



ANNUAL CONSOLIDATED STATEMENTS

of

„TEXIM BANK” AD

31 December 2023

Sofia

April 2024

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TEXIM BANK AD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

All amounts are in thousand BGN, unless otherwise stated

	Note	As at 31.12.2023	As at 31.12.2022
ASSETS			
Cash and balances with the Central Bank	4	184,820	183,493
Financial assets at fair value through profit or loss	5	44,195	36,612
Financial assets at fair value through other comprehensive income	6	55,723	39,073
Loans and receivables, net	7	213,705	203,207
Receivables under repurchase agreements of securities	8	44,328	34,228
Debt instruments at amortized cost	9	57,648	57,786
Property, plant and equipment	10	21,076	19,955
Investment properties	11	12,840	12,920
Intangible assets	10	2,049	1,841
Goodwill	12	42	42
Other assets	13	8,685	8,079
TOTAL ASSETS		645,111	597,236
LIABILITIES			
Deposits and loans from credit institutions		1,901	1,788
Deposits from customers other than credit institutions	14	568,227	525,326
Lease liabilities	15	4,998	2,936
Issued debt securities	16	8,074	22,160
Tax liabilities	17	1,178	1,062
Other liabilities	18	2,119	3,050
Provisions	19	590	335
TOTAL LIABILITIES		587,087	556,657
EQUITY			
Share capital	20	33,595	27,995
Premium reserves	20	8,400	-
Revaluation reserves	20	9,271	8,127
Legal reserves	20	3,039	2,863
Other reserves	20	132	132
Retained earnings		3,587	1,462
TOTAL EQUITY		58,024	40,579
TOTAL LIABILITIES AND EQUITY		645,111	597,236

These consolidated financial statements were approved by the Management Board of Texim Bank AD on 25 April 2024

Ivaylo Donchev
Executive Director

Mariya Vidolova
Executive Director

Dobromir Tanov
Chief Accountant

Auditors' report issued by:

Grant Thornton OOD, reg. № 032

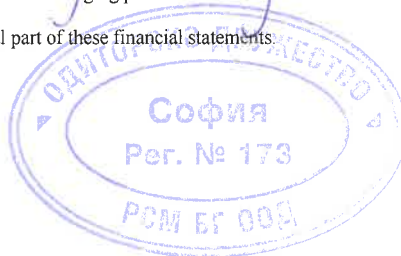
RSM BG OOD, reg. № 173

Mariy Apostolov
Managing partner

Silvia Dinova
Registered auditor

Mariana Minaylova
Registered auditor
Managing partner

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



TEXIM BANK AD

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

All amounts are in thousand BGN, unless otherwise stated

	Note	For the year ended 31.12.2023	For the year ended 31.12.2022
Interest income	21	16,530	11,758
Interest expense	21	(874)	(1,342)
Net income from interest		15,656	10,416
Dividend income		34	57
Fee and commission income	22	5,924	5,467
Fee and commission expenses	22	(764)	(799)
Net fee and commission income		5,160	4,668
Net gains on financial assets at fair value through profit or loss	23.1	2,995	2,554
Net (losses) / gains on financial assets at fair value through other comprehensive income	23.2	(154)	85
Net (losses) on financial assets on depreciated value	23.3	(430)	-
Net (losses) on foreign currency revaluation		(45)	17
Net gains on assets written-off, other than assets for sale	10, 11	27	57
Loss on sale of subsidiaries		-	(200)
Change in the fair value of investment property	11	173	2,141
Other operating expenses, net	24	(1,286)	(1,254)
Administrative expenses	25	(15,616)	(13,899)
Depreciation/amortization expenses	10	(3,794)	(3,758)
Impairment of financial assets	26	(596)	(56)
Impairment of non-financial assets		317	(329)
(Expenses for) provisions	19	(9)	4
PROFIT BEFORE TAXATION		2,432	503
Income tax	17	(51)	(188)
PROFIT FOR THE YEAR		2,381	315
Relating to:			
The shareholders of the parent company		2,381	315
Earnings per share (in BGN)	27	0.077	0.011
Diluted earnings per share (in BGN)	27	0.0775	0.192
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of non-financial assets		292	2,586
Income tax related to the revaluation of non-financial assets		(29)	(258)
Change in fair value of equity instruments at fair value through other comprehensive income		22	4
Remeasurement of defined benefit liability		(196)	(49)
Income tax relating to remeasurement of defined benefit liability		19	5
Items that will be reclassified subsequently to profit or loss:			
Change in fair value of debt instruments at fair value through other comprehensive income		1,036	(658)
OTHER COMPREHENSIVE INCOME / (LOSS)		1,144	1,630
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		3,525	1,945
Attributable to:			
The shareholders of the parent company		3,525	1,945

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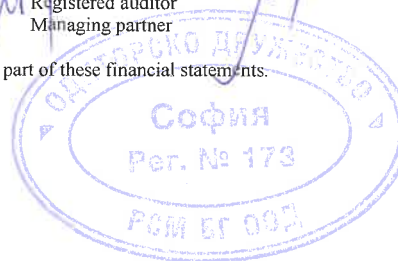
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Mariana Mihaylova
Registered auditor
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The notes to the consolidated financial statements from pages 5 to 71 form an integral part of these financial statements.



TEXIM BANK AD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

All amounts are in thousand BGN, unless otherwise stated

	Share capital	Premium reserves	Revaluation reserves	Legal reserves	Other reserves	Retained earnings	Total
BALANCE AS AT 1 JANUARY 2022	27,995	-	6,505	2,603	132	1,728	38,963
Profit for the year	-	-	-	-	-	315	315
Other comprehensive income/ (loss)	-	-	1,630	-	-	-	1,630
Total comprehensive income/ (loss)	-	-	1,630	-	-	315	1,945
Increase in retained earnings from previous years with revaluation reserves of reclassified financial instruments	-	-	(8)	-	-	8	-
Decrease of retained earnings from previous years relating to deferred taxes	-	-	-	-	-	(328)	(328)
Increase of legal reserves with retained earnings	-	-	-	260	-	(260)	-
Other changes in equity	-	-	-	-	-	(1)	(1)
BALANCE AS AT 31 DECEMBER 2022	27,995	-	8,127	2,863	132	1,462	40,579
Profit for the year	-	-	-	-	-	2,381	2,381
Other comprehensive income/ (loss)	-	-	1,144	-	-	-	1,144
Total comprehensive income/ (loss)	-	-	1,144	-	-	2,381	3,525
Decrease of retained earnings from previous years relating to deferred taxes	-	-	-	-	-	(80)	(80)
Increase of legal reserves with retained earnings	-	-	-	176	-	(176)	-
Increase of share capital and premium reserve from converted obligations	5,600	8,400	-	-	-	-	14,000
Transactions with owners	5,600	8,400	-	-	-	-	14,000
BALANCE AS AT 31 DECEMBER 2023	33,595	8,400	9,271	3,039	132	3,587	58,024

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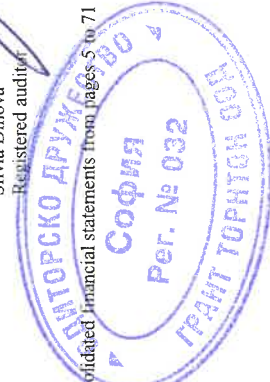
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TEXIM BANK AD

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

All amounts are in thousand BGN, unless otherwise stated

	Note	For the year ended 31.12.2023	For the year ended 31.12.2022
OPERATING ACTIVITIES			
Net profit		2,381	315
Adjustments for non-monetary items:			
Income tax expense	16	51	188
Depreciation/amortization	10	3,794	3,758
Allowances for impairment losses and uncollectibility, net	26	596	56
Net result from revaluation of investment properties and assets held for sale	12, 25	(173)	(2,141)
Net result of operations with financial assets at fair value through other comprehensive income	23	154	(85)
Net result of operations with financial assets at amortized costs		430	-
Net result of operations with financial assets at fair value through profit or loss	23	(2,995)	(2,554)
Net result from assets disposals		(27)	(57)
Loss from sale of subsidiaries		-	200
Income from /(expenses for) provisions	19	9	(4)
Staff costs for defined benefit at retirement		56	49
Impairment of non-financial assets	18	(317)	329
Net interest income		(15,656)	(10,416)
Interest received		14,037	11,507
Interest paid		(719)	(1,357)
Dividends received		(34)	(57)
Other operating income from operating leases		(30)	(23)
Total adjustments for non-monetary items		(824)	(607)
Increase in loans and receivables		(1,701)	(7,619)
(Increase)/Decrease of receivables under repurchase agreements of securities		(9,839)	(1,704)
(Increase) Decrease of financial assets at fair value through profit or loss		(4,888)	1,144
(Increase)/Decrease of other assets		(288)	(1,916)
(Decrease)/Increase of deposits from credit institutions		113	84
Increase of deposits from clients other than credit institutions		42,851	56,936
Increase/(Decrease) in other liabilities		(945)	1,615
Taxes paid		(27)	(29)
NET CASH FLOW FROM OPERATING ACTIVITIES		26,833	48,219
INVESTING ACTIVITIES			
Cash payments for the sale of financial assets at fair value through other comprehensive income		-	49,104
Cash payments for the acquisition of financial assets at fair value through other comprehensive income		(15,540)	-
Cash payments for the acquisition of financial assets at amortized cost		46	(52,487)
Cash payments for the acquisition of property, plant and equipment		(528)	(305)
Cash payments for the acquisition of intangible assets		(551)	(285)
Cash proceeds from the sale of property, plant and equipment and investment properties		66	2,187
Dividends received		355	57
Cash proceeds from the sale of subsidiaries		-	800
NET CASH FLOW FROM INVESTING ACTIVITIES		(16,172)	(929)
FINANCING ACTIVITIES			
Payments on lease contract		(1,775)	(1,630)
NET CASH FLOW FROM FINANCING ACTIVITIES		(1,775)	(1,630)
Net increase in cash and cash equivalents		8,886	45,660
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		197,780	152,120
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	206,666	197,780

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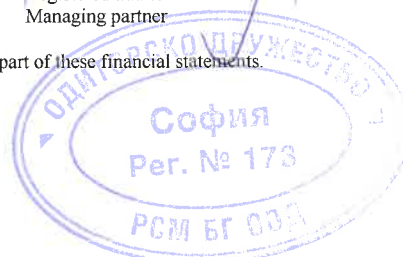
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TEXIM BANK AD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

ALL AMOUNTS ARE IN BGN THOUSAND, UNLESS OTHERWISE STATED

1. ORGANISATION AND OPERATIONAL POLICY

These consolidated financial statements of Texim Bank AD, present the consolidated financial position of the parent company Texim Bank AD (the Bank) and its subsidiaries UD Texim Asset Management EAD, Texim Project Company EOOD and Texim Solutions EOOD as one reporting unit (the Group).

Texim Bank AD is a joint stock company registered in the Republic of Bulgaria in 1992. The Bank is registered in the Commercial Register with UIC 040534040. The Bank's registered and management address is 117, Todor Aleksandrov Blvd., Sofia, Bulgaria. In 2023 Texim Bank AD has not changed its name.

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 Law on Public Offering of Securities, etc.

The Bank is a listed company and its shares are traded on the Bulgarian Stock Exchange, Sofia. In 2020 the Bank issued bonds, which are also traded on the Bulgarian Stock Exchange, Sofia. The Bank does not have a Parent company.

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

The Management Board is composed of: Iglia Logofetova, Ivaylo Donchev, Mariya Vidolova and Dimitar Zhilev.

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

The Bank operates through its Head Office, offices and remote workplaces in Republic of Bulgaria. As of 31 December 2023 the Bank has 31 offices. As of 31 December 2023 the Bank has 275 employees. As of 31 December 2023 the Group has 289 employees.

The subsidiary UD Texim Asset Management EAD is a public limited company registered in the Republic of Bulgaria in 2006. The registered office of the subsidiary is 117, Todor Aleksandrov Blvd., Sofia, Bulgaria. The subsidiary manages four mutual funds (MF Texim Bulgaria, MF Texim Conservative Fund, MF Texim Balkans and MF Texim Commodity Strategy) holding licenses for activity issued by the Financial Supervision Commission (FSC). The mutual funds are differentiated property with the purpose of collective investment in securities of funds, raised through public offering of shares.

The subsidiary Texim Project Company EOOD was registered in the Republic of Bulgaria in 2021. The registered address of the subsidiary is 117 Todor Aleksandrov Blvd., Sofia, Bulgaria. The main activity of Texim Project Company EOOD is the provision of services, including but not limited to the provision, maintenance and management of IT resources, consulting services related to participation in company analysis projects, development of business strategies, strategic transactions and management, human resources management, corporate financing, etc., marketing activities, commercial representation and mediation, as well as any other activities not prohibited by law.

The subsidiary Texim Solutions EOOD was registered in the Republic of Bulgaria in 2022. The registered address of the subsidiary is 117 Todor Aleksandrov Blvd., Sofia, Bulgaria. The main activity of Texim

TEXIM BANK AD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

ALL AMOUNTS ARE IN BGN THOUSAND, UNLESS OTHERWISE STATED

Project Company EOOD is the provision of services, including but not limited to the provision, maintenance and management of IT resources, consulting services related to: participation in company analysis projects, development of business strategies, strategic transactions and management, human resources management, corporate financing, etc., marketing activities, commercial representation and mediation, as well as any other activities not prohibited by law.

On 16.12.2022, Texim Bank AD concluded a transaction with Velgraf Asset Management AD for the sale of the subsidiary Manastirski Rid Park EOOD. The sale price of BGN 800 thousand was paid by the buyer and ownership of the shares was transferred. As of the date of the sale, the balance sheet value of the equity capital of Manastirski Rid Park EOOD is BGN 1,000 thousand. The reported result of the sale transaction at a consolidated level is a loss from the sale of a subsidiary in the amount of BGN 200 thousand.

2. BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 General Financial Reporting Framework

These consolidated financial statements are prepared for the year ended 31 December 2023. All amounts in the consolidated financial statements are presented in thousand Bulgarian leva (BGN'000).

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

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the guidelines for their application, issued by the IFRS Clarification Committee (IFRS), adopted by the Commission of the European Union and applicable in the Republic of Bulgaria.

These consolidated financial statements have been prepared in accordance with the Bulgarian national legislation. The Bank's operations are regulated by the Law on Credit Institutions and BNB Ordinances. BNB supervises and monitors the compliance with the banking legislation.

When preparing the consolidated financial statements, the Group uses the historical cost method as the basis for accounting for assets and liabilities, with the exception of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment properties that are valued at fair value, land and buildings that are valued at revalued value and non-current assets held for sale that are valued at the lower of their current book value or their fair value less costs to sell. Loans, receivables and held-to-maturity financial assets are valued at amortized cost.

The consolidated financial statements have been prepared in compliance with the going concern principle. The Group's management has analyzed and assessed the Group's ability to continue as a going concern based on the information available for the foreseeable future and management expects that the Group has sufficient financial resources to continue its operations for the foreseeable future and continues to apply the going concern principle in the preparation of the consolidated financial statements.

2.2 Significant events in 2023

In its capacity as an investment intermediary, the Bank acts 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.

TEXIM BANK AD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

ALL AMOUNTS ARE IN BGN THOUSAND, UNLESS OTHERWISE STATED

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

As of the date of the financial statements, the Bank, incl. 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.

As of 31.12.2023, 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.

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.

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

Geopolitical situation effect

The past year has been characterized by a persistence of geopolitical tensions globally, with other important regions being further destabilized especially towards the last quarter of the year. For almost the entire year, hostilities on the territory of Ukraine have unfolded with variable success for one of the two sides, and despite hopes and international efforts to establish at least a temporary ceasefire, none has been achieved. At the same time, Western countries, most notably the United States, the United Kingdom and the Member States of the European Union, have continued to deepen the political and economic isolation of the Russian Federation by imposing further economic and financial sanctions on Russia. Meanwhile, in the first half of October 2023, an armed conflict erupted in the volatile Middle East region between Israel and the Islamic resistance movement Hamas, which further heightened geopolitical tensions not only in the region, but also globally. Almost immediately thereafter, the conflict partially expanded and tensions increased in the Middle East, Red Sea and Suez Canal regions. Regional military conflicts and the imposition of numerous

TEXIM BANK AD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

ALL AMOUNTS ARE IN BGN THOUSAND, UNLESS OTHERWISE STATED

sanctions and restrictions have inevitably had a negative impact on international trade and international transport, which in turn has not only been reflected in highly volatile prices for key energy resources, but has also created the conditions for the deterioration of key supply chains for many industrial and consumer goods, as well as key raw materials for industrial production.

In June 2023, the Group disposed of an investment in bonds with issuer International Bank for Economic Cooperation (IBEC), based in Moscow. As at 31 December 2022, the investment had a carrying value of BGN 2,002 thousand which represented 0.33% of the Group's total assets at that date. An impairment charge of BGN 26 thousand was recorded in 2022. There were no other investments or receivables from counterparties in Russia and Ukraine as at 31 December 2023.

Impact of the macroeconomic environment

Over the past year, global inflation has begun to gradually decline from the record highs seen in 2022, despite geopolitical tensions, regional military conflicts, and highly volatile international financial and commodity markets. As a consequence, leading central banks have gradually stopped "tightening" monetary policy, with the US Federal Reserve (Fed), for example, raising key interest rates for the last time in July 2023 and the European Central Bank (ECB) making its last hike about two months later, in September 2023. The overriding narrative and announcement from central banks was that key interest rates would remain at these high levels until they received further statistical information and clear confidence that inflation was permanently approaching the 2% target. At present, the prevailing expectation in international financial markets is for initial reductions in key interest rates from mid-2024, although it has recently become apparent that underlying (core) inflation has been more difficult to influence than originally forecast. There have been no material changes in the Bank's estimates or in the expected loss (ECL) models, except for the change in the risk parameters of the provisioning model. However, the Group 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.

In 2023, the financial result of the Group is a net profit of BGN 2,381 thousand.

As of 31.12.2023, the main indicators of the Group's activity are as follows:

- The balance sheet value of the assets is BGN 645,111 thousand and, compared to the same period of the previous year, it increased by BGN 47,875 thousand, or 8.02%.
- Liabilities and equity – BGN 645,111 thousand, of which total equity – BGN 58,024 thousand, total liabilities – BGN 568,227 thousand, incl. deposits and loans from credit institutions BGN 1,901 thousand, deposits of other customers BGN 525,326 thousand, liabilities under lease contracts BGN 4,998 thousand, issued debt securities BGN 8,074 thousand. Total liabilities of the Group as of 31.12.2023 increased by 5,47% compared to the amount of liabilities as of 31.12.2022. The increase for the year is BGN 30,430 thousand.

2.3 Changes to IFRS

2.3.1 Initial application of new amendments to existing standards effective for the current reporting period

The Group has applied the following new standards, amendments and interpretations to IFRSs developed and issued by the International Accounting Standards Board, which are mandatory for application from the annual period beginning 1 January 2023, but which do not have a material impact on the Group's

TEXIM BANK AD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

ALL AMOUNTS ARE IN BGN THOUSAND, UNLESS OTHERWISE STATED

consolidated financial performance and financial position:

- IFRS 17 Insurance Contracts effective from 1 January 2023, as 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, IFRS Statements for Annex 2: Disclosure of Accounting Policies, effective 1 January 2023, as adopted by the EU;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, effective 1 January 2023, as adopted by the EU;
- Amendments to IAS 12 Income Taxes: Deferred Taxes Relating to Assets and Liabilities Arising from Unitary Transactions effective from 1 January 2023, as adopted by the EU;
- Amendments to IAS 12 Income Taxes: International Tax Reform - Pillar 2 Model Rules, effective 1 January 2023, adopted by the EU

As a result of the amendments to IAS 12 Income Taxes: Deferred Taxes related to assets and liabilities arising from single transactions, the Group recorded an increase in deferred tax assets of BGN 292 thousand and deferred tax liabilities of BGN 372 thousand as at 1 January 2023, with an immaterial effect on retained earnings as at 1 January 2023.

Due to the size of the Group's business, it does not expect to be subject to additional corporation tax under the Amendments to IAS 12 Income Taxes: International Tax Reform - Pillar 2 Model Rules and the changes to the Income Tax Act which are effective from 1 January 2024.

2.3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued but are not effective or adopted by the EU for the financial year beginning 1 January 2023 and have not been previously adopted by the Group. They are not expected to have a material impact on the Group's consolidated financial statements. Management expects all standards and amendments to be adopted in the Group's accounting policies in the first period beginning after the effective date. A list of changes in standards is set out below:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-current, effective 1 January 2024, as adopted by the EU;
- Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities Linked to Financial Performance, effective 1 January 2024, as adopted by the EU
- Amendments to IFRS 16 Leases: Sale and Leaseback Obligations effective no earlier than 1 January 2024 as adopted by the EU;
- Amendments to IAS 7 Cash Flow Statement and IFRS 7 Financial Instruments: Disclosures: Vendor Financing Arrangements, effective 1 January 2024, have not yet been adopted by the EU;
- Amendments to IAS 21 The Effects of Changes in Exchange Rates: Lack of Convertibility, effective 1 January 2025, have not yet been adopted by the EU.

2.4 Basis of consolidation

The consolidated financial statements of the Group include the financial statements of Texim Bank AD and the subsidiaries UD Texim Asset Management EAD, Texim Project Company EOOD and Texim Solutions EOOD.

TEXIM BANK AD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The Bank is the parent company that directly or indirectly owns more than 50% of the voting rights or powers to exercise control over the financial and operational policy of another company (subsidiary).

Subsidiaries are those over which the Group exercises control. The Group controls an entity when it has exposure to, or a right to, variable returns from its participation and there is a relationship between power and profitability. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control is established until the date of its termination.

Upon loss of control over a subsidiary, the Group writes off the subsidiary's assets and liabilities, and related non-controlling interests and other components of equity. The gain or loss arising therefrom is recognized in profit or loss for the period. A retained interest in a former subsidiary is measured at fair value upon loss of control.

The non-controlling interest is measured at the proportionate share of identifiable net assets at the date of acquisition. As of 31.12.2023 and 31.12.2022, there are no non-controlling interests in the subsidiaries.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for in equity.

All acquisitions are accounted for using the purchase method from the date on which the Group effectively obtains control of the acquiries, as specified in IFRS 3. The Group includes in the consolidated statement of profit or loss and other comprehensive income the results of operations of the acquired company as and recognizes in the consolidated statement of financial position the acquired assets and assumed liabilities and contingent liabilities of the acquired company, as well as any goodwill arising in the acquisition.

The results of subsidiaries acquired or written-off during the year are recognized in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or from the effective date of release of the write-off, as appropriate.

When preparing the consolidated financial statements, the statements of the Bank and the subsidiaries are combined line by line, collecting similar assets, liabilities, elements of equity, income and expenses.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective.

Goodwill arising from business combinations is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it may be impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting estimates and accounting assumptions

The preparation of financial statements requires management to make estimates and reasonable assumptions that affect the carrying amounts of assets and liabilities, revenues and expenses for the period, and the disclosure of contingent assets and contingent liabilities. These estimates and assumptions are based on information available at the date of preparation of the consolidated financial statements and actual future results may differ from these estimates.

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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 these consolidated financial statements. The return on loans and the adequacy of the recognized impairment losses, as well as the maintenance of the Group'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 reporting periods. The Group's management applies the necessary procedures to manage these risks, as disclosed in note 29.

Estimates and assumptions are mainly related to the assessment of the fair values of financial instruments by hierarchical groups, depending on the methods for determining the fair value, as disclosed in note 3.15.

The significant management judgments in the application of the Group's accounting policies that have the most significant impact on the consolidated financial statements and the main sources of uncertainty in the estimates used are described below.

In preparing the consolidated financial statements, management makes a number of assumptions, estimates and assumptions regarding the recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from management's assumptions, estimates and assumptions and in rare cases will be completely consistent with previously estimated results.

Information about the material assumptions, estimates and assumptions 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 the business model test. The Group has defined the business model at a level that reflects how the groups of financial assets are managed together to achieve a specific business objective. This assessment includes estimates that reflect how the performance of the assets is assessed and measured, the risks that affect performance. The Group monitors financial assets measured at amortized cost and those measured at other comprehensive income that are written off before maturity to determine the reasons for writing them off and whether these reasons are consistent with the business model in which these assets are held. Monitoring is part of the policy of ongoing assessment of whether the adopted model remains appropriate and, if not appropriate, to carry out the necessary reclassification of these assets.

Significant increase of credit risk

Expected credit loss (ECL) is measured on a 12-month basis for Phase 1 assets and on the basis of the lifelong assets of Phase 2 and 3 assets. An asset is transferred to Phase 2 when its credit risk has increased significantly since initial recognition, taking quantitative and qualitative indicators and information.

Determination of group with similar credit characteristics

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

Models and assumptions

The Group uses various models and assumptions in determining the fair value of financial assets and expected credit loss. Assumptions are applied in determining the most appropriate model of each asset type,

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as well as in determining the assumptions used in that model, including credit risk. See Note 29.1 for more information on expected credit loss and Note 3.15 for more information on determining fair values.

3.2 Significant sources of uncertainty

Future-oriented information

In measuring expected credit losses, the Group uses reasonable and supported information about future expectations, which is based on assumptions about future changes in various economic indicators and how they mutually influence each other. See Note 29.1 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 29.1 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 29.1 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

In estimating the fair value of the Group's assets, observable market information is used to the extent it is available. In the event that these level 1 inputs are not available, the Group uses valuation models to determine the fair value of its financial assets. See note 3.15 for more information regarding the determination of fair value of financial instruments.

Provisions

The Group has recorded provisions related to commitments and guarantees and defined benefits on retirement of staff as at 31 December 2023 as described in note 19.

Lease contract terms

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

Some leases include extension and termination options. Management takes into account all material factors that create economic incentives or not to exercise the options for renewal or termination in order to reliably determine the lease term for which it calculates the lease obligations. In the event of a change in circumstances or significant events, the lease term is reassessed.

3.3 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Group 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, cancelled 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 is determined by both:

- the entity's business model for managing the financial asset;
- the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

Debt instruments 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;
- 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 using a valuation technique where no active market exists.

Financial assets at fair value through other comprehensive income

The Group 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 company'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 forward looking information to recognize the expected credit losses (the "expected credit loss" model).

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

- 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 Company first identifying a credit loss event. Instead the Group 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.

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“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 Group 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 instruments.

Impairment of financial assets

The impairment requirements under IFRS 9 use forward looking information to recognize the expected credit losses (the "expected credit loss" model).

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

- 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 Company first identifying a credit loss event. Instead the Group 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 Group 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 instruments.

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Trade and other receivables and contract assets

The Group 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 Group 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 Group recognizes the expected 12-month credit losses for financial assets measured at fair value through other comprehensive income. At each reporting date, the Group 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 Group 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 Group 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 Group 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 Group 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: 50%;
- Retail banking: 31%;
- Money markets and liquidity: 19%.

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 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 Off-balance sheet commitments

In the course of its activity, the Group 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.

3.7 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 Group. 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.

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Decreases, netted during prior increases, are reported in the revaluation reserve. All other decreases are reported in profit and loss.

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 Group applies the following annual depreciation rates for 2023 and 2022:

Properties	From 1% to 4%
Machines and equipment	20% - 30%
Office equipment and computers	20%
Vehicles – automobiles	20%
Fixtures and fittings and other non-current assets	10 - 15%
Right of use assets	According to the term of the contract
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%

3.8 Leases

The Group as a lessee

The Group 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 Group 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 Group
- the Group 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 Group has the right to direct the use of the identified asset throughout the period of use.

The Group 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 by the Group as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a

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residual value guarantee and payments arising from options reasonably certain to be exercised.

After initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in deposits from customers other than credit institutions and lease liabilities.

Extension and termination options are included in property leases. They are used to increase operational flexibility regarding the management of assets used in the operations of the Group.

The Group as a lessor

As a lessor, the Group 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

3.9 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 Group applies the following amortization rates for 2023 and 2022:

Software and other intangible assets	10 - 20%
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3.10 Investment properties

Investment property is real estate, which is held by the Group 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.

3.11 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 Group and liabilities to depositors, where the interest is calculated on a daily basis by applying the contracted interest rate to the residual amount.

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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 Group has made an assessment that no contractual cash flows are expected to be 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 Group recognizes interest income on the net carrying amount of the asset.

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

3.12 Fees and commissions

Fees and commissions consist mainly of fees for payment transactions in Bulgarian Levs and foreign currency, fees for servicing deposit accounts, fees for opening of letters of credit and issuing of bank 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.

3.13 Foreign currency transactions

Transactions, denominated in foreign currencies, have been translated into BGN at the rates of BNB on the date of transaction. Receivables and payables in foreign currencies are revalued on a daily basis. Receivables and payables denominated in foreign currencies are translated into BGN at reporting date using closing exchange rates of BNB on that date:

<u>Currency</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
USD	1.76998	1.83371
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.

3.14 Taxation

The Group 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).

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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.

3.15 Fair value of financial assets and liabilities

The Group applies IFRS 13 “Fair Value Measurement”. IFRS 13 provides a single guide to measuring fair value and disclosing fair value measurement. The scope of IFRS 13 is broad, with the requirements for fair value measurement of IFRS 13 applicable to both financial instruments and non-financial items for which other IFRSs require or permit fair value measurement and disclosure of fair value measurement.

IFRS 13 defines fair value as the cost of selling an asset or transferring a liability in an ordinary transaction in a primary (or most advantageous) market under current market conditions. Fair value in accordance with IFRS 13 is the starting price, whether that price is directly available for observation or is estimated approximately through another valuation technique.

3.15.1 Fair value measurement, valuation methods

Some of the assets and liabilities of the Group 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 Group 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 Group 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 Group'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.

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3.15.2 Financial instruments measured at fair value

	Periodic fair value estimates as of 31 December 2023			
	Level 1 BGN '000	Level 2 BGN '000	Level 3 BGN '000	Total BGN '000
Assets held for trading				
– equity securities	30,379	-	-	30,379
Investments in securities that are necessarily measured at fair value through profit or loss:				
– units in mutual funds and shares of VISA inc.	-	11,666	1,907	13,573
Investments at fair value through other comprehensive income:				
– debt securities	34,944	-	13,448	48,392
– equity securities	6,166	-	1,409	7,575
Total assets	71,489	11,666	16,764	99,919

	Periodic fair value estimates as of 31 December 2022			
	Level 1 BGN '000	Level 2 BGN '000	Level 3 BGN '000	Total 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:				
– units in mutual funds and shares of VISA inc.	-	8,106	1,580	9,686
Investments at fair value through other comprehensive income:				
– debt securities	27,038	3,967	3,212	34,217
– equity securities	3,449	-	1,613	5,062
Total assets	57,207	12,073	6,405	75,685

Unrealized gains / losses, related to financial assets at fair value through profit and loss:

2023	Assets at fair value through profit or loss on initial recognition – equity instruments	Investments in securities obligatorily reported at fair value through profit or loss - CIS, shares, and debt instruments
Fair value through profit and loss		
Assets		
Net income from revaluation and transactions with financial assets at fair value through profit and loss	1,307	903
2022	Assets at fair value through profit or loss on initial recognition – equity instruments	Investments in securities obligatorily reported at fair value through profit or loss - CIS, shares, and debt instruments
Fair value through profit and loss		
Assets		
Net income from revaluation and transactions with financial assets at fair value through profit and loss	1,911	(52)

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

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	2023			2022		
	Fair value through other comprehensive income		Total	Fair value through other comprehensive income		Total
	Investments at fair value through other comprehensive income - debt	Investments at fair value through other comprehensive income - equity		Investments at fair value through other comprehensive income - debt	Investments at fair value through other comprehensive income - equity	
Assets						
Net income from other financial instruments at fair value through other comprehensive income	(393)	7	(386)	(1,429)	(15)	(1,444)

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 the case of inactive markets, as far as possible and reasonably priced, indicative market prices are also used.

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

Input market data used in valuation techniques includes prices of debt and equity securities, equity indices, risk or reference interest rates, credit spreads, exchange rates and other factors necessary to determine discount rates.

By the end of 2023, 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 fair value hierarchy for 2022, the Net Asset Value and Discounted Cash Flow methods were used and a weighted average approach for determining the market value was applied.

