723

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

23. NET GAIN ON OPERATIONS IN FINANCIAL ASSETS

	Year ended on 31.12.2022	Year ended on 31.12.2021
Net revaluation gain on financial assets designated as at fair value through profit or loss on initial recognition	1,911	1,709
Net gain on forex trading	695	523
Net gain on financial assets designated as at fair value through profit or loss on initial recognition	2,606	<u>2,232</u>
Net revaluation gain on financial assets necessarily designated as at fair value through profit or loss	(50)	95
<i>Net gain on financial assets carried at fair value through profit or loss</i>	<u>2,556</u>	<u>2,327</u>
Net gain/ (loss) on transactions with financial assets at fair value through other comprehensive income	2,922	(5)
Net gain/ (loss) on debt instruments reclassified from other comprehensive income	(2,837)	143
<i>Net gain on financial assets carried at fair value through other comprehensive income</i>	<u>85</u>	<u>138</u>
	<u>2,641</u>	<u>2,465</u>
	Year ended on 31.12.2022	Year ended on 31.12.2021
Net gains on revaluation of and transactions with financial assets designated as at fair value through profit or loss on initial recognition		
Shares	1,911	1,709
Net earnings on forex trading	695	523
	<u>2,606</u>	<u>2,232</u>

In 2022 and 2021, the Bank sold financial assets carried at fair value through other comprehensive income. The table below summarizes the write-off profit by type of asset in the current year and the comparative period.

	Year ended on 31.12.2022	Year ended on 31.12.2021
Government bonds	74	147
Corporate bonds	11	(9)
	<u>85</u>	<u>138</u>

24. OTHER OPERATING EXPENSES, NET

In 2022 and 2021, the Bank reported other operating income amounting to BGN 486 thousand and BGN 507 thousand. The main part of this revenue consists of rental income and the sale of anniversary coins.

In 2022 and 2021, the Bank reported other operating expenses amounting to BGN 1,870 thousand and BGN 1,507 thousand, respectively. The main part of these expenses includes contributions to the Bank Deposit Insurance Fund and expenses for unrecognized tax credit.

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

25. ADMINISTRATIVE EXPENDITURE

	Year ended on 31.12.2022	Year ended on 31.12.2021
Staff costs	8,727	7,671
Materials, rentals, consulting and other hired services	4,326	3,856
Taxes, fees, business trips, training, etc.	374	382
TOTAL	13,427	11,909

26. NET IMPAIRMENT AND NON-COLLECTION COSTS

In 2022, the Bank reported net impairment costs for uncollectibility on loans and receivables and debt securities totaling BGN 56 thousand (2021: net impairment costs BGN 52,000).

The movement of impairments for losses and uncollectibility of loans and receivables from customers is as follows:

	Loans and receivables from customers
BALANCE AS AT 1 JANUARY 2021	2,517
Accrued impairments for the period	977
Accrued impairments for unrecognised interest	(12)
Reintegrated impairments for the period	(942)
Written off loans on account of provisions	(58)
BALANCE AS AT 31 DECEMBER 2021	2,482
Accrued impairments for the period	608
Accrued impairments for unrecognised interest	(6)
Reintegrated impairments for the period	(678)
Written off loans on account of provisions	(181)
BALANCE AT 31 DECEMBER 2022	2,225

For more information on impairments of financial assets, see Note 29.1 Credit risk.

27. EARNINGS PER SHARE (IN BGN)

Basic earnings per share

	2022	2021
Profit to be distributed (in BGN)	504,547	260,205
Weighted average number of shares	27,995,036	27,995,036
Basic earnings per share (in BGN per share)	0.018	0.009

The basic earnings per share were calculated using as numerator the net profit attributable to the shareholders of the Company.

The weighted average number of shares is calculated as the sum of the number of ordinary shares outstanding at the beginning of the period and the number of ordinary outstanding shares issued during the period, each number of shares being pre-multiplied by the time average. Ordinary shares issued as a result

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

of the conversion of a debt instrument into ordinary shares are included from the date on which interest ceases to accrue.

Diluted earnings per share

Diluted earnings per share were calculated using as numerator the net profit attributable to the shareholders of the Company, adjusted for the reduction in interest expense that would occur if the bonds issued in connection with the convertible bonds issued were converted.

The weighted average number of shares used to calculate diluted earnings per share can be compared to the weighted average number of ordinary shares used to calculate basic earnings per share as follows:

	2022	2021
	Number of	Number of
	Shares	Shares
Weighted average number of shares for basic earnings per share	27,995,036	27,995,036
Shares resulting from the conversion of the bond issue*	8,800,000	8,800,000
Average weighted number of shares to be used for diluted earnings per share	36,795,036	36,795,036

* bonds are converted at a price of 2.5 per share

Diluted earnings per share are calculated as follows:

	2022	2021
Profit to be distributed, adjusted with the reduction of interest expenses (in BGN)*	897,432	696,705
Average weighted number of diluted shares	36,795,036	36,795,036
Diluted earnings per share (in BGN per share)	0.0244	0.0189

* interest expense on convertible bonds is given in profit increase and 10% corporate tax in reduction.

28. Related parties

As of 31 December 2022 and 2021, the Bank has receivables, liabilities and contingent commitments from related parties as follows:

Related parties and balances	Balance as at 31.12.2022	Balance as at 31.12.2021
Subsidiaries		
Deposits received	96	341
Loans granted	-	1,864
Other accounts receivable	1	-
Key management personnel		
Loans granted	390	229
Deposits received	1,314	925
Other accounts receivable	2	-

The income and expenses realized by the Bank in 2022 and 2021 from transactions with related parties are as follows:

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

Related parties and types of transactions	For the year ended 31.12.2022	For the year ended 31.12.2021
Key management personnel		
Interest income	15	11
Fee income	5	4
Subsidiaries		
Revenue from services	41	40
Fee income	9	9
Interest income	75	62

Key management personnel of the Bank are the members of the Management Board, including the executive directors directly involved in corporate operational management and the members of the Supervisory Board, who control the activities and important decisions for the development of the Bank.

The remuneration of the members of the Management Board paid in 2022. It has a total value of BGN 494 thousand (2021: BGN 468 thousand).

The remuneration of the members of the Supervisory Board paid in 2022 amounts to a total of BGN 270 thousand (2021: BGN 270 thousand).

29. RISK MANAGEMENT RELATED TO FINANCIAL INSTRUMENTS

The risk in the Bank's activities related to financial instruments is the possibility that the actual proceeds from the holdings of the financial instruments do not correspond to those expected. The specifics of the banking activity indicate the need to implement adequate systems for the timely identification and management of the types of risk, as of particular importance are the risk management procedures, the mechanisms for keeping it within acceptable limits, the optimal liquidity, portfolio diversification, etc. The main objective of risk management is to present and analyze the types of risk to which the Bank is exposed in a comprehensive and categorical way.

The risk management system performs functions to prevent losses and control the amount of losses allowed and includes:

- Policies, rules, methodologies and procedures for the overall identification, measurement, monitoring and control of all risks material to the Bank;
- An organisational structure for risk management with an appropriate allocation of responsibilities between management levels and independence between business units performing functions of creating or renewing exposures and those carrying out risk assessment and control;
- Parameters and limits for executing transactions and operations;
- Processes for regular monitoring of the established limits for different types of risk;
- Processes to control the maintenance at all times of sufficient available capital to cover material risks, both under normal and stressful conditions;
- Development, improvement and complementarity of the established system for risk reporting, analysis and control, in accordance with the development of the risk profile of the Bank, the requirements of national and European legislation and good banking practices;

The main principles underlying the Bank's risk management policies are:

- limiting the risk assumed so that the Bank's business activities are not jeopardized in the short and long term;

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

- maintaining sufficient own funds to ensure compliance with regulatory capital requirements at all times and an adequate level of coverage of the risks assumed under normal and stressful conditions;
- determining the structure of risk appropriate to the business model, including by defining risk profile and capital limits.

The organizational structure for risk management is centralized and structured according to the levels of competence as follows:

- Supervisory Board – determines acceptable levels of risk within the Bank's adopted risk management strategy, approves the organizational structure for risk management, approves risk taking limits, as well as the main risk management strategies and policies.
- Management Board - responsible for the implementation of the policies approved by the National Assembly for the management of all material risks and the effective functioning of the risk management system;
- Specialized collective bodies - approve the frameworks and parameters of the Bank's risk management activities;
- Executive Directors - control the process of approval and implementation of adequate policies and procedures within the framework of the risk management strategy adopted by the Bank;
- Heads of structural units of the Bank – apply the adopted risk management policies when organizing the activities of the respective organizational units.

The nature and nature of the risks to which the financial instruments held by the Bank are exposed are as follows:

29.1 Credit risk

In 2022, the main point turned out to be Russia's invasion of Ukraine, which began on 24 February 2022. In this regard, the Bank has taken timely measures to comprehensively review the assets and liabilities whether and to what extent they have exposure to individuals, companies and/or state institutions from the Russian Federation or Ukraine (Note 2.2).

In 2022, there was a significant change in the monetary policy pursued by the world's leading central banks. The US Federal Reserve began aggressively raising interest rates in March 2022, and the European Central Bank began its aggressive cycle of raising a little later - in July 2022. In response to high and persistent global inflation, these interest rates turned out to be much higher than the market expectations formed at the beginning of the reporting period.

The effects of the increase in interest rates did not lead to material changes in estimates, changes in the expected loss assessment (ECL) models, other than changes in the risk parameters of the provisioning model and did not lead to a change in classification or business models in 2022.

As a party to a financial instrument, the Bank defines the credit risk to which it is exposed as the possibility of its counterparty causing it financial loss if it fails to repay its debt. The Bank manages its credit risk by setting limits for its exposures to individual clients or a group of related parties, as well as limits by economic sectors. In order to reduce credit risk, the Bank also requires the relevant collateral and guarantees, in accordance with its internal lending rules.

Cash and balances at the Central Bank do not carry a credit risk due to their nature and the possibility of the Bank having them.

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

The resources and advances provided to banks are mainly deposits in international and Bulgarian financial institutions with a maturity of up to 7 days. The bank manages the credit risk associated with these assets by setting limits on its exposure to each individual counterparty.

The loans and advances granted to clients of the Bank constitute an exposure to credit risk. To evaluate it, the Bank carries out risk analysis by applying criteria for assessment and classification of risk exposures, which comply with International Financial Reporting Standards, regulatory requirements and good banking practices. In order to minimize credit risk, in the process of approval, management and administration of transactions, the Bank applies detailed procedures covering an analysis of the economic feasibility of each financial instrument and acceptable collateral, control over the use of allocated funds and servicing contractual cash flows, compliance with regulatory requirements, etc.

The Bank manages and controls the risk of concentration of exposures to one or a group of connected clients, as well as the risk of concentration of exposures to groups of counterparties with similar characteristics, the probability of default of which depends on similar factors.

The management and control of credit concentration risk is carried out by applying limits, which include:

- *Limits on clients and groups of connected clients /individual exposures/* - Large exposures to one or a group of connected clients are managed in accordance with the Credit Institutions Act (CIA), Regulation (EU) No 575/2013 and the domestic rules. The Bank monitors and reports to its management body and to the regulator single or economically related parties that form an exposure equal to or exceeding 10% of Tier 1 capital, Regulation (EU) No 575/2013 and shall comply with the 25 % threshold for those exposures laid down in Article 395 of Regulation 575.
- *Limits to counterparties* - The management and control of credit risk by the counterparty is carried out by establishing and applying specific limits for determining the maximum risk exposure. With regard to counterparties other than banks, the limits are approved by the Bank's management, based on a thorough analysis by the business area and the risk management unit.
- *Limits by economic sectors* - The management and control of credit risk of concentration by economic sectors is carried out by setting and applying limits for limiting sectoral concentrations. To establish the degree of concentration, the Bank uses the Herfindahl-Hirschman Index (HHI), developed and approved for measuring concentrations of market structures.
- *Limits on financial instruments* - The management and control of concentration risk in relation to specific financial instruments is carried out by applying limits to limit the maximum exposure by type of financial instrument, including in mutual funds, shares and bonds.

The book value of the exposures represents the maximum exposure to credit risk of the Bank.

The Bank's gross credit exposure, before impairments for credit losses, is presented in the table below:

ASSETS	As at 31.12.2022	As at 31.12.2021
Resources provided and deposits to banks	16,361	43,395
Financial assets at fair value through profit or loss	9,646	9,372
Financial assets held for trading	26,720	25,737
Equity instruments at fair value through other comprehensive income	5,062	280
Debt instruments at fair value through other comprehensive income	34,291	88,779
Debt instruments at amortised cost	57,809	5,391
Loans and advances	188,608	182,330
Receivables on repurchase agreements	34,228	32,431
Off-balance-sheet items:	30,383	26,643
of which credit commitments	13,028	16,106
incl. bank guarantees	17,355	10,537
TOTAL CREDIT EXPOSURE	403,108	414,358

In the total credit exposure, the Bank does not include the balances on its accounts with the BNB, as it considers that they are not carriers of credit risk.

For the purpose of effective management and control, the Bank has established mechanisms, including the risk management unit, the Credit Board, the Credit Committee, etc., which are responsible for the management of credit risk.

The Credit Council is a permanent specialized body that reviews the proposals of the business direction for concluding credit transactions with corporate clients, after which it submits them to the Management and Supervisory Boards for approval. All credit transactions above a certain amount are approved by the National Assembly. The Credit Council carries out its activities in accordance with the terms and conditions adopted by the Management Board.

The Credit Committee is a specialised internal body responsible for the resolution, individual classification and write-down of risk exposures and for writing them off. The Board of Governors of the Bank shall determine the size and composition of the Credit Committee. It carries out its activities in accordance with the procedures and rules adopted by the Management Board. The Credit Committee shall not consist of persons responsible for approving loans and maintaining relations with borrowers.

Risk management units are an independent entity of the units directing or performing the functions of creating or renewing exposures. The Risk Analysis and Management Unit develops and develops the framework for risk assessment and management and monitors its implementation, carries out the activities of identifying, measuring, monitoring and controlling risks, presents regular and exceptional risk level reports to the relevant internal management bodies, monitors breaches of limits and reports on their implementation in accordance with the established escalation procedures, supports the implementation of effective risk management practices, assesses the inherent risks of any new products, processes or services of the Bank. The unit responsible for credit risk assessment carries out analysis and prepares opinions on credit and other transactions proposed for approval by the business units in the Bank.

Such mechanisms shall ensure:

- The existence of appropriate credit risk management methodologies and practices, including an effective internal control system and the determination of reliable impairments in accordance with IFRS 9 and the relevant supervisory guidelines.
- Identifying, assessing and measuring credit risk in the Bank, from the individual instrument level to the portfolio level.
- Establishing credit policies to protect the Bank against identified risks: requirements for obtaining collateral from borrowers, performing a credible current credit assessment of borrowers and continuous monitoring of exposures to internal risk limits.
- Limitation of exposure concentrations by type of assets, counterparties, industry, credit rating, geographical location, etc.
- Establish a robust control framework for the structure for the approval and renewal of credit instruments.
- Development and maintenance of a risk classification of the Bank for categorization of exposures depending on the degree of risk of default. Risk categories are subject to regular review.
- Development and maintenance of the Bank's processes for measuring expected credit losses (ECL), including credit risk monitoring, the application of forecast information and methods for measuring ECL.

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

- Ensuring that the Bank has policies and procedures in place to appropriately maintain and approve models used to assess and measure the ECL.
- Establish a reliable accounting assessment and credit risk measurement process to provide a strong basis for common credit risk assessment and reporting systems, tools and data. Providing advice, guidance and specialized skills to business units to promote best banking practices for credit risk management.

The internal audit function shall carry out regular checks ensuring that the controls and procedures established are appropriately designed and implemented.

Customer risk and internal rating

In order to effectively identify and manage credit risk, the Bank has established a unit that carries out credit risk assessment upon initial approval of exposures to corporate clients, as well as periodic monitoring and analysis of the financial condition and creditworthiness of borrowers.

The main objectives of credit risk management are to achieve high quality of the loan portfolio, low risk concentration within the loan portfolio and appropriate credit risk coverage with provisions for credit losses.

Texim Bank AD serves a large base of borrowers operating in different sectors, taking into account the following financial indicators and principles when financing them:

- Analysis of the creditworthiness of borrowers, including assessment of future cash flows;
- Return on assets, equity and borrowed capital;
- General, fast and absolute liquidity;
- Financial autonomy;
- Total and credit indebtedness;
- Revenue growth and profitability;
- Total Debt Coverage (DSCR);
- Building long-term relationships with borrowers, maintaining constant contact and preparing monitoring reports until the debt to the Bank is repaid;
- History and ownership of the borrower;
- Characterization of the activity and implementation of the project;
- Market positions;
- Relations with banks and state institutions;
- Information on economic and legal connectivity;
- Pertinent and relevant macroeconomic information, as well as forecast information;
- Market value and eligibility of collateral and debt coverage with collateral;
- Other;

The Bank strives to ensure adequate credit risk management through a thorough assessment of creditworthiness. When making decisions on granting loans, the main focus is on analyzing the financial situation and creditworthiness of the borrower.

In order to further minimize credit risk and as additional protection, the Bank also requires the provision of collateral by borrowers, as collateral is differentiated by degree of acceptability. In the process of managing exposures, the Bank may require additional collateral compared to that originally provided, for example when indications of impairment appear or when the market value of collateral changes.

All final decisions for granting a loan are taken by the Management Board through a credit proposal from

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

the Corporate and Institutional Banking Directorate, an independent opinion from the Credit Risk Department and a decision of the Credit Council.

When carrying out monitoring reports and periodic reviews of exposures and borrowers, the credit risk assessment unit shall also take into account the availability of impairment indicators, which the Bank considers to be objective evidence of impairment of the exposure, such as:

- Significant financial difficulty of the issuer or debtor leading to inability to repay the debts;
- Breach of a contractual condition such as default or default; breach of covenant covenants or other conditions;
- The bank, for economic or contractual reasons related to financial difficulty on the part of the debtor, makes concessions to the debtor that would not have been made in other circumstances;
- The likelihood that the debtor or related parties will be declared bankrupt or that the debtor will be subject to another financial resolution;
- Disappearance of an active market for this financial asset due to financial difficulties;
- Significant overdue public liabilities or liabilities to employees;
- The debtor has requested extraordinary financing from the Bank due to financial difficulties;
- Another bank declared a loan to the debtor to be due early;
- A material decrease in the value of collateral that infringes the Bank's collateral exposure coverage requirements (where the Bank is unable to agree to provide additional collateral or reduce exposure);
- A significant decline in equity, which could lead to a collapse in the debtor's financial situation and/or affect its financial autonomy;
- Negative EBITDA;
- Significant decline of more than 50% in expected future cash flows;
- Significant decrease of over 50% in turnover;
- Debt service ratio (DSCR) < 1%;
- A credit event announced by the International Swaps and Derivatives Association;
- Bond trading (temporarily) is suspended on the main market due to rumors or facts of financial difficulties;
- 5 annual Credit Default Swaps (CDS) were above 1000 basis points within the last 12 months;

Based on the creditworthiness analysis, the Bank has adopted a system for classifying the client's risk into the following categories:

- A – Minimum credit risk;
- B – Moderate credit risk;
- C – Moderate to inflated credit risk;
- D — Inflated credit risk;
- E – High credit risk;

Based on the valuation of collateral, the Bank has adopted a system for classifying the risk of collateral into the following categories:

- a – Minimum risk of collateral;
- b - Moderate to increased collateral risk;
- c - High collateral risk.

The tables below show the status of the Bank's on- and off-balance-sheet positions on financial instruments and client risk groups as at 31.12.2022 and 31.12.2021.

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

As of 31.12.2022

Loans and advances as at 31.12.2022	Gross book value	Impairment
Corporate Loans		
A	48 743	(5)
B	76 614	(124)
C	29 236	(22)
D	12 900	(13)
E	282	-
Unrated	1 633	(268)
Total Corporate Loans	169 408	(432)
Retail exposures	53 428	(1 793)
Total loans and advances	222 836	(2 225)

Debt and equity securities as at 31.12.2022	Gross book value	Impairment
A	19,812	-
B	30,523	(156)
C	2,592	(3)
D	1,099	-
Unrated	79,502	(144)
Total securities	133,528	(303)

Off-balance-sheet items as at 31.12.2022

	Bank guarantees issued	Unused Loan commitments	Provisions
A	8,214	3,459	(17)
B	4,024	1,217	(9)
C	4,243	59	(6)
D	787	359	(4)
Unrated	87	185	(1)
Retail exposures	0	7,749	(15)
Total off-balance-sheet items	17,355	13,028	(52)

As of 31.12. 2021

Loans and advances as at 31.12.2021	Gross book value	Impairment
Corporate Loans		
A	47,787	(2)
B	62,681	(135)
C	25,516	(7)
D	19,161	(272)
E	2,185	-
Unrated	5,694	(149)
Total Corporate Loans	163,024	(565)
Retail exposures	51,737	(1,917)
Total loans and advances	214,761	(2,482)

Debt and equity securities as at 31.12.2021	Gross book value	Impairment
A	11,199	-
B	32,034	(72)
C	5,129	-
D	87	-
Unrated	81,110	(104)
Total securities	129,559	(176)

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

Off-balance-sheet items as at 31.12.2021	Bank guarantees issued	Unused Loan commitments	Provisions
A	3,344	4,303	(26)
B	6,152	3,237	(11)
C	74	978	(4)
D	787	12	(4)
Unrated	180	759	-
Retail exposures	-	6 817	(17)
Total off-balance-sheet items	10,537	16,106	(62)

Identification of significant increases in credit risk and recognition of credit losses

As part of the exposure management process and in order to effectively identify, monitor, manage and assess credit risk in the statement of financial position, the Bank also classifies its risk exposures and the recognition of credit losses based on the following three main categories: Phase 1, Phase 2 and Phase 3.

Phase 1 classifies initially created financial assets (except those purchased or initially created by the loan impairment) and assets that are serviced in accordance with their contractual cash flows.

In case of indications of a significant increase in credit risk, the Bank shall classify its risk exposures in Phase 2 and Phase 3.

To determine the significant increase in credit risk, the Bank applies a rebuttable presumption that such risk exists when the contractual cash flow default exceeds 30 days. These exposures are classified in Phase 2.

In case of arrears on a financial asset exceeding 90 days, the Bank classifies it in Phase 3.

If the Bank has reasonable and reasoned information that there is no significant increase in credit risk despite the existence of exposure arrears, the presumption shall not apply. In order to make such a assessment, the Bank performs an individual analysis of the financial, legal and factual status of the asset and the client on the basis of the indicators described above, determining the client's risk.

The assessment of the significant increase in credit risk shall be carried out at each reporting date.

The Bank shall endeavor to identify a significant increase in credit risk and to recognise credit losses over the lifetime of the financial instrument before default. For groups of financial assets, such as exposures to individuals, the nature of which does not imply the identification of a significant increase in credit risk, an extrapolated probability of default at the product and/or segment level based on the Bank's historical experience shall be used before default. The collectively measured significant increase in credit risk shall be carried out on all financial assets or groups of clients with similar characteristics where there is no possibility or need for individual valuation.

Whether credit risk is assessed individually or collectively, the impairment requirements for financial assets managed by the Bank aim to recognise, at each reporting date, expected credit losses over a 12-month period for exposures for which no significant increase in credit risk is observed and for the entire duration of the instrument for assets whose credit risk has increased significantly since their initial recognition. The date of initial recognition in the case of loan commitments and financial guarantee contracts shall be the date on which the Bank became a party to an irrevocable commitment.

The period for which expected credit losses are assessed is the maximum duration of the contracts (including extension options) during which the Bank is exposed to credit risk. For exposures that include both a loan

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

and an undrawn loan commitment, expected credit losses are assessed for the period during which the Bank is exposed to credit risk, even if it exceeds the term of the contract.

For financial instruments classified in Phase 1, the Bank recognises an allowance for expected credit losses on them for a 12-month period following the reporting date.

For financial instruments classified in Phase 2 and Phase 3, an allowance for expected credit losses over the lifetime of the instruments is recognised.

The credit loss allowance is calculated on the Exposure at Default (EAD) at each reporting date.

For the amount of its exposures, the Bank shall accept their gross book value plus undrawn loan commitments and financial guarantees multiplied by a credit conversion factor (CCF). In this way, an adjustment for losses formed by expected and recognised credit losses (impairments) on on-balance-sheet exposures and provisions on off-balance-sheet items is measured and recognised.

The credit loss is the present value of the difference between the contractual cash flows due and the flows that the Bank expects to receive. Expected credit losses are the probability weighted assessment of credit losses, i.e. the present value of the entire cash shortfall.

To estimate expected credit losses, the Bank shall use a calculation model whose input parameters are the risk indicators Probability of default (PD) and Loss on default on unsecured exposures (LGD_{uncovered}), representing, respectively, the probability that within a specified period a counterparty will default and the ratio of the loss on an unsecured exposure due to the default of a debtor, to the size of the exposure at the time of default. Expected credit losses are measured by the weighted average of credit losses, with the respective probabilities of default as weights.

In the case of collateralised exposures, the value of the expected cash flows from the realisation of the collateral, which reduces the exposure amount at the time of default, shall be taken into account for the purpose of determining the credit loss. The expected cash flow from the realization of collateral is determined on the basis of the value, terms and costs associated with its realization and taking into account the time value of money factor.

Assessment of risk parameters based on historical experience of the Bank

The risk parameters involved in the Bank's expected credit loss calculation model are assessed on the basis of historical experience of the level of default (PD), loss on default from unsecured exposures (LGD) and the rate of utilization of off-balance-sheet commitments (CCFs), as well as on the basis of forecasts of the development of the macroeconomic environment.

The historical default level (DR) is determined on the basis of past data on disrupted contractual cash flows and events of exposure default.

The bank calculates the historical level of default depending on the segment of its borrowers, and for corporate clients the calculations are carried out at the client level, and for retail exposures, on the basis of homogeneous (characterized by similar characteristics, behavior and management) loan portfolios and product groups. For this purpose, the Bank has divided its products for individuals into mortgage loans, consumer loans and consumer loans secured by cash, commodity loans, overdrafts, credit cards, etc. Within the same group, a further distinction is made according to the phase of exposure, as a basic principle when performing the calculation is to cover only exposures that are serviced at the beginning of the period under consideration. The historical default level is calculated as the arithmetic average of the number of customers

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

who were served at the beginning of the period but defaulted over the next 12 months to the total number of customers that were served at the beginning of the 12-month period.

For exposures to counterparties involving institutions, debt securities issuers or repo counterparties, the Bank uses PD values from global financial data markets (Bloomberg) or ECAI-issued credit ratings.

The LGD parameter estimation is based on historical data on losses on unsecured exposures resulting from default and measures the ratio of losses from those exposures to their default date amounts. The parameter calculation shall be carried out separately for product groups comprising retail exposures that are not secured by recognised collateral for impairment purposes. The credit conversion factor (CCF) is the ratio of the proportion of the currently undrawn amount of off-balance-sheet commitment that could be drawn down to the total amount of undrawn commitment. The assessment of the CCF is carried out at the product group level and, in the absence of sufficient historical data for the group, as with guarantees issued by the Bank, the CCF is assumed at 100%.

Include information for future periods

The integration of the macroeconomic environment into the assessment of the risk parameters involved in the impairment is based on a single-factor linear regression analysis. In this approach, a linear relationship is constructed between an independent variable z (macroeconomic factor) and a given risk factor. A bank uses forward-looking information that is available without incurring unnecessary costs or efforts in assessing the significant increase in credit risk as well as in measuring the ECL. The bank uses data based on external and internal information to compile a baseline scenario for a future forecast of relevant economic variables as well as other possible scenarios. The external information used includes economic data and forecasts published by government organizations and regulatory authorities. The Bank shall apply the estimated values for the development of macroeconomic indicators in the regression model, being conservative in their implementation in the risk parameters involved in the impairment. The bank has identified the key factors of credit risk and credit losses for each portfolio of financial instruments and has used statistical analysis of historical data to assess the relationships between macroeconomic variables and credit risk and credit losses. The bank has made no changes to the valuation techniques or material assumptions made during the period.

Based on an analysis of historical data over the past 5 years, the expected relationships between key indicators and default and loss values for different portfolios of financial assets have been assessed.

The bank has conducted a sensitivity analysis of how expected credit losses in core portfolios will change if the key assumptions used to calculate expected credit losses change. The results of the analysis are summarized in the table below:

2022 year		
Change in expected credit losses in BGN'000 as a result of a change of 1% in the main parameters	Effect on net profit	Effect on net profit
Parameter variation	+1%	-1%
Probability of loss (PD)	(225)	225
Loss from default (LGD)	(29)	29
2022 year		
Change in expected credit losses in BGN'000 as a result of a 1 % change in the expected levels of macroeconomic factors	Effect on net profit	
Macro factor - raising interest rates	(173)	

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

2021 year

Change in expected credit losses in BGN'000 as a result of a change of 1% in the main parameters

Parameter variation

	Effect on net profit	Effect on net profit
	+1%	-1%
Probability of loss (PD)	(253)	253
Loss from default (LGD)	(32)	32

2021 year

Change in expected credit losses in BGN'000 as a result of a 1 % change in the expected levels of macroeconomic factors

Macro factor - unemployment and its impact on the portfolio of loans to individuals

Macrofactor - change in GDP and the impact on the portfolio of loans to legal entities	(120)
--	-------

Credit quality

The bank monitors the credit risk for each category or individual financial instrument.

The analysis of the Bank's credit risk concentrations on a given category of financial assets is presented in the following tables. Unless explicitly stated, for financial assets, the amounts in the table represent gross book values. For credit commitments and financial guarantee contracts, the amounts in the table represent, respectively, the amounts entered into as commitments or guaranteed.

Resources provided and deposits to banks

	2022 BGN'000	2021 BGN'000
Concentration by sector		
Central banks	161,990	97,661
Bulgarian commercial banks	11,483	36,855
Foreign commercial banks	4,878	6,540
Total	178,351	141,056

Loans and advances granted to customers at amortised cost

	2022 BGN'000	2021 BGN'000
Concentration by sector		
Retail banking:	53,428	51,737
Mortgage	23,651	21,108
Unsecured lending	29,777	30,629
Corporate:	135,180	130,593
Consumer goods and services tied to the economic cycle	15,925	16,449
Basic consumer goods	15,933	15,559
Energy	-	96
Finances	41,940	39,204
Health care	5	17
Industry	31,506	30,788
IT	-	381
Raw materials	7,036	6,144
Real Estate	22,739	21,928
Public services/utilities and other	96	27
Total	188,608	182,330

*according to the GICS sectoral nomenclature

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

Concentration by region	2022 BGN'000	2021 BGN'000
Europe	188,608	182,313
Bulgaria	188,608	182,313
Other world:	-	17
China	-	17
Total	188,608	182,330

Loan commitments	2022 BGN'000	2021 BGN'000
-------------------------	-----------------	-----------------

Concentration by sector

Retail banking:	7,891	6,817
Mortgages	281	442
Unsecured lending	7,610	6,375
Corporate:	5,137	9,289
Consumer goods and services tied to the economic cycle	1,215	1,853
Basic consumer goods	755	1,565
Finances	276	1,148
Health care	865	746
Industry	749	1,905
IT	410	259
Raw materials	789	1,636
Real Estate	2	103
Public services/utilities and other	76	74
Total	13,028	16,106

Loan commitments	2022 BGN'000	2021 BGN'000
-------------------------	-----------------	-----------------

Concentration by region

Europe	12,866	15,966
Bulgaria	12,866	15,966
Other countries:	162	140
Austria	117	117
China	20	3
Russia	20	20
Other	5	-
Total	13,028	16,106

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

Financial guarantee contracts	2022 BGN'000	2021 BGN'000
Concentration by sector		
Corporate:	17,355	10,537
Consumer goods and services tied to the economic cycle	1,519	1,393
Basic consumer goods	4	39
Finances	2,822	1,335
Health care	247	219
Industry	8,903	3,881
IT	340	472
Raw materials	3,025	3,025
Real Estate	118	142
Public services/utilities and other	377	31
Total	17,355	10,537
Concentration by region		
Europe	17,355	10,537
Bulgaria	17,355	10,537
Total	17,355	10,537

The following tables present an analysis of the Bank's credit exposure by type of exposure, client risk and "Phase", without taking into account the effect of collateral and other credit facilities. If not further stated, financial assets are presented in the table at gross book value. Credit commitments and guarantees are presented at the amount set aside or guaranteed.

2022

Loans and advances granted	Phase 1 12-month expected credit losses BGN'000	Phase 2 Expected credit losses for the entire term BGN'000	Phase 3 Expected credit losses for the entire term BGN'000	Total BGN'000
Corporate Loans				
A	47,696	1,047	-	48,743
B	68,521	8,093	-	76,614
C	27,080	1,936	220	29,236
D	11,797	-	1,103	12,900
E	-	282	-	282
Unrated	504	-	1,129	1,633
Total Corporate Loans	155,598	11,358	2,452	169,408
Retail exposures	50,310	154	2,964	53,428
Total loans and advances	205,908	11,512	5,416	222,836
Impairment loss	(378)	(45)	(1,802)	(2,225)
Net worth loans and advances	205,530	11,467	3,614	220,611

Bank guarantees issued and undrawn loan commitments	2022 Phase 1 12-month expected credit losses BGN'000	Phase 2 Expected credit losses for the entire term BGN'000	Phase 3 Expected credit losses for the entire term BGN'000	Total BGN'000
Corporate Loans				
A	11,672	1	-	11,673
B	5,241	-	-	5,241
C	4,302	-	-	4,302
D	795	-	350	1,145
Unrated	125	-	5	130
Total Corporate Loans	22,135	1	355	22,491
Retail exposures	7,868	3	21	7,892
Total off-balance-sheet items	30,003	4	376	30,383
Provision	51	-	-	51

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

2021 year

Loans and advances granted	Phase 1	Phase 2	Phase 3	Total
	12-month expected credit losses	Expected credit losses for the entire term	Expected credit losses for the entire term	
	BGN'000	BGN'000	BGN'000	BGN'000
Corporate Loans				
A	47,787	-	-	47,787
B	60,680	2,001	-	62,681
C	23,747	208	1,561	25,516
D	17,801	23	1,337	19,161
E	1,440	745	-	2,185
Unrated	5,525	-	169	5,694
Total Corporate Loans	156,980	2,977	3,067	163,024
Retail exposures	48,215	607	2,915	51,737
Total loans and advances	205,195	3,584	5,982	214,761
Impairment loss	(345)	(104)	(2,033)	(2,482)
Net worth loans and advances	204,850	3,480	3,949	212,279

Bank guarantees issued and undrawn loan commitments	2021	Phase 2	Phase 3	Total
	12-month expected credit losses	Expected credit losses for the entire term	Expected credit losses for the entire term	
	BGN'000	BGN'000	BGN'000	BGN'000
Corporate Loans				
A	7,647	-	-	7,647
B	9,387	2	-	9,389
C	1,045	7	-	1,052
D	799	-	-	799
Unrated	934	5	-	939
Total Corporate Loans	19,812	14	-	19,826
Retail exposures	6,789	12	16	6,17
Total off-balance-sheet items	26,601	26	16	26,643
Provision	60	1	1	62

The Bank's investments in debt instruments, measured at amortized cost amounting to BGN 5 389 thousand are classified in Phase 1, with an impairment of BGN 2 thousand as of 31 December 2022.

The following table summarizes the year-end impairment loss by type of exposure.

