

**Information subject to disclosure under Art. 67, para. 1 of Ordinance No. 50,  
according to part eight of Regulation (EU) No. 575/2013 for 2018**

**I. Risk management objectives and policies, according to Art. 435, paragraph 1 of the Regulation 575/2013**

The goals and policies of risk management are related to reducing the influence of external and internal risk factors that affect the activities of II "FACTORI" AD, including the risks arising from the macroeconomic environment when considering its risk profile.

**1. Procedures for assessment and management of individual types of risk include:**

- identification of individual external and internal data, facts and events affecting the activity of the investment intermediary;
- risk identification and measurement;
- specific methods for managing each type of risk and basic assumptions and starting parameters for the application of the chosen method;
- risk monitoring, assessment and control;
- risk reporting.

The measurement, analysis and monitoring of risk factors is carried out daily by employees in the "Risk Management" department at the investment intermediary.

**2. The risk assessment is carried out on the basis of an analysis of the following components:**

- the main and significant activities of the investment intermediary;
- the type and level (degree) of the risks inherent in the investment intermediary;
- the adequacy of the effective risk management control systems;
- overall risk assessment based on internal analysis;
- risk assessment based on external analyses, including credit rating where applicable.

The Department for "Risk Analysis and Management" at Investment Intermediary "FACTORI" AD functions independently from the unit for concluding transactions and from the other units of the investment intermediary and reports directly to the Board of Directors.

**II. The management rules, according to Art. 435, paragraph 2 of Regulation 575/2013**

In the 2018 financial year, there were no changes in the management body of FACTORI AD.

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**1. under letter "A" of Regulation 575/2013 - the organizational structure of the investment intermediary, related to risk management, is organized on five levels:**

- General meeting of the investment intermediary;
- Board of Directors;
- Executive Directors;
- Risk Management Department;
- Operational units and employees working under a contract for the investment intermediary.

**2. under letters "B" and "C" of Regulation 575/2013** - The policy for the selection of the members of the management body of II FACTORI AD is carried out in accordance with the requirements of the regulations, rules and regulations of the relevant regulatory body. The knowledge, expertise and specific experience, professional skills and diversity at

selection of candidates for members of the management and/or management body of FACTORI AD is certified by presenting diplomas, certificates and other documents.

**3. under letter "D" of Regulation 575/2013** - Investment intermediary "FACTORI" AD does not have a separate risk committee.

**4. under letter "D" of Regulation 575/2013** - the "Analysis and Risk Management" Department prepares monthly reports on performed inspections, with which it reports directly to the Board of Directors.

### III. Methods and scope of consolidation, according to Art. 436 of Regulation 575/2013

Investment intermediary "FACTORI" AD is reported on a non-consolidated basis.

### IV. Information on equity, according to Art. 437 of Regulation 575/2013

In accordance with the requirements, II "FACTORI" AD discloses the following information regarding the company's equity, namely:

#### 1. Capital structure (in BGN)

OWN FUNDS	
<b>Tier 1 capital</b>	1,598,152
Common Equity Tier 1 capital	1,598,152
Equity instruments eligible as Common Equity Tier 1 capital	2,400,000
Paid-up capital instruments /Fixed capital/	2,400,000
Premium reserves	
Retained earnings / Accumulated loss	-326,427
- Retained earnings from previous years	-158,149
- Acceptable profit /Result for the year/	-168,278
Accumulated other comprehensive income	
other reserves	244,579

#### 2. Capital requirements by exposure classes (in BGN)

CAPITAL REQUIREMENTS	
<b>Total risk exposure</b>	993 088
Amount of risk-weighted exposures for credit risk, counterparty credit risk and dispersion risk and free supplies	594 427
A standardized approach	594 427
Classes of exposures under the standardized approach excluding securitization positions	
Receivables from institutions and companies with short-term credit	

evaluation	
Other positions	594 427
Total risk exposure in relation to operational risk	331 140
Baseline operational risk indicator approach	331 140

## V. Ratios of capital adequacy and amount of capital, according to Art. 438 of Regulation 575/2013

### 1. Ratios and amounts of capital (in BGN)

CAPITAL ADEQUACY RATIOS AND CAPITAL SIZES	
Common Equity Tier 1 ratio	161
Excess (+) / Shortage (-) of Common Equity Tier 1	1,553,463
Tier 1 capital ratio	161
Excess (+) / Shortage (-) of Tier 1 capital	1,538,567
Total capital adequacy ratio	161
Surplus (+) / Deficiency (-) of total capital value	1,518,705

The limitations in calculating the capital adequacy according to the instructions in Regulation 50 of the FSC from 2015 and in accordance with Regulation 575/2013 of the EU are strictly observed by Investment Intermediary "FACTORI" AD. The investment intermediary does not use a methodology for calculating its capital liquidity ratio other than that specified in the regulatory documents of the regulator.

## VI. Credit risk from the counterparty, according to Art. 439 of Regulation 575/2013

### 1. Capital requirements by exposure classes (in BGN)

Balance sheet exposures exposed to credit risk	
- Retail	0
- Other positions	0

## VII. Capital buffers, according to Art. 440 of Regulation 575/2013 in connection with Art. 77 of Ordinance No. 50

Investment intermediary "FACTORI" AD does not apply Capital Buffers.

## VIII. Indicators of global systemic importance, according to Art. 441 of Regulation 575/2013

Investment intermediary "FACTORI" AD is not treated as a globally systemically important institution.

## IX. Information on adjustments for credit risk under Art. 442 of Regulation 575/2013

In 2018, the Company did not carry out impairment for accounting purposes and adjustments for credit risk.