3.15.3 Financial instruments not at fair value

	Non-periodic fair value measurements as at 31 December 2023				
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Financial Assets					
Loans and advances provided to customers					
– Loans and advances to customers at amortized cost			233,097	233,097	233,712
Investments in securities valued at amortized cost					
– Debt securities					
Total	47,215	-	-	47,215	57,648
Financial Assets	47,215	-	233,097	280,312	291,360

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Financial Liabilities					
Deposits from banks					
- Money market deposits	-	-	1,901	1,901	1,901
Deposits from customers					
- Term deposits	-	-	150,271	150,271	150,983
- Current accounts	-	-	419,146	419,146	419,147
Debt securities issued	-	-	8,074	8,074	8,074
Total	-	-	579,392	579,392	580,105

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 2022				
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Financial Assets					
Loans and advances provided to customers					
- Loans and advances to customers at amortized cost	-	-	220,179	220,179	220,611
Investments in securities valued at amortized cost					
- Debt securities					
Total	43,540	-	-	43,540	57,786
Financial Assets	43,540	-	220,179	263,719	278,397
Financial Liabilities					
Deposits from banks					
- Money market deposits	-	-	1,788	1,788	1,788
Deposits from customers					
- Term deposits	-	-	141,497	141,497	143,427
- Current accounts	-	-	383,686	383,686	383,686
Debt securities issued	-	-	22,160	22,160	22,160
Total	-	-	549,131	549,131	551,062

4. CASH AND CASH BALANCES AT CENTRAL BANKS

	As at 31.12.2023	As at 31.12.2022
Cash on hand	32,919	21,503
Account balances with the Central Bank	151,901	161,990
TOTAL	184,820	183,493

The account balances with the Central Bank as of 31 December 2023 and 2022 include minimum non-interest-bearing reserves in the amount of BGN 49,215 thousand and BGN 39,125 thousand, respectively, a reserve fund to guarantee payments through the real-time gross settlement system RINGS, in compliance with the provisions of the Central Bank, in the amount of BGN 218 thousand and BGN 249 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 Consolidated statement of cash flows

Cash and cash equivalents in the sense of their use in the consolidated statement of cash flows include cash in hand, funds in the Central Bank without imposed restrictions, as well as nostro accounts and resources provided, loans and advances to other banks and receivables from banks under agreements with a redemption clause with a residual maturity of up to 3 months.

Cash and cash equivalents consist of the following balances:

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	As at 31.12.2023	As at 31.12.2022
Cash on hand	32,919	21,503
Account balances with the Central Bank	151,901	161,990
Nostro accounts in local banks	9,141	6,897
- blocked cash equivalents	(74)	(74)
Nostro accounts in foreign banks	5,459	4,879
- blocked cash equivalents	(2,398)	(2,463)
Deposits with local banks	3,852	5,048
Deposits with foreign banks	5,869	-
Deposit impairment in foreign banks	(3)	-
TOTAL	206,666	197,780

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	As at 31.12.2023	As at 31.12.2022
Shares and stocks in local businesses	30,379	26,720
Units in collective investment schemes	11,666	8,106
Shares of foreign enterprises	1,907	1,580
Debt instruments of local enterprises	243	206
TOTAL	44,195	36,612

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31.12.2023	As at 31.12.2022
Debt instruments measured at fair value in other comprehensive income	48,148	34,011
Equity instruments measured at fair value in other comprehensive income	7,575	5,062
TOTAL	55,723	39,073

The following table shows movement during the period:

	As at 31.12.2023	As at 31.12.2022
1 January	39,073	88,885
Acquired	31,989	14,878
Sold	(11,348)	(62,364)
Interest and principal payments received	(6,491)	(2,862)
Change in revaluation reserve	1,058	(662)
Impairment for credit losses	102	(106)
Net gains/(losses) from operations with financial assets at fair value through other comprehensive income	(156)	2,922
Net revaluation gains/(losses) with financial assets at fair value through other comprehensive income	2	(2,837)
Increase in retained earnings from previous years from revaluation reserves of reclassified financial instruments	-	8
Net interest income	1,495	1,211
Other decreases	(1)	-
31 December	55,723	39,073

6.1 Debt instruments measured at fair value through other comprehensive income

	As at 31.12.2023	As at 31.12.2022
Bonds issued by Bulgarian issuers	42,385	22,462
Bulgarian government securities	5,763	5,565
Bonds issued by foreign issuers	-	5,984
TOTAL	48,148	34,011

As of 31 December 2023, Bulgarian government securities in the amount of BGN 2,999 thousand have been pledged with the BNB as collateral for budget funds. (31.12.2022 BGN 2,704 thousand).

As of 31 December 2023, the average interest rate of Bulgarian government bonds in euros is 0.52% (2022: 0.52%).

6.2 Equity instruments measured at fair value through other comprehensive income

The table below shows these investments as well as dividend income, recognized by these investments:

2023	Fair value 31.12.2023	Dividend income recognised 2023
Shares and stocks of local companies	7,018	7
Shares and stocks of foreign companies	557	-
Total equity investments at fair value through other comprehensive income	7,575	7

2022	Fair value 31.12.2022	Dividend income recognised 2022
Shares and stocks of local companies	4,958	10
Shares and stocks of foreign companies	104	-
Total equity investments at fair value through other comprehensive income	5,062	10

7. LOANS AND RECEIVABLES, NET

	As at 31.12.2023	As at 31.12.2022
Loans and receivables from customers, net	189,387	186,383
Resources and deposits provided to banks	24,318	16,824
TOTAL	213,705	203,207

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7.1 Loans and receivables from customers

Analysis by customer type

	As at 31.12.2023	As at 31.12.2022
Private companies	99,146	104,082
Budget	427	-
Households and individuals	56,921	53,428
Financial institutions	34,359	31,098
Impairment for uncollectability	(1,466)	(2,225)
TOTAL	189,387	186,383

Analysis by sector

	As at 31.12.2023	As at 31.12.2022
Individuals	56,921	53,428
Manufacturing	15,254	16,260
Services and others	44,157	41,028
Trade	26,111	35,660
Budget	427	-
Construction	5,577	1,154
Transport	22,766	22,027
Agriculture	1,586	253
Finance	18,054	18,798
Impairment for uncollectability	(1,466)	(2,225)
TOTAL	189,387	186,383

The agreed interest rates on loans granted in Bulgarian leva and foreign currency are predominantly variable. The weighted average agreed interest rates on BGN loans granted in the years ending 31 December 2023 and 2022 are approximately 4,36% and 4,96%. The weighted average contracted interest rates on euro loans for the years ending 31 December 2023 and 2022 are approximately 3,43% and 3,86%.

7.2 Resources provided and deposits in banks

	As at 31.12.2023	As at 31.12.2022
In BGN		
Nostro accounts in local banks	693	177
Deposits with local banks	306	463
	999	640
In foreign currency		
Deposits with local banks	3,546	4,585
Deposits in foreign banks	5,869	-
Nostro accounts in foreign banks	5,459	4,879
Nostro accounts in local banks	8,448	6,720
	23,322	16,184
Impairment of deposits in foreign banks	(3)	
Foreign currency receivables, net	23,319	16,824

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The average interest rate on bank resources in Euro for the year ending 31 December 2023 is 3.04% (2022: 0%).

The amount of nostro accounts with foreign banks as of 31 December 2023 and 2022 includes respectively BGN 436 thousand. Blocked funds in favour of Master Card Europe at Bank Santander and BGN 193 thousand in favour of J.P. Morgan Chase Bank (2022: BGN 442 thousand and BGN 189 thousand, respectively).

As of 31 December 2023, funds worth BGN 1,842 thousand have been blocked on nostro accounts, of which BGN 74 thousand are in favour of the Central Cooperative Bank AD under issued bank guarantees, and BGN 1,768 thousand for collateral under open letter of credit with UNICREDIT S.P.A. MILANO (2022: BGN 1,906 thousand blocked amount in favour of the Central Cooperative Bank AD for issued bank guarantees and for collateral under an open letter of credit).

As of 31 December 2023, there is a term deposit in USD with UniCredit Bulbank AD in the amount of BGN 3,546 thousand, a term deposit in EUR with CCB Skopje in the amount of BGN 5,866 thousand and term deposits in BGN with TBI Bank EAD in the amount of BGN 306 thousand.

8. RECEIVABLES UNDER SECURITY REPURCHASE AGREEMENTS

	As at 31.12.2023	As at 31.12.2022
Receivables from private non-financial entities	27,994	13,885
Receivables from financial entities	16,334	20,343
	<u>44,328</u>	<u>34,228</u>

9. DEBT INSTRUMENTS AT AMORTISED COST

	As at 31.12.2023	As at 31.12.2022
Bulgarian government securities	57,648	57,786

The debt instruments at amortized value were acquired in 2019, 2022 and 2023. The value of debt instruments at amortized value pledged as collateral for budget funds as of 31 December 2023 is BGN 57,648 thousand (2022: BGN 40,717 thousand).

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10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Total	Land and buildings	Office equipment	Vehicles	Fixtures and fittings	PPE Acquisition expenses	Other tangible assets	Software and other intangible assets
Gross book value								
1 January 2022	36,840	17,352	5,157	1,600	3,158	926	3,901	4,746
Additions	1,116	553	-	-	-	278	-	285
Disposals	(1,995)	(878)	(633)	-	(47)	-	(437)	-
Transfers	-	158	527	75	88	(1,024)	176	-
Revaluation	2,586	2,586	-	-	-	-	-	-
31 December 2022	38,547	19,771	5,051	1,675	3,199	180	3,640	5,031
Additions	5,244	4,169	-	-	-	520	-	555
Disposals	(815)	(765)	(39)	-	(11)	-	-	-
Transfers	-	-	263	222	27	(508)	-	(4)
Revaluation	292	292	-	-	-	-	-	-
31 December 2023	43,268	23,467	5,275	1,897	3,215	192	3,640	5,582
Depreciation								
1 January 2022	14,962	3,445	3,993	1,117	1,562	-	2,023	2,822
Accumulated depreciation	3,758	1,980	504	187	291	-	428	368
Disposals	(1,969)	(878)	(609)	-	(45)	-	(437)	-
31 December 2022	16,751	4,547	3,888	1,304	1,808	-	2,014	3,190
Accumulated depreciation for the year	3,794	2,090	521	196	251	-	393	343
Depreciation of disposals	(402)	(357)	(35)	-	(10)	-	-	-
31 December 2023	20,143	6,280	4,374	1,500	2,049	-	2,407	3,533
Carrying amount as at 31 December 2022	21,796	15,224	1,163	371	1,391	180	1,626	1,841
Carrying amount as at 31 December 2023	23,125	17,187	901	397	1,166	192	1,233	2,049

Profit/(Loss) from sale of property, plant and equipment

	As at 31.12.2023	As at 31.12.2022
Sales value	6	4
Carrying amount written off	(5)	(12)
Profit/(Loss) from sale of property, plant and equipment	1	(8)

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

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	Buildings	Vehicles	Total assets with right-of-use
Gross book value			
Balance as at 1 January 2023	8,096	247	8,343
Newly acquired assets	4,169	-	4,169
Carrying amount on written off assets	(474)	-	(474)
Balance as at 31 December 2023	11,791	247	12,038
Depreciation and impairment			
Balance as at 1 January 2023	4,450	158	4,608
Depreciation on written off	(65)	-	(65)
Depreciation	1,795	49	1,844
Balance as at 31 December 2023	6,180	207	6,387
Book value as of 1 January 2023	3,646	89	3,735
Book value as of 31 December 2023	5,611	40	5,651

	Buildings	Vehicles	Total assets with right-of-use
Gross book value			
Balance as at 1 January 2022	8,195	247	8,442
Newly acquired assets	554	-	554
Carrying amount on written off assets	(653)	-	(653)
Balance as at 31 December 2022	8,096	247	8,343
Depreciation and impairment			
Balance as at 1 January 2022	3,371	109	3,480
Depreciation on written off	(653)	-	(653)
Depreciation	1,732	49	1,781
Balance as at 31 December 2022	4,450	158	4,608
Book value as of 1 January 2022	4,824	138	4,962
Book value as of 31 December 2022	3,646	89	3,735

In the fair value hierarchy, land and buildings are classified in Level 3 using fair value valuation techniques.

Valuation technique	Significant unobservable input data	Relationship between key unobservable input data and fair value
Market approach	1. Limitations on the availability of actual transaction data or exchange prices of similar assets in an active market	Fair value will change if:
Method of market analogues	adjustment for lack of information on completed transactions from 5% to 10% 2. Analog corrections, such as coefficients for: technical parameters from 10% to 30% current condition 10% to 22%	more or less analogues are used; more or less correction factors are applied; correction factors for technical parameters and current status are higher or lower; The fair value estimate will be more reliable when primarily compared to comparable transaction prices rather than bid prices.

In 2023 and 2022, a fair value assessment of the properties owned by the Group was carried out using market assessments prepared by an independent external appraiser.

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11. INVESTMENT PROPERTY

	As at 31.12.2023	As at 31.12.2022
Balance on 1 January	12,920	14,304
Acquisition	1	66
Sale	(254)	(733)
Derecognized as a result of a business combination	-	(2,858)
Transfers in property, plant and equipment	-	-
Change in fair value	173	2,141
Balance as of 31 December	<u>12,840</u>	<u>12,920</u>

The profit from the sale of investment properties was formed as follows:

	As at 31.12.2023	As at 31.12.2022
Sales value	278	832
Carrying amount on written off assets	(254)	(733)
Profit from sale of investment properties	<u>24</u>	<u>99</u>

Fair value assessment of the properties owned by the Group is carried out valuations prepared by an independent external appraiser possessing accredited and appropriate professional qualification and recent experience. In the fair value hierarchy, investment properties are classified in level 3 using valuation techniques to determine fair values as disclosed for land and buildings (note 11).

	As at 31.12.2023	As at 31.12.2022
Land	5,517	5,511
Commercial buildings	3,033	3,173
Administrative buildings	3,818	3,763
Industrial buildings	472	473
	<u>12,840</u>	<u>12,920</u>

In 2023 and 2022, the Group reported rental income from investment properties in the amount of BGN 94 thousand and BGN 89 thousand, respectively, which were reported as other operating income.

In 2023 and 2022, the costs for taxes, repair and maintenance of investment properties are BGN 107 thousand and BGN 116 thousand.

12. GOODWILL

In December 2011, Texim Bank AD acquired 100% of the capital of UD "Balkan Capital Management" AD, thereby obtaining a controlling interest in the capital of the subsidiary. The acquisition value of BGN 450 thousand was paid entirely in cash. The acquired net assets are in the amount of BGN 408 thousand. As a result of the acquisition, goodwill in the amount of BGN 42 thousand was recognized.

In February 2012, the name of the subsidiary was changed to UD Texim Asset Management EAD.

As of 31 December 2023 and 31 December 2022, the Group has performed an impairment review of the goodwill acquired in the business combination and has not identified any indications of impairment.

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13. OTHER ASSETS

	As at 31.12.2023	As at 31.12.2022
Trade receivables from the sale of property and financial assets	7,544	7,021
Prepaid services	416	493
Assets acquired from non-performing loan collateral	424	424
Advance payments	246	76
Materials	55	65
TOTAL	8,685	8,079

Assets (except property) that are intended for sale, but their realization has not been carried out within one year, are accounted for as inventories in accordance with IAS 2 and are presented as other assets.

14. DEPOSITS FROM CLIENTS, OTHER THAN CREDIT INSTITUTIONS

	As at 31 December 2023			As at 31 December 2022		
	BGN	Foreign currency	Total	BGN	Foreign currency	Total
RESIDENTS	395,005	161,387	556,392	338,745	161,399	500,144
Budget	23,843	186	24,029	17,701		17,701
Finance	29,583	7,593	37,176	25,778	7,274	33,052
Households and individuals	136,921	91,699	228,620	123,891	99,300	223,191
Services	57,840	22,399	80,239	55,038	20,991	76,029
Manufacturing	9,511	2,726	12,237	5,246	8,298	13,544
Trade	38,872	26,580	65,452	47,281	15,313	62,594
Transport	5,567	8,040	13,607	5,592	7,838	13,430
Construction	87,883	1,221	89,104	53,260	1,784	55,044
Agriculture	4,985	943	5,928	4,958	601	5,559
NON-RESIDENTS	771	11,064	11,835	784	24,398	25,182
	395,776	172,451	568,227	339,529	185,797	525,326

The average interest rates on the various types of deposits for the year ending 31 December 2023 are as follows:

	BGN	USD	EUR
Current accounts	0.04	0.00	0.00
Term deposits	0.11	0.02	0.08
Savings deposits	0.02	0.02	0.05

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

	BGN	USD	EUR
Current accounts	0.02	0.00	0.00
Term deposits	0.05	0.02	0.08
Savings deposits	0.02	0.02	0.04

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15. LEASE LIABILITIES

	As at 31.12.2023	As at 31.12.2022
Lease obligations - non-current part	3,374	1,375
Lease obligations - current part	1,624	1,561
TOTAL	4,998	2,936

The group leases office buildings and cars. Except for short-term leases and leases of low-value assets, each lease is reflected in the consolidated statement of financial position as a right-of-use asset and a lease liability. Variable lease payments that do not depend on an index or variable rates (for example, lease payments based on a percentage of the Group's sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets consistently in its property, plant and equipment (see note 11).

Each lease generally imposes a restriction that the right-of-use assets may only be used by the lessee, unless the Group has the contractual right to sublease the asset to a third party.

The future minimum lease payments as at 31 December 2023 are as follows:

	Minimum lease payments due						Total BGN '000
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	
31 December 2023							
Lease payments	1,760	1,638	1,562	242	73	-	5,275
Financial expenses	(136)	(87)	(42)	(11)	(1)	-	(277)
Net present value	1,624	1,551	1,520	231	72	-	4,998

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

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

The Group has elected not to recognize a liability under leases if they are short-term (leases with an expected term of 12 months or less) or if they are for low-value assets. Payments made under these leases are recognized as an expense using the straight-line method. In addition, certain variable lease payments cannot be recognized as lease liabilities and are recognized as an expense when incurred.

The expenses for 2023, related to payments that are not included in the assessment of obligations under leasing contracts, amount to BGN 86 thousand.

Interest expenses on leasing contracts included in the financial expenses for the year ending on 31 December 2023 are BGN 153 thousand (2022: BGN 177 thousand).

The total cash outflow for leasing contracts for the year ending on 31 December 2023 is BGN 1,775 thousand.

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In 2023, as a result of Covid-19, the Group received discounts on rental payments total BGN 30 thousand, which are presented in "Other revenue" because the Bank applied the amendments to IFRS 16 regarding rent reductions, related to Covid-19.

Additional information on the types of right-of-use assets is presented in note 10.

16. DEBT SECURITIES ISSUED

In 2020, the Bank issues 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 thousand, with a maturity of the bond loan of 7 years and a fixed annual interest rate of 2.2%. By a decision of the BNB Management Board dated 29 September 2020 Texim Bank AD received approval from the BNB to include in its tier two capital the amount raised from the issue of convertible corporate bonds in the amount of BGN 22,000 thousand.

In 2023, the Bank paid interest on the bond loan in the amount of BGN 374 thousand (2022: BGN 484 thousand).

The bank grants each bondholder the right to exchange (convert) all or part of the bonds he owns into shares ("right to convert"), and in exchange for the converted bonds, the bondholder who owns them receives a number of shares equal to the number of:

- (a) the total nominal value of the converted bonds (BGN 1,000 by the number of bonds applied for conversion), divided by
- (b) the current conversion price (the initial conversion price is set at BGN 2.50 and has not been changed to date)

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 expiration conversion notices have been submitted by bondholders in the corresponding three-month period. The total amount of bonds submitted for conversion cannot be less than 5% of the current face value of the bond loan.

Information on the dates on which the quarterly periods expire and the dates on which the conversion notification can be submitted at the latest is published on the bank's website.

In 2023, corporate bonds have been converted at a total amount of BGN 14 million with the share capital being increased by BGN 5,600 thousand and the premium reserves – by BGN 8,400 thousand.

Converted bond debt in January 2023

The amendment to the Article of Association of Texim Bank AD was approved by 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, under the number 20230126180013 was registered an amendment to the Statute /change in Art. 1/ of "Texim Bank" AD. The amendments to the increase of the Bank's capital by conversion of issued bonds and to the amendment of the Bank's Articles of Association were adopted by resolutions of the Board of Directors /Minute No. 62/30.12.2022/ and of the Supervisory Board /Minute 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 the Registration Act has been issued. A book of shareholders with the increased capital has been issued by the Central Depository.

The Financial Supervision Commission, by its Decision No 177 - E of 07.02.2023, shall enter in the Register

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under Art. 1, item 3 of the FCS Act an issue of 2 000 000 ordinary, registered, dematerialised shares with right to vote, with a nominal value of BGN 1 each, issued by Texim Bank AD with ISIN BG1100001921.

By 31.01.2023. The Bank has accounted for the conversion - a decrease in bonds by BGN 5 million and an increase in share capital by BGN 2 million, as well as an increase in premium reserves by BGN 3 million.

Converted bond debt in September 2023

The amendment to the Articles of Association of Texim Bank AD was approved by BNB on 31.08.2023.

On 11.09.2023 in the Commercial Register and the Register of Non-Profit Legal Entities at the Registry Agency, under the number 20230911091419 the capital increase was registered and the amended Articles of Association were announced /change in Art. 1/ of Texim Bank AD.

On 12.09.2023 the registration with the "Central Depository" was made in connection with the capital increase, for which the Registration Act was issued. A book of shareholders with the increased capital has been issued by the Central Depository.

The Financial Supervision Commission, by its Decision No. 871 - E of 19.09.2023, shall enter in the Register under Art. 1, item 3 of the FCS Act, an issue of 3 600 000 ordinary, registered, dematerialised shares with voting rights, with a nominal value of BGN 1 each, issued by Texim Bank AD with ISIN BG1100001921.

As of 30.09.2023 The Bank has accounted for the conversion - a decrease in bonds by BGN 9 million and an increase in share capital by BGN 3.6 million, as well as an increase in premium reserves by BGN 5.4 million.

17. TAXES

17.1 Tax liabilities

	As at 31.12.2023	As at 31.12.2022
Current taxes according to corporate income tax and personal income tax legislation in Bulgaria	34	32
Deferred tax liabilities	1,144	1,030
Total tax liabilities	1,178	1,062

Deferred taxes arise as a result of temporary differences and can be presented as follows:

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Deferred tax liabilities (assets)	31 December 2022	Recognized in equity	Recognised in other comprehensive income	Recognize d in profit or loss	31 December 2023
	BGN '000		BGN '000	BGN '000	BGN '000
Non-current assets					
Property, plant and equipment	568	-	29	-	597
Assets with right of use	-	372	-	192	564
Investment properties	499	-	-	48	547
Non-current liabilities					
Pension and other staff liabilities	(37)	-	(19)	(9)	(65)
Lease liabilities	-	(292)	-	(207)	(499)
	1,030	80	10	24	1,144
Deferred tax assets	(37)				(564)
Deferred tax liabilities	1,067				1,708
Recognized as:					
Net deferred tax liabilities	1,030				1,144

17.2 Income tax expense

Current income tax expense represents taxes payable under Bulgarian law at the statutory tax rate of 10% for 2023 and 2022. Deferred tax income or expense arises as a result of the change in the carrying amount of deferred tax assets and liabilities.

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

	For the year ended 31.12.2023	For the year ended 31.12.2022
Profit before tax	2,432	503
Taxes at applicable tax rates	(243)	(50)
Tax effect of increases/(decreases) in the financial result	(54)	332
Tax effect related to the occurrence or change of deferred tax assets	(24)	(202)
Tax effect from transfer of losses	270	-
Effect of unrecognized deferred tax asset on tax loss	-	(268)
INCOME TAX EXPENSE	(51)	(188)

18. OTHER LIABILITIES

	As at 31.12.2023	As at 31.12.2022
Bank transfers in progress	1,097	1,928
Trade payables	361	390
Obligations to insurers	196	183
Unused paid leave and other liabilities to personnel	143	82
Other liabilities	322	467
TOTAL	2,119	3,050

Bank transfers in execution represent obligations for transfers in BGN, ordered by customers on the last day of 2023 and 2022, respectively, with a value of two working days for the execution of the transfer. These transfers were executed on the first business day of 2024 and 2023 respectively.

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19. PROVISIONS

	As at 31.12.2023	As at 31.12.2022
Opening balance of provisions	335	321
Accrued provisions for litigation	-	6
Paid amounts	-	(104)
Accrued provisions for commitments and guarantees	151	119
Reintegrated provisions for commitments and guarantees	(142)	(129)
Accrued provisions for defined benefit at retirement of staff	263	137
Paid amounts for defined benefit at retirement	(17)	(15)
	<u>590</u>	<u>335</u>

The Group's management has reviewed the legal and constructive obligations for which there is a possibility of cash outflows and has assessed that there are no grounds for recognizing a provision for an unsettled lawsuit as of 31.12.2023 (31.12.2022: BGN 0 thousand).

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. The provisions are charged based on an assessment by an independent licensed actuary, by applying the credit method of the forecasted units according to IAS 19. The present value of the future obligations for the payment of defined benefits as of 31.12.2023 amounts to BGN 530 thousand. The main assumptions used in the calculations, there is a 1% increase in wages and a 0.9% increase in staff turnover. To discount the expected future cash flows, a yield curve for government bonds in BGN was used, according to which interest rates are in the range of 2.7% - 3.7%.

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

	As at 31.12.2023
Present value of the liability on 1 January	284
Interest expenses	11
Current employment service expenses	3
Past employment service expenses	53
Benefits paid	(17)
Actuarial loss	196
Present value of the obligation on 31 December, incl.	<u>530</u>

20. EQUITY AND RESERVES

20.1 Share capital

The Bank's registered capital consists of 33,595,036 fully paid ordinary shares with a nominal value of BGN 1 per share. All shares have the right to receive a dividend and a liquidation share and represent one vote from the general meeting of the Bank's shareholders.

	As at 31.12.2023	As at 31.12.2022
	Number of shares	Number of shares
Share capital		
Beginning balance	27,995,036	27,995,036
Increase in January	2,000,000	-
Increase in September	3,600,000	-
Ending balance	<u>33,595,036</u>	<u>27,995,036</u>

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As at 31.12.2023, shareholders, owning 5 or more than 5 per cent of the rights to vote in the General Meeting of the shareholders of Texim Bank AD are the following:

	Name	UIN	% of the rights to vote	
			31.12.2023	31.12.2022
1	Web Finance Holding AD	103765841	17.93%	18.88%
2	TK-Hold AD	121657705	9.95%	-
3	Sila Holding AD	112100237	8.84%	8.93%
4	POK Saglasie AD	831284154	5.82%	6.98%
5	Etrade AD	130301989	4.25%	5.10%
6	Datamax AD	831257470	4.11%	4.94%
7	Datamax System Holding AD	131466552	3.98%	4.77%

As of 31 December 2023, the companies Etrade AD, Datamax System Holding AD, Datamax AD, in their capacity as related parties, together hold 12.34% 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 31.12.2023	As at 31.12.2022
Premium reserves	8,400	-
Legal reserves (Reserves Fund)	3,039	2,863
Revaluation reserves	9,271	8,127
Other reserves	132	132

The Reserve Fund is formed from the distribution of a part of the Bank's profits in accordance with the requirements of the Commercial Law.

Revaluation reserves include revaluations of:

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

	As at 31.12.2023	As at 31.12.2022
Revaluation reserve of property, plant and equipment	9,876	9,613
Revaluation reserve of financial assets at fair value through other comprehensive income	(386)	(1,444)
Revaluation reserve under defined benefit plans	(219)	(42)
Revaluation reserve total	9,271	8,127

Changes in the revaluation reserve of financial assets at fair value through other comprehensive income is as follows:

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	As at 31.12.2023	As at 31.12.2022
Balance as at 1 January	(1,444)	(782)
Net change in fair value of debt instruments at fair value through other comprehensive income	1,172	(3,765)
Net amount reclassified to gain or loss on sale of debt instruments at fair value through other comprehensive income	(2)	2,837
Net change in fair value of equity instruments at fair value through other comprehensive income	(112)	267
Net value reclassified to retained earnings from prior years from reclassified equity instruments	-	(1)
Balance as at 31 December	<u>(386)</u>	<u>(1,444)</u>

21. INTEREST INCOME AND INTEREST EXPENSE

21.1 Interest income

	For the year ended 31.12.2023	For the year ended 31.12.2022
Operations in BGN	<u>13,174</u>	<u>9,897</u>
Interest on financial assets held for trading	5	3
Interest on financial assets at fair value through other comprehensive income	802	789
Interest from loans and receivables	9,462	6,720
Interest on loans and receivables under repurchase agreements	2,605	2,135
Interest on financial instruments at amortized cost	300	250
Operations in foreign currency	<u>3,356</u>	<u>1,861</u>
Interest on financial assets held for trading	4	-
Interest on financial assets at fair value through other comprehensive income	773	562
Interest on financial instruments at amortized cost	191	116
Interest from loans and receivables	2,388	1,176
Interest on other liabilities	-	7
TOTAL INTEREST INCOME	<u>16,530</u>	<u>11,758</u>

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21.2 Interest expense

	For the year ended 31.12.2023	For the year ended 31.12.2022
Operations in BGN	(753)	(1,021)
Interest on deposits from credit institutions		
Interest on deposits other than credit institutions	(140)	(90)
Interest on debt securities issued	(288)	(437)
Interest on lease agreements	(153)	(177)
Interest on financial assets at fair value through other comprehensive income	(25)	(70)
Interest on financial instruments at amortized cost	(136)	(110)
Interest on other assets	-	(97)
Interest on other liabilities	(11)	(40)
Operations in foreign currency	(121)	(321)
Interest on deposits, other than credit institutions	(64)	(64)
Interest on deposits from credit institutions	(2)	-
Interest on financial assets at fair value through other comprehensive income	(55)	(71)
Interest on other assets	-	(186)
TOTAL INTEREST EXPENSES	(874)	(1,342)

22. FEES AND COMMISSIONS INCOME, NET

	For the year ended 31.12.2023	For the year ended 31.12.2022
Fees and commissions income	5,924	5,467
In BGN	5,082	4,686
Loans management	239	270
Off-balance sheet commitments	120	100
Securities management	699	809
Borrowed funds	2,577	2,287
Cash operations	692	636
Other	755	584
In foreign currency	842	781
Loans management	35	51
Borrowed funds	572	519
Other	235	211
Fees and commissions expenses	(764)	(799)
In BGN	(402)	(446)
In foreign currency	(362)	(353)
FEES AND COMMISSIONS INCOME, NET	5,160	4,668

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23. NET GAINS ON OPERATIONS WITH FINANCIAL ASSETS

23.1. Net gains from financial assets at fair value through profit or loss

	For the year ended 31.12.2023	For the year ended 31.12.2022
Net gains on revaluation of financial assets at fair value through profit or loss on initial recognition	1,313	1,911
Net gains on operations with financial assets determined as recognized at fair value in profit or loss at initial recognition - bonds	(6)	-
Net foreign exchange gains	785	695
Net gains on financial asset transactions at fair value through profit or loss on initial recognition	2,092	2,606
Net gains on financial assets required to be measured at fair value through profit or loss	903	(52)
<i>Net gains on financial assets measured at fair value through profit or loss</i>	<i>2,995</i>	<i>2,554</i>

23.2 Net (losses)/gains from financial assets at fair value through other comprehensive income

	For the year ended 31.12.2023	For the year ended 31.12.2022
Net (losses)/gains from operations with financial assets at fair value through other comprehensive income	(156)	2,922
Net gains/(losses) on debt instruments reclassified from other comprehensive income	2	(2,837)
<i>Net (losses)/gains on financial assets measured at fair value through other comprehensive income</i>	<i>(154)</i>	<i>85</i>

In 2023 and 2022, the Group sold financial assets measured at fair value through other comprehensive income. The table below summarizes the write-off gain by type of asset in the current year and comparative period.

	For the year ended 31.12.2023	For the year ended 31.12.2022
Government bonds	-	74
Corporate bonds	(154)	11
	<u>(154)</u>	<u>85</u>

23.3 Net loss from financial assets at amortized cost

In 2023, the Bank has sold loans accounted for as financial assets at amortized cost with a net book value of BGN 545 thousand. The proceeds from the sale amounted to BGN 115 thousand. The realised loss amounted to BGN 430 thousand.

24. OTHER OPERATING EXPENSES, NET

In 2023 and 2022, the Group has recorded other operating income of BGN 690 thousand and BGN 616 thousand, respectively. The main part of this revenue consists of rental income and sale of commemorative coins.

In 2023 and 2022. The Bank has recorded other operating expenses in the amount of BGN 1,976 thousand

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and BGN 1,870 thousand, respectively.

25. ADMINISTRATIVE EXPENSES

	For the year ended 31.12.2023	For the year ended 31.12.2022
Employee expenses	10,550	9,042
Materials, rents, consulting and other hired services	4,603	4,472
Taxes, fees, business trips, training and others	463	385
TOTAL	15,616	13,899

26. NET EXPENSES FOR IMPAIRMENT AND UNCOLLECTABILITY

In 2023, the Group reported net costs for impairments for uncollectibility on loans and receivables from customers and debt securities total BGN 596 thousand (2022: net costs for impairments for uncollectibility BGN 56 thousand).