Impairment loss by type of asset	2022	2021
	BGN'000	BGN'000
Loans and advances granted to banks at amortised cost		-
Loans and advances granted to customers at amortised cost	2,225	2,482
Investments in debt securities at amortised cost	23	2
Debt instruments at fair value through other comprehensive income	280	174
Loan commitments	33	51
Financial guarantee contracts	19	11
Total	2,580	2,720

The following table presents the movement between phases of the Bank's financial instruments in 2022 and 2021:

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

2022

Transfers between impairment phases (gross presentation)	Transfers between Phase 1 and Phase 2		Gross book value Transfers between Phase 2 and Phase 3		Transfers between Phase 1 and Phase 3	
	From Phase 1 to Phase 2	From Phase 2 to Phase 1	From Phase 2 to Phase 3	From Phase 3 to Phase 2	From Phase 1 to Phase 3	From Phase 3 to Phase 1
	Debt securities	2,065	-	-	-	-
Loans and advances	1,984	188	239	-	94	13
<i>Corporate Loans</i>	1,936	-	-	-	-	-
<i>Retail Banking</i>	48	188	239	-	94	13
Total	4,049	188	239	-	94	13
Commitments made and financial guarantees granted	2	9	5	-	15	2

2021

Transfers between impairment phases (gross presentation)	Transfers between Phase 1 and Phase 2		Gross book value Transfers between Phase 2 and Phase 3		Transfers between Phase 1 and Phase 3	
	From Phase 1 to Phase 2	From Phase 2 to Phase 1	From Phase 2 to Phase 3	From Phase 3 to Phase 2	From Phase 1 to Phase 3	From Phase 3 to Phase 1
	Credit institutions	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Loans and advances	460	30	61	5	133	73
<i>Corporate Loans</i>	64	-	-	-	-	-
<i>Retail Banking</i>	396	30	61	5	133	73
Total	460	30	61	5	133	73
Commitments made and financial guarantees granted	14	2	13	1	3	34

The tables below analyses the movement of an impairment loss during the year by type of assets.

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

2022

Movement of corrective and provisions for credit losses	Opening balance sheet 31 Dec 2021	Increases due to occurrence and acquisition	Reductions due to suspension of recognition	Changes due to change in credit risk (net)	Reduction of the corrective due to write-offs	Balance at the end of the period
Corrective for financial assets without increase in credit risk after initial recognition (phase 1)	(522)	(659)	548	16	-	(617)
Credit institutions	(37)	-	-	37	-	-
Debt securities	(177)	(246)	146	37	-	(240)
Loans and advances	(345)	(413)	402	(21)	-	(377)
<i>Corporate Loans</i>	(145)	(195)	176	1	-	(163)
<i>Retail exposures</i>	(200)	(218)	226	(22)	-	(214)
Adjustment for debt instruments with a significant increase in credit risk after initial recognition, but without credit impairment (Phase 2)	(104)	(119)	101	13	1	(108)
Credit institutions						
Loans and advances	(104)	(72)	80	50	1	(45)
<i>Corporate Loans</i>	(1)	-	1	-	-	-
<i>Retail exposures</i>	(103)	(72)	79	50	1	(45)
Credit Impairment Debt Adjustment (Phase 3)	(2,033)	(124)	196	(23)	181	(1,803)
Credit institutions						
Loans and advances	(2,033)	(124)	196	(23)	181	(1,803)
<i>Corporate Loans</i>	(419)	-	-	-	150	(269)
<i>Retail exposures</i>	(1,614)	(124)	196	-23	31	(1,534)
Total credit loss corrective	(2,659)	(902)	845	6	182	(2,528)
Commitments and financial guarantees granted (Phase 1)	61	117	(127)	-	-	51
Commitments and financial guarantees provided (phase 2)	1	-	-	(1)	-	-
Commitments and financial guarantees granted (Phase 3)	-	2	(3)	1	-	-
Total commitment provisions and financial guarantees	62	119	(130)	-	-	51

In 2022, the valuation methodology for calculating expected credit losses has not changed.

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

2021

Movement of corrective and provisions for credit losses	Opening balance sheet 31 Dec 2020	Increases due to occurrence and acquisition	Reductions due to write-off	Changes due to change in credit risk (net)	Reduction of the corrective due to write-offs	Balance at the end of the period
Corrective for financial assets without increase in credit risk after initial recognition (phase 1)	(473)	(811)	800	(38)	-	(522)
Credit institutions	-	(44)	7	-	-	(37)
Debt securities	(160)	(137)	120	-	-	(177)
Loans and advances	(313)	(674)	680	(38)	-	(345)
<i>Corporate Loans</i>	(160)	(315)	330	-	-	(145)
<i>Retail exposures</i>	(153)	(359)	350	(38)	-	(200)
Adjustment for debt instruments with a significant increase in credit risk after initial recognition, but without credit impairment (Phase 2)	(53)	(125)	49	25	-	(104)
Credit institutions						
Loans and advances	(53)	(125)	49	25	-	(104)
<i>Corporate Loans</i>	(1)	(2)	2	-	-	(1)
<i>Retail exposures</i>	(52)	(123)	47	25	-	(103)
Credit Impairment Debt Adjustment (Phase 3)	(2,151)	(179)	214	(25)	58	(2,033)
Credit institutions						
Loans and advances	(2,151)	(179)	214	(25)	58	(2,033)
<i>Corporate Loans</i>	(426)	-	-	7	-	(419)
<i>Retail exposures</i>	(1,725)	(179)	214	18	58	(1,614)
Total credit loss corrective	(2,677)	(1,115)	1,063	12	58	(2,659)
Commitments and financial guarantees granted (Phase 1)	67	102	(107)	(1)	-	61
Commitments and financial guarantees provided (phase 2)	1	4	(4)	1	-	2
Commitments and financial guarantees granted (Phase 3)	-	2	(3)	-	-	(1)
Total commitment provisions and financial guarantees	68	108	(114)	-	-	62

The Bank's monitoring procedures reveal a significant increase in credit risk before the exposure defaults and at the latest when the exposure becomes 30 days past due. This is mainly the case for loans and advances granted to customers, and in particular for exposures in the retail banking segment, as for corporate loans and other exposures, there is more information about the borrower that is used to identify a significant increase in credit risk. The table below presents an age analysis of the gross carrying amount of loans and advances granted to customers.

Loans granted and Advances to customers:	2022		2021	
	Gross book value	Impairment loss	Gross book value	Impairment loss
	BGN'000	BGN'000	BGN'000	BGN'000
0-29 days	182,341	419	177,873	571
30-59 days	2,225	29	556	49
60-89 days	138	25	110	26
90-180 days	95	31	74	46
More than 181 days	3,809	1,721	3,717	1 790
Total	188,608	2,225	182,330	2,482

Collateral and other credit enhancements

The Bank holds collateral or other credit enhancements to reduce the credit risk associated with financial

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

assets. The main types of collateral and the types of assets to which they are linked are listed in the table below. The collateral presented refers to instruments that are measured at fair value through the DVD, amortised value and fair value through profit or loss.

Type of take-up	Type of collateral
Loans and advances granted to banks	Not applicable
Mortgages	Residential and commercial real estate
Consumer Loans	Surety
Corporate Loans	Contractual and legal mortgages; registered pledges under the Public Insurance Act and the Insurance Taxes Act, insurance policies
Investments in securities	Contractual and legal mortgages; registered pledges under the Public Insurance Act and the Insurance Taxes Act, insurance policies

During the year there was no change in the Bank's collateral recognition policy. More details on collateral held for certain types of financial assets can be found below.

Mortgage lending

The bank holds residential property as collateral for the mortgage loans it provides to its customers. The bank monitors its exposure to retail mortgage lending using the loan-to-value (LTV) ratio, which is calculated as the ratio of the gross amount of the loan - or the amount set aside for loan commitments - to the value of the collateral. The valuation of the collateral excludes any adjustments to obtain and sell the collateral. The value of collateral shall be updated periodically. The tables below show mortgage exposures by LTV ranges.

Mortgage lending	2022		2021	
	Gross book value	Impairment loss	Gross book value	Impairment loss
LTV ratio	BGN'000	BGN'000	BGN'000	BGN'000
Less than 50%	6,710	(4)	5,017	(2)
51-70%	8,181	-	6,409	-
71-90%	8,314	-	8,322	-
91-100%	75	-	243	-
More than 100%	371	(1)	1,117	(2)
Total	23,651	(5)	21,108	(4)

Loan commitments — Mortgage lending	2022		2021	
	Commitment Amount	Impairment loss	Commitment Amount	Impairment loss
LTV ratio	BGN'000	BGN'000	BGN'000	BGN'000
Less than 50%	197	-	306	(1)
51-70%	54	-	88	-
71-90%	-	-	-	-
91-100%	-	-	-	-
More than 100%	30	-	48	-
Total	281	-	442	(1)

Offsetting financial assets and financial liabilities

In 2022, there is no offsetting of financial assets with financial liabilities.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

Summary information on the quality of the loan portfolio

The structure of the loan portfolio by type of client is as follows:

	31.12.2022			
	Phase 1	Phase 2	Phase 3	Total book value
	BGN'000	BGN'000	BGN'000	BGN'000
		0	00	
Private firms	99 407	2 224	2 452	104 083
Households and individuals	50 310	154	2 964	53 428
Financial corporations	21 963	9 134	-	31 097
TOTAL BOOK VALUE	171 680	11 512	5 416	188 608
Impairment for noncollection	(378)	(45)	(1 802)	(2 225)
TOTAL BOOK VALUE	171 302	11 467	3 614	186 383

	31.12.2021			
	Phase 1	Phase 2	Phase 3	Total book value
	BGN'000	BGN'000	BGN'000	BGN'000
		0	00	
Private firms	101,522	975	3,067	105,564
Households and individuals	48,215	607	2,915	51,737
Financial corporations	23,028	2,001	-	25,029
TOTAL BOOK VALUE	172,765	3,583	5,982	182,330
Impairment for noncollection	(345)	(104)	(2,033)	(2,482)
TOTAL BOOK VALUE	172,420	3 479	3,949	179,848

Information on large exposures in the Bank's loan portfolio (initial exposures that represent 10% or more of the Bank's regulatory eligible capital) at book value as at 31 December 2022 and 2021 is presented in the table below:

	As of 31 December 2022		As of 31 December 2021	
	(BGN'000)	% of capital base	(BGN'000)	% of capital base
Largest total exposure to client group	44,756	116,29	45,279	123,95
Total of the five largest exposures to clients	53,896	140,04	53,462	146,35
Total amount of all large exposures (over 10% of the capital base) to clients	119,577	310,69	80,488	220,33

Information on the exposures in the Bank's loan portfolio that are secured is presented in the table below:

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

	As at 31.12.2022	As at 31.12.2021
Cash-backed and government securities	19,662	21,128
Secured by mortgage	100,236	86,465
Financial insurance	23,471	29,623
Pledge of corporate securities	5,960	4,870
Pledge of movable property	7,081	5,023
Pledge of a commercial enterprise	538	771
Pledge of receivables	558	2,121
Suretyship and joint and several liability	3,208	4,545
Unsecured	27,894	27,784
Impairment for uncollectability	(2,225)	(2,482)
Total	186,383	179,848

Business sector, classification group and arrears as of 31 December 2022:

Sector	Extent Group	Number of transactions	Debt	in the arrears on		Judicial Receivables	Expected credit losses	Unused commitment
				Principal	Interest			
Retail	Served	5,459	50,464	23	7	-	259	7,870
	non-performing	814	2,964	45	24	2,480	1,533	21
Total		6,273	53,428	68	31	2,480	1,792	7,891
Corporate	Served	143	132,729	38	7	-	164	4,782
	non-performing	6	2,451	19	8	1,096	269	355
Total		149	135,180	57	15	1,096	433	5,137
	Total portfolio	6,422	188,608	125	46	3,576	2,225	13,028

Business sector, classification group and arrears as of 31 December 2021:

Sector	Extent Group	Number of transactions	Debt	in the arrears on		Judicial Receivables	Expected credit losses	Unused commitment
				Principal	Interest			
Retail	Served	5,749	48,822	24	10	-	303	6,801
	non-performing	862	2,915	68	34	2,514	1,614	16
Total		6,611	51,737	92	44	2,514	1,917	6,817
Corporate	Served	150	127,527	7	1	-	146	9,289
	non-performing	8	3,066	4	12	1,245	419	-
Total		158	130,593	11	13	1,245	565	9,289
	Total portfolio	6,769	182,330	103	57	3,759	2,482	16,106

29.2 Liquidity risk

Liquidity risk arises from the discrepancy between the maturity of assets and liabilities and the lack of sufficient funds with which the Bank can meet payments on current financial liabilities, as well as to provide funding for the increase in financial assets and possible off-balance-sheet liability claims.

The Bank follows the obligations and restrictions arising from the Credit Institutions Act and Ordinance 11 of the Bulgarian National Bank on the Management and Supervision of Banks' Liquidity, as well as the regulatory requirements for liquidity under Regulation (EU) 575/2013. The specialized collective body for

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

liquidity management in the Bank is the Assets and Liabilities Management Committee. It conducts the liquidity risk management policy adopted by the Bank's management.

A quantitative measure of liquidity risk, according to the BNB regulations, is the Liquidity Coverage Ratio. The liquidity coverage ratio as of 31.12.2022 is 195.52% (2021: 246.10%) and significantly exceeds the regulatory requirement of 100%. The Bank monitors additional liquidity indicators, such as concentration of funding by counterparties and the capacity to generate liquidity by issuers, product types and currencies, interest rates, as well as renewal of funding.

The Bank maintains a significant volume of highly liquid assets – cash in cash and in the BNB, amounting to 183,493 thousand, guaranteeing it a smooth meeting of liquid needs. Their share as at 31 December 2022 was 30.74% of the Bank's total assets. As an additional tool for providing high liquidity, the Bank uses the resources and advances provided on current accounts to financial institutions. Basically, these are deposits in international and Bulgarian financial institutions with a maturity of up to 7 days, and as of 31 December 2022, those that are not encumbered by a pledge amount to BGN 13,824 thousand and represent 2.32 % of total assets. The government securities owned by the Bank, which are not blocked, amount to BGN 19,930 thousand and represent 3.34 % of its assets. By maintaining over 20% of its assets in fast-liquid assets, the Bank is able to ensure that all its payment needs on its financial liabilities are met.

The distribution of the Bank's financial assets and liabilities as at 31 December 2022, according to their remaining maturity, is as follows:

2022 year	Up to 1 months	1 to 3 months	From 3 months up to 1 year	Over 1 year	Total
FINANCIAL ASSETS					
Cash and cash balances with central banks	183,493	-	-	-	183,493
Financial assets at fair value through profit or loss	-	-	35,737	629	36,366
Debt instruments at fair value in other comprehensive income	120	405	3,026	30,459	34,010
Equity instruments at fair value in other comprehensive income	-	-	-	5,062	5,062
Resources provided and deposits to banks	16,361	-	-	-	16,361
Loans and receivables from customers	2,038	7,843	39,859	136,642	186,382
Receivables on securities repurchase agreements	11,034	9,698	13,496	-	34,228
Debt instruments carried at amortised cost	-	-	-	57,786	57,786
Investments in associates and subsidiaries	-	-	-	452	452
TOTAL FINANCIAL ASSETS	213,046	17,946	92,118	231,030	554,140
FINANCIAL LIABILITIES					
Deposits by credit institutions	1,788	-	-	-	1,788
Deposits from customers other than credit institutions	433,520	25,842	53,022	15,975	528,359
Debt securities issued	-	-	-	22,160	22,160
TOTAL FINANCIAL LIABILITIES	435,308	25,842	53,022	38,135	552,307

The distribution of the Bank's financial assets and liabilities as at 31 December 2021, according to their remaining maturity, is as follows:

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

2021 year	Up to 1 months	1 to 3 months	From 3 months up to 1 year	Over 1 year	Total
FINANCIAL ASSETS					
Cash and cash balances with central banks	110,667	-	-	-	110,667
Financial assets at fair value through profit or loss	-	-	34,480	629	35,109
Debt instruments at fair value in other comprehensive income	29	270	2,769	85,537	88,605
Equity instruments at fair value in other comprehensive income	-	-	-	280	280
Resources provided and deposits to banks	43,395	-	-	-	43,395
Loans and receivables from customers	1,748	27,851	37,508	112,741	179,848
Receivables on securities repurchase agreements	10,075	7,167	15,189	-	32,431
Debt instruments carried at amortised cost	-	-	-	5,389	5,389
Investments in associates and subsidiaries	-	-	-	952	952
TOTAL FINANCIAL ASSETS	165,914	35,288	89,946	205,528	496,676
FINANCIAL LIABILITIES					
Deposits by credit institutions	-	1,704	-	-	1,704
Deposits from customers other than credit institutions	331,230	33,409	89,345	18,723	472,707
Debt securities issued	-	-	-	22,208	22,208
TOTAL FINANCIAL LIABILITIES	331,230	35,113	89,345	40,931	496,619

29.3 Market risk

Market risk is the current or potential risk to income and capital arising from adverse changes in exchange rates, market interest rates, equity, bond or commodity prices. Market risk refers to on-balance-sheet and off-balance-sheet items that are subject to losses resulting from movements in market prices. Depending on the risk factors to which the Bank's positions are exposed, market risk is subdivided mainly into the following subcategories:

- Currency risk associated with foreign exchange positions arising as a result of the overall business of the Bank;
- Price risk associated with equity positions;
- General and specific interest rate risk associated with positions in debt securities (carried at fair value).

The Bank measures market risk using the Value at Risk (VaR) indicator. It is a comprehensive quantitative measure of the risk of a portfolio that shows the maximum potential loss from a financial portfolio within a specific period of time, at a certain level of confidence and normal market conditions. Market risk control processes include daily measurement, monitoring and reporting of volume, potential loss and value at risk (VaR (99%, 1 day)).

Value at risk /VaR (99 %, 1 day)/ at the end of the reporting period:

31 December 2022	Value at risk /VaR (1 day, 99%)/
PORTFOLIO	
Foreign exchange portfolio	2
Portfolio of shares held for trading	202
Portfolio of debt securities measured at fair value in other comprehensive income	333

Value at risk /VaR (99 %, 1 day)/ at the end of the reporting period:

31 December 2021	Value at risk /VaR (1 day, 99%)/
PORTFOLIO	
Foreign exchange portfolio	2
Portfolio of shares held for trading	367
Portfolio of debt securities measured at fair value in other comprehensive income	1,602

In addition to the daily measurement of value at risk, the Bank monitors and analyzes the value at risk under

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

conditions of stress. According to an adopted methodology, historical data on risk factors influencing the value of positions in the Bank's individual financial portfolios are analyzed, determining the most crisis period with the highest volatility. The assessment of price risk under conditions of stress arising from adverse changes in share prices in the trading book and in the non-trading book shall be carried out by calculating a value at risk using a Monte Carlo simulation, multiplying the calculated daily value at risk under normal conditions by a stress factor reflecting the increased volatility in share prices in the established crisis period compared to that recorded under normal conditions.

31 December 2022	Value at risk /VaR (1 day, 99%)/	Value at risk /sVaR (1 day, 99%)/ under stress conditions
Portfolio of stocks	202	786
31 December 2021	Value at risk /VaR (1 day, 99%)/	Value at risk /sVaR (1 day, 99%)/ under stress conditions
Portfolio of stocks	367	1,109

29.4 Exchange rate risk

Foreign exchange risk represents the potential for the Bank to realise a loss as a result of changes in exchange rates. In the Republic of Bulgaria, the exchange rate of the Bulgarian lev to the euro is fixed by the Currency Board Act. The fixed exchange rate is regulated in art. 29 of the Bulgarian National Bank Act (BNB). The position of the Bank in euro does not pose a risk to the Bank.

The risk-weighted net foreign exchange position as at 31 December 2022 in financial instruments denominated in currencies other than BGN or EUR is below 2% of the capital base and no capital requirements for foreign exchange risk should be applied by the Bank.

The currency structure of financial assets and liabilities at book value as at 31 December 2022 is as follows:

	BGN	Euro	Other currency	Total
FINANCIAL ASSETS				
Cash and cash balances with central banks	94,717	87,325	1,452	183,494
Financial assets at fair value through profit or loss	34,786	-	1,580	36,366
Debt instruments at fair value in other comprehensive income	17,477	16,533	-	34,010
Equity instruments at fair value in other comprehensive income	4,958	-	104	5,062
Resources provided and deposits to banks	177	3,927	12,257	16,361
Loans and receivables from customers	155,005	31,376	1	186,382
Receivables on securities repurchase agreements	34,228	-	-	34,228
Debt instruments at amortised cost	22,371	35,415	-	57,786
Investments in associates and subsidiaries	452	-	-	452
TOTAL ASSETS	364,171	174,576	15,394	554,141
FINANCIAL LIABILITIES				
Deposits by credit institutions	-	-	1,788	1,788
Loans from banks	339,625	172,423	13,375	525,423
Deposits from customers other than credit institutions				
Debt securities issued	22,160	-	-	22,160
TOTAL LIABILITIES	361,785	172,423	15,163	549,371
NET POSITION	2,386	2,153	231	4,770

The currency structure of financial assets and liabilities at book value as at 31 December 2021 is as follows:

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

	BGN	Euro	Other currency	Total
FINANCIAL ASSETS				
Cash and cash balances with central banks	58,884	49,848	1,935	110,667
Financial assets at fair value through profit or loss	33,512	-	1,597	35,109
Debt instruments at fair value in other comprehensive income	41,417	47,188	-	88,605
Equity instruments at fair value in other comprehensive income	177	-	103	280
Resources provided and deposits to banks	11,568	16,973	14,854	43,395
Loans and receivables from customers	152,109	27,738	1	179,848
Receivables on securities repurchase agreements	32,431	-	-	32,431
Debt instruments at amortised cost	5,389	-	-	5,389
Investments in associates and subsidiaries	952	-	-	952
TOTAL ASSETS	336,439	141,747	18,490	496,676
FINANCIAL LIABILITIES				
Deposits by credit institutions	-	-	1,704	1,704
Loans from banks	-	-	-	-
Deposits from customers other than credit institutions	313,189	143,156	16,362	472,707
Debt securities issued	22,208	-	-	22,208
TOTAL LIABILITIES	335,397	143,156	18,066	496,619
NET POSITION	1,042	(1,409)	424	57

As at 31 December 2022 and 2021, financial assets and liabilities in the category "Other currency" were primarily financial assets and liabilities denominated in US dollars and Swiss francs.

29.5 Interest rate risk

Interest rate risk is the probability of a potential change in net interest income or net interest margin due to a change in total market interest rates. Interest rate risk management in the Bank strives to minimize the risk of reducing net interest income as a result of changes in interest rates.

To measure and assess interest rate risk, the Bank uses the method of GAR-analysis (disparity/imbalance analysis). It identifies the sensitivity of expected revenues and expenditures to interest rate developments.

The GAR-analysis method aims to determine the position of the Bank, in total and by individual types of financial assets and liabilities, in terms of expected changes in interest rates and the impact of this change on net interest income. It supports the management of assets and liabilities and is instrumental in ensuring sufficient and stable net interest rate profitability.

The Bank's imbalance between interest rate assets and interest liabilities as at 31 December 2022 is as follows:

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

	Up to 1 month	1 to 3 months	From 3 months to 1 year	Over 1 year	Total
INTEREST ASSETS					
Debt instruments at fair value through other comprehensive income	120	405	3,026	30,459	34,010
Resources provided and deposits to banks	43,395	-	-	-	43,395
Loans and receivables from customers*	5,956	176,651	2,127	1,839	186,573
Receivables on securities repurchase agreements	11,034	9,698	13,496	-	34,228
Debt instruments at amortised cost	-	-	-	5,589	5,589
TOTAL INTEREST ASSETS	60,505	186,754	18,649	37,887	303,795
INTEREST LIABILITIES					
Deposits by credit institutions	1,788	-	-	-	1,788
Loans from banks	-	-	-	-	-
Deposits from customers other than credit institutions	433,520	25,842	53,022	15,975	528,359
Debt securities issued	-	-	-	22,160	22,160
TOTAL INTEREST LIABILITIES	435,308	25,842	53,022	38,135	552,307
IMBALANCE BETWEEN INTEREST ASSETS AND LIABILITIES, NET	(374,803)	160,912	(34,373)	(248)	(248,512)

* Fixed income instruments are allocated according to their residual maturity and variable income instruments according to the residual term until the next interest rate change date.

As of 31 December 2022, the effect of applying a stress test for a parallel increase in market interest rates by 100 basis points on the interest imbalance amounted to approximately BGN 1,954 thousand.

The Bank's imbalance between interest rate assets and interest liabilities as at 31 December 2021 is as follows:

	Up to 1 month	1 to 3 months	From 3 months to 1 year	Over 1 year	Total
INTEREST ASSETS					
Debt instruments at fair value in other comprehensive income	29	270	2,769	85,537	88,605
Resources provided and deposits to banks	43,395	-	-	-	43,395
Loans and receivables from customers*	22,873	152,907	2,137	1,931	179,848
Receivables on securities repurchase agreements	10,075	7,167	15,189	-	32,431
Debt instruments at amortised cost	-	-	-	5,589	5,589
TOTAL INTEREST ASSETS	76,372	160,344	20,095	93,057	349,868
INTEREST LIABILITIES					
Deposits by credit institutions	-	1,704	-	-	1,704
Deposits from customers other than credit institutions	-	-	-	-	-
Debt securities issued	331,230	33,409	89,345	18,723	472,707
Debt securities issued	-	-	-	22,208	22,208
TOTAL INTEREST LIABILITIES	331,230	35,113	89,345	40,931	496,619
IMBALANCE BETWEEN INTEREST ASSETS AND LIABILITIES, NET	(254,858)	125,231	(69,250)	52,126	(146,751)

* Fixed income instruments are allocated according to their residual maturity and variable income instruments according to the residual term until the next interest rate change date.

In accordance with the European Banking Authority's EBA/GL/2018/02 guidelines on interest rate risk

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

management, the Bank measures the interest rate risk of non-trading book activities in terms of profitability and economic value. In order to maintain interest rate risk exposure within acceptable limits, in accordance with the Bank's risk tolerance and in accordance with the EBA Guidelines, the impact on the economic value of capital (EIS) of a sudden parallel change in the +/-200 basis point yield curve shall be calculated, as well as the impact of the following interest rate shocks:

- parallel shock of increase;
- a parallel downswing shock;
- steep shock (short-term rates go down, long-term rates rise);
- flat shock (short-term rates rise, long-term rates fall);
- shock of an increase in short-term rates;
- shock of a decrease in short-term rates.

29.6 Operational risk

Operational risk is the risk of loss arising from inadequate or poorly functioning internal processes, people and systems, or from external events, including legal risk. Operational risk shall be identified and measured as comprehensively as possible with a view to establishing appropriate measures to avoid, mitigate, transfer or intentionally assume it. The strategy of Texim Bank AD is to minimize operational risk. A guiding principle is that the factors mitigating operational risk (the principle of "four eyes", built-in controls, etc.) should be included in the main business processes.

30. CAPITAL MANAGEMENT

The Bank has set itself the objective of maintaining high levels of capital adequacy that match its risk profile. The capital management policy seeks to provide adequate coverage of risks arising in the normal process of banking as well as risks of occurrence of unforeseen circumstances.

The Bank is subject to regulation regarding the fulfillment of the capital adequacy requirements under the Bulgarian legislation. In Bulgaria, the registered share capital of a bank may not be less than BGN 10 million, and there is an additional requirement at any time that the Bank's own capital (capital base) does not fall below this specified minimum.

The Bank's management effectively manages its capital position, with the main priority in capital management being compliance with regulatory requirements for capital adequacy, maintaining a sufficient amount of capital to ensure an adequate level of coverage of the risks assumed, as well as a capital buffer to overcome stress conditions without jeopardizing the Bank's business activities.

The total amount of the regulatory equity of Texim Bank AD as of 31.12.2022 is 58,559 thousand. Common Equity Tier 1 capital amounts to BGN 38,487 thousand.

Structure and equity items as of 31.12.2022 in BGN'000:

	As at 31.12.2022
Equity	58,559
Registered and paid-up capital	27,995
Retained earnings from past years	561
Accumulated other comprehensive income	7,716
Other reserves	2,995
Intangible assets	(683)
Insufficient coverage for non-performing exposures	(21)
Prudential assessment requirements	(76)
Common Equity Tier 1 capital	38,487

The capital adequacy ratios of the Bank significantly exceed the legally required minimum ratios, as their values as of 31.12.2022 are as follows:

- Common Equity Tier 1 ratio – 14,34 %, with a statutory requirement ratio of 4,5 %;
- Tier 1 capital ratio – 14.34%, with a statutory required ratio of 6%;
- Total capital adequacy ratio – 21.82%, with a statutory ratio of 10.05%.

The total amount of regulatory capital requirements as of 31.12.2022 is BGN 21,470 thousand. Their structure by type of risk being as follows:

- Capital requirements for credit risk – BGN 19,220 thousand;
- Capital requirements for operational risk – BGN 2,250 thousand.

In line with the capital buffer requirements, the Bank maintains a capital conservation buffer of 2.5% of its total risk exposure, a systemic risk buffer of 3% of risk-weighted exposures and a countercyclical buffer of 1% of risk-weighted exposures. As of 31.12.2022, their sizes are respectively BGN 6,709 thousand (2021: BGN 6,582 thousand) and BGN 7,710 thousand (2021: BGN 7,607 thousand) and BGN 2,603 thousand (2021: BGN 1,264 thousand).

The reported by the Bank surplus of Common Equity Tier 1 capital as at 31.12.2022 amounted to BGN 26,410 thousand (2021: BGN 24,684 thousand) and fully meets the current regulatory requirements for capital buffers.

31. OTHER REGULATORY DISCLOSURES

According to the requirements of art. 70, para. 6 of the Credit Institutions Act, banks are obliged to disclose some quantitative and qualitative data related to basic financial and other indicators separately for the Republic of Bulgaria, for the other EU Member States and for the third countries where the Bank has subsidiaries or has established branches.

As announced in note 1, Texim Bank AD, Sofia operates on the basis of a banking license granted by the BNB, under which it can attract deposits in national and foreign currency, provide loans in national and foreign currency, open and maintain nostro accounts in foreign currency abroad, carry out transactions in securities, with foreign currency, as well as to carry out other banking operations and transactions permitted by the Credit Institutions Act.

The Bank has no subsidiaries and branches registered outside the Republic of Bulgaria.

The aggregated quantitative indicators on an individual basis relating to the mandatory disclosures required by the Credit Institutions Act are as follows:

	2022	2021
Total operating income	18 921	16,571
Pre-tax financial result	663	236
Yield on assets (%)	0.111	0,048
Assimilated number of fulltime employees as at 31 December	263	260

The Bank performs services as an investment intermediary in accordance with the provisions of the Public Offering of Securities Act (POSA). As an investment intermediary, the Bank must meet certain requirements for the protection of clients' interests under the Markets in Financial Instruments Act (MFIA) and Ordinance 38 issued by the Financial Supervision Commission (FSC). The Bank has established and implemented an organization related to the conclusion and execution of contracts with customers, to the requirement of

information from clients, to the keeping of records and the storage of client assets, in accordance with the regulatory framework and in particular the requirements of Ordinance 38, art. 28-31. The Bank has established internal control rules and procedures to ensure compliance with the regulations referred to above.

32. CONTINGENT AND COMMITMENTS

The contingent and commitments entered into by the Bank consist of guarantees issued, undrawn funds on contracted loans and overdrafts.

As of 31 December 2022 and 2021, the Bank has issued guarantees to clients in favor of third parties amounting to BGN 17,355 thousand and BGN 10,537 thousand guarantees, secured by blocked funds with the Bank or other assets of clients.

The unused commitments on contracted loans and overdrafts as of 31 December 2022 and 2021 amount to BGN 13,028 thousand and BGN 16,106 thousand.

As of 31 December 2022 and the date of approval of this individual financial statement, no legal proceedings have been initiated against the Bank (2021: 2 legal proceedings).

33. EVENTS AFTER THE REPORTING DATE

No adjusting events or significant non-adjusting events occurred between the date of the individual financial statements and the date of approval for issue, except for the following non-adjusting events:

According to Protocol No 62/30.12.2022 of the Governing Council, approved by Protocol No 62/30.12.2022 of the Supervisory Board of Texim Bank AD, decisions have been taken to increase the Bank's capital by converting issued bonds and to amend the Bank's Statute, namely:

1. Pursuant to Art. 195 and Sec. 196 of the Commerce Act in relation to art. 113, para. 2, item 2 of the Public Offering of Securities Act and on the basis of 15a of the Bank's Statute, the capital of TEXIM BANK AD to be increased by BGN 2,000,000 (two million) from BGN 27,995,036 (twenty-seven million nine hundred and ninety-five thousand thirty-six) to BGN 29,995,036 (twenty-nine million nine hundred and ninety-five thousand thirty-six). The capital is increased by issuing 2,000,000 new ordinary, registered, dematerialized voting shares with a nominal value of BGN 1 (one) each, after conversion of 5,000 ordinary, dematerialized, registered, freely transferable, unsecured, interest-bearing, convertible corporate bonds with ISIN code BG2100007207, with a nominal value of BGN 1,000. Each;

2. In connection with the decision on the previous point, a decision was adopted the provision of art. 8, para. 1 of the Statute of Texim Bank AD to be changed and to acquire the following version: "*art. Art. 8 (1) The capital of the Bank shall be BGN 29,995,036 (twenty-nine million nine hundred and ninety-five thousand thirty-six), distributed in BGN 29,995,036 (twenty-nine million nine hundred and ninety-five thousand thirty-six) ordinary registered dematerialized shares with voting rights at the General Meeting, with a nominal value of BGN 1 (one) each. The capital of the Bank has been paid up in full.*"

The amendment to the Statute of Texim Bank AD was approved by the BNB on 20.01.2023.

On 26.01.2023 in the Commercial Register and the Register of Non-Profit Legal Entities at the Registry Agency, an amendment to the Statute was entered under number 20230126180013 / change in Art. 8, para. 1/ of "Texim Bank" AD. The changes in the capital increase of the Bank through the conversion of issued bonds and amendments to the Statute of the Bank were adopted by decisions of the Governing Council (minutes No 62 / 30.12.2022 / and the Supervisory Board (Protocol No 62 / 30.12.2022 / of Texim Bank AD.

TEXIM BANK AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2022

All amounts are in thousand Bulgarian Leva, unless otherwise stated

On 27.01.2023, the registration with the CD was made in connection with the capital increase, for which a Registration Act has been issued. A book of shareholders with the increased capital has been published by the CD.

The Financial Supervision Commission, by its decision No 177 - E/07.02.2023, shall enter in the register under Art. 30, para. 1, item 3 of the FSCA issue amounting to 2 000 000 ordinary, registered, dematerialized voting shares with a nominal value of BGN 1 each, issued by Texim Bank AD with ISIN: BG1100001921.

As of 31.01.2023, the Bank has reflected the accounting conversion – a decrease of the bonds by BGN 5 million. and an increase in share capital of BGN 2 million. as well as an increase in premium reserves of BGN 3 million.

In connection with the Notification submitted to the BNB under Ordinance No 2 on the recognition of increased capital as Common Equity Tier 1 capital, by Decision No 100 of 7 March 2023 of the Governing Council of the Bulgarian National Bank authorizes Texim Bank AD to include in its Common Equity Tier 1 capital the instrument issued by it, representing an issue of 2,000,000 (two million) ordinary, dematerialized, registered voting shares with a nominal value of BGN 1 (one) each, in total BGN 2,000,000 (two million).

