Annual report 2014

Fibank supports the Bulgarian rhythmic gymnastics federation

My bank

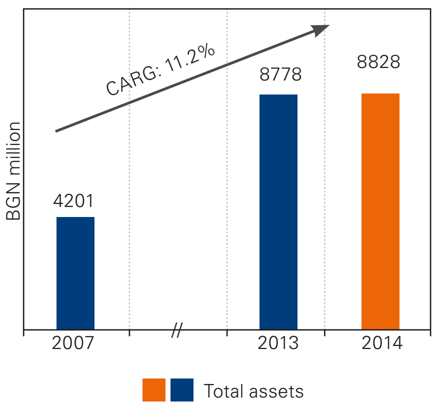
Our relentless pursuit of perfection in products and services,
of providing superior customer service,
of contributing to the success of our clients
and realization of their plans,
builds relations of partnership, trust and loyalty.

The support and satisfaction of our customers
is the driving force which fills us with confidence
and makes us aspire to new heights.

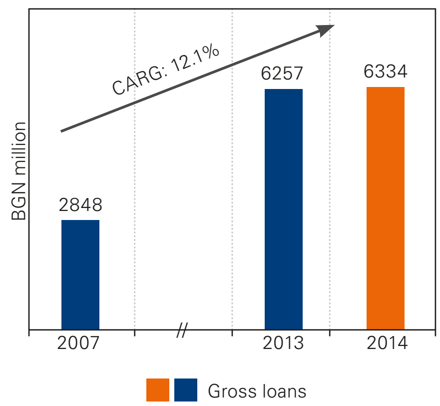
Fibank
My bank

Development

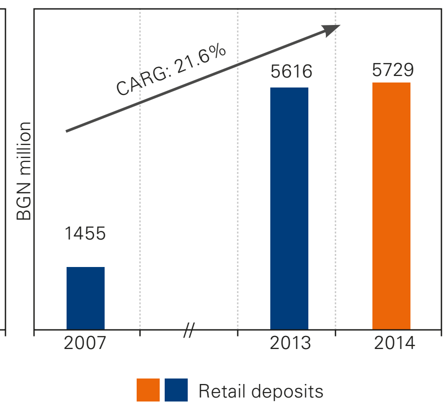
Assets



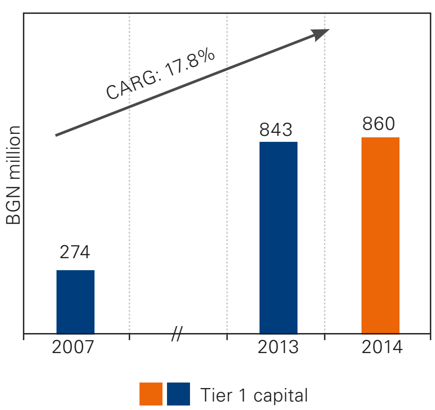
Loans



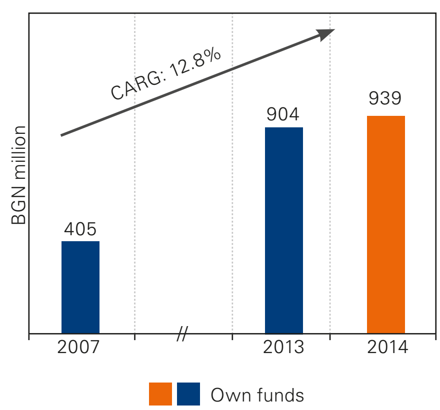
Retail deposits



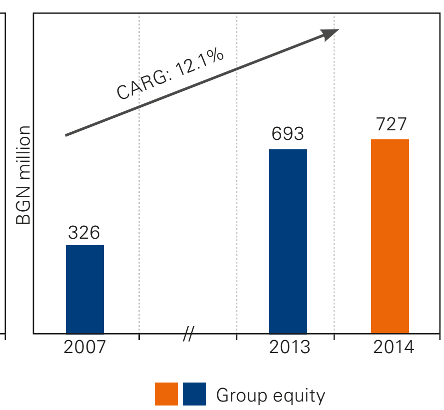
Tier 1 capital



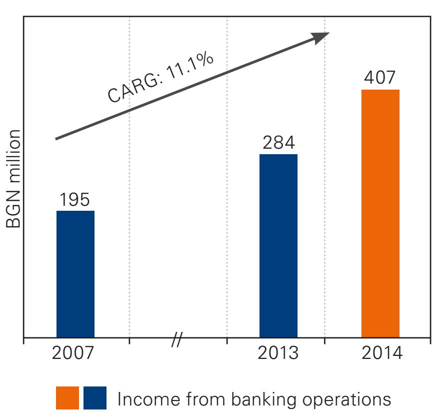
Own funds



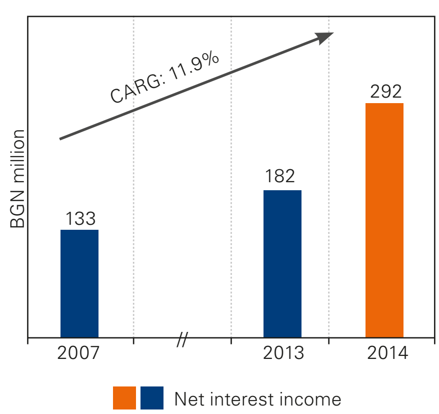
Group equity



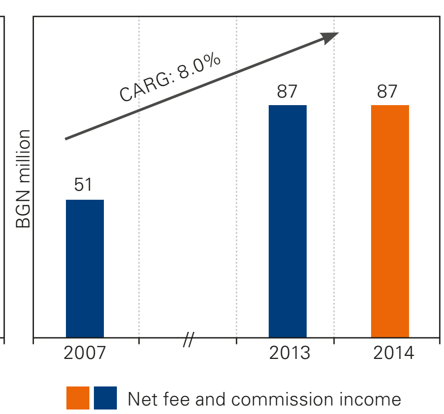
Income from banking operations



Net interest income



Net fee and commission income



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Message from the Managing board

Dear shareholders, clients and colleagues,

In the past year, First Investment Bank AD (Fibank) achieved important successes and strengthened its position as a responsible and systemically important bank on the Bulgarian market, with a strong team of professionals and a well-functioning corporate structure.

2014 was another year of challenges from the external environment. The slow recovery of the economy and political instability on the one hand, and on the other the crisis situation which occurred with the placement under special supervision, and later the revocation of the license of a credit institution, put all banks in the country to the test. The crisis created had its impact on our bank which was subject to liquidity pressure at the end of June 2014. Thanks to the well developed corporate structure and the high levels of liquidity maintained by the Bank, it successfully passed this real-time stress test.

The European Commission approved a State aid scheme in the amount of BGN 3.3 billion to support banks in Bulgaria. First Investment Bank used BGN 1.2 billion of it, repaying BGN 300 million in November 2014. By decision of 11.25.2014, the European Commission approved a repayment plan for the remaining BGN 900 million over a period of 18 months, until 05.28.2016, as well as the parameters for long-term development of First Investment Bank set in the plan. With the completion of the European Commission procedure for verification and approval of the plan, the viability of our business model in the long term was officially confirmed.

Under the approved plan, First Investment Bank will continue to develop along its intended path of a universal bank with strong regional presence, with focus on the local market and support for its operations abroad. Based on the decision of the European Commission, First Investment Bank will continue to develop its business by creating new value-added products for individuals and companies, providing still more professional and high-quality customer service. Our customers know that over the years First Investment Bank has proven its high responsibility, integrity and transparency to them. We thank all who supported us. We thank all who stood by us and proved once again that long-standing partnerships are not just wishful thinking but reality, tested over years of hardships and years of prosperity.

The Group of First Investment Bank AD successfully overcame the challenges of the external environment and achieved good results for 2014. We maintained a high level of profit, amounting to BGN 31 million, which was characterized by an increase in revenues from banking operations by 43% - up to BGN 407 million, while expenses increased by 22%, to BGN 191 million. The increased revenues, combined with the consistently applied policy of enhanced financial discipline, contributed to the reduction of the cost/income ratio to 47% (2013: 55%). For the purpose of conservative treatment of risks, given the still volatile external environment, we made a decision to increase the reserves against risk exposures by nearly BGN 300 million on account also of the additional revenues generated from the realization of collaterals.

In 2014, the assets of the Group of First Investment Bank AD reached BGN 8,828 million (2013: 8,778 BGN million) in line with the moderate growth set out in our development plans, consistent with the market environment. Liquid assets (receivables from central banks and securities) increased as a result of our prudent approach in their management and the maintenance of a high level of liquidity: 24% at the end of 2014. Regardless of the reduction in the loan portfolio by BGN 210 million, the Bank retained its third position in the country in terms of loans and assets. The attracted funds from the population increased to BGN 5,729 million (2013: BGN 5,616 million) which is a testimony to the preserved confidence in the Bank. The professional, high-quality service, as well as our best efforts to offer customers new products and services, also played an important role in this.

One of the most significant projects that we completed in 2014 was undoubtedly the successful consolidation of Unionbank EAD, acquired by First Investment Bank AD at the end of 2013. The integration of operational and accounting systems, procedures, databases, human resource, took place in less than six months. This was made possible thanks to the high professionalism of the staff and the good management of the processes by a specially created Integration Board. The merger of the acquired Union Bank EAD contributed to diversification of the loan portfolio and the services offered, and also brought about benefits and positive results from synergies. Bringing together the knowledge, know-how and experience of both institutions created better opportunities for growth.

The Group of First Investment Bank AD ended the year with stable capital indicators: Tier 1 capital adequacy of 13.64% and total capital adequacy of 14.89%, calculated in accordance with Regulation (EU) 575/2013.

The regulatory environment also continued to develop over the past year, placing new requirements for risk management and introducing the Basel III recommendations. We know that achieving our long-term goals is impossible without active risk management. The continuous improvement of the systems, tools, techniques and requirements applied for early identification, monitoring and management of risks is our top priority.

This is also the direction of our long-term cooperation with the International Finance Corporation (IFC), part of the World Bank Group. The two institutions work together to upgrade the risk management and corporate governance in accordance with the best standards and practices, which is part of the plan for development of First Investment Bank.

Much credit for the successes accomplished in 2014 and overcoming the challenges of the environment is due to every one of our employees, whom we thank. This could only be achieved with a team that is involved with the aims and development of the Bank and who live its values.

We also remained faithful to the people in need of support. In 2014, First Investment Bank continued to implement its program for corporate social responsibility, taking part in a number of initiatives to help young disadvantaged people, as well as to support the development of Bulgarian culture, sports and education.

The achievement of long-term stability and the implementation of the plan approved by the European Commission are among the most important priorities of the Managing Board of First Investment Bank. Our objective is, while paying close attention to risk monitoring, infrastructure development and regulatory compliance, to ensure competitiveness of the Bank and growth opportunities in the long run.

Finally, we would like to thank our shareholders, customers, employees and counterparties for their support and loyalty shown over the years. We can all be proud of what has been achieved, but our best achievements are yet to come.

The Managing Board of First Investment Bank AD

Sofia, April 2015 0c.

Macroeconomic development

In 2014, the Bulgarian economy registered a slow recovery in economic activity under the conditions of a still unstable external environment, alongside a gradual increase in private consumption and investment spending, as well as of the lowering of deflationary processes. The existing system of a Currency Board and the fiscal position continue to contribute to preserving macroeconomic stability in Bulgaria.

	2014	2013	2012	2011	2010
Gross domestic product (BGN million)	82,164	80,282	80,044	78,434	71,904
Gross domestic product, real growth (%)	1.7	1.1	0.5	2.0	0.7
Consumption, real growth (%)	2.4	(1.3)	2.9	1.8	0.8
Gross fixed capital formation, real growth (%)	2.8	(0.1)	2.0	(4.6)	(18.3)
Inflation at period-end (%)	(0.9)	(1.6)	4.2	2.8	4.5
Average annual inflation (%)	(1.4)	0.9	3.0	4.2	2.4
Unemployment (%)	10.7	11.8	11.4	10.4	9.2
Current account (% of GDP)	0.0	2.1	(1.1)	0.1	(1.5)
Trade balance (% of GDP)	(6.9)	(5.9)	(8.5)	(5.4)	(7.5)
Foreign exchange reserves of BNB (EUR million)	16,534	14,426	15,553	13,349	12,977
Foreign direct investments (% of GDP)	2.8	3.1	2.8	3.3	3.1
Gross external debt (% of GDP)	94.3	90.0	92.2	90.5	100.7
Public sector external debt (% of GDP)	15.6	9.9	11.2	10.5	11.8
Consolidated budget balance (% of GDP)	(3.7)	(1.8)	(0.4)	(1.9)	(3.9)
Exchange rate of USD (BGN for USD 1)	1.61	1.42	1.48	1.51	1.47

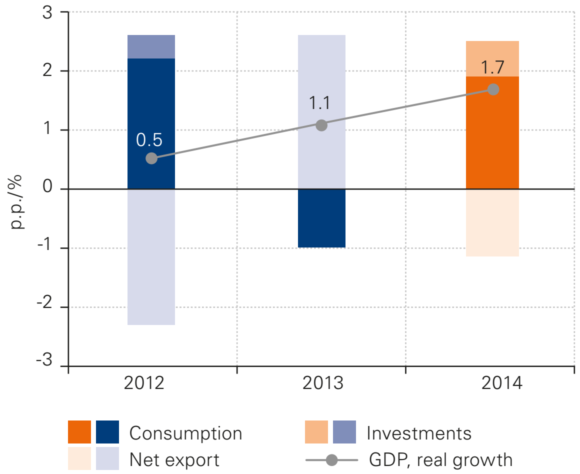
In 2014, the country's economy raised its real growth rate to 1.7% (2013: 1.1%) with the acceleration of economic activity in the first half of the year (Q114: 1.1%; Q214: 2.1%) gradually falling to 1.6% in the fourth quarter of 2014. Domestically, this was influenced by the uncertainty arising from the political situation and the pressure on the banking system, and internationally from the development of the crisis between Russia and the Ukraine and the risks of economic slowdown in the country's main trading partners.

The main driver of the economy was final consumption, including that of households and of the government, which increased to 2.4% in 2014, compared to a decline of 1.3% a year earlier. Domestic demand gradually recovered, reflecting the decrease in the prices of fuel and basic commodities, as well as the positive indications in the labor market dynamics.

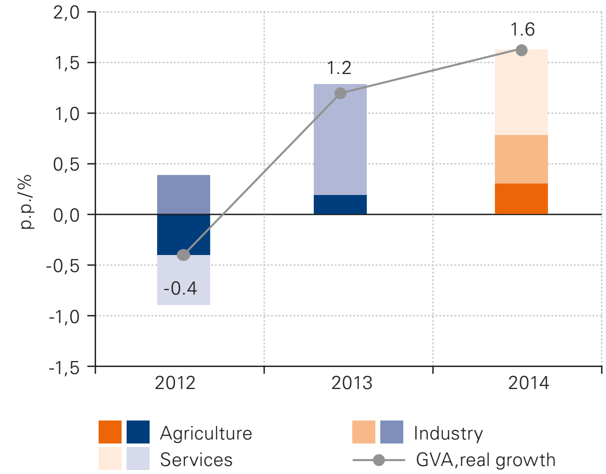
Investment activity showed moderate growth, amounting to 2.8% during the year (2013: -0.1%), the main contributor being public investment, supported by the accelerated absorption of EU funds. It also reflected the more optimistic attitude of companies regarding investment expenditures.

A restricting factor to growth were net exports, which were influenced by the weaker growth in exports (2014: 2.2%), compared to the physical volume of imports (2014: 3.8%), both indicators fluctuating according to the dynamics of external and internal demand for goods and services.

Components contribution to GDP



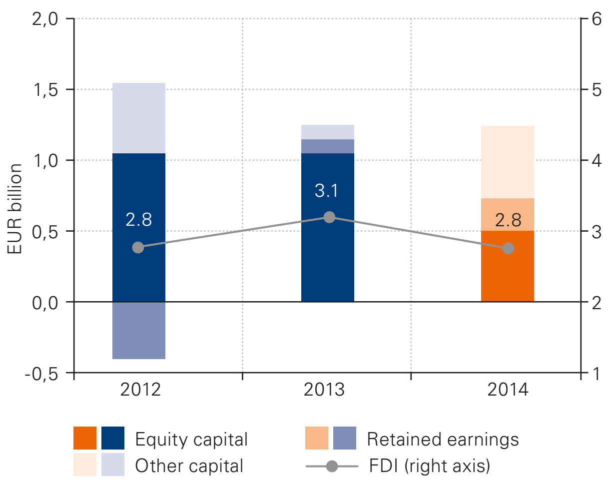
Sector contribution to gross value added



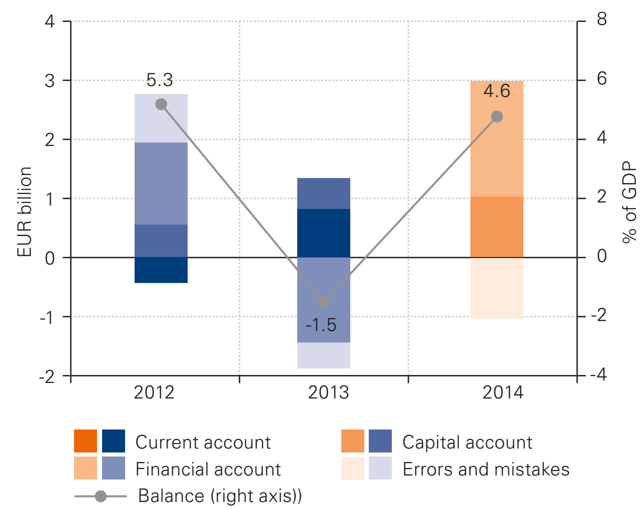
During the period, the gross value added of the economy increased by 1.6% (2013: 1.2%), mainly due to the contribution of the services sector which grew by a total of 1.2% for the year (2013: 1.6%), with positive impact in the areas of trade, transport, real estate and telecommunications. A growth of 5.2% was reported in the agricultural sector (2013: 3.3%) as a result of the condition of agricultural crops during the year. The industrial sector also proved a positive driver, registering a growth of 2.0% (2013: -0.1%), including in the fields of mining and the processing industry (2014: 2.1%), and construction (2014: 1.4%).

The labor market showed certain positive indications during the year, but remained unstable with uneven recovery of employment by sector, in line with the current economic activity and the behavior of firms. In 2014, the unemployment rate marked a decrease to 10.7% by year-end (2013: 11.8%), remaining at levels comparable to the EU and Eurozone average.

Foreign investments in Bulgaria



Balance of payments

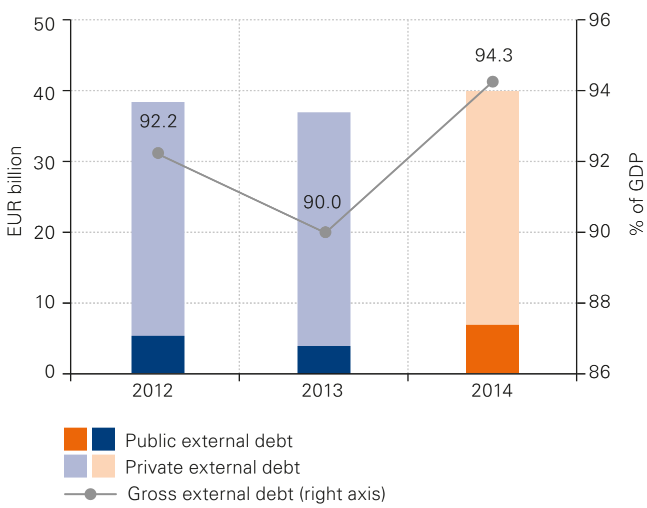


In 2014, foreign direct investments retained the trend of recent years and declined to EUR 1,182 million (2.8% of GDP) at the end of the period, but remained at levels close to those of the previous year (2013: EUR 1,275 or 3.1% of GDP). The decrease reflected lower inflows in the form of equity capital which amounted to EUR 498 million at year-end (2013: EUR 1,079 million). Growth was recorded in reinvested earnings (2014: EUR 169 million; 2013: EUR 103 million) and other capital (2014: EUR 514 million; 2013: EUR 93 million), which reflected the change in net obligations between companies with foreign shareholdings and foreign direct investors on financial, contractual and commercial credits. By industry, the most investments were directed to real estate operations (EUR 478 million), financial intermediation (EUR 164 million),the production and distribution of electricity and thermal energy (EUR 103 million), and construction (EUR 102 million), while net payments were registered in manufacturing

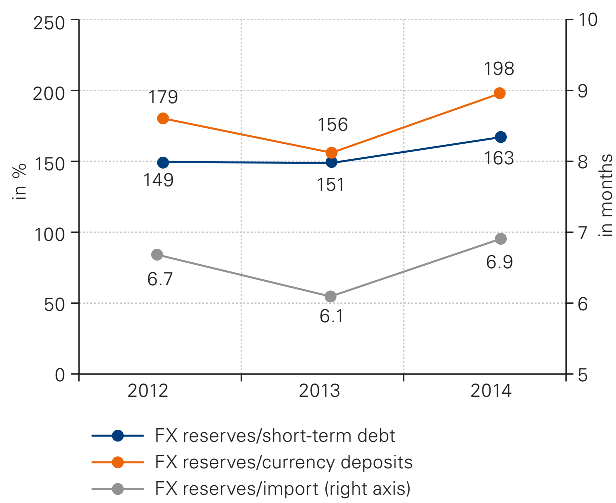
(EUR -38 million). Net portfolio investment, reflecting investments in shares (up to 10% of capital), bills, bonds, money market instruments or other marketable securities increased to EUR 1,263 million, resulting in the financial account of the balance of payments at the end 2014 being positive and amounting to EUR 1,955 million or 4.7% of GDP (2013: EUR -1,476 million or -3.6% of GDP). The capital account was also positive as a result of the increase in net capital transfers from EU funds which amounted to EUR 1,010 million, or 2.4% of GDP at the end of the period.

The positive balance on the current account for 2014 decreased to EUR 19 million (0.0% of GDP), compared to EUR 848 million (2.1% of GDP) a year earlier. A major factor in this was the increase in the trade deficit by EUR 473 million to EUR 2,902 million or 6.9% of GDP (2013: EUR -2,430 million or -5.9% of GDP) and the decrease in net current transfers (2014: EUR 1,614 million; 2013: EUR 2,383 million). Imports during the year grew faster than exports, reaching EUR 25,009 million or a 1.2% increase compared to 2013, due mainly to recovering domestic demand, including households and government, as well as recovering investment activity. Exports fell by 0.7% and reached EUR 22,106 million in FOB prices, compared to EUR 22,271 million a year earlier, due to risks of slowing growth in major trading partners, and the decreasing international prices of fuel and basic raw materials. In 2014, the European Union remained the main trading partner of the country, accounting for 62.5 percent of exports and 50.2 percent of imports as of November 2014 compared to 60.3% and 48.5% respectively a year earlier. Following the development of the crisis between Russia and the Ukraine, the trade turnover (including imports and exports) with these countries decreased by EUR 248 million with Ukraine and by EUR 560 million with Russia.

Gross external debt



Foreign exchange reserve coverage

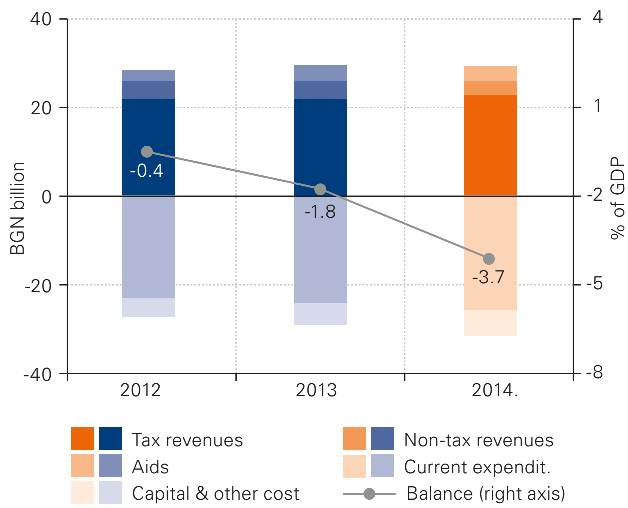


The gross external debt grew by 7.1% to EUR 39,558 million or 94.3% of GDP at the end of 2014 (2013: EUR 36,924 million or 90.0% of GDP). Such an increase was due to the higher external debt of the public sector which reached EUR 6,560 million (15.6% of GDP) at the end of the period, compared to EUR 4,062 million (9.9% of GDP) a year earlier, as a result of government securities issued by the Bulgarian government domestically and on the international markets, as well as of the increase in current liabilities of the government sector. In June 2014 the Republic of Bulgaria successfully issued a new 10-year Eurobond with nominal amount of EUR 1,493 million, an annual yield of 3.055%, and a relatively low coupon (for such types of highly standardized Eurobonds) of 2.95%.

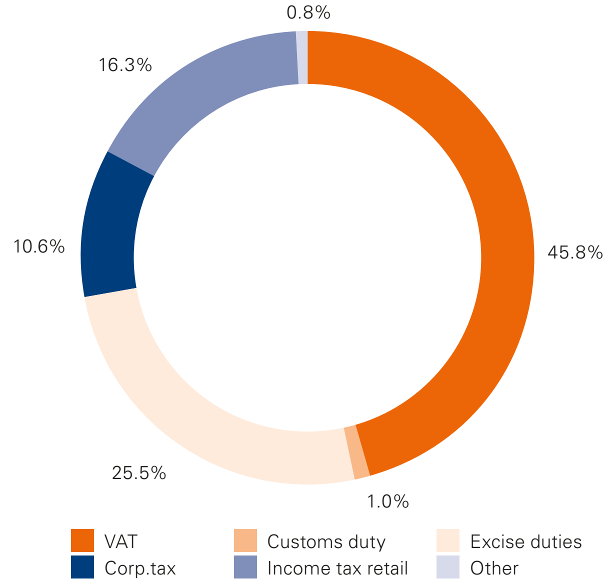
The external debt of the private sector remained almost unchanged, reaching EUR 32,998 million, compared to EUR 32,862 million a year earlier. FX reserves covered 163.2% of the short-term debt (2013: 151.1%) and 198.2% of the foreign currency deposits (2013: 155.8%) in the country.

In 2014, the consolidated budget deficit increased to BGN 3,048 million (3.7% of GDP) at the end of the period compared to BGN 1,441 million (1,8% of GDP) a year earlier, mainly due to the faster growth of expenditures relative to revenues and grants. Expenditures on the consolidated fiscal program increased by 6.7% to BGN 32,455 million at the end of December 2014 compared to BGN 30,418 million a year earlier, which was mainly attributable to the accelerated absorption of funds under EU programs and the growth in social and health insurance payments. Spending on accounts for EU funds (incl. the national co-financing) increased by 23.6% (BGN 871 million) compared to 2013, and social and health insurance costs by 7.5% (BGN 943 million) compared to a year earlier.

Consolidated budget



Structure of tax revenues for 2014



For the period, revenues and grants under the consolidated budget increased by 1.5% to BGN 29,407 million (2013: BGN 28,977 million), mainly due to the higher revenues from direct taxes and social security contributions. Corporate tax revenues in 2014 amounted to BGN 1,679 million or 12.2% more than the previous year (2013: BGN 1,497 million). This increase was influenced by the changed regime of taxation of gambling activities, which from 1 January 2014 became subject to income tax and a state fee for issuing and maintaining a license. Revenues from personal income tax increased by 10.7% to BGN 2,583 million (2013: BGN 2,334 million), mainly due to higher contributions from employers, which reflected the positive indications on the labor market, including the dynamics in the number of persons employed. Revenues from tax on income from interest on deposits decreased to BGN 66 million (2013: BGN 83 million), influenced by the reduction of the tax rate from 10% to 8% effective from the beginning of 2014.

VAT revenues amounted to BGN 7,264 million or 5.1% less than the previous year, mainly due to the dynamics of consumption and imports, as well as the ongoing deflation in the economy. Excise revenues remained almost unchanged - BGN 4,039 million compared to BGN 4,056 million a year earlier, with some decrease reported in revenues from excise duty on tobacco products and alcoholic beverages. Revenues from tax on insurance premiums amounted to BGN 25 million compared to BGN 22 million for the previous year. Social security revenues increased by 6.4% to BGN 6,449 million (2013: BGN 6,060 million), including from social security contributions (2014: BGN 4,521 million; 2013: BGN 4,257 million) and health insurance contributions (2014: BGN 1,928 million; 2013: BGN 1,804 million), reflecting the dynamics of the labor market and the increase in the maximum insurable income during the year.

In 2014, the annual consumer price index in the country continued its downward trend. The deflationary processes gradually subsided in the second half of the year mainly due to the increase in the price of electricity for households and the recovering domestic demand. At the end of December 2014, the annual inflation amounted to -0.9% (2013: -1.6%), mainly on account of the decrease in food prices (-0.9%) and non-food commodities (-3.2%), including that of transport fuels which followed the decrease during the year of oil prices on the international markets. Average annual inflation in the country for 2014 was -1.4% compared to 0.9% in 2013, while harmonized values amounted to -1.6% (2013: 0.4%).

During the year, the international rating agency Standard & Poor's downgraded the long-term credit rating of the country in foreign and local currency to "BB+" with a stable outlook, as a result of the volatile environment and the deterioration of the fiscal position of the country related to weak economic growth and the observed deflation processes. Fitch Ratings, on its part, confirmed the long-term credit rating of Bulgaria at ("BBB-"/"BBB" with a stable outlook), reflecting the agency's expectations for the balanced risks faced by the country, including those associated with depressed economic growth in the context of the fragile recovery in the Eurozone, the geopolitical risks from the Russia-Ukraine conflict, and the plans for fiscal consolidation.

The expectations for 2015 include diverse developments in the basic structural indicators, reflecting the evolution of risks from the external environment: continuation of the gradual recovery in private consumption, slowdown in investment activity – mainly in the public sector – and a gradual increase in the positive contribution of net exports to economic growth. Projections by the Ministry of Finance and the European Commission forecast a real growth in gross domestic product of about 0.8% in 2015, with acceleration to 1.0% -1.5% in 2016, as well as the cessation of deflationary processes after the decline in international oil prices has a lessened effect.

The banking system

In 2014, the banking system in Bulgaria faced some serious challenges, including those related to the unstable external environment and the still slowly recovering economic activity. Thanks to the accumulated high liquidity and additional buffers in the system, as well as to the prompt reaction of the institutions, the suspension of activity of one of the largest banks in the country remained an isolated case. The banking sector demonstrated resilience and the potential for development, as evidenced by the preserved customer trust and the reported financial indicators confirming its role for sustaining the macroeconomic stability in the country.

In line with the changes in the regulatory framework, a capital buffer for systemic risk and a safety capital buffer were introduced during the year, to be maintained by banks in the country for the purpose of preserving the capital reserves formed in the system.

in % / change in p.p.	**2014**	**2013**	**2012**	**%**	**%**
Capital adequacy ratio	21.95	16.85[1]	16.66	5.10	0.19
Tier 1 capital ratio	19.97	16.04[1]	15.16	3.93	0.88
Ratio of liquid assets	30.12	27.07	26.00	3.05	1.07
Loans/deposits ratio (to customers)	82.58	91.29	98.82	(8.71)	(7.53)
Leverage ratio (equity/assets)	12.73	13.02	13.17	(0.29)	(0.15)
Return-on-equity (ROE)	8.26[2]	5.64	5.71	2.62	(1.2)
Return-on-assets (ROA)	0.89	0.70	0.71	0.19	(0.01)
Problem loans (90 days past due)	17.67	16.87	16.62	0.80	0.25

Source: Bulgarian National Bank

The level of capital adequacy ratio for 2014 was 21.95% as at the end of the period (2013: 16.85%) and tier one capital adequacy was 19.97% (2013: 16.04%). The calculation of these indicators for 2014 was conducted in accordance with Regulation (EU) №575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.

The liquidity of the banking system remained at high levels, in line with the policies for conservativeness and the volumes of cash. The increase in highly liquid instruments provided coverage of attracted funds, the ratio of liquid assets reaching 30.12% at the end of the period compared to 27.07% a year earlier. The loan to deposit ratio amounted to 82.58% (2013: 91.29%), reflecting moderate credit activity and an increase in customer deposits.

1 The amounts till 2013 including are calculated in accordance with Ordinance No 8 of BNB on the capital adequacy of credit institutions (repealed SG, issue 40 dated 13 May 2014).

2 Data as at 30.09.2014.

In BGN million/ % change	2014	2013	2012	%	%
Net interest income	2,632	2,541	2,625	3.6	(3.2)
Net fee and commission income	828	819	779	1.1	5.1
Administrative expenses	1,738	1,783	1,755	(2.5)	1.6
Impairment	1,151	1,067	1,209	7.9	(11.7)
Net profit	746	585	567	27.5	3.2

Source: Bulgarian National Bank

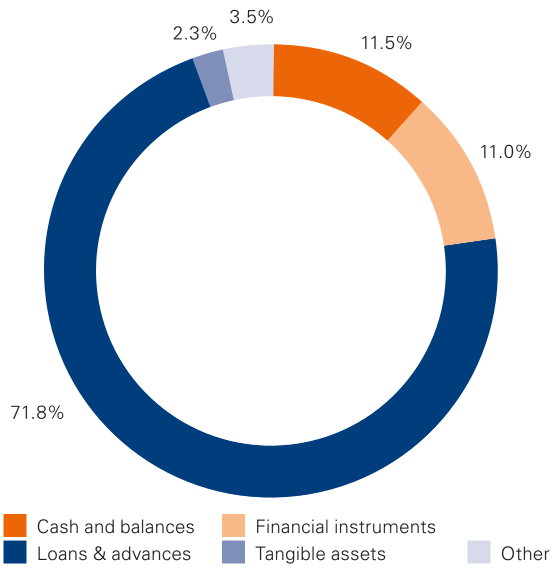
In 2014, the banking system realized net profit amounting to BGN 746 million or a 27.5% increase compared to 2013, income from the core operations of the system generating sufficient coverage for impairment charges and operating expenses. Net interest income marked an increase by 3.6% compared to the previous year, reaching BGN 2,632 million (2013: BGN 2,541 million). Net income from fees and commissions increased to BGN 828 million (2013: BGN 819 million), in line with the volume of business transactions and the regulatory changes. In 2014, the return on assets (ROA) rose to 0.89% (2013: 0.70%; 2012: 0.71%) due to the higher profits and the preserved level of total assets in the banking system, and the return on equity (ROE) to 8,26% (2013: 5.64%; 2012: 5.71%), reflecting the ability of the banking sector to maintain good profitability considering the specifics of the environment.

In BGN million/ % change	2014	2013	2012	%	%
Assets	85,135	85,747	82,416	(0.7)	4.0
Loans to corporate	34,319	38,306	38,166	(10.4)	0.4
Loans to individuals	18,290	18,504	18,415	(1.2)	0.5
Deposits from corporate	22,707	22,982	21,387	(1.2)	7.5
Deposits from individuals	41,003	39,248	35,869	4.5	9.4

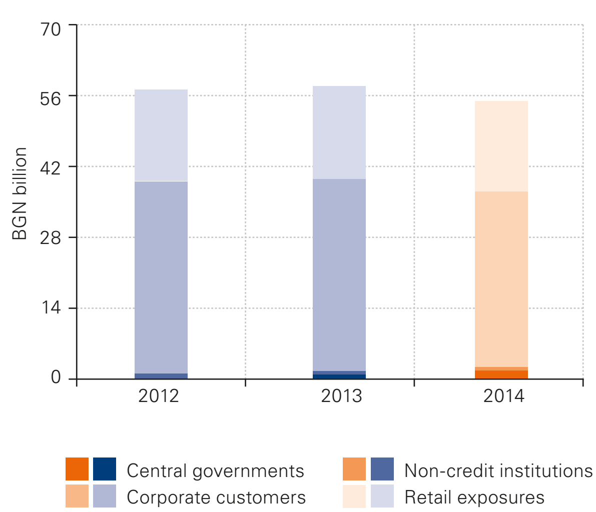
Source: Bulgarian National Bank

The total balance sheet assets of the system marked a slight decrease by 0.7% year-on-year, to BGN 85,135 million (2013: BGN 85,747 million). The relative share of loans formed 71.8% of total assets, remaining structure-determining for the system (2013: 73.6%).

Asset structure



Gross loan portfolio



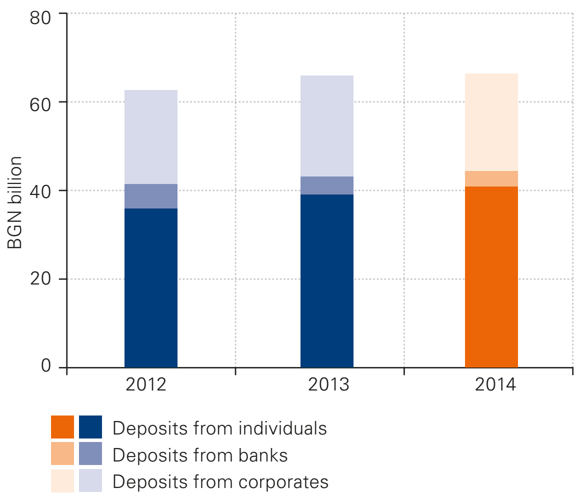
The gross loan portfolio (without credit institutions) decreased by 5.0% to BGN 55,590 million, reflecting a reduction in loans to corporate clients which amounted to BGN 34,319 million or 10.4% less compared to the end 2013 (2013/2012: 0.4%), and a reduction in loans to individuals by 1.2%, to BGN 18,290 million. In retail loan dynamics, a decrease was reported in residential mortgage loans by 0.9% to BGN 9,304 million and in consumer loans by 1.4% to BGN 8,986 million.

The share of non-performing loans past due over 90 days amounted to 17.67% of the gross loan portfolio (2013: 16.87%). The increase was adequately covered by impairment and the additionally accumulated buffers from the system.