The movement of allowances for losses and uncollectibility of loans and receivables is as follows:

	Loans and receivables from customers
BALANCE AS AT 1 JANUARY 2022	2,482
Accrued impairments for the period	608
Accrued impairment for unrecognized interest	(6)
Reintegrated impairments for the period	(678)
Loans written off at the expense of provisions	(181)
	2,225
BALANCE AS AT 31 DECEMBER 2022	1,245
Accrued impairments for the period	(57)
Accrued impairment for unrecognized interest	(553)
Loans written off at the expense of provisions	(1,391)
BALANCE AS AT 31 DECEMBER 2023	1,469

For more information on the impairment of financial assets, see note 29.1 Credit risk.

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27. EARNINGS PER SHARE (IN BGN)

	For the year ended 31.12.2023	For the year ended 31.12.2022
Net profit after tax (in BGN)	2,380,677	314,747
Weighted average number of shares	30,870,666	27,995,036
EARNINGS PER SHARE (BGN per share)	0.077	0.011

The basic earnings per share was calculated using the net profit, subject to distribution among the Company's shareholders, as the numerator.

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 shares outstanding issued during the period, each number of shares being previously multiplied by the average time factor. Ordinary shares issued as a result of the conversion of a debt instrument into ordinary shares are included from the date from which interest ceases to accrue.

Diluted earnings per share

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

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

	2023 Number of shares	2022 Number of shares
Weighted average number of shares for basic earnings per share	30,870,666	27,995,036
Shares resulting from the conversion of the bond issue *	3,200,200	8,800,000
Weighted average number of diluted earnings per share	34,070,666	36,795,036

* the bonds are converted at a price of 2.5 per share

Diluted earnings per share are calculated as follows:

	2023	2022
Profit subject to distribution, adjusted by the reduction of interest expenses (in BGN)*	2,639,766	707,885
Weighted average number of shares with reduced value	34,070,666	36,795,036
Earnings per share with reduced value (in BGN per share)	0.0775	0.0192

* Interest expense on the convertible bonds is given as an increase in earnings and 10% corporate tax as a decrease.

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28. RELATED PARTIES

As at 31 December 2023 and 2022, the Group has receivables, payables and contingent commitments from related parties as follows:

Related parties and balances	Balance as at 31.12.2023	Balance as at 31.12.2022
Key management personnel		
Loans granted	384	390
Deposits received	1,158	1,314
Other receivables	12	2

The income and expenses realized by the Group in 2023 and 2022 from transactions with related parties are as follows

Related parties and types of transactions	For the year ended 31.12.2023	For the year ended 31.12.2022
Key management personnel		
Interest income	15	15
Fee income	6	5

Key personnel of the Group are the members of the Bank's Management Board, including the executive directors, who are directly involved in the corporate operational management and the members of the Supervisory Board of the Bank, who exercise control over the activity and the making of important decisions for the development of the Group, as well as the members of the Board of Directors of UD Texim Asset Management EAD.

The remuneration of the members of the Bank's Management Board, paid in 2023, total of BGN 528 thousand (2022 – BGN 494 thousand).

The remuneration of the members of the Supervisory Board of the Bank, paid in 2023, total of BGN 270 thousand (2022 - BGN 270 thousand).

The remuneration of the members of the Board of Directors of UD Texim Asset Management EAD for 2023 has a total value of BGN 139 thousand (2022 - BGN 135 thousand).

29. RISK MANAGEMENT, RELATED TO FINANCIAL INSTRUMENTS

The risk in the Group's activity related to financial instruments is the possibility that the actual receipts from the financial instruments owned may not correspond to the expected ones. The specificity of banking activity brings out the need to implement adequate systems for the timely identification and management of types of risk, with particular importance being the risk management procedures, mechanisms for maintaining it within acceptable limits, optimal liquidity, portfolio diversification, etc. The main objective of risk management is to comprehensively and definitively present and analyse the types of risk to which the Group is exposed.

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

- Policies, rules, methodologies and procedures for comprehensive identification, measurement, monitoring and control of all risks material to the Group;
- Organizational structure for risk management with appropriate distribution of responsibilities between different management levels and independence between business units performing functions of creating or renewing exposures and those performing risk assessment and control;
- Parameters and limits for transactions and operations;

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- Processes for regular monitoring of approved limits for different types of risk;
- Processes to control the maintenance at all times of sufficient available capital to cover the material risks, both under normal conditions and under stress conditions;
- Developing, improving and supplementing the created system for reporting, analysing and controlling risk, in accordance with the development of the Group's risk profile, the requirements of national and European legislation and good banking practices;

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

- limiting the risk taken so that the business activity of the Group is not exposed to danger in the short and long term;
- maintaining a sufficient amount of own capital so that compliance with the regulatory capital requirements is ensured at all times, as well as an adequate level of coverage of the assumed risks under normal conditions and under conditions of stress;
- determining a risk structure suitable for the business model, including by defining a risk profile and capital limits.

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

- Supervisory Board – determines the acceptable levels of risk within the adopted risk management strategy of the Group, 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 Council for the management of all material risks and the effective functioning of the risk management system;
- Specialized collective bodies - approve the framework and parameters of the Bank's risk management activity;
- 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 Group;
- Heads of structural units of the Group - apply the adopted risk management policies when organizing the activities of the relevant organizational units.

The nature and essence of the risks to which the financial instruments owned by the Group are exposed are as follows:

29.1 Credit risk

Over the past year, leading economies have faced serious risks related to macroeconomic and financial stability, as well as efforts to contain inflation, the emerging trend of rising key interest rates, widening geopolitical instability in new regions of the world, high volatility in international financial markets and in the prices of major energy commodities. 2023 passed under the sign of efforts to control inflation and calm the financial markets by applying more restrictive monetary policy by central banks.

In Bulgaria and in 2023, a number of destabilising factors were at work in the country, mostly (but not only) related to the military actions in Ukraine and the additional geopolitical instability resulting from the military conflict in the Middle East that broke out in October last year. This persistently destabilised geopolitical environment was mainly reflected in supply disruptions and significant price fluctuations for exchange-traded grains, as well as in volatile prices for energy resources, raw materials and semi-finished products for the ferrous and non-ferrous metallurgy and engineering industries.

In 2023, relatively high inflation was recorded, which, especially in the second half of the year, started to gradually decline as a result of several main factors. One of these was the declining, albeit volatile, prices of major energy commodities, which was accompanied by some decline in commodity prices and exchange-

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traded cereals. In addition, the restrictive monetary policy of the ECB, which as early as mid-2022 has begun a regime of decisive withdrawal of monetary and interest rate stimulus - i.e. raising key interest rates - has begun to have an impact in the country. Although the transmission of the ECB's monetary policy to Bulgaria, which has been in a currency board since mid-1997 and with a fixed exchange rate of the lev against the euro, has been partial and incomplete, interest rates, especially those on corporate loans, have risen significantly, and to a lesser extent, interest rates on consumer loans have increased.

The effects of rising interest rates have not resulted in material changes in estimates, changes in expected loss (ECL) estimation models other than a change in the risk parameters of the provisioning model, and have not resulted in a change in classification or business models in 2023.

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

Cash and balances in the Central Bank do not carry credit risk, due to their nature and the ability of the Bank to dispose of them.

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

Loans and advances granted to customers of the Group represent exposure to credit risk. For its evaluation, the Group performs a risk analysis by applying criteria for the evaluation and classification of risk exposures, which are in accordance with International Financial Reporting Standards, regulatory requirements and good banking practices. In order to minimize the credit risk, in the process of approval, management and administration of the transactions, the Group applies detailed procedures covering the analysis of the economic feasibility of each financial instrument and the acceptable collaterals, the control over the use of the allocated funds and the servicing of contractual cash flows, compliance with regulatory requirements, etc.

The Group manages and controls the risk of concentration of exposures to one 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 similar factors.

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

- *Limits by clients and groups of related clients /individual exposures/* - Large exposures to one or a group of related customers are managed in accordance with the Credit Institutions Act (CIA), Regulation (EU) No. 575/2013 and internal regulatory rules. The bank monitors and reports to its governing body and the regulator single or economically related persons that form an exposure equal to or exceeding 10% of its eligible capital, determined according to Regulation (EU) No. 575/2013 and observes compliance with the 25% threshold for these exposures, established 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 respect to counterparties other than banks, the limits are approved by the Group's management, based on a thorough analysis by the business line and the risk management unit.

- *Limits by economic sectors* – The management and control of the credit risk of concentration by economic sectors is carried out by determining and applying limits to limit sectoral concentrations. To establish the

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degree of concentration, Texim Bank AD uses the Herfindahl-Hirschman index (HHI), developed and validated for measuring concentrations of market structures.

- *Limits on financial instruments*– The management and control of the risk of concentration in relation to specific financial instruments is carried out by applying limits to limit the maximum exposure by types of financial instruments, including in contractual funds, shares and bonds.

The balance sheet value of the exposures represents the maximum credit risk exposure of the Group.

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

ASSETS	As at 31.12.2023	As at 31.12.2022
Provided resources and deposits to banks	24,321	16,824
Financial assets at fair value through profit or loss	44,195	36,612
Equity instruments at fair value through other comprehensive income	7,575	5,062
Debt instruments at fair value through other comprehensive income	48,325	34,291
Debt instruments at amortized cost	57,677	57,809
Loans and advances	190,853	188,608
Receivables under repurchase agreements	44,328	34,228
Off-balance sheet items:	33,743	30,383
incl. credit commitments	17,230	13,028
incl. bank guarantees	16,513	17,355
TOTAL CREDIT EXPOSURE	451,017	403,817

In the total credit exposure, the Group does not include the balances on its accounts with the BNB, as it considers that they do not carry credit risk.

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

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 Supervisory Board. 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-off of risk exposures. The Management Board of Texim Bank AD determines the number 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, support the implementation of effective risk management practices, assess the inherent risks of any new products, processes or services of the Group. The unit responsible for credit risk assessment carries out an analysis and opinions on credit and other transactions proposed for approval by the Group's business units.

Such mechanisms shall ensure:

- The availability 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 Group, from the individual instrument level to the portfolio level.
- Establishing credit policies to protect the Group against identified risks: requirements for obtaining collateral from borrowers, conducting 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 Group to categorize exposures according to the degree of risk of default. Risk categories are subject to regular review.
- Development and maintenance of the Group's processes for measuring expected credit losses (ECL), including credit risk monitoring, the application of forward-looking information and methods for measuring ECL.
- Ensuring that the Group 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 analysis of the financial situation of borrowers covers indicators such as:

- Capital and capital structure;
- Return on equity and borrowed capital;
- Return on assets;
- General, fast and absolute liquidity;
- Financial autonomy;
- Revenue growth and profitability;
- EBITDA value;
- Growth and volumes of sales and estimated cash inflows;
- State of the market or business segment in which the client operates; market positions of the client;
- Execution of contracts by and to counterparties;
- Information on economic and legal connectivity;
- Information about relations with institutions and objects of the public sector;
- History and time of the activity, development and nature of the business;
- Reputation;
- Pertinent and relevant macroeconomic information, as well as forecast;

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- Market value and eligibility of collateral and debt coverage with collateral;
- Other;

In order to minimize credit risk and as additional protection, Texim Bank AD 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.

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

- Significant financial difficulty of the issuer or debtor, leading to the 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 difficulties on the part of the debtor, makes concessions to the debtor that would not have been made in other circumstances;
- Probability that the debtor or related parties will be declared bankrupt or the debtor will be subject to another financial restructuring;
- 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 has declared a loan to the debtor due early;
- A material decrease in the value of collateral that violates the Bank's requirements for collateral exposure coverage (when the Bank is unable to negotiate the provision of additional collateral or reduction of 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 Swap 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 over 1000 basis points within the last 12 months;

Based on the creditworthiness analysis, the Group 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;

The tables below show the status of the Group's balance sheet and off-balance sheet items by financial instruments and client risk groups as of 31.12.2023 and 31.12.2022.

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As at 31.12.2023

Loans and advances as at 31.12.2023	Gross book value	Impairment
Corporate Loans		
A	27,062	(5)
B	64,943	(161)
C	16,051	(19)
D	11,620	-
Unrated	14,256	(280)
Total Corporate Loans	133,932	(465)
Retail exposures	56,921	(1,001)
Total loans and advances	<u>190,853</u>	<u>(1,466)</u>

Debt and equity securities as at 31.12.2023	Gross book value	Impairment
A	30,038	-
B	48,372	(169)
C	3,238	(5)
Unrated	<u>76,124</u>	<u>(32)</u>
Total securities	<u>157,772</u>	<u>(206)</u>

Off-balance-sheet items as at 31.12.2023	Bank guarantees issued	Undrawn credit commitments	Provisions
A	6,641	4,953	(14)
B	8,530	1,272	(9)
C	45	465	(1)
D	1,215	541	(4)
Unrated	82	1,735	(18)
Retail exposures	-	8,264	(15)
Total off-balance-sheet items	<u>16,513</u>	<u>17,230</u>	<u>(61)</u>

As at 31.12.2022

Loans and advances	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	<u>222,836</u>	<u>(2,225)</u>

Debt and equity securities	Gross book value	Impairment
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A	19,812	-
B	30,729	(156)
C	2,592	(3)
D	1,099	-
Unrated	79,502	(144)
Total securities	133,734	(303)

Off-balance-sheet items	Bank guarantees issued	Undrawn credit 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)

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 Group 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 Group shall classify its risk exposures into Phase 2 and Phase 3.

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

In the event of a financial asset arrears exceeding 90 days, the Group classifies it in Phase 3.

If the Group 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 determination, the Group shall carry out an individual analysis of the financial, legal and factual situation 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 Group shall endeavour 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 natural persons, 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 shall be used before default occurs, based on the historical experience of the Group. The assessment on a collective basis of the 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 assessment.

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Whether credit risk is assessed individually or collectively, the objective of the impairment requirements for financial assets managed by the Group is 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 in the period after their initial recognition. The date of initial recognition in the case of credit commitments and financial guarantee contracts is the date on which the Group became 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 Group is exposed to credit risk. For exposures that include both credit and an undrawn loan commitment, expected credit losses are assessed for the period over which the Group is exposed to credit risk, even if it exceeds the term of the contract.

For financial instruments classified in Phase 1, the Group 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.

As the size of its exposures, the Group shall adopt their gross carrying amount 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 assessed and recognised.

The credit loss is the present value of the difference between the contractual cash flows due and the flows that the Group expects to receive. The expected credit losses are the weighted on the basis of the probability estimate of credit losses, i.e. the present value of the entire cash shortfall.

To estimate expected credit losses, the Group uses 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 an obligor, 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 collateralized 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 uncovered) 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.

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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, behaviour 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 depending on the phase of exposure, as a basic principle when performing the calculation is that only exposures fall within the scope of the analysis, which were served at the beginning of the period considered. The historical default level is calculated as the arithmetic average of the number of customers 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 Group uses PD values from global financial data markets (Bloomberg) or ECAI-issued credit ratings.

The LGD uncovered 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 backed by recognised, for impairment purposes, collateral. 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 amount. 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. The group uses forward-looking information that is available without undue expense or effort in assessing the significant increase in credit risk as well as in measuring the OCD. The group 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 group applies 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 links between macroeconomic variables and credit risk and credit losses. The group made no changes to the measurement 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 group 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 summarised in the table below:

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2023			
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	
Change in parameters	+1%	-1%	
Probability of loss (PD)	(232)	232	
Loss from default (LGD)	(15)	15	
2023			
Change in expected credit losses in BGN'000 as a result of a change of 1% in the main parameters	Effect on net profit		
Macro factor - increase in interest rates	(244)		
2022			
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	
Change in parameters	+1%	-1%	
Probability of loss (PD)	(225)	225	
Loss from default (LGD)	(29)	29	
2022 г.			
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 – increase in interest rates	(173)		

Credit quality

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

The analysis of the Group's credit risk concentrations under 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	2023 BGN'000	2022 BGN'000
Concentration by sector		
Central banks	151,901	161,990
Bulgarian commercial banks	12,995	11,946
Foreign commercial banks	11,323	4,878
Total	176,219	178,814

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Loans and advances granted to customers at amortised cost	2023 BGN'000	2022 BGN'000
Concentration by sector*		
Retail banking:	56,921	53,428
Mortgage	27,633	23,651
Unsecured lending	29,288	29,777
Corporate:	133,932	135,180
Consumer goods and services tied to the economic cycle	13,750	15,925
Basic consumer goods	16,340	15,933
Communication services	18	-
Finances	31,144	41,940
Healthcare	359	5
Industry	29,924	31,506
IT	995	-
Raw materials	4,617	7,036
Real Estate	35,739	22,739
Public services/utilities and other	1,046	96
Total	190,853	188,608

*according to the GICS sectoral nomenclature

Concentration by region	2023 BGN'000	2022 BGN'000
Europe	190,849	188,608
Bulgaria	190,849	188,608
Other world:	4	-
Russian Federation	4	-
Total	190,853	188,608

Loan commitments	2023 BGN'000	2022 BGN'000
Concentration by sector		
Retail banking:	8,263	7,891
Mortgages	199	281
Unsecured lending	8,064	7,610
Corporate:	8,967	5,137
Consumer goods and services tied to the economic cycle	2,085	1,215
Basic consumer goods	852	755
Communication services	-	-
Finances	335	276
Health care	588	865
Industry	2,312	749
IT	4	410
Raw materials	2,115	789
Real Estate	1	2
Public services/utilities and other	675	76
Total	17,230	13,028

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	2023 BGN'000	2022 BGN'000
Concentration by region		
Europe	17,151	12,866
Bulgaria	17,151	12,866
Other world:	79	162
Austria	29	117
China	-	20
Russian Federation	25	20
Other	25	5
Total	17,230	13,028
Financial guarantee contracts		
	2023 BGN'000	2022 BGN'000
Concentration by sector		
Retail banking:	-	-
Mortgage	-	-
Unsecured lending	-	-
Corporate:	16,513	17,355
Consumer goods and services tied to the economic cycle	1,531	1,519
Basic consumer goods	141	4
Communication services	-	-
Finances	3,101	2,822
Health care	451	247
Industry	7,332	8,903
IT	12	340
Raw materials	3,025	3,025
Real Estate	543	118
Public services/utilities and other	377	377
Total	16,513	17,355
Concentration by region		
Europe	16,513	17,355
Bulgaria	16,513	17,355
Total	16,513	17,355

The following tables provide an analysis of the Group'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.

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2023

Loans and advances granted	2023			Total BGN'000
	Phase 1	Phase 2	Phase 3	
	12-month expected credit losses BGN'000	Expected credit losses for the entire term BGN'000	Expected credit losses for the entire term BGN'000	
Corporate Loans				
A	18,881	8,181	-	27,062
B	62,399	2,544	-	64,943
C	12,633	1,371	2,047	16,051
D	3,015	8,605	-	11,620
Unrated	13,117	-	1,139	14,256
Total Corporate Loans	110,045	20,701	3,186	133,932
Retail exposures	55,035	468	1,418	56,921
Total loans and advances	165,080	21,169	4,604	190,853
Impairment loss	(423)	(48)	(995)	(1,466)
Net balance loans and advances	164,657	21,121	3,609	189,387

Bank guarantees issued and undrawn loan commitments	2023			Total BGN'000
	Phase 1	Phase 2	Phase 3	
	12-month expected credit losses BGN'000	Expected credit losses for the entire term BGN'000	Expected credit losses for the entire term BGN'000	
Corporate Loans				
A	11,592	2	-	11,594
B	9,802	-	-	9,802
C	340	170	-	510
D	1,705	51	-	1,756
Unrated	1,817	-	-	1,817
Total Corporate Loans	25,256	223	0	25,479
Retail exposures	8,248	7	9	8,264
Total off-balance-sheet items	33,504	230	9	33,743
Provision	59	0	2	61

2022

Loans and advances granted	2022			Total BGN'000
	Phase 1	Phase 2	Phase 3	
	12-month expected credit losses BGN'000	Expected credit losses for the entire term BGN'000	Expected credit losses for the entire term 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 balance loans and advances	205,530	11,467	3,614	220,611

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Bank guarantees issued and undrawn loan commitments	2022			Total BGN'000
	Phase 1	Phase 2	Phase 3	
	12-month expected credit losses BGN'000	Expected credit losses for the entire term BGN'000	Expected credit losses for the entire term 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 positions	30,003	4	376	30,383
Provision	51	-	-	51

The following table summarises the year-end impairment loss by type of exposure:

Impairment loss by type of asset	2023	2022
	BGN'000	BGN'000
Loans and advances granted to banks at amortised cost	3	-
Loans and advances granted to customers at amortised cost	1,466	2,225
Investments in debt securities at amortised cost	29	23
Debt instruments at fair value through other comprehensive income	177	280
Loan commitments	46	33
Financial guarantee contracts	15	19
Total	1,736	2,580

The following table presents the movement between phases of the Group's financial instruments in 2023 and 2022:

2023

Transfers between impairment phases (gross presentation)	Gross book value					
	Transfers between Phase 1 and Phase 2		Transfers between Phase 2 and Phase 3		Transfers between Phase 1 and Phase 2	
	From Phase 1 to Phase 2	From Phase 2 to Phase 1	From Phase 1 to Phase 2	From Phase 3 to Phase 2	From Phase 1 to Phase 2	From Phase 3 to Phase 1
Credit institutions	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Loans and advances	12,914	6	1,918	-	103	3
<i>Corporate Loans</i>	12,521	-	1,892	-	-	-
<i>Retail Banking</i>	393	6	26	-	103	3
Total	12,914	6	1,918	-	103	3
Commitments made and financial guarantees granted	228	1	1	470	4	11

2022

Transfers between impairment phases (gross presentation)	Gross book value					
	Transfers between Phase 1 and Phase 2		Transfers between Phase 2 and Phase 3		Transfers between Phase 1 and Phase 2	
	From Phase 1 to Phase 2	From Phase 2 to Phase 1	From Phase 1 to Phase 2	From Phase 3 to Phase 2	From Phase 1 to Phase 2	From Phase 3 to Phase 1
Credit institutions	-	-	-	-	-	-
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

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

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2023

Movement of corrective and provisions for credit losses	Opening balance sheet 31 Dec 2022	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)	(617)	(538)	550	(28)	-	(633)
Credit institutions	-	(4)	1	-	-	(3)
Debt securities	(240)	(62)	158	(63)	-	(207)
Loans and advances	(377)	(472)	391	35	-	(423)
<i>Corporate Loans</i>	(163)	(241)	210	(1)	-	(195)
<i>Retail exposures</i>	(214)	(231)	181	36	-	(228)
Adjustment for debt instruments with a significant increase in credit risk after initial recognition, but without credit impairment (Phase 2)	(108)	(37)	32	65	-	(48)
Credit institutions	-	-	-	-	-	-
Debt securities	(63)	-	-	63	-	-
Loans and advances	(45)	(37)	32	2	-	(48)
<i>Corporate Loans</i>	-	-	-	-	-	-
<i>Retail exposures</i>	(45)	(37)	32	2	-	(48)
Credit Impairment Debt Adjustment (Phase 3)	(1,803)	(733)	130	18	1,393	(995)
Credit institutions	-	-	-	-	-	-
Loans and advances	(1,803)	(733)	130	18	1,393	(995)
<i>Corporate Loans</i>	(269)	-	-	(1)	-	(270)
<i>Retail exposures</i>	(1,534)	(733)	130	19	1,393	(725)
Total credit loss corrective	(2,528)	(1,308)	712	55	1,393	(1,676)
Commitments and financial guarantees granted (Phase 1)	51	144	(137)	-	-	58
Commitments and financial guarantees provided (phase 2)	-	1	(1)	-	-	-
Commitments and financial guarantees granted (Phase 3)	-	5	(3)	-	-	2
Total commitment provisions and financial guarantees	51	150	(141)	-	-	60

2022

Movement of corrective and provisions for credit losses	Opening balance sheet 31 Dec 2021	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)	(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	1	-	-	(1)	-	-

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(phase 2)						
Commitments and financial guarantees granted (Phase 3)	-	2	(3)	1	-	-
Total commitment provisions and financial guarantees	62	119	(130)	-	-	51

In 2023, the valuation methodology for calculating expected credit losses has not changed.

Group monitoring procedures shall reveal a significant increase in credit risk before exposure defaults and at the latest when 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 and advances granted to customers:	2023		2022	
	Gross book value	Impairment loss	Gross book value	Impairment loss
	BGN'000	BGN'000	BGN'000	BGN'000
0-29 days	188,436	493	182,341	419
30-59 days	153	28	2,225	29
60-89 days	99	16	138	25
90-180 days	28	21	95	31
More than 181 days	2,137	908	3,809	1,721
Total	190,853	1,466	188,608	2,225

Collateral and other credit enhancements

The Group holds collateral or other credit enhancements to mitigate the credit risk associated with financial 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 OCI, amortised value and fair value through profit or loss.

Type of receivable	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

There has been no change in the Group's collateral recognition policy during the year. More details on collateral held for certain types of financial assets can be found below.

Mortgage loans

The group holds residential property as collateral for the mortgage loans it provides to its clients. 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.

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The value of collateral shall be updated periodically. The tables below show mortgage exposures by LTV ranges.

Mortgage loans	2023		2022	
	Gross book value	Impairment loss	Gross book value	Impairment loss
LTV ratio	BGN'000	BGN'000	BGN'000	BGN'000
Less than 50%	7,287	(1)	6,710	(4)
51-70%	9,347	-	8,181	-
71-90%	9,582	-	8,314	-
91-100%	1,417	-	75	-
More than 100 %	-	-	371	(1)
Total	27,633	(1)	23,651	(5)

Loan commitments — Mortgage lending	2023		2022	
	Commitment Amount	Impairment loss	Commitment Amount	Impairment loss
LTV ratio	BGN'000	BGN'000	BGN'000	BGN'000
Less than 50%	40	-	197	-
51-70%	130	-	54	-
71-90%	-	-	-	-
91-100%	29	-	-	-
More than 100 %	-	-	30	-
Total	199	-	281	-

Offsetting financial assets and financial liabilities

In 2023, there is no offsetting of financial assets with financial liabilities.

Summary information on the quality of the loan portfolio

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

	31.12.2023			
	Phase 1	Phase 2	Phase 3	Total book value
	BGN'000	BGN'00	BGN'0	BGN'000
Private firms	85,996	9,967	3,186	99,149
Households and individuals	55,035	468	1,418	56,921
Financial corporations	23,622	10,734	-	34,356
State budgets	427	-	-	427
TOTAL BOOK VALUE	165,080	21,169	4,604	190,853
Impairment for uncollectability	(423)	(48)	(995)	(1,466)
TOTAL BALANCE VALUE	164,657	21,121	3,609	189,387

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	31.12.2022			Total book value BGN'000
	Phase 1	Phase 2	Phase 3	
	BGN'000	BGN'00	BGN'00	
		0	0	
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 uncollectability	(378)	(45)	(1,802)	(2,225)
TOTAL BALANCE VALUE	171,302	11,467	3,614	186,383

Information on large exposures in the Group's loan portfolio (initial exposures that represent 10% or more of the Bank's regulatory eligible capital) by book value as of 31 December 2023 and 2022 is presented in the table below:

	As at 31 December 2023		As at 31 December 2022	
	(BGN'000)	% of capital base	(BGN'000)	% of capital base
Largest total exposure to client group	39,875	73.94	44,756	116,29
Total of the five largest exposures to clients	55,324	102.59	53,896	140,04
Total amount of all large exposures (over 10% of the capital base) to clients	100,468	186.31	119,577	310,69

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

	As at 31.12.2023	As at 31.12.2022
Secured by cash and government securities	19,897	19,662
Secured by mortgage	103,978	100,236
Financial insurance	12,098	23,471
Pledge of corporate securities	12,722	5,960
Pledge of movable property	9,957	7,081
Pledge of a commercial enterprise	327	538
Pledge of receivables	228	558
Suretyship and joint and several liability	2,125	3,208
Unsecured	29,521	27,894
Impairment for uncollectability	(1,466)	(2,225)
Total	189,387	186,383

Business sector, classification group and arrears as of 31 December 2023:

Sector	Extent Group	Number of transactions	Debt	Incl. arrears on		Judicial receivables	Expected credit losses	Unused commitment
				Principal	Interest			
Retail	Served	5,259	55,504	26	9	-	276	8,254
	non-performing	219	1,417	48	19	902	725	9
Total		5,478	56,921	74	28	902	1,001	8,263
Corporate	Served	150	130,746	-	-	-	195	8,967
	non-performing	6	3,186	-	-	1,096	270	-
Total		156	133,932	-	-	1,096	465	8,967
	Total portfolio	5,634	190,853	74	28	1,998	1,466	17,230

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

Sector	Extent Group	Number of transactions	Debt	Incl. 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

29.2 Liquidity risk

The liquidity risk arises from the discrepancy between the maturity of assets and liabilities and the lack of sufficient funds with which the Group 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 Group 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 liquidity management in the Bank is the Assets and Liabilities Management Committee. It conducts the adopted by the Group management liquidity risk management policy.

A quantitative measure of liquidity risk, according to the BNB regulations, is the Liquidity Coverage Ratio. The liquidity coverage ratio as of 31.12.2023 is 210.85% (2021: 195.52%) 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 Group maintains a significant volume of highly liquid assets – cash in cash and in the BNB, amounting to BGN 184,820 thousand, which guarantee it a smooth meeting of liquidity needs. Their share as at 31 December 2023 was approximately 28.65% of the Group's total assets. As an additional tool to ensure high liquidity, the Group uses the resources and advances made available to financial institutions on current accounts. These are basically deposits in international and Bulgarian financial institutions with a maturity of up to 7 days, as of 31 December 2023, those who are not encumbered by a pledge amount to BGN 12,128 thousand and represent 1.88 % of total assets. The government securities owned by the Group, which are not blocked, amount to BGN 2,764 thousand and represent 0.43 % of its assets. By maintaining over 20% of its assets in fast-liquid assets, the Group is able to ensure that all its payment needs on its financial liabilities are met in a timely manner.

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

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2023	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	Over 1 year	Total
FINANCIAL ASSETS					
Cash and cash balances with central banks	184,820	-	-	-	184,820
Financial assets at fair value through profit or loss	-	-	43,952	243	44,195
Debt instruments at fair value through other comprehensive income	120	405	3,026	44,597	48,148
Equity instruments at fair value through other comprehensive income	-	-	-	7,575	7,575
Resources provided and deposits to banks	24,012	-	306	-	24,318
Loans and receivables from customers	3,969	18,384	31,813	135,221	189,387
Receivables on securities repurchase agreements	13,457	11,952	18,919	-	44,328
Debt instruments at amortised cost	-	-	-	57,648	57,648
TOTAL FINANCIAL ASSETS	226,378	30,741	98,016	245,284	600,419
FINANCIAL LIABILITIES					
Deposits by credit institutions	1,901	-	-	-	1,901
Deposits from customers other than credit institutions	472,163	25,160	57,047	13,857	568,227
Debt securities issued	-	-	-	8,074	8,074
TOTAL FINANCIAL LIABILITIES	474,064	25,160	57,047	21,931	578,202

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

2022	Up to 1 month	From 1 to 3 months	From 3 months 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	-	-	35,777	835	36,612
Debt instruments at fair value through other comprehensive income	120	405	3,026	30,459	34,010
Equity instruments at fair value through other comprehensive income	-	-	-	5,062	5,062
Resources provided and deposits to banks	16,361	-	463	-	16,824
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 at amortised cost	-	-	-	57,786	57,786
TOTAL FINANCIAL ASSETS	213,046	17,946	92,621	230,784	554,397
FINANCIAL LIABILITIES					
Deposits by credit institutions	1,788	-	-	-	1,788
Deposits from customers other than credit institutions	433,424	25,842	53,022	15,975	528,263
Debt securities issued	-	-	-	22,160	22,160
TOTAL FINANCIAL LIABILITIES	435,212	25,842	53,022	38,135	552,211

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, equities, bonds 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 Group'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 Group 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:

31.12.2023	Value at risk /VaR (1 day, 99%)/
PORTFOLIO	
Foreign exchange portfolio	1
Portfolio of shares held for trading	116
Portfolio of equity instruments at fair value in other comprehensive income	47
Portfolio of debt securities measured at fair value in other comprehensive income	512

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

31.12.2022	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

In addition to the daily measurement of value at risk, the Group monitors and analyzes the value under risk under conditions of stress. According to an adopted methodology, historical data on risk factors affecting the value of positions in the individual financial portfolios of the Group are analyzed, determining the most crisis period with the highest volatility. The assessment of price risk in conditions of stress, resulting 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.