INDEPENDENT AUDITORS' REPORT

To the shareholders of Texim Bank AD
Sofia

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the separate financial statements of Texim Bank AD (the Bank), which comprise the separate statement of financial position as at 31 December 2022, and the separate statement of profit and loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the separate financial statements" section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the separate financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of loans and receivables</p> <p>Notes 7 and 29.1 to the separate financial statements</p> <p>Loans and receivables with a carrying amount of BGN 186,383 thousand represent a significant part, 31% of the Bank's assets as at 31 December 2022. The determined individual and collective impairment related to expected credit losses is BGN 2,225 thousand as of the same date, as disclosed in note 7 to the separate financial statements. The Bank applies impairment models based on expected credit losses in accordance with the requirements of IFRS 9 Financial Instruments.</p> <p>The assessment of expected credit losses from impairment of loans and receivables requires the</p>	<p>We analysed the compliance of the Bank's expected credit loss models with the requirements of IFRS 9 Financial Instruments. During our joint audit, our audit procedures included, but are not limited to, the following:</p> <ul style="list-style-type: none"> - inquiries and gaining an understanding of the processes, policies and criteria and models used by the Bank to classify and subsequently report loans and receivables and verify compliance of these criteria with the requirements of IFRS 9 "Financial Instruments". - verification and analysis of the adequacy of the policies, procedures and implemented controls on the classification processes, subsequent reporting and monitoring in terms of their compliance with IFRS and good practices in the sector. - procedures for checking the extent to which the controls related to the monitoring of the granted loans have been

Key audit matter	How our audit addressed the key audit matter
<p>Bank's management to apply judgement and accounting estimates in the following areas:</p> <ul style="list-style-type: none"> - the classification of exposures by impairment phases and the identification of exposures with deteriorating credit quality; - determining the probability of default and the expected loss in default; - the assumptions included in the risk parameters of the models for determining the expected credit losses, with input data obtained from internal and external sources; - the factors involved and the expected scenarios, which may have an effect on the expected credit losses. <p>Explanatory Notes 3.1 "Accounting Estimates", 3.2 "Significant Sources of Uncertainty", 29.1 "Credit Risk" to the separate financial statements provide detailed information on the estimates and assumptions used by Bank's management in calculating the expected credit losses from impairment of loans and receivables as at 31 December 2022.</p> <p>Due to the significance of the Bank's loans and receivables and the need for management to make significant judgments, estimates and assumptions in classifying and measuring them, as well as determining the expected credit loss in accordance with IFRS 9 "Financial Instruments", we concluded that impairment of loans and receivables is a key audit matter.</p>	<p>established and implemented by the Bank, as well as an assessment of their design and operational efficiency.</p> <ul style="list-style-type: none"> - review and assessment of loan classification processes and determination of required impairment on a collective and individual basis. - verifying on a sampling basis specific receivables from the loan portfolio, applying a risk-based approach and performing tests of details as part of substantive procedures regarding the classification and value of loans. - analysis of the financial condition of the borrowers and investigation of whether there are deviations in compliance with the contractual conditions, taking into account the impact of macroeconomic conditions on the relevant industries, the valuation of the assets provided as collateral and other factors that may affect the collection of loans and receivables checked on a sample basis. - verification of compliance and analysis of phasing, methodology and key assumptions used in the application of ECL models; verifying the calculations of the Bank's management for expected credit losses on a collective and individual basis; analysis of the used input data on a sampling basis and performing alternative recalculations; comparing the obtained results with our expectations and approximate calculations based on our professional judgment; review of historical data and calculation of impairments for granted loans and receivables, including probability of default, loss given default, expected future cash flows discounted to their present value and the impact of macroeconomic indicators and forward-looking scenarios used. - performing an analysis to what extent the requirements and instructions of the supervisory authorities, including the BNB, have been complied with and implemented by the Bank's management; - an analysis of the sensitivity of the collective impairment to changes in the assumptions used in the modeling. - verification and assessment of the adequacy of the disclosures in the separate financial statements, including the disclosures of the main assumptions and judgments related to the application of IFRS 9, the classification and impairment of loans and receivables and credit risk.

Information other than the Separate Financial Statements and Auditors' Report thereon

The Management Board of the Bank ("the Management") is responsible for the other information. The other information comprises the annual management report, including the corporate governance statement and the report on compliance with the remuneration policy, prepared by the management in accordance with Chapter Seven of the Accountancy Act and Public Offering of Securities Act, but does not include the separate financial statements and our auditors' report thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless it is not specifically stated in our auditors' report and to the extent it is specifically stated.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and the Audit Committee of the Bank ("Those charged with governance") are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We are jointly responsible for the performance of our audit and the audit opinion expressed by us, in accordance with the requirements of the Independent Financial Audit Act, applicable in Bulgaria. In accepting and performing the joint audit engagement, in respect to which we are reporting, we have considered the Guidelines for Performing Joint Audits, issued on 13 June 2017 by the Institute of Certified Public Accountants in Bulgaria and the Commission for Public Oversight of Statutory Auditors in Bulgaria.

Report On Other Legal And Regulatory Requirements

Additional matters, required to be reported by the Accountancy Act and Public Offering of Securities Act

In addition to our reporting responsibilities according to ISAs described in section "Information Other than the separate financial statements and Auditor's Report Thereon", with respect to the annual management report, including the corporate governance statement and the report on compliance with the remuneration policy, we have also performed the procedures required by the Guidelines on New and Expanded Auditor's Reports and Auditor's Communication of the Professional Organization of Chartered Accountants and Registered Auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). These procedures include tests over the existence, the form and the content of the other information in order to assist us in forming an opinion as to whether the other information includes the disclosures and reporting as required by Chapter Seven of the Accountancy Act and Article 100n, paragraph (10) in relation to Article 100n, paragraph (8), subparagraphs (3) and (4) of Bulgarian Public Offering of Securities Act, as well as Article 100n, paragraph 13 in relation to Article 116c, paragraph (1) of Bulgarian Public Offering of Securities Act, applicable in Bulgaria.

Statement Pursuant to Article 37, Paragraph (6) of Bulgarian Accountancy Act

Based on our procedures, our opinion is that:

- The information included in the separate management report for the financial year for which the separate financial statements has been prepared, and is consistent with the separate financial statements.
- The separate management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100n, paragraph 7 of the Public Offering of Securities Act, except the following:
 - the separate management report does not include the required information regarding the loan agreements under which the Bank is a borrower according to item 8 of Appendix №2 to Ordinance №2 / 9.11.2021 in connection with Art. 100 (n), para (7), item 2 of POSA, insofar as the Bank complies with the requirements for bank secrecy according to Art. 62, para. 2 of the Credit Institutions Act.
- As a result of the acquired knowledge and understanding of the Bank's activity and the environment in which it operates, we have not identified any cases of material misstatement in the separate management report.
- The corporate governance statement for the financial year for which the separate financial statements have been prepared contains the required information in accordance with the applicable legal requirements, including Article 100n, paragraph (8) of Bulgarian Public Offering of Securities Act.
- The report on compliance with the remuneration policy for the financial year for which the separate financial statements have been prepared has been prepared and is in compliance with the requirements of the ordinance pursuant to Article 116c, paragraph 1 of Bulgarian Public Offering of Securities Act.

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

Statement in connection with Art. 11 of Ordinance №58/2018 of FSC on the requirements for protection of financial instruments and cash of clients, for product management and for providing or receiving remuneration, commissions, other monetary and non-monetary benefits

Based on the performed audit procedures and the acquired knowledge and understanding of the Bank's activities in the course and context of our audit of the separate financial statements as a whole, our opinion is that the established and applied organization in connection with the storage of client assets meets the requirements of Art. 3-10 of Ordinance № 58 of FSC and Art. 92-95 of the Markets of Financial Instruments Act regarding the activity of the Bank in its role of investment intermediary.

Statement Pursuant to Article 100n, Paragraph (10) in respect to Article 100n, Paragraph (8), subparagraphs 3 and 4 of Bulgarian Public Offering of Securities Act

Based on the procedures performed and our knowledge of the Bank and the environment in which it operates, in our opinion, there is no material misstatement in the description of the main characteristics of the internal control system and of the risk management system of the Bank in connection with the financial reporting process and also in the information pursuant to Article 10, paragraph 1, items "c", "d", "f", "h" and "i" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, which are included in the corporate governance statement, being a component of the annual management report.

Additional reporting in relation to the audit of the separate financial statements under art 100n, para 4, p. 3 of the Public Offering of Securities Act

Statement on Article 100n, paragraph 4, subparagraph (3), item "b" of Public Offering of Securities Act

Information on related party transactions is disclosed in note 28 to the accompanying separate financial statements. Based on the procedures performed on related party transactions in the context of our audit of the separate financial statements as a whole, nothing has come to our attention indicating that the related party transactions are not disclosed in the accompanying separate financial statements for the year ended 31 December 2022, in all material respects, in accordance with the requirements of IAS 24 Related Party Disclosures. We have considered the results of our audit procedures on related party transactions in forming our opinion on the separate financial statements as a whole and not for the purpose of providing a separate opinion on the related party transactions.

Statement on Article 100n, paragraph (4), subparagraph 3, item "c" of Public Offering of Securities Act

Our responsibilities for the audit of the separate financial statements described in section "Auditor's Responsibilities for the Audit of the separate financial statements" include evaluating whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation. Based on the procedures performed on the material transactions underlying the separate financial statements for the year ended 31 December 2022, nothing has come to our attention indicating any instances of material unfair presentation and disclosure under the applicable IFRS as adopted by the European Union. We have considered the results of our audit procedures on the material transactions underlying the separate financial statements in forming our opinion on the separate financial statements as a whole and not for the purpose of providing a separate opinion on these material transactions.

Reporting on compliance of the electronic format of the separate financial statements included in the annual separate financial report on the activity under Art. 100n, para 4 of Bulgarian Public Offering of Securities Act with the requirements of ESEF Regulation

In addition to our responsibilities and reporting under ISA, described above in the section "Auditor's Responsibilities for the Audit of the Separate Financial Statements", we have followed the procedures in accordance with the Guidelines on Issuing of Audit Opinion regarding the Implementation of the European Single Electronic Format (ESEF) for the financial statements of companies whose securities are admitted to trading on a regulated market in the European Union (EU)" of Bulgarian Institute of Chartered Accountants (ICPA) in Bulgaria". These procedures include verifying the electronic file format and whether the human readable part of it corresponds to the audited separate financial statements and expressing an opinion regarding the compliance of the electronic format of the separate financial statements of Texim Bank AD for the year ended 31 December 2022, contained in the electronic file „529900EKPN8EYA3AX590-20221231-BG-SEP.xhtml", with the requirements of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("ESEF Regulation"). Based on these requirements, the electronic format of the separate financial statements included in the annual separate financial report on the activity under Art. 100n, para. 4 of Bulgarian Public Offering of Securities Act, must be submitted in XHTML format.

The management of the Bank is responsible for the application of the requirements of ESEF Regulation when preparing the electronic format of the separate financial statements in XHTML.

Our opinion is only regarding the electronic format of the separate financial statements included in the electronic file „529900EKPN8EYA3AX590-20221231-BG-SEP.xhtml“ and does not include the other information contained in the annual separate financial report on the activity under art. 100n, para. 4 of Bulgarian Public Offering of Securities Act.

Based on the performed procedures, our opinion is that the electronic format of the separate financial statements of the Bank for the year ended 31 December 2022, contained in the attached electronic file „529900EKPN8EYA3AX590-20221231-BG-SEP.xhtml“, on which we are issuing a qualified audit opinion, has been prepared in all material respects in accordance with the requirements of the ESEF Regulation.

Reporting Pursuant to Article 10 of Regulation (EC) № 537/2014 in relation to Article 59 of Bulgarian Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act in connection with art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- “Grant Thornton” OOD and “RSM BG” OOD were appointed as statutory auditors of the separate financial statements of the Bank for the year ended 31 December 2022 by the general meeting of shareholders held on 27 June 2022 for a period of one year.
- The audit of the separate financial statements of the Bank for the year ended 31 December 2022 represents sixth full consecutive statutory audit engagement for the Bank carried out by “Grant Thornton” OOD and fifth statutory audit engagement for the Bank carried out by “RSM BG” OOD.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to the Bank's audit committee, in compliance with the requirements of art. 60 of the Independent Financial Audit Act.
- We hereby confirm that no prohibited non-audit services referred to in art. 64 of the Independent Financial Audit Act were provided.
- We hereby confirm that in conducting the audit we have remained independent of the Bank.
- For the period covered by our statutory audit, other than the audit itself, we have not provided any other services to the Bank and its subsidiaries that are not specified in the Bank's management report or the separate financial statements.

On behalf of Grant Thornton OOD, reg. № 032

Silvia Dinova
Registered Auditor, responsible for the audit

Mariy Apostolov
Managing partner

Bulgaria, Sofia, 1421
26, Cherni Vrah Blvd.



On behalf of RSM BG OOD, reg. № 173

Mariana Mihaylova, PhD
Registered Auditor, responsible for the audit
Managing partner

Bulgaria, Sofia
Headquarters and management address:
1124, Sofia, 8 Khan Omurtag Str.

Correspondence address:
1142, Sofia, 9 Prof. Frityof Nansen Str., floor 7



30 March 2023



**ANNUAL SEPARATE MANAGEMENT
REPORT
TEXIM BANK AD
2022**

**Sofia
March 2023**

CONTENTS

I. ORGANIZATION OF THE OPERATIONS OF TEXIM BANK AD	6
II. FINANCIAL OVERVIEW OF THE ACTIVITY OF TEXIM BANK AD.....	7
III. IMPORTANT EVENTS OCCURRING AFTER 31.12.2022	16
IV. MAJOR RISKS	17
V. RESEARCH AND DEVELOPMENT	22
VI. OFFICES AND STAFF OF TEXIM BANK AD	22
VII. FINANCIAL INSTRUMENTS HELD BY TEXIM BANK AD	22
VIII. FOLLOWING THE PROGRAM FOR IMPLEMENTATION OF INTERNAL RECOGNIZED STANDARDS FOR GOOD CORPORATE GOVERNANCE.....	22
IX. GUIDELINES IN THE OPERATIONS OF THE BANK FOR THE PERIOD 2023 - 2025 .	31
X. INFORMATION DISCLOSED IN VALUE AND QUANTITY ON THE MAIN CATEGORIES OF GOODS, PRODUCTS AND/OR SERVICES PROVIDED, INDICATING THEIR SHARE IN THE SALES REVENUES OF TEXIM BANK AD AS A WHOLE AND THE CHANGES OCCURRING DURING THE REPORTING YEAR.....	44
XI. INFORMATION ON REVENUE BROKEN DOWN BY THE SEPARATE CATEGORIES OF ACTIVITIES, INTERNAL AND EXTERNAL MARKETS, AS WELL AS INFORMATION ON SOURCES OF SUPPLY OF MATERIALS NECESSARY FOR THE PRODUCTION OF GOODS OR FOR THE PROVISION OF SERVICES INDICATING THE DEGREE OF DEPENDENCE ON EACH INDIVIDUAL SELLER OR BUYER/USER, AND IN CASE THE RELATIVE SHARE OF ANY OF THEM EXCEEDS 10 PER CENT OF THE EXPENSES OR REVENUES FROM SALES, INFORMATION IS PROVIDED FOR EACH PERSON INDIVIDUALLY ABOUT THEIR SHARE IN THE SALES OR PURCHASES AND THEIR RELATION WITH THE ISSUER.....	46
XII. INFORMATION ON SIGNIFICANT TRANSACTIONS	47
XIII. INFORMATION ABOUT TRANSACTIONS CONCLUDED BY AND BETWEEN TEXIM BANK AD AND RELATED PARTIES DURING THE REPORTING PERIOD, PROPOSALS FOR SUCH TRANSACTIONS AND TRANSACTIONS BEYOND ITS NORMAL BUSINESS OR MATERIALLY DEVIATING FROM THE MARKET CONDITIONS UNDER WHICH TEXIM BANK AD OR ITS SUBSIDIARY IS INVOLVED, INCLUDING INDICATION OF THE VALUE OF THE TRANSACTIONS, THE NATURE OF THE RELATIONSHIP AND ANY INFORMATION NECESSARY TO ASSESS THE IMPACT ON THE ISSUER'S FINANCIAL POSITION	47
XIV. INFORMATION ABOUT EVENTS AND INDICATORS UNUSUAL FOR TEXIM BANK AD, HAVING SIGNIFICANT IMPACT ON THE BANK'S OPERATIONS AND ITS REVENUES AND EXPENSES. ASSESSMENT OF THEIR IMPACT ON THE PERFORMANCE IN THE CURRENT YEAR.....	48

XV. INFORMATION ABOUT OFF-BALANCE SHEET TRANSACTIONS – NATURE AND BUSINESS PURPOSE, INDICATION OF THE FINANCIAL IMPACT OF THE TRANSACTIONS ON THE BUSINESS IF THE RISK AND BENEFITS OF THOSE TRANSACTIONS ARE MATERIAL FOR TEXIM BANK AD AND IF THE DISCLOSURE OF SUCH INFORMATION IS MATERIAL FOR THE ASSESSMENT OF THE FINANCIAL SITUATION OF TEXIM BANK AD.....	48
XVI. INFORMATION ABOUT SHAREHOLDINGS OF TEXIM BANK AD, ITS MAIN INVESTMENTS IN THE COUNTRY AND ABROAD (IN SECURITIES, FINANCIAL INSTRUMENTS, INTANGIBLE ASSETS AND REAL ESTATE) AS WELL AS INVESTMENTS IN EQUITY SECURITIES BEYOND ITS ECONOMIC GROUP AND THE SOURCES. METHODS OF FINANCING	48
XVII. INFORMATION ABOUT THE LOAN AGREEMENTS CONCLUDED BY TEXIM BANK AD, ITS SUBSIDIARY OR PARENT COMPANY IN THEIR CAPACITY AS BORROWERS, INDICATING THE TERMS AND CONDITIONS SET THEREIN, INCLUDING THE DEADLINES FOR REPAYMENT, AND INFORMATION ABOUT THE GUARANTEES PROVIDED AND COMMITMENTS ASSUMED	49
XVIII. INFORMATION REGARDING LOANS, PROVISION OF GUARANTEES, OR ASSUMING OBLIGATIONS GIVEN BY TEXIM BANK AD OR ITS SUBSIDIARY COMPANIES TO ONE PERSON OR ITS SUBSIDIARY COMPANIES, INCLUDING RELATED PERSONS INDICATING THEIR NAMES AND NAMES OF THE RELATIONSHIP BETWEEN TEXIM BANK AD, OR THEIR SUBSIDIARIES AND THE PERSON BORROWER, THE AMOUNT OF THE UNPAID PRINCIPAL, THE INTEREST RATE, THE DATE OF THE CONCLUSION OF THE CONTRACT, THE DEADLINE OF REPAYMENT, THE AMOUNT OF THE OBLIGATION UNDERTAKEN, THE SPECIFIC CONDITIONS OTHER THAN THE SPECIFIED IN THIS PROVISION, AS WELL AS THE PURPOSE FOR WHICH THEY WERE GRANTED, IF CONCLUDED AS TARGETS.	49
XIX. INFORMATION ON THE USE OF THE FUNDS FROM THE NEW ISSUE OF SECURITIES DURING THE REPORTING PERIOD.....	49
XX. ANALYSIS OF THE RATIO BETWEEN THE FINANCIAL PERFORMANCE ACHIEVED AS DISCLOSED IN THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR AND THE PREVIOUSLY PUBLISHED ESTIMATES OF THIS PERFORMANCE	50
XXI. ANALYSIS AND ASSESSMENT OF THE FINANCIAL RESOURCES MANAGEMENT POLICY, INDICATING THE POSSIBILITIES FOR SERVICING THE LIABILITIES, THE POSSIBLE THREATS AND THE MEASURES THAT TEXIM BANK AD HAS TAKEN OR IS ABOUT TO TAKE WITH A VIEW TO THEIR ELIMINATION	50
XXII. ASSESSMENT OF THE POSSIBILITIES FOR REALIZATION OF THE INVESTMENT INTENTIONS, SPECIFYING THE AMOUNT OF THE AVAILABLE FUNDS AND INDICATING THE POSSIBLE CHANGES IN THE FINANCING STRUCTURE OF THIS ACTIVITY.....	51
XXIII. INFORMATION ABOUT CHANGES DURING THE REPORTING PERIOD OCCURRING IN THE CORE PRINCIPLES OF GOVERNANCE OF TEXIM BANK AD AND ITS GROUP COMPANIES	51
XXIV. INFORMATION ABOUT THE MAIN FEATURES OF THE INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM APPLIED BY TEXIM BANK AD IN THE PROCESS OF PREPARING THE FINANCIAL STATEMENTS	51

XXV. INFORMATION ABOUT CHANGES IN THE MANAGEMENT AND SUPERVISORY BODIES DURING THE REPORTING FINANCIAL YEAR.....	52
XXVI. INFORMATION ABOUT THE REMUNERATIONS AND SERVICES PROVIDED BY THE AUDITORS.....	52
XXVII. INFORMATION ABOUT THE SHARES OF TEXIM BANK AD HELD BY THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES, PROCURATORS AND SENIOR MANAGEMENT, INCLUDING THE SHARES HELD BY EACH OF THEM SEPARATELY AND AS A PERCENTAGE OF THE SHARES OF EACH CLASS, AS WELL AS THE OPTIONS PROVIDED TO THEM BY TEXIM BANK AD ON ITS SECURITIES – TYPE AND SIZE OF THE SECURITIES ON WHICH THE OPTIONS ARE SET, PRICE OF THE EXERCISE OF OPTIONS, PURCHASE PRICE, IF ANY, AND MATURITY OF THE OPTIONS	53
XXVIII. INFORMATION ABOUT THE ARRANGEMENTS KNOWN TO TEXIM BANK AD (INCLUDING AFTER THE END OF THE FINANCIAL YEAR), RESULTING IN POSSIBLE FUTURE CHANGES IN THE RELATIVE SHAREHOLDING OR BONDHOLDING OF CURRENT SHAREHOLDERS OR BONDHOLDERS	56
XXIX. INFORMATION ABOUT PENDING COURT, ADMINISTRATIVE OR ARBITRATION PROCEEDINGS CONCERNING LIABILITIES OR RECEIVABLES OF TEXIM BANK AD AMOUNTING TO AT LEAST 10% OF ITS EQUITY; IF THE TOTAL VALUE OF THE LIABILITIES OR RECEIVABLES OF TEXIM BANK AD IN ALL INITIATED PROCEEDINGS EXCEEDS 10% OF ITS EQUITY, INFORMATION SHOULD BE SUBMITTED FOR EACH PROCEEDING SEPARATELY	56
XXX. DATA ON THE INVESTOR RELATIONS DIRECTOR, INCLUDING TELEPHONE AND CORRESPONDENCE ADDRESS	56
XXXI. INFORMATION CONCERNING THE PUBLIC STATEMENT OF THE EUROPEAN SECURITIES AND MARKETS AUTHORITY (ESMA) DETERMINING THE COMMON EUROPEAN PRIORITIES FOR IMPLEMENTATION OF THE ANNUAL FINANCIAL STATEMENTS FOR 2022.....	56
XXXII. CAPITAL STRUCTURE.....	58
XXXIII. INFORMATION ABOUT SECURITIES WHICH ARE NOT ADMITTED TO TRADING ON A REGULATED MARKET IN THE REPUBLIC OF BULGARIA OR ANOTHER MEMBER STATE.....	58
XXXIV. INFORMATION ON THE DIRECT AND INDIRECT HOLDING OF 5 PERCENT OR MORE OF THE VOTING RIGHTS IN TEXIM BANK AD'S GENERAL MEETING, INCLUDING DETAILS OF THE SHAREHOLDERS, THE SIZE OF THEIR SHAREHOLDING AND THE METHOD IN WHICH THE SHARES ARE HELD	58
XXXV. DETAILS OF THE SHAREHOLDERS WITH SPECIAL CONTROL RIGHTS AND A DESCRIPTION OF THESE RIGHTS	59
XXXVI. AGREEMENTS MADE BY AND BETWEEN SHAREHOLDERS WHICH ARE KNOWN TO TEXIM BANK AD AND WHICH MAY RESULT IN LIMITATIONS ON THE TRANSFER OF SHARES OR VOTING RIGHTS.....	59
XXXVII. SIGNIFICANT CONTRACTS OF TEXIM BANK AD, WHICH GIVER RISE TO ACTION; AMEND OR TERMINATE DUE TO A CHANGE IN THE COMPANY'S CONTROL IN CARRYING OUT MANDATORY AUCTION OFFERING AND ITS CONSEQUENCES, EXCEPT WHERE THE DISCLOSURE OF THAT INFORMATION MAY	

CAUSE SERIOUS DAMAGE TO THE COMPANY; THE EXCLUSION UNDER THE PREVIOUS SENTENCE DOES NOT APPLY IN THE CASES WHEN TEXIM BANK AD IS OBLIGED TO DISCLOSE THE INFORMATION UNDER THE LAW	59
XXXVIII. ELECTRONIC REFERENCE TO THE INFORMATION AGENCY OR OTHER MEDIA SELECTED BY TEXIM BANK AD, THROUGH WHICH THE COMPANY ANNOUNCES INFORMATION TO THE PUBLIC.....	59

This annual management report has been prepared on the grounds and in compliance with the requirements of the Accountancy Act, the Public Offering of Securities Act, Ordinance 2 dated 9.11.2021 on initial and subsequent disclosure of information in public offering of securities admission of securities to trading on a regulated market, Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and the National Corporate Governance Code.

I. ORGANIZATION OF THE OPERATIONS OF „TEXIM BANK“ AD

Texim Bank AD is the oldest private bank in the Republic of Bulgaria. The Bank is a joint-stock company registered in the Republic of Bulgaria in 1992 (decision of the Sofia City Court of 14.09.1992, company file No 24103/1992), licensed by the Bulgarian National Bank under license B-27, issued on the basis of Protocol No 50/04.09.1992 of the BNB Management Board for carrying out banking transactions in the country and abroad, updated by Decision of the BNB Governing Council No 248 of 11.04.1997, updated with orders of the Governor of BNB No 100-0570 of 23.12.1999; No RD22-0687/03.08.2006; No RD 22-0852 of 07.05.2007; RD 22-2268 of 16.11.2009. By Order of the BNB Governor No RD22 – 1351/06.07.2012, the name of the Bank was amended, namely Texim Bank AD. By Order of the BNB Deputy Governor – 121456/21.07.2017, the Bank's activity also includes the issuance of electronic money. The Bank has a universal license to carry out all types of banking transactions in the country and abroad. "Texim Bank" AD is a licensed investment intermediary, being entered in the register of the Financial Supervision Commission under reg. No 03-161 of 18.02.1998 as an investment intermediary. The Bank performs all services that may be provided by an investment intermediary referred to in Art. 6, para. 2 and 3 of the current Law on the Markets in Financial Instruments, including acting as a registration agent.

With Decision No 1112-BD of 29.11.2012 of the Deputy Chairman of the FSC, Head of the Investment Supervision Department, Texim Bank AD was included in the list of banks that can be depository under the Collective Investment Schemes and Other Collective Investment Undertakings Act. By Order No 115106/27.10.2021 of the BNB Deputy Governor in charge of the Banking Supervision Department, Texim Bank AD is included in the list of custodian banks under the Social Security Code.

The Bank is a public company registered in the Commercial Register at the Registry Agency by Decision of 16.01.2013 and in the Register of Public Companies and Other Issuers, kept by FSC with Decision No 81-PD of 31.01.2013 within the meaning of Art. 30, para. 1, item 3 of the FSC. With Protocol No 8/11.02.2013 of the Board of Directors of BSE the trading in shares of Texim Bank AD was admitted to the Main Market BSE, Segment shares "Standard". The consolidated balance sheet of the Bank includes Texim Solutions EOOD, Texim Project Company EOOD and Texim Asset Management EAD, which in turn manages the activities of four mutual funds: Texim Bulgaria MF; State Fund Texim Conservative Fund; State Fund "Texim Balkans" and MF "Texim Commodities Strategies". The subsidiaries "Texim Project Company" EOOD and Texim Solutions EOOD provide external services.

Texim Bank AD is a member of BSE AD, Central Depository AD, the Banking Organization for Card Payments (BORICA), the Bulgarian Association for Security in Card Payments (BASCR); National card scheme, European Payments Council - SEPA Credit Transfer Scheme, "BANKSERVICE" AD, RINGS, full member of Visa Europe and MasterCard International, SWIFT, direct participant in TARGET. Since August 2012 the Bank is a member of the payment systems BISERA 6, BISERA 7 – EUR and SEBRA. Texim Bank AD is a member of the Association of Banks in Bulgaria. The bank has been an agent of EasyPay, a registration body of InfoNotary since 2011.

As of 31.12.2022, the Bank operates through the Head Office and in 31 offices in 21 settlements. As of 31.12.2022, the number of the Bank's staff is 273 employees compared to 263 employees. in 2021, the address of registration of Texim Bank AD is Sofia, 117 Todor Alexandrov Blvd.

II. FINANCIAL OVERVIEW OF THE ACTIVITY OF TEXIM BANK AD

	2022	2021	2020
Financial indicators (thousand BGN)			
Net interest income	10 490	10 146	8 830
Revenues from fees and commissions, net	4 034	3 723	3 558
Net gains on financial assets at fair value	2 556	2 465	2 471
Total net operating income	18 921	16 571	16 276
Administrative expenses	(13 427)	(11 909)	(11 412)
Depreciation expense	(3 758)	(3 753)	(3 773)
Net expenses from impairment and uncollectability	(56)	(52)	86
Profit for the year	505	260	154
Balance sheet indicators (thousand BGN)			
Total assets	596 861	536 792	462 623
Loans and receivables, net	202 744	223 243	219 216
Financial assets at fair value	75 439	123 994	110 198
Deposits and loans from credit institutions	1 788	1 704	1 630
Deposits from customers other than credit institutions	528 358	472 707	397 096
Total equity	40 183	38 376	38 891
Basic ratios (%)			
Overall capital adequacy	21.82%	22.23%	24.00%
Tier 1 capital ratio	14.34%	13.88%	14.89%
Tier 1 basic capital ratio	14.34%	13.88%	14.89%
Non-performing loans (NPL,%)	2,87%	3.28%	4.22%
Leverage ratio	8,47%	8.76%	8.20%
Liquidity coverage ratio (LCR)	195,52%	246.10%	291.08%
Net Stable Financing Ratio (NSFR)	138,46%	141.31%	121.96%
Net loans and receivables / deposits from customers other than credit institutions	38.37%	47.23%	55.20%
Resources (number)			
Branches and offices	31	31	33
Staff	273	263	271

2.1. KEY FINANCIAL INDICATORS

In 2022 several major events occurred - increased global geopolitical and economic uncertainty, mainly given Russia's military invasion of Ukraine. Inflation, which has emerged in 2021 and accelerated in 2022, as well as the end of the expansionary monetary policy pursued over the past ten years by the leading central banks, coupled with the provision of (almost) unlimited liquidity, were also among the significant macroeconomic developments of the year. In response to high inflation, leading central banks began in 2022 a new monetary cycle of aggressive interest rate hikes, whose magnitude was unexpected at the beginning of the reporting period and continues in 2023. Under these complicated conditions, the Bank identifies, assesses and monitors existing and emerging risks and vulnerabilities.

The analysis and management of different types of risk shall take into account the guidelines of the European Banking Authority (EBA), in particular those related to the stress testing of institutions, as well as the procedures and methodology of the supervisory review and

evaluation process, and supervisory stress tests, the management of interest rate risk arising from non-trading book activities, the management of non-performing and restructured exposures, etc.

As of 31.12.2022, the financial result of Texim Bank AD is a net profit of BGN 505 thousand.

As of 31.12.2022, the main indicators of the Bank's activity are as follows:

- The Bank's balance sheet total increased by 11.19% compared to the previous year.
- The book value of the assets is BGN 596 861 thousand and compared to the same period of the previous year increased by BGN 60 069 thousand.
- Liabilities and equity – BGN 596 861 thousand, total capital – BGN 40 183 thousand, total liabilities – BGN 556 678 thousand, deposits and loans from credit institutions BGN 1 788 thousand, deposits of other customers BGN 528 358 thousand incl. the debts due under leasing contracts – BGN 2 936 thousand, debt securities issued BGN 22 160 thousand. Total liabilities of the Bank as at 31.12.2022 - increased by 11.69% compared to the amount of liabilities as at 31.12.2021. The increase for the year is BGN 58 262 thousand.

The total amount of the regulatory equity of Texim Bank AD as at 31.12.2022 is BGN 58 559 thousand. Core Equity Tier 1 capital amounts to BGN 38 487 thousand. The capital adequacy ratios exceed the legally required minimum ratios, as their values as of 31.12.2022 are as follows:

- Common Equity Tier 1 ratio – 14.34%, with a statutory required ratio of 4.5%;
- Tier 1 capital ratio – 14.34%, with a statutory required ratio of 6%;
- Total capital adequacy ratio – 21.82%, with a statutory ratio of 8%.

The total amount of regulatory capital requirements as of 31.12.2022 is BGN 21 470 thousand. Their structure by type of risk being as follows:

- Capital requirements for credit risk – BGN 19 220 thousand;
- Capital requirements for operational risk – BGN 2 250 thousand.

In accordance with the capital buffers requirements, the Bank maintains a capital conservation buffer of 2.5% of its total risk exposure, a systemic risk buffer of 3% of risk-weighted exposures and a countercyclical buffer of 1% of risk-weighted exposures. As of 31.12.2022, their amounts are respectively BGN 6 709 thousand. (2021: BGN 6 582 thousand) and BGN 7 710 thousand (2021: BGN 7 607 thousand) and BGN 2 603 thousand (2021: BGN 1 264 thousand).

Equity structure and elements as at 31.12.2022:

	BGN '000
Regulatory equity	58 559
Registered and paid capital	27 995
Retained earnings from previous years	561
Accumulated other comprehensive income	7 716
Other reserves	2 995
Intangible assets	(683)
Insufficient coverage for non-performing exposures	(21)
Prudential assessment requirements	(76)
Common Equity Tier 1 capital	38 487

The reported by the Bank surplus of Common Equity Tier 1 capital as at 31.12.2022 amounts to BGN 26 410 thousand. (2021: BGN 24 684 thousand) and fully meets the current regulatory requirements for capital buffers.

At the beginning of 2023, a financial strength rating of Texim Bank AD, issued by BCRA, was updated. The results of the last three ratings issued are as follows:

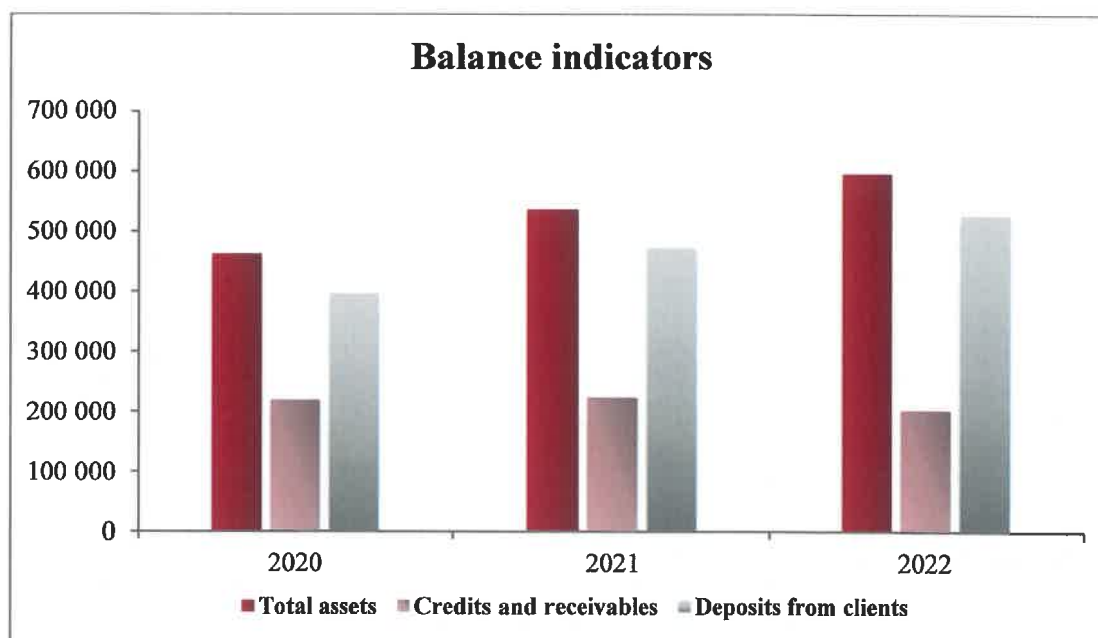
RATING OF FINANCIAL STRENGTH	Update 27.01.2023	Update 28.01.2022	Initial rating – 06.01.2021
Long-term rating:	BB-	BB-	BB-
Perspective:	Positive	Stable	Stable
Short-term rating:	B	B	B
Long-term rating on a national scale:	BB (BG)	BB (BG)	BB- (BG)
Perspective:	Positive	Stable	Stable
Short-term rating on a national scale:	B (BG)	B (BG)	B (BG)

BCRA – Credit Rating Agency confirms the rating levels for Texim Bank AD as follows:

- **Long-term rating of financial strength BB-, and short-term rating B;**
- **Long-term rating on national scale of BB (BG) and short-term rating on national scale B (BG),**
by **changing the outlook on them from "stable" to "positive"**

2.2. FINANCIAL REVIEW OF THE OPERATIONS

2.2.1. Asset structure



- Cash on hand and on current accounts with the BNB amounted to BGN 183 493 thousand and form 30,74% of the balance sheet, compared to 20,62% for the previous year; the resources provided to banks amount to BGN 16 361 thousand ; loans and advances to customers from credit institutions – BGN 186 383 thousand; receivables for repurchase of securities – BGN 34,228 thousand; financial assets at fair value through other comprehensive income – BGN 39 073 thousand; financial assets at fair value through profit or loss – BGN 36 366 thousand; property, plant and equipment amount to BGN 19 955 thousand, intangible assets – BGN 1 825 thousand; investment properties – BGN 12 920 thousand; investments in subsidiaries – BGN 452 thousand; tax and other assets - BGN 8 019 thousand.