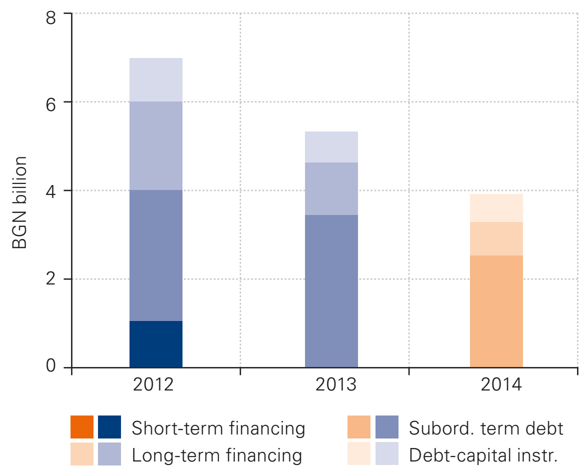
In 2014, the borrowed funds in the banking system declined marginally by 0.5% and amounted to BGN 73,529 million (2013: BGN 73,882 million). This was due to a decrease in attracted funds from credit institutions, in subordinated debt and debt-equity instruments, as well as in deposits from corporate customers by 1.2%, to BGN 22,707 million (2013: BGN 22,982 million). Deposits from individuals retained their upward trend, growing by 4.5% to BGN 41,003 million (2013: BGN 39,248 million).

The currency structure of attracted funds marked an increase in the BGN portion to 50.9% (2013: 49.7%), at the expense of that in EUR which was down to 42.0% (2013: 43.6%), while those in other currencies reached 7.0% (2013: 6.7%).

Attracted deposits



Other attracted funds



During 2014, a number of changes took place in national and European legislation regulating the functioning of the banking system in Bulgaria.

From 1 January 2014, a new regulatory framework entered into force: the CRR/CRD IV package, including Regulation (EU) №575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, and Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

In this connection, changes were made to the current regulatory framework in the country, including to the Law on Credit Institutions. A new Ordinance № 7 on the Organization and Risk Management of Banks, and Ordinance № 8 on Banks' Capital Buffers. were adopted. Amendment and supplements were made to Ordinances № 2, 4, 11 and 20 of the Bulgarian National Bank, while the then existing Ordinances № 7, 8, 9, 12 and 17 were repealed.

A new Ordinance No. 27 of the BNB on the Balance of Payment Statistics, International Investment Position and Securities Statistics was adopted during the year, and amendment and supplements were made to Ordinance No. 16 of the BNB of 16 July 2009 on Licensing of Payment Institutions, Electronic Money Institutions and Payment System Operators.

In April 2014, changes were adopted to the Law on Consumer Credit relating to the applicable interest rates, the documents used, and fees and commissions. In July 2014, amendments and supplements were adopted to the Law on Consumer Protection, introducing new provisions mainly related to the conclusion of contracts under general conditions and the changing and approval of such general conditions.

In December 2014, the Personal Income Tax Act was amended with effect from 01.01.2015. The scope of taxation was extended to cover the interest income from all bank accounts of local individuals. The tax rate was set at 8%, without decrease over subsequent years.

At the end of December 2014, 28 credit institutions operated in the country, of which six were branches of foreign banks. The total capital of the banking system amounted to BGN 10,839 million (2013: BGN 11,164 million), with predominant participation by foreign investors from the European Economic Area. As at the end of September 2014, subsidiaries of EU banks formed 68.7% of the system's total assets, local banks 23.2%, branches of EU banks 6.6%, and banks and branches outside the EU 1.4% and 0.1% respectively (data for 27 banks included).

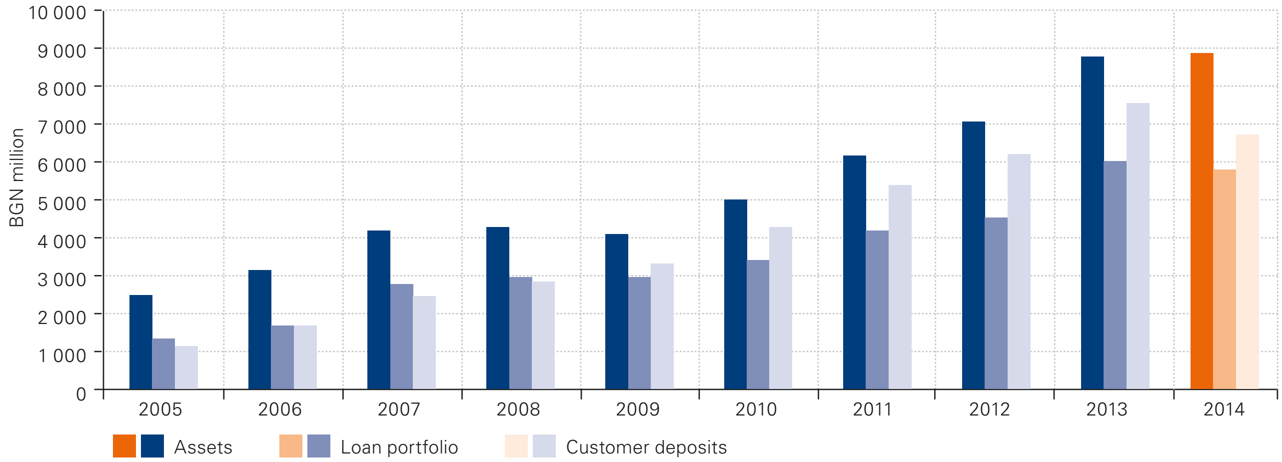
Mission

First Investment Bank AD aspires to continue to be one of the best banks in Bulgaria, recognized as a rapidly growing, innovative, customer-oriented bank, offering outstanding products and services to its customers, ensuring excellent careers for its employees, and contributing to the community. The Bank shall continue to develop high-technological solutions providing its customers with opportunities for banking from any place around the world at any time.

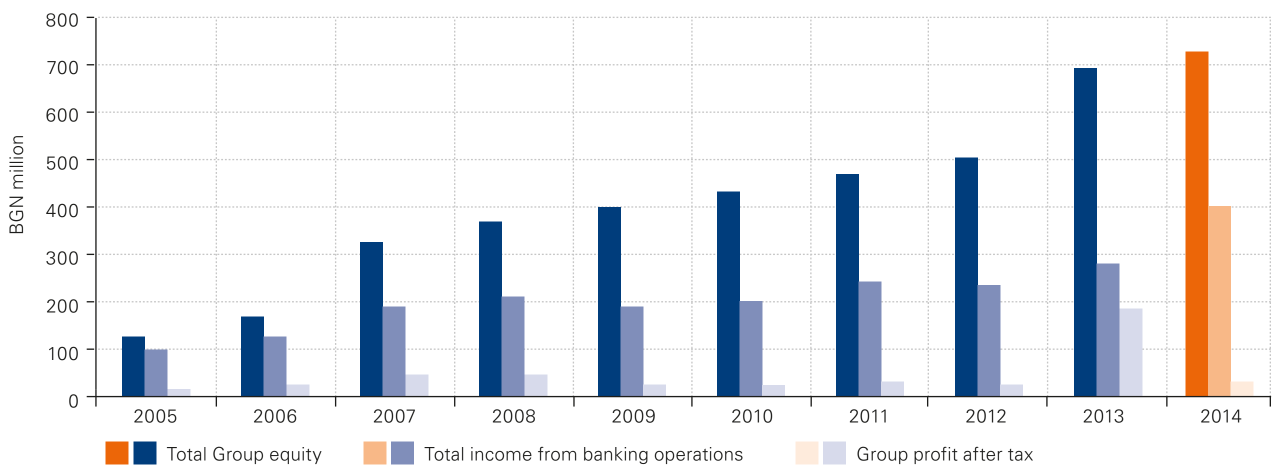
Stability

Growth

Balance-sheet indicators



Financial indicators



In 2014, First Investment Bank successfully completed the merger of Unionbank EAD which was acquired in October 2013. After obtaining approval from the competent authorities, the merger was entered in the Commercial Register to the Registry Agency on 4 March 2014 whereby Unionbank EAD was removed from the Register and all its rights and obligations passed to First Investment Bank in its capacity as universal successor.

The processes of IT and technological merger of the two banks, as well as the merging procedures for accounting purposes, were also completed successfully. All actions related to the consolidation and migration of data, systems, infrastructure, human resources, products and services were carried out in accordance with existing legislation.

As a result of the merger and of its activities during the year, First Investment Bank reported an increase in assets and business operations, consolidating its leading position among banks in Bulgaria in the fields of lending, attracting deposits, card business and payment transactions. The consolidation and development of the best practices and know-how of the two institutions, together with the accumulated knowledge, experience, innovation, flexibility and quality of service, made it possible to offer more competitive services to individuals and businesses, as well as wider access to a variety of banking products and services.

The new regulations

First Investment Bank carries out its activity in compliance with the existing legislation and other regulatory requirements in the Republic of Bulgaria and the European Union, according to established good practices and standards, and in accordance with its internal bank regulations.

In 2014, the Bank took the necessary steps for bringing its activity in compliance with the new regulatory framework – the CRR/CRD IV package, including Regulation (EU) №575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, and Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

According to the amended regulatory framework, First Investment Bank applies new requirements, including with regard to capital adequacy, maintaining of capital buffers, measuring and controlling large exposures, liquidity risk management, and disclosure of information

During the year, First Investment Bank also implemented other regulatory requirements, including with respect to Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories (EMIR), the U.S. Foreign Account Tax Compliance Act, and other regulatory requirements, including those concerning consumer lending.

Challenges of the environment

In June 2014 the banking system in Bulgaria came under liquidity pressure, as a result of which the European Commission, with its Decision C(2014) 4554 of 29.06.2014, approved a scheme to support the liquidity of Bulgarian banks. As part of the scheme and after being subjected to a mass withdrawal of deposits resulting from speculative attacks and rumors, First Investment Bank received liquidity support from the state in the form of a deposit amounting to BGN 1.2 billion, with maturity of five months: 28 November 2014. On that date, First Investment Bank repaid BGN 300 million of the received liquidity support, while the remaining balance of BGN 900 million was approved, by Decision C(2014) 8959 of 25.11.2014 of the European Commission, for repayment over a period of 18 months.

According to the plan approved by the European Commission, First Investment Bank has undertaken to repay the liquidity support by 28 May 2016. First Investment Bank committed itself to improving its policies for financing and cost effectiveness, as well as to enhancing its corporate governance structure and risk management policies. In order to limit the impact on the competitive environment resulting from the support, First Investment Bank also committed to several restrictions for the period of use of the support, including not paying dividends, not applying aggressive business practices, and not making acquisitions.

An independent international supervisor was appointed to monitor the implementation of the plan and to provide regular reports to the European Commission.

Bank profile

Corporate status

First Investment Bank is a joint-stock company registered with Sofia City Court pursuant to a ruling dated 8 October 1993. Since 28 February 2008 the Bank has been registered in the Commercial Register at the Registry Agency.

First Investment Bank is a public company registered in the Commercial Register of Sofia City Court by a decision dated 4 June 2007 and in the register of public companies and other issuers held by the Financial Supervision Commission by a decision dated 13 June 2007.

The Bank owns a universal banking license for domestic and international operations.

First Investment Bank is a licensed primary dealer in government securities and is a registered investment intermediary.

Participations and memberships

- Association of Banks in Bulgaria
- Bulgarian Stock Exchange – Sofia AD
- Central Depository AD
- BORICA – Bankservice AD
- MasterCard International
- VISA International
- S.W.I.F.T.

Market position[1]

- Among the leading banks in the cards business
- Among the leading banks in international settlements and trade finance
- Third in assets
- Third in lending

  – Second in corporate lending

  – Fifth in mortgage lending

  Second in deposits from individuals
- Sixth in profit

1 Market positions and shares are based on unconsolidated data from the BNB, Borica – Bankservice AD, MasterCard International, VISA Europe and SWIFT.

Market share[1]

- 8.79% of sent and 11.42% of received international transfers in foreign currency
- 5.35% of sent and 6.45% of received cross-border transactions for trade finance
- 10.16% of bank assets in Bulgaria
- 11.54% of loans in Bulgaria
  – 14.49% of corporate lending
  – 7.12% of consumer lending
  – 6.83% of mortgage lending
- 13.52% of deposits from individuals

Correspondent relations

Fibank has a wide network built up of correspondent banks, through which it performs international payments and trade finance operations in almost all parts of the world. The Bank executes international transfers in foreign currency, and issues cheques and performs different documentary operations.

Fibank is a respected, reliable and fair partner, which has built over the years a good reputation among international financial institutions and gained valuable experience and know-how from its numerous business partners, investors, customers and counterparties.

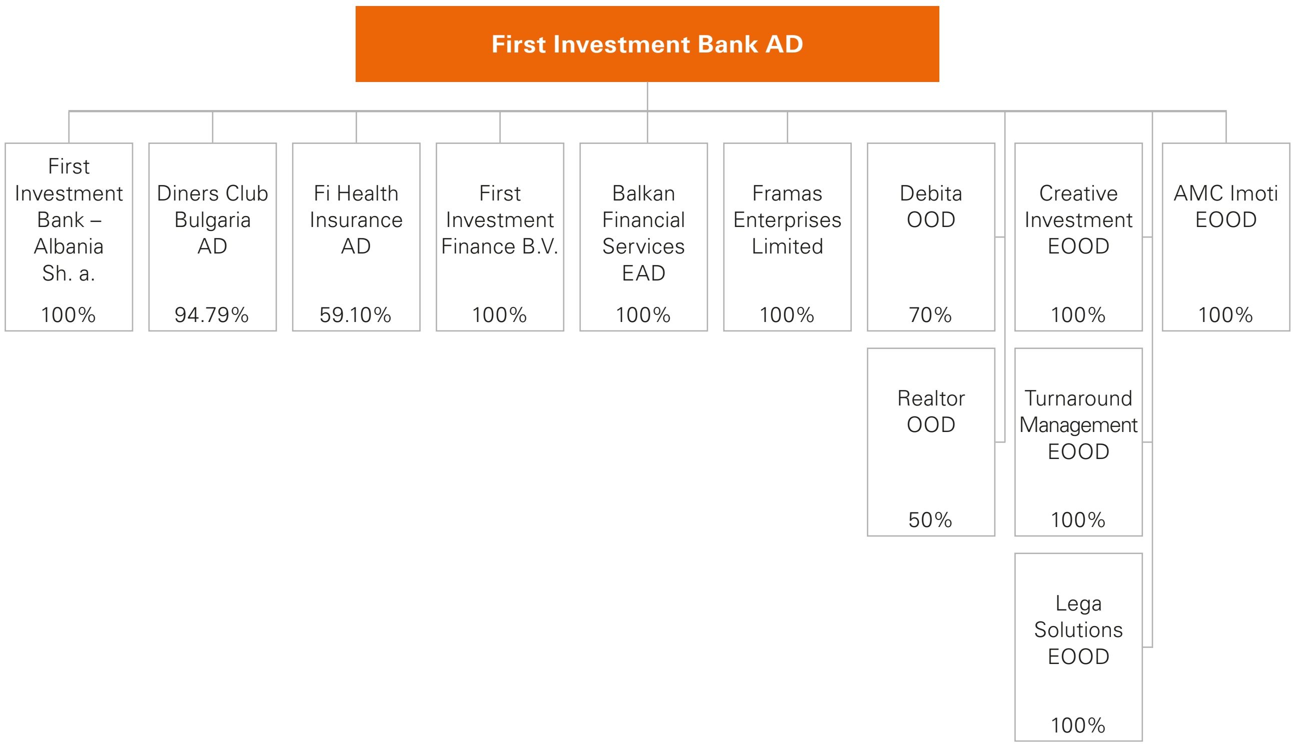
Branch network

As at 31 December 2014 the Group of First Investment Bank had a total of 178 branches and offices: 167 branches and offices (including the Head Office) throughout Bulgaria, one foreign branch in Cyprus, as well as a Head Office and 9 branches of the subsidiary bank First Investment Bank – Albania Sh.a.

1 Market positions and shares are based on unconsolidated data from the BNB, Borica – Bankservice AD, MasterCard International, VISA Europe and SWIFT.

Subsidiary companies

Structure of the subsidiary companies of First Investment Bank



First Investment Bank – Albania SH.A.

First Investment Bank – Albania Sh.a. was granted a full banking licence by the Bank of Albania, in June 2007 and in September 2007 effectively took over the activities of the former FIB-Tirana Branch, which had operated in the Albanian market since 1999, by assuming all its rights and obligations, assets and liabilities.

First Investment Bank – Albania Sh.a. offers a full range of products and services for individuals and small and medium enterprises. The bank develops card payments by offering debit and credit cards, based on EMV compliant chip technology, as well as by offering e-banking tailored to clients' needs and requirements. The bank was the first to offer products of investment gold and other precious metals in the Albanian market.

First Investment Bank – Albania Sh.a.'s corporate governance comprises the Executive management (Directorate), the Managing Board (Steering Council) and the Audit Committee. The CEO of First Investment Bank – Albania Sh.a. is Mr. Bojidar Todorov, who has extensive professional experience in the banking sector including several top-level management positions in First Investment Bank AD related to corporate asset management.

Diners Club Bulgaria AD

Diners Club Bulgaria AD is a joint-stock company registered in November 1996 as an issuer of Diners Club credit cards and a processor of payments. In 2010 the company was licensed by BNB as a payment institution to perform payment operations through payment cards and the issuing and acceptance of payments by payment instruments.

Throughout the years Diners Club Bulgaria AD has worked systematically and consistently to increase the penetration of the Diners Club brand in the local market, by offering new services to cardholders and expanding the network of POS terminals which accept payments with Diners Club cards.

Diners Club Bulgaria AD has a one-tier management system, comprising the Board of Directors and the Executive management (Executive Director). The Executive Director, entitled to represent Diners Club Bulgaria AD is Mrs. Anna Angelova, who has extensive professional experience in the card business, including management positions in First Investment Bank AD related to card payments.

Fi Health Insurance AD

In 2010 First Investment Bank acquired a majority stake capital of Health Insurance Fund Fi Health AD (formerly Health Insurance Fund Prime Health AD). In June 2013 following a decision by Financial Supervision Commission the company became the first among voluntary health insurance funds in the country, which was given a license to perform insurance activities, ensures financial security of expenses related to medical care in the sphere of non-hospital medical services, hospital treatment, expenses for medical goods and dental services. The name of the company was changed to Fi Health Insurance AD, while its business activity – in line with the Insurance Code – specifies "Illness" and "Accident" insurance policies.

Fi Health Insurance AD has a one-tier management system, comprising the Executive management (Executive Director) and the Board of Directors. The Executive Director, entitled to represent Fi Health Insurance AD is Mr. Nikola Bakalov, who has extensive professional experience in the financial sector, including management positions in First Investment Bank AD related to card payments.

As at 31 December 2014 First Investment Bank AD had other subsidiary companies as follows: First Investment Finance B.V., Debita OOD, Realtor OOD, Framas Enterprises Limited, Balkan Financial Services EAD, Turnaround Management EOOD , Creative Investment EOOD, Lega Solutions EOOD and AMC Imoti EAD.

For further information regarding subsidiary companies and their consolidation see note 38 "Subsidiary undertakings" of the Consolidated Financial Statements as at 31 December 2014 together with the Report of the Independent Auditor.

Awards 2014

- First Investment Bank was awarded as the best bank in private banking in Bulgaria for 2014 by the International Banker magazine.
- Fibank received two awards: for best bank in the field of retail banking, and for most innovative card product in Bulgaria for 2014 by the international web portal Global Banking & Finance Review.
- First Investment Bank was awarded for overall contribution to the development of the card business in Bulgaria by the MasterCard international organization.
- First Investment Bank received the prize for best term deposit for 2014 in Germany, awarded by the authoritative German edition Handelsblatt in cooperation with the German internet portal for comparison of financial offers FMH.
- Fibank was distinguished as the most favorite brand among financial institutions in Bulgaria by the global organization Superbrands based on independent research of the consumer segment in partnership with the GfK Bulgaria Market Research Institute.
- In 2014, First Investment Bank was included in the top 100 leading banks in Southeast Europe, ranking 17th according to the prestigious ranking of SeeNews TOP 100 SEE for 2013.
- Fibank was awarded a prize as a longtime sponsor of the Bulgarian Ski Federation, actively supporting Bulgarian winter sports.
- First Investment Bank received a special award from the Bulgarian Olympic Committee for its support for the Bulgarian representatives at the Youth Olympic Games in China.

First Investment Bank: dates and facts

1993	First Investment Bank was established on 8 October 1993 in Sofia. Fibank was granted a full banking licence for carrying out operations in Bulgaria and abroad.
1994-95	The Bank developed and specialised in servicing corporate clients.
1996	First Investment Bank was the first in Bulgaria to offer services enabling banking from home or from the office. Fibank was the first bank to receive a 5-year loan from the European Bank for Reconstruction and Development for financing small and medium-sized enterprises in Bulgaria.
1997	The Bank started issuing Cirrus/Maestro debit cards, Eurocard/Mastercard credit cards and the American Express card. Fibank was the first Bulgarian bank to offer debit cards with international access. Thompson Bankwatch awarded Fibank its first credit rating. The Bank opened its first branch abroad, in Cyprus.
1998	First Investment Bank obtained its first syndicated loan from foreign banks. The Bank negotiated financing for the import of investment goods from Austria, Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Portugal, Spain, Sweden and Switzerland, guaranteed by export insurance agencies.
1999	The Bank negotiated a syndicated loan organized by EBRD on the total amount of EUR 12.5 million. First Investment Bank received a midium-term loan for EUR 6.6 million from a German government organization for financing of Bulgarian companies. The Bank opened a foreign branch in Tirana, Albania offering banking services to Albanian companies and individuals.
2000	First Investment Bank started developing its business in the field of retail banking. Deposits from private individuals grew 2.3 fold.
2001	Fibank launched the first virtual bank branch in Bulgaria, allowing customers to bank via the Internet. The Bank was awarded the prize “Bank of the Year” by ‘Pari’ (‘Money’) daily. Maya Georgieva (Executive Director of First Investment Bank), received the prize “Banker of the Year” from ‘Banker’ Weekly.
2002	Fibank was named “Bank of the Client“ in the annual rating of ‘Pari’ daily.
2003	Products and services to individuals became the focus of the Bank’s activities. Loans to individuals increased over five times during the year. Fibank was named “Bank of the Client” for the second time in the annual rating of ‘Pari’ daily.

2004	The Bank expanded its infrastructure. The branch network expanded by 27 new branches and offices, the ATM network more than doubled. First Investment Bank was awarded the prize "Financial Product of the Year" for its Mortgage Overdraft product.
2005	Fibank acquired 80% of the capital of Diners Club Bulgaria AD. The Bank issued Eurobonds at the amount of EUR 200 million on the Luxembourg Stock Exchange. Fibank was also the first Bulgarian bank to issue perpetual subordinated bonds. Matthew Mateev (Deputy Chief Executive Director of First Investment Bank) was awarded the prize "Banker of the Year" by 'Banker' weekly.
2006	Fibank was named "Bank of the Client" for the third time in the annual rating of 'Pari' daily. First Investment Bank received a syndicated loan, at the amount of EUR 185 million, organised by Bayerische Landesbank, in which 33 banks participated. The Bank's share capital was increased from BGN 20 million to BGN 100 million by transforming retained profits into 8 million new shares with a nominal value of BGN 10 each.
2007	First Investment Bank realized the biggest banking initial public offering of shares in Bulgaria. The Bank became a public company and increased its issued share capital from BGN 100 million to BGN 110 million. „Fibank Mobile" – the first banking mobile portal created by the Bank with useful financial information for its customers, started functioning. The Albanian Central Bank issued a full banking licence to First Investment Bank – Albania Sh.a. Fibank is among the first banks in Bulgaria to implement new chip technology by issuing og debit and credit cards.
2008	Fibank successfully implemented new centralized and integrated core banking information system FlexCube, suitable for retail banking as well as for corporate banking, with a module for Internet banking and a module for work processes management. First Investment Bank received a syndicated loan at the amount of EUR 65 million from 11 leading banks all over the world. Fibank became the first bank in Bulgaria with its own corporate blog. The Bank received the prestigious card business award OSCARDS of Publi-News in the Europe region for innovation in the card business.
2009	Fibank became the first and only bank in Bulgaria to start offering the sale and redemption of investment diamonds. First Investment Bank offered a new Internet service "My FIBank" – part of the Bank's Ecological program, which provides e-statements on customers' current and deposit accounts and credit cards.

2010	Fibank welcomed its one millionth client. First Investment Bank signed an agreement with IFC for cooperation in the field of trade finance. Fibank was the first Bank in Bulgaria to offer contactless payments based on PayPass technology. Fibank acquired four new subsidiaries – Debita OOD, Realtor OOD, Health Insurance Fund FI Health AD, Framas Enterprises Limited.
2011	First Investment Bank was recognized as the Best Bank in Bulgaria in 2011 by the financial magazine Euromoney. Fibank developed its services for financing and project management under EU Programmes. New Executive Directors of the Bank were appointed – Dimitar Kostov, Vassil Christov, Svetoslav Moldovansky. Maya Georgieva (Executive Director of First Investment Bank) received the Banker of the Year 2011 award from "Banker" Weekly for market sustainability achieved and customer confidence earned.
2012	Fibank was granted the prestigious "Bank of the Year" award from "Bank of the Year" Association, with the best complex performance. Fibank issued new hybrid debt (bond issues) for EUR 40 million under private subscription, which was included in the Bank's tier 1 capital. Fibank was included in the Top 1000 World Banks ranking of the prestigious magazine The Banker in terms of Tier 1 capital. Vassil Christov, Executive Director of First Investment Bank won the prestigious award Banker of the Year 2012 of the "Banker" Weekly. The Bank signed an agreement with the European Investment Fund for the financing of SME under the JEREMIE initiative.
2013	First Investment Bank AD signed an agreement with the Hungarian MKB Bank Zrt. for the acquisition of 100% of the shares of MKB Unionbank EAD. First Investment Bank marked the 20th anniversary of its establishment. Fibank won three awards at the annual competition of the Bank of the Year Association: „Bank of the Client for 2012", „Market Share", and „Mystery Client". Fibank issued new hybrid debt (bond issues) under the terms of a private placement, to the total amount of EUR 40 million (in two tranches), to be included in the Tier I capital. Clients were provided with the opportunity to purchase online products of investment gold and other precious metals. Maya Oyfalosh was elected Executive Director of First Investment Bank AD.

Highlights 2013

January

- Fibank signed a guarantee agreement to support lending to innovative small and medium-sized enterprises with the European Investment Fund under the Risk Sharing Instrument initiative.
- First Investment Bank offered a unique coin of the New Zealand Mint, dedicated to the Year of the Horse.

Signing an agreement with the EIF.

February

- A new loan was offered based on SAPS subsidies for 2014, amounting to up to 100% of the subsidy, with simplified approval procedure for up to BGN 500 thousand.
- First Investment Bank signed an agreement with DTCC Derivatives Repository Ltd in compliance with the requirements of Regulation (EU) № 648/2012 for reporting of data to trade repositories.
- New terms were negotiated under the refinancing scheme with the State Fund Agriculture, including an increase in the maximum amount of costs refinanced by the Fund, as well as an extension of the term of the agreement.

March

- The merger of Union Bank EAD into First Investment Bank AD was successfully implemented, including the processes of integration and migration of data, systems, infrastructure, human resources, products and services, in accordance with current legislation.
- First Investment Bank AD and Bulgarian Development Bank AD signed a funding agreement aimed at supporting agricultural producers in the country.
- New current accounts were offered: Salary and Smart, each with debit cards and interest determined on the basis of monthly proceeds.
- Fitch Ratings revised the outlook of a total of 18 commercial banks from the EU, among them First Investment Bank, from “stable” to “negative”.

April

- Fibank signed an agreement with the National Guarantee Fund for implementation of a guarantee scheme aimed at providing financing for small and medium enterprises in Bulgaria through a risk sharing mechanism.
- The Bank activated the provision of domestic, export and import factoring services to business customers operating in the Republic of Bulgaria.
- The subordinated term debt of the Bank was repaid ahead of schedule (a total of three agreements) after obtaining written approval by the Bulgarian National Bank.
- A new residential/mortgage loan Right of Choice was launched, offering funding of up to 90% of the value of the purchased property, fixed interest rate for the first three years, and a choice of additional options to the borrower.

Маŭ

- New banking packages for business customers were offered, with the possibility of cost optimization and streamlining of procedures when using a variety of banking services.
- A Regular Annual General Shareholders Meeting was held which decided that the entire net profit of the Bank for 2013 will be capitalized, and no dividends will be paid or other deductions made from the profit for 2014.
- The 50-th issue of Fibank News was published – a specialized edition presenting the latest news and offers from Fibank, together with articles aimed at increasing the financial knowledge of customers. The newspaper is distributed free of charge in the branch network, and its electronic version is available on the website of the Bank.

Fibank NEWS

Брой 48, 11 април 2014 | Разпространява се безплатно | Издание на Fibank

ИНТЕРВЮ

Гергана Гераскова, зам. – директор „Банкиране на дребно" във Fibank:

Даваме ПРАВО НА ИЗБОР на нашите клиенти

Кредитополучателите получават 0% лихва и могат да си избират допълнителни екстри към кредита

DINERS CLUB

- Г-жо Гераскова, новият жилищен кредит на Fibank се казва „Право на избор". Какъв продукт стои зад това име?

- Живеем във време, в което индивидуалният подход е много важен за клиентите ни. Това е и подходът, който искаме да наложим в кредитните ни продукти – персонализирани решения за всеки

...зява правото на избор в един жилищен кредит?

- Конкретно за нашия кредит това означава, че клиентите могат да си избират допълнителни екстри към кредита. В практиката често се случва даден човек да има нужда от гратисен период, през който да не плаща вноска по кредита си, но за друг е много по-важно да получи

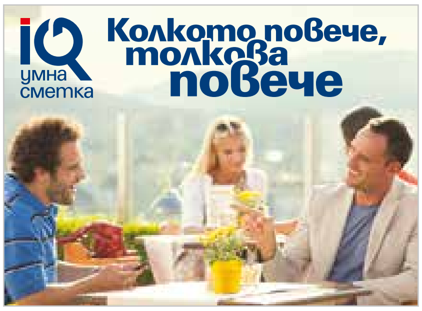
June

- First Investment Bank overcame the challenges of the environment thanks to maintaining high liquidity, good organization and flexibility, high corporate spirit and professionalism, as well as to the liquidity support received under the scheme approved by the European Commission by Decision C(2014) 4554/29.06.2014, and the trust of the loyal customers and counterparties of the Bank.
- The corporate blog of First Investment Bank celebrated its sixth anniversary as an alternative channel for feedback and communication with customers.

- Efforts and resources were directed at developing new functionalities in the Virtual Banking Branch, and for the users of My Fibank electronic service.
- A hybrid instrument (bond issue) with an original principal of EUR 60 million was admitted to trading on the regulated market on the Luxembourg Stock Exchange.
- At the initiative of Fibank, an independent external evaluation of the corporate governance and risk management of the Bank was performed by the International Finance Corporation (IFC), part of the World Bank Group.

July

- First Investment Bank introduced a new interest rate based on savings (SIR), applied by the Bank as a basis for determining the interest rates on credit transactions with individuals in accordance with the Law on Consumer Credit.
- A new product was offered: IQ current account, with interest rate linked to the maintained daily balances.
- For the 12th consecutive year, Fibank sponsored the organization of the International Jazz Festival in Bansko, in pursuance of its policy for supporting significant cultural and musical projects.



August

- Fibank launched a long-term initiative for furnishing its ATMs with ancillary equipment aimed at facilitating their use by people with short stature.
- A new promotional consumer loan Easy Loan was launched, with amount of up to BGN 10,000, no application and disbursement fees and a simplified procedure for preliminary approval.
- A Nomination Committee was created in accordance with the regulatory requirements, to assist the Supervisory Board in evaluating the suitability of candidates or active members of the Managing Board and of other senior management staff of the Bank.

September

- Fitch Ratings fully confirmed the ratings of First Investment Bank, as follows: long-term rating “BB-” with a negative outlook, short-term rating “B”, viability rating “b-”, support rating “3” and level of support rating “BB- “.
- First Investment Bank repaid on maturity a mortgage bond in the amount of EUR 15 million traded on the Bulgarian Stock Exchange, which was transferred to Fibank as universal successor in connection with the merger.
- New conditions were added to the Super Loan product, including a fixed rate for the term of use as an overdraft, and amount of up to 100% of value of collateral.
- A hybrid instrument (bond issue) with an original principal of EUR 40 million was admitted to trading on regulated market on the Luxembourg Stock Exchange.
- A new category, Project Financing of Business Talents, was added to the Best Bulgarian Firm of the Year competition organized by Fibank, aimed at supporting Bulgarian entrepreneurs with interesting business ideas.

October

- Customers were offered a new Cash Plus business loan, secured with cash, with collateral ratio depending on the loan currency.
- First Investment Bank, jointly with the Union of Actors in Bulgaria, launched a project to support the social program of the Union.
- Fibank organized a social initiative to support Bulgarian children and promote their talents and achievements

Project to support the Union of Actors.

November

- The Framework agreement with Taiwan's export insurance agency Eximbank Taiwan for financing deliveries of goods from Taiwanese suppliers to Fibank customers in Bulgaria was renewed.
- New members of the Managing Board of First Investment Bank were entered in the Commercial Register: Mr. Chavdar Zlatev, Ms. Milka Todorova, Mr. Ivaylo Ivanov, and Ms. Mariana Sadzhaklieva.
- First Investment Bank repaid BGN 300 million of the received liquidity support, while the remaining balance of BGN 900 million was approved, by Decision C(2014) 8959 of 25.11.2014 of the European Commission, for repayment over a period of 18 months.
- First Investment Bank signed an annex to the existing agreement with the European Investment Fund under the JEREMIE initiative for increasing the amount of funds provided, and extension of the period for utilization and inclusion of loans in the program portfolio.

December

- First Investment Bank was one of nine banks in the country selected for repayment of the guaranteed amounts to depositors of Corporate Commercial Bank (with revoked license). The process started in December 2014 and has a total time horizon of 5 years.
- A new mobile Fibank application was developed, intended for bank customers using mobile devices, offering the possibility for carrying out both active and passive banking transactions.
- Banking packages for individuals My Choice and My Choice Online were developed, offering clients combinations of different banking products and payment services at competitive terms.
- First Investment Bank became a partner of the Bulgarian Rhythmic Gymnastics Federation, in order to support the Federation's performances on the international scene

Key indicators

	2014	2013	2012	2011	2010
Financial indicators (BGN thousand)					
Net interest income	291,911	181,711	154,235	161,989	137,854
Net fee and commission income	87,425	86,691	74,304	72,328	55,923
Net trading income	11,997	9,381	8,539	11,294	8,752
Total income from banking operations	406,647	284,445	239,897	243,472	206,976
Administrative expenses	(190,981)	(156,239)	(160,022)	(157,926)	(144,568)
Impairment	(299,621)	(70,305)	(36,709)	(35,263)	(27,099)
Group profit after tax	30,764	184,904	30,573	35,962	27,851
Earnings per share (in BGN)	0.28	1.68	0.28	0.33	0.25
Balance-sheet indicators (BGN thousand)					
Assets	8,827,882	8,777,993	7,050,448	6,174,452	4,998,776
Loans and advances to customers	5,810,328	6,020,792	4,540,389	4,182,236	3,417,094
Loans and advances to banks and finan.instit.	112,078	120,126	45,939	100,427	21,736
Due to customers	6,699,677	7,535,756	6,189,721	5,388,310	4,285,693
Other borrowed funds	177,544	196,444	62,420	112,306	116,725
Total Group equity	726,897	692,515	505,267	470,002	433,175
Key ratios (in %)					
Capital adequacy ratio	14.89[1]	14.26	13.10	12.57	13.23
Tier 1 capital ratio	13.64[1]	13.31	11.39	10.18	10.21
Liquidity ratio	24.01	22.63	27.64	26.17	26.06
Loans/deposits	83.32	83.03	76.09	80.08	82.02
Loan provisioning ratio	8.74	4.12	3.99	3.29	2.95
Net interest income/total income from banking operations	71.78	63.88	64.29	66.53	66.60
Return-on-equity (after tax)	4.33	33.34	6.29	7.95	6.67
Return-on-assets (after tax)	0.35	2.47	0.46	0.64	0.61
Cost/income ratio	46.96	54.93	66.70	64.86	69.85
Resources (in numbers)					
Branches and offices	178	221	162	173	172
Staff	3,291	3,554	2,859	2,838	2,690

1 The amounts for 2014 are calculated in compliance with the requirements of Regulation (EU) №575/2013.

Credit rating

First Investment Bank has credit ratings from the international agency for credit rating Fitch Ratings.

Fitch Ratings	2014	2013	2012
Long-term rating	BB-	BB-	BB-
Short-term rating	B	B	B
Viability rating	b-	b-	b-
Support rating	3	3	3
Support rating floor	BB-	BB-	BB-
Outlook	Negative	Stable	Stable

In March 2014, Fitch Ratings revised the outlook of a total of 18 commercial banks from the EU, among which First Investment Bank, from “stable” to “negative”.

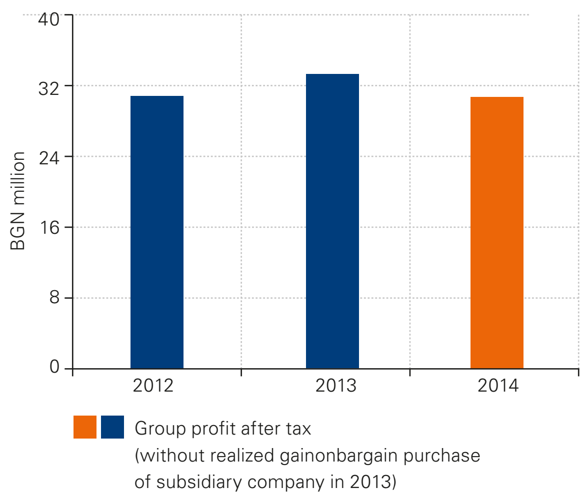
In September 2014, Fitch Ratings confirmed First Investment Bank’s ratings, as follows: long-term rating „BB-” with negative outlook, short-term rating „B”, viability rating „b-”, support rating „3” and support rating floor „BB-”.