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31.12.2023	Value at risk /VaR (1 day, 99%)/	Value at risk /sVaR (1 day, 99%)/ under stress conditions
Portfolio of stocks	116	454
31.12.2022	Value at risk /VaR (1 day, 99%)/	Value at risk /sVaR (1 day, 99%)/ under stress conditions
Portfolio of stocks	202	786

29.4 Currency risk

Currency 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 2023 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 by the Bank should apply.

The currency structure of financial assets and liabilities at book value as at 31 December 2023 is as follows:

	BGN	EUR	Other currencies	Total
FINANCIAL ASSETS				
Cash and cash balances with central banks	120,725	62,577	1,518	184,820
Financial assets at fair value through profit or loss	42,188	100	1,907	44,195
Debt instruments at fair value through other comprehensive income	31,775	16,373	-	48,148
Equity instruments at fair value through other comprehensive income	7,017	456	102	7,575
Resources provided and deposits to banks	994	11,328	11,996	24,318
Loans and receivables from customers	156,416	32,970	1	189,387
Receivables on securities repurchase agreements	44,328	-	-	44,328
Debt instruments at amortised cost	22,231	35,417	-	57,648
TOTAL ASSETS	425,674	159,221	15,524	600,419
FINANCIAL LIABILITIES				
Deposits by credit institutions	-	-	1,901	1,901
Deposits from customers other than credit institutions	395,775	159,030	13,422	568,227
Debt securities issued	8,074	-	-	8,074
TOTAL LIABILITIES	403,849	159,030	15,323	578,202
NET POSITION	21,825	191	201	22,217

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

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	BGN	EUR	Other currencies	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	35,032	-	1,580	36,612
Debt instruments at fair value through other comprehensive income	17,477	16,533	-	34,010
Equity instruments at fair value through other comprehensive income	4,958	-	104	5,062
Resources provided and deposits to banks	640	3,927	12,257	16,824
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
TOTAL ASSETS	364,429	174,576	15,394	554,399
FINANCIAL LIABILITIES				
Deposits by credit institutions	-	-	1,788	1,788
Deposits from customers other than credit institutions	339,529	172,423	13,375	525,327
Debt securities issued	22,160	-	-	22,160
TOTAL LIABILITIES	361,689	172,423	15,163	549,275
NET POSITION	2,740	2,153	231	5,124

As of 31 December 2023 and 2022, financial assets and liabilities in the "Other currencies" category primarily represent 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 general market interest rates. The Group's interest rate risk management seeks to minimize the risk of a decrease in net interest income as a result of changes in interest rates.

To measure and evaluate the interest rate risk, the Group uses the GAP-analysis (disparity/imbalance analysis) method. It identifies the sensitivity of expected income and expenses to the development of the interest rate.

The GAP-analysis method aims to determine the position of the Group, in general and by individual types of financial assets and liabilities, in relation to 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 a tool for ensuring sufficient and stable net interest profitability.

The Group's imbalance between interest rate assets and interest liabilities as at 31 December 2023 is as follows:

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	Up to 1 month	From 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	120	405	3,026	44,597	48,148
Debt instruments at fair value in a trading book	-	-	52	191	243
Resources provided and deposits to banks	24,318	-	-	-	24,318
Loans and receivables from customers*	12,189	172,966	1,521	2,711	189,387
Receivables on securities repurchase agreements	13,457	11,675	19,196	-	44,328
Debt instruments at amortised cost	-	-	-	57,648	57,648
TOTAL INTEREST ASSETS	50,084	185,046	23,795	105,147	364,072
INTEREST LIABILITIES					
Deposits by credit institutions	1,901	-	-	-	1,901
Deposits from customers other than credit institutions	472,163	25,160	57,047	13,857	568,227
Debt securities issued	-	-	-	8,074	8,074
TOTAL INTEREST LIABILITIES	474,064	25,160	57,047	21,931	578,202
IMBALANCE BETWEEN INTEREST ASSETS AND LIABILITIES, NET	(423,980)	159,886	(33,252)	83,216	(214,130)

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

	Up to 1 month	From 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	120	405	3,026	30,459	34,010
Debt instruments at fair value in a trading book	-	-	-	206	206
Resources provided and deposits to banks	16,361	-	463	-	16,824
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	-	-	-	57,786	57,786
TOTAL INTEREST ASSETS	33,471	186,754	19,112	90,290	329,627
INTEREST LIABILITIES					
Deposits by credit institutions	1,788	-	-	-	1,788
Deposits from customers other than credit institutions	433,424	25,842	53,022	15,975	528,263
Debt securities issued	-	-	-	22,160	22,160
TOTAL INTEREST LIABILITIES	435,212	25,842	53,022	38,135	552,211
IMBALANCE BETWEEN INTEREST ASSETS AND LIABILITIES, NET	(401,741)	160,912	(33,910)	52,155	(222,584)

* 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 management, the Bank measures the interest rate risk of non-trading book activities in terms of profitability

TEXIM BANK AD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 ALL AMOUNTS ARE IN BGN THOUSAND, UNLESS OTHERWISE STATED

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.

30. CAPITAL MANAGEMENT

The Group has set itself the objective of maintaining high levels of capital adequacy that correspond to 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 fulfilment 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 management of the Bank 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 business activity.

The total amount of the regulatory equity of Texim Bank AD as of 31.12.2023 is BGN 59,626 thousand. Common Equity Tier 1 capital amounts to BGN 53,926 thousand.

Structure and equity items as of 31.12.2023 in BGN'000:

	As at 31.12.2023
Equity	59,626
Registered and paid-up capital	33,595
Retained earnings from past years	810
Accumulated other comprehensive income	8,860
Premium reserves	8,400
Other reserves	3,171
Intangible assets	(784)
Deferred tax assets	(26)
Prudential assessment requirements	(100)
Common Equity Tier 1 capital	53,926

The capital adequacy ratios of the Bank significantly exceed the legally required minimum ratios, as their

TEXIMBANK AD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 ALL AMOUNTS ARE IN BGN THOUSAND, UNLESS OTHERWISE STATED

values as of 31.12.2023 are as follows:

- Common Equity Tier 1 ratio – 17.71 %, with a statutory requirement ratio of 4.5 %;
- Tier 1 capital ratio – 17.71%, with a statutory required ratio of 6%;
- Total capital adequacy ratio – 19.58%, with a statutory required ratio of 10.05%.

The total amount of regulatory capital requirements as of 31.12.2023 is BGN 24,357 thousand. Their structure by type of risk being as follows:

- Capital requirements for credit risk – BGN 21,997 thousand;
- Capital requirements for operational risk – BGN 2,360 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 2% of risk-weighted exposures. As of 31.12.2023, their sizes are respectively BGN 7,612 thousand (2022: BGN 6,709 thousand), BGN 8,924 thousand (2022: BGN 7,710 thousand) and BGN 5,937 thousand (2022: BGN 2,603 thousand).

The reported by the Bank surplus of Common Equity Tier 1 capital as at 31.12.2023 amounted to BGN 40,225 thousand (2022: BGN 26,410 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 in which the Bank has subsidiaries or has established branches.

As disclosed 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 names, geographical positions and descriptions of the activities of the subsidiaries of Texim Bank AD in accordance with the requirements of Art. 70, para. 6 of the Credit Institutions Act are disclosed in Explanation 1 of the Annual Consolidated Financial Statements.

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

The aggregated quantitative indicators on a consolidated basis relating to the statutory disclosures required by the Credit Institutions Act are as follows:

	<u>2023</u>	<u>2022</u>
Turnover amount	24 581	20,594
Total operating income	22,130	18,541
Financial result from operations before tax	2,432	503
Accumulated tax on financial result from operations	(51)	(188)
Yield on assets (%)	0.39	0.06
Assumed number of full-time employees as of 31 December according to the Methodology of the National Statistical Institute (NSI).	279	278
Received state subsidies	-	-

TEXIM BANK AD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
ALL AMOUNTS ARE IN BGN THOUSAND, UNLESS OTHERWISE STATED

The Group provides services as an investment intermediary in accordance with the provisions of the Public Offering of Securities Act (POSA). As an investment intermediary, the Group should 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 Group 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 Group has established internal control rules and procedures to ensure compliance with the regulations referred to above.

32. CONTINGENT AND IRREVOCABLE LIABILITIES ASSUMED

The conditional and irrevocable commitments assumed by the Group consist of issued guarantees, undrawn funds under agreed credits and overdrafts.

As of 31 December 2023 and 2022, the Group has issued guarantees to customers in favour of third parties in the amount of BGN 16,513 thousand and BGN 17,355 thousand, respectively, which represent guarantees for good performance secured by blocked funds at the Bank or other customer assets.

Unspent commitments under agreed credits and overdrafts as of 31 December 2023 and 2022 amount to BGN 17,230 thousand and BGN 13,028 thousand, respectively.

As of 31 December 2023 and the date of approval of this consolidated financial statement, no legal proceedings have been initiated against the Group (2022: no legal proceedings).

33. EVENTS AFTER THE REPORTING DATE

At the end of March 2024, a newly established company Texim Investments EOOD, which is 100% owned by Texim Bank AD and has a capital of BGN 3 869 thousand, was registered in the Commercial Register.

No other adjusting events or significant non-adjusting events occurred between the date of the consolidated financial statements and the date of approval for issue.



**ANNUAL CONSOLIDATED
MANAGEMENT REPORT OF
TEXIM BANK AD
2023**

Sofia

April 2024

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This annual consolidated 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 THE GROUP OF „TEXIM BANK“ AD

As of 31.12.2023, the Group of Texim Bank AD (the "Group") consists of the parent company Texim Bank AD (the Bank) and the companies controlled by it Texim Asset Management EAD, Texim Project Company EOOD and Texim Solutions EOOD.

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 2 2-0 852 of 07. 05. 2 0 0 7 y; 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 Strategy". 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, a full member of Visa Europe and MasterCard International, SWIFT, a 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 31.12.2023 the Bank operates through the Head Office and in 31 offices in 21 settlements. As of 31.12.2023, the Bank's registered number of staff is 275 employees compared to 273 in 2022. The registered address of Texim Bank AD is Sofia, Blvd. "Todor Alexandrov" No 117. As of 31.12.2023 the average employee number of the Group is 289 employees.

"Texim Asset Management" EAD is a joint-stock company entered in the register of companies under No 101362, item 1357, p. 39 under company case № 1424/ 2006, with UIC

175027521, with headquarters and address of management: Sofia, bul. 117 Todor Alexandrov. The company has received license № 62-УД/16.09.2019, issued on the basis of Decision № 79-УД of 1 February 2006 of the Financial Supervision Commission, to operate as a Management Company:

- Management of the activities of collective investment schemes including investment management;
- Administration of units, including legal and accounting services related to asset management, requests for investor information, valuation of assets and calculation of unit prices, control of compliance with legal requirements, risk management, keeping the book of unit-holders, in the case of carrying out the activity of managing a collective investment scheme originating in another Member State, distribution of dividends and other payments, issuance, sale and redemption of units, execution of contracts, record-keeping;
- Marketing services;

As well as to provide the following additional services:

- Management of the activities of national investment funds;
- Management in accordance with a portfolio contract concluded with the client, including the portfolio of a collective investment undertaking including financial instruments, at its discretion, without specific client orders;
- Provision of investment advice on financial instruments;
- Storage and administration of units of collective investment undertakings.

Texim Asset Management manages the activities of four mutual funds: MF Texim Bulgaria; MF Texim Conservative Fund; MF Texim Balkans and MF Texim Commodities Strategy. Funds differ in their risk profile and the type of investors they are targeted. As of 31.12. 2023 the total value of the assets under management of Texim Asset Management EAD increased to BGN 46 386 thousand, compared to BGN 43 243 thousand as at 31.12.2022.

As of 31.12. 2023 the parent bank owns 100% of the shares of Texim Project Company EOOD. The subsidiary company "Texim Project Company" EOOD is a sole owned limited liability company and its registered address is 117 Todor Alexandrov Blvd., Sofia, Bulgaria.

The main activity of "Texim Project Company" EOOD is the provision of services, including but not limited to the provision, maintenance and management of IT resources, consulting services related to: participation in company analysis projects, development of business strategies, strategic transactions and management, human resources management, corporate financing, etc., marketing activities, commercial representation and intermediation, as well as any other activities, not prohibited by law.

As of 31.12.2023, the parent bank owns 100% of the shares of Texim Solutions EOOD. The subsidiary Texim Solutions EOOD is a limited liability company and its registered address is 117 Todor Alexandrov Blvd., Sofia, Bulgaria.

The main activity of the company is "Texim Solutions" EOOD is providing services, including but not limited to the provision, maintenance and management of IT resources, consulting services related to: participation in projects in company analysis, development of business strategies, strategic transactions and management, human resources management, corporate financing, etc., marketing activities, commercial representation and intermediation, as well as any other activities not prohibited by law.

II. FINANCIAL REVIEW OF THE ACTIVITIES

	2023	2022	2021
Financial indicators (thousand BGN)			
Net interest income	15,656	10,416	10,087
Revenues from fees and commissions, net	5,160	4,668	4,353
Net gains on financial assets at fair value	2,411	2,639	2,467
Total net operating income	22,130	18,541	16,635
Administrative expenses	(15,616)	(13,899)	(12,411)
Depreciation expenses	(3,794)	(3,758)	(3,753)
Net expenses from impairment and uncollectability	(596)	(56)	(52)
Profit for the year	2,381	315	325
Balance sheet indicators (thousand BGN)			
Total assets	645,111	597,236	537,132
Loans and receivables, net	213,705	203,207	221,841
Financial assets at fair value	99,918	75,685	124,087
Deposits and loans from credit institutions	1,901	1,788	1,704
Deposits from customers other than credit institutions and lease liabilities	573,225	528,262	472,366
Total equity	58,024	40,579	38,963

2.1. MAIN FINANCIAL INDICATORS

The ongoing military conflict in Ukraine, now in its second year, is a significant contributor to global geopolitical uncertainty and the resulting increased market volatility. In the first half of October 2023, an armed conflict erupted in the Middle East region between Israel and the Islamic resistance movement “Hamas”, which further heightened geopolitical tensions not only in the region but also globally, and this conflict remains unresolved to this day. In addition to the situation in these volatile regions, tensions in the Middle East, Red Sea and Suez Canal region have also increased in recent months, with implications for both potential price increases for key energy resources and a possible deterioration in international trade and transport conditions - i.e. a higher likelihood of new problems (post-pandemic) with key supply chains for consumer goods and basic commodities.

In response to high inflation in 2022, globally, leading central banks have embarked on a determined monetary tightening cycle in the form of substantial and rapid increases in key interest rates and, in addition, a curtailment of the enormous liquidity in financial markets. Although this process continued in the first nine months of last year, in the last quarter of 2023 most central banks suspended key rate hikes in the face of falling inflation, relatively good unemployment data and GDP dynamics. At present, the prevailing reaction from central banks is to keep interest rates at high levels with the main objective of further lowering inflation to the 2% target, with market participants anticipating the start of a rate cut cycle from mid-2024. Under these challenging conditions, the Bank is identifying, assessing and monitoring existing and emerging risks and vulnerabilities both domestically and globally.

The analysis and management of the various types of risk takes 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 activities outside the trading book, the management of non-performing and restructured exposures, etc.

As of 31.12.2023, the Group's financial result is a net profit of BGN 2,381 thousand.

As of 31.12.2023, the main indicators of the Group's activities are as follows:

- There was an increase of 8.02% compared to the previous year.
- The book value of the assets is BGN 645,111 thousand and compared to the same period in previous year it is increased by BGN 47 875 thousand.

• Liabilities and equity – BGN 645 111 thousand, of which total capital – BGN 58 024 thousand, total liabilities – BGN 587 087 thousand, including deposits and loans from credit institutions at the amount of BGN 1 901 thousand, deposits to other customers BGN 573 225 thousand, including obligations under leasing contracts – BGN 4 998 thousand, debt securities issued in the amount of BGN 8 074 thousand. Total liabilities of the Group as of 31.12.2023 year increased by 5.47% compared to the amount of liabilities as at 31.12.2022. The increase for the year is BGN 30,430 thousand.

At the beginning of 2024, the financial strength rating of Texim Bank AD, issued by BCRA, was updated. The results of the last two ratings issued are as follows:

RATING OF FINANCIAL STRENGTH	Update 29.01.2024	Update 27.01.2023	Update 28.01.2022	Initial rating – 06.01.2021
Long-term rating:	BB-	BB-	BB-	BB-
Perspective:	Positive	Positive	Stable	Stable
Short-term rating:	B	B	B	B
Long-term rating on a national scale:	BB (BG)	BB (BG)	BB (BG)	BB- (BG)
Perspective:	Positive	Positive	Stable	Stable
Short-term rating on a national scale:	B (BG)	B (BG)	B (BG)	B (BG)

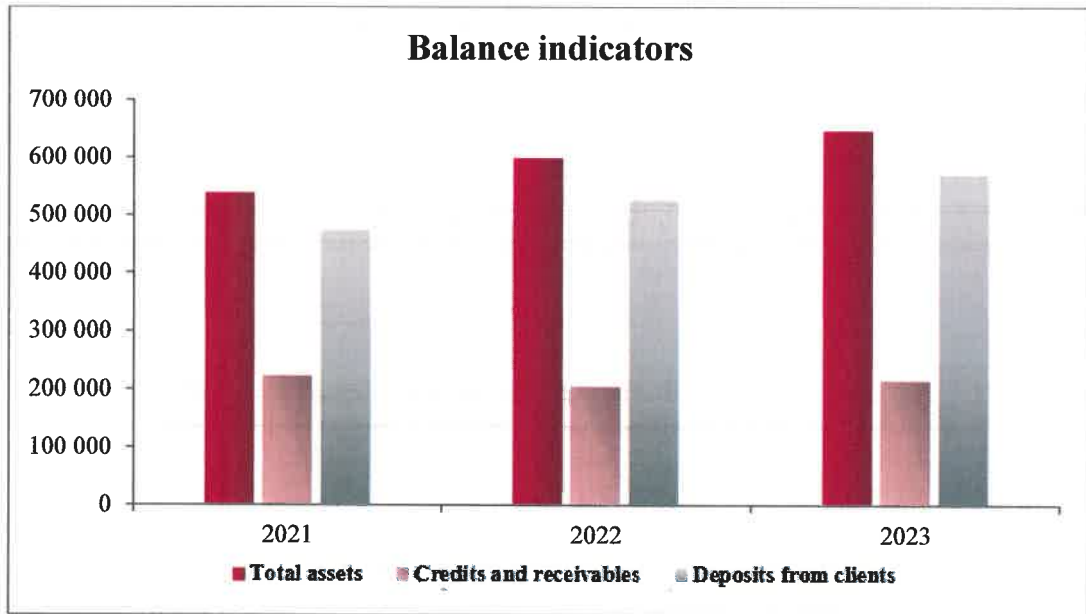
„BCRA - Credit Rating Agency confirms the rating levels for "Texim Bank" AD as follows:

- **Long-term rating** of financial strength **BB-**, and **short-term rating B**;
- **Long-term rating** on national scale of **BB (BG)**, **short-term rating** on national scale **B (BG)**, with “**positive**” perspective.

The BCRA report notes that during the review period Texim Bank AD maintained a stable financial position, maintaining its capital base and capital adequacy at relatively high levels. The Bank's financial performance increased during the review period with the highest values recorded, with most of the profitability indicators showing improvement.

2.2. FINANCIAL REVIEW OF THE ACTIVITY

2.2.1. Asset structure



- The funds in cash registers and current accounts at the BNB are in the amount of BGN 184,820 thousand and form 28.65% of the balance sheet, compared to 30.72% for the previous year; the resources provided to banks amount to BGN 24,318 thousand; loans and advances to customers other than credit institutions – BGN 189,387 thousand; securities repurchase receivables – BGN 44,328 thousand; financial assets at fair value through other comprehensive income – BGN 55,723 thousand, financial assets at fair value in profit or loss – BGN 44,195 thousand; debt instruments at amortizable value – BGN 57,648 thousand; the properties, plant and equipment amount to BGN 21,076 thousand, intangible assets – BGN 2,049 thousand; investment properties – BGN 12,840 thousand; other assets BGN 8,685 thousand and goodwill BGN 42 thousand.

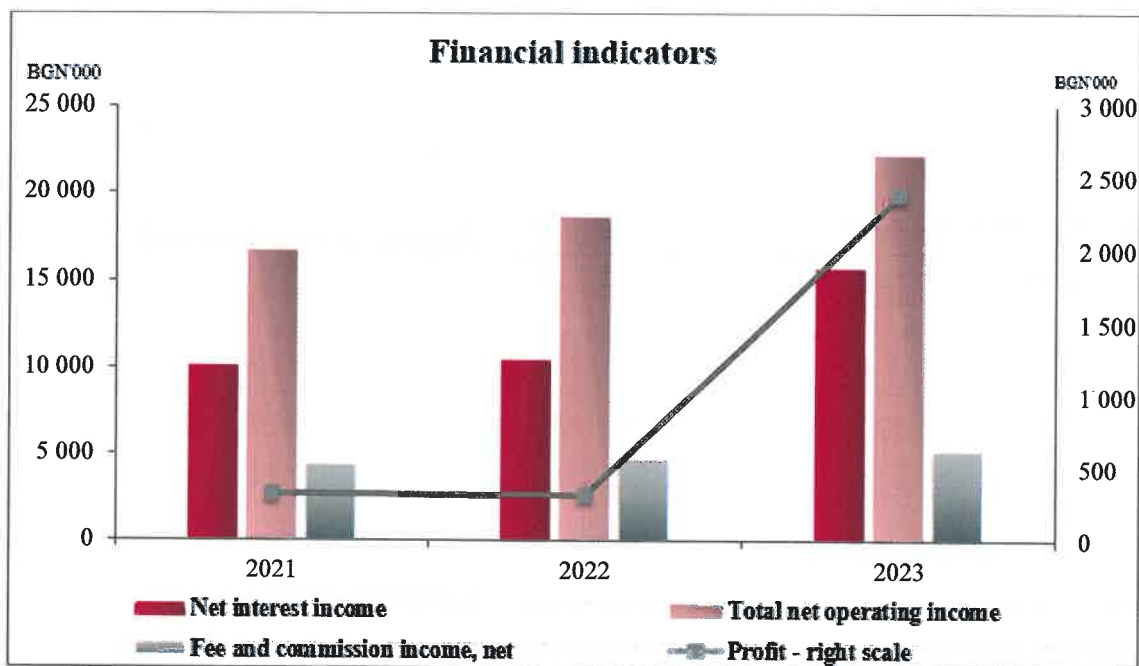
- Funds on accounts with correspondent banks and deposits provided to credit institutions have a weight of 3.77% of the balance sheet, at 2.82% in 2022. Investments in financial assets in the form of shares, government securities and corporate bonds are negligibly increased as their relative share in the Group's assets as of 31.12.2023 is 24.42%, with 22.35% in 2022. Investing in debt instruments is a means of improving the Group's profitability.

2.2.2. Liability structure

The group maintains a stable trend of increasing the value of the funds raised, expressed more strongly in the last three years (2021 - 2023). 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 increased by 8.51% compared to 2022, and their amount reached BGN 573,225 thousand, including BGN 231,309 thousand deposits of citizens and households - residents and non-residents:

The Group's equity as of 31 December 2023 is BGN 58,024 thousand.

2.2.3. Analysis of revenue and expenses



The Group's income and expenses in 2023 are a reflection of the general economic situation, as well as changes in the macroeconomic environment in the country and in the Eurozone. The total net operating income amounts to BGN 22,130 thousand, compared to BGN 18,541 thousand in 2022, which is an increase of 19.36%. The ratio of these revenues to assets is 3.43%, at 3.10% as of 31.12.2022.

- The net interest income in 2023 increases compared to 2022 by 50.31% and reaches BGN 15,656 thousand, compared to BGN 10,416 thousand in the previous year. Net interest income is the main source of income for the Group and represents 70.75% 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/ increased to 87.45%, at 85.31% in 2022. Interest income related to debt instruments decreased by 21.47%.

- During the year, the Group's interest expenses decreased in absolute terms by BGN 468 thousand, or by 34.87%, while at the same time the resources attracted by customers, other than credit institutions, increased by 8.51%. An increase is reported in the interest costs of customers other than credit institutions - by BGN 50 thousand. As of 31.12.2023, the reported interest costs of the issued debt securities are in the amount of BGN 288 thousand against BGN 437 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 153 thousand, compared to BGN 177 thousand in 2022.

- Net income from fees and commissions during the year increased by 10.54%.
- Net income from operations with financial assets, incl. from foreign exchange trade are in the amount of BGN 2,411 thousand, and their share in the structure of the net operating income as of 31.12.2023 is 10.89%.

- During the reporting period, general and administrative expenses amounted to BGN 15,616 thousand. The increase in administrative expenses compared to the previous year was

12.35%. In the structure of general and administrative expenses, the largest share - 67.56% is occupied by personnel expenses, followed by expenses for materials, rents, consulting and other external services – 29.48%. Personnel expenses reached BGN 10,550 thousand, compared to BGN 9,042 thousand in 2022, which is an increase of 16.68%. The same is largely due to accrued provisions for defined benefit retirement plans. 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 to the Bank Deposit Guarantee Fund increased by BGN 43 thousand compared to 2022. Expenses for the Bank Deposit Guarantee Fund amounted to BGN 735 thousand as at 31.12.2023. Contributions to the Bank Restructuring Fund for 2023 were not due.

- The net result of impairments for uncollectibility in 2023 is expenses for impairments for credit losses in the amount of BGN 596 thousand, and this value is formed by income from reintegration of impairments of financial assets at fair value at the amount of BGN 103 thousand and expenses for impairment of financial assets at amortized value in the amount of BGN 699 thousand.

2.3. BUSINESS DEVELOPMENT

In 2023, the Group focused on continuous development of innovative products, introducing promotional campaigns for all product categories in the face of increased competition, offering some of its customers preferential service, and achieving effective communication with a large part of its customer base. Strategically, the Group will continue to work to improve the quality of services, introduce innovative products, seek new business opportunities and bundle services to upgrade and provide 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 activities in the following business lines: corporate and institutional banking, retail banking and money markets and liquidity. The operating results of these business lines are reviewed and analysed by Management on a regular basis.

Types of products and services by business activity:

Retail banking – attracting funds and lending to individuals through various channels of sale and customer service; payment services.

Corporate and institutional banking – in borrowing and lending to legal entities – companies and budget enterprises.

Money markets and liquidity - transactions in securities, securities repurchase agreements; transactions on the interbank market; foreign exchange trading; operations with currency and other financial instruments to serve clients, etc.

Administrative expenses are monitored in general and by type, being analysed by business segment by objective criteria.

Credit inputs

As of 31.12.2023 the total amount of credit exposures to customers other than banks /excluding repo transactions/ before provisioning is BGN 190,853 thousand. Corporate loans decreased by 0.93% from BGN 135,180 thousand to BGN 133,932 thousand. The retail loan portfolio grew by 6.54% from BGN 53 428 thousand to BGN 56 921 thousand.

The loan portfolio by groups of borrowers is 70.18% of legal entities and 29.82% of individuals and households, respectively.

As of 31.12.2023, the serviced and non-performing exposures before provisioning of legal entities are respectively: serviced exposures – 97.62% and non-performing exposures – 2.38%. Off-balance sheet commitments on bank guarantees issued in BGN as of 31.12.2023 amount to BGN 16,513 thousand.

The undrawn commitments on contracted corporate loans and overdrafts as of 31.12.2023 amount to BGN 17,230 thousand, compared to BGN 13,028 thousand as of the end of 2022.

2.3.1. Corporate and institutional banking

In 2023, the Bank adjusted its lending policy to changes in macroeconomic factors at home and abroad and continued to apply its conservative approach. During the year, lending to higher risk economic sectors was restricted. Credit risk was managed through continuous monitoring, restructuring, renegotiation and provisioning of loans. Significant work was undertaken to restructure and improve the collectability of problem exposures. The loan portfolio continued to diversify into sectors related to the activities of small and medium-sized enterprises as well as into dynamic sectors of the economy.

In corporate banking, the focus of activity was to increase interest fee and commission income, while maintaining the size of credit exposures and stabilising their quality. In this connection, there was a positive dynamic in the process of granting new loans. The Bank maintained its lending activity, focusing on the SME lending segment, as well as the share of working capital loans, revolving credit lines and overdrafts. Effective and targeted work was carried out on problem loans, accompanied by a maximally conservative impairment policy.

2.3.2. Retail banking

During the reporting period, the Bank's team made serious preparations for the reorientation of its activities and the development of consumer lending, and in the current year the centralized administration also covered loans granted to both legal entities and individuals. Active efforts were made to build up the corporate and consumer portfolio through new loan products.

In 2023, the team of Texim Bank AD continued to offer personalized credit 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 as easy as possible to work with them and enjoy preferential rates when choosing these platforms.

The bank has focused on expanding its customer base and increasing productivity through optimization and efficiency of customer service processes, including the launch of a project for comprehensive digitization of the loan process.

The growth of the gross retail loan portfolio is 6.54% - an increase from BGN 53,428 thousand as of 31.12.2022 to BGN 56,921 thousand as of 31.12.2023.

2.3.3. Card payments

As in the previous years, the Group continued to develop its card payment business in 2023 along both strategic lines, namely the issuance of bank cards and the development of a terminal network to accept payments and withdraw cash.

In the area of bank card issuance, in 2023, the Group continued to focus its efforts mainly in adapting its existing card products to the needs of its current and future customers. In 2023, significant efforts were made related to exploring and evaluating the possibility of the Bank switching to issuing debit and credit cards from only one brand. As a result of the successful implementation of the project, the Bank is expected to begin issuing only Visa-branded cards beginning in the second quarter of 2024.

Thanks to the Bank's efforts to attract new customers and retain existing ones, the net number of debit and credit cards issued has maintained its 2023 level and even experienced an increase of 1.05%, despite an extremely competitive market. During the year there was a significant increase in the number and volume of transactions made with the Bank's cards. In 2023, the number of debit card transactions increased by 17.28% and the volume increased by 15.51%. The volume of transactions was up by BGN 15,509 thousand over the previous year.

In the case of credit cards at the end of 2023, the total credit limit granted for all types of credit cards issued by the Bank reaches BGN 6 976 thousand, which represents an increase of nearly BGN 177 thousand.

In terms of Acquiring, it is important to note that within the first quarter of 2023, the project started in 2022 to attract a large merchant - a supermarket chain for food and non-food items - was successfully completed, and by the end of April 2023. The bank has installed 20 POS terminals at the retailer in question alone.

The expansion of the physical POS terminal network has continued and over the past 12 months more than 20 new merchants have been attracted, with some being provided with more than one terminal for their outlets. The new terminals are equipped with a modern touch screen (touch screen) which offers a modern and convenient way of working for the merchants. Thanks to the efforts made to attract ever larger merchants, the results are significantly higher than those achieved in previous years. The growth in the volume of transactions carried out at physical and virtual POS terminals compared to 2022 is 31.03%, with an increased turnover of over BGN 8,355 thousand, and it is expected to continue to grow, and with this, the Bank's income from fees and commissions received, which for 2023 amounts to over BGN 233 thousand, will grow in parallel.

2.3.4. Private banking, investment intermediation

In 2023, in the environment of increased competition and significant macroeconomic and political events, Private Banking at Texim Bank AD continued to pursue its strategy of comprehensive financial services to premium customers - individuals, corporate and institutional clients. A key element of this strategy is the work of the Private Banking Department in providing a variety of products and services, both in the ordinary banking operations, but also those related to investment and financial intermediation. Private Banking takes a tailored approach to banking with clients, analysing and proposing various options for

managing and controlling financial position and cash flows. It offers a variety of financial and investment intermediation options, custody products, financial planning and custody services, investment intermediation for the purchase and sale of various financial instruments.

The main task of Private Banking in 2024 will continue to be the expansion of the customer base and further consolidation of Texim Bank AD's position in the special banking and financial services segment in the country.

Despite the complex and dynamic macro conditions, as well as national realities, the focus of work in 2024 will remain on expanding the capabilities, products and services in private and investment banking by offering products and services on a business company, employee, partner basis; attracting new clients and expanding the client base; and offering financial products and services based on a fast, convenient and reliable infrastructure for working and communicating with clients. The main goal is to achieve comfort and security in banking, trust and fairness in the relationship between the Bank and the customer. All this will contribute to additional efficiency and profitability in the Bank's activities, as well as to the establishment of recognizable characteristics of the Private Banking model in Texim Bank AD.

2.3.5. Treasury, activity and liquidity

In 2023, Texim Bank AD continued to follow its conservative and well-balanced investment policy. The Bank has performed well, having traditionally participated in local and foreign financial markets, both on behalf of and for the account of its clients and on its own behalf and for its own account. 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 2023 amounts to BGN 1,954 thousand. The dividends received from investments in equity instruments amounted to BGN 234 thousand and interest received from repo transactions amounted to BGN 2,605 thousand.