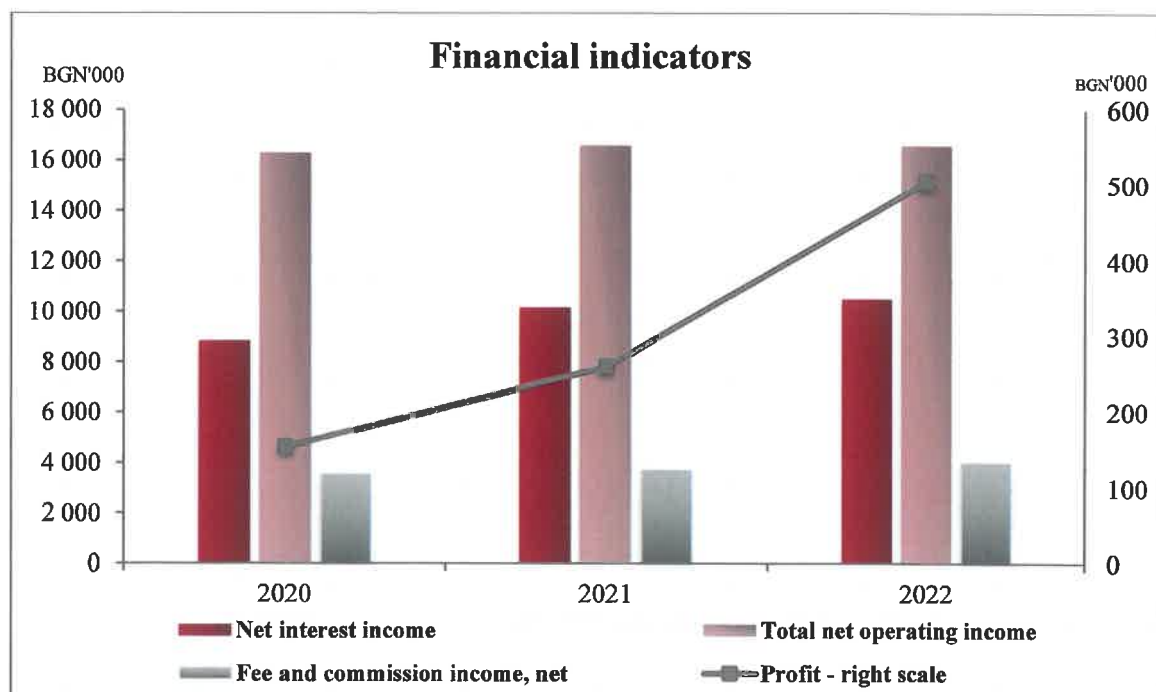
- The funds in accounts with correspondent banks and the deposits provided to credit institutions accounted for 2.74% of the balance sheet total, compared to 8.08% in 2021. Investments in financial assets in the form of shares, government securities and corporate bonds increased as their relative share in the Bank's assets as of 31.12.2022 is 22.32%, compared to 24.10% in 2021. Investing in debt instruments is a means to improve the profitability of the Bank.

2.2.2. Liabilities structure

Texim Bank AD maintains a stable trend of increasing the value of attracted funds, expressed more strongly in the last three years (2020-2022). To a large extent, the structure of attracted funds was optimized during the year with the aim of higher profitability. Measures were taken to diversify the attracted resource in terms of the sources and timing of the resource. The relative share of deposits from customers other than credit institutions, incl. obligations under leasing contracts decreased by 11.77% compared to 2021, and their amount reached BGN 528 358 thousand, including BGN 227 502 thousand deposits of citizens and households - residents and non-residents.

The Bank's equity at the end of 2022 amounted to BGN 40 183 thousand.

2.2.3. Revenue and expenses analysis



The Bank's income and expenses in 2022 are a reflection of the general economic situation, as well as the effects of the spread of COVID-19. The total net operating income amounts to BGN 18 921 thousand, compared to BGN 16 571 thousand in 2021, which is an increase of 14.18%. The ratio of these revenues to assets is 3.17%, compared to 3.09% as of 31.12.2021.

- The net interest income in 2022 increases compared to 2021 by 3.39% and reaches BGN 10,490 thousand, compared to BGN 10 146 thousand in the previous year. Net interest income is the main source of income for the Bank and represents 55.44% of net operating income. In the structure of interest income, the share of interest income from loans and receivables, incl. under securities repurchase agreements /repo transactions/ increases to 85.40% against 84.63% in 2021. Interest income related to debt instruments is reduced by 4.04%.

- During the year, the Bank's interest expenses decreased in absolute terms by BGN 277 thousand, or by 17.11%, while at the same time the resources attracted by customers other than credit institutions increased by 11.77%. A significant decrease is reported in the costs of interest to customers - BGN 274 thousand. As of 31.12.2022, the reported costs for interest on the issued debt securities amounted to BGN 437 thousand compared to BGN 485 thousand at the end of the previous year. The reported expenses for interest on leasing contracts, according to IFRS 16, are in the amount of BGN 177 thousand, compared to BGN 220 thousand in 2021.

- Net fee and commission income for the year increased by 8.35%. Fees and commissions collected related to cash operations in BGN decreased by 5.78%.

- The net income from operations with financial assets, incl. from currency trading are in the amount of BGN 2 641 thousand, and their share in the structure of the net operating income as of 31.12.2022 is 13.96%.

- During the reporting period, general and administrative expenses amounted to BGN 13 427 thousand. The increase in administrative expenses compared to the previous year was 12.75%. In the structure of general and administrative expenses, the largest share - 65.00% is occupied by personnel expenses, followed by expenses for materials, rents, consulting and other external services - 32.22%. Personnel expenses reached BGN 8 727 thousand, compared to BGN 7 671 thousand in 2021, which is an increase of 13.77%. Provisions have been accrued for defined benefit plans at retirement. Under the provisions of the Labor Code, each employee is entitled to compensation of up to two or six gross wages upon retirement, depending on length of service. Provisions are charged based on a valuation by an independent licensed actuary.

- Expenses for contributions to the Bank Restructuring Fund and the Bank Deposit Guarantee Fund have increased by BGN 163 thousand compared to 2021. Expenses for both funds amount to BGN 692 thousand as of 31.12.2022. Contributions to the Bank Restructuring Fund for 2022 were not due.

- The net result of impairments for uncollectibility in 2022 is expenses for impairments for credit losses in the amount of BGN 56 thousand, and this value is formed by expenses for impairments of financial assets, reported at fair value through other comprehensive income in the amount of BGN 153 thousand and income from reintegration of impairments of financial assets at amortized value in the amount of BGN 97 thousand.

2.3. BUSINESS DEVELOPMENT

In 2022, the Bank emphasized the constant development of innovative products, the introduction of promotional campaigns for all product categories in the conditions of increased competition, offering some of its customers preferential service, as well as achieving effective communication with a large part of its customer base. In a strategic plan, Texim Bank AD will continue to work to improve the quality of services, introduce innovative products, search for

new business opportunities and package services with the aim of upgrading and providing comprehensive customer service.

Operating segments

In connection with the requirements of IFRS 8, paragraph 2 /a/ /i/ and the need to disclose operating segments, the Bank has adopted a distinction of activity in the following business lines: corporate and institutional banking, retail banking and money markets and liquidity. The operational results of the business activities of these areas are regularly reviewed and analyzed by the Management.

Types of products and services by business activities:

Retail banking - attracting funds and lending to individuals through various channels of sales and customer service; payment services;

Corporate and Institutional Banking - Attracting funds and lending to legal entities - commercial companies and budget enterprises;

Money Markets and Liquidity - Securities Transactions, Repurchase Arrangements for Securities; interbank market transactions; currency trading; currency and other financial instruments for customer service and others.

Administrative expenses are monitored generally and by type, analysing business segments using objective criteria.

Credit investments

As of 31.12.2022, the total amount of credit exposures to clients other than banks /without repo transactions/ before provisioning is BGN 188,608 thousand. The growth of corporate loans is 3.51% - from BGN 130 593 thousand, BGN to BGN 135 180 thousand. The growth of the credit retail portfolio was 3.27% - from BGN 51 737 thousand to BGN 53 428 thousand.

The loan portfolio by groups of borrowers is respectively: 71.67% to legal entities and 28.33% to citizens and households.

As of 31.12.2022, the serviced and non-serviced exposures before provisioning of the legal entities were respectively: serviced exposures – 98.19% and non-serviced exposures – 1.81%.

Off-balance sheet commitments under bank guarantees issued in BGN amount to BGN 17 355 thousand as of 31.12.2022.

Unspent commitments under agreed loans and overdrafts as of 31.12.2022 amount to BGN 13 028 thousand, compared to BGN 16 106 thousand at the end of 2021.

2.3.1. Corporate and institutional banking

In 2022, the Bank adjusted its credit policy to the economic circumstances and adopted a strictly conservative approach. During the year, loans to high-risk economic sectors were limited. Credit risk was managed through constant monitoring, restructuring, renegotiation and collateral. Serious work has been done to restructure and improve the collection of problem exposures. The loan portfolio continued to diversify in industries related to the activities of

small and medium-sized enterprises, as well as in dynamically developing sectors of the economy.

In the field of corporate banking, the focus of the activity was to increase the amount of credit exposures while maintaining and stabilizing their quality. In this regard, there is a positive trend in the process of granting new loans. The Bank increased its lending activity by expanding the segment of lending to small and medium-sized enterprises, as well as the share of working capital loans, revolving credit lines and overdrafts. Effective and purposeful work on problem loans was carried out, accompanied by the most conservative policy related to impairment.

2.3.2. Retail banking

During the reporting period, the Bank's team made serious preparations for the reorientation of the activity and the development of consumer lending, and in the current year, the centralized administration of loans extended to both legal entities and individuals. Actively working towards the formation of a corporate and consumer portfolio through new credit products.

In 2022, the team of Texim Bank AD continued to actively offer personalized loan products and solutions to its customers.

Texim Bank AD continues to develop and upgrade the functions of its alternative banking channels - mobile and internet banking, so that customers can be maximally facilitated in working with them and enjoy preferential prices when choosing these platforms.

The bank focused on expanding the customer base and increasing productivity through optimization and efficiency of customer service processes, including launching a project for complete digitalization of the credit process.

The growth of the gross loan retail portfolio amounted to 3.3% - from BGN 51 737 thousand as of 31.12.2021 to BGN 53 428 thousand to 31.12.2022.

2.3.3. Card payments

As in the previous years, in 2022 Texim Bank AD continued the development of its activity in the field of card payments in both strategic directions, namely: issuing bank cards and developing a terminal network for accepting payments and cash withdrawal.

In the field of issuing bank cards, in 2022 the Bank continued to focus its efforts mainly on adapting its existing card products to the needs of its current and future customers. An important role in this respect was played by the successful redesign of the Bank's website, thanks to which the information about the card products offered by the bank became significantly more accessible and understandable. This happened in combination with the interactive approach to presenting the information contributes significantly to their promotion.

In 2022, the efforts of the card business continued to be aimed at expanding digital sales channels for card products and attracting new customers. Projects in mobile and Internet banking were launched, which aim to give the Bank's customers greater freedom in managing their card products without the need for a visit to an office of the Bank.

Thanks to the efforts made by the Bank to attract new customers and preserve existing ones, the number of issued debit and credit cards has maintained the trend of growth. During the year, there was a significant increase in the number and volume of transactions with Bank cards. In 2022, the number of transactions in debit cards increased by 29.67%, and their volume

grew by 23.21%. The realized transactions stopped the previous year are over BGN 2 660 thousand more.

For credit cards, at the end of 2022, the total credit limit granted on all types of credit cards issued by the Bank reached the amount of BGN 6,799 thousand. an increase of nearly BGN 284,600.

From the point of view of the acceptance (Acquiring) of payments with bank cards, it is important to note that within the first quarter of 2022, the project launched in 2021 to replace part of the outdated ATM terminal network of the Bank in connection with migration to the new system of Borica AD was successfully completed. The new ATMs have updated technologies, such as providing the opportunity for contactless withdrawals from ATMs and advanced functionalities that are of particular importance to the Bank.

The increase of the terminal network of physical POS terminals continued its development and over 20 new merchants were attracted for the past 12 months, some of whom were provided with more than one terminal for their retail outlets. The new terminals are equipped with a modern touch screen (touch chest), which offers a modern and convenient way of working for traders. Thanks to the efforts made to attract larger and larger traders, the results are significantly higher than those achieved in previous years. The growth in the volume of transactions at physical and virtual POS terminals compared to 2021 is 26.33%, with an increased turnover of over BGN 3,300 thousand and the expectations are that it will continue to grow, and with this, the Bank's revenues from fees and commissions will also increase in parallel, which for 2022 amount to over BGN 169 thousand.

2.3.4. Private banking, investment intermediation

Global and local economic challenges remain major factors in the development of Private Banking in the past 2022. The conflict in Ukraine, the energy crisis, the change in the structure, access and state of markets, as well as inflationary pressures increase customer concerns about global financial stability. All this limited not only the real good trading opportunities in the financial markets, but also the moods, expectations and attitudes for trading. Regulatory procedures and restrictions on dealing with some customers and economic sectors have also increased.

Despite all this, the work on banking and financial intermediation with significant clients for the Bank remained at a stable level in the previous 2022.

In these complex and dynamic conditions, the team of Private Banking at Texim Bank AD continues to develop and implement its strategy for complex banking and financial services to first-class clients – individuals, corporate and institutional clients. The strategy includes the provision of a variety of products and services, both in ordinary banking operations, but also those related to investment and financial intermediation such as products for storage of funds, trust and custody services, purchase and sale of financial instruments, assets, etc.

The main tasks in the activity of Private Banking in 2022 are the growth of the customer base and the establishment of stable and effective customer relations, expansion of products and services in the field of private and investment banking, including providing more opportunities to business clients, their employees and partners, efficiency and speed of operations, comfort and convenience in banking, including through the use of new technological solutions and opportunities.

The implementation of the objectives and tasks set for Private Banking will further promote the Bank's activities and will contribute to the increase of the financial result.

2.3.5. Treasury activity and liquidity

For yet another year the conservative and well-balanced investment policy of Texim Bank AD achieved good results. In the past 2022, Texim Bank AD traditionally participates in local and foreign markets, both on behalf and at the expense of its customers, as well as on its own behalf and at its own expense. At the same time, the Bank maintained optimal liquidity in strict compliance with regulatory requirements.

The realized interest income from corporate and government securities in the Bank's portfolio in 2022 amounted to BGN 1 613 thousand. The dividends received from investments in equity instruments amount to BGN 307 thousand and the interest received from concluded repo transactions amounts to BGN 2 135 thousand.

The profit realized from forex trading amounts to BGN 695 thousand transactions in financial instruments held for trading at the end of 2022 amounted to BGN 1 911 thousand. a total of BGN 2 606 thousand. The profit from transactions with financial assets reported through other comprehensive income for the year is BGN 85 thousand.

Active and balanced management of the interest rate spread between asset and liability, in turn, has contributed to a large extent to increasing the profitability of investments and loans. The attracted funds continued their growth, which is a direct consequence of the balanced and competitive interest rate policy of the Bank conducted and proven in recent years, but at the same time it is a direct indicator of the image and high trust of the Bank's customers.

2.3.6. Payment products and services

Texim Bank AD makes all types of payments in foreign currency all over the world through its well-developed system of correspondent relations. The Bank strives to expand its market positions by offering high quality banking services at competitive prices.

Through its nostro accounts in 11 convertible currencies with first-class European banks, the Bank calmly serves its activities and offers a wide range of banking products in foreign currency to its customers. At present, Texim Bank AD maintains correspondent relations with over 100 local and foreign banks. Some of them have agreed preferential terms, including in the field of international payments and related fees and commissions, speed and flexibility of service.

The Bank successfully makes payments in euro through the TARGET2 and SEPA Step2 platforms in the EU.

The correspondent network of the Bank is constantly optimized, with the main goal being payments to be made as quickly, seamlessly and under the best financial conditions.

2.3.7. Information technologies

In 2022, in information technology, the main focus was the following projects:

- **Migration project and transition to a new consolidated ESMIG platform for EUR transfers including TARGET 2 and TARGET2Securities.**

The bank successfully changed its banking systems and passed the certification tests for readiness to work with the new system.

The set date for the launch of the new platform is 20.03.2023.

- **A project for the development of packages of banking services for individuals and legal entities.**

Work continued on the project for the development of packages of banking services for individuals. All changes in the banking systems have been successfully implemented and UAT (Functionality Validation Tests in Systems) have been performed. The starting date of the customer service is 01.06.2023.

- **New Digital Vision of the Bank**

Together with the newly formed unit responsible for Digital Channels and Marketing, he launched the activity related to the modernization of the Bank's digital vision.

The new Internet site of the Bank was successfully launched, which is built according to the most modern requirements of digital design and provides not only a quick and convenient way to access information, but also credit calculators, application forms and feedback.

A successful refreshment of the vision of the mobile application was completed, which harmonizes the new vision of the Bank.

The project continues with the redesign of the Internet banking system and the construction of new "Login" page and registration page.

- **Digital Services - Online Loan**

In 2022 the Bank has launched a new project to build a platform for the provision of digital remote services through integration with a provider of remote identification and cloud signing of documents.

The first objective of the project is the launch of a remote credit service. The service is planned to be available to customers from 01.06.2023.

- **Improvements in the module for the Investment Intermediary**

The project is long-term, as in 2022, the detailed specification of the objects and processes of the new system was made. The completion of the first phase of the project is expected to be completed in 2023.

- **Modernisation of IT infrastructure**

In 2022 the modernization of the workstations in the Central Department of the Bank has been completed. Work on the project continues. In 2023 is expected to complete the upgrading of the computer stations in the branch network, as well as to launch a project to supply new server equipment to service the main banking systems.

III. IMPORTANT EVENTS THAT OCCURRED AFTER 31.12.2022

No adjusting events or significant non-adjusting events have occurred between the date of the financial statements and the date of approval for issue, except for the following non-adjusting events:

According to Protocol No 62/30.12.2022 of the Management Board, approved by Protocol No 62/30.12.2022 of the Supervisory Board of Texim Bank AD, decisions have been taken to increase the Bank's capital by converting issued bonds and to amend the Bank's Statute, namely:

1. Pursuant to Art. 195 and Art. 196 of the Commerce Act in relation to Art. 113, para. 2, item 2 of the Public Offering of Securities Act and on the basis of 15a of the Statute of the Bank, the capital of Texim Bank AD to be increased by BGN 2 000 000 (two million) from BGN 27 995 036 (twenty-seven million nine hundred and ninety-five thousand thirty-six) to BGN 29 995 036 (twenty-nine million nine hundred and ninety-five thousand thirty-six). The capital is increased by issuing 2 000 000 new ordinary, registered, dematerialized voting shares

with a nominal value of BGN 1 (one) each, after conversion of 5 000 ordinary, dematerialized, registered, freely transferable, unsecured, interest-bearing, convertible corporate bonds with ISIN code BG2100007207, with a nominal value of BGN 1 000. Each;

2. In connection with the decision under the previous paragraph, a decision was adopted to amend the provision of Art. 8, para. 1 of the Statute of Texim Bank AD by acquiring the following version:

„Art. 8 (1) The capital of the Bank shall be BGN 29 995 036 (twenty-nine million nine hundred and ninety-five thousand thirty-six), distributed in BGN 29 995 036 (twenty-nine million nine hundred and ninety-five thousand thirty-six) ordinary registered dematerialized shares with voting rights in the General Meeting, with a nominal value of BGN 1 (one) each. The capital of the Bank has been paid up in full. “

The amendment to the Statute of Texim Bank AD was approved by the BNB on 20.01.2023.

On 26.01.2023 in the Commercial Register and the Register of Non-Profit Legal Entities at the Registry Agency, an amendment to the Statute was entered under number 20230126180013 / change in Art. 8, para. 1/ of "Texim Bank" AD. The changes in the capital increase of the Bank through the conversion of issued bonds and amendments to the Statute of the Bank were adopted by decisions of the Governing Council (minutes No 62 / 30.12.2022 / and the Supervisory Board (Protocol No 62 / 30.12.2022 / of Texim Bank AD.

On 27.01.2023, the registration with the Central Depository was made in connection with the capital increase, for which a Registration Act has been issued. The Central Depository has issued a shareholders' book with the increased capital.

The Financial Supervision Commission, by its decision No 177 - E/07.02.2023, shall enter in the register under Art. 30, para. 1, item 3 of the FSCA issue amounting to 2 000 000 ordinary, registered, dematerialized voting shares with a nominal value of BGN 1 each, issued by Texim Bank AD with ISIN: BG1100001921.

As of 31.01.2023, the Bank has reflected the accounting conversion – a decrease of the bonds by BGN 5 million and an increase in share capital of BGN 2 million as well as an increase in premium reserves of BGN 3 million.

In relation to the Notification submitted to the BNB under Ordinance No 2 on the recognition of increased capital for Common Equity Tier 1, Decision No 100 of 07 March 2023 of the Governing Council of the Bulgarian National Bank decides that Texim Bank AD will include in its Common Equity Tier 1 the instrument issued by it, representing an issue of 2 000 000 (two million) ordinary, dematerialized, registered voting shares with a nominal value of BGN 1 (one) each, total of BGN 2 000 000 (two million).

IV. MAIN RISKS

Texim Bank AD actively manages the risks inherent in its activities in order to achieve an optimal ratio between profitability from operations and inherent risk. In risk management, the requirements of the Bulgarian legislation and the applicable European directives and regulations, as well as the current internal legislation of the Bank, have been observed.

The year passed under the sign of several major events and facts - the increased global geopolitical and economic uncertainty, mainly given Russia's military invasion of Ukraine, the inflation that arose in 2021 and accelerated in 2022, the end of the expansionary monetary policy pursued by the leading central banks over the past ten years, combined with the provision of (almost) unlimited liquidity, Launched in 2022, a new monetary cycle of aggressive interest rate hikes by leading central banks and their attempts to combat inflation. Under these

complicated conditions, the Bank identifies, assesses and monitors existing and emerging risks and vulnerabilities.

The processes of management and control of the risks arising from the Bank's activities are carried out centrally by the relevant specialized units through the existing internal policies, procedures, rules and methodologies. The established risk management framework at Texim Bank AD ensures adequate identification, measurement, monitoring and control of all risks material to the Bank and includes:

- Policies, rules and procedures for the overall identification, measurement, monitoring and control of all risks material to the Bank;
- An organisational structure for risk management with an appropriate allocation of responsibilities between the different management levels and independence between the business units performing functions of creating or renewing exposures and those carrying out risk assessment and control;
- Processes related to regular monitoring and implementation of appropriate reporting mechanisms to the Bank's Management, supporting effective risk management;
- Processes to control the maintenance at all times of a sufficient amount of available capital to cover material risks, both under normal and stressful conditions;
- Development, improvement and completion of the established system for risk reporting, analysis and control, in accordance with the development of the risk profile of the Bank, the requirements of national and European legislation and good banking practices.

The policies and processes of management and control of all material risks inherent in the activities of Texim Bank AD correspond to the nature, scale and complexity of the Bank's activities.

4.1. Capital and capital adequacy

The total amount of the regulatory equity of Texim Bank AD as at 31.12.2022 is BGN 58 559 thousand. Common Equity Tier 1 capital amounts to BGN 38,487 thousand. The capital adequacy ratios significantly exceed the legally required minimum ratios, and their values as of 31.12.2022 are as follows:

- Common Equity Tier 1 ratio – 14.34%, with a statutory required ratio of 4.5%;
- Tier 1 capital ratio – 14.34%, with a statutory required ratio of 6%;
- Total capital adequacy ratio – 21.82%, with a statutory ratio of 8%.

The total amount of regulatory capital requirements as of 31.12.2022 is BGN 21 470 thousand. their structure by type of risk being as follows:

- Capital requirements for credit risk – BGN 19 220 thousand;
- Capital requirements for operational risk – BGN 2 250 thousand.

In accordance with the requirements of Ordinance No 8 of the BNB on capital buffers, the Bank maintains a capital conservation buffer of 2.5% of its total risk exposure, a systemic risk buffer of 3% of risk-weighted exposures located on the territory of the Republic of Bulgaria and a countercyclical buffer of 1.0% of risk-weighted exposures. As of 31.12.2022, their sizes are respectively BGN 6 709 thousand (2021 - BGN 6 582 thousand), BGN 7 710 thousand (2021 – 7 607 thousand BGN) and BGN 2 603 thousand (2021 – BGN 1 264 thousand).

The reported surplus by the Bank of Common Equity Tier 1 capital as at 31.12.2022 amounts to BGN 26 410 thousand (2021 - BGN 24 684 thousand) and fully meets the current regulatory requirements for capital buffers.

In addition to the regulatory requirements for capital adequacy, the Bank regularly conducts an internal capital adequacy analysis (ICAA), within which a periodic assessment of the implementation of the Bank's strategy to maintain a sufficient amount of available capital to ensure an adequate level of coverage of the risks undertaken, as well as a sufficient capital buffer to overcome the stress conditions, without jeopardising the Bank's business activities. As of 31.12.2022, under normal conditions, the required capital under ICAA is BGN 19 275 thousand, with BGN 56 084 thousand available, with the capital buffer under the ICAA (the excess of the available over the required capital) being BGN 36 809 thousand. The results of the stress tests carried out as of 31.12.2022 on the material types of risk show that the capital adequacy of the Bank is ensured even in the event of serious economic shocks. The capital surplus under conditions of stress is estimated at BGN 28 443 thousand.

4.2. The main risks to which the Bank's activities are exposed are:

4.2.1. Credit risk

Credit risk is the main element in the Bank's risk profile. Credit risk includes all risks arising from the inability of a counterparty, borrower, issuer, or obligor (collectively "obligor") to fulfil its obligations when due in accordance with the originally agreed terms due to changes in its financial and economic condition, or other specific circumstance. Credit risk covers default risk in conventional credit transactions, issuer risk in securities transactions, counterparty risk in foreign currency transactions, debt and equity instruments, derivative instruments, or commodities, the residual risk of the risk reduction techniques used and government risk.

The Bank has built a comprehensive system for credit risk assessment and management by means of various internal methods for analysis and assessment of both corporate clients and retail clients using standardized credit products. Internal policies and rules related to lending to corporate clients and individuals contain the most important risk mitigating factors and actions and determine the Bank's risk appetite in relation to credit risks.

The bank manages and controls exposures, carriers of credit risk and concentration risk in the credit portfolio through a system of limits, including to individual customers, customer groups, counterparties and economic sectors. Two bodies have been established and are constantly operating - the Credit Council and the Credit Committee, which control the processes related to the assessment, provision and monitoring of loans.

As part of the credit risk, the Bank manages and controls the risk of concentration of exposures to one customer or a group of related customers, as well as the risk of concentration of exposures to groups of counterparties with similar characteristics, whose probability of default depends on common factors. The management and control of the risk of credit concentrations is carried out by applying limits for large exposures to single or related persons and limits for limiting the concentration by economic sectors. Concentration risks by individual exposures and economic sectors are measured regularly and their impact on the Bank's capital adequacy is assessed. The identification, measurement, management of sectoral concentrations and the sectoral limits adopted by the Bank are regulated in the "Concentration Risk Management Policy by Economic Sector".

In 2022, there are no significant changes in estimates, and no changes in expected credit loss (ECL) models, other than a change in the risk parameters of the provisioning model, so they do not lead to a change in classification or business models.

4.2.2. Market risk

Market risk is the existing or potential risk to earnings and capital arising from unfavourable changes in exchange rates, market interest rates, prices of shares, bonds or

commodities. The market risk refers to those balance sheet and off-balance sheet positions that are subject to losses arising from movements in market prices. It includes mainly the following subcategories of market risks:

Price risk associated with positions in equity instruments in the trading and banking book;

Credit spread risk (specific interest rate risk) associated with positions in debt securities in the trading and banking book, measured at fair value;

Overall interest rate risk arising from positions in debt instruments in the trading book (the interest rate risk arising from debt securities in the banking book is covered by interest rate risk arising from non-trading activities);

Foreign currency risk associated with foreign currency positions arising as a result of the Bank's overall operations. The foreign currency risk arises to a limited extent from the open foreign currency position of the Bank. As at 31.12.2022 the Bank does not recognize a capital requirement for foreign currency risk as the amount of the total net foreign currency position does not exceed the regulatory defined threshold of 2% of the total regulatory capital.

The Bank manages and controls the market risk through an overall structure of limits grouped by portfolio and risk factors. These limits include the volume by types of financial instruments and portfolios, open foreign exchange positions, value-at-risk limits and potential loss limits. The value-at-risk limits determine the maximum admissible potential loss from a specific financial portfolio within one business day calculated at a 99% confidence level and upon the admission of normal market conditions. The potential loss limits determine the maximum loss amount of a specific financial portfolio that the Bank is willing to assume.

4.2.3. Interest rate risk arising from non-trading book activities

The interest rate risk arising from non-trading book activities (IRRBB) is the existing or potential risk of changes in earnings and capital arising from adverse changes in interest rates and their impact on the interest rates in the banking book. The specific interest rate risk (credit spread risk) arising from positions in debt securities measured at fair value is covered by the market risk. The IRRBB level is limited by limits and is subject to analysis and control by the Asset and Liability Management Committee (ALCO).

4.2.4. Liquidity risk

Liquidity risk is the risk that the Bank would not be able to meet its obligations when they occur or could not finance new business and the possible off-balance sheet claims at any time without having to incur unplanned losses from the sale of assets with a discount on market prices or by refinancing at higher interest rates.

The Bank manages the liquidity risk by daily liquidity monitoring and management, maintaining a sufficient availability of high quality liquid assets to secure inconsistencies between incoming and outgoing cash flows, analysing inconsistencies between incoming and outgoing cash flows at maturity intervals, both in a normal banking environment and in various scenarios of aggravated liquid environments.

Quantitative measure of the liquidity risk according to BNB regulations is the ratio of liquidity coverage. The liquidity coverage ratio as at 31.12.2022 is 195,52% and significantly exceeds the 100% regulatory requirement.

The assessment and monitoring of the liquidity risk is complemented by a regular conduct of stress tests for determining the liquidity level of the Bank when considering different scenarios of Liquidity Crisis. Through stress tests, the Bank's liquidity is determined and analysed under various stress conditions in order to optimize it and to identify specific measures

to maintain an adequate level of liquidity buffers. Within the various stress tests, the Bank assesses its ability to provide liquidity at varying degrees of aggravated liquidity. The liquidity risk is limited and managed through limits and is subject to analysis and control by the ALCO.

4.2.5. 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.

The operational risk is identified and measured as comprehensively as possible in order to identify appropriate measures for its avoidance, reduction, transfer, or deliberate take-up. The strategy of the Texim Bank AD is to minimize the operational risk. The guiding principle is that operational risk mitigation factors (the four-eyes principle, embedded controls, etc.) should be included in the core business processes.

The policies, rules and procedures for identifying, measuring, monitoring, and managing the operational risk are clearly defined in a way that allows documenting, reporting, and communicating of all aspects of operational risk. The adopted internal regulatory framework defines: the basic principles, methods and tools for identifying, measuring and managing the operational risk; the procedures for collecting information and accumulating historical data on internal operating losses relating to all business lines; the rules for conducting internal self-assessment of the individual units of the Bank concerning the level of the operational risk and the level of the controls applied; the rules for monitoring and evaluating key risk indicators (to identify at an early stage the changes in the essential factors for the occurrence of operational events); the mechanisms for reporting information to the Management to take preventive measures and actions in order to minimize the likelihood of occurrence of operational events or to reduce the financial impact of occurring operational events for the Bank.

The Bank has set up an Operational Risk Management Committee, which is a specialized collective body for analysing, reporting and supporting operational risk management, directly subordinate to the Executive Directors of the Bank. Electronic Register of Identified Events and an Electronic Register of Received Complaints are kept, recording all operational events and complaints that have occurred. Operational risk is also identified and managed through key operational risk and self-assessment indicators for the level of operational risk and applied control.

4.2.6. Price risk related to real estate

The price risk related to real estate includes potential losses that could arise as a result of fluctuations in the market value of the real estate owned by the Bank. The risk of real estate provided as credit collateral is included in the credit risk.

The risks of possible fluctuations in the market price of the real estate owned by the Bank are measured by a scenario approach that allows a reduction in the value of the Bank's real estate. On the basis of the decrease in the carrying amount of the Bank's real estate properties, a capital buffer is set to cover the price risk related to real estate, which is deducted from the available capital to cover the assumed risks (credit, market, operational risks) within the Internal Capital Adequacy Analysis Process (ICAAP).

4.2.7. Macroeconomic risk

Macroeconomic risk is the probability of losses due to sharp fluctuations and negative trends in the macroeconomic environment. The Bank assesses macroeconomic risk in the

framework of the internal assessment of the adequacy of its available capital to cover the assumed risks in the event of serious economic or market events.

Trends in macroeconomic factors affect all economic entities in the country, including the Bank. In accordance with IFRS 9, in the models for estimating expected credit losses, the Bank also includes information for future periods, including macroeconomic factors that may directly affect the financial result.

In the short to medium term, the relatively high uncertainty related to the dynamic change of the monetary policy and the rate of increase of the main interest rates by the ECB, given the continuing high inflation in the countries of the Eurozone, remains. Under the conditions of a currency board that has been operating in Bulgaria since 1997, the monetary policy of the ECB and the main interest rates in the Eurozone directly affect the macroeconomic environment in Bulgaria.

V. RESEARCH AND DEVELOPMENT

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

VI. OFFICES AND STAFF OF TEXIM BANK AD

As of 31 December 2022, the Bank operates through the Central Office and in 31 offices in 21 settlements. As of 31 December 2022 the list number of the Bank's staff is 273 employees with 263 employees in 2021. The registration address of Texim Bank AD is Sofia, 117 Todor Alexandrov Blvd.

The head office of Texim Bank AD is situated at 117 Todor Aleksandrov Blvd., Sofia. In every Bank structure, the clients receive competent service and individual attitude in offering the diverse range of products and services of Texim Bank AD. Throughout the year the Bank continued the process of human resource development, development of selection rules and procedures, the training policy and the improvement of the actions related to planning, monitoring and control of staff expenses, and increased management responsibilities in this area.

VII. FINANCIAL INSTRUMENTS HELD BY TEXIM BANK AD

The financial instruments owned by Texim Bank AD as of 31.12.2022 are: government bonds, corporate bonds and shares, the total value of which is BGN 133 225 thousand, classified by fair value in profit or loss – BGN 36 366 thousand, at fair value through other comprehensive income – BGN 39 073 thousand and at amortized value – BGN 57 786 thousand.

Investments in associated, subsidiary and joint ventures amount to BGN 452 thousand.

As of 31.12.2022, Texim Bank AD owns government securities issued by the Government of the Republic of Bulgaria with a total value of BGN 63 351 thousand.

The corporate debt securities of Bulgarian and foreign issuers at the end of 2022 amount to BGN 28 446 thousand, and the shares of enterprises, as well as shares in collective investment schemes, owned by the Bank amount to BGN 41 428 thousand.