Flexibility

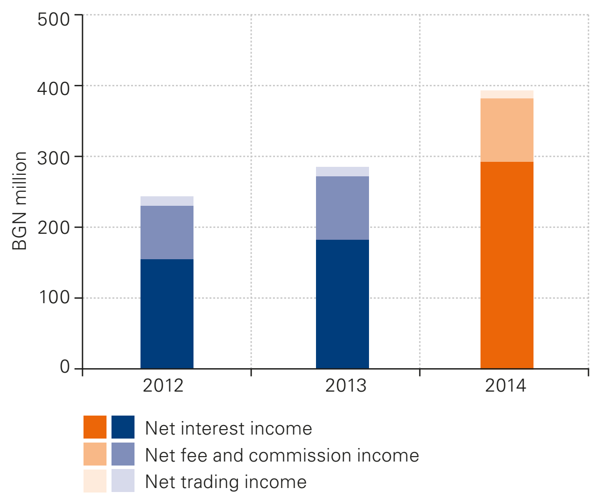
Financial results

For 2014 the profit of the Group of First Investment Bank after taxes amounted to BGN 30,764 thousands, compared to BGN 184,904 thousand a year earlier, when reflected the bargain purchase of Unionbank EAD on the amount of BGN 152,310 thousand. Return on equity (after taxes) was 4.33% (2013: 33.34%), return on assets (after taxes) was 0.35% (2013: 2.47%), while earnings per share was BGN 0.28 (2013: BGN 1.68). The dynamic reflected the effect of the higher profit reported during 2013 as a result of the performed consolidation with Unionbank EAD. As at 31 December 2014, First Investment Bank ranked sixth in terms of net profit among the banks in the country with a market share of 4.08% on an unconsolidated base (2013: fourth place and 4.41% market share).

Profit after tax



Income from banking operations



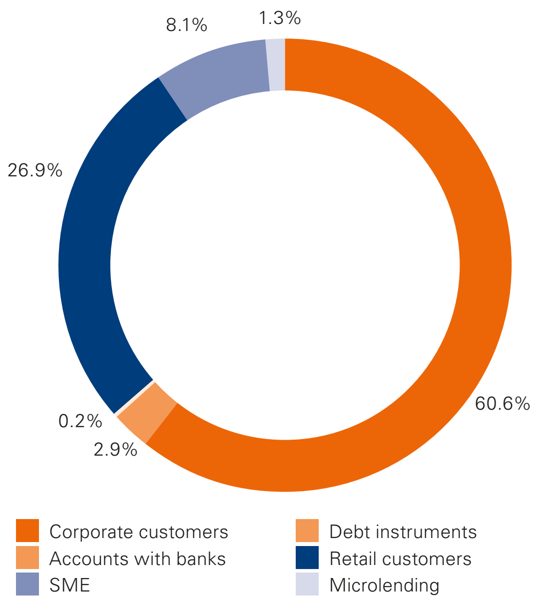
Total income from banking operations during the year increased to BGN 406,647 thousand, compared to BGN 284,445 thousand a year earlier, resulting mainly from the higher net interest income and other net operating income.

For 2014 net interest income reached BGN 291,011 thousand (2013: 181,711 thousand), remaining the main source of income for the Group and formed 71.8% of the total income from banking operations. Fibank's foreign operations formed 14.9% of net interest income (2013: 23.0%).

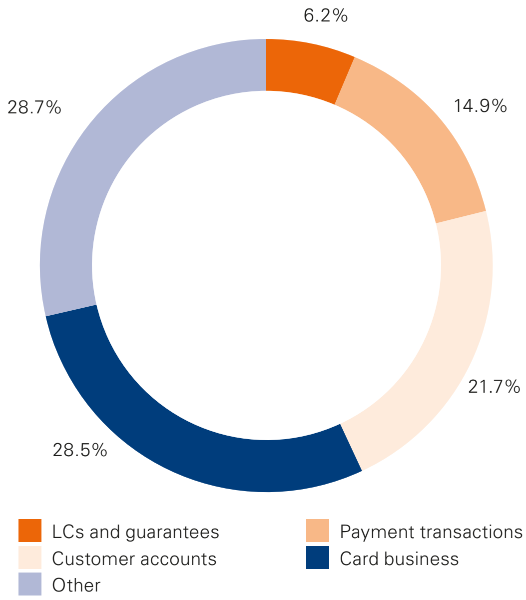
Interest income grew by 10.1% to BGN 529,072 thousand for the reporting period, as growth was reported by all main sources of interest income. Interest income related to retail banking increased to BGN 142,571 thousand (2013: 113,706 thousand), those related to micro, small and medium enterprises to BGN 49,915 thousand (2013: 40,861 thousand), and those from corporate clients to BGN 320,417 thousand (2013: BGN 310,160 thousand).

The Bank continued to optimize the structure and cost of funding in accordance with market conditions. Interest expenses decreased by 20.6% to BGN 237,161 thousand (2013: BGN 298,669 thousand), resulting mainly from a decline in expenses on deposits from other customers, which reached BGN 228,396 thousand, against BGN 259,889 thousand the prior year and formed 96.3% of total interest expenses. During the year First Investment Bank decreased the interest rates on deposit products, in compliance with the market tendency and competition environment, as well as with the maintained high levels of liquidity. In connection to resolution C (2014) 8959, dated from 25.11.2014 of the European Commission concerning the approval of the liquidity support for First Investment Bank, the accrual of interest on the hybrid instruments of the Bank has been suspended until repayment of the support. In relation to this the interest expenses on the hybrid instruments were positive on the amount of BGN 9,804 thousand for 2014, compared to BGN -15,403 thousand a year earlier.

Interest income



Fee and commission income



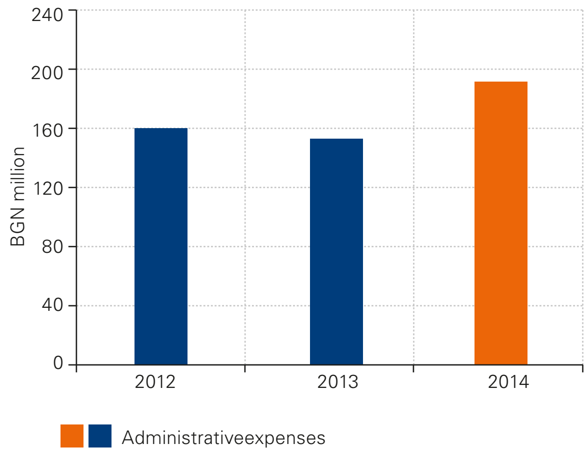
Net fee and commission income increased by 0.8% to BGN 87,425 thousand. An increase was reported in the major business lines generating fee and commission income, including: payment transactions by 31.4% to BGN 16,128 thousand (2013: BGN 12,276 thousand), customer accounts by 15.2% to BGN 23,514 thousand (2013: BGN 20,407 thousand) and the cards business by 9.5% to BGN 30,840 thousand (2013: BGN 28,152 thousand). A decrease was reported in income from fees and commissions, related to letters of credit and guarantees (2014: BGN 6,656 thousand; 2013: BGN 7,970 thousand), as well from other services (2014: BGN 31,041 thousand; 2013: BGN 34,791 thousand), which included those connected to credit activity, influenced by the amended regulatory framework in Bulgaria related to consumer lending. For 2014 net fee and commission income formed 21.5% of total income from banking operations (2013: 30.5%). In order to present more accurate and clear comparative data, the Bank has made a reclassification of the fee and commission expenses on the account of administrative expenses for a total of BGN 5,084 thousand compared to the financial statements as at 31 December 2013. Fibank's foreign operations formed 4.2% of net fee and commission income (2013: 2.6%).

Net trading income grew and reached BGN 11,997 thousand for the period, compared to BGN 9,381 thousand a year earlier. The increase was due mainly to higher gains arising from foreign exchange (2014: BGN 11,282 thousand; 2013: BGN 9,077 thousand) and from equity instruments (2014: BGN 662 thousand). The relative share of net trading income remained insignificant at 3.0% of total income from banking operations (2013: 3.3%).

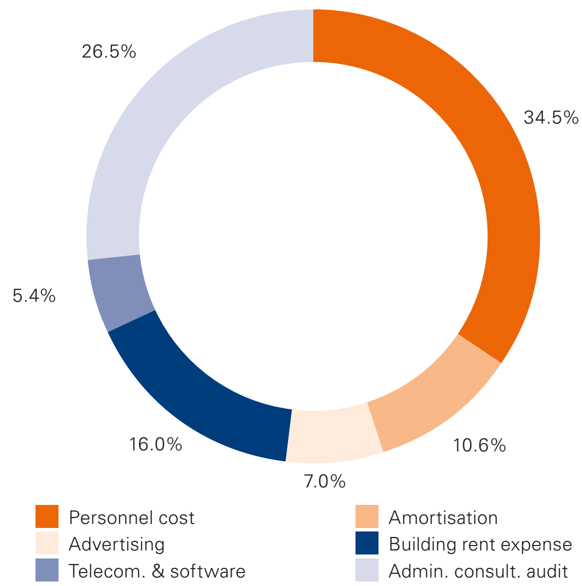
For 2014 other operating income amounted to BGN 15,314 (2013: 6,662 thousand) resulting from realized income from management of loans acquired through business combination on the amount of BGN 13,520 thousand, related to the acquisition of Unionbank EAD.

For the reporting period administrative expenses amounted to BGN 190,981 thousand compared to BGN 156,239 thousand a year earlier, which was influenced by the consolidation of operations, including personnel, infrastructure and the branch network. Personnel costs increased to BGN 65,849 thousand (2013: BGN 59,670 thousand), those related to telecommunication, software and other computer maintenance to BGN 10,280 thousand (2013: BGN 9,095 thousand), advertising costs to BGN 13,445 thousand (2013: BGN 6,463 thousand), building rent expenses to BGN 30,647 thousand (2013: BGN 25,601 thousand) and administration, consultancy, audit and other costs to BGN 50,490 thousand (2013: BGN 34,674 thousand). For the period cost-to-income ratio amounted to 46.96% (2013: 54.93%) on a consolidated basis.

Administrative expenses



Structure of administrative expenses



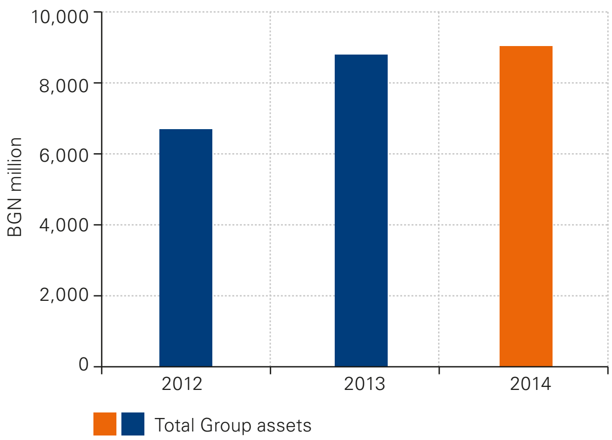
During the year the write-downs amounted to BGN 325,599 thousand, while the reversal of write-downs were BGN 25,978 thousand, as a result of which the net impairment losses on credit exposures for 2014 amounted to BGN 299,621 thousand (2013: BGN 70,305 thousand). The increase reflected the unstable external environment in the country, as well as the more conservative provisioning policy of the Bank.

During the year the Group reported other net income on the amount of BGN 119,665 thousand (2013: BGN -21,982 thousand) related to the sale of a real estate, acquired as a result of execution procedure.

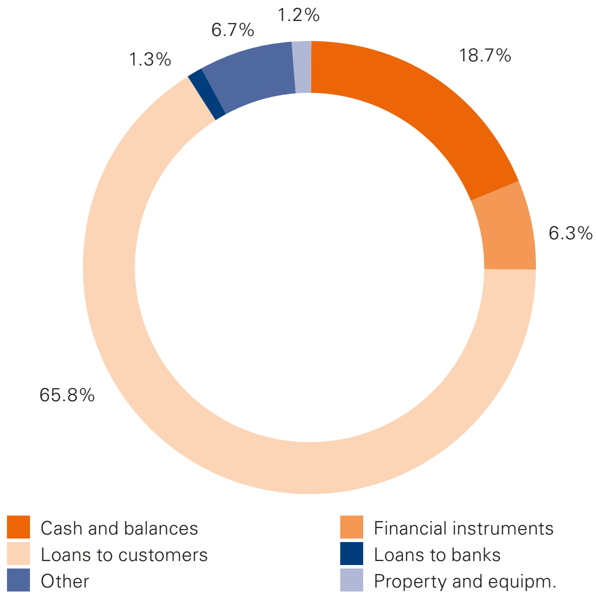
Balance

During 2014 total assets of the Group of First Investment Bank grew and at the end of the year reached BGN 8,827,882 (2013: 8,777,993 thousand), for this contributed the attracted funds from customers. Fibank retained its market position, ranking third in terms of assets amongst the banks in the country (2013: third). The Bank's market share was 10.16% on an unconsolidated basis (2013: 8.68%).

Total Group assets



Asset structure



In the asset structure of the Group, loans and advances to customers remained structure-determining at 65.8% (2013: 68.6%) of total assets, followed by cash and balances with central banks at 18.74% (2013: 15.4%) and by portfolio of financial instruments (financial assets held for trading, available for sale investments and financial assets held to maturity) at 6.3% (2013: 7.0%). The loans to deposits ratio was 83.32%, compared to 83.03% the previous year.

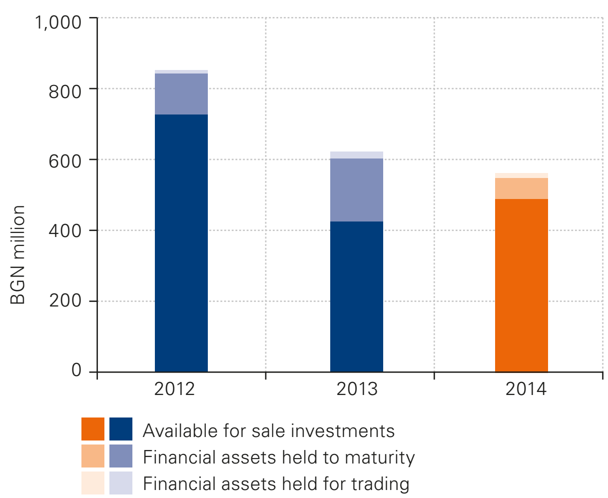
Cash and balances with central banks grew to BGN 1,651,945 thousand, against BGN 1,347,555 thousand a year earlier. The dynamics reflected an increase in current accounts and amounts with foreign banks (2014: BGN 645,729 thousand; 2013: BGN 226,862 thousand, maintained as part of the liquidity management. Balances with central banks amounted to BGN 840,589 thousand, compared to BGN 961,960 thousand the previous year. The Bank continued to manage the cash balances in accordance with the market environment and external conditions. Cash on hand increased to BGN 165,611 thousand, against BGN 158,719 thousand the prior year.

Loans and advances to banks and financial institutions amounted to BGN 112,078 thousand (2013: BGN 120,126) at the end of the period, due mainly to an increase in placements due from foreign banks and financial institutions, at the expense of resident banks (2014: BGN 18,819 thousand; 2013: BGN 16,827 thousand).

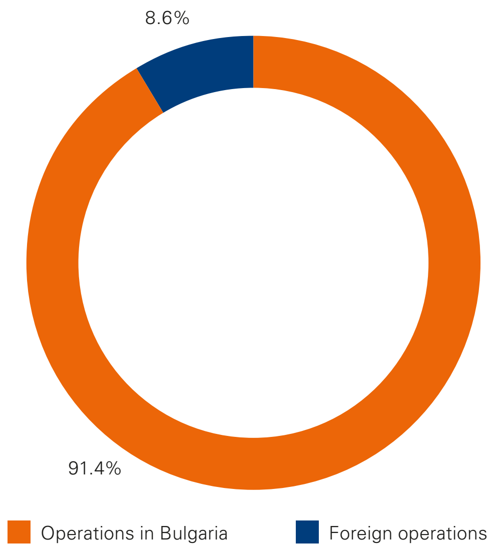
Available for sale investments increased by 15.0% and reached BGN 486,975 thousand at 31 December 2014. The increase resulted mainly from a growth in bonds and notes issued by the Bulgarian government to BGN 373,210 thousand at the end of the period, against BGN 220,316 thousand a year earlier, as well as in those issued by foreign governments (2014: BGN 44,018 thousand; 2013: BGN 19,220 thousand). A decreased was registered in treasury bills issued by foreign governments up to BGN 61,453 thousand (2013: BGN 175,764 thousand).

At the end of the period financial assets held for trading amounted to BGN 9,646 thousand (2013: BGN 16,423 thousand), reflecting the Bank's investment policy for maintaining a limited trading book. Financial assets held to maturity decreased to BGN 63,737 thousand (2013: BGN 178,658 thousand) at the end of the prior year. The decrease was a result of a sale of investments in June 2014 with a nominal value EUR 40,000 thousand. This sale did not represent a change in the Group's intention and ability to hold the investments to their maturity, because it was attributable to an isolated, non-recurring event that was beyond the Bank's control and was not anticipated by the Group.

Portfolio of financial instruments



Geographical structure of assets



As at 31 December 2014 Fibank's foreign operations increased its relative share, forming 8.6% of Group's assets or BGN 755,677 thousand (2013: 8.3% or BGN 724,585 thousand).

Repossessed assets amounted to BGN 521,605 thousand at the end of the period (2013: BGN 467,814 thousand, while other assets were BGN 39,413 thousand (2013: 62,007 thousand).

Loan portfolio

Loans

In 2014 the Group's loan portfolio before impairment increased and reached BGN 6,333,930 thousand at period-end (2013: BGN 6,256,584 thousand), as an increase was registered in corporate loans. The Bank retained its market position and ranked third in terms of lending amongst banks in the country (2013: third). As at 31 December 2014 the market share of Fibank was 11.54% on an unconsolidated base (2013: 8.88%).

In BGN thousand / % of total	2014	%	2013	%	2012	%
Retail customers	1,312,617	20.7	1,335,342	21.3	884,471	18.8
Small and medium enterprises	557,681	8.8	686,239	11.0	316,788	6.7
Microlending	88,984	1.4	93,408	1.5	30,075	0.6
Corporate customers	4,374,648	69.1	4,141,595	66.2	3,478,134	73.9
Gross loan portfolio	**6,333,930**	**100**	**6,256,584**	**100**	**4,709,468**	**100**
Impairment	(523,602)		(235,792)		(169,079)	
Loan portfolio after impairment	**5,810,328**		**6,020,792**		**4,540,389**	

During the reporting period lending to large corporate customers remained structure-determining for the operations of the Bank, forming 69.1% (2013: 66.2%) of the total loan portfolio. The relative share of retail banking was 20.7% of total loan portfolio, those to small and medium enterprises at 8.8%, microlending at 1.4%.

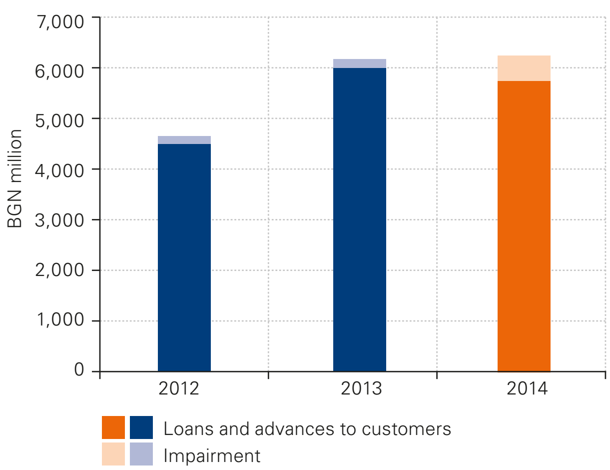
In BGN thousand / % of total	2013	%	2013	%	2012	%
Loans in BGN	1,811,006	28.6	1,631,203	26.1	1,054,329	22.4
Loans in EUR	4,213,292	66.5	4,321,896	69.1	3,328,544	70.7
Loans in other currency	309,632	4.9	303,485	4.8	326,595	6.9
Gross loan portfolio	**6,333,930**	**100**	**6,256,584**	**100**	**4,709,468**	**100**
Impairment	(523,602)		(235,792)		(169,079)	
Loan portfolio after impairment	**5,810,328**		**6,020,792**		**4,540,389**	

In the currency structure of the loan portfolio, loans in EUR formed a predominant share of 66.5% (2013: 69.1%), helped by the effective Currency Board Arrangement in the country, which minimizes currency risk. These loans amounted to BGN 4,213,292 thousand at the end of the period (2013: BGN 4,321,896 thousand). Loans in BGN also increased in the last years to BGN 1,811,006 thousand (2013: BGN 1,631,203 thousand) or 28.6% of total loan portfolio (2013: 26.1%), while those in other currencies to BGN 309,632 thousand (2013: BGN 303,485 thousand) or 4.9% of total loans (2013: 4.8%).

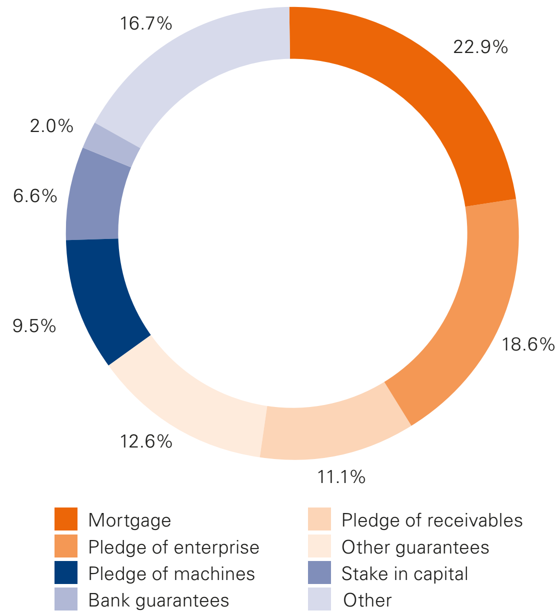
Gross loans extended by the Bank's units abroad amounted to BGN 628,800 thousand before allowances or 5.0% more than the previous year (2013: BGN 598,759 thousand).

Portfolio impairment for calculating potential losses from credit risk increased and reached BGN 523,602 thousand at the end of the period (2013: BGN 235,792 thousand), influenced by the credit risk developments and continuing challenges in the market environment. Despite the amendments in regulatory requirements, the Bank maintained the requirements of Ordinance No 9 of the BNB, repealed in connection to CRR/CRD IV package implementataion, as well as the conservative approach towards assessment of the potential risk of impairment of risk exposures. During the year the write-off of customers were on the amount of BGN 543 thousand, against BGN 3,580 thousand the previous year.

Loan portfolio and impairment



Loan portfolio by collateral



The policy of the Bank requires proper collateral before granting a loan. In this respect, it accepts all types of collateral permitted by law and applies discount rates depending on the expected realizable net value of the collateral. The collaterals usually include mortgages, cash collateral, machinery and equipment, securities and other properties and receivables, including insurance policies limited up to the insurance amount, future money transfers to account, other proceeds such as salaries transfers and other. At the end of 2014 collaterals with the largest share in the Group's portfolio were mortgages at 22.9%, followed by pledges of receivables at 18.6%, other guarantees at 12.6%, pledges of commercial enterprise at 11.1% and pledges on machines and equipment at 9.5%.

For further information regarding credit risk see note 3 "Risk management" of the Consolidated Financial Statements as at 31 December 2014 together with the Report of the Independent Auditor.

Related party transactions

In the normal course of business the Bank carries out transactions with related parties. These transactions are effected in market conditions. The internal rules and regulations of the Bank with respect to such loans are in compliance with the effective legislation.

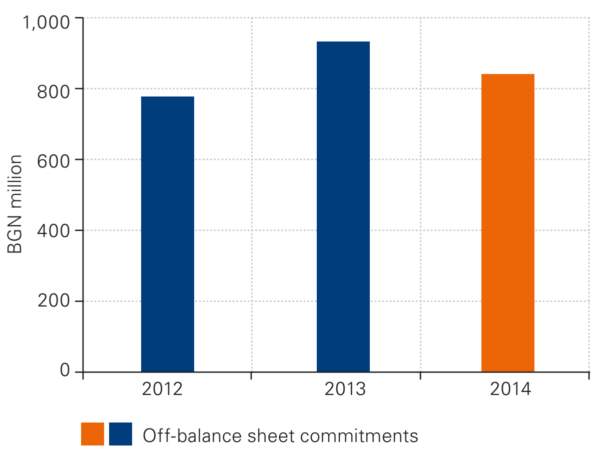
In BGN thousand	**2014**	**2013**	**2012**
Loans			
Parties that control or manage the Bank	765	1,231	1,349
Enterprises under common control	17,149	17,276	24,456
Off-balance sheet commitments			
Parties that control or manage the Bank	2,117	1,607	1,841
Enterprises under common control	968	234	252

For more information regarding related party transactions, see Note 37 "Related party transactions" of the Consolidated Financial Statements as at 31 December 2014 together with the Report of the Independent Auditor.

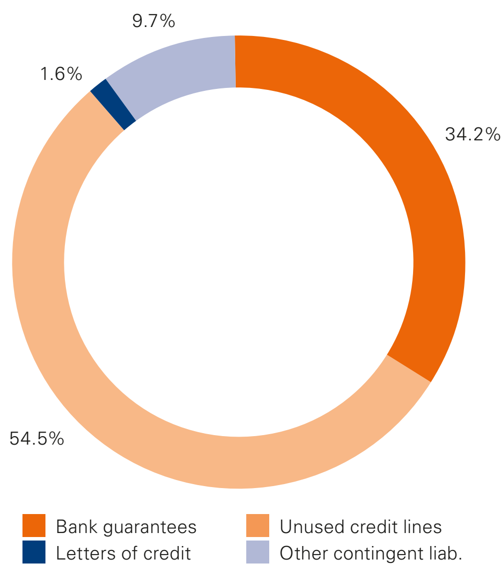
Commitments and contingent liabilities

Commitments and contingent liabilities of the Bank include bank guarantees, letters of credit, credit lines and promissory notes. These are issued in compliance with the general loan policy of the Bank on risk assessment and collateral sufficiency. Contingent liabilities are preferred instruments for credit institutions because they carry lower credit risk and at the same time are good sources of fee and commission income. They are also preferred by clients because they not only facilitate payments but also reduce the cost of financing as compared to direct financing and immediate payment.

Off-balance sheet committments



Structure of off-balance sheet committments



At the end of the reporting period the total amount of off-balance sheet commitments amounted to BGN 841,167 thousand, compared to BGN 929,368 thousand the prior year. The increase was due to a decline in bank guarantees in BGN and in foreign currency up to BGN 287,422 thousand (2013: BGN 365,686 thousand), in unused credit lines to BGN 458,524 thousand (2013: BGN 531,298 thousand) and in letters of credit to BGN 13,347 thousand (2013: BGN 31,573 thousand). As at 31 December 2014 the amount of other contingent liabilities was BGN 81,874 thousand.

Attracted funds

In 2014 attracted funds from customers amounted to BGN 6,699,677 thousand (2013: BGN 7,535,756 thousand), remaining the main source of financing for the Bank, which formed 82.7% of total liabilities (2013: 93.2%). The dynamics reflected the challenges that the banking system faced and First Investment Bank in particular in June 2014, as a result of which the Bank received liquidity aid from the state, but also funds attracted during the year which represents the customers' trust and satisfaction with Fibank's development and the services offered.

Attracted funds from individuals registered a growth of 2.0% during the year and amounted to BGN 5,728,991 thousand at the end of the period, against BGN 5,616,002 thousand a year earlier. They retained their structure-determining share in total attracted funds from customers at 85.5% (2013: 74.5%).

In the currency structure of attracted funds from individuals those in BGN dominated at 40.4% of total attracted funds from customers (2013: 33.9%), followed by those in EUR at 37.1% (2013: 32.7%) and in other currency at 8.0% (2013: 7.9%). As at 31 December 2014 First Investment Bank retained its market position, by ranking second in terms of retail deposits amongst banks in Bulgaria (2013: second). Fibank's market share amounted to 13.52% on an unconsolidated basis (2013: 12.70%) at end-period.

In BGN thousand / % of total	2013	%	2013	%	2012	%
Attracted funds from individuals	**5,728,991**	**85.5**	**5,616,002**	**74.5**	**5,027,005**	**81.2**
In BGN	2,706,892	40.4	2,553,382	33.9	2,214,064	35.8
In EUR	2,483,478	37.1	2,469,339	32.7	2,284,859	36.9
In other currency	538,621	8.0	593,281	7.9	528,082	8.5
Attracted funds from corporate, state-owned and public institutions	**970,686**	**14.5**	**1,919,754**	**25.5**	**1,162,716**	**18.8**
In BGN	585,166	8.7	1,167,169	15.5	688,951	11.1
In EUR	283,743	4.2	572,793	7.6	339,559	5.5
In other currency	101,777	1.5	179,792	2.4	134,206	2.2
Total attracted funds from customers	**6,699,677**	**100**	**7,535,756**	**100**	**6,189,721**	**100**

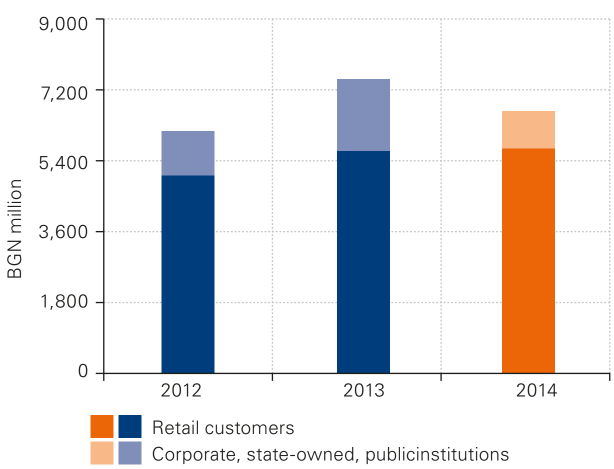
First Investment Bank sets aside the required annual premiums in accordance with the Bank Deposit Guarantee Act, as according to regulatory requirements the amount guaranteed by the Fund on customer's bank accounts held with the Bank is BGN 196,000 per customer.

Attracted funds from corporate, state-owned and public institutions decreased to BGN 970,686 thousand (2013: BGN 1,919,754 thousand) at the end of the year, as their relative share amounted to 14.5% of total attracted funds from customers (2013: 25.5%).

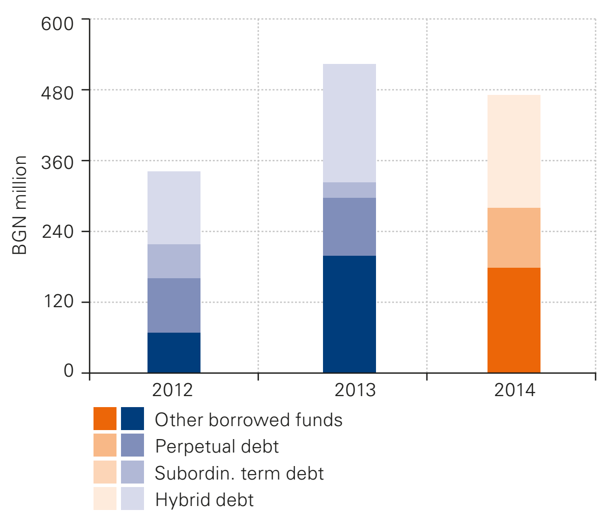
In June 2014 First Investment Bank received state aid in the form of deposit on the amount of BGN 1.2 billion as part of a liquidity scheme, approved by the European Commission with decision C(2014) 4554 dated from 29.06.2014. In November 2014 First Investment Bank repaid part of the liquidity support, while the rest on the amount of BGN 900 million was approved by the European Commission with decision C(2014) 8959 dated from 25.11.2014 for repayment over a term of 18 months.

In the currency structure of attracted funds from corporate, state-owned and public institutions those in BGN formed 8.7% of total attracted funds from customers (2013: 15.5%), those in EUR were 4.2% (2013: 7.6%), while those in other currencies were 1.5% (2013: 2.4%).

Customer deposits



Other liabilities



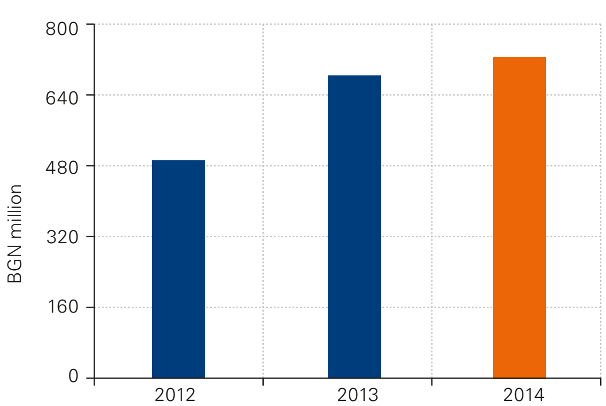
Other borrowed funds decreased to BGN 177,544 thousand as at 31 December 2014, against BGN 196,444 thousand a year earlier, due mainly to repaid on maturity by First Investment Bank mortgage bonds at the end of September 2014 (ISIN: BG2100017115) with a nominal amount of EUR 15 million. As a result of the merger of Unionbank EAD into First Investment Bank AD the rights and obligations under the bond issue were transferred to First Investment Bank as a universal successor.

A growth was registered in financing from financial institutions. They reached BGN 137,778 thousand at the end of the period (2013: BGN 113,388 thousand), a contributor being utilized funds from the European Investment Fund, extended under the JEREMIE initiative, as well as from the Bulgarian Development Bank AD. An increase was registered in acceptances under letters of credit, as well, to BGN 23,337 thousand (2013: BGN 5763 thousand), at the expense of liabilities under repurchase agreements.

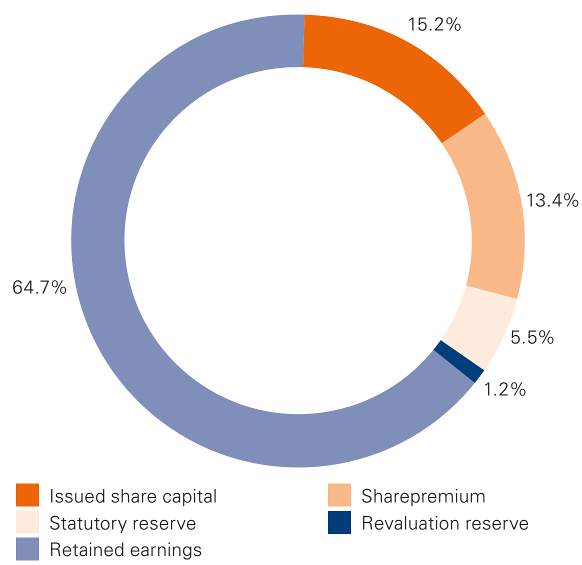
Capital

Total Group equity of First Investment Bank increased during the year by 5.0% to reach BGN 726,897 thousand (2013: BGN 692,515 thousand), as a result of a growth in retained earnings, which reached BGN 468,945 thousand at end-period (2013: BGN 438,171 thousand). The increase reflected the net profit of First Investment Bank for 2014 at the amount of BGN 30,774 thousand, as well as the reported growth in revaluation reserve on available for sale investments, which reached BGN 7114 thousand at the end of the period, against BGN 3504 thousand a year earlier.

Total Group equity



Equity structure



First Investment Bank's issued share capital was BGN 110,000 thousand, divided into 110,000,000 common voting shares with a nominal value of BGN 1 each. All the shares have been fully paid-up.

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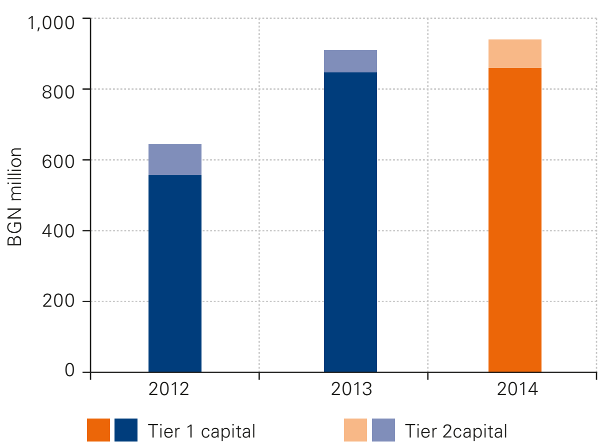
Regulatory capital

First Investment Bank maintains own funds for the purpose of capital adequacy under the form of common equity tier 1, additional tier 1 and tier 2 capital, following the requirements of Regulation (EU) No 575/2013 and Ordinance No 7 of the BNB on the organization and management of risks in banks.

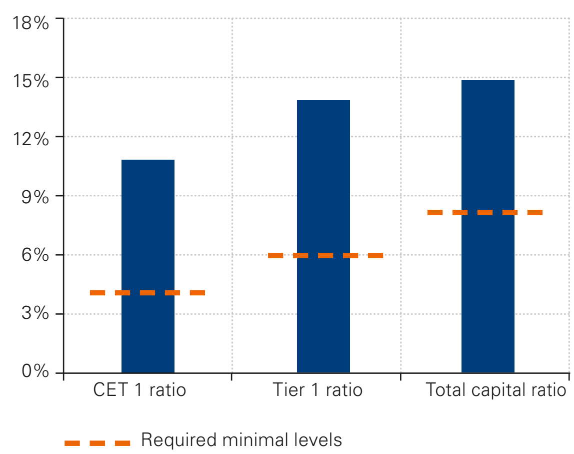
In 2014 First Investment Bank continued its consistent policy for capital development focusing on tier 1 capital and common equity tier 1 in particular. At the end of the reporting period common equity tier 1 amounted to BGN 681,237 thousand, with included an increase in reserves, and in this number retain earnings. Tier 1 grew and reached BGN 860,348 thousand, while total own funds reached BGN 939,052 thousand.

At the end of 31 December 2014 the Group has issued two hybrid debt instruments (bond issues) with original principal of EUR 40 million (ISIN: BG2100008114) and EUR 60 million (ISIN: BG2100022123), which fully comply with the requirements of Regulation (EU) No 575/2013 and are fully included in the additional tier 1 capital. The bonds were registered, dematerialized, interest-bearing, perpetual, unsecured, freely transferable, non-convertible, deeply subordinated and without incentive to redeem. The amortised cost of the hybrid debt as at end-2014 was BGN 195,447 thousand, against BGN 205,251 thousand year-on-year. The decrease resulted from the suspension until the aid repayment of the accrual of interest on the two hybrid instruments in accordance with Decision C (2014) 8959 of the European Commission, dated 25.11.2014 regarding liquidity support approval for First Investment Bank (SA.39854, 2014/N). During the year, both hybrid bond issues were admitted to trade on a regulated market on the Luxemburg Stock Exchange, after approval of the prospectuses by the competent authorities pursuant to Luxemburg legislation – the Commission de Surveillance du Secteur Financier (CSSF).