The profit realized from foreign exchange trading amounts to BGN 785 thousand and that from transactions with financial instruments held for trading at the end of 2023 amounts to BGN 1,313 thousand, or BGN 2,098 thousand in total. The loss on transactions in financial assets carried through other comprehensive income for the year amounted to BGN 154 thousand. The net gain on financial assets carried at fair value through profit or loss for the year was BGN 901 thousand.

The active and balanced management of the interest spread between the asset and the liability in turn 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 Group's balanced and competitive interest rate policy pursued and proven in recent years, but at the same time is also a direct indicator of the Group's image and high customer confidence.

2.3.6. Payment products and services

Texim Bank AD carries out all types of currency payments worldwide through its well-developed system of correspondent relationships. The Bank strives to expand its market position by offering high quality banking services at competitive prices.

Through its nostro accounts in 11 convertible currencies with first-class European banks, the Bank safely services its business and offers a wide range of banking products in foreign currencies to its customers. Currently, Texim Bank AD maintains correspondent relationships with over 100 domestic and foreign banks. Preferential terms have been agreed

with some of them, including in the area of international payments and related fees and commissions, speed and flexibility of service.

The bank successfully executes payments in euro through the TARGET2 and SEPA Step2 platforms in the EU.

The Bank's correspondent network is being continuously optimized, with the main objective being to make payments as quickly, smoothly and under the best financial conditions as possible.

2.3.7. Information technology

In 2023, the following projects were the main focus in IT:

- **Projects related to the migration of the payment systems BISERA 6 and CEBRA to the SEPA standard.**

The Bank successfully passed the certification tests and completed the migration within the timelines set at the national level.

- **A project for develop banking service packages for individuals and legal entities.**

Work continued on the project for the development of banking service packages and its testing and development in the Mobile Banking application. Technically the functionality is ready and the service is expected to start with the formation of bundled services for customers - individuals.

- **The Bank's new digital vision.**

Work continued on building the Bank's new digital vision. The main focus in 2023 was to optimize the new website for promotion in Internet search tools, regularly maintain a Blog with articles and useful information for customers, and work on the project to offer digital services with remote customer identification and remote document signing.

- **Digital services - Online credit**

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.

Work continued on the project in 2023, with core functionality developed to enable Mobile Banking as part of the product offering process.

- **Improvements to the Investment Intermediary module**

The first phase of the project to improve the system that serves the Investment Intermediary has been successfully completed. These enhancements enable more automated processes for offering intermediation services on "foreign" exchanges.

- **IT infrastructure modernisation**

In 2023, the upgrading of the computer stations in the branch network was completed, and work started on the project to upgrade the equipment of the main information systems and the backup information center.

III. IMPORANT EVENTS THAT OCCURRED PAST 31.12.2023

At the end of March 2024, a newly established company "Texim Investments" EOOD, which is 100% owned by "Texim Bank" AD and has a capital of BGN 3,869 thousand, was registered in the Commercial Register.

No other adjusting events or significant non-adjusting events have occurred between the date of the consolidated financial statements and the date of approval for issue.

IV. MAIN RISKS

The Group actively manages the risks inherent in its business to achieve an optimal balance between the return from operations and the inherent risk. In managing the risks, the requirements of the Bulgarian legislation and the applicable European directives and regulations, as well as the Group's current internal regulations, are consistently complied with.

The processes for managing and controlling the risks arising from the Bank's activities are carried out centrally by the relevant specialized units through the internal policies, procedures, rules and methodologies in force. The Group's risk management framework ensures that all risks material to the Group are adequately identified, measured, monitored and controlled and includes:

- Policies, rules and procedures to comprehensively identify, measure, monitor and control all risks material to the Group;
- An organisational structure for risk management with an appropriate allocation of responsibilities between the different management levels and independence between the business units performing the functions of creating or renewing exposures and those performing risk assessment and control;
- Processes related to regular monitoring and implementation of appropriate reporting mechanisms to the Bank's Management to support effective risk management;
- Procedures to control the maintenance at all times of sufficient available capital to cover material risks, both in normal and stressed conditions;
- Development, improvement and supplementation of the established system for risk reporting, analysis and control, in accordance with the development of the Group's risk profile, the requirements of national and European legislation and good banking practices.

The policies and processes for managing and controlling all material risks inherent in the Group's business are appropriate to the nature, scale and complexity of the Group's operations.

4.1. Capital and capital adequacy

The total amount of regulatory equity of Texim Bank AD as of 31.12.2023 is BGN 59,626 thousand, with the Common Equity Tier 1 amounting to BGN 53,926 thousand. The capital adequacy ratios significantly exceed the minimum ratios required by law, and their values as of 31.12.2023 are as follows:

- Common Equity Tier 1 ratio – 17.71%, with a statutory required ratio of 4.5%;
- Tier 1 capital ratio – 17.71%, with a statutory required ratio of 6%;
- Total capital adequacy ratio – 19.58%, with a statutory ratio of 10.05%.

The total amount of regulatory capital requirements as of 31.12.2022 is BGN 24,357 thousand, and their structure by type of risk is as follows:

- Capital requirements for credit risk – BGN 21,997 thousand;
- Capital requirements for operational risk – BGN 2,360 thousand.

In accordance with the requirements of BNB Regulation No. 8 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 in the Republic of Bulgaria and a countercyclical buffer of 2% of risk-weighted exposures. As at 31.12.2023 their amounts are respectively BGN 7,612 thousand (2022 - BGN 6,709 thousand), BGN 8,924 thousand (2022 - BGN 7,710 thousand) and BGN 5,937 thousand (2022 - BGN 2,603 thousand).

The Bank's reported surplus of Common Equity Tier 1 capital as at 31.12.2023 is BGN 40,225 thousand (2022 - BGN 26,410 thousand) and fully covers the regulatory requirements for capital buffers.

In addition to the regulatory capital adequacy requirements, the Bank regularly conducts an Internal Capital Adequacy Assessment Process (ICAAP), which periodically assesses the Bank's strategy for maintaining sufficient capital on hand to provide an adequate level of coverage for the risks assumed, as well as a sufficient capital buffer to overcome stress conditions without jeopardizing the Bank's business operations. As at 31.12.2023, under normal conditions, the required capital under the ICAAP is BGN 21,227 thousand against the available capital of BGN 57,157 thousand and the capital buffer under the ICAAP (the excess of the available capital over the required capital) is BGN 35,930 thousand. The results of the stress tests carried out as of 31.12.2023 with respect to the material types of risk show that the capital adequacy of the Bank is ensured even in the hypothesis of serious economic shocks. The capital surplus under stress conditions is estimated at BGN 28,637 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 risk profile of the Group. Credit risk includes all risks arising from the inability of a counterparty, borrower, issuer, or debtor (collectively, the "debtor") to meet its obligations when due in accordance with the terms originally agreed due to changes in its financial and economic situation or other specific circumstance. Credit risk shall cover the risk of default in customary credit transactions, issuer risk in securities transactions, counterparty risk in transactions in foreign currency, debt and equity, derivative instruments or commodities, residual risk of risk-mitigation techniques used and sovereign risk.

The Group has built a comprehensive system for assessment and management of credit risk through various internal methodologies for analysis and evaluation 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 mitigating factors and actions, determine the risk appetite of the Bank in terms of credit risks.

The Group manages and controls the exposures, carriers of credit risk and concentration risk in the loan portfolio through a system of limits, including to individual clients, groups of clients, 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 credit risk, the Group manages and controls the risk of concentration of exposures to one client or 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 common factors. The management and control of credit concentration risk is carried out by applying limits for large exposures to single, or related parties and limits to limit concentration by economic sector. The risks of concentrations by individual exposures and economic sectors are measured regularly and their impact on the capital adequacy of the Group is assessed. The

identification, measurement, management of sectoral concentrations and the sectoral limits adopted by the Group are regulated in the "Concentration Risk Management Policy by Economic Sectors".

In 2023, there are no significant changes in estimates, as well as changes in the expected loss assessment (ECL) models, other than a change in the risk parameters of the provisioning model, so they do not result in a change in classification or business models in 2023.

4.2.2. Market risk

Market risk is the current or potential risk to income and capital arising from adverse changes in exchange rates, market interest rates, prices of shares, bonds, or commodities. Market risk refers to those on- and off-balance-sheet items which are subject to losses arising from movements in market prices. It mainly includes the following subcategories of market risks:

Price risk associated with equity positions in the trading book and non-trading book;

The credit spread risk (specific interest rate risk) associated with positions in debt securities in the trading book and non-trading book measured at fair value;

The total interest rate risk arising from debt positions in the trading book (the interest rate risk arising from non-trading book debt securities is covered in the interest rate risk arising from non-trading book activities);

Foreign exchange risk is the risk associated with foreign exchange positions arising as a result of the Group's overall activities. Foreign exchange risk also arises to a limited extent from the open foreign exchange position of the Group. As of 31.12.2023 the Group does not take into account a capital requirement for foreign exchange risk because the sum of the total net foreign exchange position does not exceed the statutory threshold of 2% of the total amount of regulatory own funds.

The Group manages and controls market risk through a comprehensive range of limits, grouped by portfolio types and risk factors. These limits include volume limits by type of financial instruments and portfolios, open currency positions, limits on value at risk and limits on potential loss. The limits on value at risk set the maximum permissible potential loss from a particular financial portfolio within one business day, calculated at a confidence level of 99 % and assuming normal market conditions. The potential loss limits determine the maximum amount of loss on a particular financial portfolio that the Group is willing to absorb.

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

Interest rate risk arising from non-trading book activities (IRRBB) is the current or potential risk of income and equity changes arising from adverse changes in interest rates and their impact on non-trade portfolios interest positions. The specific interest rate risk (credit spread risk) arising from positions in debt securities measured at fair value is captured in market risk. The level of IRRBB is limited by limits and is subject to analysis and scrutiny by the Asset and Liabilities Management Committee (ALCO).

4.2.4. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations upon their occurrence, or that it will not be able to finance new business and possible off-balance-sheet commitment claims at any time without having to incur unplanned losses from the sale of assets with a discount from market prices, or from refinancing at higher interest rates.

The Group manages liquidity risk through day-to-day monitoring and liquidity management, maintaining sufficient availability of high-quality liquid assets to cover

mismatches between cash inflows and outflows, analysis of mismatches between cash inflows and outflows at maturity bands, both in a normal banking environment and in different scenarios of an aggravated liquidity environment.

A quantitative measure of liquidity risk, according to the BNB regulations, is the liquidity coverage ratio. The liquidity coverage ratio as of 31.12.2023 is 210.85% and significantly exceeds the regulatory requirement of 100%.

The assessment and monitoring of liquidity risk is complemented by regular stress tests to determine the degree of liquidity of the Group when considering different scenarios of the "Liquidity Crisis". The stress tests identify and analyze the liquidity of the Group in different stress conditions in order to optimize it and identify specific measures to maintain an adequate level of liquidity buffers. In the framework of the various stress tests, the Group assesses its ability to provide liquidity in varying degrees of aggravated liquidity environment. Liquidity risk is limited and managed by limits and is subject to analysis and control by ALCO.

4.2.5. 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 in order to establish appropriate measures to avoid, mitigate, transfer or deliberate undertake. The Group's strategy is to minimize operational risk. A guiding principle is that the factors mitigating operational risk (the principle of "four eyes", built-in controls, etc.) are included in the main business processes.

The policies, rules and procedures for identifying, measuring, monitoring and managing operational risk shall be clearly defined in such a way as to document, report and communicate all aspects of operational risk. The adopted internal regulatory framework defines the basic principles, methods and tools for identifying, measuring and managing operational risk; the procedures for collecting information and accumulating historical data on internal operating losses relating to all areas of activity; the rules for conducting internal self-assessment of the individual units in the Group the level of operational risk and the extent of the controls applied; the rules for monitoring and evaluating key risk indicators (to identify, at the earliest stage, changes in material factors for the occurrence of operational events); the mechanisms for reporting information to the Guide for taking preventive measures and actions in order to minimize the likelihood of operational events occurring or reduce the financial effect on the Group of operational events that have occurred.

An Operational Risk Management Committee is established in the Group, which is a specialized collective body for analysis, reporting and support of operational risk management, directly subordinate to the Executive Directors of the Group. An "Electronic Register of Identified Events" and an "Electronic Register of Complaints Received" are kept, which reflect all operational events that have occurred and complaints received. Operational risk is also identified and managed through systems of key operational risk indicators and self-assessment the level of operational risk and the controls applied.

4.2.6. Price risk on real estate

Price risk on real estate includes potential losses that could arise as a result of fluctuations in the market value of real estate owned by the Group. The risk of real estate provided as collateral for loans is covered by credit risk.

The risks of possible fluctuations in the market price of the real estate owned by the Group are measured by a scripted approach, which allows a decrease in the value of the real estate owned by the Group. Based on the decrease in the book value of the real estate holdings by the Group, a capital buffer is determined to cover the price risk of the real estate. property that

is deducted from the capital available to cover the risks assumed (credit, market, operational) in the Internal Capital Adequacy Analysis Process (ICAAP).

4.2.7. Macroeconomic risk

Macroeconomic risk is expressed in the likelihood of losses due to sharp fluctuations and negative trends in the macroeconomic environment. The Group shall assess macroeconomic risk in the framework of the internal assessment of the adequacy of its available capital to cover the risks assumed in the event of serious economic or market events.

Trends in macroeconomic factors have a significant impact on all economic entities in the country, including the activities of the Group. In accordance with IFRS 9, the Group also includes forward-looking information, including macroeconomic factors, that may directly affect financial result.

In the short to medium term, the relatively high uncertainty surrounding the dynamic change in monetary policy and the extent of the ECB's rise in key interest rates remains, given the persistence of high inflation in the euro area countries. In the context of a currency board that has been operating in Bulgaria since 1997, the ECB's monetary policy and key interest rates in the Eurozone have a direct impact on the macroeconomic environment and market interest rates in Bulgaria.

V. RESEARCH AND DEVELOPMENT

The Group does not develop research and development.

VI. OFFICES AND STAFF

As at 31.12.2023, the Bank operates through the Head Office and in 31 offices in 22 settlements. As of 31.12.2023, the number of the Bank's staff is 275 employees compared to 273 employees in 2022, the address of registration of Texim Bank AD is Sofia, 117 "Todor Alexandrov" blvd. As at 31.12.2023 the listed number of employees of the Group is 289 employees.

The head office of Texim Bank AD is located in Sofia, 117 "Todor Alexandrov" blvd. In each structure of the Bank, clients receive competent service and individual attitude in offering the diverse range of products and services of Texim Bank AD. During the year, the process of human resources development, rules and procedures related to selection, training policy and improvement of planning, monitoring and control of personnel costs and increasing the responsibilities of management in this area continued.

VII. FINANCIAL INSTRUMENTS OWNED BY THE GROUP

The financial instruments held by the Group as at 31.12.2023 are: government bonds, corporate bonds, shares and units with a total value of BGN 157,566 thousand, classified at fair value through profit or loss - BGN 44,195 thousand, at fair value through other comprehensive income – BGN 55,723 thousand and at amortized cost – BGN 57,648 thousand.

As at 31.12.2023 the Group owns government securities issued by the Government of the Republic of Bulgaria for a total amount of BGN 63,411 thousand.

The corporate debt securities of Bulgarian and foreign issuers as at the end of 2023 amount to BGN 42,628 thousand, and shares and stakes of enterprises as well as stakes in collective investment schemes held by the Group amount to BGN 51,527 thousand.

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

Texim Bank AD 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 the FSC with Decision No 81-PD of 31.01.2013 within the meaning of Art. 30, para. 1, item 3 of the FSCA. By 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 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 Corporate Governance Code (Code). In accordance with the corporate governance norms laid down in the Commercial Law and POSA, as well as with the norms and recommendations set out in the Code and in accordance with internationally recognized standards and principles, taking into account changes in the regulatory and economic environment, The Management Board and the Supervisory Board of Texim Bank AD independently and responsibly manage the Bank, following the established vision and strategic directions for the activity and monitoring the compliance with the interests of the shareholders.

In accordance with the requirements of art. 27 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, as well as in connection 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 No 2, Texim Bank AD, discloses regulated information to the public through the electronic media Infostock AD, through the official website: www.infostock.bg.

8.1. Corporate leadership – structure and functions

8.1.1. Management Board

The Statute of Texim Bank AD determines the functions and powers of the Management Board in accordance with the decisions of the General Assembly 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 Statute, the Board of Governors of the Bank consists of three to nine able-bodied individuals, who are elected and appointed by the Supervisory Board. As of 31.12.2023 the Governing Council consists of 4 members who are elected by the Supervisory Board for a period of five years and can be replaced and re-elected without restrictions and at any time by the Supervisory Board.

The Governing Council shall report to the Supervisory Board on the Bank's activities and situation at least every three months.

The competences, rights and obligations of the members of the Management Board shall be determined in accordance with the requirements of the law, the Statute of the Bank, the Rules of Procedure of the Management Board and the standards of good professional and management practice. The Board of Directors shall decide on all matters referred to in the Statute 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 Board of Directors are to:

a/ organizes the implementation of the decisions of the General Assembly and the Supervisory Board;

- b/ determine the general guidelines and the activity plan of the Bank, take decisions on credit, interest, accounting and risk policies and risk management rules;
- c/ open and close branches of the Bank;
- d) take decisions on the participation of the Bank in other companies in the country and abroad, increase the capital of the Bank and issue bonds within the framework of the empowerment under the Statute;
- e/ resolve on the issues regarding the acquisition and disposal of real estate and real rights over them;
- f/ determine the structure and positions in the Bank;
- g/ prepares and proposes to the General Meeting the annual report of the Bank;
- h) get decisions on a substantial change in the Bank's activities, substantial organisational changes, as well as long-term cooperation essential to the Bank, or the termination of such cooperation;
- i) performs all other functions assigned to it by the General Assembly or the Supervisory Board and the law.

The decisions of the Board under b. "b" and "d"- "g", as in other cases, under the Statute and the law, shall have effect with respect to the Bank after their approval by the Supervisory Board. Decisions under letter "h" require the prior consent of the Supervisory Board.

In accordance with the requirements of Article 36 para. 4 of the Articles of Association and in connection with its activities, the Management Board has adopted rules of procedure which have been approved by the Supervisory Board. The Regulations were updated by the Management Board by Minute № 62/22.11.2023 and approved by the Supervisory Board by Minute № 57/22.11.2023. The Management Board meets once a week, but not less than once a month. When the interests of the Bank require, the Board shall be convened more frequently. Meetings shall be convened by the Chairman, the Vice-Chairman, or by the Executive Directors on their own initiative, or at the request of a member of the Management Board or of the Supervisory Board. Decisions of the Management Board shall be taken by a simple majority of all members, unless the law or the Articles of Association provide otherwise. The Management Board may also take decisions by absentia if all members have given their written consent to the decision. When a decision is taken concerning the election, dismissal, or determination of the liability of an executive director, the latter shall not participate in the vote. Minutes of Board meetings shall be kept by the Secretary of the Board, who shall not be a member of the Board, and shall record the items on the agenda, motions made, discussions and decisions taken. The minutes shall be signed by all Board members present and by the Secretary and shall be numbered and ranked according to the order of the meetings, together with the annexes.

The election of members of the Management Board is carried out only after prior approval by the BNB, in accordance with the requirements of the CIA and the applicable regulations.

The members of the Management Board, according to the Statute, must:

1. meet the conditions set out in the CIA, including having the required education, qualification and professional experience;
2. have not been convicted of an intentional crime of general nature, as well as of crimes under art. 116a, para 1 of the Public Offering of Securities Act;
3. have not been members of a management or supervisory body, or unlimited liability partners in a company, where it has been dissolved due to bankruptcy, if creditors have remained unsatisfied, regardless of whether they have been restored to rights;
4. have not been during the last five years preceding the date of the decision declaring a bank bankrupt, members of its management or supervisory body;

5. are not deprived of the right to occupy a materially responsible position;
6. are not spouses or relatives up to the third degree inclusive by rights, or collateral to each other, or to another member of the managing or controlling body of the Bank;
7. insolvent debtors are not unreturned to their rights.

The members of the Board of Directors shall be obliged to perform their duties in the interest of the Bank and to keep the secrets of the Bank even after they cease to be members of the Board. During their term of office, the members of the Management Board shall be guided in their activities by the generally accepted principles of integrity and managerial and professional competence. According to the Statute, the members of the Management Board are obliged: to perform their duties with the care of a good trader in a way that they reasonably believe is in the interest of the Bank and all shareholders of the Bank and using only information that they reasonably believe to be reliable and complete; to show loyalty to the Bank, preferring in the performance of their duties the interest of the Bank to their own interest and avoiding direct or indirect conflicts between their interest and the interest of the Bank, and if such conflicts arise, or a member of the Board has a business interest (within the meaning of the CIA) in concluding a commercial transaction with the Bank - to disclose them in writing in writing to the Management Board and do not participate, as well as not influence the other members of the boards in making 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 up to 5 years. Legal entities may also be elected as members of the Supervisory Board. In such cases, legal entities shall appoint a representative to perform their duties on the Supervisory Board. Legal persons shall be jointly and severally liable 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 shall be made only after prior approval by the BNB, in accordance with the requirements of the ICA and the applicable regulations. The same person may not be both a member of the Supervisory Board and the Management Board of the Bank. The Supervisory Board may establish specialised committees and other subsidiary bodies to support its activities.

As of 31.12.2023, The Supervisory Board of the Bank consists of 5 individuals who are elected by the General Assembly for a term of five years and are eligible for re-election without restrictions.

The members of the Supervisory Board as well as the representatives of the legal entities members of the Supervisory Board according to the Articles of Association must:

1. they have not been convicted for a deliberate crime of a general nature, as well as for the crimes under Article 116a, paragraph 1 of the Public Offering of Securities Act;
2. have not been members of a management or supervisory body, or unlimited liability partners in a company, where it has been dissolved due to bankruptcy if creditors have remained unsatisfied, regardless of whether they have been restored to rights;
3. have not been during the last five years preceding the date of the decision declaring a bank bankrupt, members of its management or supervisory body;
4. are not disqualified from holding a position of material responsibility;
5. are not spouses or relatives up to the third degree, including in direct or collateral line between them, or of another member of a management or supervisory body of the Bank;

At least one-third of the members of the Supervisory Board, in accordance with the Securities Act, must be independent persons. 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 is a person related to the Bank;
3. a person who is in a permanent business relationship with the Bank;
4. a member of a managing or controlling body, a procurator, or an employee of a commercial company or other legal person referred to in items 2 and 3;
5. a person related to another member of the Supervisory or Management Board of the Bank.

The Supervisory Board shall exercise general supervision and prior, ongoing and subsequent control over the activities of the Management Board. The Supervisory Board does not participate in the management of the Bank and represents the Bank only in its relations with the Management Board. In all cases where the law, the Supervisory Board's operating rules, or the Bank's internal rules in force so provide, the Supervisory Board grants prior authorization to enter into certain transactions. The Supervisory Board shall have the right at any time to request the Management Board to submit information, or a report, on any matter affecting the Bank. The Supervisory Board may make necessary enquiries in the performance of its duties. It may use experts for this purpose.

The powers and functions of the Supervisory Board shall be to:

- elects and dismisses the members of the Management Board;
- convene the General Assembly;
- adopt rules for its activities;
- adopt a remuneration policy for the Bank;
- approve the rules of procedure of the Board of Directors;
- take and approve decisions on the acquisition and disposal of real estate and encumbrances in the interest of the Bank;
- 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:
 - ✓ acquisition, closure, transfer of undertakings and parts thereof.
 - ✓ the Bank's internal structure, staff and organisation of the Bank.
 - ✓ significant internal organisational changes.
 - ✓ opening and closing branches.
 - ✓ changes to the Bank's Articles of Association before they are submitted to the General Meeting for consideration.
 - ✓ transactions resulting in the Bank acquiring, transferring or granting as collateral real estate and property rights thereon, receivables and other fixed assets, or assuming liabilities and guarantees in excess of the value specified in the Rules of the Supervisory Board and/or the Bank's internal rules in force.
 - ✓ the issue of bonds within the scope of the authorisation under the Articles of Association.
 - ✓ empowerment of executive directors and authorization of the Bank's attorney(s).
 - ✓ an increase the Bank's capital within the authorization under the Articles of Association;
- set the limits for the granting of loans, credit lines, the assumption of sureties, guarantees and other collateral and the issuance of securities on promissory notes by the Management Board, without consulting the Supervisory Board.
- decide on other matters when provided for by law or in the Statutes.

In accordance with the requirements of Article 41, paragraph 4 of the Articles of Association and in connection with its work, the Supervisory Board has adopted rules which have been updated by a decision of the Supervisory Board /Minute No. 57/22.11.2023/.

The Supervisory Board shall meet 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 Supervisory Board shall be convened to meet by its Chairman on his own initiative or at the request of the members of the Supervisory Board or of the Management Board. Meetings of the Supervisory Board shall be chaired by its Chairman and shall be considered regular if at least half of the Supervisory Board members are present in person or represented by written proxy by another Supervisory Board member. No person present may represent more than one person absent. Minutes shall be kept of the decisions of the Supervisory Board and shall be 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 attendance of the members of the Supervisory Board and other persons; the agenda including the matters considered and the decisions taken. The minutes of the SB meetings shall be dated and filed. The minutes and their annexes shall be kept as long as the Bank exists. The proceedings of the meetings of the SB shall be available at all times to all its members.

Members of the Supervisory Board shall be obliged to carry out their duties in the best interests of the Bank and shall keep the Bank's secrets after they cease to be members of the Board. During their term of office, Supervisory Board members shall be guided in their activities by generally accepted principles of integrity and managerial and professional competence. Pursuant to the Articles of Association, members of the Supervisory Board shall: perform their duties with the care of a good dealer in a manner they reasonably believe to be in the best interests of the Bank and all shareholders of the Bank and using only information they reasonably believe to be reliable and complete; exercise loyalty to the Bank, preferring the interest of the Bank to their own interest in the performance of their duties and avoiding direct or indirect conflicts between their interest and the interest of the Bank and, if such conflicts arise, either a member of the Board

The Articles of Association of Texim Bank AD provide for the obligations and responsibilities of the members of both the Supervisory Board and the Management Board, which are aimed at ensuring good corporate governance and performing preventive functions to avoid violations of the principles of good corporate governance.

The members of the Supervisory Board and the Management Board shall be obliged: not to disseminate information about the Bank and, after they cease to be members, until the relevant circumstances are made public by the Bank; not to disclose information which has become known to them in their capacity as members of the boards, if this could affect the activities and developments of the Bank, including after they cease to be members of the boards; not to divulge, unless they are so authorized, nor to use for personal or for their family members facts and circumstances of bank secrecy, including after they have ceased to be members of the Councils.

The members of the Management Board and the Supervisory Board must provide a guarantee for their management in the amount determined by the General Meeting, but not less than 3 months of their gross remuneration. The members of the Management Board and the Supervisory Board shall be jointly and severally liable for any damage they have caused to the Bank through fault. Any member of the Board may be discharged from liability if it is established that he or she was not at fault for the damages incurred.

8.2. Internal rules and procedures

Texim Bank AD has adopted and operates the following internal rules and procedures aimed at ensuring 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 Law on Credit Institutions, Ordinance No 4 of the BNB of 21.12.2010 on the requirements for remuneration in banks, which introduces provisions of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of 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 EBA Guidelines on Sound Remuneration Policies, Article 116c of the Public Offering of Securities Act and Section III of Ordinance No 48 of the FSC of 20.03.2013 on remuneration requirements. The remuneration policy is part of the general management policy and introduces basic provisions, principles and requirements that aim to create a remuneration framework in the Bank that allows the attraction, retention and motivation of employees to work for the long-term interests of the Bank by ensuring competitive and equivalent levels of pay, linking the results of labor with individual remuneration, stimulating the initiative of employees for quality performance of labor functions. The policy defines the main leading functions of the Supervisory Board and the Management Board, thus ensuring that the remuneration determination complies to the maximum extent possible with regulatory requirements and recognized good practices in this area. The Supervisory Board is responsible for the development, adoption and control of the implementation of the remuneration policy as a whole. The Supervisory Board approves and controls the remuneration of senior management staff and employees receiving the highest remuneration. The General Meeting of Shareholders shall determine the amount of remuneration of the Supervisory Board and the members of the Management Board, taking into account the obligations, the degree of workload, as well as the contribution of each member of the Management and Supervisory Board to the activities and results of the Bank. The guiding principles of the Remuneration Policy are also the disclosure of information on remuneration in accordance with the provisions of art. 14 of Ordinance No 4 of the BNB of 21.12.2010 on the requirements for remuneration in banks and art. 11, para. 7 of Ordinance No 48 of the Financial Supervision Commission of 20.03.2013 on remuneration requirements, employee valuation, periodic review of remuneration and reliable risk management.

- **RULES ON THE PROCEDURE FOR DISCLOSURE OF CONFLICTS OF INTEREST AND FOR ENSURING TRUSTWORTHINESS.** The rules are developed in pursuance of art. 51-54 of the Credit Institutions Act, Guidelines of the European Banking Authority on Internal Management (EBA/GL/ 2021/05) in relation to Directive 2013/36/EU, art. 187, para. 1, item 10 and para. 2 of the Labour Code and art. 123a, para. 7 of the Social Security Code. These rules clearly regulate: the basic principles of management in the field of conflicts of interest; the procedure for disclosure of conflicts of interest and for ensuring confidence on the part of administrators and other employees directly involved in the performance of the Bank's subject of activity; the measures taken by the Bank with regard to potential or specific conflicts of interest; responsibilities and sanctions for violation of the norms, regulating the relationship with a potential or specific conflict of interest; the standards to be applied for the proper identification, management and registration of conflicts of interest, as well as the responsibilities and sanctions for established infringements. The rules create an organization of the Bank's activity, which does not allow administrators and other employees to put themselves in a position where their obligations to one client conflict with their obligations to another client, or their own interests conflict with their obligations to a client of

the Bank.

- **RISK MANAGEMENT RULES** - 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;

- Regular monitoring processes and appropriate reporting mechanisms to the Bank's Management to support effective risk management;

- Processes to control the maintenance at all times of a sufficient amount of 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.

8.3. Internal control and audit

Texim Bank AD has established an internal control system, which contains control functions with appropriate powers for the performance of its duties.

The internal control framework covers the whole organisation, including the activities of all structural, auxiliary and control units, outsourcing and distribution channels with sound administrative and reporting procedures.

In order to ensure an adequate framework for risk management and internal control, the Bank has built a system of "Three Lines of Protection".

The "first line" of protection is the business units that are responsible for the ongoing management of the risks they take, as well as for the decisions and compliance with the limit risk framework in the conduct of business.

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

The "third line of defence" is the Internal Audit, which provides an independent assessment of the effectiveness of internal management, risk management and control processes. The specialized internal audit service of Texim Bank AD performs regular reviews of the implementation and compliance with the risk management frameworks and the 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 at the highest management level in the Bank and gives the governing bodies and senior management reasonable assurance based on the highest level of independence and objectivity. The specialized internal audit service of Texim Bank AD provides independent and objective assurance and advice on the adequacy and effectiveness of corporate governance and risk management (including internal control), to support the achievement of organizational goals, as well as to provide recommendations and support the continuous improvement of the effectiveness of the processes of management and control of the activities in the Bank.

The Audit Committee of Texim Bank AD, as an independent body, monitors the financial reporting process and presents recommendations and proposals to ensure its effectiveness; analyze the effectiveness of the internal control system, the risk management system and the internal audit activity of the Bank; verify the independence of registered (external) auditors in accordance with the requirements of the legislation in force and Regulation (EU) 537/2014, including the appropriateness of providing additional services beyond the Bank's audit; be familiar with the statutory audit of the annual and consolidated financial statements, and in particular its implementation; the independence and effectiveness of internal audit and shall monitor the relationship with the external auditor; The Audit Committee shall act in accordance with a developed and approved Rules of Procedure and Regulation laid down in the Independent Financial Audit Act. The management of the Bank, assisted by the Audit Committee, shall give written reasons to the General Assembly their proposal for the election of an auditor, guided by the established requirements for professionalism.

At the General Meeting of Shareholders held in 2023 for joint inspection and certification of the annual financial statements on an individual and consolidated basis of Texim Bank AD for 2023 and of the supervisory reports determined by the Bulgarian National Bank were selected the audit companies "Grant Thornton" OOD and "RSM BG" OOD to jointly carry out the audit.

