

**DISCLOSURE RELATING TO THE REGULATION ON THE ESTABLISHMENT OF A FRAMEWORK TO FACILITATE SUSTAINABLE INVESTMENT**

In pursuance of Article 8 of Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (shortly referred to as the "Taxonomy") and Delegated Regulation (EU) 2021/2178, "Bulgarian-American Credit Bank" AD performed an analysis of its clients and its credit portfolio to identify its exposures to eligible and ineligible economic activities under the EU Taxonomy, related to the environmental objectives of mitigating climate change and those of adapting to climate change. The analysis in the below table shows the bank's results achieved within the period 1 January – 31 December 2022.

**Mandatory disclosure under Delegated Regulation (EU) 2021/2178**

<b>As of 31 December 2022</b>	<b>Thousands of BGN</b>	<b>% of covered assets</b>	<b>% of total assets</b>	<b>Content – contextual information</b>
Eligible economic activities under the taxonomy	220 192 <sup>1</sup>	9%		Activities of financial and non-financial enterprises subject to NFRD/CSRD and households subject to the taxonomy as a share of the covered assets
Ineligible economic activities under the taxonomy	0	0%		Activities of financial and non-financial enterprises subject to NFRD/CSRD, subject to the taxonomy, as a share of the covered assets
Central governments, central banks and supranational issuers	201 298		8%	The exposures to state debt compared to the total assets include exposures to central governments, central banks and supranational issuers.
Derivatives	0	0%		Derivatives in the non-trading portfolio as compared to the total covered assets include exposures to central governments, central banks and supranational issuers.
Counterparties not subject to NFRD disclosure requirements	1 163 152	49%		Exposures to counterparties not subject to NFRD/CSRD reporting
Value of trading portfolio assets, classified as held-for-sale	86 513 <sup>2</sup>		3 %	Share of trading portfolio assets classified as held-for-sale to the total assets
Value of interbank loans on demand	46 252	2%		Share of interbank loans on demand to total assets

<sup>1</sup> Consumer mortgage loans are excluded from the amount

<sup>2</sup> Government securities held for collection under the repayment plan and sale and corporate bonds and shares

Total value of the bank's assets	2 657 292			Total value of the bank's assets
Total value of covered bank assets	2 442 167			Covered assets include the value of all bank assets, except for exposures to central governments, central banks and supranational issuers and trading portfolio assets classified as held-for-sale

The economic activities permitted under the Taxonomy as of 31 December 2022 represent 9% (nine percent) of the total value of the Bank's covered assets or BGN 220 192 thousand. These activities represent the Bank's exposure to individuals under mortgage loans. The data on ineligible economic activities under the Taxonomy show a zero value, since the counterparties within the scope of the Taxonomy do not have officially published data for 2021 and 2022 within the meaning of Regulation (EU) 2020/852 and Delegated Regulation (EU) 2021/2178. The low percentage of eligible and ineligible activities under the Taxonomy financed by the Bank results from the focus of BACB's main exposures to small and medium-sized enterprises, which are not subject to reporting obligations under Regulation (EU) 2020/852.

#### **Voluntary disclosure under Delegated Regulation (EU) 2021/2178**

In view of the Commission Notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets (2022/C 385/01), credit institutions have the opportunity to voluntarily provide information in the context of eligibility reporting for the purposes of the Taxonomy. In this regard, "Bulgarian-American Credit Bank" AD performed an additional analysis of its credit portfolio and identified a higher percentage of economic activities considered eligible under the Taxonomy.

<b>As of 31 December 2022</b>	<b>thousands of BGN</b>	<b>% of covered assets</b>	<b>Content – contextual information</b>
Eligible economic activities under the taxonomy	241 911	10%	Activities of financial and non-financial enterprises subject to NFRD/CSRD and households covered by the taxonomy as a share of the covered assets
Total value of covered bank assets	2 369 418		Covered assets include the value of all bank assets, except for exposures to central governments, central banks and supranational issuers and trading portfolio assets classified as held-for-sale

The difference in the data on the economic activities eligible under the Taxonomy reported on a voluntary basis and those reported on a mandatory basis, is equal to BGN 21 718 thousand or 1% (one percent) of the covered assets. This value represents the Bank's exposure to activities of non-financial enterprises subject to non-financial/sustainable reporting under Directive 2014/95 (NFRD) and Directive 2022/2464 (CSRD), whose economic activity can be qualified within the scope of the Taxonomy, but who have not

provided officially published data for 2021 and 2022 within the meaning of Regulation (EU) 2020/852 and Delegated Regulation (EU) 2021/2178. To qualify the economic activity of such companies as eligible under the EU Taxonomy, BACB uses officially available data originating from the annual activity reports of the relevant companies and the specific scope of activity announced by them.

The compliance with Regulation (EU) 2020/852 and the contribution to the achievement of the six objectives of the Taxonomy are part of BACB's business strategy. The focus of the Bank's 2022 loan policy remained on projects aimed at green economy development, financing of business ventures related to energy savings and renewable energy sources, projects under the European funds in the field of energy efficiency and environmental protection, as well as the provision of innovative business solutions. These projects are mainly directed towards the activities of small and medium-sized enterprises, which are not subject to the obligation for mandatory disclosure under the Taxonomy.

BACB will develop its first Sustainable Development Strategy in 2023. The strategy will reflect the Bank's long-term and short-term goals in support of achieving the objectives of the Paris Agreement, including climate change mitigation and adaptation. The main purpose of the document will be to provide support in the process of developing Bank products and commitment to clients towards achieving sustainability and support of economic activities, consistent with the Taxonomy's objectives.

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