As of 31.12.2022, the subsidiaries do not own shares of the Bank.

VIII. FOLLOWING THE PROGRAM FOR IMPLEMENTATION OF INTERNAL RECOGNIZED STANDARDS FOR GOOD CORPORATE GOVERNANCE

Texim Bank AD is registered as a public company with the Commercial Register at the Registry Agency with a Decision of 16.01.2013 and in the Register of Public Companies and Other Issuers held by the Financial Supervision Commission FSC with decision № 81-PD of 31.01.2013 within the meaning of Art. 30, para. 1, item 3 of the FSCA. By Minutes № 8 /

11.02.2013 of the Board of Directors of BSE AD, the trading in shares of Texim Bank AD was admitted to the BSE Main Market, Standard Segment.

The responsible management structures and employees of Texim Bank AD carry out the management of the Bank strictly following the requirements and recommendations of the National Code of Corporate Governance (the Code). In accordance with the norms and recommendations stipulated in the Code, the Management Board and the Supervisory Board of "Texim Bank" AD manage the Bank independently and responsibly, following the established vision and strategic guidelines for the operation and ensuring that the interests of the shareholders are respected.

In accordance with the requirements of Art. 27 of Ordinance 2 of the FSC of 09.11.2021 for initial and subsequent disclosure of information in public offering of securities and admission of securities to trading on a regulated market, as well as in connection with Art. 100t, (3) of the Public Offering of Securities Act, regarding the obligation to disclose to the public information under Art. 24 of Ordinance 2, Texim Bank AD, discloses the regulated information to the public through the electronic media Infostock AD, through the official website: www.infostock.bg.

8.1. Corporate management – structure and functions

8.1.1. Management Board

The Articles of Association of Texim Bank AD determine the functions and powers of the Management Board in accordance with the decisions of the General Meeting and the legal provisions. The Bank is managed and represented by a Management Board, which carries out its activities under the control of the Supervisory Board. According to the Articles of Association, the Management Board of the Bank consists of three to nine capable individuals, who are elected and appointed by the Supervisory Board. As of 31.12.2022, the Management Board consists of 4 members, who are elected by the Supervisory Board for a term of five years and can be replaced and re-elected without restrictions and at any time by the Supervisory Board.

The Management Board reports to the Supervisory Board on the activity and condition of the Bank at least once every three months.

The competencies, rights and obligations of the Management Board members are determined in compliance with the statutory requirements, the Bank's Articles of Association and the standards of good professional and managerial practice. The Management Board resolves all matters stipulated in the Article of Association and the applicable law and are not within the exclusive competence of the General Meeting or the Supervisory Board.

The powers and functions of the Management Board include:

- a/ To arrange the implementation of the decisions of the General Meeting and the Supervisory Board;
- b/ To define the general guidelines and the Bank's business plan, to take decisions on the credit, interest rate, accounting, risk and risk management policies;
- c/ To open and close branches of the Bank;
- d/ To decide on the participation of the Bank in other companies in the country and abroad, increasing the Bank's capital and issuing bonds within the framework of the authorization, according to the Statute;
- e/ To decide on matters relating to the acquisition and management of real estate and property rights thereon;
- f/ To define the structure and positions of the Bank;
- g/ To prepare and propose to the General Meeting the annual report of the Bank;

h/ To take decisions on any material change in the Bank's operations, significant organizational changes, as well as long-term cooperation that is essential for the Bank, or on the termination of such cooperation;

i/ To perform all other functions assigned to it by the General Assembly or the Supervisory Board and the law.

The decisions of the Management Board referred to in (b) and (d) to (g), as well as in other cases, according to the Articles of Association and the law, have effect with respect to the Bank after their approval by the Supervisory Board. The decisions referred to in (h) require the prior consent of the Supervisory Board.

In connection with its activity, the Management Board has adopted regulations in accordance with the requirements of Art. 36, para. 4 of the Statute, which has been approved by the Supervisory Board. The Management Board meets once a week, but not less than once a month. When the Bank's interests require it, it is convened more often. Meetings are convened by the Chairman, the Deputy Chairman, or the Executive Directors on their initiative, or at the request of a member of the Management Board. The decisions of the Management Board are taken by a simple majority of all members, unless the law or the Articles of Association provide otherwise. When a decision is made regarding the election, dismissal, or determination of the responsibility of an executive director, the same does not participate in the vote. At the meetings of the Management Board, minutes are kept by the secretary of the Management Board, who is not a member of the Management Board, and which reflect the issues included in the agenda, the proposals made on them, debates and the decisions taken. The minutes are signed by all present members of the Management Board and the secretary, and are numbered and ranked according to the order of the meetings, together with the annexes.

The election of members of the Management Board is made only after the prior approval by the BNB, in accordance with the requirements of the Credit Institutions Act (CIA) and the applicable subordinate regulations.

According to the Articles of Association, the members of the Management Board are required:

1. To meet the conditions specified in the CIA, including those concerning the required education, qualification and professional experience;
2. Not to have been convicted of a criminal offense of a general nature, including crimes under Article 116a(1) of the Public Offering of Securities Act (POSA);
3. Not to have been members of an executive or controlling body, or partners with an unlimited liability in a company, which has been terminated on the grounds of insolvency and in the presence of unsatisfied creditors with or without restored rights;
4. Not to have been members of the management or supervisory body of a bank in the last five years prior to the date of the declaration of bankruptcy thereof;
5. Not to have been deprived of the right to hold a high liability position;
6. Not to be spouses or relatives by direct or lateral line up to third degree between them or with any another member of a management or control body of the Bank;
7. No to be insolvent debtors without recovered rights.

The members of the Management Board are required to perform their duties in the best interest of the Bank and to keep the secrets of the Bank even if they cease to be members of the Board. During their term of office, the members of the Management Board are guided by the generally accepted principles of integrity and managerial and professional competence. According to the Articles of Association, the members of the Management Board are required: to perform their duties with due diligence in a manner that they reasonably consider to be in the

interest of Bank and all the Bank's shareholders and by using only information that they reasonably consider to be credible and complete; to exercise loyalty to the Bank and in the performance of their duties to favour the interest of the Bank to their own interest and to avoid direct or indirect conflicts between their interest and the interest of the Bank, and if such conflicts arise, or in case a member of the Board has a business interest (under the CIA) to conclude a commercial transaction with the Bank – to disclose them in writing to the Board in a timely manner, and not to participate or influence the other Board members in taking decisions in these cases.

8.1.2. Supervisory Board

The Supervisory Board of Texim Bank AD consists of three to seven capable individuals elected by the General Meeting for a term of services of up to 5 years. The Supervisory Board members may also be legal entities. In such cases, the legal entities appoint a representative to perform their duties in the Supervisory Board. The legal entities are jointly and unlimitedly responsible together with the other members of the Supervisory Board for the obligations arising from the actions of their representatives. The election of members of the Supervisory Board is made only after the prior approval by the BNB, in accordance with the requirements of the CIA and the applicable subordinate regulations. One person cannot be simultaneously a member of the Supervisory Board and the Management Board of the Bank. In order to support its operations, the Supervisory Board may set up specialized committees and other supporting bodies.

As at 31.12.2022 the Bank's Supervisory Board consists of 5 individuals who are elected by the General Meeting for a term of five years and can be re-elected without restriction.

The Supervisory Board member and the representatives of the legal entities who are members of the Supervisory Board, according to the Articles of Association, are required:

1. Not to have been convicted of a criminal offense of a general nature, including crimes under Article 116a(1) of the POSA;
2. Not to have been members of an executive or controlling body, or partners with an unlimited liability in a company, which has been terminated on the grounds of insolvency and in the presence of unsatisfied creditors with or without restored rights;
3. Not to have been members of the management or supervisory body of a bank in the last five years prior to the date of the declaration of bankruptcy thereof;
4. Not to have been deprived of the right to hold a high liability position;
5. No to be spouses or relatives by direct or lateral line up to third degree between them or with any another member of a management or control body of the Bank.

At least one third of the members of the Supervisory Board must be independent persons pursuant to the POSA. The independent member of the Supervisory Board may not be:

1. An employee of the Bank;
2. A shareholder who holds directly or through related parties at least 25% (twenty- five percent) of the votes in the General Meeting, or a related party to the Bank;
3. A person who is in a permanent business relationship with the Bank;
4. A member of any management or supervisory body, procurator or an employee of a commercial company or other legal entity referred to in cl. 2 and 3;
5. A related party to another member of the Supervisory Board or the Management Board of the Bank.

The Supervisory Board carries out general supervision and preliminary, ongoing and subsequent control over the operations of the Management Board. The Supervisory Board does not participate in the management of the Bank and only represents the Bank in its relations with

the Management Board. In all cases where the law, the operating rules of the Supervisory Board or the current internal rules of the Bank so provide, the Supervisory Board gives prior authorization for the conclusion of certain transactions. The Supervisory Board may at any time require from the Management Board to present information or report on any matter that affects the Bank. The Supervisory Board may carry out the necessary investigations in the performance of its duties. For this purpose, it can assign experts.

The powers and functions of the Supervisory Board include:

- To elect and dismiss the members of the Management Board;
- To convene the General Meeting;
- To adopt procedure rules for its work;
- To adopt a remuneration policy in the Bank;
- To approve the Rules of Procedure of the Management Board;
- To take and approve decisions for acquiring and disposing of real estate and property rights thereon in the interest of the Bank;
- To approve the decisions of the Management Board in the cases provided for in the laws, the Articles of Association or the Rules of Procedure of the Supervisory Board, including:
 - ✓ The acquisition, closure or transfer of undertakings and parts thereof;
 - ✓ The internal structure, terms of office and organization of the Bank.
 - ✓ Significant internal organizational changes.
 - ✓ Opening and closing of branches.
 - ✓ Amendments to the Articles of Association of the Bank before being submitted for consideration by the General Meeting.
 - ✓ Transactions resulting in the Bank acquiring, transferring or providing as collateral real estate and property rights thereon, receivables and other fixed assets or incurring liabilities and guarantees exceeding the value specified in the Rules of Procedure of the Supervisory Board and/or the current internal rules of the Bank.
 - ✓ Issuance of bonds within its scope of the authorization under the Articles of Association.
 - ✓ Empowering executive directors and authorising Bank's procurator(s).
- To set credit limits, credit lines, accept guarantees, securities and other collateral and the issue of promissory notes by the Management Board without the agreement of the Supervisory Board.
- To resolve other matters in case this is provided for by law or by the Statute.

For its work, the Supervisory Board has adopted rules in accordance with the requirements of Art. 41, para. 4 of the Statute.

The Supervisory Board holds its meetings at least once every 3 months. The members of the Management Board may also participate in the meetings with the right to an advisory vote. The meetings are convened by the Chairman of the Supervisory Board at the request of any of its members and at the request of the Management Board. The meetings of the Supervisory Board are chaired by its Chairman and are deemed to be regular if at least half of the members of the Supervisory Board are present in person or represented by another member of the Supervisory Board on the grounds of a written power of attorney. No attending member may represent more than one absent member. Minutes of the decisions of the Supervisory Board shall be kept and signed by all members present and by the Secretary of the Supervisory Board. The minutes of the meetings of the Supervisory Board shall indicate the presence of the members of the Supervisory Board and other persons; an agenda including the issues considered

and the decisions taken. The minutes of the meetings of the National Assembly are dated and ranked in the archive. The protocols and their annexes shall be kept for the duration of the Bank. The materials from the meetings of the National Assembly are available at any time for all its members.

The members of the Supervisory Board are required to perform their duties in the best interest of the Bank and to keep the confidential information of the Bank even if they cease to be members of the Board. During their term of office, the members of the Supervisory Board are guided by the generally accepted principles of integrity and managerial and professional competence. According to the Articles of Association, the members of the Supervisory Board are required: to perform their duties with due diligence in a manner that they reasonably consider to be in the interest of Bank and all the Bank's shareholders and by using only information that they reasonably consider to be credible and complete; to exercise loyalty to the Bank and in the performance of their duties to favour the interest of the Bank to their own interest and to avoid direct or indirect conflicts between their interest and the interest of the Bank, and if such conflicts arise, or in case a member of the Board has a business interest (under the CIA) to conclude a commercial transaction with the Bank – to disclose them in writing to the Supervisory Board in a timely manner, and not to participate or influence the other Board members in taking decisions in these cases.

The Articles of Association of Texim Bank AD provide for obligations and responsibilities of the members of both the Supervisory Board and the Management Board, which aim to ensure good corporate governance and perform preventive functions to prevent violations of the principles of good corporate governance.

The members of the Supervisory Board and the Management Board are required: not to disseminate information about the Bank and, once they cease to be members, prior to the public disclosure of the relevant circumstances by the Bank; not to disclose information that has become known to them in their capacity of members of the boards if this could affect the Bank's operations and development, including after ceasing to be members of the boards; not to disclose, unless authorized to do so, nor to use facts or circumstances constituting bank secrecy for their personal benefit or for the benefit of members of their family, including after they cease to be members of the boards.

The members of the Management Board and the Supervisory Board are required to provide a guarantee for their service in the amount determined by the General Meeting, but not less than their 3-month gross monthly salaries. The members of the Management Board and the Supervisory Board are jointly liable for the damages intentionally caused to the Bank. Each member of the Boards may be released of their obligations if it has been found that the member is not guilty of the damages.

8.2. Internal rules and procedures

The following internal rules and procedures have been adopted in Texim Bank AD and are in place to ensure the compliance with the principles of good corporate governance in the performance of the functions of the Bank's management and supervisory bodies:

- **REMUNERATION POLICY.** The policy was prepared on the basis of Art. 73b of the Credit Institutions Act, Ordinance № 4 of the BNB of 21 December 2010 on Remuneration Requirements in Banks, which introduces provisions of Directive 2013/36 / EC of the European Parliament and of the Council of 26 June 2013 on access to on credit institutions and on the prudential supervision of credit institutions and investment firms, amending Directive 2002/87 / EC and repealing Directives 2006/48 / EC and 2006/49 / EC and the EBA Guidelines on

prudent policies for determination of the remunerations, art. 116c of the Public Offering of Securities Act and section III of Ordinance № 48 of the FSC of 20.03.2013 on the requirements to the remunerations. The remuneration policy is part of the general management policy and introduces basic provisions, principles and requirements, which aim to create a remuneration framework in the Bank, which will allow attracting, retaining and motivating employees to work to achieve long-term interests of the Bank, ensuring competitive and equal levels of remuneration, linking the results of work with individual wages, stimulating the initiative of employees for quality performance of labour functions. The policy defines the main leading functions of the Supervisory Board and the Management Board, thus ensuring that the determination of remuneration corresponds to the maximum extent to the regulatory requirements and recognized good practices in this area. The Supervisory Board is responsible for the development, adoption and monitoring of the implementation of the remuneration policy as a whole. The Supervisory Board approves and controls the remuneration of senior management and the employees who receive the highest remuneration. The General Meeting of Shareholders determines the amount of the remuneration of the Supervisory Board and the members of the Management Board, taking into account the obligations, the degree of workload and the contribution of each member of the Management and Supervisory Boards to the Bank's activities and results. Guiding principles of the Remuneration Policy are also the disclosure of information on remuneration in accordance with the provisions of Art. 14 of Ordinance № 4 of the BNB of 21 December 2010 on the requirements for remuneration in the Banks and Art. 11, para. 7 of Ordinance № 48 of the FSC of 20.03.2013 on the requirements for remuneration, evaluation of employees, periodic review of remuneration and reliable risk management.

- **RULES OF PROCEDURE FOR DISCLOSING CONFLICTS OF INTEREST AND ENSURING CONFIDENTIALITY.** The rules have been developed in implementation of Art. 51-54 of the Credit Institutions Act, Guidelines of the European Banking Authority for Internal Management (EBA/GL/ 2021/05) in regards with Directive 2013/36 / EU art. 187, par. 1, item 10 and par. 2 from Labor Code and art. 123 a), par. 7 from Social Security Code. These rules clearly regulate: the basic principles of governance in the field of conflicts of interest; the procedure for disclosing conflicts of interest and for ensuring confidentiality on the part of the administrators and other employees directly involved in the implementation of the subject of activity of the Bank; the measures taken by the Bank in relation to potential or specific conflicts of interest; responsibilities and sanctions in case of violation of the norms regulating relations with potential or specific conflict of interests; the standards to be applied for the proper identification, management and registration of conflicts of interest, as well as the responsibilities and sanctions for violations found. The rules create an organization of the Bank's activity, which does not allow the administrators and other employees to be placed in a situation where their obligations to one client conflict with their obligations to another client, or their own interests conflict with the obligations. to a client of the Bank.

- **RISK MANAGEMENT RULES -** The risk management framework at Texim Bank AD provides adequate identification, measurement, monitoring and control of all material risks to the Bank and includes:

- Policies, rules and procedures for the overall identification, measurement, monitoring and control of all material risks to the Bank;
- Organizational risk management structure with appropriate allocation of responsibilities between individual management levels and independence between business units performing functions of creating or renewing exposures and those performing risk assessment and control;
- Regular monitoring processes and appropriate reporting mechanisms to the Management of the Bank to support effective risk management;
- Processes to control the maintenance at all times of sufficient capital available to cover the significant risks, both under normal conditions and under stress conditions;

- Development, improvement and completion of the established risk reporting, analysis and control system in line with the Bank's risk profile, the national and European legislation requirements and the best banking practices.

The policies and processes for managing and controlling all material risks inherent in the operations of Texim Bank AD are consistent with the nature, scale and complexity of the Bank's operations.

8.3. Internal control and audit

Texim Bank AD has an internal control system in place which contains control functions with appropriate jurisdictions to fulfil their respectful obligations.

The internal control framework covers the entire organization, including the activities of all structural, subsidiary and control units, outsourcing and distribution channels with sound administrative and reporting procedures.

In order to guarantee an adequate framework for risk management and internal control, the Bank has established a system of "Three Lines of Defense".

The "first line" of defense are the business units, which are responsible for the current management of the risks they take, as well as for the decisions and compliance with the limit risk framework when carrying out the activity.

The "second line" of protection is provided by the specialized units for periodic risk monitoring and control ("Risk Analysis and Management" Directorate and "Regulatory Compliance" Directorate).

The "third line of defense" is Internal Audit, which provides an independent assessment of the effectiveness of internal governance, risk management and control processes. The specialized internal audit service of Texim Bank AD carries out regular reviews of the implementation and compliance of the risk management frameworks and their complementary policies and processes, as well as the implemented internal control systems. The scope of internal audit includes both business units and units related to risk management and regulatory compliance. The result of the internal audit activity is presented to the highest management level in the Bank and gives the governing bodies and senior management sufficient confidence based on the highest level of independence and objectivity. The specialized internal audit service of Texim Bank AD provides independent and objective assurance and consulting on the adequacy and effectiveness of corporate governance and risk management (including internal control) to support the achievement of organizational goals, as well as makes recommendations and assists the continuous improvement of the effectiveness of the processes of management and control of the Bank's activity.

Texim Bank AD has an audit committee set up as an independent body. The Audit Committee monitors: the financial reporting process and submits recommendations and proposals to ensure its effectiveness; the effectiveness of the internal control system, the risk management system and the internal audit activity with respect to the Bank's financial reporting; and verifies the independence of registered (external) auditors in accordance with the requirements of applicable law and Regulation (EU) 537/2014, including the appropriateness of providing additional services beyond the Bank's audit; the statutory audit of the annual and consolidated financial statements, and in particular its execution; the independence and effectiveness of the internal audit and oversees the relationship with the external auditor; The Audit Committee acts in accordance with the elaborated and approved Rules of Procedure and Regulation set out in the Independent Financial Audit Act. The Bank's management, assisted by the Audit Committee, in writing justify before the General Meeting their proposition for an auditor, guided by the established requirements for professionalism.

At the General Meeting of Shareholders held in 2022, for the purpose of joint inspection and certification of the annual financial statements on an individual and consolidated basis of Texim Bank AD for 2022 and the supervisory reports determined by the Bulgarian National

Bank, the audit companies „Grant Thornton“ OOD and „RSM BG“ OOD have been selected to jointly perform the audit.

8.4. Protection of the rights of the shareholders

Shareholders of the Bank may be Bulgarian and foreign natural persons and legal entities. The Bank's shares are dematerialized securities which certify that their holders hold interest in the Bank's equity equivalent to the specified nominal value thereon. Each ordinary share entitles its owner to one vote to the General Meeting of Shareholders, to a right to dividend and right to a liquidation share, in proportion to the par value of the share. The Bank's shares can be transferred freely subject to the requirements of the applicable legislation. The Bank's Book of Shareholders is kept by „Central Depository“ AD, which issues certificates of shares under the terms and conditions and according to the procedure set out by the effective legislation. Any person who has acquired a dematerialized registered share and is listed in the Book of Shareholders at „Central Depository“ AD acquires the capacity of a shareholder of the Bank and may exercise the rights of a shareholder in accordance with the Articles of Association and the effective legislation. The transfer of the dematerialized registered shares issued by the Bank takes effect as from the moment of the registration of the transaction by „Central Depository“ AD.

The shareholders of the Bank have the following rights:

- Right to vote in the General Meeting and one share gives the right to one vote;
- Right to dividend in proportion to the nominal value of the shares held. The persons registered with the records of „Central Depository“ AD as shareholders are entitled to dividend pursuant to the POSA on the 14th day after the date of the General Meeting which adopted the annual financial statements and made a decision on the allocation of profit;
- Right to a liquidation share in proportion to the nominal value of the shares held;
- Right to the acquisition of part of the new shares issued in the capital increase in proportion to their holdings in the capital before the capital increase;
- Right to review the written materials relating to the agenda of the General Meeting;
- Right to authorize in writing another person to represent them in the General Meeting, subject to the requirements laid down in the Articles of Association and in the POSA;
- Other rights under the Articles of Association and the effective legislation.

Each shareholder may request information about the Bank's situation at any time and in compliance with the statutory regulations. The members of the Management Board and the Supervisory Board of the Bank are required to respond exhaustively and precisely to the shareholders' questions asked at the General Meeting on the economic and financial situation and the business activity of the Bank, unless the questions concern circumstances and facts constituting internal information, or any other confidential information protected by law (Art. 115, para. 13 of POSA).

The General Meeting of Shareholders of the Bank consists of all shareholders entitled to vote. The shareholders participate in the General Meeting in person or through representatives. The right to vote in the General Meeting pursuant to the POSA is exercised only by persons registered as shareholders with the Book of Shareholders of the Bank kept by „Central Depository“ AD within 14 days before the date of the General Meeting according to the list of shareholders provided by „Central Depository“ AD. The shareholders who are legal entities will be represented by their legal representatives, identifying themselves with their ID documents and the certificate of good standing of the relevant legal entity. The shareholders who are natural persons will be identified with their ID documents. The shareholders – legal

entities or natural persons – may also be represented at the General Meeting by proxies authorized by power of attorney issued under the terms and conditions and according to the procedure laid down in Article 116 of the POSA. The signature of the authorizing shareholder must be certified by a notary public. At the General Meeting, each shareholder may be represented by one proxy only. The powers of attorney must be presented to the Bank one business day before the date of the General Meeting.

The General Meeting may be convened by an invitation, announced in the Commercial Register at least 30 days before the opening of the General Meeting. The invitation is posted on the Bank's website and disclosed to the FSC and the public under the terms and conditions and according to the procedure laid down in the POSA. From the announcement of the invitation to the date of the General Meeting, the materials of the session are available to the shareholders and their representatives.

The texts in the materials are specific and clear and will not be misleading to the shareholders. All proposals for major corporate events are presented as separate items on the agenda of the General Meeting, including the proposal for profit distribution.

The Management Board exercises effective control on the holding of the General Meeting, providing the necessary organization for the voting of shareholders and authorized persons in accordance with the instructions of the shareholders. The Management Board arranges the holding of the General Meeting and ensures the equal treatment of all shareholders and the right of each shareholder to express their opinion on the items on the agenda. The Management Board assists the shareholders empowered by the court to include additional issues on the agenda of the General Meeting. The shareholders are informed about the decisions of the General Meeting of Shareholders by publicly announcing the Minutes of the General Meeting and their publication at the Commercial Register.

IX. GUIDELINES IN THE OPERATIONS OF THE BANK IN THE PERIOD 2023 - 2025

9.1. The following may be outlined as the strategic operating goals for the period 2023 - 2025:

- Optimizing and improving the quantitative indicators of the corporate and retail portfolio, the amount of borrowed funds and assets, preserving and maintaining a very good quality of the credit portfolio;
- Maintaining and expanding the adopted priorities regarding the product and customer base, information and personnel provision;
- Maintaining high professionalism in service, customer-oriented strategy, expanding the range of basic credit, deposit and combined products and related financial services for individuals, private commercial enterprises, etc.;
- Improvement of financial results and income quality indicators, as well as optimization and effective control over the income and expenditure part of the Bank's budget.
- Active participation in the money and capital market in order to increase the efficiency of transactions;
- Participation in the implementation of harmonized statistical reporting in fulfilment of the economic and convergent criteria in the field of balance of payments; unifying risk analysis and management systems in the context of Basel III requirements, application of international accounting standards and the requirements of IFRS 9, IFRS 16, MiFID II.
- Optimization and effective control over the income and expenditure part of the Bank's budget.
- Analysis and definition of climate and environmental risks.

9.2. Important highlights in the period 2023 - 2025 will be:

- Administration of the corporate bond issue;
- Increase of the basic equity capital of the first tier by converting part of the issued corporate bonds;
- Continuance of cost optimization processes and stricter and more reasonable budget planning;
- Attracting additional cash resources and its effective investment in diversified products, combined with a thorough analysis of potential risks;
- Diversification of the offered programs and product lines, with a high priority being the formation and management of a well-diversified commercial portfolio, corporate and retail banking, custodial services, trust management, long-term investment and project financing for technological renewal, increasing the competitiveness and efficiency of economic subjects.

The management and employees of „Texim Bank” AD will continue to work to expand their market share in the field of corporate banking and retail banking, maintaining the universal commercial profile and the main competitive advantages in the field of offering financial services packages and other instruments.

For the Supervisory Board and Management Board of Texim Bank AD, the issue related to securing the capital position has always been a main focus of the activity.

During the period 2023 - 2025, the efforts of the Bank's team will be focused on preserving and maintaining very good indicators related to the main capital ratios, liquidity and structural performance indicators in accordance with macroprudential requirements. The bank will continue to maintain very good liquidity ratios, combined with the permanent monitoring of the main financial indicators and optimal management of assets and liabilities.

The Bank has an approved recovery plan developed in accordance with the requirements of the Law on Rehabilitation and Restructuring of Credit Institutions and Investment Intermediaries, as well as in accordance with EBA standards and regulatory technical standards.

9.3. The short- and medium-term objectives of the Bank's operations are focused on:

9.3.1. Developing new products and services

In order to preserve and improve the competitive positioning on the market, the team of specialists of Texim Bank AD will continue to develop and offer specialized credit and deposit products, tailored to the changing customer requirements, the specifics of the business and the market environment. The bank develops a wide range of credit products in the field of consumer lending, offering competitive parameters and conditions for lending. High priority is given to the development of digitization and automation of the credit process, the creation of automatic scoring of potential borrowers, remote channels for offering products and services, development of digital channels for debit and credit cards, remote identification of customers and signing of contracts. In the last year, hard work has been done, and in 2023 the offer of package products and services will start. In its capacity as an investment intermediary, the Bank will continue to carry out transactions related to the purchase and sale of securities, custodial services, repo transactions, transactions as a registration agent, related to the change of personal data of the holders of securities during transfers, inheritances or donations, registration of pre-agreed transactions, etc.

The Bank's management plans to develop and deepen the servicing of the budget sphere. An important priority in the activity of the Directorate "Corporate and Institutional

Banking" is participation in competitions (procedures) with offers for servicing various units of the budget sphere.

For the period 2023 - 2025, the main priority in the Bank's activity will remain the preservation and expansion of business with existing clients and the attraction of new clients of the institution.

Efforts will be focused primarily on increasing sales of the Bank's standard products, aimed mainly at its traditional customer groups, as well as on expanding and enriching the product range in the direction of digitalization, mobile banking, offering package products and other innovative solutions. In accordance with the development strategy, the Bank plans development in the following segments of activity related to the defined business lines:

1. Retail banking

- ◆ Consumer loans;
- ◆ Mobile and Internet lending;
- ◆ Mortgage and housing lending;
- ◆ Active offering of package products and services;
- ◆ Package products and services.

2. Corporate and institutional banking

- ◆ Small and medium-sized enterprises;
- ◆ Municipalities;
- ◆ First-class corporate clients;
- ◆ Branch, regional and other associations;
- ◆ Specialized programs.

3. Financial Markets ("Treasures")

- ◆ Operations on the BGN interbank deposit market;
- ◆ Operations on the local money market, forming claims on commercial banks and non-bank institutions;
- ◆ Management of the working capital and investment portfolio

In 2023 - 2025, the following priorities are outlined for key client groups:

- ◆ Maintaining and expanding positions in the corporate client market, retail banking market, government securities transactions, corporate securities transactions, banking services and products related to state and local budgets, etc. The Bank will rely on an active policy aimed not only at maintaining the market positions of its main products – deposit-raising, consumer lending, loans for the purchase and construction of homes, but will also focus on the development of the product range by intensifying cross-selling, combined products, both by type and volume.
- ◆ Precise definition of the sector of wealthy customers and targeting the development of specific /"tailor-made" products/ as preparation for offensive entry into this market.
- ◆ Further development of the segment of "small and medium-sized companies", identification and development of links with appropriate programs conceived as support for the development of micro, small and medium-sized enterprises;
- ◆ Increase the volume and relative share of money market operations. The working capital portfolio of securities will diversify with assets characterized by higher yields.
- ◆ Increase in profitable assets at the expense of better management of cash flows, current accounts and growth of funds in other liabilities.
- ◆ Expanding the volume of card payments in line with the development of card operators, including the national operator.

- ◆ Increasing the volume and distribution of banking products through digital channels.

9.3.2. Increasing the opportunities for generating revenue through careful credit policy, reliability in the administration of loans and enhanced subsequent control over the activity.

The strategy of Texim Bank AD in terms of credit activity for the period 2023 - 2025 is fully consistent with taking acceptable risk. The goals we set ourselves are related to maintaining a poorly balanced and structured loan portfolio with a minimum relative share of hard-to-collect loans and constantly optimizing the price-service ratio. During this period, the Management will work towards effective and prudent management of the loan portfolio (in terms of size, structure and ratios between the different types of loans), analyzing and forecasting the dynamics of resources according to the criteria - maturity, risk, customers, industries, resource market, etc.

9.4. Planned amount of loans and receivables from corporate clients over the next three years.

In the period 2023 – 2025, corporate lending is expected to grow from about 10% to 12% year-on-year for each of the three years. The above growth rates of corporate loans are in line with both the prevailing expectations for the development of the Bulgarian economy and the projected interest rate developments in the country and the Eurozone over the upcoming three-year period.

The main restrictive parameters in the provision of new loans in the field of corporate lending are:

- optimization of loan repayment terms;
- limiting lending to customers with problems in terms of debt collection and payment of receivables, with decreasing net sales revenues and other negative financial indicators and business circumstances;
- limitation of loans with a large grace period;
- in-depth analysis of newly authorised loans in terms of return on investment, with priority given to projects with faster returns;
- a thorough analysis of the borrower's solvency. Targeting customers with good credit history and alternative opportunities for servicing loans, as well as customers with opportunities for self-participation in credit transactions, and maintaining assets on their current accounts in an amount greater than the monthly repayment instalment on the loan used;
- maximum protection against credit risk in the period up to the term of the loan; Credit risk management will be carried out through constant monitoring, focusing on: deepening the analysis of the economic situation and the state of market conditions for the sectors in which borrowers are positioned, as well as their financial and economic situation, while maintaining the existing forms, terms and content of the monitoring process; taking anticipatory actions by the Bank and respectively by the clients as a result of identified specific risk factors related to borrowers, business activity and market environment, their financial and economic situation, management of collateral provided, etc. Increasing the Bank's protection in concluding credit transactions will be realized by minimizing the negative consequences for the Bank when concluding annexes related to a change in loan conditions and interest rates other than those originally agreed;

- When granting loans to legal entities, sole traders and public prosecutors, the aim is to expand the activity, including through projects under the EU Structural Funds, only in a real proven existing market and in sectors without tangible impact of the economic crisis.

9.5. Retail Banking Segment

The pandemic and the subsequent crisis have shown the direction in which the banking sector should develop, namely the comprehensive digitalization of services, processes and products, which significantly reduces operating costs and increases customer satisfaction. The aim is to actively attract new customers by developing entirely online products and processes, including through the mobile banking platform. Digitalization and automation of processes provides opportunities for access to more potential customers, greater recognition of the Bank, and therefore better results.

The main implementation steps are:

1. Digitalization and automation of the credit process and the process of attracting new customers:

- Development of remote channels for offering services and creating a new process for digital remote customer recruitment using cloud electronic signature. We envisage developing the possibility of remote receipt of credit, overdraft or credit card, opening an account, bank debit card and activating mobile banking for new and existing customers.
- Create a digital wallet, virtual cards and NFC payments, instant payments between individuals, etc.
- Attracting new customers to the Bank's website by remote customer identification (digital identity), without the need to visit an office of the Bank;
- Entirely online processes for the sale of credit products, including the conclusion of a credit agreement. Currently, the received online loan inquiries are over 330 per month, without focusing on the Bank's advertising. Currently, a contract has been signed with a certification service provider and the development of remote customer identification and conclusion of a credit agreement has started.
- Implementation of fully automated solutions for granting loans to individuals – in this regard, the preparation of sites related to automatic scoring has started.

2. Micro and small enterprises in the Retail segment – with a turnover of up to BGN 1 million and with exposures up to BGN 100 000. Development of standardized working capital and investment products, together with package programs. This step will expand the Bank's standard product portfolio.

3. Emphasis on transactional banking;

In parallel with the implementation of banking packages for individuals and legal entities aimed at customers actively making payments, the Bank will position itself as a reliable partner, offering additional services, directly or through third parties. Real-time services are becoming more like instant payments, with new market standards emerging. In addition, the focus will be on customers with high net worth, which would actively benefit from a large number of the Bank's products and services. The increasing use of digital wallets in stores, online and in applications creates the need to develop a digital wallet.

4. Bonus programs to stimulate customers who use card products to increase the amount of transactions and therefore the balance sheet debt on card credit products, which is currently 24%, with the goal of reaching a minimum of 50%.

5. Partnership with PIC "Saglasie" AD (the Company)

The Bank is working towards strategic partnerships with insurance and pension insurance companies, which will provide customers with access to some of the most innovative banking and pension insurance solutions on the market.

With the agreements, the Bank aims to expand the product portfolio as well as to ensure comprehensive and complete service to its customers by providing them with individual financial solutions tailored to their specific needs and expectations.

6. Improving efficiency

Revision of the activity of offices, which for 3 consecutive years, make losses and the possible optimization of their number.

7. Automatic scoring to assess the creditworthiness of individuals.

8. Creation of a new commodity lending system with the possibility of integration through an API interface. The aim is to create an opportunity for integration of commercial e-shops and opportunities to create products of type BNPL /buy now and pay later/.

9. A project to enable the Bank to provide software POS to its customers registered as merchants (the implementation of the device is through an Android application installed on a smart device).

10. A project for the development of an additional card product – a virtual card.

11. Participation in Borica's project on migration to a new WAY 4 system.

The parameters set in the revenue side of the budget by year are as follows:

Between 2023 and 2025, retail banking is expected to grow from 2022 levels of between 10% and 16% year-on-year for each of the three years. These growth rates of retail loans are in line with both the prevailing expectations for the development of the Bulgarian economy and the projected interest rate developments in the country and the Eurozone over the upcoming three-year period.

To achieve the objectives in this direction, the following means will be used:

➤ **Expanding and actively interacting with the partner network of traders**

The Bank will continue to invest in the management of relations with credit intermediaries and merchants offering credit products to individuals. With regard to commodity lending, employees will be trained in each office to assist traders in their interaction with the Bank. Active communication and assistance after the conclusion of the contract with the Bank will lead to higher results in commodity lending and greater satisfaction among traders and end customers.