8.4. Protection of shareholders' rights

Shareholders of the Bank can be Bulgarian and foreign legal entities and individuals. The Bank's shares are book-entry securities that certify that their holders participate with the nominal value specified therein in the Bank's capital. Each ordinary share entitles to one vote at the General Meeting of Shareholders, the right to a dividend and a liquidation share commensurate with the nominal value of the share. The shares of the Bank are transferred freely, subject to the requirements of the current legislation. The Bank's Shareholders' Book is kept by Central Depository AD, which issues a certification document for the holding of shares under the terms and conditions of the legislation in force. Any person who has acquired a book-entry registered share and is entered in the Bank's shareholders' book at the Central Depository AD acquires the status of a shareholder of the Bank and may exercise his/her rights as a shareholder in accordance with the Statute and the legislation in force. The transfer of dematerialized registered shares issued by the Bank shall take effect from the moment of registration of the transaction with Central Depository AD.

The shareholders of the Bank have the following rights:

- voting in the General Meeting, one share giving the right to one vote;
- of a dividend commensurate with the nominal value of the shares held. In accordance with POSA, the persons entered in the registers of Central Depository AD as shareholders on the 14th day after the day of the General Meeting at which the Annual Financial Statements and the decision for profit distribution were adopted are entitled to receive dividends;
- of a liquidation share commensurate with the nominal value of the shares held;
- to acquire a part of the new shares issued upon a capital increase corresponding to their share in the capital up to the increase;
- to get acquainted with the written materials related to the agenda of the General Assembly;
- to authorize in writing another person to represent them in the General Meeting in compliance with the requirements provided for in this Statute and in the Public Offering of Securities Act;
- other rights under the Statute and the legislation in force.

Any shareholder may request information about the condition of the Bank at any time and in accordance with regulations. The members of the Management Board and the Supervisory Board of the Bank are obliged to answer comprehensively and accurately the shareholders' questions asked at the General Meeting about the economic and financial situation and commercial activity of the Bank, unless the questions concern circumstances and facts constituting inside information or other secret protected by law (Art. 115, para. 13 of the Public Offering of Securities Act).

The General Meeting of Shareholders of the Bank shall consist of all shareholders with voting rights. Shareholders participate in the General Meeting in person or through authorized representatives. The right to vote at the General Meeting, in accordance with POSA, is exercised only by persons registered as shareholders in the Bank's Shareholders' Book at Central Depository AD 14 days before the date of the General Meeting, according to the list of shareholders provided by Central Depository AD. Shareholders - legal entities are represented by their legal representatives, who identify themselves with a current registration document (original or certified copy), respectively a similar document for shareholders - foreign legal entities and an identity document of the legal representative(s). Shareholders – legal entities or individuals may be represented at the General Meeting by proxies authorized by a power of attorney issued under the conditions and by the order of art. 116. The signature of the shareholder-authorizer must be notarized. At the General Meeting, each shareholder may be represented by only one proxy. The powers of attorney shall be submitted to the Bank one working day before the day of the General Meeting.

The General Meeting shall be convened by invitation, which shall be announced in the Commercial Register at least 30 days before the opening of the General Meeting. The invitation shall be published on the Bank's website and shall be announced to the FSC and the public under the terms and conditions of the Public Offering of Securities Act. During the period from the announcement of the invitation to the date of the General Meeting, the materials for the meeting are available to the shareholders and their representatives.

The texts in the materials are specific and clear, without misleading the shareholders. All proposals regarding major corporate events are presented as separate items on the agenda of the General Assembly, including the proposal for profit distribution.

The Management Board shall exercise effective control over the holding of the General Meeting by establishing the necessary organization for the voting of shareholders and authorized persons in accordance with the instructions of the shareholders. The Management Board organizes the General Meeting and guarantees equal treatment of all shareholders and the right of each of the shareholders to express their opinion on the items on the agenda. The Management Board assists the shareholders authorized by the court to include additional issues on the agenda of the General Meeting. The shareholders shall be informed about the decisions taken at the General Meeting of Shareholders through the public announcement of the Protocol of the General Meeting and its announcement in the Commercial Register.

IX. GUIDELINES IN THE GROUP'S ACTIVITIES IN 2024 - 2026

9.1. As strategic objectives in the activity in the period 2024 - 2026 we can outline:

- Maintaining and expanding perceived priorities in terms of product and customer base, resources, information and staffing;
- Maintaining high professionalism in service, customer-oriented strategy, expanding the range of core credit, deposit and combined products and related financial services to individuals, private commercial enterprises, etc.

- Actively participate in the money and capital markets to increase the efficiency of transactions;
- Participation in the implementation of harmonised statistical reporting in fulfilment of economic and convergence criteria in the area of balance of payments; implementation of international accounting standards and requirements;
- Finalisation of the "AnaCredit" project , which aims to create a common database with detailed individual information on the instruments generating credit risk for banks and other financial institutions involved in lending.
- Analysis and preparation to meet Basel III requirements.
- Optimise and effectively control the Bank's revenue and expenditure budget.
- Analysis and definition of climate and environmental risks.

9.2. Important highlights in the activity in 2024-2026 will be:

- Increase in Tier 1 capital base through conversion of the remaining issued corporate bonds;
- Raising additional cash and investing it effectively, combined with a thorough analysis of potential risks;
- Diversification of the programs and product lines offered, with high priority to be given to the formation and management of a well-diversified commercial portfolio, corporate and retail banking, custody services, trust management, long-term investment and project financing for technological renewal, increasing the competitiveness and efficiency of economic entities, etc.

The Group's management and employees will continue to work to expand market share in corporate and retail banking, while maintaining the Group's universal business profile and core competitive advantages in the offering of bundled financial services and other instruments.

For the Group as a whole, the issue of securing the capital position has always been a major focus of the management of the business.

During the period 2024-2026, the Group's team will focus on maintaining and sustaining very strong performance related to core capital ratios, liquidity and structural performance metrics in line with macroprudential requirements. The Group will continue to maintain very good liquidity ratios combined with the permanent monitoring of key financial indicators and optimal asset and liability management.

9.3. The Group's short and medium term objectives are to:

9.3.1. Development of new products and services

In order to maintain and improve its competitive positioning in the market, the Group's team of specialists will continue to develop and offer specialized loan and deposit products tailored to changing customer requirements, business specifics and the market environment. The Group develops a wide range of credit products in the consumer lending area, offering competitive lending parameters and terms. High priority is given to the development of digitalization and automation of the credit process, the development of automatic scoring of potential borrowers, remote channels for offering products and services, the development of digital channels for debit and credit cards, remote customer identification and contract signing. Work is intensifying and bundled products and services will be launched in early 2024. As an investment intermediary, the Group will continue to carry out transactions related to the

purchase and sale of securities, custody services, repo transactions, transactions as a registration agent related to the change of personal data of security holders in the case of transfers, inheritances or donations, registration of pre-agreed transactions, etc.

The Group's management expects to develop and deepen its service to the budget area. An important priority in the activities of the Corporate and Institutional Banking Department is participation in tenders (procedures) with offers for servicing various units of the budget sphere.

For the period 2024 - 2026, the top priority in the Group's activities will remain the retention and expansion of business with existing clients and the attraction of new clients, including through the development of synergies and the sale of products of companies specialized in pensions and life insurance.

Efforts will be focused both on increasing sales of the Group's standard products, aimed mainly at its traditional customer groups, and on expanding and enriching the product range in the direction of digitalization, mobile banking, offering bundled products and other innovative solutions. In line with the development strategy, the Group plans to develop in the following business segments 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 lending
 - ◆ Small and medium-sized enterprises;
 - ◆ Municipalities;
 - ◆ First-class corporate clients;
 - ◆ Branch, regional and other associations;
 - ◆ Specialized programs.
3. Financial markets ("Treasury")
 - ◆ Operations on the lev interbank deposit market;
 - ◆ Domestic money market operations forming claims on commercial banks and non-banks;
 - ◆ Working capital and investment portfolio management

In 2024-2026, the following priorities emerge in relation to key customer groups:

- ◆ Maintain and expand positions in the corporate market, retail banking market, government securities transactions, corporate securities transactions, banking services and products related to state and local budgets, etc. The Bank will adopt an active policy aimed not only at maintaining the market position of its core products - deposit taking, consumer lending, loans for the purchase and construction of houses, but will also focus on developing the product range by intensifying cross-selling, combined products, both in terms of types and volume.
- ◆ Precise definition of the affluent sector and focus on the development of specific /"tailor-made" / products in preparation for offensive entry into this market.

- ◆ Further development of the "small and medium enterprises" segment, identifying and developing links with appropriate programmes designed to support the development of micro, small and medium enterprises;
- ◆ Increasing the volume and relative share of money market operations. The securities portfolio will be diversified with higher yielding assets.
- ◆ Increase in earning assets on account of better cash flow management, current accounts and increase in funds in other liabilities.
- ◆ Expansion of the volume of card payments in line with the development of card operators, including the national operator.
- ◆ Increase volume and distribution of banking products through digital channels.

9.3.2. Increase revenue generating opportunities through careful credit policy, reliability in credit administration and enhanced subsequent control over the activity.

The strategy of Texim Bank AD with regard to lending activity for the period 2024 - 2026 is fully consistent with acceptable risk taking. The objectives we set ourselves are related to maintaining a well-balanced and structured loan portfolio with a minimum relative share of hard-to-collect loans and constantly optimizing the cost-to-service ratio. In the coming period, the Management will work towards efficient and prudent management of the loan portfolio (in terms of size, structure and ratios between different types of loans), analysing and forecasting the dynamics of resources according to the criteria - maturity, risk, customers, industries, market of the resource, etc.

9.4. The projected amount of loans and receivables from corporate customers over the next three years.

Texim Bank AD will continue to develop specialized loan and deposit products, including package programs, tailored to customer requirements, business specifics and the market environment. The Bank offers a wide range of credit products in corporate banking, taking into account the competition in the market. The management envisages to develop and deepen the servicing of the budget sector. An important priority in the activities of the Corporate and Institutional Banking Directorate is participation in tenders (procedures) with offers for servicing various units of the budget sphere.

The planned amount of loans and receivables from corporate customers for the next three-year period is as follows:

As of 31.12.2024, the balance sheet debt will reach BGN 149 million, i.e. a planned growth of 11%. The planned interest income on loans to corporate customers as of 31.12.2024 is BGN 6,9 million. Comparable to the previous year, the growth in interest income is 7%. The planned income from fees on loans and bank guarantees amounts to BGN 390 thousand.

As of 31.12.2025, it is planned to grow by 10% and reach a balance sheet debt of 160 million BGN. The planned interest income on loans to corporate customers as of 31.12.2025 is BGN 7.2 million. The planned income from fees on loans and bank guarantees amounts to BGN 410 thousand.

By 31.12.2026, a growth of 10% is planned. The planned interest income on loans to corporate customers for 2026 is BGN 7.7 million. The planned income from fees on loans and bank guarantees amounts to BGN 450 thousand.

For the period under review, the projected classified credit exposures to be less than 4.5% of the loan portfolio.

The main restrictive parameters for the granting of new loans in the area of corporate lending are:

- optimising loan repayment terms;

- restricting lending to customers with collection and payment problems, declining net sales and other negative financial indicators and business circumstances;
- limiting loans with a large grace period;
- Thoroughly analysing newly authorised loans in terms of return on investment, with priority given to projects with faster returns;
- thorough analysis of the applicant's solvency. Targeting customers with good credit history and alternative loan servicing options, as well as customers with self-participation options in loan transactions and maintaining balances in their current accounts in excess of the monthly loan repayment;
- maximum protection against credit risk for the life of the loan. Credit risk management will be carried out through continuous monitoring, with a focus on: deepening the analysis of the economic situation and the state of market conditions for the sectors in which the borrowers are positioned, as well as their financial and economic situation, while maintaining the existing forms, timing and content of the monitoring process; taking anticipatory actions by the Bank and the customers, respectively, as a result of specific risk factors identified related to the borrowers, business Increasing the Bank's protection in loan transactions will be implemented by minimizing the negative consequences for the Bank of entering into annexes related to changes in loan terms and interest rates other than those originally agreed;
- When granting loans to legal entities, sole proprietorships and sole proprietorships, the aim is to expand the activity, including through EU structural funds projects, only in a real proven existing market and in sectors without a noticeable 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 needs to develop, namely a comprehensive digitalization of services, processes and products that significantly reduces operational costs and increases customer satisfaction. The aim is to actively attract new customers by developing fully online products and processes, including through the mobile banking platform. Digitalization and automation of processes provides opportunities to access more potential customers, greater visibility of the Group, and consequently better results.

The main implementation steps are:

- Digitalization and automation of the credit and customer acquisition process:
 - Development of remote service delivery channels and creation of a new digital remote customer acquisition process using cloud-based electronic signature. We envisage developing the ability to remotely obtain a loan, overdraft or credit card, open an account, bank debit card and enable mobile banking for new and existing customers.
 - Create a digital wallet, virtual cards and NFC payments, instant person-to-person payments, etc.
 - Attracting new customers to the Bank's website through remote customer identification (digital identity) without the need to visit a Bank office;
 - Fully online processes for selling credit products, including the conclusion of a credit agreement. At present, the number of online credit inquiries received is over 330 per month, without focusing on the Bank's advertising. At present, a contract has been signed with an authentication service provider and the development of remote customer identification and credit contract has been launched.
 - Implementation of fully automated solutions for the provision of credit to individuals - in this regard, the preparation of sites related to automatic scoring has started.

- Micro and small enterprises in the Retail segment - with turnover up to BGN 1 million and exposures up to BGN 100,000. Development of standardized turnover and investment products together with package programs. This step will expand the Bank's standard product portfolio.
- Emphasis on transaction 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 the norm, with instant payments setting new market standards. Additionally, the focus will be on high net worth customers who would actively use a large number of the Bank's products and services. The increasing use of digital wallets in stores, online and in apps creates the need to develop a digital wallet.

- Bonus incentive programs for customers who use card products to increase the amount of transactions and, consequently, the balance debt on card credit products, which is currently 24%, with the goal of reaching a minimum of 50%.
- Partnership with POK "Saglasie" AD (the Company)

The bank is working towards strategic partnerships with insurance and pension companies, which will provide customers with access to some of the most innovative banking and pension solutions on the market.

The indicators characterizing the activity of the pension funds managed by POK "Saglasie" AD at the end of 2022 are Insured persons – 465,556 people, which represents a market share of 9.46%.

With the agreements, the Group aims to expand its product portfolio, as well as to ensure a comprehensive and complete service to its customers by providing them with individual financial solutions tailored to their specific needs and expectations.

- Automated scoring to assess the creditworthiness of individuals.
- Creation of a new system for commodity credit with the possibility of integration via API interface. The goal is to create the possibility of integration of commercial e-stores and the possibility of creating BNPL type products /buy now and pay later/.
- A project to enable the Bank to provide a software POS to its customers registered as merchants /the implementation of the device is through an Android application installed on a smart device/.
- Project for the development of an additional card product - virtual card.
- Participation in the Borica project for migration to a new WAY 4 system.

The budgeted parameters by year are as follows:

Household credits	2024	2025	2026
Credit portfolio	BGN 66 million	BGN 75,9 million	BGN 87,3 million
Planned net growth	16%	15%	15%
Revenue from interest and fees	BGN 4,1 million	BGN 4,8 million	BGN 5,3 million

The following means will be used to achieve the goals in this area:

➤ **Expanding and actively interacting with the partner network of traders**

The Bank will continue to invest in relationship management with credit intermediaries and merchants offering credit products to individuals. In terms of commodity lending, staff will be trained in each office to assist traders in their interaction with the Bank. Proactive communication and assistance after signing the contract with the Bank will lead to higher performance in commodity lending and greater satisfaction among traders and end customers.

The alternative sales channels through partner-merchant network has potential for development, and we will rely on active regular interaction with our partners to achieve higher lending results to individuals during the period 2024-2026.

➤ **Continuation of the strategy adopted regarding:**

- Increase and improve results through the selection and training of sales teams positioned in the Bank's branch network.
- A structured approach and special offers to attract new banking customers;
- Planning of sales campaigns covering different target customer groups in order to achieve structured communication leading to long-term relationships and increased use of products and services;
- Combining competitive personal loan offers with some of the fastest approval times in the market, increasing customer satisfaction and loyalty;
- Development of combined payment packages for individuals;
- Develop and build on the capabilities of distribution channels and alternative banking platforms.

The following means will be used to achieve the objectives in these areas:

➤ **Development of card services and products;**

➤ **Improvement and implementation of innovative remote banking solutions.**

In the period 2024 - 2026, the Bank will continue to improve its internet and mobile banking services, as well as to expand the range of products and services offered in order to optimize costs and enforce the Bank's high-tech image. The range of products and services to be offered through alternative distribution channels continues to be expanded.

9.6. Design and development of card services and products

- During the three-year period under review, it is envisaged that card business efforts will focus on expanding digital sales channels for card products and attracting new customers. Remote identification of customers and signing of applications and contracts for various products and services are a key objective with a view to upgrading the quality of service and in response to the current trends towards remote banking, including, remote application for card issuance, obtaining PIN via SMS/ or in mobile banking, remote activation of cards via web and mobile banking. In this regard and no less important are the envisaged projects for remote issuance and feeding of virtual cards, card tokenization (integration of the Bank's payment cards in the mobile phone to Google Pay and Apple Pay) and development of new POS solutions such as software POS terminal.

- Particular attention will be paid to the card tokenization project of Texim Bank AD, through which it is expected that in the long term the Bank will significantly reduce its costs for physical plates on which the bank cards are currently issued. No less important is the fact that through this project the Bank will consolidate its image as a high-tech provider of card payment services, while at the same time affirming its desire to contribute to environmental protection by minimizing the waste formed by the classic plastic chip card and energy efficiency from cutting production and distribution costs.

- In 2024 it is planned to introduce bundled services for the Bank's individual and corporate customers with options to use various card products and services. The launch is planned to be with a limited number of packages, which will be expanded and further adapted to customer needs in the coming years. 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, number of cards issued, transactions and payment volumes.

Targets planned for the period 2024-2026 – Credit cards

Credit cards	Number of cards			Credit limit granted BGN			Balance debt BGN		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Standard/ Classic	1 624	1 705	1 965	3 447 083	3 639 716	4 2155 84	1 107 735	1 265 982	1 637 863
Gold	270	295	320	1 332 259	1 345 582	1 494 796	478 015	546 302	706 777
Platinum	149	160	180	2 182 332	2 239 766	2 526 920	578 350	660 971	8 551 301
Corporate Gold	71	84	95	562 547	645 383	801 041	85 240	97 418	126 035

Credit cards	Number of transactions			Transaction volume BGN			Average trn. BGN		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Standard/ Classic	62 912	69 445	83 576	6 299 658	7 257 377	9 036 606	100	105	108
Gold	18 568	20 005	23 586	2 965 271	3 517 807	4 477 377	160	176	190
Platinum	16 167	17 627	20 996	5 680 958	6 644 729	8 369 350	351	377	399
Corporate Gold	2 781	2 863	3 240	1 035 423	1 186 176	1 470 622	372	414	454

Credit cards	Income from card fees, including interchange fees			Interest income			Revenue from annual service charges		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Standard/ Classic	40 808	50 875	63 989	86 992	98 219	110 569	20 340	23 440	26 850
Gold	15 415	19 689	25 161	25 619	29 981	34 779	15 060	17 360	17 360
Platinum	41 037	54 310	70 962	24 376	29 114	34 326	26 000	26 600	26 600
Corporate Gold	20 625	26 816	34 657	7 638	9 601	11 760	4 950	5 220	5 220

Among the Bank's priorities with regard to credit cards will be to encourage customers to make greater use of their credit limits through various incentive mechanisms - games, overlaps, bonuses, etc. The growth of nearly BGN 177 thousand of the granted credit limit, realized in 2023, gives grounds to set in the Bank's objectives to reach the target of BGN 7.2 million of the granted credit limit by the end of 2024, and to BGN 7.8 million by the end of 2025 and to about BGN 9.0 million by the end of 2026. For this purpose, an annual growth of 5% to 10% of issued credit cards is envisaged, as well as by seeking opportunities to increase the credit limit on credit cards already issued to loyal and regular cardholders of the Bank.

In terms of product, consideration will be given to developing and offering additional credit cards to the already issued main cards, which will also be able to benefit from the credit limit allocated to the main card, which will aim to increase to around 35-37% the balance debt on the credit cards and therefore the interest income.

Targets planned for the period 2024 - 2026 - Debit cards

Debit cards	Number of cards			Income from transaction, management and interbank fees		
	2024	2025	2026	2024	2025	2026
Debit cards - individuals	14 000	18 000	23 000	217 538	268 338	330 428
Debit cards of legal entities	1 800	2 400	3 300	102 341	110 000	117 916

In terms of debit cards, the focus will be on expanding the product range and offering cards for smaller and specific target groups such as notaries, minors, etc. Based on the positive growth achieved in the last two years, the Bank is targeting an increase of more than 50% in the number of debit cards issued to individuals, or an average of about 29% per annum, between 2024 and 2026 to reach 23,000 at the end of 2026. To achieve this goal, the Bank will rely mainly on so-called instant issuance, since on the one hand this is a valued and sought-after service by the Bank's customers and on the other hand the relative share of instantly issued cards has been steadily increasing in recent years. In the case of debit cards for legal entities, the Bank's focus will be on ensuring that the total number of cards issued exceeds 3,000 by the end of 2026.

Offering additional options and services to debit and credit cards will also be a focus - e.g. insurance to cover instalments due in the event of temporary incapacity, insurance to cover damage in the event of unauthorised use of cards, etc.

With regard to the Bank's own authorization host, it is envisaged to make improvements in order to implement added services for customers, as well as to optimize their costs.

The focus will also be on increasing the number of virtual POS terminals by offering the latest and most advanced secure Internet payment system - 3-D Secure. Based on the results achieved so far, and taking into account the growing demand for the service, the Bank plans to implement between 7 and 10 new virtual terminals in each of the next three years, with the main objective of attracting large merchants offering goods and services online.

Over the next three years, Texim Bank AD will continue to work towards increasing the terminal network of physical POS terminals. It is expected that at the end of 2024 the total number of outlets serviced by the Bank's terminals will exceed 280, and over the next two years until 2026 the growth trend will increase, reaching 70 in 2025 and 100 in 2026. The main goal will be the attraction of new traders who realize large turnovers through the POS terminals installed in their sites, with an increase of no less than 35% on an annual basis in the income from commissions for the transactions carried out.

In the first half of 2024, a project is expected to be launched by BORIKA AD for the migration of physical POS terminals to the new authorization system WAY4.

With around 240 physical terminals installed in the Bank's outlets and offices by the end of 2023, we will be actively involved in this project, with the expectation that all terminals will be migrated to the new system by mid-2024.

With a view to offering new services to traders, as well as covering specific business categories of traders, an option will be sought for the implementation through BORIKA AD of

additional solutions and optimizations such as the implementation of software POS. The same allows acceptance of card payments by a merchant via a mobile phone, or a tablet with Android operating system. The implementation of the software POS will provide a new channel to attract merchants, an opportunity to attract small and micro merchants, reduce hardware costs on the part of the Bank, increase its competitiveness in the Acquiring part, and also respond to green trends and responsible business development.

In 2024, a switch to issuing only Visa-branded cards is planned. The choice of the brand in question will enable cardholders to benefit from the services and functionalities of the global brand, while allowing cost optimization for the Bank, faster and more efficient processes for the implementation of new card products and services for customers.

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.

"Private Banking" applies an individual approach and personal attitude in working with first-class clients - individuals and companies, in order to achieve optimal efficiency in the relationship, building sustainable mutual trust and a lasting business partnership between the Bank and the client.

A constant goal for Private Banking is to build and expand its client base. In this respect, over the years we have managed to achieve significant growth of over 10% per annum and at present Texim Bank AD can claim a good position in the special banking and financial services segment in the country. We have gradually focused our efforts on carefully segmenting our own customer base in order to achieve more efficiency from customer handling and to increase our Private Banking revenues. Customers pay a monthly service fee and together with income from other operations, it can be said that the total income from Private Banking customer operations has been growing steadily at an approximate rate of 15% per annum, accounting for approximately one-third of the Bank's total income from customer operations.

Market realities in the Private Banking segment, however, impose increased demands and criteria from 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. The ever-changing regulations of national and European legislation also impose serious challenges, both in terms of compliance with the increasingly complex requirements and their administration. Compliance with all these requirements, including in the area of investment intermediation, compliance with anti-money laundering measures and thorough client identification are an ongoing commitment for Private Banking and the Bank as a whole. Significant human and financial resources are allocated in this regard.

All of this requires constant work and the pursuit of innovative, convenient and secure methods of communication and banking. Following the successful launch of the Texim Comfort service for remote initiation and digital confirmation of payment transactions, we are also focusing our efforts on similar opportunities for our clients in the intermediation of trading in financial instruments. Our desire is for digital channels to make up the majority of all customer transactions.

Private Banking's development strategy for the period 2024 - 2026 includes continued efforts to find convenient and secure digital solutions for core products and services. An

important task for the period remains the introduction of a new service for the proper remote identification, initiation and submission of orders by remote means for trading in financial instruments.

An essential commitment in the work of Private Banking during the period was to take all necessary measures for a smooth changeover to the euro and to synchronise the required standards and technical requirements in this regard.

Other goals and objectives for Private Banking at Texim Bank AD are:

- Expansion of customer base with new customers - 10%;
- Growth of the attracted resources from Private Banking clients by 10%;
- Maximize total fee revenue and grow average revenue per customer by 20%;
- Expansion of customer base and transactions in financial instruments by 30%;
- Minimize potential operational risks from Private Banking's activities through the application of consistently high controls and ongoing technology and software development;
- Continuous development and improvement of the knowledge and competences of the employees and the team of Private Banking.
- Improvement and automation of processes related to investment intermediation services.

The high standards in banking with significant clients require the Private Banking team to continuously impose more and more added value in dealing with each client - on the one hand introducing new technological solutions and opportunities for communication and implementation of operations, and on the other hand striving for continuous improvement of the knowledge and training of employees for timely and accurate execution of all questions and tasks in servicing clients. All this should be in line with the high demands of legislation and customers for more security, speed and to achieve greater efficiency.

The banking group on a consolidated basis includes Texim Bank AD /Parent Bank/ and its controlled subsidiaries: Texim Asset Management EAD, Texim Project Company EOOD and Texim Solutions EOD. The Bank owns 100% of the capital of Texim Asset Management EAD, which in turn manages the activities of four mutual funds - Texim Bulgaria Fund; Texim Conservative Fund; Texim Balkans Fund and Texim Commodity Strategies Fund.

The activity of Texim Asset Management EAD is aimed at achieving high returns at reasonable and measured risk for its unitholders of the funds it manages. The future performance of Texim Asset Management EAD depends to a large extent on Bulgarian and international capital market conditions, including micro and macro economic data such as: GDP growth, unemployment rate, inflation, interest rates and yields, personal income, etc. In the short and medium term, Texim Asset Management EAD will seek to take advantage of analysts' positive expectations for the financial markets, and funds managed by the Company should invest in liquid and undervalued financial instruments with prospects for good financial performance. This would lead to an increase in the assets under management of the Funds and hence an increase in the value of each unit of the Managed Funds. An important task for the Company is to attract additional financial resources and client base. The expectations of Texim Asset Management EAD are related to achieving moderate growth and positive financial results due to the faster growth rate of revenues as opposed to that of expenses.

As at 31.12.2023. 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 year 2023, the Group has significantly increased its client base in offering depository services, by nearly 25%, and plan to maintain the growth trend in the period of 2024 - 2026, continuing to strive to meet the expectations of its clients.

In an environment of increasing volumes, the accumulated experience and extensive expertise of the staff play an important role in serving institutional clients with respect to the various features of the local and foreign markets for trading financial instruments.

The prerequisites are in place for the period 2024 - 2026 to increase the Group's market share in terms of services provided by continuing to invest in the information security it owns for the business, in line with regulatory requirements, as well as in its customer-oriented and qualified staff, ensuring the quality of the services offered. The available information and qualified staff are a prerequisite both for maintaining the high level of service to institutional clients and for increasing their numbers in the next three-year period.

The accumulated experience and the high quality of performance have led to the Group's establishment as a reliable partner in the service provided to bondholders. In 2024 - 2026, the Group will continue to realise its potential, which will lead to the continuation of the upward trend in the number of bond issuers serviced.

The trend of the Group being chosen as the preferred partner as a trustee for bondholders and a bank providing depository and custody services will continue in 2024-2026.

9.9. Improvement and implementation of innovative remote banking solutions

In the strategy for the development of the activity in the field of digital channels, marketing, strategic development and synergies in 2024 - 2026, the work in the following areas is mainly laid down:

- Development of remote service delivery channels and creation of a new digital remote customer acquisition process.
- Continuation of a project to create a new digital vision for the Bank.
- A project related to the creation of a digital wallet and virtual cards and NFC payments between individuals.
- SEPA related project "Instant Transfers", P2P, R2P.
- A project has been initiated to strengthen the synergy between the Bank and "Saglasie", the offering of online insurance and pension funds in the office network.
- A project has been initiated to build a digital marketing strategy for the Bank.

The main Digital Projects for 2024-2026 are as follows:

- **Digital " recruitment " of customers and remote services project.**

The project aims to enable new and existing customers to apply for services without visiting a Bank office. The project aims to allow remote signing of documents. In 2024, the first product - "Online Consumer Credit" is expected to be launched and the project will continue with the development of a product - "Online Card".

- **Continuation of a project to create a new digital vision for the Bank.**

The Bank's new corporate website was launched in the second half of 2022. The planned next stages of the project are to revamp and completely rewrite the existing Mobile Banking (2025-2026), and to streamline processes in the Internet Banking system (2025-2025).

- **A project related to the creation of a digital wallet and virtual cards and NFC payments.**

The launch of the project is closely linked to the launch of the Mobile Banking Rewrite Project (2024-2026). A digital wallet (or e-wallet) is a financial transaction application that runs on mobile devices. It securely stores the Bank's customer's payment information. These apps will allow our customers to pay when they make purchases using their device so that they do not need to carry their bank cards with them. Virtual cards work just like a physical bank card - they simply sit in the digital wallet on the user's phone instead of their physical wallet. Protected by encryption, they offer a safe and convenient way to pay online and in-store. NFC is a type of wireless communication between two devices. It is carried out at a distance of no more than 4 cm. The connection is usually low speed, but the main advantage is that it is instantaneous, without the need for additional setup. Bank customers will be able to pay wirelessly through their phones.

- **A project has been initiated to strengthen the synergy between the Bank and "Saglasie", the offering of online insurance and pension funds in the office network.**

The project aims to create an e-shop with the ability to accept card payments for remote sales of various types of insurance and pension products.

- **Project related to SEPA Instant Transfers, P2P, R2P.**

SEPA Instant EUR (2024) is a payment scheme that allows transactions to be processed in seconds, regardless of the time or day of the week. Unlike most payment methods, the speed is not dependent on the underlying clearing and settlement arrangements of our account provider. So, as long as both European payment institutions involved in the transfer are SEPA instant participants, the transfer should be almost instantaneous or up to 10 seconds by definition.

- **A project has been initiated to build a digital marketing strategy for the Bank.**

The project involves creating a digital marketing strategy, also called online marketing, and promoting the brand to potential customers via the internet and other forms of digital communication. The metrics to be monitored are:

- Impressions: How often has anyone seen a link to the Bank's website on Google.
- Clicks: How often someone has clicked on a Google link to the Bank's website.
- (Average) Position: relative ranking of our link's position in Google, where 1 is the top position, 2 is the next position, etc. Only Google search results are shown.

- Click-through rate: the calculation of (clicks ÷ impressions).

The mediums to be used are:

- Social networks
- YouTube advertising
- Google advertising
- Banner advertising in the Investor network
- SEO optimizations
- Email Marketing
- Affiliate Marketing

9.10. Liquidity and markets

In terms of liquidity and investment management, Texim Bank AD will continue to follow a conservative model in 2024. The market situation, geopolitical and economic environment will be analysed on an ongoing basis, in particular the decisions and policies of

the ECB and the Fed will be monitored in the context of global economic and political developments.

In order to meet the requirements for servicing state and municipal budget accounts, the Bank will continue to maintain optimal levels of the government securities portfolio. Depending on the situation, investments in government bonds of EU countries are also possible, carefully analysing both the situation in the specific country and the international one and avoiding high-risk assets. In order to achieve higher yields and diversification of the portfolio, the Bank will also analyse the possibility of investing in corporate bonds, and a thorough analysis of the issuer will necessarily be applied.