Regulatory capital



Capital adequacy 2014



To develop its own funds Fibank also uses perpetual debt instruments, which are recognized as Tier 2 capital. As at 31 December 2014 the Group had two step-up guaranteed perpetual subordinated bonds with original principal of EUR 27 million and EUR 21 million, which are included in tier 2 capital after receiving respective permissions by the Bulgarian National Bank. After the adoption of Regulation No 575/2013 (effective 1 January 2014), the two issues are subject to grandfathering and as at 31 December 2014 the perpetual bonds are included in the tier 2 capital with 80% of their principal value. At the end of the reporting period the amortised cost of the perpetual debt amounted to BGN 99,999 thousand (2013: BGN 99,792 thousand).

During the first four months of 2014 First Investment Bank repaid before maturity three subordinated loan agreements with original principal amount of BGN 23,470 thousand, after received written approval from the BNB.

For the purpose of reporting of large exposures and qualifying holdings outside the financial sector, First Investment Bank applies the new definition of eligible capital, calculated as per Regulation (EU) No 575/2013 and Ordinance No 7 of the BNB on the organization and management of risks in banks. As at 31 December 2014 the eligible capital of First Investment Bank amounted to BGN 939,052 thousand.

Capital requirements

Since 31 December 2014 First Investment Bank has complied with the capital requirements and capital adequacy ratios pursuant to Regulation (EU) No 575/2013 and the applicable regulation, including Ordinance No 8 of the BNB on capital buffers (SG, issue 40 dated 13 May 2014, effective from 17 May 2014) and Ordinance No 7 of the BNB on the organization and management of risks in banks (SG, issue 40, dated 13 May 2014, effective from 17 May 2014).

The capital indicators of First Investment Bank on a consolidated basis exceed the regulatory levels – the common equity tier 1 capital ratio amounted to 10.80%, the tier 1 capital ratio was 13.64%, while the total capital adequacy ratio was 14,89%.

In BGN thousand/% of risk exposure	**2015**	**%**	**2013**[1]	**%**	**2012**	**%**
Tier 1 capital	860,348	13.64	843,173	13.31	555,159	11.39
Incl. common equity tier 1 capital	681,237	10.80	–	–	–	–
Own funds	939,052	14.89	903,810	14.26	638,713	13.10
Total risk exposure	**6 306,376**		**6 336,803**		**4 875,037**	

Capital buffers

In addition to capital requirements, pursuant to Regulation (EU) No 575/2013, First Investment Bank maintains capital buffers in compliance with the requirements of Ordinance No 8 of the BNB on capital buffers. Since 17 May 2014 the Bank has maintained a capital conservation buffer, comprised of common equity tier 1 capital, equal to 2.5% of total risk exposure of the Bank. In addition, since 1 October 2014 it has maintained a buffer for systemic risk amounting to 3% of the Bank's total risk exposure in Bulgaria, which is covered by common equity tier 1 capital.

Leverage

First Investment Bank calculates leverage ratio in compliance with the requirements of Regulation (EU) No 575/2013 and Delegated Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No 575/2013 with regard to the leverage ratio. During the year preparatory activites were performed aiming at compliance and application of the new requirements for disclosure of leverage ratio effective from 1 January 2015. As at 31 December 2014 the leverage ratio under transitional treatment amounted to 10.28% on a consolidated basis.

The Bank applies adequate policies and processes for assessment and management of the risk of excessive leverage, including through various scenarios and on-going monitoing of the leverage ratio, calculated in compliance with the new regulatory requirements.

1 The amounts till 2013 including are calculated in accordance with Ordinance No 8 of BNB on the capital adequacy of credit institutions (repealed SG, issue 40 dated 13 May 2014).

Risk management

Risk management strategy

First Investment Bank has built, maintained, and developed a risk management system which ensures the timely identification, assessment and management of risks inherent to its activity.

The risk management strategy of First Investment Bank is an integral part of its business strategy. The main objective in managing the overall risk profile of the Bank is to achieve a balance between risk, return and capital. The risk profile is relevant to the product policy of the Bank and is determined in accordance with the economic factors in the country and the Bank's internal characteristics and requirements.

The Bank determines its risk propensity and risk tolerance levels so that they correspond to its strategic objectives and stable functioning. First Investment Bank assumes risks while ensuring the required level of equity capital and an effective management process. The Bank maintains financial resources that are commensurate with the volume and type of operations performed and with its risk profile, by developing internal control systems and mechanisms for risk management in accordance with the regulatory requirements and best practices.

In 2014, First Investment Bank continued to improve and develop the systems applied for forecasting, assessment and management of risks according to the external conditions and best banking practices, while maintaining flexibility and adaptability to the market requirements. During the year, the necessary measures were taken to bring the activity in compliance with the new regulatory framework: the CRR/CRD IV package, including Regulation (EU) №575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, and Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

According to the amended regulatory framework, First Investment Bank applied new requirements, including with regard to capital adequacy, maintaining of capital buffers, measuring and controlling large exposures, liquidity risk management, and disclosure of information.

Taking into account the challenges of the external environment, the Bank continued the centralized management of credit risk and the application of forecasting models, stress tests, and programs for internal capital adequacy assessment (ICAAP).

Risk management framework

The risk management framework of First Investment Bank includes written policies, rules and procedures, mechanisms for identification, assessment, monitoring and control of risks, and measures to reduce them. Its main underlying principles are: objectivity, dual control of any operation, centralized management, separation of duties, clearly defined levels of competencies and authority.

The overall process of risk management is carried out under the guidance of the Managing Board of First Investment Bank. All three independent functions of risk control, compliance, and internal audit operate and are applied in the Bank.

The Supervisory Board exercises control over the activities of the Managing Board on risk management, liquidity and capital adequacy, directly and/or through the Risk Committee which functions as an auxiliary body to the Supervisory Board in accordance with the existing internal bank rules and procedures. The Risk Committee is responsible for the broad strategic and tactical oversight over the risk management function of the Bank, including with regard to formation of risk exposures, and also supports the Supervisory Board in determining the policy concerning the overall current and future risk strategy, and the Bank's risk-taking propensity. As at 31 December 2014, the Risk Committee consists of three members of the Supervisory Board of First Investment Bank AD. Chairman of the Risk Committee is Mr. Evgeni Lukanov, Chairman of the Supervisory Board of the Bank.

It is the policy of the Bank to maintain and to periodically update an information system allowing for precise measurement and control of risks through the use of internal rating models for assessment of the quality of the borrower, assigning of credit rating to the exposure, and obtaining quantitative assessment of risk. The information system ensures maintenance of a database and subsequent processing of data for the purposes of risk management, including for preparation of the regular reports necessary for monitoring the risk profile of the Bank.

Collective risk management bodies

For supporting the activity of the Managing Board in managing the various types of risks, as well as applying the effective regulatory requirements, the EBA recommendations, the Basel Committee recommendations and internationally established standards, the following collective management bodies operate at the head office of Fibank: the Credit Council, the Liquidity Council, the Credit Committee and the Operational Risk Committee, which carry out their activities on the basis of written structure, scope of activities and functions.

The Credit Council supports the management of the credit risk undertaken by the Bank by issuing opinions on loan transactions in accordance with the authority level assigned thereto. As at the end of 2014 the Credit Council consisted of six members elected by the Managing Board – representatives of the Corporate Banking, SME Lending, Risk Management, Legal and Branch Network departments. Chairperson of the Credit Council is the director of the Risk Management department.

The Liquidity Council oversees on an ongoing basis the Bank's assets, liabilities and liquidity. It conducts systemic analyses of the interest and maturity structure of assets and liabilities, and of liquidity indicators with a view to their optimisation. As at 31 December 2014, it comprised five members – two members of the Managing Board, the Chief Financial Officer and the directors of the Treasury and Risk Management departments. Chairperson of the Liquidity Council is the chairman of the Managing Board of the Bank.

The Credit Committee is a specialised body for monitoring loan exposures with indicators for impairment. As at 31 December 2014, it has seven members elected by the Managing Board – representatives of the Impaired Assets and Provisioning, Risk Management, Corporate Banking, SME Lending, Retail Banking, Accounting and Legal departments. The Credit Committee members are employees of the Bank who are not directly involved in decision-making on the extension of loans. Chairperson of the Credit Committee is the deputy director of Impaired Assets and Provisioning department.

The Operational Risk Committee is a consultative body established to facilitate the adequate management of operational risk by monitoring and analyzing operating events. The Committee proposes measures for the minimizing of operational risks, as well as preventive measures. As at 31 December 2014, the Committee included seven members – representatives of the following departments: Risk Management, Methodology, Accounting, Operations, Branch Network and Legal. Chairperson of the Operational Risk Committee is the director of the Risk Management department.

Risk management department

In addition to the collective management bodies, Fibank employs a specialised independent unit – the Risk Management department, which performs functions for identification, measurement and management of the various types of risks, inherent to the Bank's activity. The department exercises secondary control over risk exposures, monitors and assesses the bank's risk profile, regularly reviews the defined level of risk appetite and risk tolerance, and if necessary suggests changes, as well as is responsible for the implementation of the new requirements related to risk assessment and capital adequacy.

The primary mechanisms and tools for the management of different types of risk are summarised below:

Credit risk

Credit risk is the risk arising from the debtor's inability to meet the requirements of a contract with the bank or inability to act in accordance with the agreed terms. The different types of credit risk include concentration risk, residual risk, dilution risk, counterparty risk, settlement risk. Credit risk is the major source of risk to the banking business and its effective assessment and management are crucial for the long-term success of credit institutions.

First Investment Bank manages the credit risk by applying internal limits on exposures, on customers/counterparties, types of instruments, industry sectors, markets, as well as by written rules and procedures with regards to customers' creditwordiness, by internal rating and scoring models, and by procedural requirements in originating and managing of loan exposures (administration). Credit risk is managed also by acceptance of guarantees and collateral in types and amounts according to the effective regulations and to the Bank's internal rules and requirements.

First Investment Bank establishes and applies a system for credit risk management, which includes internal rules for lending and for managing of problem exposures, methodology for impairment of risk exposures, approval levels in origination of loan exposures, as well as loan analyses and internal credit ratings (scoring models) with regards to customers' creditwordiness.

Fibank regularly updates its internal rules and procedures to optimise the full and timely detection, analysis and minimization of present and potential risks. The applied limits on all exposures to credit risk, including to individual customers, customer groups, counterparts, to types of instruments, industries are currently monitored and in compliance with the market conditions and regulatory framework.

Internal models for credit risk assessment based on statistical methods for processing and analysis of historical information, help assess the probability of default (PD) and loss on default (LGD) for certain classes of exposures that allows the calculation of risk-adjusted return. Internal rating models for credit assessment applied by the Bank are integrated in an integrated information system, which includes centralized data base and is not solely or automatically relied on external credit ratings. All credit risk exposures are controlled on an ongoing basis.

First Investment Bank requires collateral for credit risk exposures, including for contingent liabilities, which bear credit risk. For reduction of the credit risk the Bank applies established techniques, procedures and rules, ensuring effective credit protection, including through monitoring and control of residual risk. Secured protection is ensured to assets, which are liquid enough and have relatively unchanged value in time, as the Bank applies internal written rules, regulating the accepted collaterals by type and amount, while in compliance with regulatory requirements for their recognision, as well as for their documentary structuring. For reduction of credit risk First Investment Bank applies the financial collateral simple method together with the standardised approach under the requirements of Regulation (EU) No 575/2013.

The Bank maintains systems for ongoing administering and monitoring of different portfolios and exposures towards credit risk, including aiming at recognizing and managing of problem loans and performing of adequate credit risk adjustments. Considering the impact of the economic cycle the Bank continued to actively manage its problem exposures – aiming at their timely diagnosis and taking measures consistent with the repayment capacity of the clients and the Bank's policy on risk-taking. During the year preparations were made for implementing the new requirements with regards to risk exposure classification for the purposes of FINREP, including those with respect to foreborne exposures.

For further information regarding credit risk see note 3 "Risk management" of the Consolidated Financial Statements as at 31 December 2014 together with the Report of the Independent Auditor.

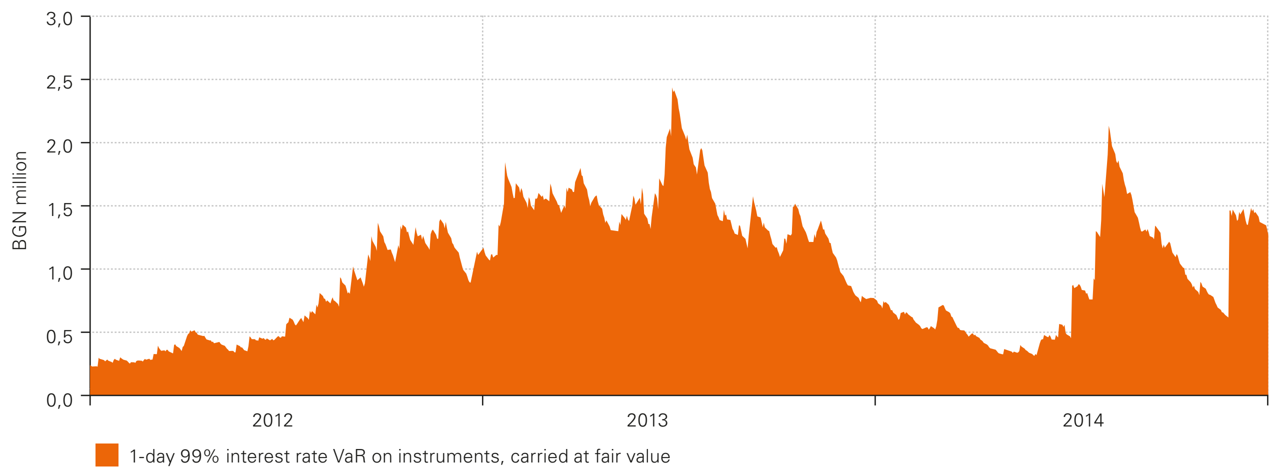
Market risk

Market risk is the risk of losses due to changes in the price of financial instruments resulting from general risk factors not related to the specific characteristics of individual instruments, such as changes in interest rates, exchange rates and / or specific risk factors relating to the issuer. The Bank's policy is to maintain an insignificant trading portfolio, for which reason it does not calculate capital requirements for market risk in this portfolio (with exception for the capital requirements for currency and commodity risks) and calculates the total position risk from debt instruments for internal purposes through VaR models.

Interest rate risk is the current or potential risk of change in the income of the Bank as a result of adverse changes in interest rates. Fibank manages interest rate risk in the banking book though written rules, limits and procedures aimed at reducing the mismatch between assets and liabilities. Interest rate risk in the banking book is measured using models that assess the impact of interest rate scenarios on the economic value of the Bank and on the net interest income with a one-year horizon. Evaluation of the impact on the economic value of the Bank is based on models of the duration of interest-bearing assets and liabilities. The evaluation of the impact on net interest income is based on a maturity/repricing table of assets and liabilities and the estimated change in interest rates by classes of instruments following a change in market interest rates.

To manage the interest rate risk of securities carried at fair value, Fibank applies VaR analysis (see infra), duration analysis and analysis of standardised interest rate shocks.

1-day 99% interest rate VaR on instruments, carried at fair value



Currency risk is the risk of loss resulting from an adverse change in exchange rates. Fibank controls this risk by applying regulatory and internal limits. The Bank is limiting its open foreign exchange position to EUR 8 million or 1.7% of its own funds as at 31.12.2014. Fibank is also exposed to currency risk when effecting proprietary trading in foreign exchange. The volume of such trading operations is very limited, and is controlled through limits on open foreign currency positions and stop-loss limits on open positions.

For further information regarding market risk see note 3 "Risk management" of the Consolidated Financial Statements as at 31 December 2014 together with the Report of the Independent Auditor.

Liquidity risk

Liquidity risk originates from the funding of the banking business and in positions management. It includes the risk of failure to meet a payment when due, or failure to sell certain assets at a fair price and in the short term to meet an obligation.

Fibank manages liquidity risk through an internal system for monitoring and daily liquidity management, the maintenance of a sufficient amount of cash in view of the maturity and currency structure of assets and liabilities, a monthly gap analysis of inflows and outflows, maintaining a low risk portfolio of assets to meet current liabilities, and operations on the interbank market. Fibank's policy on liquidity management is specified and pursued so as to ensure that the Bank can meet all obligations under external (systemic) or idiosyncratic stress, as well as to maintain an adequate level and structure of liquid buffers and the application of appropriate mechanisms for the distribution of costs, profits and risk, related to liquidity. The Bank applies a combination of methods, financial models and instruments for assessment and management of liquidity, including the new requirements for reporting and monitoring of the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) in compliance with Regulation (EU) No 575/2013 and the applicable delegated regulations of the European Commission.

During the reporting year Fibank continued to maintain adequate amount of liquid assets, as at 31 December 2014 the liquidity ratio amounted to 24.01% on a consolidated basis, while the ratio of total liquid assets to total borrowings was 26.25% (2013: 22.66%). At the end of the period the liquidity coverage ratio and net stable funding ratio, calculated in line with Regulation (EU) No 575/2013 requirements were 399.44% and 118.46% on a consolidated basis respectively.

For further information regarding liquidity risk see note 3 "Risk management" of the Consolidated Financial Statements as at 31 December 2014 together with the Report of the Independent Auditor.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes, people or systems, or from external events. In order to mitigate the risks arising from operational events Fibank applies written policies, rules and procedures that are based on the requirements laid down in Bulgarian and EU legislation and good banking practices.

The managing of operational risk is based on the principles of not assuming unsound risk, strict compliance with the authority levels and applicable laws, and the active management of operational risk.

First Investment Bank maintains a system for the registration, tracking and control of operational incidents and near-misses that complies with the effective regulatory requirements. The Bank applies sound methods for limiting the influence of operational risks, including through splitting the functions and responsibilities, double control, approval levels, internal control, insurance contracts, information security.

The Risk Management department defines and categorises operational events across event types and business lines inherent in banking; the department also defines the responsibilities of the employees tasked with data collection. The Operational Risk Committee regularly reviews operating events and suggests to the managing Board measures for the immediate correction of the reasons for them, as well for the optimization of the processes, activities, products and services of all levels in the Bank's system.

Risk exposures

As at 31 December 2014 First Investment Bank applied the standardized approach for the calculation of the risk exposures for credit risk, in accordance with Regulation (EU) No 575/2013. Due to the limited volume of financial instruments in the trading book (bonds and other securities) capital requirements are calculated in accordance with the requirements of Regulation (EU) No 575/2013 as applied to the banking book. The Bank applies the basic indicator approach for calculation of the capital requirement to cover the risk of operational losses.

In BGN thousand/ % of total	2014	%	2013[1]	%	2012	%
For credit risk	5,865,325	93.0	5,935,405	93.7	4,491,397	92.1
For market risk	6,902	0.1	7,738	0.1	12,400	0.3
For operational risk	434,149	6.9	393,660	6.2	371,240	7.6
Total risk exposures	**6,306,376**	**100**	**6,336,803**	**100**	**4,875,037**	**100**

Apart from Supervisory purposes, Fibank also calculates the economic capital that will ensure its solvency and business continuity in adverse market conditions. For that purpose, an internal capital adequacy analysis (ICAAP) is made.

Internal capital adequacy analysis

The capital needs of First Investment Bank are determined according to its business strategy and risk profile. In this regard, the assessment of the required economic capital of the Bank reflects the risk profile of its activity. The main indicators are the quantitative evaluation methods which are used take into account unfavorable economic environment scenarios.

The internal system for assessing the required internal capital is based on the VaR forecasting models for credit and market risk, on stress tests for liquidity and interest rate risk in the banking book, on using the Basic Indicator Approach regarding operational risk, and on analytical tools and techniques which provide the opportunity for detailed assessment of capital adequacy in accordance with the risk profile of the Bank and the current operating environment.

For calculation of capital adequacy in relation to credit risk exposure, First Investment Bank uses internal valuation models, except in particular cases, e.g. in exposure classes with a negligible impact on the risk profile. For exposure to classes of substantial importance, which constitute the main credit activity of Fibank, the economic capital is determined based on a single-factor model for the credit portfolio VaR, which determines the probable distribution of losses that may be incurred within one year ahead, at 99 5% confidence interval.

As regards concentration risk, its quantitative evaluation is part of the overall assessment of the exposure to credit risk. For the purposes of ICAAP, First Investment Bank assesses the concentration risk due to the uneven distribution of credit exposures by client, or by a group of related persons, from the perspective of its financial stability and ability to carry out its core business.

The Bank's exposure to market risk is limited and involves the assessment of capital adequacy in relation to position risk, foreign exchange risk, and commodity risk. For calculation of the economic capital for market risk, internal value-at-risk (VaR) models are used, with a time horizon of 10 days and a confidence level of 99.5%.

For the purposes of the internal analysis of capital adequacy, Fibank manages the interest rate risk in its banking book by managing the structure of investments, controlling the costs and terms of financial liabilities, as well as controlling the interest rate structure of the loan portfolio and the other interest-bearing assets. Approaches are used to evaluate the effect of interest rates on the net interest income on a horizon of one year, and the effect on the economic value of the Bank.

With regard to operational risk, First Investment Bank applies the Basic Indicator Approach; for the purposes of ICAAP it is assumed that the economic capital is comparable to that for supervisory purposes.

For assessing the required internal capital for liquidity risk, the Bank applies conservative stress tests using combined shock scenarios with a horizon of one month, taking into account the amount of losses that the Bank would incur in order to meet its cash outflows.

1 The amounts till 2013 including are calculated in accordance with Ordinance No 8 of BNB on the capital adequacy of credit institutions (repealed SG, issue 40 dated 13 May 2014).

Distribution channels

First Investment Bank deploys a wide array of distribution channels for its products and services: a well-developed branch network, an extensive network of ATM and POS terminals, remote access to information and services through its own contact center, direct sales, e-banking.

In 2014, Fibank continued to develop its distribution channels according to the customer needs and market environment.

Branch network

The branch network is the main channel for distribution of the banking products and services of First Investment Bank.

In 2014, in connection with the merging of Unionbank EAD, the main focus in the development of the branch network was placed on consolidation and optimization of the branches and offices of the two banks in the united structure, taking into account the specific locations, the efficiency and volume of activities, and the need for servicing of the increased customer base.

As at 31 December 2014, the branch network of the Group of First Investment Bank comprised a total of 178 branches and offices on a consolidated basis (2013: 221), located in more than 60 cities in Bulgaria: 55 offices in Sofia, 112 branches and offices in the remaining part of the country, a foreign branch in Cyprus, as well as a subsidiary bank in Albania operating through a Head Office in Tirana and nine branches in Albania.

For the purpose of increasing efficiency, the Bank continues to work towards optimization of the branch network, taking into account the external environment and the volumes of activity.

Contact centre – ∗bank (∗2265), 0800 11 011

In 2014, Fibank's contact center continued to function as an effective channel for communication and the active selling of target products and services.

During the year various campaigns were carried out through the contact center, including information campaigns, as well as such associated with direct marketing of banking products and services, or with assisting collections of receivables from customers.

The Bank continued to work towards further development and diversification of the services offered through the contact center, in line with customer needs and new technologies. By the end of 2014, customers could turn to the contact center in order to apply for a credit or debit card, for a debit card overdraft, to receive accurate and timely information on products and services, on the tariff and interest rate terms of the Bank, on the location of branches and their working hours, as well as to obtain adequate and professional assistance in case of a question or a problem. Clients are also provided with the opportunity for real-time communication through the corporate website of the Bank.

Corporate blog

In 2014, the corporate blog of First Investment Bank marked its sixth anniversary. Established in 2008, it operates as an alternative channel of communication aimed at open dialogue in accessible language with customers and partners.

The corporate blog publicizes a range of social and corporate initiatives, introduces the employees of the Bank, and assesses the use of products and services through open discussion and interactive inquiries. It also presents analyses and surveys made by the Bank related to the credit products market and the tendencies in the sector.

Over the years, the Bank has systematically worked towards the development of its corporate blog with a view to an easier and more understandable presentation of information to the users, as well as in terms of the visual presentation which is in line with the modern trends of communication in the internet environment.

First Investment Bank continues to maintain active real-time communication with customers and stakeholders through all leading social networks: Facebook, Twitter, YouTube, Svejo.net, Foursquare, Google+.

Sales

First Investment Bank uses direct sales as an additional opportunity for the distribution of products and services, including for complex bank servicing to institutional and corporate clients.

This approach helps to attract new customers, build long-term relationships with existing ones, as well as receive direct feedback about the products and services of the Bank. In 2014, new corporate customers from different market segments were attracted by First Investment Bank using direct sales.

The Bank has considerable experience in participating in tender procedures, as well as in the servicing of budget spending units, state and municipal companies.

Remote banking

Virtual banking branch (e-fibank)

In 2014, First Investment Bank continued to develop its services related to electronic banking, according to the needs of customers and with the aim of diversifying and adding new functionalities.

New services and functionalities were introduced during the year, including such related to making payments and receiving reference information through the System for Electronic Budget Payments (SEBRA), performing payment transactions by importing information from electronic media (files), as well as innovations related to making periodic transfers.

An increase in the number of customers of the Virtual Banking Branch was registered for the period, as well as in the transfers performed through it, which reached 47% of the number (2013: 46%) and 53% of the volume (2013: 51%) of all outgoing transfers performed by the Bank.

First Investment Bank has successfully offered electronic banking since 2001, being a pioneer in this area. It provides customers with a modern, fast, inexpensive and secure way to use a wide range of banking products and services. The Virtual Banking Branch allows customers the options for access and identification through the use of qualified electronic signature, or a token device.

For the purpose of maintaining the highest standards of customer service and providing professional support in the event of questions or problems, the e-fibank service features an online mail (chat) function for feedback and assistance to customers of internet banking.

Mobile application (Fibank)

As one of the leaders in remote banking, in 2014 First Investment Bank launched a new Fibank mobile application, designed for bank customers using mobile devices (smart phones) with Android and/or iOS operating system. The new service allows performing active banking transactions by individuals, including transfers in local and foreign currency, as well as passive banking transactions by individuals and legal entities, including information on balances and transactions on bank accounts and/or payment cards (account statements and/or other reporting information). The application also provides information on the Bank's branches and ATM devices, determining the ATM device closest to the current location of the mobile device, the exchange rates of the Bank, news and ongoing promotions.

Customers may benefit from the services of the mobile application using different means of access and identification or a combination thereof, including a username and password, a combination of TAN and PINt generated by an electronic encoding Token device, as well as the ID of a registered mobile device.

Telephone banking – ∗bank (∗2265), 0700 19 599

In 2014, First Investment Bank continued to offer its customers active and passive banking services through telephone banking.

Telephone banking allows customers of the Bank to order money transfers, to negotiate exchange rates and to purchase currency with one phone call. Furthermore, they can make inquiries about balances on their accounts, about performed transactions, and acquire information on exchange rates.

Customers can perform active banking transactions through telephone banking during the working hours of the Bank, and passive transactions without time limitations, 7 days a week, 24 hours a day.

My Fibank

First Investment Bank has successfully offered its customers electronic banking services through My Fibank for more than five years, and has systematically and consistently worked to develop new functionalities and improve the existing ones.

My Fibank provides customers with electronic statements from their current and deposit accounts and credit cards, and enables them to make payments of utility bills and other obligations from their accounts or cards kept with Fibank. They are provided with information about the sent and received interbank transfers in foreign currency, as well as with the option for registration with 3D Card Security which aims at increasing the security of payments over the Internet.

In 2014, new services and functionalities were developed and introduced for the users of My Fibank, including automatic carrying out of utility payments, payment of municipal taxes and fees, as well as repayment of obligations on credit cards issued by Fibank.

Information technologies

Development of information technology is one of the strategic priorities of the First Investment Bank. The accumulated experience and successfully completed projects in the field of information technologies have enabled the Bank to be among the most innovative and technological institutions in the Bulgarian banking market.

For Fibank, a modern infrastructure and the information and technological environment are essential for the implementation and development of the full range of banking products and services of the latest generation, according to the European and international standards. The aim of the Bank is to provide fast and superior servicing at a high level of security when performing banking transactions, as well as to maintain reliable databases, networks and systems in order to ensure uninterrupted support of the key processes in the Bank.

The main accent during the year was the successfully implemented technological process of merging the acquired Unionbank EAD, with the accompanying migration of products and services, of data, infrastructure, and systems. The integration process was managed by an integration board, following a detailed, structured plan and action phases. The entire process of data migration to the infrastructure of Fibank, including technical specifications, actual import of data, compatibility testing, etc., was successfully completed within less than six months and passed without any flaws that could affect the quality of customer service.

The main system applications of Union Bank EAD, including the core bank information system, the card system, and that for mobile banking, were migrated to the systems and infrastructure of First Investment Bank with a minimum time of offline operation.

In connection with the merger and in order to support customers and make adaptation easier, a special micro site was created on the corporate webpage of Fibank, with information about the overall process and the specific procedures related to the migration of individual products and services.

In 2014, resources and efforts were allocated to further develop the applications to the core information system of the Bank, with a view to the optimization of processes, faster and easier parameterization of innovative and flexible products and services, and further improvement of the system for customer service. This has been the first phase of a project to introduce a single servicing system that will use all channels of customer contact and optimize and increase the efficiency of work at customer level.

During the year, technical support was provided towards the realization of several other projects for upgrading and implementing new services and functionalities: in the Virtual Banking Branch, in My Fibank, in connection with the new mobile application for customers using smart phones, as well as in other projects involving the implementation of new regulatory requirements.

Corporate governance

The corporate governance of First Investment Bank is a system with clearly defined functions, rights and responsibilities at all levels: the General Meeting of Shareholders (GMS), the Supervisory Board and the committees to it, the Managing Board, the Specialized Internal Audit Service, the internal boards and committees, the structures in the Head Office and branches. First Investment Bank has a two-tier system consisting of a Supervisory Board and Managing Board.

First Investment Bank follows a Program for implementation of the internationally recognized standards of good corporate governance, consistent with the practices of the Organization for Economic Cooperation and Development (OECD), the National Corporate Governance Code (the Code) and the regulatory requirements, which Program the Bank reviews annually from the perspective of compliance and effectiveness.

For the purpose of establishing the professional and ethical standards, required and applicable to the Bank as a business company, working environment and credit institution, Fibank has a Code of Conduct that determines the major principles, ethical norms and corporate values which underlie the policies and business plans, the rules, procedures and daily operational work of the Bank.

In 2014, First Investment Bank fulfilled the requirements laid down in its Program for implementation of the internationally recognized standards of good corporate governance, including the requirements for disclosure of regulated information, and information in connection with the financial calendar of the Bank for 2014. In addition, each year, together with its annual activity report and financial statements, the Bank also discloses to the public a Scorecard of its corporate governance in accordance with the National Code of Corporate Governance.

During the year, at the initiative of Fibank an independent review was performed of the corporate governance and risk management of the Bank by the International Finance Corporation (IFC), part of the World Bank Group. In connection with the review, a plan was prepared to improve corporate governance and risk management, according to which Fibank and IFC will continue their cooperation in order to build up and further develop the skills and best practices in these areas throughout 2015.

Corporate governance report

In accordance with the requirements of the National Code of Corporate Governance (NCGC), including the Appendix to NCGC of 2014 on the content of reports, First Investment Bank discloses information about its practices of corporate governance and a description of the implementation of the recommendations contained in the National Code of Corporate Governance, which are of fundamental importance to shareholders.

Supervisory board

The Supervisory Board of First Investment Bank is not directly involved in the management of the Bank. It defines the main objectives of the activity and the strategy to achieve them, elects and discharges members of the Managing Board, and also approves the major strategic decisions for the Bank.

The Supervisory Board supervises and, where necessary, advises the Managing Board and monitors the overall activity of the Bank. When exercising its supervision of the Managing Board, the Supervisory Board takes into account the achievement of objectives, the strategy and risks in the activity of the Bank, as well as the structure and operation of the internal systems for risk management and control. The Supervisory Board performs its activity effectively exchanging information with the Managing Board depending on the particular specifics.

The Supervisory Board consists of five individuals elected by the General Meeting of Shareholders who have adequate knowledge and professional experience, including high financial competencies, in accordance with current fit and proper requirements. The composition of the Supervisory Board is structured so as to ensure conscientious, professional and independent fulfillment of the obligations of its members. One third of the members of the Supervisory Board are independent, in compliance with the requirements of the Public Offering of Securities Act and in accordance with the statutes of the Bank and the internal regulatory framework.

The Supervisory Board's is supported in its activity by a Presiding Committee, a Risk Committee, a Remuneration Committee, and a Nomination Committee which function according to written competencies, rights and responsibilities.

The Presiding Committee is responsible for overseeing the activities of the Managing Board on important strategic decisions, including the issue of new shares, bonds, hybrid instruments, the adoption of programs and budgets relating to the activity of the Bank. In the course of its activity, the Presiding Committee has held 30 meetings in 2014.

The Remuneration Committee assists the Supervisory Board in the implementation of the Remuneration policy of the Bank and its subsequent amendments, as well as in any other matters concerning remuneration, in accordance with the regulatory requirements and best practices in the area. The Remuneration Committee has held 13 meetings in 2014.

The Risk Committee assists the supervision over the risk management activities of the Managing Board, as well as the broad strategic and tactical supervision of the risk management function in the Bank, including the forming of risk exposures. During the reporting period, the Risk Committee has addressed issues of its competence at regular weekly meetings.

As a company of public interest, according to the Law on the Independent Financial Audit, the Bank has a functioning Audit Committee which is responsible for supervising the financial reporting and the independent financial audit, as well as the effectiveness of the systems for internal control and risk management in the Bank. The Committee also makes a recommendation in the selection of a registered external auditor to perform the independent financial audit of the Bank.

In 2014, in implementation of the regulatory requirements, First Investment Bank created a Nomination Committee to assist the Supervisory Board in assessing the suitability of candidates or active members of the Managing Board and other senior management staff of the Bank, as well as the compliance with the applicable regulatory provisions regarding the selection of candidates for senior management.

Managing board

The Managing Board of First Investment Bank is the body which manages and represents the Bank, resolving all issues within its scope of activity, except those within the exclusive competence of the General Meeting of Shareholders or the Supervisory Board. In particular, the Managing Board adopts programs and budgets concerning the activities of the Bank, decides on participation in other companies, on opening and closing of branches and representative offices of the Bank, on significant organizational changes, on long-term cooperations, and performs any other functions according to the Statute and the law. Under the internal rules and regulations, certain decisions of the Managing Board are subject to approval by the Supervisory Board, while others require coordination with a committee to the SB.

As at 31.12.2014, the Managing Board consists of eight individuals selected by the Supervisory Board, who have professional experience and qualifications in accordance with the existing fit and proper requirements. The composition of the Managing Board is structured so as to ensure effective management of activity in accordance with the generally accepted principles of management and professional competence. The Managing Board of First Investment Bank holds meetings every week.

The Managing Board is assisted in its activities by internal bodies such as the Credit Council, Credit Committee, Liquidity Council, and the Operational Risk Committee, which function in accordance with written internal rules.

General meeting of shareholders

The General Meeting of Shareholders of First Investment Bank takes decisions on amending the Statute of the Bank, increasing or reducing the capital, as well as transforming or terminating the Bank. The General Meeting of Shareholders has competences to elect and dismiss the members of the Supervisory Board and the management of the Specialized Internal Audit Service of the Bank, to decide on the distribution of profit, on the issuance of bonds, as well as on any other matters in accordance with the Statute of the Bank and the applicable legislation.

In May 2014, an annual General Meeting of Shareholders was held at which a decision was taken that the entire net profit of the Bank for 2013 shall be capitalized, and no dividends shall be paid or other deductions made from the profit for 2014. KPMG Bulgaria OOD was selected as the specialized audit firm to examine the annual financial statements of the Bank for 2014.

Audit and internal control

A Specialized Internal Audit Service (SIAS) operates in the Bank, which performs internal audits to ensure the achievement of goals and objectives, the economical and efficient use of resources, and the implementation of adequate control over different types of risks. The Service supervises the protection of assets, the reliability and integrity of financial and management information, the lawfulness of the activities, as well as the compliance with policies, plans, internal rules and procedures. Through SIAS, internal audit is performed by means of independent assessment of the banking transactions, operations and control systems.

The annual financial statements of First Investment Bank are audited by an external auditor in accordance with the Law on Independent Financial Audit. In order to ensure transparency and to inform all interested parties of the results of the Bank, the audited financial statements are published in Bulgarian and English languages on its corporate website: www.fibank.bg.

First Investment Bank applies written policies and rules regarding the disclosure of conflicts of interest, and organization of the processes in the Bank is established in such a way as to avoid the possibility of conflict of interest.

Protection of shareholders' rights

The corporate governance of First Investment Bank treats all shareholders of the Bank equally, including minority and foreign shareholders. The governing bodies of First Investment Bank provide shareholders and investors with regular and timely disclosure of information about major corporate events related to the operation and condition of the Bank, ensuring informed exercising of shareholders' rights, and informed decision making by investors. No limitation of rights of individual shareholders holding shares of the same class is allowed.

The convening of the General Meeting of Shareholders is made by written notice to shareholders in accordance with the Statute of the Bank in order to encourage their participation in the General Meeting, and in such a way as not to impede the voting or make it unnecessarily expensive. The Bank provides shareholders with timely and adequate information for decision-making, taking into account the scope of competence of the General Meeting. The invitation, together with the written materials related to the agenda of the General Meeting, are announced in the Commercial Register to the Registry Agency, submitted to the Financial Supervision Commission, and made available to the public through www.x3news.com at least 30 days before holding of the General Meeting. They are also published on the website of the Bank in Bulgarian and English languages from the time of the announcement until the conclusion of the General Meeting. Upon request, the materials are provided to each shareholder free of charge.

First Investment Bank maintains a special section on shareholders' rights of on its corporate website at (http://www.fibank.bg/bg/prava-na-aktsionerite/page/ 3598).

Information disclosure

First Investment Bank maintains a system of disclosure of information in accordance with the current regulations which ensures timely, accurate and understandable information about the significant events, allows for objective and informed decisions, ensures equal access to information, and prevents misuse of inside information.

In its capacity as a public company, Fibank discloses to the public (through the agency www.x3news.com) periodic information, including independently audited annual financial reports, as well as interim quarterly reports and activity reports. The Bank also immediately discloses ad hoc information on important events related to its activity. Information is also published on the website of Fibank: www.fibank.bg, Investors section.

First Investment Bank maintains a corporate website, including an English-language version, with established content and scope of the information disclosed therein. It provides information about the products and services of the Bank, as well as essential trading and corporate information about the Bank, including on shareholder structure, management and supervisory bodies and their committees, financial reporting and activity reports, as well as the other information required under the regulatory requirements and the National Corporate Governance Code. A special, easily accessible Investors section is maintained on the website, featuring detailed and updated corporate governance information, stock information, financial information, news for investors, general meetings of shareholders, etc.