## X. Information regarding unencumbered assets under Art. 443 of Regulation 575/2013

Investment intermediary "FACTORI" AD does not own encumbered assets.

## XI. Information about the used AVKO when applying the standardized approach for credit risk under Art. 444 of Regulation 575/2013

Investment intermediary "FACTORI" AD does not use AVKO.

## **XII. Information regarding exposure to market risk under Article 445 of Regulation no 575/2013**

Investment intermediary "FACTORI" AD has no securitization positions and is not exposed to a specific interest rate risk on them, respectively it does not calculate capital requirements under Art. 92, paragraph 3, letters b) and c) of Regulation No. 575/2013.

## **XIII. Information on operational risk under Article 446 of Regulation No. 575/2013**

Investment intermediary "FACTORI" AD uses a standardized approach when calculating the capital requirements for operational risk.

<b>Gross income (BGN)</b>				<b>Capital requirement (BGN)</b>	<b>Total exposure size to operational risk (BGN)</b>
<b>2015</b>	<b>2016</b>	<b>2017</b>			
56,809	100,904	-48,870		5,492	67,521

## **XIV. Information regarding exposures in capital instruments that are not included in the trading portfolio under Art. 447, regarding exposure to interest rate risk on positions that are not included in the trading portfolio under Art. 448 and exposition by securitization positions under Art. 449 of Regulation No. 575/2013**

Investment intermediary "FACTORI" AD according to Art. 447 of Regulation No. 575/2013 regarding exposures in capital instruments that are not included in the trading portfolio, according to Art. 448 of Regulation No. 575/2013 regarding exposure to interest rate risk on positions that are not included in the trading portfolio does not own a trading and investment portfolio, respectively does not report such positions, and according to Art. 449 of Regulation No. 575/2013 regarding exposure to securitization positions does not apply securitization, respectively does not take into account such positions.

## **XV. Others**

### **1. Disclosures pursuant to Art. 68, para. 1 of Ordinance 50 on the capital adequacy of investment intermediaries regarding compliance with the requirements of the provisions of Art. 24a, para. 1 of ZPFI**

The Board of Directors of Investment Intermediary "FACTORI" AD:

- Responsible for the effective and reliable management of the investment intermediary in accordance with the regulatory requirements, including the appropriate distribution of duties and responsibilities when determining the organizational structure, for the adoption of the rules under Art. 24 and for the control of their implementation, as well as for preventing the establishment of conflicts of interest.
- Approves and controls the implementation of the strategic objectives of the investment intermediary and of the strategy regarding risk and internal management.
- Ensures the integrity and continuous functioning of the accounting and financial reporting systems, including financial and operational controls, and compliance of the activity with regulatory

requirements and applicable standards.

- Manages and supervises the implementation of the requirements under this law regarding the disclosure and provision of information.
- Controls and periodically evaluates the effectiveness of the management systems in the investment intermediary, and if necessary, takes the necessary measures to eliminate the identified discrepancies.

**XVI. Disclosures in connection with Art. 68, para. 1 of Ordinance 50 on the capital adequacy of investment intermediaries regarding compliance with the requirements of the provisions of Art. 38a of the ZPFI**

1. Name and location - "FACTORI" is a joint-stock company registered in Bulgaria and entered in the Commercial Register at the Registration Agency. The address and its seat of management is in the city of Sofia, 67 Cherni Vrah Blvd.

2. Subject of activity – The Intermediary has received a license to provide investment services and activities by decision of the Commission. The intermediary has the right to provide investment services and carry out investment activities by occupation, as follows:

**A. Investment services and activities consisting of:**

- acceptance and transmission of orders in connection with one or more financial instruments, including mediation for concluding transactions with financial instruments;
- execution of orders on behalf of customers;
- portfolio management;
- providing investment advice to a client;
- offer for initial sale of financial instruments without an unconditional and irrevocable obligation to acquire the financial instruments for  
own account.

**B. Additional services consisting of:**

- storage and administration of financial instruments on behalf of clients, including custodial activity (keeping financial instruments and clients' money in a depository institution) and related services such as management of received funds/provided collateral;
- provision of loans for carrying out transactions with one or more financial instruments, provided that the person providing the loan participates in the transaction under the conditions and according to the order determined by regulation;
- consulting to companies on capital structure, industrial strategy and related matters, as well as consulting and services related to mergers and acquisitions of enterprises;
- provision of services related to foreign means of payment, insofar as they are related to the provided investment services;

- investment research and financial analysis or other forms of general recommendations related to transactions in financial instruments;
- according to Art. 5 para. 2 and items 1 - 5 in relation to the underlying asset of derivative financial instruments under Art. 3, item 2, letters "d", "e", "f" and "i" of the PFFI, insofar as they are related to the provision of services under letters "a" and "b".

3. Amount of turnover - **for the calendar year 2018, the** company realized income from financial activity in the amount of BGN 366,179.

4. The average number of staff **for 2018** is 4 full-time employees.

5. Financial result of the activity before taxation - **for 2018, the** company realized a negative financial result in the amount of BGN 168,278.

6. It did not charge taxes on the financial result.

7. State subsidies received – **in 2018, the** company **did not** receive state subsidies.

8. Return on assets - II "FACTORI" AD for 2018 is at a loss.

The investment intermediary has not been determined to be significant from the point of view of size, internal organization and character, nature, scope and complexity of its activity and accordingly no Remuneration Committee has been established.

Investment intermediary "FACTORI" AD applies strictly and in accordance with the requirements according to Regulation 50 of the Financial Supervisory Service of 2015 and Regulation 575/2013 of the EU.