Alternative sales channels through a partner network - traders have potential for development, and in the period 2023 - 2025 we will rely on active regular interaction with our partners to achieve higher results in lending to individuals.

➤ **Continuance of the strategy adopted with regard to:**

- Increase and improve results through selection and training of sales teams positioned in the Bank's branch network.
- Structured approach and special offers to attract new clients for banking services;
- Planning sales campaigns covering different target customer groups in order to achieve structured communication leading to long-term relationships and increasing the products and services used;

- Combining competitive offers for lending to individuals with some of the fastest approval terms on the market, which increases customer satisfaction and loyalty;
- Development of combined packages for individuals for payments;
- Developing and upgrading the capabilities of distribution channels and alternative banking platforms.

To achieve the objectives in these directions, the following means will be used:

- Development of card services and products;
- Improvement and implementation of innovative solutions for remote banking. In the period 2023 – 2025, the improvement of the Internet and mobile banking service will continue, as well as the activity of expanding the range of products and services offered, in order to optimize costs and impose a high-tech image of the Bank. The expansion of the range of products and services that will be offered through alternative distribution channels continues.

9.6. Development and development of card services and products

- During the three-year period, efforts in the field of card business are envisaged to focus on expanding digital sales channels for card products and attracting new customers. Remote identification of customers and signing orders and contracts for various products and services are a major goal in order to upgrade the quality of service and in response to modern trends aimed at remote banking. In this regard, no smaller in importance are the envisaged projects for remote issuance and power of virtual cards, tokenization of cards (integration of the Bank's payment cards in the mobile phone to Google Pay and Apple Pay and development of new POS solutions).
- Particular attention will be paid to the card tokenization project of Texim Bank AD, through which the Bank is expected to significantly reduce its costs for physical plastics on which bank cards are currently issued. No less important is the fact that through this project the Bank will strengthen its image as a high-tech provider of services related to card payments, while strengthening its desire to contribute to environmental protection by minimizing the waste formed by the classic plastic card with a chip and energy efficiency from reducing production and distribution costs.
- In 2023, it is planned to introduce package services for individuals and legal entities clients of the Bank with opportunities to use various card products and services. It is planned that the start will be with a limited number of packages, which in the coming years will be expanded and further adapted to the needs of customers. Through this approach, the Bank will respond to new market demands, while forming additional customer satisfaction and loyalty. This is expected to contribute to an increase in the customer base, the number of cards issued, transactions and the volume of payments.

Planned goals for the period 2023 - 2025 - Credit cards

Among the Bank's priorities regarding credit cards will be the encouragement of customers to make greater use of their credit limits through various incentive mechanisms - games, discounts, bonuses, etc. The growth of nearly BGN 350 thousand in the granted credit limit realized during the first nine months of this year, as well as the fact that this growth is BGN 50 thousand more than that achieved in 2021, gives grounds in the Bank's goals to pledged to reach a target of BGN 7 200 thousand granted credit limit by the end of 2023, BGN 7 500 thousand by the end of 2024 and about BGN 8 000 thousand by the end of 2025. For this purpose, foresees an annual growth of 3% to 5% of issued credit cards, as well as the search for

opportunities to increase the credit limit on already issued credit cards of loyal and regular cardholders of the Bank.

In terms of product, consideration will be given to developing and offering additional credit cards to already issued basic ones that can also benefit from the credit limit allocated to the main card, which will aim to increase to about 35-37% the balance sheet debt on credit cards and interest income.

Planned goals for the period 2023 - 2025 - Debit cards

- Regarding debit cards, the focus will be on expanding the product range and offering cards for notaries, minors, etc. specific customer groups. Based on the positive growth achieved in the last two years, the Bank sets as a goal for the period 2023 - 2025 a 25% increase in the number of issued debit cards for individuals, or an average of about 8% on an annual basis until reaching 13 000 number at the end of 2025. To achieve this goal, the so-called instant issuance, since on the one hand it is a service valued and sought by the Bank's customers, and on the other hand, in recent years the relative share of instantly issued cards has been constantly growing. With debit cards for legal entities, the Bank's focus will be on the total number of issued cards exceeding 1,850 by the end of 2025.
- Offering additional options and services to debit and credit cards will also be a focus – for example insurances to cover dues in case of temporary incapacity for work, insurances to cover damage caused by unauthorized use of cards, etc.
- With regard to the Bank's own authorization host, improvements are planned to be carried out in order to implement additional services for customers, as well as to optimize costs for them.
- The focus will also be on increasing the number of virtual POS terminals by offering the latest and modern system for secure payments on the Internet - 3-D Secure version 2.2. Based on the results achieved so far, and taking into account the ever-increasing demand for the service, the Bank plans to implement between 7 and 10 new virtual terminals in each of the next three years, the main goal of which will be to attract large merchants of the rank of "Homax ", which offer goods and services online.
- In the next three years, Texim Bank AD will continue to work in the direction of increasing the terminal network of physical POS terminals. It is expected that at the end of 2023 the total number of commercial establishments served by the Bank's terminal devices will exceed 230, and in the next two years the growth trend will increase, reaching 35 in 2024 and 50 in 2025. Main goal will be the attraction of new merchants who realize large turnovers through the POS terminals installed in their sites, with an increase of not less than 25% on an annual basis in the income from commissions for the transactions carried out.
- In 2023, a project is expected to be launched by BORICA AD for the migration of physical POS terminals into the new WAY4 authorization system.
- With our approximately 230 physical terminals, which are installed in retail outlets and offices of the Bank, we will actively participate in this project, with expectations as early as 2023. all terminals to be migrated to the new system.
- In order to offer new services to traders, as well as to cover specific business categories of traders, an option will be sought for the realization through BORICA AD of additional solutions and optimizations such as the implementation of a software POS. It allows accepting card payments from a merchant via a mobile phone. The implementation of the software POS will provide a new channel for attracting traders, an opportunity to attract small and micro traders, reduce the cost of hardware by the Bank, increase its competitiveness in the field of Acquiring part, as well as a response to green trends and responsible business development.

9.7. Customer service concept – private banking, investment banking and asset management

“Private Banking” at Texim Bank AD operates on the basis of consistent implementation of an annual strategic plan to achieve the objectives and increase the results.

A constant focus of Private Banking is the accumulation and expansion of the customer base. As a result, over the years we have managed to achieve significant growth of over 10% per year in this regard. After the initial campaign attraction, we focused on careful segmentation of our own customer base in order to achieve more efficiency from customer service and increase revenue from the activities of Private Banking. Customers pay a monthly service fee and, along with revenues from other operations, it can be said that the total revenue from working with clients "Private Banking" grows steadily at an approximate rate of 12% per year, forming a significant part of the total income of the Bank.

An aspiration in the activity of "Private Banking" in the next period remains the introduction of a prepaid minimum "subscription" of products and services for customers. The goal is to increase the business activity of all customers, as well as to achieve maximum efficiency in the ratio of average revenue per client.

The challenges in the segment of specialized service to first-class customers require constant work and striving for innovative, convenient and secure methods of communication and banking. We have successfully introduced a new service "Texim Comfort", specially prepared for clients of "Private Banking" in the Bank. The service includes initiation of payment transactions in a remote manner and digital confirmation by the customer. These transactions already make up the majority of all payment transactions that are controlled by a personal banker.

A constant commitment over the years and in the future are all tasks related to compliance with European and national legislation, especially in the field of investment intermediation, compliance with measures to prevent money laundering and thorough identification of the client.

The strategy for the development of "Private Banking" for the period 2023-2025 includes constant efforts to digitize and find convenient and secure solutions for basic products and services.

An important task for the period remains the introduction of a new digital service for properly remote identification, initiation and submission of orders by remote means for trading in financial instruments.

Other important goals and tasks for Private Banking at Texim Bank for the period are:

- Expanding the customer base with new customers - 10%;
- Growth of the attracted resource from clients of "Private Banking" by 15%;
- Maximization of the total fee revenue and growth of average revenue per client by 30%;
- Expansion of the client base and transactions in financial instruments by 30%;
- Full content of the website for maximum efficiency and accessibility to information and documents from clients;
- Minimizing potential operational risks from Private Banking's activities by applying constant high controls and continuous technological and software development;
- Constant development and improvement of the knowledge and competencies of the employees and the team of Private Banking.
- Improvement and automation of processes related to investment intermediation services.

The strategy of Private Banking from recent years to accumulate and expand the customer base and the range of services offered gives its results and at present Texim Bank AD can declare good positions in the segment of special banking and financial services in the country.

However, the market realities in the business of Private Banking require increased requirements and criteria on the part of customers, both in terms of the range of products and services offered, as well as in terms of speed, convenience, security and all this at the lowest possible transaction and other operating costs.

On the other hand, the constantly changing regulations of national and European legislation impose serious challenges, both in terms of compliance with increasingly complex requirements and their administration. In this regard, significant human and financial resources are allocated.

The main challenge and goal of Private Banking in the Strategy for 2023-2025 is to segment customers according to carefully selected principles and criteria, as well as to introduce conditions for reasonable charging of the additional benefits and value that Private Banking brings to each client.

The high standards in banking with significant clients require the Private Banking team to constantly impose more and more added value when working with each client – new technological solutions and opportunities for communication, acceptance, execution and confirmation of orders. All this should be in line with the high requirements of legislation and customers for more security, speed and achieving greater efficiency.

The banking group on a consolidated basis includes Texim Bank AD (the parent bank) and its controlled subsidiaries: Texim Asset Management EAD, Texim Project Company EOOD, Texim Solutions EOOD. The Bank owns 100% of the capital of Texim Asset Management EAD, which in turn manages the activities of four mutual funds - Texim Bulgaria MF; DF "Texim Conservative Fund"; State Fund "Texim Balkans" and MF "Texim Commodities Strategy".

In the future, Texim Asset Management EAD will continue to maintain positive financial results, taking into account the real economic conditions in the country. The future results of Texim Asset Management EAD will depend to a large extent on the performance of the Bulgarian capital market, as well as macroeconomic data concerning our country: GDP growth, unemployment rate, population income, etc. In the short and medium term, Texim Asset Management EAD will strive to take advantage of the potential of the capital markets, with the funds managed by the Company investing in undervalued companies with prospects for good financial results. This would lead to an increase in the assets managed by the funds, and hence an increase in the revenues for the Management Company. The company will continue with its advertising policy aimed at attracting fresh financial resources. There is no significant increase in the number of staff, which will keep the level of wage, social and pension costs relatively constant. Increasing the share of revenues and maintaining the relatively constant share of costs will ensure growth of the positive financial results of Texim Asset Management EAD.

As of 31.12.2022, the parent bank owns 100% of the shares of Texim Project Company EOOD and Texim Solutions EOOD.

9.8. Custody Services and Bondholders' Trustee

In the past 2022, the custody or depository services of Texim Bank AD once again generated a positive overall return, with a steady growth of client assets in custody, which strengthened the Bank's position among financial institutions in Bulgaria in the field of depository services to maintain a high-quality level of service to institutional clients by maintaining information security and human resources in accordance with the regulatory

requirements, thereby achieving the goals set for development and maintaining the high level of customer satisfaction.

Texim Bank AD envisages maintaining the trend of growth in stored assets in custody and will continue to strive to meet the expectations of its clients.

In the context of increasing volumes, the accumulated experience and broad expertise of the employees play an important role in serving institutional clients regarding the different peculiarities of the domestic and foreign markets for trading in financial instruments.

There are prerequisites for the period 2023 - 2025 to increase the market share of Texim Bank AD in terms of the services provided, continuing to invest in the information security owned for the activity, corresponding to the regulatory requirements, as well as in its customer-oriented and qualified staff, guaranteeing the quality of the services offered. The available information security and qualified staff are a condition for maintaining the high level of service to institutional clients, increase in their numbers over the three-year period.

The accumulated experience and the high quality of performance led to the establishment of Texim Bank AD as a reliable partner in the service provided confident of the bondholders. In 2023 - 2025 The Bank will continue to realize its potential, which will lead to maintaining the trend of increasing the number of serviced bond issuers.

The trend of choosing the Bank as a preferred partner in its capacity as a trustee of bondholders and a bank providing depository and custodian services will continue in 2023 – 2025.

9.9. Improvement and implementation of innovative solutions for remote banking

➤ Digital "recruitment" project and remote services. The project aims to create an opportunity for new and existing clients to apply for services without visiting an office of the Bank, allowing remote signing of documents;

➤ Continuing work on a project to create a new digital vision of the Bank. After the creation of the new corporate website of the Bank, the next stages of the project are renovation and complete rewriting of the existing mobile banking and Internet banking;

➤ A project related to the creation of a digital wallet and virtual cards and NFC payments / a type of wireless communication between two devices, which is carried out at a distance of no more than 4 cm, the connection is at a low speed, but is done instantly without the need for additional adjustment, and the Bank's customers will be able to pay wirelessly through their phones /. The launch of the project is closely related to the launch of the project to rewrite mobile banking. A digital wallet (or e-wallet) is an application of financial transactions that works on mobile devices. It securely stores the payment information of the Bank's client. Virtual cards are protected by encryption.

➤ Continuing the work on the project related to strengthening the synergy between the Bank and PAC "Saglasie", offering online insurance and the products of pension funds in the office network. The project aims to create an e-shop with the ability to accept card payments for distance selling of various types of insurance, and will offer the products of pension funds in the Bank's office network in order to improve the synergy in the holding.

➤ Project related to SEPA Instant transfers transfers. SEPA Instant /2023-2024/ is a new bank transfer technology that allows transactions to be processed in seconds, regardless of the time and day of the week. Unlike most payment methods, the speed does not depend on the account provider's underlying clearing and settlement arrangements. If both European payment institutions involved in the transfer are participants in SEPA Instant, the transfer must be almost instantaneous, or up to 10 seconds by definition.

➤ Continuing the work on the project to build a digital marketing strategy of the Bank. The project includes the creation of a digital marketing strategy / online marketing / and the promotion of the brand between potential customers through the Internet and other forms of digital communication. The metrics that will be tracked are as follows: impressions /how often someone has seen a link to the Bank's website in Google/; clicks / how often someone has clicked on a link from Google to the Bank's website /; position /relative ranking of the position of our link on Google/; click-through rate. The media for communication that will be used are: social networks, YouTube advertising, Google advertising, Banner advertising in the Investor network, SEO optimization, email marketing, affiliate marketing.

➤ The bank will provide an upgrade to the hardware supporting the underlying banking system, as well as the upgrade to a new version of the Oracle database.

➤ Work will continue on the project related to the digitalization of internal processes, such as allowing access to information resources, control and approval of solutions, digitalization of internal document flow and document flow with customers, the change management process, etc.

9.10. Liquidity and markets

With regard to liquidity and investment management, Texim Bank AD will continue to follow a conservative model of behavior in 2023 - 2025. The current market situation, geopolitical and economic environment will be analyzed, in particular monitoring the decisions and policies of the ECB and the Fed in the context of global economic and political processes.

In order to meet the requirements for servicing accounts of the state and municipal budget, the Bank will continue to maintain optimal levels of the government securities portfolio, and after careful analysis will be invested in medium- and long-term government securities with higher levels of yield, with the majority of investments being directed to internal and external Bulgarian government securities. by making a careful analysis of both the situation in the specific country and the international one and avoiding high-risk assets. In order to achieve higher profitability and portfolio diversification, the Bank will also analyze the possibility of investment in corporate bonds, and an in-depth analysis of the issuer will be mandatory.

Texim Bank AD will continue to improve the developed system for analysis and monitoring of liquidity, which, on the basis of inquiries from the information system and other data prepared on this basis, gives a clear picture of the real liquidity situation and facilitates its management.

The measures that Texim Bank AD will take to achieve the above objectives and effects by the end of 2025, are as follows:

The Bank will continue to maintain an LCR ratio and a NSF ratio calculated in accordance with Regulation 575/2013 and in accordance with the Bank's adopted Recovery Plan and its annexes, where an additional buffer on the minimum regulatory requirements is also mentioned. For this purpose, active and permanent monitoring of liquidity indicators will be applied and the assets and liabilities of the Bank will be managed with adequate for the situation.

Within the period 2023. - 2025 Texim Bank AD will constantly analyze its investments in the context of economic processes that have a significant impact on the financial markets. The Money Markets and Liquidity Directorate will currently inform the members of the Management Board and the QAP in order to make an informed management decision by the Bank's Management on key issues related to asset and liability management.

In the period 2023 - 2025 The Bank will continue to develop its systems for liquidity analysis and monitoring and risk assessment and diversification. - 2025 will be the monitoring

and analysis of financial markets and their impact on cash flows, liquidity and trading strategy of the Bank on the financial markets.

In the area of fundraising in the period 2023. - 2025 The Bank will continue to work towards:

- Develop and offer quality products and services at competitive levels in the main liability segments. Texim Bank AD will continue to implement an adequate deposit interest rate policy that is fully consistent with the market situation and the competitive environment;
- Improving the quality of customer service and the quality of the services offered, individual and package effective solutions for its customers;
- Development of channels for distribution of banking products;
- Good image and strengthening the trust of the clients of Texim Bank AD, as well as attracting new customers;
- Coordinated management of assets and liabilities by optimising the spread between income from lucrative assets and the price of the liability.

The Bank's strategy in terms of attracted funds from clients is to maintain and slightly accelerate the growth rate of past years, which is determined on the one hand by the expected development of the economy and, on the other hand, by the ongoing and upcoming initiatives for better positioning of the Bank.

In this sense, the conservative forecast for 2023 is expected growth of about 10%, growth of nearly 12% for 2024 and additional growth of up to 14% for 2025 with the application of a moderately conservative and at the same time balanced policy regarding the cost of borrowed funds at levels close to and around the average value of the resources in the banking system in the country in the conditions of rising interest rates.

9.11. Strategy in the field of interbank and international operations

In the field of trade finance and international payments, it is envisaged to expand the product range, including work with letters of credit, documentary operations, etc. In international payments, we expect growth to continue, and the aim will be to increase the volume of overseas transfers and payments as a continuation of the policy pursued over the years.

Work will continue towards establishing the Bank as a reliable partner for clients in the field of foreign exchange payments through efficient, quality and fast service of client transfer orders.

We envisage undertaking additional activities in connection with the optimization and automation of the processes in the Bank's information system by using various distribution channels, providing additional opportunities for the execution of client transfer orders in order to fully meet their current needs and needs.

With regard to the payment technique and technology, work is underway to successfully finalize the process of activating the SWIFT GPI in the payment system through UniCredit Milano and optimizing the new version of SWIFT – Fast Work.

Work will continue on optimizing the costs associated with payments through active management directing customer transactions through optimal channels in accordance with their conditions, without affecting the quality of the business carried out.

The work related to the introduction and management of reporting in accordance with the requirements of MIFID, automation in the preparation of the required reports and optimization of the interaction of the Directorate with the other units integrated in its activities in Texim Bank AD ("Liquidity and Markets", "Accounting", "Security", "Banking Operations",

"Private Banking", etc.) will continue, as well as the active involvement of the Bank in the implementation of the program for the introduction of the euro in Bulgaria.

The constant growth of incoming currency transfers will be confirmed by offering competitive tariff conditions for the benefit of the Bank's customers.

The Bank's team will continue to improve the activities related to the timely, quality and effective execution of all back-office operations in order to seamlessly conduct and realize transactions on the currency and BGN markets, interbank deposits in BGN and foreign currency, transactions with government securities and corporate securities.

The Bank will take part in the SWIFT projects for the adoption of the ISO20022 standard.

The Bank will provide the necessary resources to migrate the SWIFT system. The project aims to upgrade the SWIFT system while optimizing its maintenance costs.

9.12. Strategy of Texim Bank AD in connection with joining the Eurozone and the adoption of the single European currency.

In relation to the adopted by a decision of the Council of Ministers "National Plan for the introduction of the euro in the Republic of Bulgaria" and the technical preparation for the adoption of the euro in the country, the Bank began preparations for the fulfillment of the key requirements both in the preparatory period and for the period after the introduction of the euro. With regard to the processes led by the BNB related to the organization and management of the replacement of the Bulgarian lev with the euro, the Bank will provide sufficient administrative capacity (including organizational, information and human resources) and will prepare the relevant functional structure committed to planning, coordinating and controlling the processes with a view to the timely launch of the PR process at a sufficiently early stage and ensuring quality and reliable implementation.

We envisage the creation of an organization for the revision of information and accounting banking systems and software products, and for this purpose tests will be carried out to ensure the smooth conversion of the main reporting records and values from BGN to EUR, and for this purpose the BNB will be informed about the final date of completion and the results of the tests. The Bank envisages updating the maintained registers related to assets, liabilities, capital and off-balance-sheet assets and liabilities in the context of their conversion from BGN into euro, and the rules laid down in Regulation (EC) No 1103/97 will be observed upon receipt of rounding differences.

In addition, it is envisaged a complete revision of the tariff for interest, fees and commissions in BGN and EUR within the regulatory period for their double spelling, taking into account the requirements of IFRS 9 (i.e. it will be indicated which interest, fees or commissions are or are not an integral part of the effective interest rate), and the amended tariff is prepared and published on the website in a timely manner.

X. INFORMATION GIVEN IN VALUE AND QUANTITY TERMS ON THE MAIN CATEGORIES OF GOODS, PRODUCTS AND/OR SERVICES PROVIDED, INDICATING THEIR SHARE IN THE SALES REVENUE OF TEXIM BANK AD AS A WHOLE AND THE CHANGES THAT OCCURRED DURING THE ACCOUNTING FINANCIAL YEAR.

10.1. LENDING

Loans and receivables from customers

Types of customers

	As at 31.12.2022	As at 31.12.2021
Private companies	104,082	105,564
Natural persons and households	53,428	51,737
Financial undertakings	31,098	25,029
Impairment for non-collectability	(2,225)	(2,482)
TOTAL	186,383	179,848

By industries

	As at 31.12.2022	As at 31.12.2021
Individuals	53,428	51,738
Manufacturing	16,260	10,593
Services and others	41,028	48,318
Trade	35,660	35,496
Construction	1,154	1,625
Transport	22,027	22,014
Agriculture	253	612
Finance	18,798	11,934
Impairment for non-collectability	(2,225)	(2,482)
TOTAL	183,383	179,848

10.2. CARDS AND DEPOSITS

The table below presents summary information on deposits from customers other than credit institutions as of 31.12.2021 excluding liabilities under operating lease agreements in the amount of BGN 2,936 thousand.

	As at 31 December 2022			As at 31 December 2021		
	BGN	Foreign currency	Total	BGN	Foreign currency	Total
RESIDENTS	338,841	161,399	500,240	308,300	153,045	461,345
Budget	17,701	-	17,701	13,173	-	13,173
Finance	25,778	7,274	33,052	28,747	8,078	36,825
Households and individuals	123,891	99,300	223,191	118,506	97,856	216,362
Services	55,134	20,991	76,125	61,906	19,511	81,417
Industry	5,246	8,298	13,544	5,115	3,841	8,956
Trade	47,281	15,313	62,594	37,257	12,997	50,254
Transport	5,592	7,838	13,430	3,886	8,070	11,956
Construction	53,260	1,784	55,044	36,652	2,103	38,755
Agriculture	4,958	601	5,559	3,058	589	3,647
NON-RESIDENTS	784	24,398	25,182	899	6,472	7,371
	339,625	185,797	525,422	309,199	159,517	468,716

XI. INFORMATION ON REVENUE BROKEN DOWN BY THE SEPARATE CATEGORIES OF ACTIVITIES, INTERNAL AND EXTERNAL MARKETS, AS WELL AS INFORMATION ON SOURCES OF SUPPLY OF MATERIALS NECESSARY FOR THE PRODUCTION OF GOODS OR FOR THE PROVISION OF SERVICES INDICATING THE DEGREE OF DEPENDENCE ON EACH INDIVIDUAL SELLER OR BUYER/USER, AND IN CASE THE RELATIVE SHARE OF ANY OF THEM EXCEEDS 10 PER CENT OF THE EXPENSES OR REVENUES FROM SALES, INFORMATION IS PROVIDED FOR EACH PERSON INDIVIDUALLY ABOUT THEIR SHARE IN THE SALES OR PURCHASES AND THEIR RELATION WITH THE ISSUER

In 2022, the Bank generated net income by individual types of activities as follows:

- **Net income from interest, fees and commissions, net income from operations on financial assets.**

The net interest income for 2022 years is BGN 10 490 thousand and is formed from interest income amounting to BGN 11 832 thousand and interest expenses amounting to BGN 1 342 thousand. Interest income is dominated by interest income from loans and receivables, and in expenses - interest on deposits of customers, other than credit institutions.

- **Net fee and commission income**

The net income from fees and commissions realized in 2022 amounts to BGN 4 034 thousand, with revenues amounting to BGN 4 833 thousand and expenses amounting to BGN 799 thousand. Revenues for fees and commissions are formed by bank transfers, cash operations, credit service, electronic card operations, transactions with securities, income from mutual funds management, investment advice, etc.

- **Net gains on transactions in financial assets carried at fair value through profit or loss**

The realized net profits from operations with securities and foreign exchange trading in 2022 amount to BGN 2 556 thousand. (2021: BGN 2 327 thousand). These gains result from transactions in shares of financial institutions, non-financial institutions and other customers and transactions in bonds issued by the Bulgarian government and companies, as well as from fair value estimates during the period. This income group also includes the result of foreign exchange transactions. In 2022 the net income from forex trading is BGN 695 thousand (2021: BGN 523 thousand).

- **Net gains on transactions in financial assets carried at fair value in other comprehensive income**

In 2022 were reported income from operations with financial assets carried at fair value in other comprehensive income amounting to BGN 85 thousand. (2021: BGN 138 thousand). Mainly these revenues are formed by the sale of government securities issued by the Government of the Republic of Bulgaria.

- **Net exchange rate change losses**

In 2022, a profit was realized from a change in exchange rates amounting to BGN 17 thousand.

- **Other operating expenses, net**

In 2022, the Bank has generated other operating revenues amounting to BGN 486 thousand. The main part of this revenue consists of rental income, remuneration under contracts for an insurance agent, trustee of bondholders, sale of anniversary coins and other services. In 2022, the Bank reported other operating expenses amounting to BGN 1 870 thousand.

- **Change in the fair value of investment property**

In 2022, the Bank has reported a positive net revaluation of investment properties amounting to BGN 1 767 thousand.

- **Impairments for the uncollectibility of financial assets**

The net result of impairments for uncollectibility in 2022 is BGN 56 thousand this value is formed by impairments of financial assets carried at fair value through other comprehensive income amounting to BGN 153 thousand and reintegrated impairments of financial assets at amortized value of BGN 97 thousand.

- **General and administrative operating expenses and depreciation expenses**

The administrative expenses for the Bank's activities in 2022 amount to BGN 13 427 thousand and the depreciation expenses amount to BGN 3 758 thousand.

- **Expenditure on provisions**

Provisions for off-balance-sheet commitments have reintegrated revenues amounting to BGN 10 thousand and accrued expenses for provisions for a court case amounting to BGN 6 thousand.

XII. INFORMATION ON CONCLUDED SIGNIFICANT TRANSACTIONS

In 2022, the Bank did not enter into any major transactions that are significant to its operations.

XIII. INFORMATION ABOUT THE TRANSACTIONS CONCLUDED BETWEEN TEXIM BANK AD AND RELATED PARTIES DURING THE REPORTING PERIOD, PROPOSALS FOR CONCLUDING SUCH TRANSACTIONS, AS WELL AS TRANSACTIONS THAT ARE OUTSIDE ITS USUAL ACTIVITY, OR MATERIALLY DEVIATE FROM THE MARKET CONDITIONS TO WHICH TEXIM BANK AD OR ITS SUBSIDIARY IS A PARTY WITH AN INDICATION OF THE VALUE OF THE TRANSACTIONS, THE NATURE OF THE CONNECTION AND ANY INFORMATION, NECESSARY TO ASSESS THE IMPACT ON THE ISSUER'S FINANCIAL POSITION

As of 31 December 2022 and 2021, the Bank has receivables and liabilities from related parties as follows:

Related parties and balances	Balance as at 31.12.2022	Balance as at 31.12.2021
Subsidiaries		
Deposits received	96	341
Loans granted	-	1 864
Other receivables	1	-
Key management personnel		
Loans granted	390	229
Deposits received	1.314	925
Other receivables	2	

The income and expenses realized by the Bank in 2022 and 2021 from transactions with related parties are as follows:

Related parties and types of transactions	For the year ended	For the year ended
	31.12.2022	31.12.2021
Key management personnel		
Interest income	15	11
Fee income	5	4
Subsidiaries		
Income from services	41	40
Fee income	9	9
Interest income	75	62

In 2022, the Bank carried out transactions with related parties, granting loans, attracting cash and others. All transactions with related parties were concluded under normal commercial conditions in the course of the Bank's activities and did not differ from market conditions. The authorization of credit transactions was carried out after an analysis and assessment of the credit risk, subject to the requirements for liquidity and sufficiency of collateral and the internal regulatory framework of the Bank.

Key personnel of the Bank are the members of the Management Board, including the executive directors directly involved in corporate operational management and the members of the Supervisory Board, who supervise the activities and making important decisions for the development of the Bank.

The remuneration of the members of the Management Board paid in 2022 has a total value of BGN 494 thousand (2021: BGN 468 thousand).

The remuneration of the members of the Supervisory Board paid in 2022 amounts to a total of BGN 270 thousand (2021: BGN 270 thousand).

XIV. INFORMATION REGARDING EVENTS AND INDICATORS OF AN UNUSUAL NATURE FOR TEXIM BANK, HAVING A SIGNIFICANT IMPACT ON THE BANK'S ACTIVITY AND THE REVENUES AND EXPENSES INCURRED BY IT. ASSESSMENT OF THEIR IMPACT ON THE RESULTS OF THE CURRENT YEAR

During the year, there were no events and indicators of an unusual nature for the Bank, having a significant impact on its activities.

XV. INFORMATION REGARDING TRANSACTIONS CONDUCTED OFF-BALANCE-SHEET - NATURE AND BUSINESS PURPOSE, INDICATION OF THE FINANCIAL IMPACT OF THE TRANSACTIONS ON THE ACTIVITY, IF THE RISK AND BENEFITS OF THESE TRANSACTIONS ARE MATERIAL FOR TEXIM BANK AD AND IF THE DISCLOSURE OF THIS INFORMATION IS MATERIAL FOR THE ASSESSMENT OF THE FINANCIAL POSITION OF TEXIM BANK AD

Off-balance sheet commitments under bank guarantees issued in BGN amount to BGN 17 355 thousand. The total amount of unspent commitments under agreed loans and overdrafts (including corporate loans and retail loans) as of 31.12.2022 amounts to BGN 13 028 thousand at BGN 16 106 thousand by the end of 2021.

XVI. INFORMATION ABOUT SHAREHOLDINGS OF TEXIM BANK AD, ABOUT THE MAIN INVESTMENTS IN THE COUNTRY AND ABROAD (IN SECURITIES, FINANCIAL INSTRUMENTS, INTANGIBLE ASSETS AND REAL ESTATE), AS WELL AS INVESTMENTS IN EQUITY SECURITIES OUTSIDE THE ECONOMIC GROUP AND SOURCES. WAYS OF FINANCING

The financial instruments owned by Texim Bank AD as of 31.12.2022 are: government bonds, corporate bonds, shares and shares, the total balance sheet value of which is BGN 133

225 thousand, classified in the following groups: at fair value in profit and loss, at fair value through other comprehensive income and debt instruments at amortized cost.

As of 31.12.2022, Texim Bank AD owns government securities issued by the Government of the Republic of Bulgaria with a total value of BGN 63 351 thousand.

As of 31.12.2022, Texim Bank AD does not own securities issued by foreign governments.

The corporate debt securities of Bulgarian and foreign issuers at the end of 2022 amount to BGN 28 446 thousand, and the shares and shares of enterprises, as well as shares in collective investment schemes, owned by the Bank amount to BGN 41 428 thousand.

As of 31.12.2022, the subsidiaries do not own shares of the Bank.

XVII. INFORMATION ABOUT THE CONTRACTS CONCLUDED BY TEXIM BANK AD OR ITS SUBSIDIARIES IN THEIR CAPACITY AS BORROWERS, LOAN AGREEMENTS WITH AN INDICATION OF THE TERMS OF THEM, INCLUDING THE DEADLINES FOR REPAYMENT, AS WELL AS INFORMATION ON GUARANTEES AND COMMITMENTS

Deposits from other customers, other than credit institutions, and liabilities under lease contracts amount to BGN 528 358 thousand, incl. BGN 525 422 thousand deposits from other customers, other than credit institutions - residents and non-residents and BGN 2 936 thousand liabilities under lease contracts.

XVIII. INFORMATION ABOUT THE LOANS GRANTED BY TEXIM BANK AD OR ITS SUBSIDIARIES, PROVIDING GUARANTEES, OR ASSUMING TOTAL LIABILITIES TO ONE PERSON OR ITS SUBSIDIARIES, INCLUDING RELATED PARTIES WITH THE INDICATION OF THE NAME OR NAME AND UIC OF THE PERSON, THE NATURE OF THE RELATIONSHIP BETWEEN TEXIM BANK AD OR THEIR SUBSIDIARIES AND THE BORROWER PERSON, THE AMOUNT OF PRINCIPAL OUTSTANDING, THE INTEREST RATE, THE DATE OF CONCLUSION OF THE CONTRACT, THE DEADLINE FOR REPAYMENT, THE AMOUNT OF THE OBLIGATION UNDERTAKEN, SPECIFIC CONDITIONS OTHER THAN THOSE REFERRED TO IN THAT PROVISION, AS WELL AS THE PURPOSE FOR WHICH THEY WERE GRANTED, IF CONCLUDED AS A TARGET.

Texim Bank AD is a credit institution and as part of its main subject of activity provides loans in compliance with the requirements of Regulation (EU) 575/2013, the Law on credit institutions and the acts on their implementation, as well as the internal normative acts of Texim Bank AD. All loans are effective and concluded according to the internal regulatory framework of the Bank, the requirements for liquidity and sufficiency of collateral laid down in the Rules for credit activity of Texim Bank AD have been met.

The supervision of the Bank's activities as a credit institution is carried out by the BNB. In this regard, and in accordance with the requirements of the Law on Credit Institutions, detailed information on all loans granted by the Bank is duly submitted to the Central Credit Register maintained by the BNB.

The subsidiaries of Texim Bank AD did not grant loans in 2022.

XIX. INFORMATION ON THE USE OF FUNDS FROM A NEW ISSUE OF SECURITIES DURING THE REPORTING PERIOD

After prior approval has been issued under Art. 33 of Ordinance No. 2 of 2006 on licenses, approvals and permits issued by the Bulgarian National Bank, in connection with Art. 39, para. 6 of the Law on Credit Institutions, according to Decision No. 338 of 29.09.2020 of the Board of the BNB, the funds raised through the bonds in the amount of BGN 22,000

thousand are included in the second-tier capital of Texim Bank AD, in compliance with the requirements of Art. 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013.

The collected funds in the amount of 22,000 thousand BGN are used by Texim Bank AD in accordance with the objectives specified in the Prospectus for the initial public offering and admission to trading on the regulated market of convertible corporate bonds of Texim Bank AD, confirmed with Decision No.237-E of 26.03.2020 of the Financial Supervision Commission, as well as in accordance with the Bank's strategy for raising funds for business development in lending and the introduction of additional products and services and for increasing the efficiency of existing ones, as well as for protection from potentially unfavorable development of the macroeconomic environment and provision of additional capital buffers.

Proceeds from the bonds are not and will not be used to acquire assets other than the Bank's usual business.

XX. ANALYSIS OF THE RATIO BETWEEN THE ACHIEVED FINANCIAL RESULTS REFLECTED IN THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR AND PREVIOUSLY PUBLISHED FORECASTS FOR THESE RESULTS

In its Annual Separate Activity Report for 2022, the Bank has not published specific forecasts for its development and accordingly does not report a ratio between previously made forecasts and achieved results.