Stakeholders

First Investment Bank applies a policy of providing information to stakeholders about its activity. Those include persons who are not shareholders but are interested in the economic development of the company, such as creditors, bondholders, customers, employees, the general public, and others.

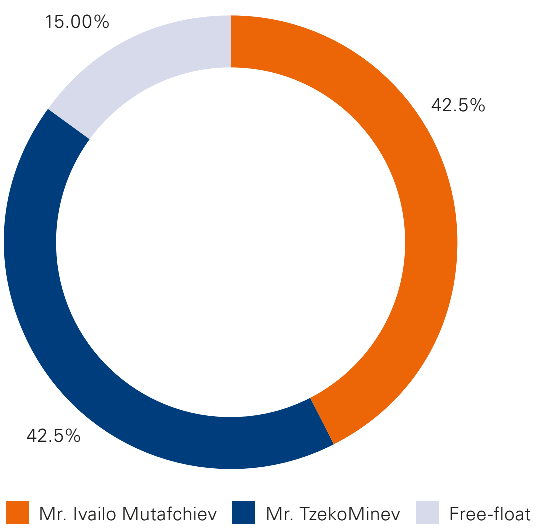
Periodically, in accordance with the legal requirements and best practices, First Investment Bank discloses information of a non-financial nature, including on the social responsibility of the Bank and its participation in the social life of the country. The Bank supports socially significant projects and initiatives, provides sponsorship and develops donation programs directed primarily towards disadvantaged people, talented children, supporting Bulgarian sport, culture and education.

For six years now, First Investment Bank has maintained and developed a corporate blog which functions as a channel of communication aimed at open dialogue in accessible language with customers, partners and other stakeholders.

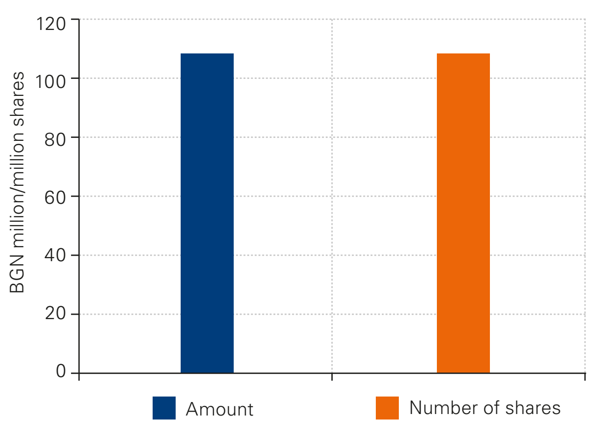
Shareholders' structure

As at 31 December 2014 the major shareholders of First Investment Bank were Mr. Tzeko Minev (42.5%) and Mr. Ivailo Mutafchiev (42.5%). The remaining 15% of the Bank's issued share capital (BGN 16.5 million) was owned by other shareholders, holding shares subject to free trade on the Bulgarian Stock Exchange – Sofia (free-float).

Shareholders' structure as at end-2014



Issued share capital as at end-2014



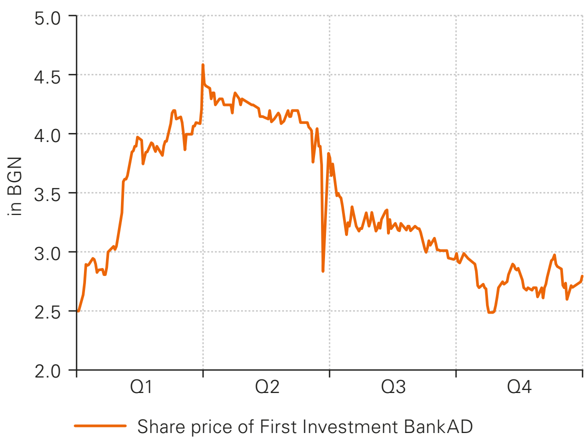
At the beginning of the year the companies Rafaela Consultants Ltd., Domenico Ventures Ltd. and Legnano Enterprises transferred their shares to the principal shareholders Mr. Tzeko Minev and Mr. Ivailo Mutafchiev in compliance with the regulatory requirements for tender offer, as a result of which each one of them owns 46,750,000 ordinary, dematerialized shares of the Bank's capital, i.e. they both own a total of 93,500,000 shares representing 85% of the issued share capital of First Investment Bank.

During the reporting period First Investment Bank has not acquired or transferred own shares, as at the end of the reporting period the Bank does not have own shares.

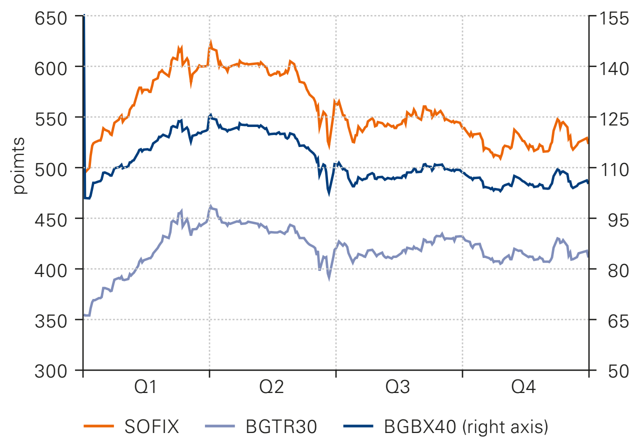
Share price of Fibank

During 2014 the share price of the Bank fluctuated in the range between BGN 2.40-4.60. The last price of the shares of First Investment Bank for the reporting period was BGN 2.80 (2013: BGN 2.43). A total of 4999 transactions were concluded with the shares of the Bank on the regulated market, amounting to a turnover of BGN 22,691 thousand, against 2355 transactions and a BGN 5,107 thousand turnover a year earlier.

Fibank share price during 2014



Main indices on the BSE-Sofia



As at 31 December 2014 the shares of the Bank were traded on the Main Market, Premium Equities Segment of the Bulgarian Stock Exchange and are included in three stock exchange indices – SOFIX, BGBX40 and BGTR30, which bring together the largest, most traded and most liquid companies on the stock exchange in Bulgaria.

Human capital

Human capital management in First Investment Bank is a strategic priority essential to accomplishing the mission and achieving the objectives of the Bank in the conditions of a competitive and dynamic environment.

The main focus in human capital management in 2014 was placed on the successful integration of staff from the acquired Unionbank EAD, as well as on the development of the professional competencies of employees in order to maintain a high standard of service and achieve excellent results in attracting new customers.

Since the beginning of 2014, efforts were focused on the design and implementation of the organizational structure of the merged bank. Based on analysis and structuring of the integrated processes, new organizational units were created and existing ones were developed in the Bank. Optimal organizational and structural models were established in order to achieve effective introduction of the integrated staff in the team and business processes of First Investment Bank. Meetings were held with employees in order to communicate the changes and direct them to units and positions in the united structure adequate to their competencies and motivation. During the year, processes were structured and implemented for monitoring and reporting the progress and results of the activities of integrating the staff, as well as for controlling the implementation of approved budgets for staff expenditures and training.

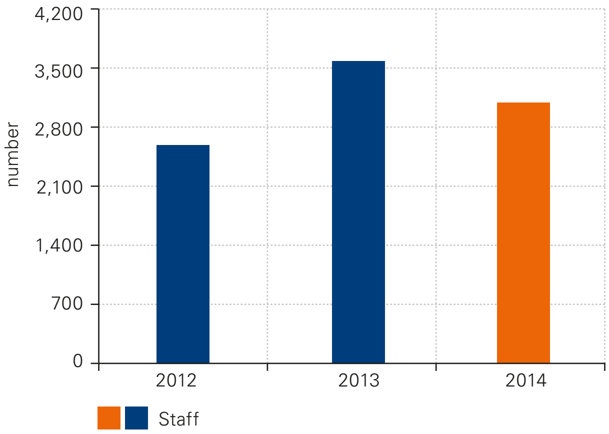
The activity of involving new employees in the integration process is also related to organizing and conducting trainings, including various forms of introduction: rotation and job training, mentoring, distance learning.

Development of expert and social competencies of First Investment Bank employees in 2014 was accomplished through the implementation of an annual training plan, including planned and budgeted trainings for the entire year for all units in the Bank, according to the business objectives and identified needs. During the year, 70% of the staff of the Bank (2187 people) have received various forms of training and qualification.

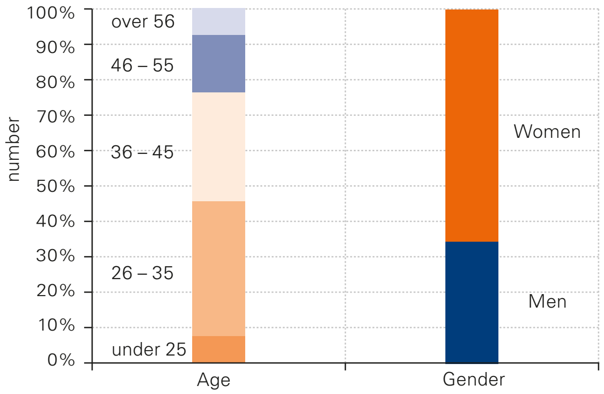
As part of the annual plan, several significant training projects were implemented:

- Training for cashiers on topics related to cash operations, offering of products made of precious metals, security, and detection of counterfeit banknotes;
- Training for front office specialists on effective communication with customers, service standards, marketing and sales;
- Training for retail lending specialists on topics related to credit products and skills for consulting and sales.

Number of staff of the Group



Staff structure



As at 31.12.2014, the number of staff of the Group on a consolidated basis amounted to 3,121 employees against 3,554 a year earlier, as the dynamics reflected the activities related to the optimization of processes and resourses aiming at realizing synergy effects from the consolidation of operations.

Remuneration policy

First Investment Bank applies a remuneration policy pursuant to the Law on Credit Institutions and Ordinance No. 4 of the BNB on the Requirements for Remunerations in Banks, which is consistent with the business strategy, objectives and values of the Bank and is based on effective risk management.

The Policy is aimed at motivating employees to achieve high results at a moderate level of risk, and in accordance with the long-term interests of the Bank and its shareholders. It is based on the principles of transparency, non-conflict of interest and equal treatment of all employees, on accountability, objectivity and reliable management of risks, in order to attract and retain highly qualified personnel and affirm the Bank as a preferred workplace for employees.

The policy sets out the general principles in forming remunerations – these are fixed and variable remunerations, as the purpose of the Bank is to adhere to the optimal ratio between them, with a sufficiently high proportion of fixed remuneration – so that, depending on the category of staff, greater flexibility of the variable part can be ensured, including the possibility of non-payment thereof.

With regards to some categories of staff, including senior management, employees with control functions and those whose activities are related to risk-taking, the Bank's policy is to restrain the variable remuneration to the amount of the fixed one, except for the cases when the General Meeting of Shareholders has taken a decision on higher amount, but in any case not greater than double the amount of the fixed remuneration. The policy includes specific requirements with regards to the structure of the viariable remuneration, as well as a mechanism for deferment in line with the effective legislation and specifics of the environment.

A Remuneration Committee functions at First Investment Bank, its role being to assist the Supervisory Board in its work on monitoring the implementation of the Remuneration policy, taking into account the risk impact and the long-term interests of shareholders, investors and other stakeholders.

The remuneration of key management staff of the Bank for 2014 amounted to BGN 4,247 thousand.

Policy for nomination of senior management

First Investment Bank applies a Policy for the selection of senior management staff which complies with the regulatory requirements arising from the implementation of the CRR/CDR IV package in Bulgarian legislation, and in particular the requirements of the Law on Credit Institutions and Ordinance No. 20 of the BNB on the Issuance of Approvals to the Members of the Management Board (Board of Directors) and Supervisory Board of a Credit Institution and Requirements for Performing their Duties.

The Policy sets out the basic requirements, principles, guidelines and criteria for selection and assessing the suitability of members of the bodies of First Investment Bank who have management and supervisory functions, including the senior management staff of the Bank. The Policy structures the activity of selection and assessment of senior management, as well as identifies the essential requirements and criteria, so that they to a maximum extent meet the high standards applied by the Bank for the purpose of making an adequate contribution to the realization of its objectives and strategy.

First Investment Bank aims to maintain balanced gender equality in the composition of its governing bodies: as at 31 December 2014, 40% of the membership of the Supervisory Board and the Managing Board of the Bank was comprised of women.

Professionalism

Social responsibility

In implementation of its program for corporate social responsibility, in 2014 First Investment Bank continued to support socially significant projects and initiatives, actively participating in public life in the country and promoting Bulgarian sport, culture and education.

During the year, as part of its longstanding cooperation with the Workshop for Civic Initiatives Foundation, Fibank supported disadvantaged students through the Scholarships program of the Foundation. In addition to providing funds for scholarships and purchase of textbooks and literature, the Bank engaged in conducting paid internships and providing subsequent assistance to students in finding employment with the aim of their better integration in society.

The Bank also supported other activities of social and educational importance, including by conducting a donation initiative to supply the regional libraries in Bulgaria with sets of books with Bulgarian literature, and financing the purchase of 10 computer configurations for 45th Primary School Konstantin Velichkov in the city of Sofia.

As the largest bank with Bulgarian capital, Fibank seeks to contribute to the preservation and development of Bulgarian culture. In October 2014, First Investment Bank together with the Union of Actors in Bulgaria launched a project to support the social program of the Union which includes providing decent retirement to deserving Bulgarian actors, as well as scholarships to talented students in the field of theatrical art.

In pursuance of its policy of supporting significant cultural and musical projects Fibank sponsored, for the 12th consecutive year, the organization of the International Jazz Festival in Bansko. It also organized a charity cocktail with for its private banking clients in support of Bulgarian children with musical talents. The Bank continued its successful cooperation with the Dimitar Berbatov Foundation, assisting its cause for the support of Bulgarian children and encouraging their talents and achievements, including through distribution of the luxury almanac The Successful Children of Bulgaria.

During the year, First Investment Bank continued its support for the development of sports in Bulgaria as a socially responsible cause. Fibank is main sponsor of the Bulgarian Athletics Federation, the Bulgarian Olympic Committee, and a longtime general sponsor of the Bulgarian Ski Federation. In November 2014, First Investment Bank became a partner of the Bulgarian Rhythmic Gymnastics Federation, in order to support the Bulgarian rhythmic gymnastics team in its preparation and appearances on the international arena.

During the reporting period, First Investment Bank launched for the third consecutive year the competition Best Bulgarian Firm of the Year, aimed at supporting Bulgarian companies and creating increased confidence among them, as well as at drawing attention to positive and successful business examples in the country. In the autumn of 2014, a new category was added to the competition: Project financing of business talents, designed to support Bulgarian entrepreneurs with interesting business ideas.

Management structure

Management structure of First Investment Bank AD

Supervisory board

Audit Committee	Internal Audit	Presiding Committee	Risk Committee	Nomination Committee	Remuneration committee

Managing board

Liquidity council	Credit council	Credit committee	Operational risk Committee

Business structures	**Supporting structures**

Supervisory board

Evgeni Krastev Lukanov	Chairman of the Supervisory Board
Maya Lubenova Georgieva	Deputy Chair of the Supervisory Board
Georgi Dimitrov Mutafchiev	Member of the Supervisory Board
Radka Vesselinova Mineva	Member of the Supervisory Board
Jordan Velichkov Skortchev	Member of the Supervisory Board

During 2014 the composition of the Supervisory Board of the Bank remained unchanged.

As at 31 December 2014 the members of the Supervisory Board held a total of 208,706 shares (2013: 208,706) of Fibank and none of them owned more than 1% of the issued share capital.

Number of shares / % of issued share capital	**2014**	**%**	**2013**	**%**
Evgeni Krastev Lukanov	168,739	0.15	168,739	0.15
Maya Lubenova Georgieva	11,388	0.01	11,388	0.01
Georgi Dimitrov Mutafchiev	9,454	0.01	9,454	0.01
Radka Vesselinova Mineva	0	0	0	0
Jordan Velichkov Skortchev	19,125	0.02	19,125	0.02
Total number of shares, held by members of the Supervisory Board	**208,706**	**0.19**	**208,706**	**0.19**

The business address of all Supervisory Board members is 37, Dragan Tsankov Blvd., 1797 Sofia.

Managing board

Dimitar Kostov Kostov	Chairman of the Managing Board and Executive Director
Vassil Christov Christov	Member of the Managing Board and Executive Director
Svetoslav Stoyanov Moldovansky	Member of the Managing Board and Executive Director
Maya Ivanova Oyfalosh	Member of the Managing Board and Executive Director
Chavdar Georgiev Zlatev	Member of the Managing Board and Director Corporate Banking Department
Milka Dimitrova Todorova	Member of the Managing Board and Director Retail Banking Department
Ivaylo Rumenov Ivanov	Member of the Managing Board and Director Impaired Assets and Provisioning Department
Mariana Krasteva Sadjaklieva	Member of the Managing Board and Director Operations Department

In November 2014 on the basis of a decision of the Supervisiory Board of First investment bank and after the received approvals from the Bulgarian National Bank, an entry to the Commercial Register to the Registry agency was performed for the selection of new members of the Managing Board of First investment bank namely: Mr. Chavdar Georgiev Zlatev, Mrs. Milka Dimitrova Todorova, Mr. Ivaylo Rumenov Ivanov and Mrs. Mariana Krasteva Sadjaklieva.

All four of them are long-time employees, occupying management positions in First Investment Bank with solid experience in bank activity and high professional qualification.

As at 31 December 2014 the members of the Managing Board held a total of 29,484 (2013: 24,026) shares of Fibank and none of them owned more than 1% of the issued share capital.

Number of shares / % of issued share capital	**2014**	**%**	**2013**	**%**
Dimitar Kostov Kostov	0	0	0	0
Vassil Christov Christov	21,676	0.02	21,676	0.02
Svetoslav Stoyanov Moldovansky	0	0	0	0
Maya Ivanova Oyfalosh	2,350	0.00	2,350	0.00
Chavdar Georgiev Zlatev	523	0.00	N/A	N/A
Milka Dimitrova Todorova	4,935	0.00	N/A	N/A
Ivaylo Rumenov Ivanov	0	0	N/A	N/A
Mariana Krasteva Sadjaklieva	0	0	N/A	N/A
Total number of shares, owned by Members of the Managing Board	**29,484**	**0.02**	**24,026**	**0.02**

The business address of all Managing Board members is 37, Dragan Tsankov Blvd., 1797 Sofia.

Investor relations director

Vassilka Momchilova Stamatova Investor Relations Director

The business address of the Investor Relations Director is 37, Dragan Tsankov Blvd., 1797 Sofia, tel. +359 2 / 81 71 430, email: vstamatova@fibank.bg.

Business overview

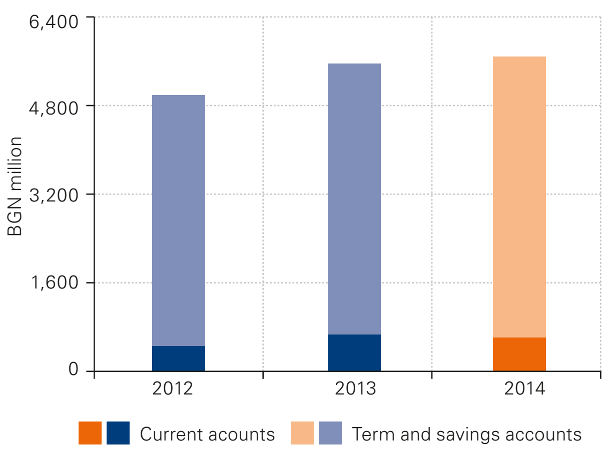
Retail banking

Deposits

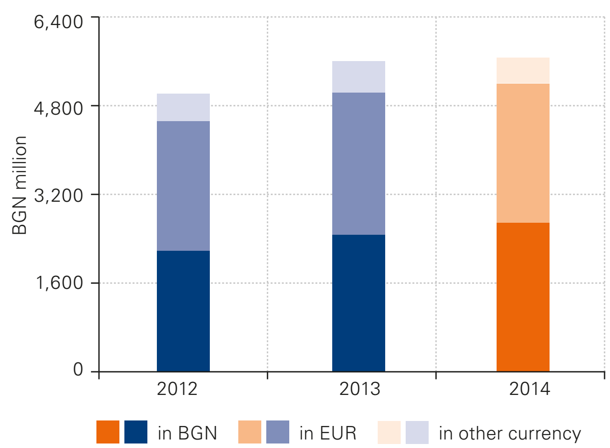
In 2014 attracted funds from individuals grew and reached BGN 5,728,991 thousand (2013: BGN 5,616,002 thousand). The increase was a result mainly of the growth in term and saving accounts, which reached BGN 5,090, 022 thousand at the end of the period (2013: BGN 4,859,710 thousand) or 4.7% more compared to the previous year. They increased their structure-determining share in attracted funds from individuals to 88.8% (2013: 86.5%).

The Policy of the Bank is directed towards building a deposit base by offering various and flexible deposit products, adapted to the market conditions and clients` needs, while maintaining high standards of customer service.

Liabilities to individuals



Liabilities to individuals by currency



The current accounts at the end of period amounted to BGN 638, 969 thousand, compared to BGN 756,292 thousand a year before. During the year various new products were offered incl. IQ current account with interest rate as per the maintained daily balance, as well as new Salary account and Smart account with debit card and interest rate, defined on the basis of monthly credit turnovers. Fibank also offers other current accounts, as well as specialized ones, customized to the specific necessities of some clients such as: condominium accounts, such for notaries, insurance brokers, agents and others.

In terms of attracted funds from individuals First investment bank was placed second among banks in the country (2013: second). As at end-2014 the market share amounted to 13.52% on an unconsolidated basis (2013: 12.70%).

In 2014 combined packages of bank products and services were offered for individual clients: My Choice and My Choice Online, which include different banking products and payment operations on competitive conditions for virual banking users (e-fibank), as well as for clients using banking in the branch network of Fibank.

Loans

The loan portfolio of individuals decreased to BGN 1,312, 617 thousand as at end-2014 (2013: BGN 1,335,342 thousand) as a result of the decrease in mortgage loans.

In BGN thousand/ % of total	2014	%	2013[1]	%	2012	%
Consumer loans	412,250	31.4	389,356	29.2	295,486	33.4
Mortgage loans	654,449	49.9	714,896	53.5	376,174	42.5
Credit cards	245,918	18.7	231,090	17.3	212,811	24.1
Total retail loans	**1,312,617**	**100**	**1,335,342**	**100**	**884,471**	**100**

Consumer loans

Consumer loans increased by 5.9% to BGN 412,250 thousand (2013: BGN 389,356 thousand), contributors being the competitive terms offered by the Bank, the easy loan application procedure and the development of new products, including seasonal offerings in line with customer needs and market necessities. During the period, Fibank started to offer a new promotional consumer loan Easy Loan, up to BGN 10,000 without application and disbursement fee and easy procedure of pre-approval.

During the year in execution of the requirements of the Law on Consumer Credit (LCC), First investment Bank introduced a new interest rate based on savings (SLP), which is applied by the Bank as a basis for defining interest rates on credit deals with individuals according to the LCC. For the transperancy and trust in the clients` relationship and in compliance with the legal requirements, the Bank announces SLP and the methodology for its calculation in its website.

First Investment Bank's market share in this segment amounted to 7.12% (2013: 5.81%), as the Bank kept its market position at seventh place in terms of consumer loans among banks in the country on an uncosolided basis.

Mortgage loans

As the end- December 2014 mortgage loans amounted to BGN 654,449 thousand, compared to BGN 714,896 thousand a year before, in line with the general decrease tendency in this segment in the banking system. Mortgage loans formed 49.9% of loans to individuals (2013: 53.5%).

During the period Fibank started the offering of a new home/mortgage loan Right for Choice with financing up to 90% of the price of the purchased real estate, a fixed interest rate for the first three years and a possibility to choose additional loan options. The loan is offered without application fee, disbursement fee, management fee and repayment before maturity fee after the first year.

As at 31 December 2014 the market share of the Bank in this segment was 6.83% (2013: 3.79%), Fibank taking fifth place (2013: seventh) among banks in the country on an unconsolidated basis.

Limits on credit cards

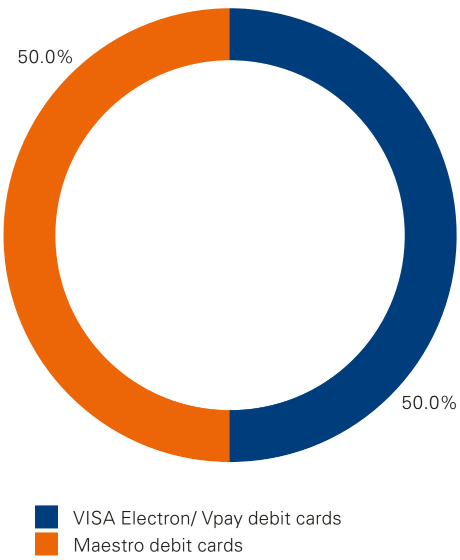
The utilized limits on credit cards increased by 6.4% and reached BGN 245,918 thousand (2013: BGN 231,090 thousand), contributors being the offered by Fibank various and innovative card products and services, as well as the Bank's consecutive long-term policy for stimulating those no-cash payments. The relative share of loans utilized through credit cards in the total loan portfolio to individuals, amounted to 18.7% (2013: 17.3%).

Card payments

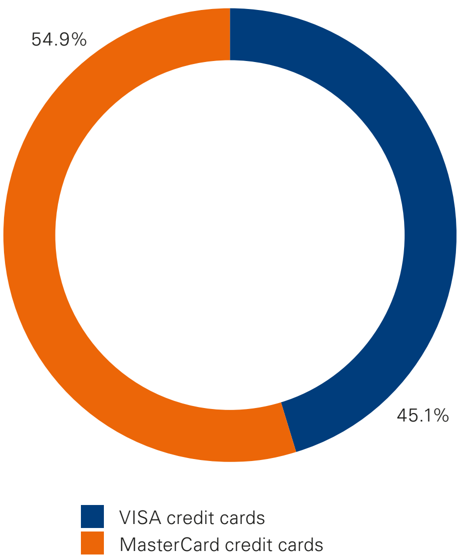
In 2014 First Investment Bank developed its card business, focusing on the promotion of contactless payments and implementing activities for the integration of the processes related to card business.

As at 31 December 2014 the number of cards issued by Fibank increased, registering a growth of 14.1% compared to the previous year. This increase was influenced by both the diverse and innovative card products offered by the Bank, and by the enlarged customer base resulting from the consolidation of the activities of Unionbank EAD.

Structure of debit cards



Structure of credit cards



The awards received during the year serve as recognition for the successful development of Fibank's card services. The Bank was awarded for overall contribution to the development of card business in Bulgaria by the MasterCard international organization, and also received an award for the most innovative card product in Bulgaria for 2014 from the international web portal Global Banking & Finance Review - for the Debit MasterCard which features innovative functionality for contactless payments, internet payment options, and is included in the YES loyalty program of Fibank.

First Investment Bank continues to channel efforts and resources towards promoting contactless payments in the country, including through developing its network of POS terminals which service such types of payments, and organizing various promotional campaigns. Fibank was the first bank in Bulgaria to start issuing and servicing the contactless cards MasterCard PayPass (since 2010) and Visa payWave (since 2012).

As at 31 December 2014, the POS network of the Bank increased to almost 10,400 units compared to slightly over 9,770 units a year earlier in fulfillment of its consistent policy to stimulate non-cash payments.

The ATM terminal network serviced by the Bank totaled 637 devices at the end of the year (2013: 650), reflecting the activities undertaken to optimize the efficiency of the ATM network by taking into consideration the specific locations, the workload, and the volume of transactions. Fibank's subsidiary bank in Albania maintains its own, separate network of ATM terminals. During the year, Fibank launched a long-term initiative for furnishing its ATM terminals with ancillary equipment aimed at facilitating their use by people with short stature.

In 2014, the subsidiary company of the Bank – Diners Club Bulgaria AD continued to develop its activity, broadening the acceptance of Diners Club cards in the country's network of POS terminals. During the year, preparatory activities were carried out towards the development of new services for cardholders, including development of a mobile application for Diners Club customers using mobile devices (smart phones) with Android and/or iOS operating system, as well as a system for electronic statements and utility payments.

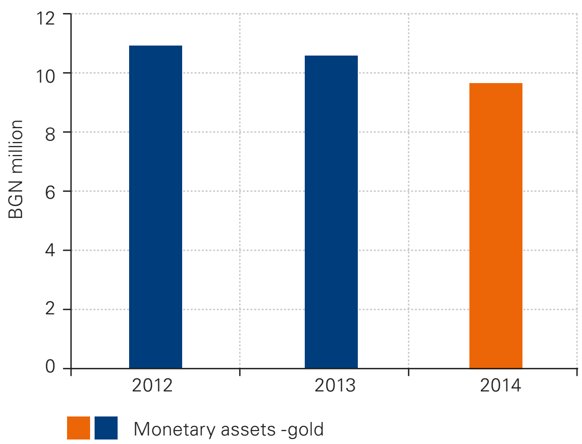
Gold and commemorative coins

In 2014, First Investment Bank maintained its leading position among banks in the country in terms of transactions and consultations related to products of investment gold and other precious metals. It also worked systematically towards expanding the product catalog and conducting promotional campaigns.

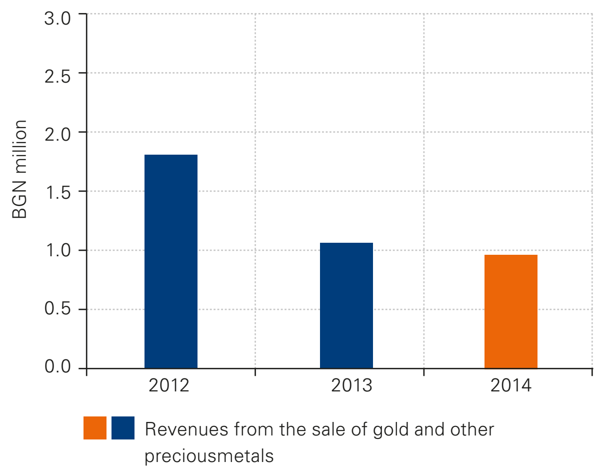
The Bank continued its long-standing cooperation with the New Zealand Mint, distributing during the year a unique coin dedicated to the Year of the Horse. Also successfully operating were the services related to online sales of products of investment gold and other precious metals.

For 2014, revenues from sales of investment gold and other precious metals by the Bank amounted to BGN 944 thousand, remaining at levels comparable to those of 2013 when a decrease in the price of gold was observed. In carrying out transactions in gold and precious metals First Investment Bank invariably complies with the quality criteria of the London Metal Exchange and international ethical trading standards.

Monetary assets – gold



Revenues from the sale of gold



Fibank has offered its customers products of investment gold and other precious metals since 2001 and over the years has built successful cooperation with a number of leading financial institutions from around the world: the renowned Swiss refinery PAMP (Produits Artistiques de Métaux Précieux), the banks UBS and Credit Suisse, the Italian refinery Italpreziosi, the New Zealand Mint, the National Bank of Mexico, the Austrian Mint, the British Royal Mint, and others.

Private banking

In 2014 First investment bank continued to develop its private banking by widening the range of bank solutions, in order to attract new, affluent clients and improving individual banking schemes. For the year Fibank reported an increase in the number of clients served by private banking of 75%, as well as a ninefold increase in the last two years.

Recognition of the successful activity of First investment bank in this segment is the award for the best bank in the sphere of private banking In Bulgaria for 2014 by the international magazine International Banker.

First Investment Bank has offered private banking for individuals since 2003 and for corporate customers since 2005. Private banking gives the opportunity for personal attention by an individual Bank officer who is responsible for the entire servicing of a customer, as well as a joint team principle for performing more complex banking services. This banking is offered in the branches and offices of the Bank, as well as by visiting the client's office.

Private banking is offered to individuals and legal entities matching a number of criteria: a definite amount of collections and turnover on accounts with the Bank on a monthly basis as well as use of additional products and services and investment strategies.

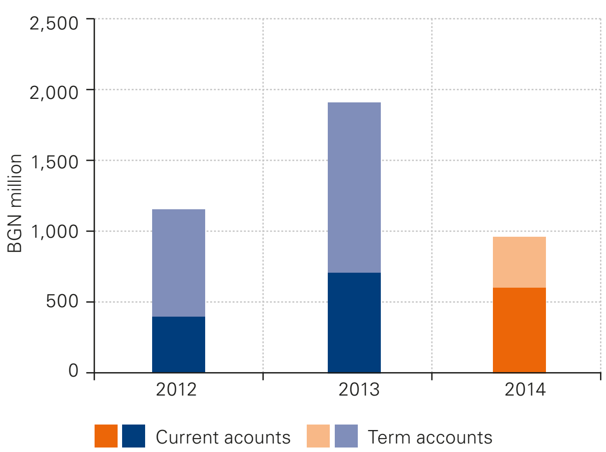
Corporate banking

Deposits

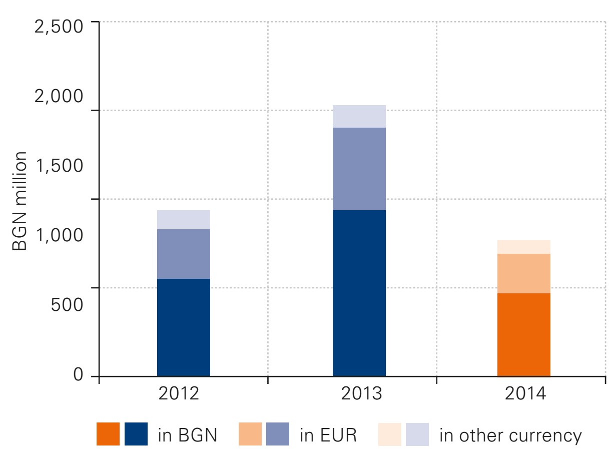
Attracted funds from corporate, state-owned and public institutions in 2014 amounted to BGN 970, 686 thousand (2013: BGN 1,919,754 thousand), as the volume reflected the liquid pressure from June 2014.

Current accounts amounted to BGN 601,000 thousand as end-December 2014, compared to BGN 708,481 thousand a year before, forming 61.9% of attracted funds from corporate, state-owned and public institutions (2013: 36.9%).

Liabilities to corporates



Liabilities to corporates by currency



Term accounts decreased to BGN 369, 686 thousand, compared to BGN 1,211,273 thousand at previuos year-end and formed 38.1% of attracted funds from corporate, state-owned and public institutions (2013: 63.1%), influenced by the incertainty in the external environment.

As at 31 December 2014, funds attracted by the thirty biggest non-banking clients represented 3.56% of the total amount of due to other customers (2013: 7.31%).

Loans

Corporate lending

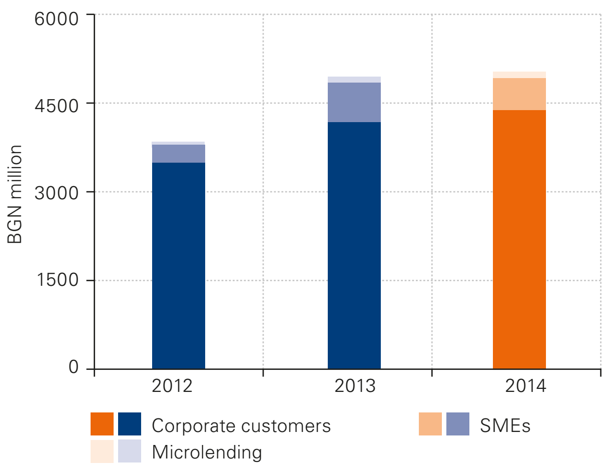
In 2014 the portfolio of loans to corporates grew to BGN 5,012,018 thousand (2013: BGN 4,921,242 thousand) on a consolidated basis as a result of the increase in corporate customers. First Investment Bank continued to provide various financing for business clients, including under the form of working capital loans, investment loans, guarantees, financing on the programs and funds of EU and others. During the year, started the offering of services for internal, export and import factoring for business clients operating on the territory of Bulgaria.

The market share in terms of this indicator as at the end of the year amounted to 14.49% of the loans to companies in the banking system (2013: 10.99%), as Fibank ranked second (2013: third) among banks in the country on an unconsolidated basis.

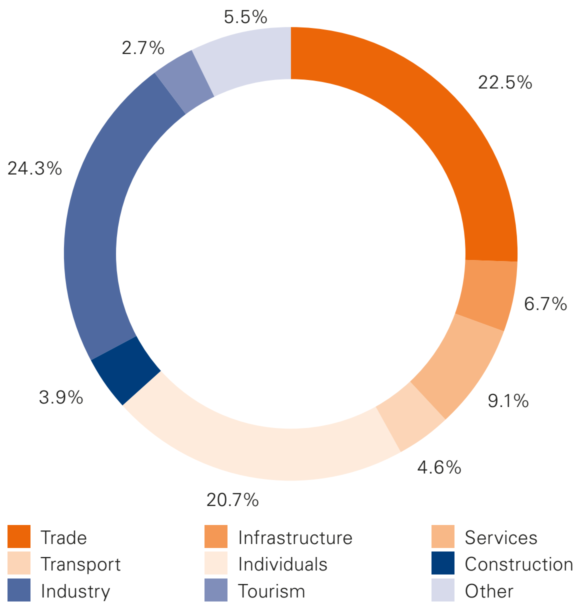
In BGN thousand/ % of total	2014	%	2013	%	2012	%
Corporate customers	4,374,648	87.1	4,141,595	84.2	3,478,134	90.9
Small and medium enterprises	557,681	11.1	686,239	13.9	316,788	8.3
Microlending	88,984	1.8	93,408	1.9	30,075	0.8
Total loans to corporates	**5,021,313**	**100**	**4,921,242**	**100**	**3,824,997**	**100**

Loans to corporate customers rose by 5.6% to BGN 4,374,648 thousand (2013: BGN 4,141,595 thousand), keeping their structure-determining share in the portfolio of loans to corporates at 87.1% at the end of the year (2013: 84.2%). Loans to small and medium enterprises formed 11.1% of company loans (2013: 13.9%) and microlending at 1.8% (2013: 1.9%).

Corporate portfolio



Portfolio breakdown by sector



During the year a growth was registered in particular sectors in line with economic activity and credit demand. Loans in the industry sector reached BGN 1,538,208 thousand at the end of the period, compared to BGN 1,407,387 thousand a year before, their relative share amounting to 24.3% of the total portfolio (2013: 22.5%). A growth was reported in loans to the services sector up to BGN 576,602 thousand at the end of 2014, against BGN 460,801 thousand a year ago. They formed 9.1% of the loan portfolio of the Group (2013: 7.4%).