Texim Bank AD will continue to improve the developed system for liquidity analysis and monitoring, which, based on reports from the information system and other data prepared on this basis, provides 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 2026 are as follows:

- The Bank will continue to maintain a Liquidity Coverage Ratio (LCR ratio) and a Net Stable Funding Ratio (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 over minimum regulatory requirements is also mentioned. To this end, active and permanent monitoring of liquidity indicators will be applied and the Bank's assets and liabilities will be managed in a manner adequate to the situation.

- During the period 2024 - 2026, Texim Bank AD will continuously analyse its investments in the context of economic developments that have a significant impact on financial markets. The Money Markets and Liquidity Department will keep the members of the Board and the AMC informed on an ongoing basis in order to inform management decision making by the Bank's Management on key asset and liability management issues.

- During the period 2024-2026, the Bank will continue to develop its systems for liquidity analysis and monitoring and risk assessment and diversification. A particular focus in the period 2024 - 2026 will be the monitoring and analysis of financial markets and their impact on the Bank's cash flows, liquidity and trading strategy in financial markets.

In the area of fundraising in the period 2024-2026, the Bank will continue to work towards:

- Developing and offering quality products and services at competitive levels in the core segments of the liability. "Texim Bank AD will continue to implement an adequate deposit interest rate policy that is fully aligned with market conditions and the competitive environment;

- Increase the quality of customer service and the quality of services offered, individual and package effective solutions for its customers;

- Development of distribution channels for banking products;

- Good image and strengthening the trust of the clients of Texim Bank AD, as well as attracting new clients;

- Coordinated management of assets and liabilities by optimizing the spread between earnings on earning assets and the cost of liabilities.

The Group's strategy in terms of customer funds raised is to maintain the growth rate of past years, which is mainly driven by the ongoing and upcoming initiatives to better position the Bank.

In this sense, the conservative forecast for 2024 is an expected growth of around 8%, with a similar growth and slight acceleration envisaged in the period up to 2026, applying a moderately conservative and at the same time balanced policy in terms of the cost of attracted funds at levels close and around the average value of the resource in the banking system in the country.

9.11. Interbank and international operations strategy

In the area of trade finance and international payments, it is planned to expand the product range, including work with letters of credit, documentary operations, etc. In international payments, we foresee continued growth, and the aim will be to increase the volume of overseas remittances and payments, as a continuation of the policy pursued in 2023 and the growth of these banking services in the past year.

We will continue to work towards establishing the Group as a reliable partner for customers in the field of foreign exchange payments through efficient, quality and prompt service of customer transfer orders.

We plan to undertake additional activities in relation to optimising and automating the Group's information system processes through the use of various distribution channels, providing additional opportunities to execute customer remittance orders in order to fully satisfy their current needs and requirements.

In terms of payment technology and technique, work is underway to migrate to BISERA EUR for SEPA Step 2 payments (in the context of the BNB's acquisition of a direct stake in Step 2).

Work will continue in relation to optimising payment-related costs by actively managing the routing of customer transactions through the optimal channels in line with their conditions (especially in the context of the forthcoming euro adoption), without affecting the quality of the business conducted.

The work related to the introduction and management of the reporting in accordance with the MIFID requirements, the automation of the preparation of the required reports and the optimization of the interaction of the Directorate with the other units integrated in its activities in Texim Bank AD (Liquidity, Accounting, Private Banking, etc.) will continue.

It will consolidate the steady growth in inward remittances achieved in 2023 by offering competitive tariff terms for the benefit of the Bank's customers.

The Group's team will continue to improve the activities related to the timely, quality and efficient execution of all back-office operations in order to ensure the smooth flow and implementation of transactions in the FX and FX-LV markets, interbank deposits, transactions in government securities and other FIs.

9.12. Strategy of Texim Bank AD in relation to joining the Eurozone and adopting the single European currency.

In connection with the "National Plan for the Introduction of the Euro in the Republic of Bulgaria", updated in 2023, which set 1 January 2025 as the new target date for the adoption of the euro, the change in the BNB Act (adopted by the National Assembly at the end of January 2024), and the commencement of the technical preparation process for the adoption of the euro in the country, the Group has started its complex preparations for the implementation of the key requirements for the preparatory period until the end of 2024, as well as in the period following the expected introduction of the euro in Bulgaria from 1 January 2025.

In connection with the processes led by the Bulgarian National Bank, the Ministry of Finance and the Financial Supervision Commission related to the organisation and management of the exchange of the Bulgarian lev for the euro in the country's financial and banking system, the Group will provide administrative capacity /including organisational, information and human resources/ and will prepare the relevant functional structure engaged in planning,

coordination and control of the processes with a view to launching the process at a sufficiently early stage and ensuring a qualitative and reliable exchange of the Bulgarian lev for the euro.

In addition, the Group will also provide the necessary financial resources and technical capacity, which will be mainly dedicated to the organisation and assignment of tasks for the redesign of banking information and accounting systems and software products. This is expected to be the most complex, costly and resource intensive part of the overall conversion preparation process. To this end, a number of preliminary tests will be carried out to ensure the smooth conversion of the main accounting records and values from levs to euro, and the BNB will be informed of the final date for the completion of the tests. The Group envisages updating the records maintained relating to assets, liabilities, equity and off-balance sheet assets and liabilities in the context of their conversion from levs to euros, and will comply with the rules set out in Regulation /EC/ No 1103/97 in the event of rounding differences.

The Bank has made the necessary arrangements to replace the base rate in levs with a base rate in euros, taking into account in advance the dropping of the short-term market index in levs LEONIA Plus. The pricing of deposits and loans is likely to be based on one of the following euro area market indices - EURIBOR for the relevant maturity, the short-term euro transaction rate /€ STR/, the ECB's interest rate for the main refinancing operations of the euro system banks, or another index as close as possible to the abolished lev market indices. This transformation will respect the basic rule that the Bank's customers will not be disadvantaged after the adoption of the euro.

Texim Bank AD will take timely action to incorporate the risks arising from the euro adoption processes and the conversion from levs to euros of assets, liabilities, capital, off-balance sheet assets and liabilities into the internal processes for capital adequacy and liquidity analysis /CLAA/, taking into account the indicative currency conversion plan-schedule.

We foresee the revision of the tariff for interest, fees and commissions in BGN and EUR within the statutory timeframe for their dual display, 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 Bank's revised tariff will be prepared and published on the website in due time, for which customers will be notified before the new tariff comes into force.

In accordance with BNB requirements, the Bank will establish arrangements for the preparation and submission of reporting templates in accordance with the applicable business cards at the individual and consolidated level, denominated in Euro.

X. INFORMATION GIVEN IN VALUE AND QUANTITATIVE 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 FINANCIAL YEAR UNDER REVIEW

10.1. LENDING

Loans and receivables from customers

Types of customers

	As at 31.12.2023	As at 31.12.2022
Private companies	99,146	104,082
Budget	427	-
Households and individuals	56,921	53,428
Financial enterprises	34,359	31,098
Impairment for uncollectibility	(1,466)	(2,225)
TOTAL	189,387	186,383

By industry

	As at 31.12.2023	As at 31.12.2022
Individuals	56,921	53,428
Industry	15,254	16,260
Services and other	44,157	41,028
Trade	26,111	35,660
Budget	427	-
Construction	5,577	1,154
Transport	22,766	22,027
Agriculture	1,586	253
Finance	18,054	18,798
Impairment for uncollectibility	(1,466)	(2,225)
TOTAL	189,387	186,383

10.2. DEPOSITS

The table below provides summarized information on deposits from customers other than credit institutions as of 31.12.2023

	As at 31 December 2023			As at 31 December 2022		
	BGN	Foreign currency	Total	BGN	Foreign currency	Total
RESIDENTS	395,234	161,387	556,392	338,745	161,399	500,144
Budget	23,843	186	24,029	17,701	-	17,701
Finances	29,583	7,593	37,176	25,778	7,274	33,052
Households and individuals	136,921	91,699	228,620	123,891	99,300	223,191
Services	57,840	22,399	80,239	55,038	20,991	76,029
Industry	9,511	2,726	12,237	5,246	8,298	13,544
Trade	38,872	26,580	65,452	47,281	15,313	62,594
Transport	5,567	8,040	13,607	5,592	7,838	13,430
Construction	87,883	1,221	89,104	53,260	1,784	55,044
Agriculture	4,985	943	5,928	4,958	601	5,559
NON-RESIDENTS	771	11,064	11,835	784	24,398	25,182
	395,776	172,451	568,227	339,529	185,797	525,326

XI. INFORMATION ON REVENUES, DIVIDED INTO DIFFERENT CATEGORIES OF ACTIVITIES, DOMESTIC AND FOREIGN MARKETS, AS WELL AS INFORMATION ON THE SOURCES OF SUPPLY OF MATERIALS NECESSARY FOR THE PRODUCTION OF GOODS, OR THE PROVISION OF SERVICES, REFLECTING THE DEGREE OF DEPENDENCE ON EACH INDIVIDUAL SELLER OR BUYER/CONSUMER, IN CASE THE RELATIVE SHARE OF ANY OF THEM EXCEEDS 10 PERCENT OF THE EXPENSES, SALES REVENUE, INFORMATION SHALL BE PROVIDED FOR EACH INDIVIDUAL, HIS SHARE OF SALES, OR HIS PURCHASES AND RELATIONS WITH THE ISSUER.

In 2023 the Group 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 2023 amounts to BGN 16,656 thousand and is formed by interest income amounting to BGN 16,530 thousand and interest expenses amounting to BGN 874 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 income from fees and commissions**

The net income from fees and commissions in 2023 amounts to BGN 5,160 thousand, with revenues amounting to BGN 5,924 thousand and expenses amounting to BGN 764 thousand. Income from fees and commissions comprises 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 in other comprehensive income**

Realized net gains from securities and foreign exchange trading operations in 2023 amount to BGN 2,995 thousand (2022: BGN 2,554 thousand). These gains are the result of transactions in shares of financial institutions, non-financial institutions and other customers and transactions in bonds issued by the Bulgarian Government and trading companies as well as fair value remeasurements during the period. This group of income also includes the result of foreign exchange transactions. For the year 2023 the net foreign exchange trading income is BGN 785 thousand (2022: BGN 695 thousand).

- **Net gains on transactions in financial assets at fair value through other comprehensive income**

In 2023, an expense of BGN 154 thousand (2022: revenue of BGN 85 thousand) was recognised on transactions with financial assets carried at fair value through other comprehensive income. These proceeds are mainly generated from the sale of government securities issued by the Government of the Republic of Bulgaria.

- **Net losses on financial assets at amortised cost**

In 2023, loans carried at amortised cost were sold, with a net loss of BGN 430 thousand.

- **Net foreign exchange losses**

In 2023, a loss on exchange rate changes of BGN 45 thousand was realized.

- **Other operating expenses, net**

In 2023, the Group generated other operating income of BGN 690 thousand. The majority of this income consists of rental income, fees under insurance agent and bond trustee contracts, sale of jubilee coins and other services. In 2023, the Group has recorded other operating expenses of BGN 1,976 thousand.

- **Change in fair value of investment properties**

For 2023 the Group has recorded a positive net revaluation from investment properties in the amount of BGN 173 thousand.

- **Impairments for uncollectibility of financial assets**

The net result of impairments for uncollectibility in 2023 amounts to BGN 596 thousand, this value is formed by reintegration of impairments of financial assets carried at fair value through other comprehensive income in the amount of BGN 103 thousand and impairments of financial assets at amortised cost in the amount of BGN 699 thousand.

- **General and administrative operating and depreciation expenses**

Administrative expenses for the Group's operations in 2023 amount to BGN 15,616 thousand and depreciation expenses amount to BGN 3,794 thousand.

- **Provision costs**

The provisions for off-balance sheet commitments were reintegrated into income in the amount of BGN 9 thousand.

XII. INFORMATION ON CONCLUDED SIGNIFICANT TRANSACTIONS

In 2023 the Group has not made major deals that are essential to its activities.

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 2023, and 2022, the Group has receivables and liabilities from related parties as follows:

Related parties and balances	Balance as at 31.12.2023	Balance as at 31.12.2022
Key management personnel		
Loans granted	384	390
Deposits received	1,158	1,314
Other accounts receivable	12	2

The income and expenses realized by the Group in 2023 and 2022 from transactions with related parties are as follows:

Related parties and types of transactions	For the year ended 31.12.2023	For the year ended 31.12.2022
Key management personnel		
Interest income	15	15
Fee income	6	5

In 2023 the Bank has engaged in related party transactions by providing loans, raising cash, etc. All related party transactions were entered into on normal commercial terms in the ordinary course of the Bank's business and are not at variance with market terms. The authorization of credit transactions has been made after credit risk analysis and assessment, subject to liquidity and collateral adequacy requirements and internal regulations.

Key personnel of the Bank are the members of the Management Board, including the Executive Directors, who are directly involved in corporate operational management, and the members of the Supervisory Board, who exercise control over the Bank's activities and make important decisions for its development.

The remuneration of the members of the Board of Directors paid in 2023 totals BGN 528 thousand (2022 - BGN 494 thousand).

The remuneration of the members of the Supervisory Board paid in 2023 totals BGN 270 thousand (2022 - BGN 270 thousand).

The remuneration of the members of the Board of Directors of Texim Asset Management EAD for the year 2023 amounts to BGN 139 thousand (2022 - BGN 135 thousand).

XIV. INFORMATION ON EVENTS AND INDICATORS OF AN UNUSUAL NATURE FOR "TEXIM BANK" AD, HAVING A SIGNIFICANT IMPACT ON THE ACTIVITIES OF THE BANK, AND THE INCOME EARNED AND EXPENSES INCURRED. ASSESSMENT OF THEIR IMPACT ON THE CURRENT YEAR'S RESULTS

Over the course of the year, there were no events and indicators of an unusual nature for the Group that had a material impact on its operations.

XV. INFORMATION ON 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 THESE TRANSACTIONS ARE MATERIAL TO "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 on bank guarantees issued in BGN amounted to BGN 16,513 thousand. Total undrawn commitments on contracted loans and overdrafts (including corporate loans and retail loans) as of 31.12.2023 amount to BGN 17,230 thousand against BGN 13,028 thousand as of the end of 2022.

XVI. INFORMATION ON THE SHAREHOLDINGS OF TEXIM BANK AD, 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 THE SOURCES, METHODS OF FINANCING

The financial instruments held by the Group as at 31.12.2023 are: government bonds, corporate bonds, shares and units with a total carrying amount of BGN 157,566 thousand, classified in the following groups: at fair value through profit and loss, at fair value through other comprehensive income and debt instruments at amortised cost.

As at 31.12.2023 the Group owns government securities issued by the Government of the Republic of Bulgaria for a total amount of BGN 63,411 thousand.

As at 31.12.2023 the Group does not hold any securities issued by foreign governments.

Corporate debt securities of Bulgarian and foreign issuers as at the end of 2023 amount to BGN 42,628 thousand, and shares and stakes of enterprises as well as stakes in collective investment schemes held by the Group amount to BGN 51,527 thousand.

As at 31.12.2023, the subsidiaries do not hold any shares of the Bank.

XVII. INFORMATION ON THE LOAN AGREEMENTS CONCLUDED BY TEXIM BANK AD OR ITS SUBSIDIARIES, AS BORROWERS, INDICATING THEIR TERMS AND CONDITIONS,

INCLUDING THE FINAL REPAYMENT TERMS, AS WELL AS INFORMATION ON GUARANTEES AND COMMITMENTS PROVIDED

Deposits from customers other than credit institutions and liabilities under lease agreements amounted to BGN 573,225 thousand, including BGN 568,227 thousand deposits from customers other than credit institutions - residents and non-residents, and BGN 4,998 thousand liabilities under lease agreements.

XVIII. INFORMATION CONCERNING LOANS GRANTED, GUARANTEES GIVEN, OR COMMITMENTS INCURRED BY "TEXIM BANK" AD OR ITS SUBSIDIARIES IN GENERAL TO A PERSON OR ITS SUBSIDIARIES, INCLUDING RELATED PERSONS, INDICATING THE NAMES OR THE NAME AND EIC OF THE PERSON, THE NATURE OF THE RELATIONSHIP BETWEEN "TEXIM BANK" AD, OR THEIR SUBSIDIARIES AND THE BORROWING PERSON, THE AMOUNT OF THE PRINCIPAL OUTSTANDING, THE INTEREST RATE, THE DATE OF CONCLUSION OF THE CONTRACT, THE FINAL REPAYMENT DATE, THE AMOUNT OF THE COMMITMENT, SPECIFIC CONDITIONS OTHER THAN THOSE REFERRED TO IN THIS PROVISION, AND THE PURPOSE FOR WHICH THEY WERE GRANTED, IF THEY WERE CONCLUDED AS EARMARKED.

Texim Bank AD is a credit institution and as part of its core business provides loans in compliance with the requirements of Regulation (EU) 575/2013, the Credit Institutions Act and its implementing acts, as well as the internal regulations of Texim Bank AD. All loans are in force and concluded in accordance with the Bank's internal regulations, and the liquidity and collateral sufficiency requirements set forth in the Rules for Lending Activities of Texim Bank AD are complied with.

The Bank's activities as a credit institution are supervised by BNB. In this regard and in accordance with the requirements of the Credit Institutions Act, detailed information on all loans granted by the Bank is duly submitted to the Central Credit Register maintained by the BNB.

Subsidiaries of Texim Bank AD did not make any loans in 2023.

XIX. INFORMATION ON THE USE OF PROCEEDS FROM A NEW ISSUE OF SECURITIES DURING THE REPORTING PERIOD

Following a preliminary approval under Article 33d of Regulation № 2/2006 on the licences, approvals and authorisations issued by the Bulgarian National Bank, in conjunction with Article 39, paragraph 6 of the Credit Institutions Act, pursuant to Decision № 338/29.09.2020. The cash raised through the bonds in the amount of BGN 22,000 thousand is included in the Tier 2 capital of Texim Bank AD, in accordance with the requirements of Article 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013.

The funds raised in the amount of BGN 22,000 thousand are used by Texim Bank AD in accordance with the objectives set out in the Prospectus for Initial Public Offering and Admission to Trading on a Regulated Market of Convertible Corporate Bonds of Texim Bank AD, confirmed by Decision № 237-E of 26 March 2020 of the Financial Supervision Commission, as well as in accordance with the Bank's strategy to raise funds for business development in lending and the introduction of additional products and services and to increase the efficiency of existing ones, as well as to protect against potential

The proceeds of the Notes have not been and will not be used to acquire assets other than in the ordinary course of the Bank's business.

XX. ANALYSIS OF THE RELATIONSHIP BETWEEN THE ACHIEVED FINANCIAL RESULTS REFLECTED IN THE FINANCIAL STATEMENT FOR THE FINANCIAL YEAR AND PREVIOUSLY PUBLISHED FORECASTS OF THESE RESULTS

In its Annual Consolidated Activity Report for 2023, the Bank has not published specific

forecasts for its development and accordingly does not report the result between previously made forecasts and achieved results.

XXI. ANALYSIS OF THE RELATIONSHIP BETWEEN THE FINANCIAL RESULTS REPORTED IN THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR AND PREVIOUSLY PUBLISHED FORECASTS OF THOSE RESULTS

The Group manages its assets in accordance with applicable legislation and internal regulations. The Group services all its liabilities in a timely manner and maintains a high degree of liquidity.

Liquidity risk arises from the mismatch between the maturity of assets and liabilities and the potential lack of sufficient funds to meet the Bank's payments on current financial liabilities, as well as to provide funds to finance increases in financial assets and potential claims on off-balance sheet commitments. Liquidity risk is subject to analysis and control by the Asset and Liability Management Committee. The Bank's main sources of funds are deposits and other borrowed resources. For the year 2023, there are no indicators (indicators) of the Bank for the occurrence of increased risk regulated in the "Liquidity Risk Management Rules". Periodically, in accordance with 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 consists of daily monitoring and management of liquidity, maintaining sufficient availability of high quality liquid assets to cover mismatches between cash inflows and outflows, analysis of mismatches between cash inflows and outflows by maturity intervals, both in a normal banking environment and in a crisis.

The Bank follows the obligations and restrictions arising from the Credit Institutions Act, European legislation and BNB Regulation No. 11 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 on hand and funds on deposit with the BNB - which ensure that its liquidity needs are met without any problems. As an additional instrument to ensure high liquidity, the Bank uses the resources and advances provided by financial institutions. Basically, these are deposits with first-class international and Bulgarian financial institutions with maturity up to 7 days. The Bank is able to meet all its payment needs on maturing financial liabilities at any time.

XXII. ASSESSMENT OF THE POSSIBILITIES FOR THE REALISATION OF THE INVESTMENT INTENTIONS, INDICATING THE AMOUNT OF AVAILABLE FUNDS AND REFLECTING POSSIBLE CHANGES IN THE FINANCING STRUCTURE OF THIS ACTIVITY

The Group will finance its operations over the next three years with its own funds and leverage. At present, the Bank has sufficient free equity capital within the meaning of EU Regulation № 575 to realise its business expansion intentions and we have budgeted in the Strategy and Budget Framework for the three-year period to convert the remaining portion of the bond issue.

XXIII. INFORMATION ON CHANGES DURING THE REPORTING PERIOD IN THE GROUP'S MAIN MANAGEMENT PRINCIPLES

There have been no changes to the Group's fundamental governance principles in 2023. The Group's governance principles are in line with European frameworks and internationally recognised standards of good corporate governance.

XXIV. INFORMATION ON THE MAIN FEATURES OF THE INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM APPLIED BY TEXIM BANK AD IN THE PROCESS OF PREPARATION OF THE FINANCIAL STATEMENTS**Internal control and audit**

Texim Bank AD has established and operates a Specialized Internal Audit Service (SIAS). The SIAS is an independent structural unit in the system of Texim Bank AD, subordinate to the High Authority – the General Meeting of Shareholders, and when it does not meet – 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.

The SIAS provides the Management of the Bank with independent, objective and impartial assessments of the risks and the implemented as a reaction control related to the management and operational activities in terms of: the strategy, reliability and integrity of financial and operational information; the effectiveness and efficiency of operations, including asset protection; compliance with laws, regulations and internal acts and treaties.

The internal audit covers all aspects of the Bank's activities – all structural units, activities and processes, review of risk management procedures, internal control systems, information systems and management processes.

The SIAS carries out its activities in accordance with an approved Annual Audit Plan. developed and updated using a methodology based on risk assessment. The activities of the SIAS include periodic checks of transactions, review of compliance with 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 shall verify and evaluate:

- 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 carrying out its functions, the Specialized Internal Audit Service (SIAS) carried out assurance audit engagements through a systematic approach to assess the Bank's risk management, internal control and governance systems and make recommendations for their improvement, as well as periodically review their implementation.

XXV. INFORMATION ON CHANGES IN THE MANAGEMENT AND SUPERVISORY BODIES DURING THE FINANCIAL YEAR UNDER REVIEW

There were no changes to the Group's management and supervisory bodies in 2023.

XXVI. INFORMATION ON THE REMUNERATION AND SERVICES PROVIDED BY THE AUDITORS

The Bank's annual individual and consolidated financial statements for 2023 have been audited by Grant Thornton OOD and RSM BG OOD (selected by decision of the GMS on 28.06.2023). The company "Grant Thornton" OOD, has an address of management: Sofia, 26 Cherni vrah Blvd. The company is a member of the Institute of Certified Public Accountants in Bulgaria (ICPA), registered as an audit firm under reg. No 32 of the register under art. 20 of the Independent Financial Audit Act. The registered auditor responsible for the 2023 audit is Silvia Borislavova Dinova with a personal reg. No. 0737 in the register.

The company "RSM BG" OOD has its address of management: Sofia, bul. "Fridtjof Nansen" No 9, fl. 7. The company is a member of the Institute of Certified Public Accountants in Bulgaria (ICPA). The company is registered in the register under art. 20 of the Independent Financial Audit Act as an audit firm under reg. № 173. The registered auditor responsible for the 2023 audit is Mariana Petrova Mihaylova with a personal reg. No. 203 in the register.

The remuneration for statutory independent financial audit of the individual and consolidated financial statements of Texim Bank AD for the period ending 31 December 2023 amounts to BGN 209 thousand excluding VAT, which includes the remuneration of both audit firms.

Other services not related to the statutory financial audit, which are provided by the two audit firms, include an engagement 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 2023, the remuneration for which is a total of BGN 12 thousand for both audit firms. In 2023 and until the date of this report, no tax consultations or other services have been performed other than those mentioned by the two audit companies – Grant Thornton OOD and RSM BG OOD.

The remuneration for statutory independent financial audit of the annual financial statements of Texim Asset Management EAD for the period ending 31 December 2023 amounts to BGN 4 thousand excluding VAT.

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 Names	Post	Number of shares held by Texim Bank AD as of 01.01.2023	Number of shares of Texim Bank AD, acquired in 2023	Number of shares of Texim Bank AD transferred in 2023	Number of shares held by Texim Bank AD as at 31.12.2023
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 2023, 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

NAMES	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; - indirect participation in "Sustainable Business Consulting" OOD. 	<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 West" EAD; - Manager of "Ala Consult" EOOD; - 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;

		<ul style="list-style-type: none"> - 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; - 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;

		<ul style="list-style-type: none"> - 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.
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;
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; - Manager of "Texim Solutions" EOOD;
DIMITAR ZHILEV	Does not own	<ul style="list-style-type: none"> - 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.

For the purposes of art. 240b of the Commerce Act, the members of the Management and Supervisory Board of Texim Bank AD and the persons related to them have not concluded in 2023 contracts that go beyond the normal activities of the Bank or deviate substantially from market conditions.

XXVIII. INFORMATION ON ARRANGEMENTS KNOWN TO THE GROUP (INCLUDING AFTER THE END OF THE FINANCIAL YEAR) THAT MAY RESULT IN CHANGES IN THE PROPORTION OF SHARES OR BONDS HELD BY CURRENT SHAREHOLDERS OR BONDHOLDERS IN THE FUTURE.

The Group is not aware of any arrangements (including after the end of the financial year) that may result in changes in the relative share held by current shareholders in the future.

XXIX. INFORMATION ON PENDING JUDICIAL, ADMINISTRATIVE OR ARBITRATION PROCEEDINGS CONCERNING LIABILITIES OR CLAIMS OF THE GROUP IN THE AMOUNT OF AT LEAST 10% OF ITS OWN FUNDS ; IF THE TOTAL VALUE OF THE LIABILITIES OR CLAIMS OF THE GROUP IN ALL PROCEEDINGS INITIATED EXCEEDS 10% OF ITS OWN FUNDS, INFORMATION SHALL BE PROVIDED FOR EACH PROCEEDING SEPARATELY

The Group has no pending judicial, administrative, or arbitration proceedings concerning the Group's liabilities or claims amounting to 10 percent or more of its equity. The total value of the Group's liabilities or claims in all proceedings initiated shall not exceed 10 percent of its own funds.

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 APPLICATION OF THE ANNUAL FINANCIAL STATEMENTS FOR 2023

Climate issues

In the context of a changing legal and regulatory framework that places even greater emphasis on the topic of climate risk in 2024, the Group will continue to work on developing and implementing a methodology aimed at assessing exposures to climate and environmental risks and the vulnerability of the loan portfolio. The development of appropriate limits to efficiently manage climate and environmental risks in line with regular monitoring and escalation rules and their integration into the overall risk management framework is expected. During the period, the Group is expected to develop and establish appropriate internal stress tests and scenario analyses as tools with respect to climate and environmental risks, given the uncertainty surrounding the future development of climate change and society's response to it. The Group will explicitly define climate and environmental risks in its risk appetite framework, with quantitative and qualitative indicators to track the achievement of specific targets.

Complex geopolitical environment

Throughout the past year, hostilities continued on the territory of Ukraine. At the same time, additional economic and financial sanctions were repeatedly imposed on Russia by the European Union, the United States and a number of other countries, and these were repeatedly extended and supplemented. The unconditional imposition of sanctions, the ongoing military actions and the severe restriction of economic activities on the territory of Ukraine have had a wide-ranging and negative effect on the world economy and, in general, on social and economic life, particularly in Europe. In the first half of October 2023, an armed conflict erupted in the volatile Middle East region between Israel and the Islamic resistance movement Hamas, which further heightened geopolitical tensions not only in the region but also globally. In addition to these volatile regions, tensions in the Middle East, Red Sea and Suez Canal regions have increased significantly in the last months of last year, negatively affecting the prices of major energy resources and furthermore increasing risks to international trade and international transport. In the wake of the pandemic, these regional conflicts set the stage for a deterioration in the main supply chains for many industrial and consumer goods and key raw materials for industrial production.

Macroeconomic environment

Despite a large number of regional military conflicts, geopolitical tensions and highly volatile financial markets, most noticeably in the second half of the year, global inflation began to gradually decline from the record highs seen in 2022. In this context, leading central banks have gradually phased out further monetary tightening, with the US Federal Reserve (Fed) making the last interest rate hike in July 2023 and the European Central Bank (ECB) last raising interest rates in the euro area in September 2023. The announcement from central banks was that they would maintain these relatively high interest rates until at least mid-2024, or until they had clear confidence that inflation was permanently approaching the 2% target. Currently, the prevailing expectation in international financial markets is for a gradual and cautious lowering of key interest rates by the end of 2024, with this process starting in the second half of 2024.

The external environment inevitably affects the domestic financial market in Bulgaria, where despite the fact that the high liquidity in local currency is maintained, the monetary index of overnight unsecured deposits in BGN on the interbank market LEONIA Plus reached 3.80% by the end of 2023, as compared - only a year and a half earlier, namely by mid-2022, it had negative values.

Taxonomy-related disclosures

In 2024, the Group will continue its work to develop and adapt its internal systems to comply with the requirements of the Taxonomy Regulation for classifying economic activities as environmentally sustainable. This will align the taxonomy with the main economic activities and lines of development so that the Group can prepare in a timely and adequate manner for the increased reporting requirements.

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 33 595 036 (thirty-three million five hundred and ninety-five thousand thirty-six), distributed in 33 595 036 (thirty-three million five hundred and ninety-five thousand thirty-six) ordinary, registered, dematerialised shares with a par value of BGN 1 (one) each.

Minutes of the meetings of the Management Board and Supervisory Board of Texim Bank AD dated 09.08.2023. On 20/20/2023, resolutions were adopted for increasing the Bank's capital by converting issued bonds and for amending the Bank's Articles of Association, according to which the capital of Texim Bank AD was increased by BGN 3,600,000 (three million and six hundred thousand) - from BGN 29,995,036 (twenty-nine million and nine hundred and ninety-five thousand and thirty-six) to BGN 33,595,036 (thirty-three million and five hundred and ninety-five thousand and thirty-six). The capital was increased by issuing 3 600 000 new ordinary, registered, dematerialised shares (ISIN: BG1100001921) with voting rights with a nominal value of BGN 1 000 each, by converting 9 000 ordinary, dematerialised, registered, freely transferable, unsecured, 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 another Member State.

There are no different classes of shares.

XXXIV. INFORMATION ON THE DIRECT AND INDIRECT OWNERSHIP OF 5 PER CENT OR MORE OF THE VOTING RIGHTS IN THE GENERAL MEETING OF TEXIM BANK AD, INCLUDING DETAILS OF THE SHAREHOLDERS, THE SIZE OF THEIR SHAREHOLDING AND THE MANNER IN WHICH THE SHARES ARE HELD

The persons who hold, as of 31.12.2023, 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 of 31.12.2023	% of voting rights as of 31.12.2022
1	“Web Finance Holding” AD	103765841	17,93%	18,88%
2	“TK-Hold” AD	121657705	9,95%	-
3	“Sila Holding” AD	112100237	8,84%	8,93%
4	Pension Insurance Company “Saglasie”AD	831284154	5,82%	6,98%
5	“Etrade” AD	130301989	4,25%	5,10%
6	“Datamax” AD	831257470	4,11%	4,94%
7	“Datamax Systems Holding” AD	131466552	3,98%	4,77%

As of 31.12.2023 the companies Etrade AD, Datamax System Holding AD and Datamax AD, as related parties, jointly hold 12.34% 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. AGREEMENTS BETWEEN SHAREHOLDERS KNOWN TO TEXIM BANK AD WHICH MAY RESULT IN RESTRICTIONS ON THE TRANSFER OF SHARES OR VOTING RIGHTS

There are no agreements between shareholders known to Texim Bank AD that may result in restrictions on the transfer of shares or voting rights.

XXXVII. MATERIAL CONTRACTS OF “TEXIM BANK” AD WHICH BECOME EFFECTIVE, ARE AMENDED OR TERMINATED DUE TO A CHANGE IN CONTROL OF THE COMPANY IN THE COURSE OF A MANDATORY TENDER OFFER AND THEIR CONSEQUENCES, EXCEPT IN CASES WHERE THE DISCLOSURE OF THIS INFORMATION MAY CAUSE SERIOUS DAMAGE TO THE COMPANY; THE EXCEPTION UNDER THE PRECEDING SENTENCE SHALL NOT APPLY IN CASES WHERE “TEXIM BANK” AD IS OBLIGED TO DISCLOSE THE INFORMATION BY LAW

There are no material contracts of Texim Bank AD which trigger, are amended, or terminated due to a change in control of the Bank in the process of a 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 Consolidated Report on the Group's Activities: Corporate Governance Statement.