XXI. ANALYSIS AND EVALUATION OF THE POLICY ON THE MANAGEMENT OF FINANCIAL RESOURCES WITH AN INDICATION OF THE POSSIBILITIES FOR SERVICING THE OBLIGATIONS, POSSIBLE THREATS AND MEASURES THAT TEXIM BANK AD HAS TAKEN OR IS ABOUT TO TAKE WITH A VIEW TO THEIR ELIMINATION.

The bank manages its assets in accordance with the current legislation and internal regulatory framework. The bank services all its obligations on time and maintains a high degree of liquidity.

Liquidity risk arises from the discrepancy between the maturities of assets and liabilities and the lack of sufficient funds for the Bank to meet payments on current financial liabilities, as well as to provide funds to finance the increase in financial assets and possible claims on off-balance sheet liabilities. Liquidity risk is subject to analysis and control by the Assets and Liabilities Management Committee. The main sources of funds for the Bank are deposits and other loan resources. For 2022, there are no indicators (indicators) of the Bank for the occurrence of increased risk, regulated in the "Rules for Liquidity Risk Management". Periodically, according to the Internal Rules, "Liquidity Reports" are prepared /in a normal banking environment and in a "Liquidity Crisis" scenario/.

The preventive function in liquidity risk management is expressed in daily monitoring and management of liquidity, maintenance of sufficient availability of high-quality liquid assets to ensure mismatches between incoming and outgoing cash flows, analysis of mismatches between incoming and outgoing cash flows by maturity intervals, as in normal banking environment as well as in crisis conditions.

The bank follows the obligations and restrictions arising from the Law on Credit Institutions, European legislation and Ordinance No. 11 of the BNB on the management and supervision of banks' liquidity. A quantitative measure of liquidity risk is the liquidity coverage ratio. The bank traditionally maintains a large volume of highly liquid assets - cash in cash and in the BNB, which guarantee it a problem-free meeting of liquidity needs. As an additional tool for ensuring high liquidity, the Bank uses the provided resources and advances of financial institutions. Basically, these are deposits in first-class international and Bulgarian financial institutions with a maturity of up to 7 days. The bank is able to meet all of its payment needs for maturing financial liabilities.

XXII. ASSESSMENT OF THE POSSIBILITIES FOR REALIZATION OF THE INVESTMENT INTENTIONS BY INDICATING THE AMOUNT OF AVAILABLE FUNDS AND REFLECTING THE POSSIBLE CHANGES IN THE FINANCING STRUCTURE OF THIS ACTIVITY

The bank will finance its activities in 2023-2025 with its own funds and attracted resources. The bank has sufficient free equity capital in the sense of EU Regulation No. 575 with a view to realizing the intentions to expand the activity, and in the Strategy and the budget framework for the three-year period we are betting on the conversion of part or all of the issued bond issue.

XXIII. INFORMATION ABOUT CHANGES DURING THE REPORTING PERIOD IN THE BASIC MANAGEMENT PRINCIPLES OF TEXIM BANK AD AND ITS GROUP OF ENTERPRISES

In 2022, there were no changes in the basic management principles of the Bank. The Bank's governance principles are in line with European frameworks and internationally recognized standards of good corporate governance.

XXIV. INFORMATION ABOUT THE MAIN CHARACTERISTICS OF THE INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM APPLIED BY TEXIM BANK AD IN THE PROCESS OF PREPARATION OF FINANCIAL STATEMENTS**Internal control and audit**

In Texim Bank AD, a Specialized "Internal Audit" Service (SIAS) has been established and is functioning. The Supervisory Board is an independent structural unit in the system of Texim Bank AD, subordinate to the Supreme body - the General Meeting of Shareholders, and when it is not in session - to the Supervisory Board. The SIAS carries out the internal audit in the Bank, which is one of the main elements of the internal control system.

SIAS provides the Bank's Management with independent, objective and unbiased assessments of the risks and the controls implemented as a response, related to the management and operational activity regarding: the strategy, the reliability and the integrity of the financial and operational information; the effectiveness and efficiency of operations, including safeguarding of assets; compliance with laws, by-laws and internal acts and contracts.

The internal audit covers all aspects of the Bank's activity – all structural units, activities and processes, review of risk management procedures, internal control systems, information systems and management processes.

SIAS conducts its activities in accordance with an approved Annual Audit Plan. developed and updated using a methodology based on risk assessment. The activity of SIAS includes periodic checks of transactions, review for compliance with the best banking practices, compliance with regulatory requirements, proposals for the introduction of preventive measures to prevent and detect fraud.

In the performance of its functions, the SIAS checks and evaluates:

- The management process aimed at promoting ethical relations in the Bank; ensuring effective management and responsibility; communication to the relevant units regarding risks and controls; coordination of activities and exchange of information between external auditors and management;
- The system for reporting and information, the usefulness of the prepared analyzes and the correctness of the data;
- The legality of operations, compliance with internal rules and procedures and the implementation of management decisions;
- Compliance of internal control policies and procedures with regulatory and regulatory requirements, as well as with the decisions of management and supervisory bodies

- The accuracy and effectiveness of the implementation of internal policies and procedures;
- The results and effectiveness of the activity;
- The possibility of fraud;
- Risk management systems, risk assessment methodologies and capital adequacy;
- The appropriateness, quality and effectiveness of the control actions performed by the units responsible for operational control over the business units in the execution of transactions and operations, the risk management structure and the regulatory compliance service;
- The reliability and timeliness of the accountability provided to the Bulgarian National Bank;
- Protection of the Bank's assets from mismanagement and abuse;
- The implementation of contracts and commitments;
- The selection and qualification of staff, as well as the consistency of job descriptions and powers.

In 2022 the internal rules related to the activities of the Specialized Internal Audit Service of Texim Bank AD were updated. In the performance of its functions, the Specialized Internal Audit Service performed audit engagements for assurance through a systematic approach to assess the risk management systems, internal control and management systems of the Bank and made recommendations for their improvement, as well as periodically reviewing their implementation.

XXV. ИНФОРМАЦИЯ ЗА ПРОМЕНИТЕ В УПРАВИТЕЛНИТЕ И НАДЗОРНИ ОРГАНИ ПРЕЗ ОТЧЕТНАТА ФИНАНСОВА ГОДИНА

In 2022 there were no changes in the management and supervisory bodies of “Texim Bank” AD.

XXVI. INFORMATION ON CHANGES IN THE MANAGEMENT AND SUPERVISORY BODIES DURING THE REPORTING FINANCIAL YEAR

The annual individual and consolidated financial statements of the Bank for 2022 have been audited by Grant Thornton OOD and RSM BG OOD (selected by the decision of the General Meeting on 27.06.2022). The company Grant Thornton OOD has its management address: Sofia, 26 Cherni Vrah Blvd. The company is a member of the Institute of Certified Public Accountants in Bulgaria (ICPA), registered as an auditing company under Reg. No. 032 of the register under Art. 20 of the Law on the Independent Financial Audit. The registered auditor responsible for the audit for 2022 is Silvia Borislavova Dinova with personal registration no. 0737 in the register.

RSM BG OOD has its registered office address: Sofia, 9 Fritof Nansen Blvd., 7th floor. The company is a member of the Institute of Chartered Certified Accountants in Bulgaria (ICPA). The company is registered in the register under Art. 20 of the Law on the Independent Financial Audit, as an audit firm under reg. No. 173. The registered auditor responsible for the audit for 2022 is Mariana Petrova Mihaylova with personal reg. No. 203 in the register.

The remuneration for the mandatory independent financial audit of the individual and consolidated financial statements of Texim Bank AD for the period ending on 31 December 2022, is BGN 191 thousand excluding VAT, which includes the remuneration of the two auditing companies.

The other services, not related to the mandatory financial audit, which are provided by the two auditing companies include a commitment to carry out agreed procedures in connection with the application of Ordinance No. 10 of the Bulgarian National Bank on the organization, management and internal control in banks for the period 1 January - 31 December 2022, the

remuneration for which is a total of BGN 11 thousand for the two audit firms. In 2022 and until the date of this report, no tax consultations were carried out by the two auditing companies - Grant Thornton OOD and RSM BG OOD.

XXVII. INFORMATION ABOUT THE SHARES HELD BY THE MEMBERS OF THE MANAGEMENT AND CONTROL BODIES AND PROCURATORS OF TEXIM BANK AD, INCLUDING THE SHARES HELD BY EACH OF THEM SEPARATELY AND AS A PERCENTAGE OF THE SHARES OF EACH CLASS, AS WELL AS OPTIONS ON ITS SECURITIES PROVIDED TO THEM BY TEXIM BANK AD - TYPE AND AMOUNT OF THE SECURITIES ON WHICH THE OPTIONS ARE ESTABLISHED, OPTION EXERCISE PRICE, PURCHASE PRICE, IF ANY, AND TERM OF OPTIONS

The acquired, owned and transferred shares by the members of the Management and Supervisory Board of Texim Bank AD are as follows:

	Full name	Role	Number of shares held by Texim Bank AD as at 01.01.2022	Number of shares of Texim Bank AD, acquired in 2022	Number of shares of Texim Bank AD transferred in 2022	Number of shares held by Texim Bank AD as at 31.12.2022
1	Mariya Petrova Vidolova	Executive Director and Member of the Management Board	569	0	0	569

The other members of the Management and Supervisory Board of Texim Bank AD have not owned, acquired or transferred shares of the Bank in 2022, as well as have no special rights to acquire shares and bonds of Texim Bank AD (information under Art. 187 "e" of the Commerce Act).

INFORMATION UNDER ART. 247, para. 2, item 4 OF THE COMMERCE ACT

Participation of the members of the Management and Supervisory Board of Texim Bank AD in companies as unlimited partners. Owning more than 25% of the capital. Participation in the management of other companies

NAME	Holding more than 25% of the capital of other companies	Participation in the management of other companies, or cooperatives such as procurators, managers, or board members
APOSTOL APOSTOLOV	<ul style="list-style-type: none"> - Sole owner of the capital of "Ala Consult" EOOD; - Sole owner of the capital of "Energreen" EOOD; - Partner in "Studio Seven Hills" OOD; - Shareholder in "Quadra" AD; 	<ul style="list-style-type: none"> - Chairman of the Supervisory Board of Texim Bank AD; - Chairman of the Board of Directors of Central Depository AD; - Member of the National Assembly of "Electricity Distribution Networks Zapad" EAD; - Manager of "Ala Consult" EOOD;

	<ul style="list-style-type: none"> - Shareholder in Green Industry Properties REIT /with former name - "City Properties" REIT/; - indirect participation in Green Property Services OOD; - indirect participation in " Sustainable Business Consulting" OOD 	<ul style="list-style-type: none"> - Manager of "Energreen" EOOD; - Chairman of the Board of Trustees and President of the Higher School of Insurance and Finance /VUZF/; - Member of the Management Board of the Bulgarian Association of Investment Bankers.
MILEN MARKOV	<ul style="list-style-type: none"> - Partner in "ELBA PROPERTIES" OOD, (the company does not operate); - Sole owner of the capital of "MTM" EOOD, (the company does not operate). 	<ul style="list-style-type: none"> - Deputy Chairman of the Supervisory Board of Texim Bank AD; - Chairman of the Board of Directors and Ch. Exp. Director of Pension Insurance Company "Saglasie" AD; - Chairman of the Board of Directors of the Life Insurance Company "Saglasie" AD; - Chairman of the Board of Directors of the Insurance Company "Saglasie" AD; - Member of the Management Board of the Bulgarian Association of Supplementary Pension Security Companies; - Member of the Management Board of the Guarantee Fund.
PETAR HRISTOV	<ul style="list-style-type: none"> - Shareholder in "Mega Trans" AD; - Partner in "Albatros 1" OOD; - Partner in "Profayer" OOD; - Partner in Chaika Property Management Service OOD; - Partner in "Mineral Processing" OOD 	<ul style="list-style-type: none"> - Member of the Supervisory Board of Texim Bank AD; - Executive Director and member of SD – "Mega Trans" AD.
VESELIN MOROV	Does not own	<ul style="list-style-type: none"> - Member of the Supervisory Board of Texim Bank AD; - Member of the Board of Directors of the Pension Insurance Company "Saglasie" AD.
IVELINA SHABAN	Does not own	<ul style="list-style-type: none"> - Member of the Supervisory Board of Texim Bank AD;

		<ul style="list-style-type: none"> - Member of the Board of Directors and Executive Director of Real Finance Asset Management AD; - Member of the Board of Directors and Executive Director of Holding Varna AD; - Procurator at Real Finance AD; - Member of the Board of Directors and Executive Director of Saints Constantine and Helena Holding AD; - Member of the Board of Directors and Executive Director of Kamchia AD; - Manager of Park Build EOOD; - Member of the Board of Directors of M Sat Cable EAD, through Holding Varna AD; - Member of the Board of Directors of Varna Realities EAD, through Holding Varna AD; - Member of the Board of Directors of Shabla Golf-Vaclino AD, through Saints Constantine and Helena Holding AD; - Member of the Board of Directors of Shabla Marina AD, through Saints Constantine and Helena Holding AD; - Member of the Board of Directors of Atlas 1 EAD, through Holding Varna AD; - Member of the Board of Directors of GIS Varna EAD, through Holding Varna AD.
IGLIKA LOGOFETOVA	<ul style="list-style-type: none"> - Logofetova and Partners Law Firm, a civil company registered under the Obligations and Contracts Act; - Sole owner of the capital of Ipsilon Assets EOOD. 	<ul style="list-style-type: none"> - Chairman of the Management Board of Texim Bank AD; - Chairman of the Board of Directors of Texim Asset Management EAD; - Managing Partner of Logofetova and Partners Law Firm, a civil company registered under the Obligations and Contracts Act; - Member of the Board of Directors of "Texim Livadi" EAD.
IVAYLO DONCHEV	<ul style="list-style-type: none"> - Sole owner of the capital of "VIT MD" EOOD 	<ul style="list-style-type: none"> - Deputy Chairman of the Management Board and Executive Director of Texim Bank AD; - Manager of "VIT MD" EOOD
MARIYA VIDOLOVA	Does not own	<ul style="list-style-type: none"> - Executive Director and Member of the Management Board of Texim Bank AD;

DIMITAR ZHILEV	Does not own	<ul style="list-style-type: none"> - Manager of "Texim Solutions" EOOD; - Member of the Management Board of Texim Bank AD; - Member of the Board of Directors of BM Leasing EAD; - Deputy Chairman of the Board of Directors and representative of Concord Asset Management AD.
----------------	--------------	---

Pursuant to Art. 240b of the Commercial Law, the members of the Management and Supervisory Board of Texim Bank AD and the persons related to them did not conclude contracts in 2022 that go beyond the usual activities of the Bank, or significantly deviate from the market conditions.

XXVIII. INFORMATION ABOUT THE ARRANGEMENTS KNOWN TO TEXIM BANK AD (INCLUDING AFTER THE END OF THE FINANCIAL YEAR), AS A RESULT OF WHICH IN THE FUTURE THERE MAY BE CHANGES IN THE RELATIVE SHARE OF SHARES OR BONDS HELD BY CURRENT SHAREHOLDERS OR BONDHOLDERS

Texim Bank AD has no known arrangements (including after the end of the financial year) as a result of which changes in the relative share held by current shareholders may occur in the future period.

XXIX. INFORMATION ABOUT PENDING JUDICIAL, ADMINISTRATIVE, OR ARBITRATION PROCEEDINGS CONCERNING LIABILITIES OR RECEIVABLES OF TEXIM BANK AD AMOUNTING TO AT LEAST 10% OF ITS EQUITY; IF THE TOTAL VALUE OF THE LIABILITIES OR RECEIVABLES OF TEXIM BANK AD IN ALL INITIATED PROCEEDINGS EXCEEDS 10% OF ITS EQUITY, INFORMATION SHALL BE PROVIDED FOR EACH PROCEEDING SEPARATELY

Texim Bank AD has no pending judicial, administrative, or arbitration proceedings concerning the Bank's liabilities or receivables in the amount of 10 or more percent of its equity. The total value of the Bank's liabilities or receivables in all initiated proceedings does not exceed 10 percent of its equity.

XXX. DETAILS OF THE INVESTOR RELATIONS DIRECTOR, INCLUDING TELEPHONE NUMBER AND ADDRESS FOR CORRESPONDENCE

Investor Relations Director is Irena Georgieva Ivanova, correspondence address – Sofia 1303, 117 "Todor Alexandrov" Blvd., tel. 02/903 55 05.

XXXI. INFORMATION ON THE PUBLIC STATEMENT OF THE EUROPEAN SECURITIES AND MARKETS AUTHORITY (ESMA) SETTING OUT THE COMMON EUROPEAN PRIORITIES FOR THE IMPLEMENTATION OF THE ANNUAL FINANCIAL STATEMENTS FOR 2022

Climate issues

In 2023, one of the main priorities of the Bank will be the development of a comprehensive system for reporting, evaluating and managing risks arising from climate change and environmental degradation, which undoubtedly represent major challenges for the corporate sector in Europe and in our country, and in particular the banking sector, in the coming years. In the context of an ever-changing regulatory framework that has placed even

greater emphasis on the topic of climate risks, in the coming year the Bank will continue its efforts to develop a comprehensive methodology aimed at assessing and analyzing exposures to climate-related risks and environment, and the degree of vulnerability of the Bank's credit portfolio to such risks. A first step in implementing this process is the collection of relevant information and data on borrowers (i.e. expanding and supplementing current information on them) needed to assess the vulnerabilities of exposures to climate and environmental risks, as well as related to sustainability in the sectors and segments most affected by climate change. In this regard, a corresponding change in the information systems will be necessary so that this data can be collected, reported and processed according to the best banking practices. The second logical step is to develop a comprehensive system of limits to efficiently manage climate and environmental risks in accordance with regular monitoring and escalation rules and integrate them into the overall risk management framework.

Russia's invasion of Ukraine

On 24 February 2022, the Russian Federation launched an armed invasion of Ukraine. In response to this aggression, many economic and financial sanctions were imposed on Russia by the countries of the European Union, the USA, as well as by a number of other countries, which were expanded and supplemented repeatedly over time. The unconditionally imposed sanctions, as well as the severe restriction of economic activities on the territory of Ukraine, have a very wide resonance and a strong negative effect on the world economy and almost every sphere of social and economic life. Initially, the energy resource market, not only in Europe, but also worldwide, was severely affected, with some energy prices increasing multiple times and supplies decreasing dramatically. In addition, many of the major markets for industrial raw materials, metals and grains, were also significantly affected, with their exchange prices rising significantly and the uncertainty of their supply on a global scale increasing significantly. In the next few months, this was inevitably reflected in a constantly rising growth of inflation on a global scale, which for many of the world's leading economies, including for the countries of the Eurozone and the USA, marked record values in 2022.

In connection with the above and in view of the uncertainties regarding the effect of the imposed sanctions and restrictions, immediately after the start of hostilities on the territory of Ukraine, the Bank is conducting a comprehensive review of activities, counterparties and economic relationships that could be exposed to risk. As of the beginning of 2022, the Bank has an investment in a bond issued by the International Bank for Economic Cooperation (IBEC), headquartered in Moscow, with a balance sheet value of BGN 2 million. Until the end of 2022, the member countries of the BIIS are Bulgaria, Vietnam, Mongolia, Poland, Russia, Romania, Slovakia and the Czech Republic. At the beginning of 2023, the EU member states, including and Bulgaria, announced the termination of their membership in MBIS, which is now a fact.

Macroeconomic environment

In the paragraph above, briefly describing the economic effects of Russia's military actions in Ukraine, the record high levels of inflation in 2022 was noted, as a result of which already in the first quarter of last year the world's leading central banks, namely the US Federal Reserve (Fed) and the European Central Bank (ECB), radically changed the expansionary monetary policy pursued over the past few years. They started an aggressive and rapid increase in key interest rates and began a process of withdrawing liquidity from financial markets in an attempt to combat inflation. Thus, the Fed began its aggressive cycle of raising interest rates in March 2022 and by the end of the year at several consecutive meetings raised key interest rates

in the US by a total of 425 basis points. For its part, the ECB began its cycle of raising interest rates at a later stage - in July 2022, and at several consecutive monetary policy meetings until the end of 2022 raised key interest rates by an unprecedented 250 basis points.

This inevitably affected the domestic financial market in Bulgaria, where, despite the fact that the high liquidity in national currency remained, the cash index of one-day unsecured deposits in BGN on the LEONIA Plus interbank market at the end of 2022 reached 1.84%, and only a few months earlier - in the middle of the year, as well as in the last few years. It had negative values.

Taxonomy related disclosures

In 2023, the Bank will continue its work on developing and adapting its internal systems to comply with the requirements of the Taxonomy Regulation for classifying economic activities as environmentally sustainable. In this way, compliance of the taxonomy with the main economic activities and directions of development will be achieved, so that the Bank can prepare in a timely and adequate manner for the increased reporting requirements that will come into force in 2024.

XXXII. CAPITAL STRUCTURE

Texim Bank AD is a public company whose shares and bonds are quoted on the Bulgarian Stock Exchange.

The capital of Texim Bank AD amounts to BGN 27 995 036 (twenty-seven million nine hundred and ninety-five thousand and thirty-six), divided into BGN 27 995 036 (twenty-seven million nine hundred and ninety-five thousand and thirty-six) ordinary, registered, dematerialized shares with a nominal value of BGN 1 (one) each.

With protocol No. 62/30.12.2022 of the Management Board, approved with protocol No. 62/30.12.2022 of the Supervisory Board of "Texim Bank" AD, decisions were made to increase the Bank's capital by converting issued bonds and for amendment of the Bank's Articles of Association, according to which the capital of "Texim Bank" AD is increased by BGN 2 000 000 (two million) from BGN 27 995 036 (twenty-seven million nine hundred ninety-five thousand thirty-six) to BGN 29 995 036 (twenty-nine million nine hundred ninety-five thousand thirty-six) BGN. The capital is increased by issuing 2 000 000 new ordinary, registered, non-registered shares with the right to vote with a nominal value of BGN 1/one/ each, after conversion of 5 000 ordinary, non-registered, registered, freely transferable, unsecured shares, interest-bearing, convertible corporate bonds with ISIN code BG2100007207, with a nominal value of BGN 1 000 each.

XXXIII. INFORMATION ON SECURITIES NOT ADMITTED TO TRADING ON A REGULATED MARKET IN THE REPUBLIC OF BULGARIA OR ANOTHER MEMBER STATE

There are no securities of Texim Bank AD that are not admitted to trading on a regulated market in the Republic of Bulgaria or any other Member State.

There are no different classes of shares.

XXXIV. INFORMATION ON THE DIRECT AND INDIRECT HOLDING OF 5% OR MORE OF THE VOTING RIGHTS IN THE GENERAL MEETING OF TEXIM BANK AD, INCLUDING DATA ABOUT THE SHAREHOLDERS, THE AMOUNT OF THEIR SHAREHOLDING AND THE WAY IN WHICH THE SHARES ARE HELD

The persons who hold as of 31.12.2022, directly and indirectly 5 or more than 5 percent of the voting rights in the general meeting of Texim Bank AD are:

	Name	UIC	% of voting rights as at 31.12.2022	% of voting rights as at 31.12.2021
1	Web Finance Holding AD	103765841	18,88%	18,88%
2	"Sila Holding" AD	112100237	8,93%	8,93%
3	PIC "Saglasie" AD	831284154	6,98%	6,38%
4	"Invest Capital" AD	831541734	5,17%	5,17%
5	"Etrade" AD	130301989	5,10%	5,10%
6	"Datamax" AD	831257470	4,94%	4,94%
7	Datamax System Holding AD	131466552	4,77%	4,77%

** As of 31.12.2022 the companies Etrade AD, Datamax System Holding AD and Datamax AD, in their capacity as related parties, together hold 14.81% of the voting rights in the General Meeting of Shareholders of Texim Bank AD.*

XXXV. DETAILS OF SHAREHOLDERS WITH SPECIAL CONTROL RIGHTS AND DESCRIPTION OF THESE RIGHTS

Texim Bank AD has no shareholders with special control rights.

XXXVI. SHAREHOLDERS' AGREEMENTS KNOWN TO TEXIM BANK AD WHICH MAY LEAD TO RESTRICTIONS ON THE TRANSFER OF SHARES OR VOTING RIGHTS

There are no agreements between shareholders known to Texim Bank AD that may lead to restrictions on the transfer of shares or voting rights.

XXXVII. SUBSTANTIAL CONTRACTS OF TEXIM BANK AD, WHICH TAKE EFFECT, CHANGE OR ARE TERMINATED DUE TO A CHANGE IN THE CONTROL OF THE COMPANY IN THE IMPLEMENTATION OF MANDATORY TENDER OFFERING AND THEIR CONSEQUENCES, EXCEPT IN THE CASES WHEN THE DISCLOSURE OF THIS INFORMATION MAY CAUSE SERIOUS DAMAGE TO THE COMPANY; THE EXCEPTION UNDER THE PRECEDING SENTENCE SHALL NOT APPLY IN THE CASES WHEN TEXIM BANK AD IS OBLIGED TO DISCLOSE THE INFORMATION UNDER THE LAW

There are no significant contracts of Texim Bank AD that take effect, be amended or terminated due to a change in the control of the Bank in the course of mandatory tender offering.

XXXVIII. ELECTRONIC REFERENCE TO THE INFORMATION AGENCY CHOSEN BY TEXIM BANK AD OR OTHER MEDIA THROUGH WHICH THE COMPANY PUBLICLY DISCLOSES INSIDE INFORMATION.

<https://www.infostock.bg/infostock/control/announcement>

Information on the implementation of the principles and recommendations of the National Corporate Governance Code, in accordance with the principle "observe or explain", including the required under art. 100n, para. 8 of POSA, information is presented in Appendix 1 to the Annual Individual Report on the Bank's Activities: Corporate Governance Statement.

29 March 2023, Sofia

IVAYLO DONCHEV
/EXECUTIVE DIRECTOR/



MARIYA VIDOLOVA
/EXECUTIVE DIRECTOR /

CORPORATE GOVERNANCE STATEMENT
UNDER ART. 100N, PARA 8 IN RELATION TO PARA 7, ITEM 1 OF
THE PUBLIC OFFERING OF SECURITIES ACT (POSA)

CONTENTS:

I. INFORMATION UNDER ARTICLE 100N, PARA. (8), ITEM (1) OF THE PUBLIC OFFERING OF SECURITIES ACT4

II. INFORMATION UNDER ARTICLE 100N, PARA. (8), ITEM (2) OF POSA4

1. Concerning Chapter I “Corporate Boards”4

2. Concerning Chapter II “Audit and Internal Control”5

3. Concerning Chapter III “Protection of Shareholders' Rights”6

4. Concerning Chapter IV “Disclosure of Financial and Non-financial Information”7

5. Concerning Chapter V “Stakeholders. Sustainable development.”7

III. INFORMATION UNDER ARTICLE 100N, PARA (8), ITEM (3) OF POSA.....7

IV. INFORMATION PURSUANT TO ARTICLE 10 (1), (C), (D), (F), (H) AND (I) OF DIRECTIVE 2004/25/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 21 APRIL 2004 ON TAKE-OVER BIDS, IN COMPLIANCE WITH ATICLE 100N (8) (4) OF POSA.....9

V. INFORMATION UNDER ARTICLE 100N, PARA (8), ITEM (5) OF POSA10

VI. INFORMATION UNDER ARTICLE 100N PARA. 8, ITEM (6) OF POSA12

Texim Bank AD is the oldest private bank in the Republic of Bulgaria. The Bank is a joint-stock company registered in the Republic of Bulgaria in 1992 (decision of the Sofia City Court of 14.09.1992, company file No 24103/1992), licensed by the Bulgarian National Bank under license B-27, issued on the basis of Protocol No 50/04.09.1992 of the BNB Management Board for carrying out banking transactions in the country and abroad, updated by Decision of the BNB Governing Council No 248 of 11.04.1997, updated with orders of the Governor of BNB No 100-0570 of 23.12.1999; No RD22-0687/03.08.2006; No RD 22-0852 of 07.05.2007; RD 22-2268 of 16.11.2009. By Order of the BNB Governor No RD22 – 1351/06.07.2012, the name of the Bank was amended, namely Texim Bank AD. By Order of the BNB Deputy Governor – 121456/21.07.2017, the Bank's activity also includes the issuance of electronic money. The Bank has a universal license to carry out all types of banking transactions in the country and abroad. "Texim Bank" AD is a licensed investment intermediary, being entered in the register of the Financial Supervision Commission under reg. No 03-161 of 18.02.1998 as an investment intermediary. The Bank performs all services that may be provided by an investment intermediary referred to in Art. 6, para. 2 and 3 of the current Law on the Markets in Financial Instruments, including acting as a registration agent.

With decision № 1112-BD of 29.11.2012 of the Deputy Chairman of the FSC, Head of the Investment Activity Supervision Department, "Texim Bank" AD is included in the list of banks that may be depositories under the Activity Act of collective investment schemes and of other collective investment undertakings. With Ordinance № 115106/27.10.2021 of the Deputy Governor of the BNB, Head of the Banking Supervision Department, "Texim Bank" AD is included in the list of custodian banks under the Social Insurance Code.

"Texim Bank" AD is a public company registered with the Commercial Register at the Registry Agency by a Decision dated 16.01.2013 and with the Register of Public Companies and Other Issuers, lead by the FSC by decision No. 81-PD dated 31.01.2013 within the meaning of Article 30(1)(3) of the Financial Supervision Commission Act (FSCA). By Protocol No. 8 dated 11 February 2013 of the Board of Directors of "BSE" AD, „Texim Bank“ AD was admitted to trading shares on the BSE Main Market, "Standard" share segment.

"Texim Bank" AD is a member of "BSE" AD, "Central Depository" AD, Banking Organization for Payments Initiated by Cards (BORIKA), The Bulgarian Association for Card Payment Security (BACPS); National Card Scheme, European Payments Council - SEPA Credit Transfer Scheme, "BANKSERVICE" AD, RINGS, a member of Visa Europe and MasterCard International, SWIFT, a direct participant in TARGET. From August 2012 the Bank is a member of payment systems BISERA 6, BISERA 7 – EUR and SEBRA. In August 2012 the Bank joined BISERA 7 - EUR payment system. "Texim Bank" AD is a member of the Association of Banks in Bulgaria. The Bank is an agent of EasyPay, a registering body of "Infonotary" since 2011.

In accordance with the requirements of Art. 27 of Ordinance № 2 of the FSC of 9.11.2021 for initial and subsequent disclosure of information in public offering of securities and admission of securities to trading on a regulated market, as well as in conjunction with Art. 100t, para. 3 of the Public Offering of Securities Act, regarding the obligation to disclose to the public information under Art. 24 of Ordinance № 2, "Texim Bank" AD, discloses the regulated information to the public through the electronic media Infostock AD, through the official website: www.infostock.bg.

I. INFORMATION UNDER ARTICLE 100N, PARA. (8), ITEM (1) OF THE PUBLIC OFFERING OF SECURITIES ACT

The responsible management structures and employees of “Texim Bank” AD carry out the management of the Bank strictly following the requirements and recommendations of the National Code of Corporate Governance (the Code). In compliance with the norms and recommendations set forth in the Commerce Act and the Public Offering of Securities Act and in accordance with the internationally recognized standards and principles, taking into account the changes in the regulatory and economic environment, the Management Board and the Supervisory Board of „Texim Bank“ AD manage independently and responsibly the Bank, following the established vision and strategic operational guidelines and monitoring the observance of the shareholders' interests.

“Texim Bank” AD adheres to the National Corporate Governance Code, adopted by the National Corporate Governance Commission and approved as a Corporate Governance Code under Article 100n (7) (1) in conjunction with paragraph 8 (1) of the Public Offering of Securities Act (POSA) by Decision No. 850-KKU of FSC dated 25.11.2021. In its operations, the Bank complies with and applies the basic principles set out in the Corporate Governance Code.

II. INFORMATION UNDER ARTICLE 100N, PARA. (8), ITEM (2) OF POSA

In its operations, the Bank complies with and applies the core principles set out in the Corporate Governance Code and believes that the effective implementation of the best corporate governance practices contributes to achieving sustainable growth and implementing the long-term goals of the Bank, as well as to establishing transparent and fair relationships with all stakeholders. The Bank applies, as appropriate, some of the recommendations laid down in the Corporate Governance Code, taking into account the objectives and strategy set.

1. Concerning Chapter I “Corporate Boards”. The competencies, rights and obligations of the members of the Management Board and the Supervisory Board are consistent with the statutory requirements, the articles of association and the standards of good professional and managerial practice. The functions and duties of the Management Board and the Supervisory Board are regulated in Articles 36- 45 of the Bank's Articles of Association.

Management Board of the Bank. In accordance with legal requirements and the best corporate governance practice, the size and structure of the remuneration of the members of the Management Board take into account the responsibilities and the contribution of each member of the Management Board in the Bank's operations and performance; the ability to select and retain qualified and loyal members of the management bodies; the need to reconcile the interests of the members of the Management Board and the long-term interests of the Bank. The Bank has no established bonus or profit-based schemes as well as other incentive schemes for the members of the Management Board to be granted on the basis of performance evaluation criteria. The remuneration of the members of the Management Board is determined individually according to whether they are assigned representative functions as executive directors or not, as well as according to the duties and tasks assigned to them under management contracts, criteria for the amount of their remuneration, their loyalty obligations to the Company and the grounds for their dismissal.

Supervisory Board of the Bank. The Bank's Articles of Association do not contain an explicit limitation on the number of companies where the members of the Supervisory Board may hold management positions, but when choosing new members of the Supervisory Board, the Bank takes into account the engagement of the proposed persons and their ability to effectively carry out the tasks and duties to be assigned. The proposals for the appointment of new members of the Supervisory Board are made in compliance with the principles of conformity of the candidates' competence with the nature of the Bank's operations. The appointment of members of the Supervisory Board is only made after the prior approval by the BNB, in accordance with the requirements of the CIA and the applicable subordinate regulations. The rules for the appointment of members of the Supervisory Board are set out in the Bank's Articles of Association.

Pursuant to the Bank's Articles of Association (Article 41 (5)), the members of the Supervisory Board may be re-elected for further terms of office without restriction. The special requirements of the Credit Institutions Act for the persons proposed for members of the Supervisory Board apply for the bank, and these persons are subject to approval by the Bulgarian National Bank and therefore their frequent change is inappropriate for the sustainable and proper implementation of the long-term goals of the Bank.

2. Concerning Chapter II "Audit and Internal Control".

The Audit Committee is an independent separate body from the Supervisory Board and the Management Board of the Bank, which is elected and reports its activities to the General Meeting of Shareholders. The Audit Committee of Texim Bank AD is responsible for the selection procedure of the registered external auditors and recommends to the General Meeting of Shareholders their appointment to perform an independent financial audit of the Bank.

The main functions of the Audit Committee of the Bank are to: Control the quality of financial statements, accounting policies and practices for disclosing information in the financial reporting process; presents recommendations and suggestions to garnish its effectiveness. Monitors the mandatory audit of annual financial statements, incl. its implementation. Checks and monitors the independence of registered external auditors in accordance with the requirements of applicable law.

The selection of an external auditor at the Bank complies with all the requirements of the Independent Financial Audit Act and Regulation (EU) № 537/2014 on specific requirements regarding the statutory audit of public interest entities.

The Bank's Audit Committee monitors the effectiveness of the internal control system, risk management systems and internal audit activity with respect to the Bank's financial reporting. Monitors the independence and effectiveness of internal audit. Controls the work and relations with the external auditor, monitors the involvement of external auditors in the provision of audit and consulting services outside the mandatory financial audit.

The internal control system in "Texim Bank" AD was established in accordance with the Credit Institutions Act and BNB Ordinance 10 on the Organization, Management and Internal Control of Banks. It is performed by the Bank's management bodies and by independent business control functions on: risk management, regulatory compliance and internal audit.

- Risk Analysis and Management Directorate is responsible for identifying, assessing and measuring risks for the Bank; periodic assessment of compliance with internal rules, policies and procedures for risk assessment; scope, structure and frequency of risk and risk culture reporting.