As at the end of the period loans in the infrastructure sector reached BGN 424,743 thousand. (2013: BGN 320, 942 thousand), and those in transport and logistics sector were up to BGN 288,906 thousand (2013: BGN 255, 113 thousand), influenced by the infrastructure projects and the increased public consumption during the year.

Growth was also reported in other economic sectors, including in financial services up to BGN 109,577 thousand (2013: BGN 87,648 thousand) and in communication sector up to BGN 77,660 thousand (2013: BGN 68,435 thousand).

A decrease was reported in loans to the trade sector, which amounted to BGN 1,426,114 thousand (2013: BGN 1,600,033 thousand) and formed 22.5% of all loans (2013: 25.6%), in accordance with the dynamics in internal demand and the activity of export-oriented companies. Loans in the construction sector were BGN 244,049 thousand at the end of the period (2013: BGN 248,031 thousand), and those in the tourism sector at BGN 172,824 thousand (2013: BGN 182,845 thousand) reflecting the weak recovery of the activity in those spheres. Agricultural loans amounted to BGN 112,595 thousand, compared to BGN 214,462 thousand a year before.

In 2014 Fibank continued the successful offering of investment and working capital loans in BGN and EUR for companies under the JEREMIE initiative with lower interest rates and eased collateral conditions and service fees, incl. in connection with the agreed increase in the funding and prolongation of the term of the program.

For additional flexibility and to answer business needs, during the period new conditons to the Super Loan product were added, including fixed interest rate for the utilization period under the overdraft conditions and amount up to 100% of the collateral.

During the year, activities were performed in order to further develop the monitoring systems of the Bank's corporate clients, including by automatisation of the processes and the redevelopment of early warning indicators, including the possibility to undertake caution measures, monitoring of current development and execution, as well as information for suitable cross-sales.

In order to satisfy and facilitate the daily necessities of the Bulgarian business, the Bank developed combined packages of banking products and services: Fibank Buisness, Fibank Business Class, Fibank Business Class Plus and Fibank Business Class Premium, with the aim to deliver competitive conditions for corporate clients and giving them the opportunity for cost optimization and relief of the procedures for using different bank services.

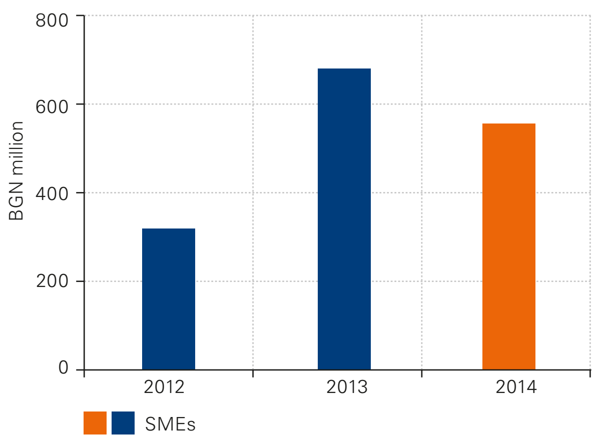
SME lending

In 2014, loans to small and medium enterprises amounted to BGN 557,681 thousand at the end of the period, compared to BGN 686,239 thousand a year earlier, reflecting the environmental conditions and the slowly recovering economic activity.

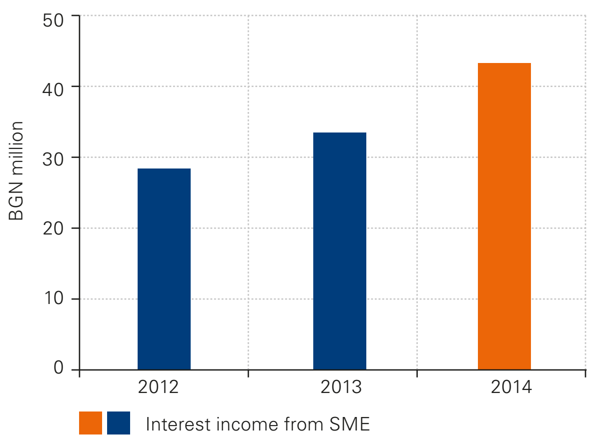
In the first quarter of the year, Fibank negotiated new terms under the scheme for refinancing with funds of the State Fund Agriculture for granting loans to entities with approved projects and signed contracts for financial assistance under measures of the Program for Rural Development, including an increase in the maximum amount of costs refinanced by the Fund, as well as an extension of the term of the agreement.

Supporting agricultural producers, Fibank was included in the program of the Bulgarian Development Bank for targeted funding of commercial banks, under which the Bank may provide working capital or investment loans of up to BGN 500,000 to registered farmers at preferential interest rates and commission charges.

SME lending



Interest income from SME lending



The Bank continued to offer loans based on SAPS subsidies, amounting to up to 100% of the subsidy received, with simplified approval procedures for loans up to BGN 500 thousand. The successful cooperation with the National Guarantee Fund was also continued by signing a new agreement for implementation of a guarantee scheme aimed at providing financing to small and medium enterprises in Bulgaria through a risk sharing mechanism.

In SME financing, the Bank maintains cooperation with the Bulgarian Agency for Export Insurance and the Municipal Guarantee Fund of Sofia Municipality. Through flexible financing schemes, Fibank also actively supports beneficiary companies under programs for the utilization of funds from the European structural and cohesion funds, including under the JEREMIE initiative (Joint European Resources for Micro to Medium Enterprises).

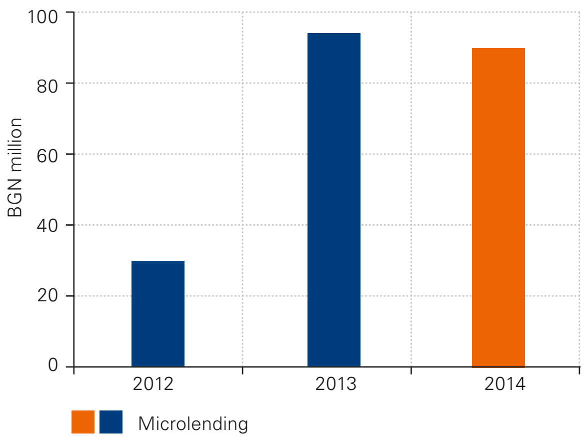
Microlending

First Investment Bank's micro lending program provides financing to a wide spectrum of traders, producers, farmers and freelancers, including start-up companies and companies with less market experience.

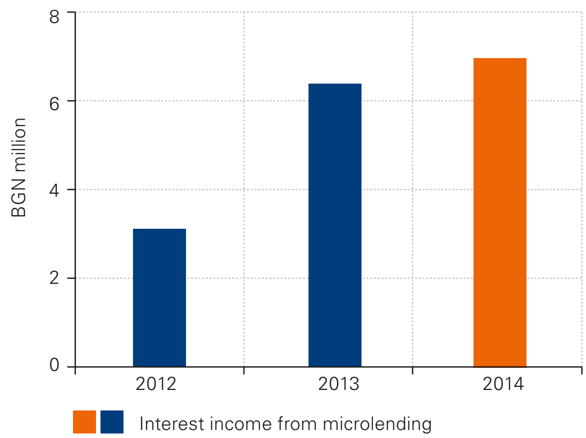
The Bank offers specialized products for microenterprises including investment loans, working capital loans, and overdraft facilities at competitive terms, according to the clients' rating and the security provided. During the reporting period, Fibank expanded its product range, including for financing of microenterprises, utilizing EU programs and funds, while maintaining the increased requirements relating to creditworthiness and credit risk specific to this segment. Clients were offered a new Cash Plus business loan against cash collateral, with security coverage ratio of 115%/130% depending on the loan currency.

In 2014, the micro loan portfolio of the Group amounted to BGN 88,984 thousand at the end of the period, compared to BGN 93,408 thousand a year earlier.

Microlending



Interest income from microlending



Europrograms

In 2014, First Investment Bank continued to develop and expand the opportunities to support customers in the absorption of EU funds.

During the year, First Investment Bank signed an annex to the existing agreement with the European Investment Fund (EIF) under the JEREMIE initiative for increasing the amounts of funds provided and extending the term of absorption and inclusion of loans in the program portfolio. Over 450 loan agreements with Bulgarian micro, small and medium enterprises have been concluded under the initiative.

In continuation of the successful cooperation with the European Investment Fund under the JEREMIE initiative, in the beginning of 2014, Fibank signed an agreement with the Fund for providing financing under the Risk Sharing Instrument guarantee scheme, aimed at innovative small and medium-sized enterprises. Under this agreement, First Investment Bank can provide innovative companies in Bulgaria with additional lending at preferential terms up to a total amount of EUR 15 million, with guarantee coverage of 50% provided by the EIF.

During the period, Fibank signed an agreement with the National Guarantee Fund (NGF) for the implementation of a guarantee scheme aimed at providing financing to small and medium enterprises in Bulgaria through a mechanism for risk sharing, envisaging provision of a guarantee by the Fund to supplement the collateral on loans granted by the Bank. Under the scheme, First Investment Bank may provide financing to SME clients in the form of working capital and/or investment loans at preferential terms, with amounts of up to BGN 500,000 or the equivalent in euro. First Investment Bank has a long-standing cooperation with NGF, including under schemes related to the Program for Rural Development and the Fisheries Operational Program.

In March 2014, Fibank and the Bulgarian Development Bank signed a financing agreement under which loans were provided to over 50 farmers, totaling more than BGN 11 million.

In order to provide integrated customer assistance in the absorption of EU funds, the Bank offers the Full Support service through which support is provided in the preliminary study of the administrative and financial eligibility of the project idea, expert advice in the project development, as well as comprehensive servicing of the implementation phase following approval.

Fibank offers a wide range of services related to the utilization of funds under EU operational programs, as well as other products, including investment loans for the overall project implementation, bridge financing to the amount of the approved financial assistance, issuance of bank guarantees to secure advance payments of approved financial assistance, and other banking products specifically tailored to the needs of customers.

Payment services

First Investment Bank carries out its activity related to money transfers and other payment services in compliance with Bulgarian and European legislation, including the Law on Payment services and Payment Systems and Ordinance №3 of the BNB on the Conditions and Procedure for the Execution of Payment Transactions and for the Use of Payment Instruments. The Bulgarian regulatory frame in this sphere has been harmonized to that of the European Community in regards to Payment Services Directive and reflects contemporary European tendencies in the establishment of the single European market for payment services.

In 2014 Fibank was a member and participant in the payment systems, as follows:

- Bank Integrated System for Electronic Transactions (BISERA)
- Real-Time Gross Settlement System (RINGS)
- System for Servicing of Clients Transfers in Euro (BISERA7-EUR)
- Trans-European Automated Real-Time Gross Settlement Express Transfer system (TARGET2)
- Bank Organisation for Payments Initiated by Cards (BORICA).

International payments

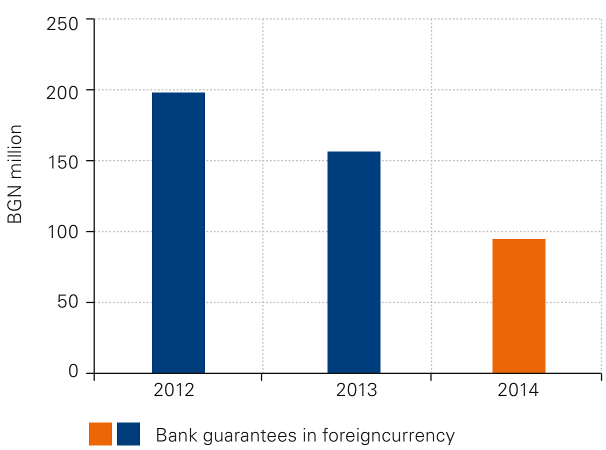
First Investment Bank is among the leading banks in Bulgaria in the sphere of international payments and trade financing. Fibank is a popular, reliable and fair business partner which has built a good reputation over the years among the international financial institutions and has gained valuable experience and know-how from its numerous international business partners, investors, customers, and counterparties.

In 2014, the Bank reported a better market share in international transfers in foreign currency (as per SWIFT data) with 8.79% of the outgoing transfers (2013: 6.75%) and 11.42% of the incoming transfers (2013: 9.43%). Such growth was determined by the increase in incoming and outgoing foreign currency transfers in terms of both number and amount, resulting from the growing customer base, the competitive conditions offered by the Bank, and the high quality of customer service.

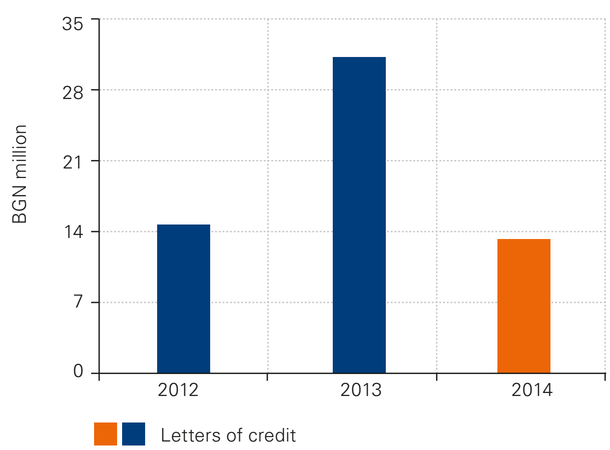
At the end of the year, an extension was signed to the framework agreement with the Taiwan export insurance agency Eximbank Taiwan for financing deliveries of goods from Taiwanese suppliers to clients of First Investment Bank in Bulgaria. Under the agreement, Fibank can provide financing of up to 85% of the value of the contract but not exceeding USD 2 million, with a period of utilization up to 6 months after the first shipment and a repayment term of 6 to 12 months for consumer goods, and 6 months to 5 years for non-consumer products.

As at end of 2014, Fibank carried out 5.35% of the outgoing (2013: 4.02%) and 6.45% of the incoming (2013: 5.24%) trade financing operations as per SWIFT data.

Bank guarantees in foreign currency



Letters of credit



During the reporting period, the letters of credit and bank guarantees in foreign currency issued by the Bank to guarantee the performance of its customers to third parties amounted to BGN 108,221 thousand (2013: BGN 189,318 thousand), forming 12.9% of the total off-balance sheet commitments of the Group (2013: 20.4%).

Fibank maintains a wide network of correspondent banks and services, international bank guarantees and letters of credit in almost every part of the world.

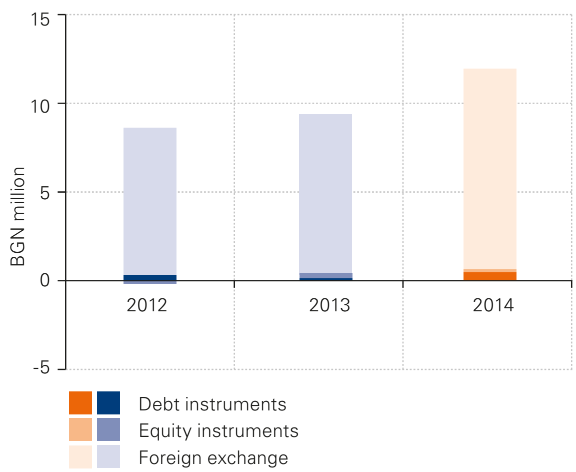
In connection with the entry into force on 1 July 2014 of the US Foreign Account Tax Compliance Act (FATCA), First Investment Bank dedicated efforts and resources during the year to implement the new requirements. First Investment Bank AD, like other banks in the country, is registered with the Internal Revenue Service of the United States (IRS) as a Lead Financial Institution (Lead FFI) of an Expanded Affiliated Group. Its registration status is Registered deemed-compliant foreign financial institution, with Global Intermediary Identification Number (GIIN): SP7FU7.00000.LE.100.

Capital markets

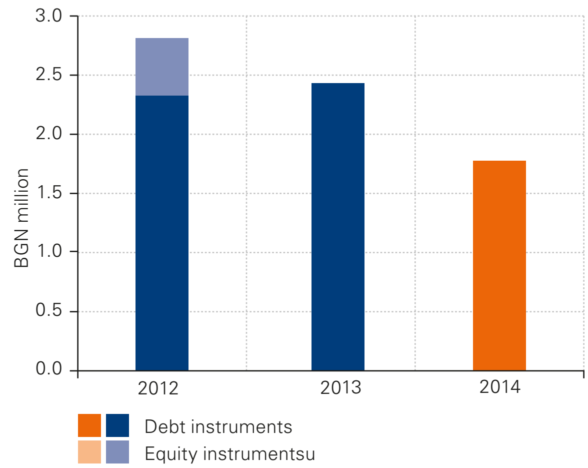
During 2014 net trading income increased to BGN 11,997 thousand (2013: BGN 9,381 thousand), as a result of the higher gains from foreign exchange and from debt instruments. Other operating income, arising from debt instruments amounted to BGN 1,783 thousand, against BGN 2,428 thousand a year earlier.

The portfolio of financial instruments amounted to BGN 560,358 thousand as at end-2014, compared to BGN 618,721 thousand a year earlier, of which BGN 486,975 thousand available for sale (2013: BGN 423,640 thousand), BGN 9,646 thousand financial assets held for trading (2013: BGN 16,423 thousand) and BGN 63,737 thousand financial assets held to maturity (2013: BGN 178,658 thousand).

Net trading income



Other operating income



During the year First Investment Bank continued to develop its investment services in accordance with the regulatory requirements and market environment.

In execution of the obligations resulting from Regulation (EC) № 648/2012 of the European Parliament and of the Counsel on OTC derivatives, central counterparties and trade repositories (EMIR), First investment bank reports the required data before a trade repository, maintained by DTCC Derivatives Repository Ltd., a company based in London, Great Britain. The LEI code (Legal Entity Identifier) of First investment bank is: 549300UY81ESCZJ0GR95, issued by Global Markets Entity Identifier (GMEI) Utility.

In its capacity as an investment intermediary and a primary dealer of government securities, First Investment Bank carries out transactions with financial instruments in the country and abroad including transactions of government securities, shares, corporate and municipal bonds, compensatory instruments as well as primary money market instruments. The Bank also offers trust portfolio management, investment consultation, as well as depositary and custodian services to private individuals and corporates, including maintaining registers of investment intermediaries, of accounts of securities, income payments and servicing payments under transactions in financial instruments. Fibank's activities are in compliance with MiFID regulations in accordance with the Markets in Financial Instruments Act and Ordinance №38 of the Financial Supervision Commission, which ensures a higher level of protection for non-professional customers. The Bank has a unit for the control of investment services and activities, which ensures the observing of the requirements regarding Fibank's activity as an investment intermediary.

Orders for the subscription/redemption of units in four mutual funds (FIB Garant Mutual Fund, FIB Classic Mutual Fund, FIB Avangard Mutual Fund and FFBH Vostok Mutual Fund, managed by the Management company FFBH Asset Management AD) can be accepted in Fibank's offices which are registered with the Financial Supervision Commission.

Transparency

Consolidated financial statements

as at 31 december 2014

with independent auditor’s report thereon

KPMG

Independent Auditors' Report

To the shareholders of First Investment Bank AD

We have audited the accompanying consolidated financial statements of First Investment Bank AD ("the Bank"), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Bank as at 31 December 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Tzvetelinka Koleva

Authorized representative

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №045
"КПМГ - България" ООД

Margarita Goleva

Registered auditor

KPMG Bulgaria OOD

Sofia, 22 April 2015

Consolidated statement of comprehensive income for the year ended 31 December 2014

In thousands of BGN

	Note	2014	2013
Interest income		529,072	480,380
Interest expense		(237,161)	(298,669)
Net interest income	**6**	**291,911**	**181,711**
Fee and commission income		108,179	103,596
Fee and commission expense		(20,754)	(16,905)
Net fee and commission income	**7**	**87,425**	**86,691**
Net trading income	**8**	11,997	9,381
Other operating income	**9**	15,314	6,662
TOTAL INCOME FROM BANKING OPERATIONS		**406,647**	**284,445**
General administrative expenses	10	(190,981)	(156,239)
Impairment losses	11	(299,621)	(70,305)
Gain on bargain purchase of subsidiary		–	152,310
Other income/(expenses), net	12	119,665	(21,982)
PROFIT BEFORE TAX		**35,710**	**188,229**
Income tax expense	**13**	**(4,946)**	**(3,325)**
GROUP PROFIT AFTER TAX		**30,764**	**184,904**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		8	(77)
Available for sale financial assets		3,610	2,421
Other comprehensive income for the period		**3,618**	**2,344**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**34,382**	**187,248**
Profit attributable to:			
Owners of the Bank		30,774	184,920
Non-controlling interests		(10)	(16)
Total comprehensive income attributable to:			
Owners of the Bank		34,392	187,264
Non-controlling interests		(10)	(16)
Basic and diluted earnings per share (in BGN)	**14**	**0.28**	**1.68**

The consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 84 to 139.

Dimitar Kostov
Executive Director
Chairman of the Management Board

Vassil Christov
Executive Director

Svetoslav Moldovanski
Executive Director

Maya Oyfalosh
Executive Director

Jivko Todorov
Chief Financial Officer

ПЪРВА ИНВЕСТИЦИОННА БАНКА АД • СОФИЯ •

According to independent auditor's report:
Tzvetelinka Koleva
Authorized representative
KPMG Bulgaria OOD

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №045
"КПМГ - България" ООД

Margarita Goleva
Registered auditor

Consolidated statement of financial position as at 31 December 2014

In thousands of BGN

	Note	2014	2013
ASSETS			
Cash and balances with central banks	15	1,651,945	1,347,555
Financial assets held for trading	16	9,646	16,423
Available for sale investments	17	486,975	423,640
Financial assets held to maturity	18	63,737	178,658
Loans and advances to banks and financial institutions	19	112,078	120,126
Loans and advances to customers	20	5,810,328	6,020,792
Property and equipment	21	109,025	115,964
Intangible assets	22	18,265	20,263
Derivative assets held for risk management		4,019	3,702
Deferred tax assets	23	46	48
Current tax assets		800	1,001
Repossessed assets	24	521,605	467,814
Other assets	25	39,413	62,007
TOTAL ASSETS		**8,827,882**	**8,777,993**
LIABILITIES AND CAPITAL			
Due to credit institutions	26	1,393	5,302
Due to other customers	27	6,699,677	7,535,756
Ministry of Finance deposit	27a	901,844	–
Other borrowed funds	28	177,544	196,444
Subordinated term debt	29	–	24,655
Perpetual debt	30	99,999	99,792
Hybrid debt	31	195,447	205,251
Derivative liabilities held for risk management		–	684
Deferred tax liabilities	23	3,336	3,137
Current tax liabilities		920	584
Other liabilities	32	20,825	13,873
TOTAL LIABILITIES		**8,100,985**	**8,085,478**
Issued share capital	33	110,000	110,000
Share premium	33	97,000	97,000
Statutory reserve	33	39,865	39,865
Revaluation reserve on available for sale investments		7,114	3,504
Revaluation reserve on land and buildings		4,500	4,500
Reserve from translation of foreign operations		(2,846)	(2,854)
Retained earnings	33	468,945	438,171
SHAREHOLDERS' EQUITY		**724,578**	**690,186**
Non-controlling interests		2,319	2,329
TOTAL GROUP EQUITY		**726,897**	**692,515**
TOTAL LIABILITIES AND GROUP EQUITY		**8,827,882**	**8,777,993**

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 84 to 139.

Dimitar Kostov
Executive Director
Chairman of the Management Board

Vassil Christov
Executive Director

Svetoslav Moldovanski
Executive Director

Maya Oyfalosh
Executive Director

Jivko Todorov
Chief Financial Officer

According to independent auditor's report:

Tzvetelinka Koleva
Authorized representative
KPMG Bulgaria OOD

Margarita Goleva
Registered auditor

ПЪРВА ИНВЕСТИЦИОННА БАНКА АД • СОФИЯ •

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ София Рег. №045 "КПМГ - България" ООД

Consolidated statement of cash flows for the year ended 31 December 2014

In thousands of BGN

	2014	2013
Cash flows from operating activities		
Profit for the period	30,764	184,904
Adjustment for non-cash items		
Impairment losses	299,621	70,305
Net interest income	(291,911)	(181,711)
Depreciation and amortisation	20,270	20,736
Income tax expense	4,946	3,325
(Profit)/loss from sale and derecognition of tangible and intangible fixed assets, net	(62)	8
(Profit) from sale of other assets, net	(161,239)	(200)
(Gain) on bargain purchase of subsidiary	–	(152,310)
	(97,611)	**(54,943)**
Change in operating assets		
(Increase)/decrease in financial instruments held for trading	6,845	(2,840)
(Increase)/decrease in available for sale investments	(57,216)	354,059
(Increase)/decrease in loans and advances to banks and financial institutions	16,742	(10,575)
(Increase) in loans to customers	(117,895)	(418,432)
Net (increase) /decrease in other assets	22,490	(200,273)
	(129,034)	**(278,061)**
Change in operating liabilities		
(Decrease) in deposits from banks	(3,909)	(3,994)
Increase in amounts owed to other depositors	97,700	360,075
Net increase in other liabilities	5,505	1,648
	99,296	**357,729**
Interest received	463,534	465,714
Dividends received	546	505
Interest paid	(280,592)	(273,083)
Income tax paid	(4,022)	(3,682)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**52,117**	**214,179**
Cash flows from investing activities		
(Purchase) of tangible and intangible fixed assets	(11,676)	(6,292)
Sale of tangible and intangible fixed assets	405	149
Sale of other assets	200,907	5,204
Acquisition of a subsidiary, net of cash received	–	250,813
(Increase)/decrease of investments	114,953	(59,888)
NET CASH FLOWS FROM INVESTING ACTIVITIES	**304,589**	**189,986**
Cash flows from financing activities		
Repayment of subordinated debt	(24,655)	(30,333)
(Decrease) in borrowings	(17,001)	(125,830)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(41,656)**	**(156,163)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**315,050**	**248,002**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**1,422,180**	**1,174,178**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (see note 35)	**1,737,230**	**1,422,180**

The consolidated cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 84 to 139.

Dimitar Kostov
Executive Director
Chairman of the Management Board

Vassil Christov
Executive Director

Svetoslav Moldovanski
Executive Director

Maya Oyfalosh
Executive Director

Jivko Todorov
Chief Financial Officer

ПЪРВА ИНВЕСТИЦИОННА БАНКА АД • СОФИЯ •

According to independent auditor's report:
Tzvetelinka Koleva
Authorized representative
KPMG Bulgaria OOD

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №045
"КПМГ - България" ООД

Margarita Goleva
Registered auditor

Consolidated statement of changes in equity for the year ended 31 December 2014

In thousands of BGN

	Share capital	Share premium	Retained earnings	Revaluation reserve on available for-sale investments	Revaluation reserve on land and buildings	Reserve from translation of foreign operations	Statutory reserve	Non-controlling interests	Total
Balance as at 1 January 2013	**110,000**	**97,000**	**253,255**	**1,083**	**4,500**	**(2,777)**	**39,861**	**2,345**	**505,267**
Total comprehensive income									
Profit for the year ended 31 December 2013	–	–	184,920	,–	–	–	–	(16)	184,904
Other comprehensive income									
Revaluation reserve on available for sale investments	–	–	–	,2,421	–	–	–	–	2,421
Reserve from translation of foreign operations	–	–	–	–	–	(77)	–	–	(77)
Statutory reserve	–	–	(4)	–	–		4	–	–
Balance as at 31 December 2013	**110,000**	**97,000**	**438,171**	**3,504**	**4,500**	**(2,854)**	**39,865**	**2,329**	**692,515**
Total comprehensive income									
Profit for the year ended 31 December 2014	–	–	30,774	–	–	–	–	(10)	30,764
Other comprehensive income									
Revaluation reserve on available for sale investments	–	–	–	3,610	–	–	–	–	3,610
Reserve from translation of foreign operations	–	–	–	–	–	8	–	–	8
Balance as at 31 December 2014	**110,000**	**97,000**	**468,945**	**7,114**	**4,500**	**(2,846)**	**39,865**	**2,319**	**726,897**

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 84 to 139.

The consolidated financial statements have been approved by the Management Board on 20 April 2015 and signed on its behalf by:

Dimitar Kostov
Executive Director
Chairman of the Management Board

Vassil Christov
Executive Director

Svetoslav Moldovanski
Executive Director

Maya Oyfalosh
Executive Director

Jivko Todorov
Chief Financial Officer

ПЪРВА ИНВЕСТИЦИОННА БАНКА АД • СОФИЯ •

According to independent auditor's report:

Tzvetelinka Koleva
Authorized representative
KPMG Bulgaria OOD

Margarita Goleva
Registered auditor

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №045
"КПМГ - България" ООД

1. Basis of preparation

(a) Statute

First Investment Bank AD (the Bank) is incorporated in the Republic of Bulgaria and has its registered office in Sofia, at 37 Dragan Tzankov Blvd.

The Bank has a general banking license issued by the Bulgarian National Bank (BNB) according to which it is allowed to conduct all banking transactions permitted by the Bulgarian legislation.

As a result of a successful initial public offering (IPO) of new shares on the Bulgarian Stock Exchange –Sofia the Bank was registered as a public company at the Register of the Financial Supervision Commission in accordance with the provisions of the Bulgarian Public Offering of Securities Act on 13 June 2007.

The consolidated financial statements of the Bank as at and for the year ended 31 December 2014 comprise the Bank and its subsidiaries (see note 38), together referred to as the "Group".

On 10th October 2013 the Bank has acquired 122,464,965 shares with voting rights, which comprise 100% of the share capital of MKB Unionbank EAD. On 4th March 2015 the merger of Unionbank EAD and First Investment Bank AD was registered in the Commercial Register. Under the law, after the registration in the Commercial Register has been accomplished, Unionbank EAD's status of a commercial entity is terminated and all its rights and obligations are transferred to First Investment Bank AD in its capacity of a universal successor. (Please, refer to note 38(i))

The Group has foreign operations in Cyprus (Cyprus Branch) and Albania (subsidiary in Albania).

(b) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Commission.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2 (q).

(c) Basis of preparation

The financial statements are presented in Bulgarian leva (BGN) rounded to the nearest thousand.

The financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held for trading and available-for-sale assets. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

(d) Changes in the accounting policy

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014:

- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities, IAS 27 Separate Financial Statements (2012) and IAS 28 Investments in Associates and Joint Ventures (2012) (see (i)).
- Amendments to IAS 32- Offsetting Financial Assets and Financial Liabilities (see (ii)).
- Amendments to IAS 36- Recoverable Amount Disclosures for Non-Financial Assets (see (iii)).
- Amendments to IAS 39- Novation of derivatives and continuation of hedge accounting (see (iv)).
- IFRIC 21 Levies (see (v)).

(i) New set of standards for consolidation

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or right to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10, the Group re-assessed the control conclusion for its investees at 1 January 2014. The change did not have a material impact on the Group's financial statements.

The Group has performed an assessment for the existence of structured entities as per IFRS 12.The adoption of IFRS 11 and IFRS 12 did not have a material impact on the Group's financial statements.

(ii) Offsetting Financial Assets and Financial Liabilities

As a result of the amendments to IAS 32, the Group has change its accounting policy for offsetting financial assets and financial liabilities. The amendments clarify when an entity currently has a legal enforceable right to set-off and when gross settlement is equivalent to net settlement.

The change did not have a material impact on the Group's financial statements.

(iii) Amendments to IAS 36

The change did not have an impact on the Group's financial statements.

(iv) Amendments to IAS 39

The change did not have an impact on the Group's financial statements as the Group does not novate derivatives defined as hedge instruments to the key counterparties as a result of laws or regulations.

(v) IFRIC 21 Levies

As a result of IFRIC 21 Levies, the Group has changed its accounting policy on accounting for a liability to pay a levy that is a liability in the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The change did not have a material impact on the Group's financial statements.

2. Significant accounting policies

(a) Income recognition

(i) Interest income and expense

Interest income and expense is recognised in profit or loss as it accrues, taking into account the effective yield of the asset (liability) or an applicable floating rate. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest rate includes all fees paid or received as well as discount and premiums which are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

(ii) Fee and commission

Fee and commission income arises on financial services provided by the Group and is recognised in profit or loss when the corresponding service is provided.

(iii) Net trading income

Net gains (losses) on financial assets and liabilities held for trading include those gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading as well as trading income in dealing with foreign currencies and exchange differences from daily revaluation of the net open foreign currency position of the Group.

(iv) Dividend income

Dividend income is recognised when the right to receive dividends is established. Usually this is the ex-dividend date for equity securities.

(b) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Negative goodwill arising on acquisition is re-assessed and any excess remaining after the reassessment is recognised in the income statement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring theconsideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

(ii) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

(iii) Subsidiaries

Subsidiaries are those enterprises controlled by the Bank. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of the subsidiaries are included line by line in the consolidated financial statements from the date control commences until the date the control ceases.

(iv) Control assessment over mutual funds

The Group has invested in several mutual funds. In order to assess the control level over those mutual funds, the Group focuses on the assessment of the overall economic interest in the fund (representing investment income) and the right to dismiss the fund management. The Investors do not have the right to dismiss the fund management for all funds in which they have invested. However, the total economic interest in the following funds: FIB Classic, FIB Avangarde, FIB Garant and PFBK VOSTOK is 84.46%, 60.79%, 49.51% and 23.77% respectively. As a result of the assessment the Group has reached a conclusion to consolidate the following mutual funds: FIB Classic, FIB Avangarde and FIB Garant. These mutual funds and AMS Properties EOOD are not included in the consolidated financial statements of the Group for the year ended 31 December 2014, as they are considered immaterial both individually and in aggregate to the financial position, financial result and the cash flow of the Group for the same reporting period. In case those entities have been consolidated the total effect on the consolidated financial position of the Group would have been under 0.01%, and on the consolidated financial result- under 1.26%. The assessment for consolidation of the mutual funds and the other entities is reconsidered at each reporting date.

(v) Loss of control

When the Group losses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and the other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as financial instruments available for sale depending on the level of influence retained.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised losses are eliminated in the same manner as unrealised gains, but only if there is no evidence of impairment.

(c) Foreign currency transactions

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Bulgarian leva, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Foreign currency differences arising on translation are differences between amortised cost in functional currency at the beginning of period, adjusted with effective interest and received payments during the period, and amortised cost in foreign currency at the spot exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined.

(iii) Foreign operations

The assets and liabilities of foreign operations are translated to Bulgarian leva at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Bulgarian leva at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income. The functional currency of the foreign operations in Cyprus is determined by the management to be the Euro. The functional currency of the foreign operations in Albania is determined by the management to be the Albanian lek.

(d) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management because its performance is internally evaluated and reported on a fair value basis. Derivatives are also categorised as held for trading unless they are designated as hedges.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Were the Group to sell or reclassify other than an insignificant amount of held-to-maturity assets, the entire category shall be reclassified as available for sale.

(iv) Available-for-sale

Available-for-sale investments are those non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(v) Recognition

Purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on the date of the actual delivery of the assets. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

(vi) Measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognised in profit or loss. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified in profit or loss.

Interest calculated using the effective interest method is recognised in profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

(vii) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(viii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers in which control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with central banks and short-term highly liquid accounts and receivables from banks with original maturity of three months or less.

(f) Investments

Investments that the Group holds for the purpose of short-term profit taking are classified as trading instruments. Debt investments that the Group has the intent and ability to hold to maturity are classified as held-to-maturity assets. Other investments are classified as available-for-sale assets.

(g) Securities borrowing and lending business and repurchase transactions

(i) Securities borrowing and lending

Investments lent under securities lending arrangements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy for assets held for trading or available-for-sale as appropriate. Cash collateral received in respect of securities lent is recognised as liabilities to either banks or customers. Investments borrowed under securities borrowing agreements are not recognized as Group's asset. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense.

(ii) Repurchase agreements

The Group enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans to either banks or customers. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy for either assets held for trading or available-for-sale as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or customers.

The difference between the purchase (sale) and resell (repurchase) considerations is recognised on an accrual basis over the period of the transaction and is included in interest income (expense).

(h) Borrowings

Borrowings are recognised initially at 'cost', being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

The borrowings of the Group include Due to credit institutions, Due to customers, Ministry of Finance deposit and Other borrowed funds.

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of a liability and the consideration paid is included in other operating income.

(i) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

(j) Impairment

The carrying amounts of the Group's assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(i) Loans and advances

The amount of the loss is determined as the difference between the assets's carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. If a loan has a variable interest rate, the discount rate is the current effective interest rate determined under the contract. Short-term balances are not discounted. Calculation of the present value of estimated future cash flows includes interest and principal repayments as well as the cash flows that could arise from highly liquid collateral.

Loans and advances are presented net of individual or portfolio allowances for impairment. The carrying amount of the assets is reduced through use of an allowance account. Individual allowances are allocated against the carrying amount of loans and advances for which objective evidence of impairment exists as a result of past events that occurred after the initial recognition of the asset. Objective evidence of impairment include significant financial difficulty of the issuer or obligor; a breach of contract, such as a default or delinquency in interest or principal payments; the borrower will probably enter bankruptcy; observable data indicating that there is a measurable decrease in the estimated cash flows from a group of financial assets. Portfolio allowances are maintained to reduce the carrying amount of portfolios of loans and advances with similar credit risk characteristics that are collectively assessed for impairment. The expected cash flows for portfolios of similar assets are estimated on the basis of historical loss experience for assets with characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. Increases in the allowance account are recognised in profit or loss. When a loan is identified to be not recoverable, all the necessary legal procedures have been completed and the final loss has been determined, the loan is written off.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the allowance reversal is recognised in profit or loss.

(ii) Available for sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

If, in a subsequent period, the fair value of a financial instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. Any subsequent increase in the fair value of impaired equity security, available for sale, is recognized directly in the comprehensive income.

(k) Property and equipment

Land and buildings are presented at revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. All other Items of property and equipment are stated in the statement of financial position at their acquisition cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight line basis at prescribed rates designed to decrease the net book value of fixed assets over their expected useful lives. The following are the annual rates used:

Assets	%
• Buildings	3 – 4
• Equipment	10 – 50
• Fixtures and fittings	10 – 15
• Vehicles	10 – 20
• Leasehold improvements	2 – 50

Assets are not depreciated until they are brought into use and transferred from assets in the course of construction into the relevant asset category.

(l) Intangible assets

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and any impairment losses.