25 April 2024, Sofia

IVAYLO DONCHEV
/EXECUTIVE DIRECTOR/



MARIYA VIDOLOVA
/EXECUTIVE DIRECTOR/

**CONSOLIDATED CORPORATE GOVERNANCE STATEMENT
AS REQUIRED BY THE PROVISIONS OF
ART. 100N, PARA. 8 OF THE PUBLIC OFFERING OF SECURITIES
ACT**

According to the requirements of art. 100n, para. 8 of POSA, Texim Bank AD presents this consolidated corporate governance statement as an integral part of the consolidated annual management report as of 31.12.2023.

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As of 31.12.2023, the Group of Texim Bank AD (the "Group") consists of the parent company Texim Bank AD (the Bank) and the companies controlled by it Texim Asset Management EAD, Texim Solutions EOOD and Texim Project Company EOOD.

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 RD 22-0687/03.08.2006; No RD 22-0852 of 07.05.2007; RD 22-2268 of 16.11.2009. By Order of the BNB Governor No RD 22 – 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".

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.

In accordance with the requirements of art. 27 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, as well as in connection 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 No 2, Texim Bank AD, discloses regulated information to the public through the electronic media Infostock AD, through the official website: www.infostock.bg.

I. INFORMATION UNDER ART. 100N, AL. 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 Group strictly following the requirements and recommendations of the National Corporate Governance Code. In accordance with the corporate governance norms laid down in the Commercial Law and POSA, as well as with the norms and recommendations set out in the Code and in accordance with internationally recognized standards and principles, taking into account changes in the regulatory and economic environment, The Management Board and the Supervisory Board of Texim Bank AD independently and responsibly manage the Bank, following the established vision and strategic directions for the activity and monitoring the compliance with the interests of the shareholders.

Texim Bank AD complies with the National Corporate Governance Code, adopted by the National Corporate Governance Commission and approved as a corporate governance code under Art. 100n, para. 8, item 1, letter "a" of the Public Offering of Securities Act (POSA) by Decision No 850 - K KU of the FSC of 25.11.2021. In its activities, the Group takes into account and applies the basic principles laid down in the Corporate Governance Code.

II. INFORMATION UNDER ART. 100N, AL. 8, ITEM 2 OF THE PUBLIC OFFERING OF SECURITIES ACT

In its activities, the Group shall comply with and apply the basic principles set out in the Corporate Governance Code and considers that the effective implementation of good corporate governance practices contributes to the achievement of sustainable growth and the long-term objectives of the Group, as well as to establishing transparent and fair relationships with all stakeholders. enshrined in the Corporate Governance Code, taking into account the objectives and strategy set.

1. Concerning Chapter I “Corporate management”. The competences, rights and obligations of the members of the Management Board and the Supervisory Board follow the requirements of the law, the statutes and the standards of good professional and management practice. The functions and duties of the Management Board and the Supervisory Board are regulated in Art. 36 – Art. 45 of the Statute of the Bank.

Board of Directors of the Bank. In accordance with the legal requirements and good corporate governance practice, the amount and structure of the remuneration of the members of the Management Board take into account the obligations and contributions of each member of the Management Board in the activities and results of the Bank; the possibility of selecting and retaining qualified and loyal members of the management bodies; the need to align the interests of the members of the Governing Council and the long-term interests of the Bank. The Bank has no established schemes based on premiums, bonuses or profit participation, as well as other schemes for encouraging the members of the Management Board, which are given on the basis of criteria for assessing the performance of the activity. The remuneration of the members of the Management Board is individually determined according to whether they are assigned representative functions as Executive Directors or not, as well as in accordance with the duties and tasks assigned to them by the management contracts, criteria

for the amount of their remuneration, their obligations of loyalty to the company and the grounds for dismissal.

Supervisory Board of the Bank. The Bank's statutes do not contain an explicit limit on the number of companies in which the members of the Supervisory Board can hold managerial positions, but when electing new members of the Supervisory Board, the Bank takes into account the commitment of the proposed persons and their ability to effectively perform their tasks and duties activities of the Bank. The election of members of the Supervisory Board is carried out only after prior approval by the BNB, in accordance with the requirements of the CIA and the applicable regulations. The rules for the election of members of the National Assembly are laid down in the Statute of the Bank.

According to the Bank's Statute (Art. 41, para 5), the members of the Supervisory Board may be re-elected for subsequent terms of office without restriction. The special requirements of the Credit Institutions Act apply to the persons nominated as members of the Supervisory Board and are subject to approval by the Bulgarian National Bank, so their frequent change is inexpedient for the sustainable and proper implementation of the Bank's long-term goals.

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 on its activities at the General Meeting of Shareholders. The Audit Committee of Texim Bank AD is responsible for the selection procedure for registered external auditors and recommends to the General Meeting of Shareholders their appointment to carry out 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 disclosure practices in the financial reporting process; submit recommendations and suggestions to garnish its effectiveness. Monitors the statutory audit of the annual financial statements, incl. its performance. Checks and monitors the independence of registered external auditors in accordance with the requirements of the current legislation.

When selecting an external auditor at the Bank, all requirements of the Independent Financial Audit Act and Regulation (EU) No 537/2014 on the specific requirements regarding the statutory audit of public-interest entities are complied with.

The Bank's Audit Committee monitors the effectiveness of the internal control system, risk management systems and internal audit activities in relation to financial reporting at the Bank. Monitors and reviews the independence and effectiveness of the internal audit function, controlling its independence and professionalism. 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 statutory financial audit.

The internal control system at Texim Bank AD is built in accordance with the Credit Institutions Act and Ordinance 10 of the BNB on the organization, management and internal control of banks. It is performed by the Bank's management bodies and by business independent control functions in: risk management, regulatory compliance and internal audit.

- The Risk Analysis and Management Directorate is responsible for identifying, assessing and measuring the risks to the Bank; periodic assessment of compliance with internal risk assessment rules, policies and procedures; the scope, structure and frequency of risk reporting and risk culture.

- The Regulatory Compliance Directorate ensures adequate identification, measurement and management of compliance risk. Monitors changes in the laws and regulations applicable to the Bank and the impact they have on its activities; advises the Management Board/National Assembly 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 associated with the regulatory compliance of management and control bodies.
- The specialized internal audit service independently evaluates 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. Regarding Chapter III "Protection of shareholders' rights". The Management Board and the National Assembly in the exercise of their powers provided for in the Statute shall ensure equal treatment of all shareholders, including minority and foreign shareholders, by protecting their rights, as well as facilitating their exercise within the limits permitted by the legislation in force and in accordance with the provisions of the Bank's statutes.

The General Meeting shall be convened by invitation, which shall be announced in the Commercial Register at least 30 days before the opening of the General Meeting. The invitation shall be published on the Bank's website and shall be announced to the Financial Supervision Commission, the BSE, the Central Depository and the public under the terms and conditions of the Public Offering of Securities Act. During the period from the announcement of the invitation to the date of the General Meeting, the materials for the meeting are available to the shareholders and their representatives.

The texts in the materials are specific and clear, without misleading the shareholders. All proposals regarding major corporate events are presented as separate items on the agenda of the General Meeting, including the proposal for profit distribution.

The Management Board shall exercise effective control over the holding of the General Meeting by establishing the necessary organization for the voting of shareholders and authorized persons in accordance with the instructions of the shareholders. The Management Board organizes the General Meeting and guarantees equal treatment of all shareholders and the right of each of the shareholders to express their opinion on the items on the agenda.

All shareholders shall be informed of the rules under which general meetings of shareholders are convened and held, including voting procedures. The corporate management provides sufficient and timely information on the date and place of the general meeting, as well as full information on the issues to be considered and resolved at the meeting. During the general meeting, the right of all shareholders to express their opinion as well as to ask questions is ensured.

The Bank announces on its website the information about the rights of shareholders and their participation in the General Meeting of Shareholders.

In view of the above, the Bank has not provided an opportunity for remote participation in the General Meeting of Shareholders.

4. Concerning Chapter IV "Disclosure of financial and non-financial information". The Group adheres to best practices regarding disclosure of information without being formulated as a written policy. Any change in the disclosure process is authorized by the corporate management. Any material periodic and incidental information shall be disclosed immediately after assessing the need for its disclosure.

In 2023, no ethical issues arose between the members of the management, as well as those requiring the observance of certain written procedures.

5. As regards Chapter V “Persons concerned. Sustainable Development.” In 2023, one of the Group's main priorities will be to develop a comprehensive system for reporting, assessing and managing the risks arising from climate change and environmental degradation, which undoubtedly pose major challenges to the corporate sector in Europe and in Bulgaria, and in particular the banking sector, in the coming years. which put even greater emphasis on the topic of climate risks, next year the Group will continue its efforts to prepare a comprehensive methodology aimed at the assessment and analysis of exposures to climate and environmental risks and the degree of vulnerability of the Bank's loan portfolio to such risks. A first step in implementing this process is the collection of relevant information and data on borrowers (i.e. expansion and supplementing current information on them) necessary to assess the vulnerabilities of exposures to climate and environmental risks as well as sustainability-related in the sectors and segments most affected by climate change. In this regard, a change in information systems will be needed so that this data can be collected, reported and processed according to best banking practices. The second logical step is the development of a comprehensive system of limits for efficient management of climate and environmental risks in accordance with the rules for regular monitoring, escalation and their integration into the overall risk management framework. Despite the lack of written rules on disclosure, the Group recognizes that effective interaction with stakeholders has a direct impact on corporate governance. The Group identifies who are the stakeholders concerned with its activities on the basis of their degree and spheres of influence, role and attitude towards its sustainable development and which in turn can influence its activities, and the Board in each case of a transaction with an interested party within the meaning of Article 40 of the Corporate Governance Code monitors compliance with the recommendations under Chapter V of the Code.

III. INFORMATION UNDER ART. 100N, AL. 8, ITEM 3 OF THE PUBLIC OFFERING OF SECURITIES ACT

The Management Board of Texim Bank AD ensures and controls the establishment and functioning of a risk management system, including an internal control and internal audit system, and promptly informs the Supervisory Board of its actions. The report on the activity of the company shall be submitted to the General Meeting of Shareholders.

The Financial and Information System has been established and operates in the Group, ensuring the integrated functioning of the accounting and financial reporting systems.

The Group has an internal control system that ensures the effective functioning of the reporting and disclosure systems. The internal control system is also established and operated in order to identify the risks accompanying the Group's activities and to support their effective management.

The Group's internal control system functions as a "third line of defense". The Specialized Internal Audit Service (SIAS) is an independent structural unit subordinate to the High Authority – the General Meeting of Shareholders and, when it does not meet, to the Supervisory Board. Internal audit ensures the effective functioning of the reporting and disclosure system. The SIAS operates in accordance with the Annual Audit Plan, which shall be developed and updated using a methodology based on a risk assessment. The activities of the SIAS include periodic checks of transactions, a review of compliance with best banking

practices, compliance with regulatory requirements, proposals for the introduction of preventive measures to prevent and detect fraud. On the results of its activities, the SIAS prepares reports, which are provided to the management of the examined structural units, as well as reported to the Executive Directors, Management and Supervisory Boards together with the action plans for corrective measures and residual risk reduction.

In accordance with the requirements of the current legislation and on the basis of the criteria defined by it, the Supervisory Board approves the proposal of the Management Board to the General Meeting of Shareholders of the Bank for the election of an audit committee composed that meets the legal requirements and the specific needs of the Bank. The Audit Committee shall supervise internal audit activities and monitor relations with external auditors. The Audit Committee shall act in accordance with the Rules of Procedure developed and approved.

The Audit Committee prepares and submits an annual report on its activities to the Annual General Meeting of Shareholders.

According 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.

Texim Bank AD agrees in advance with the BNB the election of auditors.

The auditors' report shall give conclusions on the circumstances regarding the fair presentation of the property and financial condition of the Bank and the financial result obtained. On the basis of a detailed audit review, an audit opinion is expressed related to: the reliability of the internal control systems and the compliance of the annual financial and supervisory reports prepared by the Bank with the requirements of this Act and its implementing acts.

At the annual regular General Meeting of Shareholders of Texim Bank AD, held on 28.06.2023, for joint verification and certification of the annual financial statements on an individual and consolidated basis of Texim Bank AD for 2023 and of the supervisory reports determined by the Bulgarian National Bank, audit firms Grant Thornton OOD, UIC 831716285 and RSM BG OOD, UIC 121435206 were selected.

Texim Bank AD has adopted and applies rules and procedures regulating the effective functioning of the Bank's reporting and disclosure systems. The rules describe in detail the different types of information created and disclosed by the Bank, the processes of internal document flow, the different levels of access to the types of information of the responsible persons and the deadlines for processing and management of information flows.

The Bank operates a structural unit – the Risk Analysis and Management Directorate, which is responsible for identifying, analyzing and managing the different types of risk. The established risk management system ensures the effective implementation of internal control in the creation and management of all company documents, including financial statements and other regulated information that the Bank is obliged to disclose in accordance with the legal provisions.

The main types of risks relevant to the Bank's activities and their management policy are regulated in policies, rules and procedures for the overall identification, measurement, monitoring, management and control of all risks material to the Bank.

The risk management policy is applied in an integrated manner and in accordance with all other policies and principles regulated in the internal regulations of the Group's parent company, Texim Bank AD. The risk management rules of the Bank document the measures and procedures for identifying, managing and assessing the risks related to its activities.

IV. INFORMATION UNDER ART. 10, PARAGRAPH 1, POINTS "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, PURSUANT TO THE PROVISIONS OF ART. 100N, PARA. 8, ITEM 4 OF THE PUBLIC OFFERING OF SECURITIES ACT

The persons who hold as of 31.12.2023 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 31.12.2023	% of voting rights as at 31.12.2022
1	Web Finance Holding AD	103765841	17,93%	18,88%
2	"Sila Holding" AD	121657705	9,95%	-
3	Pension Insurance Company "Saglasie" AD	112100237	8,84%	8,93%
4	"Invest Capital" AD	831284154	5,82%	6,98%
5	"Etrade" AD	130301989	4,25%	5,10%
6	"Datamax" AD	831257470	4,11%	4,94%
7	Datamax System Holding AD	131466552	3,98%	4,77%

** As of 31.12.2023, the companies Etrade AD, Datamax System Holding AD and Datamax AD, in their capacity as related parties, together hold 12.34% of the voting rights in the General Meeting of Shareholders of Texim Bank AD*

Texim Bank AD has no shares that give special control rights.

There are no restrictions on voting rights, such as restrictions on the voting rights of holders of a certain percentage or number of votes, deadlines for the exercise of voting rights or systems by which, through cooperation with the company, the financial rights conferred on the securities are separated from the holding of the securities in relation to the shares, issued by Texim Bank AD.

The procedure and manner of appointment or replacement of members of the Management Board and the National Assembly, as well as amendments to the Statute of the Bank shall be carried out in accordance with the provisions of the Statute and the Bulgarian legislation.

The Bank may acquire its own shares through their redemption with the written permission of the BNB and under the conditions of the other applicable provisions of the legislation in force. 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 Statute of the Bank provides for the possibility that within 5 years from the announcement in the Commercial Register of the amendment of the Statute, the Management Board may adopt decisions for an increase in the Bank's capital 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 convertible bonds issued into shares. The decision under the preceding sentence was adopted unanimously by all members of the Management Board and approved unanimously by the Supervisory Board of the Bank.

V. INFORMATION UNDER ART. 100N, PARA. 8, ITEM 5 OF THE PUBLIC OFFERING OF SECURITIES ACT

The organizational structure of the Group is built in accordance with the nature of the business, its shareholder structure, the legal form of the organization, as well as its risk profile.

The Bank is a joint-stock company with a two-tier management system. According to its Statute, the bodies of the company are the General Meeting of Shareholders, the Supervisory Board (SB) and the Management Board (MB). The management of the Bank is carried out by the Management Board. Before third parties, the Bank shall be represented by the Executive Directors and the members of the Management Board. The Supervisory Board exercises general supervision and preliminary, current and subsequent control over the activities of the Management Board.

Management Board

The rules for the election of members of the Board are regulated in art. 42, para. 2, item 1 of the Statute of the Bank.

The competences, rights and obligations of the members of the Management Board shall be determined in accordance with the requirements of the law, the Statute of the Bank and the standards of good professional and management practice. The Board of Directors shall decide on all matters referred to in the Statute and applicable law and are not within the exclusive competence of the Supervisory Board or the General Meeting.

The Management Board of Texim Bank AD coordinates its actions with the Supervisory Board with regard to the Bank's strategy and business plan, transactions of a substantial nature, as well as other activities established in its statutes.

The Management Board carries out its activities under the control of the Supervisory Board. As of 31.12.2023 the Governing Council consists of 4 members who are elected by the Supervisory Board for a period of five years and can be replaced and re-elected without restrictions and at any time by the Supervisory Board after approval by the BNB. The Management Board of Texim Bank AD complies with the Code of Ethics, last updated November 2022.

The Governing Council shall report to the Supervisory Board on the Bank's activities and situation at least every three months.

The rules for the work of the Board are regulated in the Rules of Procedure.

There are a number of committees established in the Bank in connection with the support of the activities of the Board. In their activities, the committees comply with the requirements of international standards, regulations and directives, as well as national legislation and domestic regulations. The specialized committees of Texim Bank AD are: Risk Committee; Assets and Liabilities Management Committee; Operational Risk Management Committee; Credit Board; Credit Committee; Internal Information Committee and Organisation and Management Commission in relation to the implementation of the Recovery Plan.

Supervisory Board

The Supervisory Board of Texim Bank AD consists of three to seven able-bodied individuals elected by the General Assembly for a period of up to 5 years. The election of members of the Supervisory Board is carried out only after prior approval by the BNB, in

accordance with the requirements of the CIA and the applicable regulations. The same person may not be simultaneously a member of the Supervisory Board and the Management Board of the Bank. In order to support its activities, the Supervisory Board may establish specialised committees and other subsidiary bodies.

The rules for the election of members of the Supervisory Board as well as the representatives of the legal entities, members of the Supervisory Board are laid down in the law and the Statute of the Bank.

At least one third of the members of the Supervisory Board, in accordance with POSA, must be independent persons.

As of 31.12.2023, the Supervisory Board of the Bank consists of 5 individuals who are elected by the General Assembly for a period of five years and can be re-elected without restriction.

The Supervisory Board does not participate in the management of the Bank and represents the Bank only in relations with the Governing Council. In all cases where the law, the operating rules of the Supervisory Board or the internal rules in force of the Bank so provide, the Supervisory Board shall grant prior authorization to enter into certain transactions. The Supervisory Board shall have the right at any time to request the Governing Council to provide information or a report on any matter concerning the Bank. The Supervisory Board may make the necessary inquiries in the performance of its duties. For this purpose, he may use experts.

The corporate management of the Bank (the Supervisory Board and the Management Board) act jointly in accordance with the adopted strategy, as well as for the benefit of the shareholders and take into account the stakeholders.

The corporate management of the Group is guided in its activities by the generally accepted principles of integrity and managerial and professional competence, treating all shareholders equally and acting in their interest.

VI. INFORMATION UNDER ART. 100N, AL. 8, ITEM 6 OF THE PUBLIC OFFERING OF SECURITIES ACT

In accordance with the requirements of Directive 2013/36/EU, the Management and Supervisory Board of Texim Bank AD exercise effective control and take decisions, including through the implementation of measures that ensure the diversity of management. The Group observes the principle of diversity, taking into account the specifics of its activities, in order to include a wide range of skills and competences, as well as to conduct constructive discussions; maintaining a balance between experience, professionalism, knowledge of the activity, as well as independence and objectivity in the expression of opinions and decision-making; representation from the point of view of age, gender, education, good reputation and professional experience in view of the actual knowledge of the organization and functions of the Group, given the complexity and specificity of the activities carried out by the Group.

IVAYLO DONCHEV
/EXECUTIVE DIRECTOR/



MARIYA VIDOLOVA
/EXECUTIVE DIRECTOR/

DECLARATION

under Art. 100n, para 4, item 4 in relation with art. 100n, para. 5 of the Public Offering of Securities Act

The undersigned Ivaylo Lazarov Donchev - 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:

1) The consolidated annual financial statements, prepared in accordance with the applicable accounting standards, accurately and honestly reflects the information on the assets and liabilities, the financial position and the profit from the activities of Texim Bank AD for 2023 and the companies included in the consolidation.

2) 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, as well as the status of the issuer and the companies included in the consolidation, 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



INDEPENDENT JOINT AUDITORS' REPORT

To the shareholders of Texim Bank AD
Sofia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Texim Bank AD and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows, for the year then ended, and notes to the consolidated financial statements, comprising accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independent Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), together with the ethical requirements of Bulgarian Independent Financial Audit Act, and we have fulfilled our other responsibilities in accordance with these requirements. 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 this matter was addressed during the audit
<p>Impairment of loans and receivables</p> <p>Notes 7, 3.2 and 29.1 to the consolidated financial statements</p> <p>Loans and receivables from customers with a balance sheet value of BGN 189,387 thousand</p>	<p>We analyzed the compliance of the models for determining the Group's expected credit losses with the requirements of IFRS 9 "Financial Instruments". During our joint audit, our audit procedures included, but were 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 Group for the

Key audit matter	How this matter was addressed during the audit
<p>represent a significant part of the Group's assets as of 31 December 2023 (29%). The determined individual and collective impairment related to expected credit losses is BGN 1,466 thousand as of the same date, as disclosed in note 7 of the consolidated financial statements.</p> <p>The Group 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 Group's management to apply accounting estimates in the following areas:</p> <ul style="list-style-type: none"> - the classification of exposures by phases of impairment and identification of exposures with deteriorating credit quality; - determining the probability of default and the expected loss in case of default; - the assumptions included in the risk parameters of the models for determining expected credit losses, with input data obtained from internal and external sources; - the factors involved and expected scenarios that may have an effect on expected credit losses. <p>Notes 3.1 "Accounting estimates and accounting assumptions", 3.2 "Significant Sources of Uncertainty" and 29.1 "Credit Risk" of the consolidated financial statements present detailed information regarding the judgments and assumptions of the Group's management in the formation of expected credit losses from impairment of loans and receivables as of 31 December 2023</p> <p>Due to the significance of the Group's loans and receivables and the need to apply significant judgments, assumptions and assumptions by the management in their classification and evaluation, as well as the determination of expected credit loss in accordance with the requirements of IFRS 9 "Financial Instruments", we considered that the determination of expected credit losses for loans and receivables is a key audit matter.</p>	<p>classification and subsequent reporting of loans and receivables and verifying the compliance of these criteria with the requirements of IFRS 9 "Financial Instruments".</p> <ul style="list-style-type: none"> - verification and analysis of the adequacy of the policies, procedures and implemented controls on the processes for classification, subsequent reporting and monitoring from the point of view of their compliance with IFRS and good practices in the sector. - procedures for verifying the extent to which the controls related to the monitoring of the granted credits have been designed and implemented by the Group, as well as an assessment of their design and operational effectiveness. - verification and evaluation of credit classification processes and the determination of the necessary impairment on a collective and individual basis. - verification of a sampling principle of specific receivables from the loan portfolio, applying a risk-based approach and carrying out 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 the compliance and analysis of the classification by phases, the methodology and the key assumptions used in the application of the models for the expected credit losses; performing a review of the Group's management's calculations of 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 Group's management; - analysis of the sensitivity of the collective impairment to changes in the assumptions used in the modelling. - verification and assessment of the adequacy of the disclosures in the consolidated financial statement, 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 Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual consolidated management report, including the consolidated corporate governance statement, prepared by management under Chapter Seven of the Bulgarian Accountancy Act and other applicable legislation requirements, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or whether our knowledge obtained in the audit may indicate that there is a material misstatement or otherwise the other information 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 of General Management) are responsible for the supervision of the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs and Bulgarian Independent Financial Audit Act 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 consolidated financial statements.

As part of our audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.
- We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 for the auditor's opinion expressed by us, in accordance with the requirements of the FSA applicable in Bulgaria. When undertaking and implementing the engagement for a joint audit, in connection with which we report, we were also guided by the Guidelines for the implementation of a joint audit, issued on 13 June 2017 by the Institute of Certified Public Accountants in Bulgaria and by the Commission for Public Oversight of the registered auditors in Bulgaria.

Report on Other Legal and Regulatory Requirements

Other reporting matters under the Accountancy Act and the Public Offering Act

In addition to our responsibilities for reporting under ISAs, described above in section "Information Other than the Consolidated Financial Statements and Auditor's Report Thereon", regarding annual consolidated management report, including the consolidated corporate governance statement, we have performed the additional procedures contained in the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). The procedures on the existence, form and contents of the other information have been carried out in order to state whether the other information includes the elements and disclosures in accordance with Chapter Seven of Bulgarian Accountancy Act and Article 100m, paragraph (10) in relation to Article 100m, paragraph (8), subparagraphs (3) and (4) of Bulgarian Public Offering of Securities Act.

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

Based on the procedures performed, we describe the outcome of our work:

- The information in the consolidated management report is consistent with the consolidated financial statements for the same reporting period.
- The consolidated management report was prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and Art. 100n, para. 7 of the Law on the Public Offering of Securities, except as stated:
 - the consolidated management report does not include the required information regarding the loan agreements under which the Group is a borrower according to item 8 of Appendix No. 2 to Ordinance No. 2/9.11.2021 in connection with Art. 100(n), paragraph (7), item 2 of the Civil Code, insofar as the Group complies with the requirements for bank secrecy pursuant to Art. 62, para. 2 of the Law on Credit Institutions.
 - the consolidated management report does not include the required information regarding loan agreements granted by the Group and information regarding provided guarantees or assumption of obligations according to item 9 of Appendix No. 2 to Ordinance No. 2/9.11.2021 in connection with Art. 100(n), paragraph (7), item 2 of the Civil Code, insofar as the Group complies with the requirements for bank secrecy pursuant to Art. 62, para. 2 of the Law on Credit Institutions.
- As a result of the acquired knowledge and understanding of the activities of the Group and the environment in which it operates.
- In the consolidated corporate governance statement for the financial year for which the consolidated financial statement was prepared, the required according to Chapter Seven of the Accountancy Act and Art. 100n, para. 8 of the Law on the Public Offering of Securities information.

Statement Pursuant to Article 100m, Paragraph (10) of Bulgarian Public Offering of Securities Act

Based on the procedures performed and our knowledge of the Group 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 Group 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 consolidated corporate governance statement, being a component of the annual consolidated management report.

Reporting on compliance of the electronic format of the consolidated financial statements included in the annual consolidated financial report on the activity under Art. 100n, paragraph 5 of Bulgarian Public Offering of Securities Act with the requirements of ESEF Regulation

We have undertaken a reasonable assurance engagement on the compliance of the electronic format of the consolidated financial statements of Texim Bank AD for the year ended on 31 December 2023 included in the digital file „529900EKPN8EYA3AX590-20231231-BG-CON.zip“, 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”). Our opinion is only regarding the electronic format of the consolidated financial statements and does not include the other information contained in the annual consolidated financial report on the activity under art. 100n, para. 5 of Bulgarian Public Offering of Securities Act.

Description of Subject Matter Information and Applicable Criteria

Management has prepared the electronic format of Group’s consolidated financial statements for the year ended 31 December 2023 in accordance with ESEF Regulation in order to comply with Bulgarian Public Offering of Securities Act. The rules for preparation of the consolidated financial statements in this electronic

format are described in the ESEF Regulation and in our opinion, they are applicable criteria for providing reasonable assurance.

Responsibilities of Management and Those Charged with Governance

Group's management is responsible for the application of the requirements of ESEF Regulation in preparing the electronic XHTML format of the consolidated financial statements. These responsibilities include the selection and application of suitable iXBRL tags in accordance with the taxonomy of ESEF Regulation, as well as the application of such internal controls, which are necessary for the preparation of the electronic format of Group's annual consolidated financial statements, that are free from material misstatements in accordance with ESEF Regulation.

Those charged with governance are responsible for overseeing the process for preparation of Group's annual consolidated financial statements and application of ESEF Regulation.

Auditor's Responsibilities

Our responsibility is to obtain reasonable assurance about whether the electronic format of the consolidated financial statements complies with ESEF Regulation. We applied the "Guidance on issuing an opinion on the application of ESEF Regulation by issuers whose securities are admitted to trading on a regulated market in the European Union" and conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 (Revised))". The standard requires that we comply with ethical requirements, design and perform audit procedures to obtain reasonable assurance whether the electronic format of Group's consolidated financial statements have been prepared in accordance with the applicable criteria described above. The nature, timing and extent of our procedures depend on our professional judgement, including the risk of material misstatements whether due to fraud or error, in applying the requirements of ESEF Regulation.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAE 3000 (Revised) will always detect a material misstatement when it exists.

Quality Management Requirements

We apply the requirements of International Standard on Quality Management (ISQM) 1, which requires the firm to design, implement and operate a system of quality control, including documented policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements for registered auditors in Bulgaria.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independent Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and adopted by BICPA, together with the ethical requirements of Bulgarian Independent Financial Audit Act.

Summary of the Work Performed

The purpose of the designed and performed procedures was to obtain reasonable assurance whether the electronic format of the consolidated financial statements has been prepared in all material aspects in compliance with the requirements of ESEF Regulation. In performing procedures for assessing compliance with the requirements of ESEF Regulation on electronic (XHTML) format of Group's consolidated financial statements, we used professional judgement and applied professional scepticism. We also:

- obtained an understanding of the internal control and processes, related to the application of ESEF Regulation in preparing Groups' consolidated financial statements in XHTML format with iXBRL tags;
- checked that the enclosed XHTML format is valid;

- reconciling the data in the electronic format of the consolidated financial statements with the audited consolidated financial statements;
- evaluated the completeness of Group's tagging of the consolidated financial statements using the XBRL markup language;
- evaluated the appropriateness of the use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified; and
- evaluated the use of anchoring in relation to the extension elements in accordance with ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on compliance of the electronic format of the consolidated financial statements with ESEF Regulation

Based on the performed procedures, our opinion is that the electronic format of the consolidated financial statements of the Group for the year ended 31 December 2023, contained in the attached electronic file „529900EKPN8EYA3AX590-20231231-BG-CON.zip“, has been prepared in all material respects in accordance with the requirements of the ESEF Regulation.

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

In accordance with the requirements of Bulgarian Independent Financial Audit Act and in relation with Article 10 of Regulation (EC) № 537/2014, we report additionally the information as follows.

- Grant Thornton OOD and RSM BG OOD were appointed as statutory auditors of the consolidated financial statements of the Group for the year ended on 31 December 2023 by the general meeting of shareholders, held on 28 June 2023, for a period of one year.
- The audit of the consolidated financial statements of the Group for the year ended on 31 December 2023 has been made for seventh consecutive years, performed by Grant Thornton OOD and sixth consecutive year for statutory audit of the Group, performed by RSM BG OOD.
- We confirm that our audit opinion is consistent with the additional report to the audit committee, which was provided in accordance with Article 60 of Bulgarian Independent Financial Audit Act.
- We declare that prohibited non-audit services referred to in Article 64 of Bulgarian Independent Financial Audit Act were not provided.
- We confirm that we remained independent of the Group in conducting the audit.
- For the period for which we were engaged as statutory auditors, we have not provided any other services to the Bank and its controlled undertakings in addition to the statutory audit, which are not specified in the consolidated activity report or the consolidated financial statements of the Group.

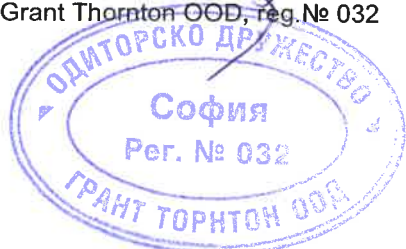
Grant Thornton OOD, reg.№ 032

Silvia Dinova
Registered auditor, responsible for the audit

Mariy Apostolov
Managing partner

Bulgaria, Sofia, 1421
26 Cherni vrah Blvd.

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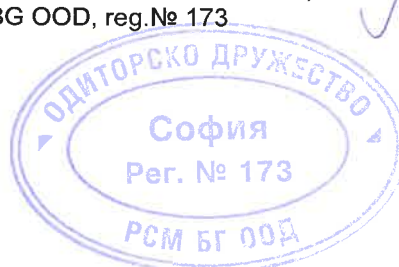


RSM BG OOD, reg.№ 173

Dr. Mariana Mihaylova
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26 April 2024