Corporate governance statement
under art. 100n, para.8 in relation to para. 7, item. 1 of POSA

- Regulatory Compliance Directorate ensures adequate identification, measurement and management of the risk related to regulatory compliance. Monitors changes in the laws and regulations applicable to the Bank and the impact they have on its activities; advises the Management Board / Supervisory Board of the Bank in adopting measures to achieve compliance with applicable laws, rules, regulations and standards and prepares an assessment of the impact of changes in regulatory and regulatory requirements on the Bank's activities; report on the risk related to the regulatory compliance of management and control bodies;
- The Specialized Internal Audit Service performs an independent assessment of the banking processes, transactions, operations, as well as the control systems in the Bank, in order to improve the efficiency of the processes related to management, control and risk management.

3. Concerning Chapter III “Protection of Shareholders' Rights”. The Management Board and the Supervisory Board, while exercising their powers regulated by the Articles of Association, ensure the equal treatment of all shareholders, including minority and foreign shareholders, by protecting their rights and facilitating their exercise within the limits allowed by the effective legislation and in accordance with the provisions of the Company's Articles of Association. The Management of the Bank ensures that all shareholders are informed of their rights. The General Meeting may be convened by an invitation, announced in the Commercial Register at least 30 days before the opening of the General Meeting. The invitation is posted on the Bank's website and disclosed to the FSC and the public under the terms and conditions and according to the procedure laid down in the POSA. From the announcement of the invitation to the date of the General Meeting, the materials of the session are available to the shareholders and their representatives.

The texts in the materials are specific and clear and not misleading to the shareholders. All proposals for major corporate events are presented as separate items on the agenda of the General Meeting, including the proposal for profit distribution.

The Management Board exercises effective control on the holding of the General Meeting, providing the necessary organization for the voting of shareholders and authorized persons in accordance with the instructions of the shareholders. The Management Board arranges the holding of the General Meeting and ensures the equal treatment of all shareholders and the right of each shareholder to express their opinion on the items on the agenda.

All shareholders are informed of the rules under which the general meetings of shareholders are convened and held, including the voting procedures. The corporate management provides sufficient and timely information on the date and venue of the general meeting as well as full information on the issues to be addressed and decided at the meeting. During the general meeting, the right of all shareholders to express their opinion and to ask questions are ensured. The Bank announces on its website the information about the holding of the General Meeting of Shareholders.

Given the above, at present the Bank has not provided the opportunity for remote participation in the GMS.

4. Concerning Chapter IV “Disclosure of Financial and Non-financial Information”. The Bank complies with the best practices regarding the disclosure of information although no written policy has been formulated in this regard. Any change in the process of disclosure of information is authorized by the corporate management. Any significant periodic and incidental information is disclosed immediately upon the consideration of the need for its disclosure.

**Corporate governance statement
under art. 100n, para.8 in relation to para. 7, item. 1 of POSA**

In 2022, no ethical issues have arisen between the members of the management and issues requiring the compliance with certain written procedures.

5. Concerning Chapter V “Stakeholders. Sustainable development.” In 2023, one of the main priorities of the Bank will be the development of a comprehensive system for reporting, evaluating and managing risks arising from climate change and environmental degradation, which undoubtedly represent major challenges for the corporate sector in Europe and in our country, and in particular the banking sector, in the coming years. In the context of an ever-changing regulatory framework that has placed even greater emphasis on the topic of climate risks, in the coming year the Bank will continue its efforts to develop a comprehensive methodology aimed at assessing and analyzing exposures to climate-related risks and environment, and the degree of vulnerability of the Bank's credit portfolio to such risks. A first step towards this is the collection of information and data on borrowers needed to assess the vulnerability of exposures to climate and environmental risks related to sustainability in sectors and segments most affected by climate change. The second step is to develop appropriate limits for the effective management of climate and environmental risks in accordance with the rules for regular monitoring and escalation and to integrate them into the overall risk management framework. Despite the lack of written rules for disclosure, the Bank recognizes that effective interaction with stakeholders has a direct impact on corporate governance. The Bank identifies the stakeholders in relation to its activities based on their degree and spheres of influence, role and attitude to its sustainable development and which in turn may affect its activities, as the Management Board in each case of a transaction with an interested party. person within the meaning of Art. 40 of the Corporate Governance Code monitors compliance with the recommendations of Chapter V of the Code.

III. INFORMATION UNDER ARTICLE 100N, PARA (8), ITEM (3) OF POSA

The Management Board of „Texim Bank“ AD provides and controls the establishment and functioning of a risk management system, including an internal control and audit system, promptly notifying the Supervisory Board in due time of its actions. The Company's Management Report is to be presented to the General Meeting of Shareholders.

A financial and information system has been established and operates in the Bank, ensuring the integrated functioning of the accounting and financial reporting systems.

A system of internal control is in place in „Texim Bank“ AD, which ensures the effective functioning of the systems for reporting and disclosure of information. The internal control system has been built and functions also in order to identify the risks accompanying the Bank's operations and to support their effective management.

The system of internal control in Texim Bank AD is functioning as a “third line of defence”. The SIAU is an independent structural unit subordinate to the Supreme Body – the General Meeting of Shareholders and in the cases where it does not meet – to the Supervisory Board. The internal audit ensures the effective functioning of the systems for reporting and disclosure of information. The SIAU carries out its activities in accordance with the Annual Audit Plan. The Annual Audit Plan is developed and updated on a risk-based methodology, which is to be evaluated at least once a year. The SIAU's activity includes periodic transaction checks, review of the compliance with the best banking practice, the compliance with the regulatory requirements, proposals to introduce preventive measures to prevent and detect fraud. On the results of its activity, the SIAU prepares reports that are provided to the management of the inspected structural units, as well as reported to the executive directors,

the Management and Supervisory Boards together with the action plans for corrective measures and reduction of the residual risk.

In accordance with the requirements of the effective legislation and pursuant to the criteria set out therein, the Supervisory Board approves the Management Board's proposal to the General Meeting of Shareholders of the Bank for the selection of an audit committee in a composition that meets the legal requirements and the specific needs of the Bank. The audit committee exercises the supervision on the internal audit activities and monitors the overall relationship with the external auditor. The audit committee acts in accordance with the established and approved Rules of Procedure.

The audit committee prepares and submits an annual report on its activities to the Annual General Meeting of Shareholders.

Pursuant to the Credit Institutions Act (CIA), the Annual Financial Statements of „Texim Bank“ AD on an individual and consolidated basis are subject to independent financial audit jointly by two audit firms that are registered auditors under the Independent Financial Audit Act.

The appointment of auditors must be coordinated in advance with the BNB by „Texim Bank“ AD.

The auditor's report provides conclusions about the circumstances regarding the reliable presentation of the Bank's material and financial position and the resulting financial performance. Based on a detailed audit review, the auditors express their opinion in relation to: the reliability of the internal control systems and the compliance of the annual financial statements and supervisory reports, prepared by the Bank, with the requirements of the Act and its implementing regulations.

At the Annual General Meeting of the shareholders of “Texim Bank” AD held on 27 June 2022 for joint inspection and certification of the annual financial statements on an individual and consolidated basis of “Texim Bank” AD for 2022 and the supervisory reports determined by The Bulgarian National Bank two auditing company “Grant Thornton” OOD UIC 831716285 and the auditing company “RSM BG” OOD, UIC 121435206 have been selected.

„Texim Bank“ AD has adopted and applies rules and procedures regulating the effective functioning of the systems for reporting and disclosure of information of the Bank. The rules describe in detail the different types of information created and disclosed by the Bank, the processes of the internal document flow, the different levels of access to the types of information of the persons responsible and the time limits for processing and managing the information flows.

The Bank has set up a structural unit - “Risk Analysis and Management” department, responsible for identifying, analysing and managing the different types of risk. The established risk management system ensures the effective implementation of internal controls in the creation and management of all corporate documents, including the financial statements and other regulated information that the Bank is required to disclose in accordance with the legal regulations.

The main types of risks relevant to the Bank's operations and the associated management policy are stipulated in policies, rules and procedures for the overall identification, measurement, monitoring, management and control of all material risks to the Bank.

The risk management policy is applied in an integrated manner and in compliance with all other policies and principles stipulated in the internal regulations of „Texim Bank“ AD. The Bank's Risk Management Rules document the measures and procedures for establishing, managing and assessing the risks associated with its operations pursuant to

Corporate governance statement
under art. 100n, para.8 in relation to para. 7, item. 1 of POSA

Article 168 para. 1 (3) of the Financial Instruments Markets Act.

IV. INFORMATION PURSUANT TO ARTICLE 10 (1), (C), (D), (F), (H) AND (I) OF DIRECTIVE 2004/25/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 21 APRIL 2004 ON TAKE-OVER BIDS, IN COMPLIANCE WITH ARTICLE 100N (8) (4) OF POSA

The persons who as at 31.12.2022 held directly and indirectly 5 per cent or more of the voting rights at the General Meeting of „Texim Bank“ AD are as follows:

	Name	UIC	Percentage of voting rights as per 31.12.2022	Percentage of voting rights as per 31.12.2021
1	„Web Finance Holding“ AD	103765841	18,88%	18,88%
2	„Sila Holding“ AD	112100237	8,93%	8,93%
3	Pension Insurance Company „SAGLASIE“ AD	831284154	6,98%	6,38%
4	„Invest Capital“ AD	831541734	5,17%	5,17%
5	„Etrade“ AD	130301989	5,10%	5,10%
6	„Datamax“ AD	831257470	4,94%	4,94%
7	„Datamax System Holding“ AD	131466552	4,77%	4,77%

** As at 31.12.2022 the companies, „Etrade“ Ltd, „Datamax System Holding“ AD and „Datamax“ AD in their capacity as related parties possess together 14.81% of the shares of the votes in the general meeting of „Texim Bank“ AD*

“Texim Bank” AD has no shares that give special control rights.

There are no limitations on voting rights, such as limitations on the voting rights of shareholders with a certain percentage or number of votes, deadline for the exercise of voting rights or systems where, with the cooperation of the Company, the financial rights attached to the securities are separated from the holding of securities related to the shares issued by „Texim Bank“ AD.

The procedure and rules of appointment or change of members of the Management Board and the Supervisory Board, as well as amendments to the Articles of Association of the Bank are made in accordance with the provisions of the Articles of Association and the Bulgarian legislation;

The Bank may acquire its own shares through redemption by the written permission of the BNB and subject to the other applicable provisions of applicable law. The issuance of new shares is within the competence of the General Meeting of Shareholders of the Bank. With Art. 15a (new, adopted by a decision of the GMS of 03.07.2019) of the Articles of Association of the Bank provides for the possibility within 5 years from the announcement in the Commercial Register of amendments to the Articles of Association, the Board may adopt decisions to increase the capital of The Bank by issuing new shares with a total nominal value for the entire period up to BGN 22,000,000 (twenty-two million), including by converting into shares of convertible bonds issued after permission of the BNB. The decision under the

Corporate governance statement
under art. 100n, para.8 in relation to para. 7, item. 1 of POSA

previous sentence shall be adopted unanimously by all members of the Management Board and approved unanimously by the Supervisory Board of the Bank.

V. INFORMATION UNDER ARTICLE 100N, PARA (8), ITEM (5) OF POSA

The organizational structure of the Bank is built in accordance with the nature of the economic activity, its shareholder structure, the legal form of organization, as well as its risk profile.

The bank is a joint stock company with a two-tier management system. According to its Articles of Association, the bodies of the company are the General Meeting of Shareholders, the Supervisory Board / SB / and the Management Board / MB /. The Bank is managed by the Management Board. The Bank is represented before third parties by the executive directors and the members of the Management Board. The Supervisory Board carries out general supervision and preliminary, current and subsequent control over the activity of the Management Board.

Management Board

The rules for the appointment of members of the Management Board are set out in Article 42 (2) (1) of the Bank's Articles of Association.

The competencies, rights and obligations of the Management Board members are determined in compliance with the statutory requirements, the Bank's Articles of Association and the standards of good professional and managerial practice. The Management Board resolves all matters stipulated in the Article of Association and the applicable law and are not within the exclusive competence of the General Meeting or the Supervisory Board.

The Management Board of „Texim Bank“ AD coordinates its operations with the Supervisory Board regarding the Bank's business plan, the transactions of a substantial nature, as well as other activities as set out in its statutes.

The Management Board carries out its operations under the supervision of the Supervisory Board. As of 31.12.2022, the Management Board consists of 4 members, who are elected by the Supervisory Board for a term of five years and can be replaced and re-elected without restrictions and at any time by the Supervisory Board. The Management Board of “Texim Bank” AD complies with the Code of Ethics, last updated in November 2022.

The Management Board reports to the Supervisory Board on the activity and condition of the Bank at least once every three months.

The Rules of Procedure of the MB are regulated in the Regulations of its operation.

There are a number of committees in the Bank that are set up to support the Management Board. In their work, the committees comply with the requirements of the international standards, regulations and directives, as well as the national legislation and the internal regulations. The specialized committees of „Texim Bank“ AD are: Risk Committee; Asset and Liability Management Committee; Operational Risk Management Committee; Credit Board; Credit Committee.; Insider Information Committee and Organization and Management Committee for Recovery Plan Implementation.

Supervisory Board

The Supervisory Board of „Texim Bank“ AD consists of three to seven capable natural persons elected by the General Meeting for a term of office of up to 5 years. The appointment of members of the Supervisory Board is only made after the prior approval by the BNB, in accordance with the requirements of the CIA and the applicable subordinate

Corporate governance statement

under art. 100n, para.8 in relation to para. 7, item. 1 of POSA

regulations. One person cannot be simultaneously a member of the Supervisory Board and the Management Board of the Bank. In order to support its operations, the Supervisory Board may set up specialized committees and other supporting bodies.

The rules for the election of members of the Supervisory Board as well as the representatives of the legal persons, members of the Supervisory Board, are regulated in the Articles of Association of the Bank.

At least one third of the members of the Supervisory Board must be independent persons pursuant to the POSA.

As at 31.12.2022, the Supervisory Board of the Bank consists of 5 individuals who have been elected by the General Meeting for a term of five years and may be re-elected without restriction.

The Supervisory Board shall not participate in the management of the Bank and shall only represent the Bank in its relations with the Management Board. In all cases where the law, the operating rules of the Supervisory Board or the current internal rules of the Bank so provide, the Supervisory Board gives prior authorization for the conclusion of certain transactions. The Supervisory Board may at any time require from the Management Board to present information or report on any matter that affects the Bank. The Supervisory Board may carry out the necessary investigations in the performance of its duties. For this purpose, it can assign experts.

The corporate management of the Bank /Supervisory Board and Management Board/ acts jointly in accordance with the adopted strategy and to the benefit of the shareholders and taking into account the interests of the stakeholders.

The corporate management of „Texim Bank“ AD is guided by its generally accepted principles of integrity and managerial and professional competence by treating all shareholders equally and acting in their interest.

VI. INFORMATION UNDER ARTICLE 100N PARA. 8 (6) OF POSA

In compliance with the requirements of Directive 2013/36/EU, the Management Board and the Supervisory Board of „Texim Bank“ AD exercise effective control and take decisions, including through the implementation of measures that guarantee the diversity of management. The Bank respects the principle of diversity, taking into account the specificities of its operations, in order to include a wide range of skills and competences, as well as to conduct constructive discussions; to maintain a balance between experience, professionalism, business knowledge, and independence and objectivity in expressing opinions and making decisions; to ensure representation in terms of age, gender, education, good reputation and professional experience with a view to the actual knowledge of the organization and functions of the Bank, given the complexity and specifics of the Bank's operations.

IVAYLO DONCHEV
/EXECUTIVE DIRECTOR/



MARIYA VIDOLOVA
/EXECUTIVE DIRECTOR /

REPORT

On the implementation of the remuneration policy of the members of the Supervisory Board and the Management Board of „Texim Bank” AD - public company

This report has been prepared on the basis of Art. 12, para. 1 of Ordinance № 48 of the FSC of 20.03.2013 and Art. 4, item 6 of the Remuneration Policy in „Texim Bank” AD. Reflects the actual application of the criteria for determining of the remuneration of the members of the Supervisory and Management Board of the Bank.

Information on how the remuneration policy has been implemented in 2022

1. Information on the decision-making process in determining the remuneration policy, including, if applicable, information on the mandate and composition of the remuneration committee, the names of the external consultants whose services have been used in determining remuneration policy.

The remuneration policy of „Texim Bank” AD has been developed by the Supervisory Board in accordance with the adopted regulations and the Articles of Association of the Bank and adopted by the General Meeting of Shareholders.

During the reporting period the Bank does not have a Remuneration Committee.

No external consultants were used in the development of the Remuneration Policy.

2. Information on the relative weight of the variable and fixed remuneration of the members of the management and supervisory bodies

The members of the Supervisory Board and the Management Board receive only a fixed remuneration, which is voted by the General Meeting of Shareholders. No variable remuneration is anticipated at this stage.

3. Information on the criteria for achieved results, on the basis of which options on shares, shares of the Bank or other type of variable remuneration are provided and an explanation of how the criteria under Art. 14, para. 2 and 3 of Ordinance № 48 of the FSC contribute to the long-term interests of the Bank

At this stage „Texim Bank” AD does not provide additional remuneration to the members of the Supervisory and Management Boards such as shares of the Bank, options on shares and other appropriate financial instruments.

4. Explanation of the applied methods for assessment of whether the criteria for the achieved results are met

At present, the Bank does not apply evaluation methods in order to meet the criteria for the achieved results.

5. Clarification of the relationship between remuneration and results achieved

As of this moment, the decisions for the received remunerations are adopted by the General Assembly, or the management contracts.

6. Basic payments and justification of the annual scheme for payment of bonuses and/or all other non-monetary additional remunerations

The Bank does not apply a scheme of payment of bonuses and / or other non-monetary additional remunerations.

7. Description of the main features of the supplementary voluntary pension scheme and information on the contributions paid and/or due by the Bank in favour of the Director for the relevant financial year, where applicable

The Bank does not pay on its behalf contributions for additional voluntary pension insurance to the members of the Supervisory and Management Boards.

8. Information on the periods of deferral of variable remuneration payment

The Bank does not provide for the payment of variable remuneration, therefore there is no such information.

9. Information on the compensation policy upon termination of contracts

Upon termination of the contracts with the members of the Supervisory Board, no compensations are provided. Upon early termination of the contracts with the members of the Management Board, the Bank shall provide compensation in the amount of the quarterly gross remuneration.

10. Information about the period during which the shares cannot be transferred and the options on shares cannot be exercised, in case of variable remuneration based on shares

The Bank does not provide for such remuneration.

11. Information on the policy for keeping a certain number of shares until the end of the mandate of the members of the management and control bodies after the expiration of the period under item 10

The Bank does not follow such a policy, as it does not provide for this type of remuneration.

12. Information on the contracts of the members of the management and supervisory bodies, including the term of each contract, the termination period notice and details of the compensation and / or other payments due in case of early termination

The Supervisory Board of „Texim Bank” AD consists of 5 members:

12.1. Apostol Lachezarov Apostolov - Chairman of the Supervisory Board

Term of the contract - until the expiration of the mandate

Termination notice period - without notice

Details on compensations and / or other payments due in the event of early termination - no other benefits and / or payments due in the event of early termination are foreseen.

12.2. Milen Georgiev Markov - Deputy Chairman of the Supervisory Board

Term - until the expiration of the mandate

Termination notice period - without notice.

Details of compensations and / or other payments due in the event of early termination - no other benefits and / or payments due in the event of early termination are foreseen.

12.3. Veselin Raychev Morov - Member of Supervisory Board

Term - until the expiration of the mandate.

Termination notice period - without notice.

Details on compensations and / or other payments due in the event of early termination - no other benefits and / or payments due in the event of early termination are foreseen.

12.4. Ivelina Kancheva Shaban - member of Supervisory Board

Term - until the expiration of the mandate.

Termination notice period - without notice.

Details on compensations and / or other payments due in the event of early termination - no other benefits and / or payments due in the event of early termination are foreseen.

12.5. Petar Georgiev Hristov - member of Supervisory Board

Term - until the expiration of the mandate.

Termination notice period - without notice.

Details on compensations and / or other payments due in the event of early termination - no other benefits and / or payments due in the event of early termination are foreseen.

The Management Board consists of 4 members:

12.6. Iglia Dimitrova Logofetova - Chairman of the Board.

Term - until the expiration of the mandate.

Termination notice period - three months' notice.

Details of benefits and / or other payments due in the event of early termination - quarterly gross remuneration.

12.7. Ivaylo Lazarov Donchev - Deputy Chairman of the Management Board and Executive Director.

Term of the contract - until the expiration of the mandate.

Termination notice period - three months' notice.

Details of benefits and / or other payments due in the event of early termination - quarterly gross remuneration.

12.8. Mariya Petrova Vidolova - Member of the Management Board and Executive Director.

Term of the contract - until the expiration of the mandate.

Termination notice period - three months' notice.

Details of benefits and / or other payments due in the event of early termination - quarterly gross remuneration.

12.9. Dimitar Iliev Zhilev - Member of the Management Board

Term of the contract - until the expiration of the mandate.

Termination notice period - three months' notice.

Details of benefits and / or other payments due in the event of early termination - quarterly gross remuneration.

13. Пълният размер на възнаграждението и на другите материални стимули на членовете на управителните и контролните органи за съответната финансова година

The members of the Supervisory Board received remunerations in 2022 in the amount of BGN 270 thousand.

The members of the Management Board received remunerations in 2022 in the amount of BGN 494 thousand.

Total: BGN 764 040

14. Information on the remuneration of any person who has been a member of a management or supervisory body of a public company for a specified period during the respective financial year:

a) full amount of the remuneration paid and / or accrued to the person for the respective financial year:

Remunerations paid to the members of the Supervisory Board and the Management Board in 2022:

SUPERVISORY BOARD			
1	Apostol Apostolov	Chairman of the Supervisory Board	54 000.00
2	Milen Markov	Deputy Chairman of the Supervisory Board	54 000.00
3	Veselin Morov	Member of the Supervisory Board	54 000.00
4	Peter Hristov	Member of the Supervisory Board	54 000.00
5	Ivelina Shaban	Member of the Supervisory Board	54 000.00
MANAGEMENT BOARD			
1	Iglika Logofetova	Chairman of the Board	42 000.00
2	Ivaylo Donchev	Deputy Chairman of the Management Board and Executive Director	271 680.00
3	Mariya Vidolova	Member of the Management Board and Executive Director	138 360.00
4	Dimitar Zhilev	Member of the Management Board	42 000.00

b) remuneration and other tangible and intangible incentives received by the individuals from companies in the same group;

Apart from the remunerations under the previous point a) in 2022, no material or non-material incentives were received by the members of the Management and Supervisory Board of the Bank. There are no contingent or deferred remunerations incurred during the year. There is no amount due by the Bank for the payment of pensions, retirement benefits or other similar benefits.

c) remuneration received by the individuals in the form of distribution of the profit and / or bonuses and the grounds for their granting;

The members of the Supervisory Board and the Management Board did not receive any remuneration in the form of profit distribution and / or bonuses.

d) any additional payments for services provided by the individuals outside their normal functions, where such payments are eligible under the contracts concluded with them;

There are no such payments.

e) the compensation paid and / or accrued on the occasion of the termination of its functions during the last financial year;

There are no members of the SB and MB with terminated functions in 2022.

f) an overall assessment of all non-monetary benefits equivalent to remuneration other than those referred to in points "a" to "e";

There are none.

g) information on all loans granted, payments for social and household expenses and guarantees from the company or its subsidiaries or other companies that are subject to consolidation in its annual financial statements, including data on the outstanding balance and interest;

There are none.

15. Information regarding shares and / or stock options and / or other share-based incentive schemes:

a) the number of options offered on shares, or the shares granted by the company during the respective financial year and the conditions under which they were offered, respectively granted;

There are none.

b) number of options exercised on shares during the respective financial year and for each of them, number of shares and the exercise price of the option or the value of the interest under the incentive scheme based on shares at the end of the financial year;

There are none.

c) number of unexercised options on shares at the end of the financial year, including data on their price and date of exercise and essential conditions for exercising the rights;

There are none.

d) any changes in the terms and conditions of existing stock options accepted during the financial year.

There are none.

16. Annual change in the remuneration, the company's results and the average full-time remuneration of non-directors for the previous minimum five financial years, presented together in a way that allows comparison

	2017 BGN	2018 BGN	Change in 2018 compared to 2017%	2019 BGN	Change in 2019 compared to 2018%	2020 BGN	Change in 2020 compared to 2019%	2021 BGN	Change in 2021 compar ed to 2020%	2022 BGN	Change in 2022 compared to 2021%
Gross remuneration of the members of the Supervisory Board and the Management Board - total	694 610	706 800	1.75	692 308	-2.05	618 231	-10.70	738 300	19.42	764 040	3.49
Average amount of remuneration of the members of the Supervisory Board and the Management Board who are not executive directors on a full-time basis - annually	50 571	50 571	0	48 546	-4.00	49 607	2.19	50 571	1.94	50 571	0
Gross remuneration of employees of "Texim Bank" AD who are not directors (not members of the Management Board and the Supervisory Board)	4 643 612	5 044 460	8.63	5 703 345	13.06	5 404 100	-5.25	5 621 908	4.03	6 550 398	16.52
Average annual remuneration based on full-time employees of "Texim Bank" AD, who are not directors (not members of the Management Board and the Supervisory Board)	16 068	18 683	16.27	20 664	10.60	20 865	0.97	23 721	13.69	26 956	13.54
Profit for the year	119 588	158 946	32.91	298 393	87.73	154 446	-48.24	260 205	68.48	504 547	93.90
Average number of personnel	289	270		276		259		237		243	

17. Information on exercising the possibility to request a refund of the variable remuneration

No variable remuneration is provided.

18. Information on any deviations from the procedure for implementing the remuneration policy in relation to extraordinary circumstances, including an explanation of the nature of the extraordinary circumstances and an indication of the specific components that have not been implemented.

There are no deviations from the procedure for the implementation of the remuneration policy.

Remuneration policy implementation program for the next financial year or longer period.

The Bank agrees to follow the rules set out in the Remuneration Policy of the members of the Management and Supervisory Boards regarding the payment of remuneration for a longer period - until the end of the mandate. Management consider that the criteria set in the policy for determining remuneration currently in place are effective, in view of the financial results achieved during the reporting period. In the event of significant change in the financial and economic indicators, regardless of whether they are in positive or negative direction, the Remuneration Program will be revised and the changes reflected in it will be duly adopted.

29 March 2023, Sofia

IVAYLO DONCHEV
/EXECUTIVE DIRECTOR/



MARIYA VIDOLOVA
/EXECUTIVE DIRECTOR/

Information

under art. 100n, para. 4, item 6 of the Public Offering of Securities Act and Art. 10, item 2 (Appendix No 3) of Ordinance No 2 of the FSC of 9.11.2021 on initial and subsequent disclosure of information in case of public offering of securities and admission of securities to trading on a regulated market, concerning information about Texim Bank AD as a public company

CONTENTS:

1. Information on securities not admitted to trading on a regulated market in the Republic of Bulgaria or another Member State	2
2. Information on the direct and indirect holding of 5 per cent or more of the voting rights in the general meeting of Texim Bank AD, including data on shareholders, the amount of their shareholding and the way in which the shares are held.....	2
3. Data on shareholders with special control rights and a description of those rights.....	2
4. Agreements between shareholders, which are known to Texim Bank AD and which may lead to restrictions on the transfer of shares or voting rights.....	2
5. Significant contracts of Texim Bank AD, which take effect, are amended or terminated due to a change in the control of the Bank in the course of mandatory tender offering, and their consequences, except in the cases when the disclosure of this information may cause serious damage to Texim Bank AD ; the exception under the preceding sentence does not apply in cases where Texim Bank AD is obliged to disclose the information under the law.....	2

INFORMATION:

Item 1: Information on securities not admitted to trading on a regulated market in the Republic of Bulgaria or another member state

There are no securities of Texim Bank AD that are not admitted to trading on a regulated market in the Republic of Bulgaria or any other Member State.

There are no different classes of shares.

Item 2: Information on the direct and indirect holding of 5% or more of the voting rights in the general meeting of Texim Bank AD, including data on shareholders, the amount of their shareholding and the way in which the shares are held

The related parties who hold as of 31.12.2022, directly and indirectly 5, or more than 5 per cent of the voting rights in the general meeting of Texim Bank AD are:

	Name	UIC	% of voting rights as at 31.12.2022	% of voting rights as at 31.12.2021
1	Web Finance Holding AD	103765841	18,88%	18,88%
2	Sila Holding AD	112100237	8,93%	8,93%
3	POK "Saglasie" AD	831284154	6,98%	6,38%
4	Invest Capital AD	831541734	5,17%	5,17%
5	Etrade AD	130301989	5,10%	5,10%
6	Datamax AD	831257470	4,94%	4,94%
7	Datamax System Holding AD	131466552	4,77%	4,77%

** As of 31.12.2022 the companies Etrade AD, Datamax System Holding AD, Datamax AD, in their capacity of related parties, together hold 14.81% of the voting rights in the General Meeting of Shareholders of Texim Bank AD*

Item 3: Details of shareholders with special control rights and a description of those rights

Texim Bank AD has no shareholders with special control rights.

Item 4: Agreements between shareholders known to Texim Bank AD that may lead to restrictions on the transfer of shares or voting rights

There are no agreements between shareholders known to Texim Bank AD that may lead to restrictions on the transfer of shares or voting rights.

Item 5: Significant contracts of Texim Bank AD, which take effect, are amended or terminated due to a change in the control of the Bank in carrying out mandatory tender offering, and their consequences, except in the cases when the disclosure of this information may cause serious damage to Texim BankAD; the exception under the preceding sentence does not apply in cases where Texim Bank AD is obliged to disclose the information by virtue of the law.

There are no significant contracts of Texim Bank AD that take effect, be amended or terminated due to a change in the control of the Bulgarian Academy in the course of an obligatory tender offer.

IVAYLO DONCHEV
/EXECUTIVE DIRECTOR/



MARIYA VIDOLOVA
/EXECUTIVE DIRECTOR/

Information

under Art. 100n, para. 4, item 6 of the Public Offering of Securities Act and Art. 10, item 4 of Regulation No. 2 of the Financial Supervisory Commission from 9.11.2021 on initial and subsequent disclosure of information in the event of public offering of securities and admission of securities to trading on a regulated market, regarding information about Texim Bank AD as a public company

Electronic reference to the media selected by Texim Bank AD, through which the company publicly discloses internal information under Art. 7 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse, regarding the circumstances that occurred during the period 01.01.2022 - 31.12.2022.

Texim Bank AD has disclosed publicly internal information under Art. 7 of Regulation (EU) No. 596/2014 regarding the circumstances that occurred during the period 01.01.2022 - 31.12.2022, to the public through the electronic media - Infostock AD, through the official website:

<https://www.infostock.bg/infostock/control/announcement>

IVAYLO DONCHEV
/EXECUTIVE DIRECTOR/



MARIYA VIDOLOVA
/EXECUTIVE DIRECTOR/

To
The Shareholders
Texim Bank AD

DECLARATION

*under Art. 100n, para. 4, item 3 from
Public Offering of Securities Act*

The undersigned:

1. Mariy Apostolov, in my capacity as managing partner of the audit firm Grant Thornton OOD, with UIC 831716285, with headquarters and address of management: Sofia 1421, 26 Cherni Vrah Blvd. and address for correspondence: Sofia 1421, 26 Cherni Vrah Blvd.,

2. Silvia Dinova, in my capacity as registered auditor (with reg. No. 0737 from the register under Art. 20 of the Independent Financial Audit Act), responsible for the audit of the engagement on behalf of the audit firm Grant Thornton OOD (with reg. No 032 from the register under Article 20 of the Independent Financial Audit Act),

3. Mariana Mihaylova, in my capacity as:
- managing partner of the audit firm RSM BG OOD, with UIC 121435206, with headquarters and address of management: Sofia 1124, 8 Khan Omurtag Str. and address for correspondence: Sofia 1142, 9 Fritiof Nansen Blvd., floor 7; and
- registered auditor (with reg. No. 0203 from the register under Art. 20 of the Independent Financial Audit Act), responsible for the audit of the engagement on behalf of the audit firm RSM BG OOD (with reg. No 173 from the register under Article 20 of the Independent Financial Audit Act)

We declare that:

Grant Thornton OOD and RSM BG OOD were engaged to perform a joint mandatory financial audit of the individual financial statements of Texim Bank AD for the year 2022, compiled in accordance with the International Financial Reporting Standards adopted by the EU, generally accepted name of the accounting basis defined in item 8 of the DR of the Accounting Act under name "International Accounting Standards". As a result of our audit, we have issued an audit report dated 30 March 2023.

We hereby VERIFY THAT, as reported in our joint audit report on the separate annual financial statements of Texim Bank AD for 2022, issued on 30 March 2023:

- 1. Statement of Article 100n, paragraph. 4, subparagraph. 3, item „a”**
Audit opinion: In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) (page 1 of audit report);
- 2. Statement on Article 100n, paragraph 4, subparagraph (3), item "b" Information, relating to transactions of Texim Bank AD with related parties.** Related party transactions are disclosed in note 28 to the separate financial statements.

Based on the procedures performed on related party transactions in the context of our audit of the separate financial statements as a whole, nothing has come to our attention indicating that the related party transactions are not disclosed in the accompanying separate financial statements for the year ended 31 December 2022, in all material respects, in accordance with the requirements of IAS 24 Related Party Disclosures. We have considered the results of our audit procedures on related party transactions in forming our opinion on the separate financial statements as a whole and not for the purpose of providing a separate opinion on the related party transactions. (page 5 of audit report).

- 3. Statement on Article 100n, paragraph (4), subparagraph 3, item "c" of Public Offering of Securities Act** Our responsibilities for the audit of the separate financial statements described in section "Auditor's Responsibilities for the Audit of the separate financial statements" include evaluating whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation. Based on the procedures performed on the material transactions underlying the separate financial statements for the year ended 31 December 2022, nothing has come to our attention indicating any instances of material unfair presentation and disclosure under the applicable IFRS as adopted by the European Union. We have considered the results of our audit procedures on the material transactions underlying the separate financial statements in forming our opinion on the separate financial statements as a whole and not for the purpose of providing a separate opinion on these material transactions (page 6 of audit report).

The certifications made with this statement should be considered only in the context of the audit report issued by us as a result of the independent financial audit of the annual financial statements of Texim Bank AD for the reporting period ending 31 December 2022, with date of audit report 30 March 2023. This declaration is intended only for the above-mentioned addressee and has been prepared solely in compliance with the requirements set out in Art. 100n, para. 4, item 3 of the Public Offering of Securities Act (POSA) and should not be taken as a substitute for our conclusions contained in

the audit report issued by us on 30 March 2023 with regard to the issues covered by Art. 100n, item 3 of the POSA.

30 March 2023

Sofia

For audit firm "Grant Thornton" OOD

Mariy Apostolov
(Managing Partner)

Silvia Dinova
(Responsible for the engagement CPA, registered auditor)

30 March 2023

Sofia

For audit firm "RSM BG" OOD

Mariana Mihaylova, PhD
(Managing Partner and Responsible for the engagement CPA,
registered auditor)

DECLARATION

under Art. 100n, para 4, item 4 of the Public Offering of Securities Act

The undersigned Ivaylo Lazarov Donchev - And Executive Director, Mariya Petrova Vidolova - Executive Director, Dobromir Atanasov Tanov – Chief Accountant, Georgi Kirilov Komerdjanov – Director of Financial Reporting and Planning Directorate

We hereby certify, to the best of our knowledge, that:

a) The annual financial statements, prepared in accordance with our applicable accounting standards, shall faithfully and honestly reflect the information about the assets and liabilities, financial position and profit from the activities of Texim Bank AD for 2022.

b) The annual management report contains a reliable overview of the development and results of the activity, as well as the state of Texim Bank AD, together with a description of the main risks and uncertainties facing the Bank.

.....
Ivaylo Donchev
Executive director

.....
Mariya Vidolova
Executive director

.....
Dobromir Tanov
Chief accountant

.....
Georgi Komerdjanov
Director of Financial Reporting and Planning Directorate