Amortisation is calculated on a straight-line basis over the expected useful life of the asset. The annual rates of amortisation are as follows:

Assets	%
• Licences, trademarks	10 – 20
• Computer software	8 – 50

(m) Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Acceptances

An acceptance is created when the Group agrees to pay, at a stipulated future date, a draft drawn on it for a specified amount. The Group's acceptances primarily arise from documentary credits stipulating payment for the goods to be made a certain number of days after receipt of required documents. The Group negotiates most acceptances to be settled at a later date following the reimbursement from the customers. Acceptances are accounted for as other borrowed funds. (Please refer to note 2(h))

(o) Off-statement of financial position commitments

In the ordinary course of its business, the Group enters into off-statement of financial position commitments such as guarantees and letters of credit. The Group recognizes provision for impairment on off-statement of financial position commitments when it has a present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and when a reliable estimate can be made of the obligation.

(p) Taxation

Tax on the profit for the period comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the end of each reporting period, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amount of an asset or liability for financial reporting purposes and the amount used for taxation purposes.

Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to profit or loss, except to the extent that it relates to items previously recognised either in other comprehensive income or directly in equity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information on the valuations and the valuation uncertainty, for which there is a significant risk of change as of 31 December 2014 are stated below and are related to the impairment of financial instruments, income tax and the following notes related to other elements of the financial statements:

- Note 5 - determining of the fair value of the financial instruments through valuation techniques, in which the input data for the financial assets and liabilities are not based on the available market information
- Note 21 - determining of the fair value of land and buildings through valuation techniques, in which the input data for the assets are not based on available market information.

(i) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Individual impairment on loans and advances of the Group is based on the best assessment of the Management for the present value of future cash flows. When evaluating these cash flows the Management makes an assessment of the financial position of every borrower and the net realizable value of the collateral of the loan. Each impaired asset is assessed individually while the strategy for reimbursement and the evaluation of the cash flows, considered as reimbursable,are approved independently by the Credit Committee. Cash flows could be realized from loan repayments, sale of the collateral, operations with the collateral and others depending on the individual situation and the terms of the loan contract. The expected net realizable value of the collateral is regularly reviewed and it is based on a combination of internal appraisal of the fair value, conducted by internal appraisers, and external independent appraisal reports. The expected future cash flows are discounted at the initial effective interest rate of the financial asset.

Group impairment covers loan losses inherent to a loan portfolio with similar loan characteristics, when there is objective evidence, that it contains impaired loans, but specific impaired positions could still not be identified. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Portfolio impairment for collective credit risk is based on the historical experience of the Bank when calculating the probability of default of a regular loan, 40% expected loss given default and 1-year period for identification. The sensitivity analysis of the expected loss given default percentage with +/- 5 points shows increase/decrease in the total impairment with +389/-389 thousands BGN.

The accuracy of the impairment depends on the evaluation of the future cash flows when determining the individual impairment and on the assumptions made and the parameters used in the model when determining the group impairment.

(ii) Impairment of repossessed assets from collaterals

Assets accepted as collateral are recognized at the lower of the cost and the net realizable value. When evaluating the net realizable value of the assets the Management prepares several models for appraisal (e.g. discounted cash flows) and makes comparison to available market data (e.g. similar market transactions, offers from potential buyers).

(iii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the overall provision for income taxes. Many parts of Albanian and Cyprus tax legislation remain untested and there is uncertainty about the interpretation that the financial authorities may apply in a number of areas. The effect of this uncertainty cannot be quantified and will only be resolved as legislative precedents are set or when the official interpretations of the authorities are available.Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(r) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options.

(s) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further amounts. The respective jurisdictions are responsible for providing pensions under a defined contribution pension plan. The Group's contributions to the defined contribution pension plan are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The Bank has an obligation to pay certain amounts to each employee who retires with the Bank in accordance with Art. 222, paragraph 3 of the Bulgarian Labor Code. According to these regulations, when a labor contract of an employee of the Bank, who has acquired a pension right, is ended, the Bank is obliged to pay him or her compensation amounted to two gross monthly salaries. If the employee has service in the Bank during the last 10 years as at retirement date, then the compensation amounts to six gross monthly salaries. As at the end of the reporting period, the management of the Group estimates the approximate amount of the potential expenditures for every employee using the projected unit credit method.

For the last two years the Bank has prepared estimates for the due provisions for pensions and has not identified significant liabilities.

Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees, and the obligation can be estimated reliably. The Group recognises as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange for the employee's service for the period completed.

(t) Insurance contracts

Classification of insurance contracts

Insurance contracts are those that transfer significant insurance risk over the Company. The Company defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an specific unpredictable future event which affects unfavorably the insured or the beneficiary. Insurance risk is every risk, which is not financial risk. Financial risk is any risk related to probable future change in one or several of the following: interest, price of the security, market prices,currency prices, credit rating, credit index or other variable- if there are the non-financial variables, the variable is not specific for the counterparties Insurance contracts may also transfer part of the financial risk.

Written premiums

Written premiums are recognized as income on the basis of the due premium from the insured individuals for the underwriting year, which begins during the financial year, or the due single premium installment for the total period of insurance coverage of the insurance contracts signed within the financial year. Gross written premiums are not recognized when future cash flows related to them are not guaranteed. Written premiums are presented gross of the due agents' commissions.

Reversed premiums

Reversed insurance premiumns are insurance premiums for which there has been an violation of the General terms of the insurance contract or a change in the terms of the contract. Reversed premiums within the current year, related to policies written within the current year, decrease the Gross Written Premiums of the Group. Reveresed premiums within the current year, related to policies written in previous years, increase the expenses of the Group, incurred within the reporting period.

Unearned-premium reserve

The unearned premium reserve is formed to cover the claims and administrative expenses, which are expected to arise on the respective type of insurance contract after the end of the reporting period. The basis for calculation of the unearned premium reserve corresponds to the base for recognition of the Group's written premiums. The amount of the reserve is calculated under the precise day method, under which the premium is multiplied with a coefficient for deferral. The coefficient for deferral is calculated as a ratio between the number of the days within the following reporting period during which the conctract is valid to the total number of days during which the contract is valid.

Unexpired risk reserve

Unexpired risk reserve is formed to cover risks for the period between the end of reporting period and the date on which the insurance contract expires in order to cover the payments and expenses related to these risks which are expected to exceed the UPR formed.

Claims incurred

Claims incurred include claims paid and claims-handling expenses due within the financial year including the change in outstanding claims reserve.

Outstanding claims reserve

Outstanding claims reserve is calculated on the basis all claims from events incurred within the current and previous reporting periods, which have not been paid as of year-end. OCR also includes the total amount of incurred but not reported claims (IBNR), calculated as a percentage from the earned premiums for the financial year and the incurred claims.

Acquisition costs

Acquisition costs include accrued commission expense from agents and brokers.

(u) New IFRS and interpretations (IFRIC) not yet adopted as at the reporting date

A number of new standards, amendments to standards and interpretations, endorsed by the EC, are available for early adoption in annual period ended 31 December 2014, although they are not yet mandatory until a later period. These changes to IFRS have not been applied in preparing these consolidated financial statements. The Group does not plan to adopt these standards early.

Standards, Interpretations and amendments to published Standards that have not been early adopted – endorsed by the EC:

- Annual improvements to IFRSs 2010-2012 and 2011-2013 Cycles. The improvements introduce eleven amendments to nine standards and consequential amendments to other standards and interpretations. None of these amendments are expected to have a significant impact on the financial statements of the Group;
- Amendments to IAS 19 – Defined benefit plans: Employee contributions. The entity does not expect the Amendments to have any impact on the financial statements since it does have any defined benefit plans that involve contributions from employees or third parties.

IASB/IFRIC documents not yet endorsed by EC:

Management believes that it is appropriate to disclose that the following new or revised standards, new interpretations and amendments to current standards, which are already issued by the International Accounting Standards Board (IASB), are not yet endorsed for adoption by the European Commission, and therefore are not taken into account in preparing these consolidated financial statements. The actual effective dates for them will depend on the endorsement decision by the EC.

- IFRS 9 Financial instrument (issued 24 July 2014);
- IFRS 14 Regulatory Deferral Accounts (issued 30 January 2014);
- IFRS 15 Revenue from contracts with customers (issued 28 May 2014);
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (issued on 18 December 2014);
- Amendments to IAS 1 Disclosure initiative (issued 18 December 2014);
- Annual improvements to IFRSs 2012-2014 Cycle (issued 25 September 2014)
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associated or jointly controlled investee (issued 11 September 2014);
- Amendments to IAS 27 – Equity method in separate financial statements (issued 12 August 2014);
- Amendments to IAS 16 and IAS 38 – Clarification for acceptable methods of depreciation and amortization (issued 12 May 2014);
- Amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations (issued 6 May 2014).

3. Risk management disclosures

A. Trading activities

The Group maintains active trading positions in a limited number of non-derivative financial instruments. Most of the Group's trading activities are customer driven. In anticipation of customer demand, the Group carries an inventory of money market instruments and maintains access to market liquidity by trading with other market makers. These activities constitute the proprietary trading business and enable the Group to provide customers with money market products at competitive prices.

The Group manages its trading activities by type of risk involved and on the basis of the categories of trading instruments held.

(i) Credit risk

Default risk is the risk that counterparties to financial instruments might default on their obligations. Default risk is monitored on an ongoing basis subject to the Group's internal risk management procedures and is controlled through minimum thresholds for the credit quality of the counterparty and setting limits on exposure amount. Exposures arising from trading activities are subject to total exposure limits and are authorised by the appropriate person or body as set out in credit risk management procedures.

Settlement risk is the risk of loss due to counterparty failing to deliver value (cash, securities or other assets) under contractually agreed terms. When trades are not cleared through clearing agent settlement risk is limited through simultaneous commencement of the payment and delivery legs.

(ii) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group assumes market risk when taking positions in debt instruments, equities, derivatives and foreign exchange transactions. These risks are managed by enforcing limits on positions taken and their risk sensitivities as measured by value-at-risk, duration or other measures appropriate for particular position in view of its sensitivity to risk factors. The major risk factors that affect the Group's trading activities are changes of interest rates (interest rate risk), changes of exchange rates (foreign exchange risk) and changes of equity prices (equity price risk).

Exposure to market risk is formally managed in accordance with risk limits set by senior management for buying or selling instruments.

The quantitative measurement of interest rate risk is performed by applying VaR (Value at Risk) approach. The Value at Risk estimates the maximum loss that could occur over a specified horizon, under normal market conditions, due to adverse changes in market rates if the positions remain unchanged for the specified time interval. Value at risk is calculated using a one day horizon and 99% confidence level, meaning that there is 1% probability that a portfolio will incur a loss in one day greater than its VaR. Parameters of the VaR model are estimated on the basis of exponentially weighted historical price changes of risk factors.

The Value at Risk is calculated and monitored on a daily basis as part of the Bank's ongoing risk management. The following table summarises the range of interest rate VaR for all positions carried at fair value that was experienced in 2014:

in thousands of BGN	31 December 2014	2014			31 December 2013
		average	low	high	
VaR	1,368	962	413	2,228	842

B. Non-trading activities

Below is a discussion of the various risks the Group is exposed to as a result of its non-trading activities and the approach taken to manage those risks.

(i) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturity and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame to meet the liability obligations.

Funds are raised using a broad range of instruments including deposits, liabilities evidenced by paper, subordinated debt instruments and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Group makes its best efforts to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturity. The Group continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Group strategy.

After the bank-run in June 2014, on 29 June 2014 the Bulgarian government provided the Bank with liquidity support at the amount of BGN 1.2 billion at 2.2% interest as part of the Liquidity Support for Bulgarian Banks – Bulgaria program № SA 38994 (2014/N), approved by the European Commission. Due to constraints in the state budget, this deposit was short-term and matured on 28 November 2014. The Bank returned BGN 300 million of the provided amount at maturity and Bulgaria applied for extention of the maturity for the remaining BGN 900 million for additional 18 months effective from this date.

The European Commission found that the liquidity support provided to the Bank until 28 May 2016 meets the requirements for the support to be classified as government assistance to banks and complies with the stricter requirements as per the Press Relase to Banks from 2013.

On 12 November 2014 First Investment Bank AD provided the European Commission with a liquidity recovey plan. The Bank committed to repay the liquidity support on dates predetermined in the plan. First Investment Bank AD has committed to strengthening of liquidity, improvement of the corporate governance structure and risk management policies. In order to limit any distortion of competition caused by the support, the Bank has also committed to certain limitations for the period of using the support, which include no dividend payments, no use of aggressive business practices and no acquisitions.

An independent supervisor is monitoring the implementation of the plan and will provide regular reports to the European Commission.

As at 31 December 2014 the Bank has fulfilled its commitments as per the liquidity recovery plan.

Taking into consideration the challenges of the external environment and more specifically the liquidity pressure from the end of June 2014, the Bank undertook increased measures for monitoring cash flows and early detect indicators of increased liquidity risk.

In compliance with the requirements of the Law on Credit Institutions, Ordinance No 7 of BNB for the organization and management of risks in banks and Directive 2014/59 / EU of the European Parliament and of the Council for establishing a framework for the recovery and resolution of credit institutions and investment firms, First Investment Bank AD prepared a recovery plan if financial difficulties occur. It includes qualitative and quantitative early warning signals and indicators of recovery such as capital and liquidity indicators, income indicators, market-oriented indicators upon the occurrence of which recovery measures are triggered. Liquidity indicators include Liquidity Coverage Ratio (LCR); net withdrawal of financing; liquid assets to deposits by non-financial customers ratio; Net Stable Funding Ratio (NSFR). Different stress test scenarios related to idiosyncratic shock, system shock and aggregate shock have been prepared. In case of liquidity pressure, there are systems in place to ensure prompt and adequate reaction which include obtaining additional funds from local and international markets through issuance of appropriate financial instruments depending on the specific case as well as sale of highly liquid assets. The levels of decision making are clearly determined.

In order to reduce the liquidity risk, preventive measures have been taken aimed to extend the maturity of borrowings from customers, to encourage long-term relationships with clients and to increase customer satisfaction. In order to adequately manage liquidity risk, the Bank monitors cash flows on a daily basis.

The Liquidity Board is the body that manages liquidity. One of the main ratios used by the Bank for managing liquidity risk is the ratio of total liquid assets to total borrowings.

	31 December 2014	**31 December 2013**
Liquid assets ratio	**26.25%**	**22.66%**

The following table provides an analysis of the financial assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment.

Maturity table as at 31 December 2014

In thousands of BGN	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	Over 1 year	Maturity not defined	Total
Assets						
Cash and balances with central banks	1,090,025	–	–	–	561,920	**1,651,945**
Financial assets held for trading	9,646	–	–	–	–	**9,646**
Available for sale investments	444,636	7,665	18,414	9,972	6,288	**486,975**
Financial assets held to maturity	2,887	13,349	1,398	46,103	–	**63,737**
Loans and advances to banks and financial institutions	85,991	–	26,087	–	–	**112,078**
Loans and advances to customers	506,984	170,629	1,045,408	4,087,307	–	**5,810,328**
Other financial assets	4,019	–	–	–	–	**4,019**
Total financial assets	**2,144,188**	**191,643**	**1,091,307**	**4,143,382**	**568,208**	**8,138,728**
Liabilities						
Due to credit institutions	1,393	–	–	–	–	**1,393**
Due to other customers	659,388	698,096	2,982,210	1,120,014	1,239,969	**6,699,677**
Due to Ministry of Finance	–	–	301,844	600,000	–	**901,844**
Other borrowed funds	46	3,248	24,841	149,409	–	**177,544**
Subordinated term debt	–	–	–	–	–	–
Perpetual debt	–	–	–	–	99,999	**99,999**
Hybrid debt	–	–	–	–	195,447	**195,447**
Total financial liabilities	**660,827**	**701,344**	**3,308,895**	**1,869,423**	**1,535,415**	**8,075,904**
Net liquidity gap	**1,483,361**	**(509,701)**	**(2,217,588)**	**2,273,959**	**(967,207)**	**62,824**

The table presents available for sale investments mainly with a maturity of up to 1 month as it reflects the managenent's intent to sell them in a short-term period.

Maturity table as at 31 December 2013

In thousands of BGN	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	Over 1 year	Maturity not defined	Total
Assets						
Cash and balances with central banks	678,399	–	–	–	669,156	1,347,555
Financial assets held for trading	16,423	–	–	–	–	16,423
Available for sale investments	357,359	5,045	4,294	50,654	6,288	423,640
Financial assets held to maturity	725	30,720	109,425	37,788	–	178,658
Loans and advances to banks and financial institutions	88,581	–	15,755	15,790	–	120,126
Loans and advances to customers	335,868	301,262	1,409,160	3,974,502	–	6,020,792
Other financial assets	3,702	–	–	–	–	3,702
Total financial assets	**1,481,057**	**337,027**	**1,538,634**	**4,078,734**	**675,444**	**8,110,896**
Liabilities						
Due to credit institutions	5,302	–	–	–	–	5,302
Due to other customers	509,157	993,786	3,122,488	1,445,552	1,464,773	7,535,756
Other borrowed funds	16,017	11,323	32,842	136,262	–	196,444
Subordinated term debt	–	–	–	24,655	–	24,655
Perpetual debt	–	–	–	–	99,792	99,792
Hybrid debt	–	–	–	–	205,251	205,251
Other financial liabilities	684	–	–	–	–	684
Total financial liabilities	**531,160**	**1,005,109**	**3,155,330**	**1,606,469**	**1,769,816**	**8,067,884**
Net liquidity gap	**949,897**	**(668,082)**	**(1,616,696)**	**2,472,265**	**(1,094,372)**	**43,012**

The following table provides remaining maturities analysis of the financial assets and liabilities of the Group as at 31 December 2014 based on the contractual undiscounted cash flows.

In thousands of BGN	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	Over 1 year	Total
Financial assets					
Cash and balances with central banks	1,651,945	–	–	–	**1,651,945**
Financial assets held for trading	9,646	–	–	–	**9,646**
Available for sale investments	480,687	–	–	6,288	**486,975**
Financial assets held to maturity	2,804	13,341	1,440	54,868	**72,453**
Loans and advances to banks and financial institutions	85,991	–	26,087	–	**112,078**
Loans and advances to customers	506,984	173,203	1,104,356	4,825,222	**6,609,765**
Total financial assets	**2,738,057**	**186,544**	**1,131,883**	**4,886,378**	**8,942,862**
Financial liabilities					
Due to credit institutions	1,393	–	–	–	**1,393**
Due to other customers	1,900,354	702,383	3,050,666	1,202,331	**6,855,734**
Due to Ministry of Finance	–	–	306,003	618,588	**924,591**
Other borrowed funds	46	3,263	25,228	170,180	**198,717**
Perpetual debt	–	4,949	59,671	45,927	**110,547**
Hybrid debt	–	–	–	277,141	**277,141**
Total financial liabilities	**1,901,793**	**710,595**	**3,441,568**	**2,314,167**	**8,368,123**
Derivatives for trading, net					
Outgoing cash flow	5,525	2,921	8,899	–	**17,345**
Incoming cash flow	9,042	3,025	9,297	–	**21,364**
Total derivatives liabilities	(3,517)	(104)	(398)	–	**(4,019)**
Total liabilities	**1,898,276**	**710,491**	**3,441,170**	**2,314,167**	**8,364,104**

The following table provides remaining maturities analysis of the financial assets and liabilities of the Group as at 31 December 2013 based on the contractual undiscounted cash flows.

In thousands of BGN	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	Over 1 year	Total
Financial assets					
Cash and balances with central banks	1,347,555	–	–	–	**1,347,555**
Financial assets held for trading	16,423	–	–	–	**16,423**
Available for sale investments	417,352	–	–	6,288	**423,640**
Financial assets held to maturity	701	60,097	81,079	42,056	**183,933**
Loans and advances to banks and financial institutions	88,581	–	15,755	15,790	**120,126**
Loans and advances to customers	335,868	306,244	1,496,253	4,760,991	**6,899,356**
Total financial assets	**2,206,480**	**366,341**	**1,593,087**	**4,825,125**	**8,991,033**
Financial liabilities					
Due to credit institutions	5,302	–	–	–	**5,302**
Due to other customers	1,974,819	1,000,838	3,205,297	1,568,295	**7,749,249**
Other borrowed funds	16,035	11,397	33,501	157,769	**218,702**
Subordinated term debt	337	330	3,039	25,714	**29,420**
Perpetual debt	–	4,775	6,601	110,030	**121,406**
Hybrid debt	–	–	19,582	254,258	**273,840**
Total financial liabilities	**1,996,493**	**1,017,340**	**3,268,020**	**2,116,066**	**8,397,919**
Derivatives for trading, net					
Outgoing cash flow	71,270	3,386	13,421	2,933	**91,010**
Incoming cash flow	74,453	3,359	13,303	2,913	**94,028**
Total derivatives liabilities	(3,183)	27	118	20	**(3,018)**
Total liabilities	**1,993,310**	**1,017,367**	**3,268,138**	**2,116,086**	**8,394,901**

The expected cash flows of the Bank from some financial assets and liabilities are different from the cash flows as per the loan contract. The main differences are:

- There is an expectation that the deposits on demand will remain stable and will increase.
- Retail mortgages have original maturity of 25 years on average, but the expected average effective maturity is 14 years as some of the clients take advantage of the early repayment possibility.

As part of the liquidity risk management, the Bank keeps available liquid assets. They consist of cash, cash equivalents and debt securities, which could be sold immediately in order to provide liquidity.

Liquid assets

In thousands of BGN	31 December 2014	31 December 2013
Balances with BNB	840,589	961,960
Current accounts and amounts with other banks	888,778	418,228
Unencumbered debt securities	380,658	437,510
Gold	9,672	10,502
Total liquid assets	**2,119,697**	**1,828,200**

Reasonable liquidity management requires avoidance of concentration of the borrowings from large depositors. Analysis of the significant borrowings in terms of total amount is performed on a daily basis and the diversity of the total liabilities portfolio is supervised.

As of 31 December 2014 the funds borrowed from the top 30 depositors, who are not banks and have no collateral, represent 3.56% of the total amount of the liabilities to other clients (31 December 2013: 7.31%).

(ii) Market risk

Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities the Group is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as the Bulgarian Base Interest Rate, the LIBOR and EURIBOR, although these indices tend to move in high correlation. In addition, the actual effect will depend on a number of other factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within repricing periods and among currencies.

In order to quantify the interest rate risk of its non-trading activities, the Group measures the impact of a change in the market rates both on net interest income and on the Group's economic value defined as the difference between fair value of assets and fair value of liabilities. The interest rate risk on the economic value of the Group following a standardised shock of +100bp/-100bp as of 31 December 2014 is BGN +0.6/-0.6 Mio. The interest rate risk on the Group's net interest income one year forward following a standardised shock of +100bp/-100bp as of 31 December 2014 is BGN +11.7/-11.7 Mio.

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

Effect in millions of BGN	Profit or loss		Equity	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
2014				
As at 31 December	+11.7	-11.7	+0.6	-0.6
Average for the period	+8.6	-8.6	-5.2	+5.2
Maximum for the period	+11.7	-4.5	+2.7	+14.5
Minimum for the period	+4.5	-11.7	-14.5	-2.7
2013				
As at 31 December	+8.9	-8.9	+2.4	-2.4
Average for the period	+4.9	-4.9	-2.0	+2.0
Maximum for the period	+8.9	-2.7	+3.4	+7.7
Minimum for the period	+2.7	-8.9	-7.7	-3.4

The following table indicates the periods in which financial liabilities and assets reprice at 31 December 2014.

In thousands of BGN	Total	Floating rate instruments	Fixed rate instruments			
			Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	More than 1 year
Assets						
Cash and balances with central banks	670,755	626,243	44,512	–	–	–
Financial assets held for trading	5,698	–	5,698	–	–	–
Available for sale investments	480,688	47,977	396,660	7,665	18,414	9,972
Financial assets held to maturity	63,737	–	2,887	13,349	1,398	46,103
Loans and advances to banks and financial institutions	103,672	20,643	57,102	–	25,927	–
Loans and advances to customers	5,353,824	4,097,600	299,222	25,488	192,091	739,423
Total interest-earning assets	**6,678,374**	**4,792,463**	**806,081**	**46,502**	**237,830**	**795,498**
Liabilities						
Due to credit institutions	1,393	1,393	–	–	–	–
Due to other customers	6,622,474	1,092,787	729,367	698,096	2,982,210	1,120,014
Due to Ministry of Finance	901,844	–	–	–	301,844	600,000
Other borrowed funds	105,635	36,779	46	849	5,982	61,979
Perpetual debt	99,999	–	–	–	–	99,999
Hybrid debt	195,447	–	–	–	–	195,447
Total interest-bearing liabilities	**7,926,792**	**1,130,959**	**729,413**	**698,945**	**3,290,036**	**2,077,439**

The following table indicates the periods in which financial liabilities and assets reprice at 31 December 2013.

In thousands of BGN	Total	Floating rate instruments	Fixed rate instruments			
			Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	More than 1 year
Assets						
Cash and balances with central banks	251,375	163,883	87,492	–	–	–
Financial assets held for trading	13,237	–	13,237	–	–	–
Available for sale investments	417,352	23,408	333,951	5,045	4,294	50,654
Financial assets held to maturity	178,658	–	725	30,720	109,425	37,788
Loans and advances to banks and financial institutions	75,656	2,293	73,111	–	109	143
Loans and advances to customers	5,583,524	4,464,802	257,558	28,616	188,248	644,300
Total interest-earning assets	**6,519,802**	**4,654,386**	**766,074**	**64,381**	**302,076**	**732,885**
Liabilities						
Due to credit institutions	5,302	2,527	2,775	–	–	–
Due to other customers	7,534,754	1,146,364	1,028,200	993,029	3,120,291	1,246,870
Other borrowed funds	127,311	9,993	15,915	10,762	28,451	62,190
Subordinated term debt	24,655	–	–	–	–	24,655
Perpetual debt	99,792	–	–	–	–	99,792
Hybrid debt	205,251	–	–	–	–	205,251
Total interest-bearing liabilities	**7,997,065**	**1,158,884**	**1,046,890**	**1,003,791**	**3,148,742**	**1,638,758**

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk through transactions in foreign currencies and on financial instruments that are denominated in a foreign currency.

As a result of the currency board in place in Bulgaria, the Bulgarian currency is pegged to the Euro. As the currency in which the Group presents it financial statements is the Bulgarian lev, the Group's financial statements are affected by movements in the exchange rates between the Bulgarian lev and currencies other than the Euro.

The Group's transactional exposures give rise to foreign currency gains and losses that are recognised as net trading income in profit or loss. These exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the presentation currency of the Group. These exposures were as follows:

In thousands of BGN	**2014**	**2013**
Monetary assets		
Euro	5,112,346	5,576,586
US dollar	436,960	568,057
Other currencies	199,131	233,748
Gold	9,672	10,502
Monetary liabilities		
Euro	3,258,730	3,566,664
US dollar	445,618	567,214
Other currencies	196,884	234,296
Gold	6,926	7,404
Net position		
Euro	1,853,616	2,009,922
US dollar	(8,658)	843
Other currencies	2,247	(548)
Gold	2,746	3,098

In respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Group manages foreign currency risk in line with policy that sets limits on currency positions and dealer limits.

(iii) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group is subject to credit risk through its lending activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues contingent liabilities. The management of the credit risk exposures to borrowers is conducted through regular analysis of the borrowers' credit worthiness and the assignment of a rating grade. Exposure to credit risk is also managed in part by obtaining collateral and guarantees.

The table below sets out information about maximum exposure to credit risk:

In thousands of BGN	Loans and advances to other customers		Loans and advances to banks and balances with central banks		Investments and financial assets held for trading		Off balance sheet commitments	
	2014	2013	2014	2013	2014	2013	2014	2013
Carrying amount	5,810,328	6,020,792	1,598,412	1,308,962	550,881	609,247	–	–
Amount committed/ guaranteed	–	–	–	–	–	–	841,167	929,368

The Group's primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets in the statement of financial position. These exposures are as follows:

31 December 2014		In thousands of BGN
Class of exposure	**Gross amount of loans and advances to customers**	**Carrying amount of loans and advances to customers**
Collectively impaired		
Standard	3,181,717	3,177,051
Watch	12,493	12,164
Nonperforming	778	698
Individually impaired		
Standard	1,991,834	1,928,918
Watch	397,671	278,461
Nonperforming	237,061	195,939
Loss	512,376	217,097
Total	**6,333,930**	**5,810,328**
31 December 2013		In thousands of BGN
Class of exposure	**Gross amount of loans and advances to customers**	**Carrying amount of loans and advances to customers**
Collectively impaired		
Standard	5,029,032	5,021,822
Individually impaired		
Watch	550,678	519,753
Nonperforming	271,058	243,151
Loss	405,816	236,066
Total	**6,256,584**	**6,020,792**

Exposures classification into risk classes reflects the management's estimate regarding the loans recoverable amounts.

In addition, the Group is exposed to off-balance sheet credit risk through commitments to extend credits and issue contingent liabilities (see note 34).

Concentrations of credit risk (whether on or off statement of financial position sheet) that arise from financial instruments exist for counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The major concentrations of credit risk arise also by location and type of customer in relation to the Group's investments, loans and advances and off-balance sheet commitments.

Total economic sector credit risk concentrations in loans and advances to customers are presented in the table below.

In thousands of BGN	2014	2013
Trade	1,426,114	1,600,033
Industry	1,538,208	1,407,387
Services	576,602	460,801
Finance	109,577	87,648
Transport, logistics	288,906	255,113
Communications	77,660	68,435
Construction	244,049	248,031
Agriculture	112,595	214,462
Tourist services	172,824	182,845
Infrastructure	424,743	320,942
Private individuals	1,309,274	1,327,336
Other	53,378	83,551
Less allowance for impairment	(523,602)	(235,792)
Total	**5,810,328**	**6,020,792**

The Group has extended loans to enterprises involved in different types of activities but within the same economic sector - industry. As such the exposures share a similar industry risk. There are three such groups of enterprises at 31 December 2014 with total exposures outstanding amounting to BGN 188,020 thousand (2013: BGN 137,625 thousand) - ferrous and non-ferrous metallurgy, BGN 60,818 thousand (2013: BGN 61,015 thousand) – mining industry and BGN 140,339 thousand (2013: BGN 130,036 thousand) - power engineering.

The Group has extended loans and issued contingent liabilities to 8 individual clients or groups (2013:11) with each individual exposure exceeding 10% of the own funds of the Group. The total amount of these exposures is BGN 1,091,552 thousand which represents 116.24% of the Group's own funds (2013: BGN 1,412,939 thousand which represented 156.33% of capital base) of which BGN 1,041,053 thousand (2013: BGN 1,362,088 thousand) represent loans and BGN 50,499 thousand (2013: BGN 50,851 thousand) represent guarantees, letters of credit and other commitments.

The biggest loan exposure of the Group extended to a group of connected clients amounts to BGN 160,941 thousand (2013: BGN 161,155 thousand) representing 17.14% of the Group's own funds (2013: 17.83%).

The loans extended by the Cyprus branch amount to BGN 539,246 thousand amortised cost before allowance (2013: BGN 503,656 thousand) and in Albania – BGN 89,554 thousand (2013: BGN 95,103 thousand).

The amounts reflected in the tables represent the maximum accounting loss that would be recognised at the end of the reporting period if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts, therefore, significantly exceed expected losses, which are included in the allowance for impairment.

The Group's policy is to require suitable collateral to be provided by customers prior to the disbursement of approved loans. Guarantees and letters of credit are also subject to strict credit assessments before being provided. The agreements specify monetary limits to the Group's obligations. The extent of collateral held for guarantees and letters of credit is 100 percent.

Collateral held against different types of assets:

Type of credit exposure	Main type of collateral	Percentage of the exposure that is secured	
		2014	**2013**
Repurchase agreements	Tradable securities	None	100%
Loans and advances to banks	None	None	None
Mortgage loans	Real estate	93%	94%
Consumer loans	Mortgage, financial and other collateral	97%	99%
Credit cards	none	None	None
Loans to companies	Mortgage, pledge of enterprise, pledge of goods financial and other collateral	97%	99%

The table below shows a breakdown of total gross loans and advances extended to customers by the Group by type of collateral, excluding credit cards in the amount of BGN 245,918 thousand (31 December 2013: BGN 231,090 thousand):

In thousands of BGN	**2014**	**2013**
Mortgage	1,392,827	1,992,462
Pledge of receivables	1,134,637	1,003,115
Pledge of commercial enterprise	675,902	527,417
Securities	197,097	123,320
Bank guarantee	120,895	13,114
Other guaranties	768,570	690,652
Pledge of goods	173,156	136,478
Pledge of machines	580,235	458,578
Money deposit	157,302	243,206
Stake in capital	400,262	463,326
Gold	18	18
Other collateral	298,587	295,859
Unsecured	188,524	77,949
Total	**6,088,012**	**6,025,494**

Other collateral position includes insurance policies limited up to the insurance amount, future money transfers to account, other proceeds such as salaries transfers and other.

The table below presents the Group's collaterals held against not impaired loans to customers, measured at fair value to the amount of the loans.

In thousands of BGN	2014	2013
Loans and advances not past due		
Mortgage	783,326	699,044
Money deposit	74,386	74,884
Securities	33,852	25,201
Other collateral	681,179	469,276
Unsecured	16,032	5,901
	1,588,775	1,274,306
Past due loans		
Mortgage	106,623	78,355
Money deposit	567	64,456
Securities	–	165
Other collateral	56,947	15,867
Unsecured	3,038	2,047
	167,175	160,890
Total	**1,755,950**	**1,435,196**

The table below presents the Bank's collaterals held against impaired loans and receivables from banks and other customers, measured at fair value to the amount of the loans.

In thousands of BGN	2014	2013
Mortgage	320,274	1,126,278
Money deposit	36,186	7,755
Securities	105,410	139,830
Other Collaterals	2,959,178	2,789,724
Unsecured	1,156,932	757,801
Total	**4,577,980**	**4,821,388**

Residential mortgage lending

The table below represents credit exposures from housing and mortgage loans to individual customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The gross amount excludes any impairment allowances. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

In thousands of BGN	2014	2013
Loan to value (LTV) ratio		
Less than 50%	180,682	443,420
From 50% to 70%	210,448	121,653
From 70% to 90%	186,632	107,217
From 90% to 100%	27,609	18,601
More than 100%	49,078	24,005
Total	**654,449**	**714,896**

Loans and advances to corporate customers

The Group's loans and advances to corporate customers, small and medium enterprises and microlending are subject to individual credit appraisal and impairment testing. The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Group requests corporate borrowers to provide it. The Group may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

The Group periodically analyses provided collateral in terms of possible changes in its valuation due to alteration in market conditions, legal framework or because of arrangements of the borrower in respect to the collateral. If these valuation changes lead to insufficient collateral coverage, the Group requires extra collateral security in a certain period of time.

The Group constantly monitors the risk of default on already given loans and if there is available data for potential or actual problems, the Group prepares an action plan and takes measures for managing the possible unwanted results, including restructuring of the loans.

For the purposes of the disclosure in these financial statements "renegotiated loans" are defined as loans, which have been renegotiated as a result of a change in the interest rates, repayment schedule, upon a client request, and others.

Renegotiated Loans

In thousands of BGN	2014		2013	
Type of renegotiation	**Amortised cost**	**Impairment**	**Amortised cost**	**Impairment**
Loans to Individuals	34,341	1,114	54,500	1,020
Change of maturity	1,149	553	4,279	229
Change of amount of installment	945	174	2,869	140
Change of interest rate	6,815	190	20,639	151
Change due to customers request	14,454	33	7,266	8
Other reasons	10,978	164	19,447	492
Loans to companies	**2,697,066**	**169,340**	**567,865**	**10,875**
Change of maturity	300,304	367	127,857	1,442
Change of amount of installment	237,249	30,510	67,619	945
Change of interest rate	690,245	734	20,530	124
Change due to customers request	1,421,828	136,136	322,609	6,831
Other reasons	47,440	1,593	29,250	1,533
Total	**2,731,407**	**170,454**	**622,365**	**11,895**

Structure and organization of credit risk management functions

Credit risk management as a comprehensive process is accomplished under the supervision of the Management Board of the Bank. The Supervisory Board exercises control over the activities of the Management Board on the credit risk management either directly or through the Risk Committee, which supports the Supervisory Board with the extensive supervision over the risk management function in the Bank, including over the formation of risk exposures.

There are collective bodies in the Bank the function of which is to support the activities of the Management Board on the credit risk management- Credit Council and Credit Committee. The Credit Council supports the adopted credit risk management and forms an opinion on loans as per its limits of competence. The Credit Committee is a specialized body for supervision of the loan exposures with indicators for deterioration. In addition to the collective bodies in the Bank, there is another independent specialized body, which fulfils the function of identification, evaluation and management of the credit risk, including performing additional second control over the risk exposures- the Risk Management Department. The realization, coordination and current control over the lending process is organized from the following departments: Corporate Banking, SME financing, Retail Banking, and Loan Administration, while the problem assets management is performed by the Problem Assets and Provisioning Department.

(iv) Government debt exposures

In 2011, concerns became apparent of the credit risk related to government debt issued by member states of the Eurozone. The Group closely manages this risk throughout the year and as a result the overall quality of the government debt portfolio is very high.

The table below shows the carrying amount of the government debt portfolio by country issuer. The assets are presented without any allowance for impairment. As at 31 December 2014 and 31 December 2013 the Group does not recognise allowance for impairment against the exposures which are measured at amortised cost as well as those classified as available for sale.

31 December 2014					In thousands of BGN
Portfolio	**Bulgaria**	**Albania**	**Italy**	**Latvia**	**Lithuania**
Financial assets held for trading	5,091	–	–	–	–
Available for sale investments	373,210	37,173	3,995	67	20,218
Financial assets held to maturity	–	34,484	9,773	–	–
Total	**378,301**	**71,657**	**13,768**	**67**	**20,218**

31 December 2013							In thousands of BGN
Portfolio	**Bulgaria**	**Belgium**	**Albania**	**Italy**	**Spain**	**Portugal**	**European Financial Stability Facility**
Financial assets held for trading	11,178	–	–	2,059	–	–	–
Available for sale investments	220,316	136,853	29,066	–	–	–	9,845
Financial assets held to maturity	–	–	37,437	78,010	35,105	9,763	–
Total	**231,494**	**136,853**	**66,503**	**80,069**	**35,105**	**9,763**	**9,845**

Maturity table of government debt securities by country issuer as at 31 December 2014

In thousands of BGN

Country issuer	**Up to 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**
Bulgaria	25,621	–	95,645	123,091	133,944	**378,301**
Albania	4,009	11,241	19,812	27,247	9,348	**71,657**
Italy	–	13,768	–	–	–	**13,768**
Latvia	–	–	–	–	67	**67**
Lithuania	–	–	–	–	20,218	**20,218**
Total	**29,630**	**25,009**	**115,457**	**150,338**	**163,577**	**484,011**

Maturity table of government debt securities by country issuer as at 31 December 2013

In thousands of BGN

Country issuer	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Bulgaria	–	9,215	1,215	94,309	126,755	**231,494**
Belgium	–	–	136,853	–	–	**136,853**
Albania	1,052	3,830	20,133	40,074	1,414	**66,503**
Italy	–	39,049	38,961	2,059	–	**80,069**
Spain	–	9,770	25,335	–	–	**35,105**
Portugal	–	9,763	–	–	–	**9,763**
European Financial Stability Facility	–	–	–	9,845	–	**9,845**
Total	**1,052**	**71,627**	**222,497**	**146,287**	**128,169**	**569,632**

C. Capital adequacy

Since 1 January 2014, the provisions of the CRD IV package have been in force. Through Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, CRD IV package transposes into European law the provisions of the new capital standards for banks – Basel III.

As a result, the regulatory capital requirements of the Bank for 2013 were based on the provisions of Basel II and those for 2014 - on CRD IV.

Regulatory capital

The equity capital of the Bank for regulatory purposes consists of the following elements:

Common Equity Tier 1 capital

a) issued and paid up capital instruments (ordinary shares);

b) share premium from issuance of ordinary shares;

c) audited retained earnings;

d) accumulated other comprehensive income, including revaluation reserves;

e) other reserves;

Deductions from components of the Common Equity Tier 1 capital include intangible assets.

Additional Tier 1 capital

The instruments of Additional Tier 1 capital include hybrid debt (see note 31). Deductions from components of Tier 1 capital include regulatory adjustments relating to items that are included in the capital balance or the assets of the Bank, but are treated differently for capital adequacy regulation.

Tier 2 capital

Tier 2 capital consists of perpetual debt (see note 30) and regulatory adjustments related to the revaluation reserve on land and buildings.

In thousands of BGN **Own funds**	**CRR/CRD IV (Basel III)** **2014**	**Recalculated under CRR/CRD IV** **2013**	**Ordinance 8 (Basel II) as reported** **2013**
Paid up capital instruments	110,000	110,000	110,000
(-) Indirect shareholding in Common Equity Tier 1 capital instruments	(64)	(95)	(95)
Premium reserves	97,000	97,000	97,000
Other reserves	475,199	471,216	502,512
Minority interests	2,319	2,329	2,329
Accumulated other comprehensive income	11,614	8,004	(1,456)
Deductions from Common Equity Tier 1 capital:			
(-) Intangible assets	(18,265)	(20,263)	(20,263)
Transitional adjustments of Common Equity Tier 1 capital	3,434	8,815	–
Common Equity Tier 1 capital	**681,237**	**677,006**	**690,027**
Additional Tier 1 capital instruments			
Hybrid debt	195,583	195,583	195,583
Tier 1 capital deductions:			
Transitional adjustments of Additional Tier 1 capital	(16,472)	(17,375)	–
(-) 50% of specific provisions for credit risk	–	–	(42,437)
Tier 1 capital	**860,348**	**855,214**	**843,173**
Tier 2 capital			
Perpetual debt	75,104	75,104	93,880
Subordinated term debt	–	4,694	4,694
Revaluation reserve of real estate	–	–	4,500
Transitional adjustments of Tier 2 capital	3,600	3,600	–
Tier 2 capital deductions:			
(-) 50% of specific provisions for credit risk	–	–	(42,437)
Total own funds	**939,052**	**938,612**	**903,810**

The Bank calculates the following ratios:

a) the Common Equity Tier 1 capital ratio is the Common Equity Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount;

b) the Tier 1 capital ratio is the Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount;

c) the total capital ratio is the own funds of the institution expressed as a percentage of the total risk exposure amount.

The total risk exposure amount is calculated as the sum of the risk-weighted assets for credit, market, and operational risk.

The Group calculates the credit risk requirements for the exposures in its banking and trading portfolios based on the standardized approach. Exposures are taken into account at their book value. Off-balance sheet commitments are taken into account by applying conversion factors for the purpose of their approximation to book values. Positions are weighted for risk using different percentages depending on the class of exposure and its credit rating. A variety of techniques are used to reduce credit risk, such as collaterals and guarantees. With derivative instruments, such as forwards and options, the counterparty credit risk is estimated.

The Group also calculates capital requirements for market risk for foreign exchange and commodity instruments in the trading and banking books.

The Group calculates capital requirements for operational risk using the basic indicator approach. The capital requirement is equal to the average gross annual income over the last three years multiplied by a fixed percentage (15%). The respective risk weighted assets are calculated by further multiplication by 12.5.

The total capital adequacy ratio should not be less than 13.5%, the Tier 1 capital adequacy ratio - less than 11.5%, and the Common Equity Tier 1 capital ratio - less than 10% (including the systemic risk capital buffer at the rate of 3% and the capital conservation buffer of 2.5%).

The Group has complied with the regulatory capital requirements.

Capital adequacy level is as follows:

In thousands of BGN	Balance sheet amount/ notional amount		Risk weighted assets	
	2014 CRD IV	2013 Basel II	2014 CRD IV	2013 Basel II
Risk-weighted assets for credit risk				
Balance sheet items				
Exposure classes				
Central governments or central banks	1,335,682	1,531,674	106,262	100,579
Regional governments or local authorities	50	983	10	197
Multilateral development banks	507	144	–	–
Institutions	812,995	377,011	199,270	101,023
Corporates	3,620,193	3,724,460	3,522,227	3,417,912
Retail	933,820	741,303	560,058	521,471
Secured by mortgages on immovable property	854,736	1,029,860	312,611	468,112
Exposures in default	401,465	446,766	336,128	437,696
Collective investments undertakings	2,199	2,140	2,199	2,140
Equity	7,288	–	8,039	–
Other items	822,730	818,087	649,425	650,332
Total	**8,791,665**	**8,672,428**	**5,696,229**	**5,699,462**
Off-balance sheet items				
Exposure classes				
Central governments or central banks	–	13	–	–
Institutions	–	11,876	161	3,175
Corporates	501,614	481,765	158,872	197,649
Retail	324,618	387,537	2,945	8,140
Secured by mortgages on immovable property	14,935	47,763	2,835	22,449
Other items	–	–	27	503
Total	**841,167**	**928,954**	**164,840**	**231,916**
Derivatives				
Exposure class				
Institutions	45	1,099	9	220
Corporates	715	31	715	31
Other items	3,532	3,776	3,532	3,776
Total	**4,292**	**4,906**	**4,256**	**4,027**
Total risk-weighted assets for credit risk			**5,865,325**	**5,935,405**
Risk-weighted assets for market risk			**6,902**	**7,738**
Risk-weighted assets for operational risk			**434,149**	**393,660**
Total risk-weighted assets			**6,306,376**	**6,336,803**

Capital ratios	Capital		Capital ratios %	
	2014 CRD IV	2013 Basel II	2014 CRD IV	2013 Basel II
Common Equity Tier 1 capital	**681,237**	**–**	**10.80%**	**–**
Tier 1 Capital	**860,348**	**843,173**	**13.64%**	**13.31%**
Own funds	**939,052**	**903,810**	**14.89%**	**14.26%**

4. Segment reporting

Segment information is presented in respect of the Group's geographical segments. The primary format is based on the Group's management and internal reporting structure.

Measurement and reporting of segment assets and liabilities and segment revenues and expenses are based on the accounting policies set out in the accounting policy note.

Transactions between segments are conducted on an arm's length basis.

The Group operates principally in Bulgaria, but also has operations in Cyprus and Albania.

In presenting information on the basis of geographical segments, income and expenses after intra-group eliminations are allocated based on the location of the Group affiliate that generates them. Segment assets and liabilities after intra-group eliminations are allocated based on their geographical location.

In thousands of BGN	Bulgarian operations		Foreign operations		Total	
	2014	2013	2014	2013	2014	2013
Interest income	479,335	430,033	49,737	50,347	529,072	480,380
Interest expense	(230,779)	(290,123)	(6,382)	(8,546)	(237,161)	(298,669)
Net interest income	**248,556**	**139,910**	**43,355**	**41,801**	**291,911**	**181,711**
Fee and commission income	104,029	101,016	4,150	2,580	108,179	103,596
Fee and commission expense	(20,282)	(16,590)	(472)	(315)	(20,754)	(16,905)
Net fee and commission	**83,747**	**84,426**	**3,678**	**2,265**	**87,425**	**86,691**
Net trading income	**11,742**	**9,111**	**255**	**270**	**11,997**	**9,381**
General administrative expenses	**(184,118)**	**(149,717)**	**(6,863)**	**(6,522)**	**(190,981)**	**(156,239)**
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Segment assets	**8,072,205**	**8,053,408**	**755,677**	**724,585**	**8,827,882**	**8,777,993**
Segment liabilities	**7,859,162**	**7,841,223**	**241,823**	**244,255**	**8,100,985**	**8,085,478**

The following table presents the allocation of assets and liabilities, income and expenses based on business segments as at 31 December 2014 and for the year then ended:

In thousands of BGN

Business segment	Assets	Liabilities	Interest income	Interest expense	Net fee and commission income	Net trading income	Other operating income
Commercial banking	4,488,825	1,872,530	363,419	(40,414)	44,732	–	13,520
Retail banking	1,321,503	5,728,991	149,484	(188,079)	24,934	–	–
Cards business	–	–	–	–	15,449	–	–
Treasury	2,324,380	1,393	16,169	(94)	1,013	11,997	1,783
Other	693,174	498,071	–	(8,574)	1,297	–	11
Total	**8,827,882**	**8,100,985**	**529,072**	**(237,161)**	**87,425**	**11,997**	**15,314**

5. Financial assets and liabilities

Accounting classification and fair values

The Bank's accounting policy on fair value measurements is set out in Note 2(d)(vii).

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using other valuation techniques.

Other valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

However, where the Bank measures portfolios of financial assets and financial liabilities on the basis of net exposures, it applies judgement in determining appropriate portfolio level adjustments such as bid-ask spread. Such adjustments are derived from observable bid-ask spreads for similar instruments and adjusted for factors specific to the portfolio.

For more complex instruments, the Bank uses proprietary valuation models, which usually are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include certain over the counter derivatives, certain loans and securities for which there is no active market and retained interests in securitisations. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

The Bank has an established control framework with respect to the measurement of fair values. This framework includes a Risk Management function, which is independent of Treasury division and reports to management, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- a review and approval process for new models and changes to models is responsibility of Risk Management division subject to approval by the Managing Board;
- calibration of models against observed market transactions;
- analysis and investigation of significant daily valuation movements;
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous month, responsibility of Risk Management division.

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, Risk Management division assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement;
- where a number of quotes for the same financial instrument have been obtained, how fair value has been determined using those quotes.

The tables below set out analysis of financial instruments measured at fair value at the end of the reporting period classified by fair value hierarchy level framework categorising fair value measurement.

In thousands of BGN

31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	9,646	–	–	9,646
Available for sale investments	434,714	45,973	–	480,687
Derivatives held for risk management	3,463	556	–	4,019
Total	**447,823**	**46,529**	–	**494,352**

In thousands of BGN

31 December 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	16,423	–	–	16,423
Available for sale investments	369,548	48,383	–	417,931
Derivatives held for risk management	3,702	(684)	–	3,018
Total	**389,673**	**47,699**	–	**437,372**

Capital investments amounting to BGN 6,288 thousand at 31 December 2014 and BGN 5,709 thousand at 31 December 2013 are presented in the statements at their acquisition cost, because their fair value cannot be reliably measured.

The tables below analyse the fair values of financial instruments not measured at fair value by fair value hierarchy level framework categorising fair value measurement.

In BGN thousand

31 December 2014	Level 1	Level 2	Level 3	Fair value	Total carrying amount
Assets					
Cash and balances with central banks	–	1,651,945	–	1,651,945	1,651,945
Financial assets held to maturity	45,091	18,452	–	63,543	63,737
Loans and advances to banks and financial institutions	–	112,078	–	112,078	112,078
Loans and advances to customers	–	704,359	5,098,694	5,803,053	5,810,328
Total	**45,091**	**2,486,834**	**5,098,694**	**7,630,619**	**7,638,088**
Liabilities					
Due to credit institutions	–	1,393	–	1,393	1,393
Due to other customers	–	1,899,357	4,822,211	6,721,568	6,699,677
Due to MF	–	–	889,977	889,977	901,844
Other borrowed funds	–	176,864	–	176,864	177,544
Perpetual debt	–	100,192	–	100,192	99,999
Hybrid debt	–	181,636	–	181,636	195,447
Total	**–**	**2,359,442**	**5,712,188**	**8,071,630**	**8,075,904**

In BGN thousand

31 December 2013	Level 1	Level 2	Level 3	Fair value	Total carrying amount
Assets					
Cash and balances with central banks	–	1,347,555	–	1,347,555	1,347,555
Financial assets held to maturity	122,963	56,496	–	179,459	178,658
Loans and advances to banks and financial institutions	–	120,126	–	120,126	120,126
Loans and advances to customers	–	932,182	5,172,686	6,104,868	6,020,792
Total	**122,963**	**2,456,359**	**5,172,686**	**7,752,008**	**7,667,131**
Liabilities					
Due to credit institutions	–	9,285	–	9,285	5,302
Due to other customers	–	2,220,963	5,323,597	7,544,560	7,535,756
Other borrowed funds	–	200,555	–	200,555	196,444
Subordinated term debt	–	24,655	–	24,655	24,655
Perpetual debt	–	99,792	–	99,792	99,792
Hybrid debt	–	200,230	–	200,230	205,251
Total	**–**	**2,755,480**	**5,323,597**	**8,079,077**	**8,067,200**

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates.

For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as product and borrower type, maturity, currency, collateral type.

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

6. Net interest income

In thousands of BGN	2014	2013
Interest income		
Accounts with and placements to banks and financial institutions	652	2,010
Retail customers	142,571	113,706
Loans to corporate clients	320,417	310,160
Loans to small and medium enterprises	43,002	34,466
Microlending	6,913	6,395
Debt instruments	15,517	13,643
	529,072	**480,380**
Interest expense		
Deposits from banks	(14)	(80)
Deposits from other customers	(228,396)	(259,889)
Other borrowed funds	(4,741)	(3,072)
Subordinated term debt	(2,189)	(8,607)
Perpetual debt	(11,583)	(11,583)
Hybrid debt	9,804	(15,403)
Lease agreements and other	(42)	(35)
	(237,161)	**(298,669)**
Net interest income	**291,911**	**181,711**

For 2014 the recognised interest income on individually impaired financial assets (loans and advances to customers) amounts to BGN 76,767 thousand (2013: BGN 50,486 thousand).

7. Net fee and commission income

In thousands of BGN	2014	2013
Fee and commission income		
Letters of credit and guarantees	6,656	7,970
Payments transactions	16,128	12,276
Customer accounts	23,514	20,407
Cards business	30,840	28,152
Other	31,041	34,791
	108,179	**103,596**
Fee and commission expense		
Letters of credit and guarantees	(241)	(481)
Correspondent accounts	(15,390)	(13,974)
Cards business	(2,054)	(1,548)
Other	(3,069)	(902)
	(20,754)	**(16,905)**
Net fee and commission income	**87,425**	**86,691**

The Group has made a reclassification of the fee and commission expenses on account of administrative expenses (see note 10) for a total of BGN 5,084 thousand compared to the financial statements at 31 December 2013 in order to present more accurate and clear comparative data.

8. Net trading income

In thousands of BGN	2014	2013
Net trading gains/(losses) arise from:		
- Debt instruments	662	91
- Equity instruments	53	213
- Foreign exchange	11,282	9,077
Net trading income	**11,997**	**9,381**

9. Other operating income

In thousands of BGN	2014	2013
Other operating income arise from:		
- Debt instruments	1,783	2,428
- Operating income from management of loans acquired through business combination	13,520	3,979
- Other	11	255
Other operating income	**15,314**	**6,662**

10. General administrative expenses

In thousands of BGN	2014	2013
General and administrative expenses comprise:		
- Personnel cost	65,849	59,670
- Depreciation and amortisation	20,270	20,736
- Advertising	13,445	6,463
- Building rent expense	30,647	25,601
-Telecommunication, software and other computer maintenance	10,280	9,095
- Administration, consultancy, audit and other costs	50,490	34,674
General administrative expenses	**190,981**	**156,239**

Personnel costs include salaries, social and health security contributions under the provisions of the respective local legislation. At 31 December 2014 the total number of employees of the Group is 3,291 (31 December 2013: 3,554).

11. Impairment losses

In thousands of BGN	2014	2013
Write-downs		
Loans and advances to customers	(325,599)	(84,205)
Reversal of write-downs		
Loans and advances to customers	25,978	13,900
Net impairment losses	**(299,621)**	**(70,305)**

The increase in impairment losses during 2014 is due to additional write-downs resulting from the credit risk developments in a period of unstable economic environment, as well as to the conservative approach applied by the Group in recognizing the risk from losses on several individually significant exposures.

12. Other income/(expenses), net

In thousands of BGN	2014	2013
Net income from transactions and revaluation of gold and precious metals	619	(164)
Rental income	2,332	1,930
Income from sale of assets	158,604	290
Dividend income	546	505
Net earned insurance premiums	2,627	1,665
Premium contribution to deposit insurance schemes	(34,033)	(28,897)
Claims incurred	(1,374)	(930)
Other income/(expenses), net	(9,656)	3,619
Total	**119,665**	**(21,982)**

Under Income from sale of assets, a single large transaction is included for 2014 representing the sale of repossessed assets obtained as collateral with recognised net income of BGN 158,194 thousand.

13. Income tax expense

In thousands of BGN	2014	2013
Current taxes	(4,720)	(3,867)
Deferred taxes (see note 23)	(226)	542
Income tax expense	**(4,946)**	**(3,325)**

Reconciliation between tax expense and the accounting profit is as follows:

In thousands of BGN	2014	2013
Accounting profit before taxation	**35,710**	**188,229**
Corporate tax at applicable tax rate (10% for 2014 and 10% for 2013)	3,571	18,823
Effect of tax rates of foreign subsidiaries and branches	301	(77)
Effect of gain on bargain purchase of subsidiary (non taxable)	–	(15,231)
Tax effect of permanent tax differences	189	6
Other	885	(196)
Income tax expense	**4,946**	**3,325**
Effective tax rate	13.85%	1.77%

14. Earnings per share

	2014	2013
Net profit attributable to shareholders (in thousands of BGN)	30,394	184,920
Weighted average number of ordinary shares (in thousands)	110,000	110,000
Earnings per share (in BGN)	**0.28**	**1.68**

The basic earnings per share, calculated in accordance with IAS 33, are based on the profit attributable to ordinary equity holders of the Bank. During 2014 as in the previous year, no conversion or option rights were outstanding. The diluted earnings per share, therefore, correspond to the basic earnings per share.

15. Cash and balances with central banks

In thousands of BGN	2014	2013
Cash on hand		
– in Bulgarian leva	117,419	113,176
– In foreign currencies	48,192	45,543
Balances with central banks	840,589	961,960
Current accounts and amounts with resident banks	16	14
Current accounts and amounts with foreign banks	645,729	226,862
Total	**1,651,945**	**1,347,555**

16. Financial assets held for trading

In thousands of BGN	2014	2013
Bonds, notes and other instruments issued by:		
Bulgarian government, assessed with BBB- rating :		
- denominated in Bulgarian leva	4,980	3,897
- denominated in foreign currencies	110	7,281
Foreign government		
- government bonds	–	2,059
Foreign banks	1,367	–
Other issuers – equity instruments (unrated)	3,189	3,186
Total	**9,646**	**16,423**

17. Available for sale investments

In thousands of BGN	2014	2013
Bonds, notes and other instruments issued by:		
Bulgarian government		
- denominated in Bulgarian leva	179,418	113,287
- denominated in foreign currencies	193,792	107,029
Foreign governments		
- treasury bills	5,144	143,151
- government bonds	56,309	32,613
Local authorities	51	97
Bulgarian banks	1,955	1,955
Foreign banks	44,018	19,220
Other issuers – equity instruments	6,288	6,288
Total	**486,975**	**423,640**

18. Financial assets held to maturity

Long-term securities held to maturity represent debt investments that the Group has the intent and ability to hold to maturity.

In thousands of BGN	2014	2013
Securities held to maturity issued by:		
Foreign governments	44,257	160,314
Foreign banks	19,480	18,344
Total	**63,737**	**178,658**

As a result of the bank-run, in June 2014 the Group sold held to maturity investments at the nominal amount of EUR 40,000 thousands. This sale did not represent a change in the Group's intention and ability to hold the investments to their maturity, because it was attributable to an isolated, non-recurring event that was beyond the Bank's control and was not anticipated by the Group.

19. Loans and advances to banks and financial institutions

(a) Analysis by type

In thousands of BGN	2014	2013
Placements and other amounts due from banks	103,851	100,074
Receivables under resale agreements	–	13,658
Other	8,227	6,394
Total	**112,078**	**120,126**

(b) Geographical analysis

In thousands of BGN	2014	2013
Resident banks and financial institutions	18,819	16,827
Foreign banks and financial institutions	93,259	103,299
Total	**112,078**	**120,126**

20. Loans and advances to customers

In thousands of BGN	2014	2013
Retail customers		
- Consumer loans	412,250	389,356
- Mortgage loans	654,449	714,896
- Credit cards	245,918	231,090
Small and medium enterprises	557,681	686,239
Microlending	88,984	93,408
Corporate customers	4,374,648	4,141,595
Less allowance for impairment	(523,602)	(235,792)
Total	**5,810,328**	**6,020,792**

(a) Movement in impairment allowances

In thousands of BGN

Balance at 1 January 2014	**235,792**
Additional allowances	325,599
Amounts released	(25,978)
Elimination of allowance for impairment at merger of Unionbank EAD	(11,265)
Write – offs	(543)
Effects of changes in foreign currencies rates	(3)
Balance at 31 December 2014	**523,602**

The increase in impairment allowance during 2014 with BGN 287,810 thousand as compared to the amount as of 31 December 2013 is due to the development of the credit risk of several individually significant exposures as well as to the more conservative estimates approach of the Group applied in 2014.

21. Property and equipment

In thousands of BGN	Land and buildings	Fixtures and fittings	Motor vehicles	Assets under construction	Leasehold improvements	Total
Cost						
At 1 January 2013	**14,555**	**127,563**	**6,353**	**30,650**	**62,557**	**241,678**
Additions	–	195	55	5,857	36	6,143
Acquired through business combination	1,882	3,516	–	1,617	679	7,694
Foreign exchange differences	–	(11)	(1)	–	(7)	(19)
Disposals	–	(2,519)	(327)	–	(1,649)	(4,495)
Transfers	1,341	11,107	319	(14,764)	1,295	(702)
At 31 December 2013	**17,778**	**139,851**	**6,399**	**23,360**	**62,911**	**250,299**
Additions	1	176	31	11,312	19	11,539
Foreign exchange differences	–	3	–	–	–	3
Depreciation elimination at merger of Unionbank EAD	(15)	(500)	–	–	(139)	(654)
Disposals	(214)	(2,078)	(313)	(10)	–	(2,615)
Transfers	–	4,658	708	(8,377)	1,922	(1,089)
At 31 December 2014	**17,550**	**142,110**	**6,825**	**26,285**	**64,713**	**257,483**
Depreciation						
At 1 January 2013	**1,105**	**90,468**	**5,309**	**–**	**23,956**	**120,838**
Foreign exchange differences	–	(9)	–	–	(6)	(15)
Charge for the year	546	13,063	353	–	3,955	17,917
On disposals	–	(2,429)	(327)	–	(1,649)	(4,405)
At 31 December 2013	**1,651**	**101,093**	**5,335**	**–**	**26,256**	**134,335**
Foreign exchange differences	–	1	–	–	–	1
Depreciation elimination at merger of Unionbank EAD	(15)	(500)	–	–	(139)	(654)
Charge for the year	630	11,815	330	–	4,271	17,046
On disposals	(5)	(1,974)	(291)	–	–	(2,270)
At 31 December 2014	**2,261**	**110,435**	**5,374**	**–**	**30,388**	**148,458**
Net book value						
At 1 January 2013	**13,450**	**37,095**	**1,044**	**30,650**	**38,601**	**120,840**
At 31 December 2013	**16,127**	**38,758**	**1,064**	**23,360**	**36,655**	**115,964**
At 31 December 2014	**15,289**	**31,675**	**1,451**	**26,285**	**34,325**	**109,025**

The fair value of assets consisting of land and buildings was determined by independent property assessors holding recognised professional qualification and recent experience in assessing property with similar location and category as of 31 December 2012. The Group's policy requires internal or external appraisers to determine the fair value with sufficient frequency to ensure that the book value does not differ significantly from the fair value at the end of the reporting period. As at 31 December 2014 the fair value of land and buildings was confirmed by the internal appraisers of the Bank and it was not significantly different from their balance sheet value as at that date. The fair value of land and buildings is categorised as Level 3 fair value on the basis of input data on the valuation technique used.

Valuation technique	Significant unobservable inputs	Connection between key unobservable inputs and fair value
1. Discounted cash flows: this valuation model takes into account the present value of cash flows generated by property, taking into account the expected growth of rental prices, the period required for cancellation, the level of occupancy, premiums such as periods in which no rent is paid and other expenses which are not paid by tenants. The expected net cash flows are discounted using discount rates adjusted for risk. Among other factors, when determining the discount rate, the quality of the building and its location are taken into account (first-rate or second-rate), as well as the creditworthiness of the tenant and the duration of the loan agreement.	1. Expected market growth of rent (2-3%, weighted average 2.6%). 2. Period for cancellation (6 months on average after each rental agreement). 3. Occupancy (90-95%, weighted average 92.5%). 4. Periods when no rent is paid (1 year for new rental agreement). 5. Risk adjusted discount rate (7.5-8%, weighted average 7.75%).	The fair value will increase (decrease) where: • the expected market growth of rent is higher (lower); • periods for cancellation are shorter (longer); • Occupancy is higher (lower); • the periods when no rent is paid are shorter (longer); or • the risk adjusted discount rate is lower (higher).
2. Market approach/Comparative approach. This method is based on the comparison of the property being evaluated to other similar properties which have been sold recently or which are available for sale. Using this method, the value of a given property is determined in direct comparison to other similar properties which have been sold in a period of time close to the time when the valuation is made. Based on detailed research, review and analysis of data from the property market, the value is formed and it is the most accurate indicator of market value. This method consists of using information about actual transactions in the real estate market in the last six months. Successful application of this method is only possible where a trustworthy database is available as regards actual transactions with properties similar to the property being valued. Information from real estate sites, local press and other such refers to future investment intentions of the seller and cannot be deemed a trustworthy source of information. When using such sites, the offer price for each analogous property is discounted at the valuator's discretion, but by no less than 5%.	1. Expected market growth of property (2-3%, weighted average 2.6%). 2. Time required to effect the sale (6 months on average after the offer is placed). 3. Transaction success rate (90-95%, weighted average 92.5%). 4. Location (1.0-1.05, weighted average 1.025). 5. Property status (1.0-1.1, weighted average 1.05).	The fair value will increase (decrease) where: • the expected market growth of property is higher (lower); • the period of time required for the sale is shorter (longer); • here is a change in the technical condition of the property

22. Intangible assets

In thousands of BGN	Software and licences	Greenhouse allowances	Goodwill	Total
Cost				
At 1 January 2013	**23,989**	**3,820**	**721**	**28,530**
Additions	149	–	–	149
Acquired through business combination	3,955	–	–	3,955
Exchange differences on translating foreign operations	(3)	–	–	(3)
Disposals	(61)	–	–	(61)
Transfers	702	–	–	702
At 31 December 2013	**28,731**	**3,820**	**721**	**33,272**
Additions	137	–	–	137
Exchange differences on translating foreign operations	1	–	–	1
Amortisation elimination at merger of Unionbank EAD	(634)	–	–	(634)
Disposals	(52)	–	–	(52)
Transfers	1,089	–	–	1,089
At 31 December 2014	**29,272**	**3,820**	**721**	**33,813**
Amortisation				
At 1 January 2013	**10,191**	–	–	**10,191**
Exchange differences on translating foreign operations	(1)	–	–	(1)
Charge for the year	2,819	–	–	2,819
At 31 December 2013	**13,009**	**–**	**–**	**13,009**
Exchange differences on translating foreign operations	1	–	–	1
Amortisation elimination at merger of Unionbank EAD	(634)	–	–	(634)
Charge for the year	3,224	–	–	3,224
On disposals	(52)	–	–	(52)
At 31 December 2014	**15,548**	**–**	**–**	**15,548**
Net book value				
At 1 January 2013	**13,798**	**3,820**	**721**	**18,339**
At 31 December 2013	**15,722**	**3,820**	**721**	**20,263**
At 31 December 2014	**13,724**	**3,820**	**721**	**18,265**

23. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 10%.

Deferred income tax balances as at 31 December 2014 are attributable to the following items:

In thousands of BGN	Assets	Liabilities	Net	
			Assets	**Liabilities**
Property, equipment and intangibles	(94)	3,257	(94)	3,257
Other items	(258)	385	48	79
Net tax (assets)/liabilities	**(352)**	**3,642**	**(46)**	**3,336**

Deferred income tax balances as at 31 December 2013 are attributable to the following items:

In thousands of BGN	Assets	Liabilities	Net	
			Assets	Liabilities
Property, equipment and intangibles	(93)	3,066	(93)	3,066
Other items	(296)	412	45	71
Net tax (assets)/liabilities	**(389)**	**3,478**	**(48)**	**3,137**

Movements in temporary differences in 2014 are recognised, as follows:

In thousands of BGN	2013		Recognised in (profit) or loss for the period	Recognised in capital for the period	2014	
	Net assets	Net liabilities			Net assets	Net liabilities
Property, equipment and intangibles	(93)	3,066	190	–	(94)	3,257
Other items	45	71	36	(25)	48	79
Net tax (assets)/liabilities	**(48)**	**3,137**	**226**	**(25)**	**(46)**	**3,336**

24. Repossessed assets

In thousands of BGN	2014	2013
Land	291,367	280,516
Buildings	212,527	180,440
Machines and equipment	16,906	6,053
Fixtures and fittings	805	805
Total	**521,605**	**467,814**

Repossessed assets acquired as collateral are measured at the lower of cost and net realisable value.

The net realizable value of the land and buildings is approximately similar to their fair value. The valuation technique used for land and buildings is presented in Note 21.

25. Other assets

In thousands of BGN	2014	2013
Deferred expense	13,697	19,547
Gold bullion	9,672	10,502
Other assets	16,044	31,958
Total	**39,413**	**62,007**

26. Due to credit institutions

In thousands of BGN	2014	2013
Term deposits	–	2,775
Payable on demand	1,393	2,527
Total	**1,393**	**5,302**

27. Due to other customers

In thousands of BGN	2014	2013
Retail customers		
- current accounts	638,969	756,292
- term and savings deposits	5,090,022	4,859,710
Corporate, state-owned and public institutions		
- current accounts	601,000	708,481
- term deposits	369,686	1,211,273
Total	**6,699,677**	**7,535,756**

27a. Ministry of Finance's deposit

The European Commission, DG Competition, approved the liquid support to First Investment Bank AD in the form of a deposit amounting to BGN 900 mln. for a period of 18 months and due date 28 May 2016 with decision C(2014)8959 of 25.11.2014.

28. Other borrowed funds

In thousands of BGN	2014	2013
Acceptances under letters of credit	23,337	5,763
Liabilities under repurchase agreements	–	15,870
Mortgage bonds	–	30,634
Financing from financial institutions	137,778	113,388
Other term liabilities	16,429	30,789
Total	**177,544**	**196,444**

Financing from financial institutions through extension of loan facilities can be analyzed as follows:

In thousands of BGN

Lender	Interest rate	Maturity	Amortised cost as at 31.12.2014
State Fund Agriculture	1.97% – 2.00%	06.03.2015 – 20.09.2019	6,524
European Investment Fund – JEREMIE 2	0% – 1.22%	31.12.2024	68,495
Bulgarian Bank for Development AD	3.50 – 5.00%	20.03.2017 – 30.03.2019	62,759
Total			**137,778**

In thousands of BGN

Lender	Interest rate	Maturity	Amortised cost as at 31.12.2013
State Fund Agriculture	1.97% – 2.00%	31.08.2014 – 15.11.2018	4,806
European Investment Fund – JEREMIE 2	0% – 1.08%	31.12.2024	42,069
Bulgarian Bank for Development AD	3.50 – 5.00%	30.03.2014 – 30.12.2018	66,513
Total			**113,388**

29. Subordinated term debt

In 2014 the Bank prepaid in full before maturity its subordinated term debt.

As at 31 December 2013 the subordinated term debt agreements were as follows:

In thousands of BGN

Lender	Original principal amount	Original maturity	Maturity date	Amortised cost as at 31 December 2013
Estrado Holding Ltd	9,779	10 years	01.03.2015	10,015
ING Bank NV/ Atlantic Forfaitierungs AG	9,779	10 years	22.04.2015	10,393
Hypo-Alpe-Adria Bank	3,912	10 years	14.04.2015	4,247
Total	**23,470**			**24,655**

30. Perpetual debt

In thousands of BGN	Original maturity	Maturity date	Amortised cost as at 31 December 2014
Step-up guaranteed perpetual subordinated bonds EUR 27 mio	52,807	12.50%	55,391
Step-up guaranteed perpetual subordinated bonds EUR 21 mio	41,073	11.625%	44,608
Total	**93,880**		**99,999**

In thousands of BGN	Original maturity	Maturity date	Amortised cost as at 31 December 2013
Step-up guaranteed perpetual subordinated bonds EUR 27 mio	52,807	12.50%	55,259
Step-up guaranteed perpetual subordinated bonds EUR 21 mio	41,073	11.625%	44,533
Total	**93,880**		**99,792**

The issue of the step-up subordinated bonds by First Investment Finance B.V., a limited liability company registered under the laws of the Netherlands and 100% owned by First Investment Bank AD is fully guaranteed by the Bank. After the adoption of Regulation 575/2013 (effective 1 January 2014) on prudential requirements for credit institutions and investment firms, the two issues are subject to grandfathering and as at 31 December 2014 the perpetual bonds are included in the tier 2 capital with 80% of their principal value.

31. Hybrid debt

In thousands of BGN	Principal amount	Interest rate*	Amortised cost as at 31 December 2014
Hybrid debt with principal EUR 40 mio	78,233	0%	78,127
Hybrid debt with principal EUR 60 mio	117,350	0%	117,320
Total	**195,583**		**195,447**

In thousands of BGN	Principal amount	Interest rate	Amortised cost as at 31 December 2013
Hybrid debt with principal EUR 40 mio	78,233	12.75%	84,736
Hybrid debt with principal EUR 60 mio	117,350	11%	120,515
Total	**195,583**		**205,251**

In March 2011 the Bank issued a hybrid instrument (bond issue) and, after obtaining permission from the Bulgarian National Bank, included it as Tier 1 capital. The Bank placed the bond issue under private subscription with a total nominal and issue value of EUR 20,000 thousand, constituting the first tranche of a bond issue for up to EUR 40,000 thousand. In June 2012 the Bank issued the second tranche of the instrument with nominal value of EUR 20,000 thousand, which after obtaining permission from the Bulgarian National Bank was included as Tier 1 capital.

In November 2012 the Bank issued a hybrid instrument (bond issue) and, after obtaining permission from the Bulgarian National Bank, included it as Tier 1 capital. The Bank placed the bond issue under private subscription with a total nominal and issue value of EUR 20,000 thousand, constituting the first tranche of a bond issue for up to EUR 60,000 thousand. In November 2013 the Bank issued the second and the third tranches of the instrument with total nominal value of EUR 40,000 thousand, which after obtaining permission from the Bulgarian National Bank were included as Tier 1 capital.

The bonds under both instruments are registered, dematerialized, interest-bearing, perpetual, unsecured, freely transferable, non-convertible, deeply subordinated and without incentive to redeem.

The two hybrid instruments fully comply with the requirements of Regulation 575/2013 and are included in the additional tier 1 capital.

*According to Decision C (2014 8959)/25.11.14 of the European Commission regarding liquidity support SA.39854 (2014/N) the accrual of interest on the hybrid instruments has been suspended until the aid repayment.

32. Other liabilities

In thousands of BGN	2014	2013
Liabilities to personnel	2,325	2,782
Insurance contract provisions	1,634	1,162
Other payables	16,866	9,929
Total	**20,825**	**13,873**

33. Capital and reserves

(a) Number and face value of registered shares as at 31 December 2014

As at 31 December 2014 the registered share capital of the Bank is BGN 110,000,000 divided into 110,000,000 ordinary dematerialized shares with voting rights of BGN 1 par value each. All the shares have been fully paid-up.

The share capital of the Bank was increased from BGN 100,000,000 to BGN 110,000,000 as a result of the successful IPO of new 10,000,000 dematerialized shares through the Bulgarian Stock Exchange – Sofia and was registered at the Commercial Register of Sofia City Court on 4 June 2007. In order to facilitate the IPO and prior to its launching the par value of the Bank's shares was reduced from BGN 10 to BGN 1 by a decision of the General Meeting of the Shareholders without affecting the aggregate amount of the share capital and the individual shareholdings.

(b) Shareholders

The table below shows those shareholders of the Bank holding shares as at 31 December 2014 together with the number and percentage of total issued shares.

	Number of shares	% of issued share capital
Mr. Ivailo Dimitrov Mutafchiev	46,750,000	42.50
Mr. Tzeko Todorov Minev	46,750,000	42.50
Other shareholders (shareholders holding shares subject to free trade on the Bulgarian Stock Exchange – Sofia)	16,500,000	15.00
Total	**110,000,000**	**100.00**

Currently all newly issued shares plus the part of the existing shares held by First Financial Brokerage House Ltd. sold to new investors under the IPO (a total of 16,500,000 shares) are freely traded on the floor of the Bulgarian Stock Exchange – Sofia.

(c) Statutory reserve

Statutory reserves comprise amounts appropriated for purposes defined by the local legislation. Under Bulgarian law, the Bank is required to allocate at least 1/10 of its annual profit as statutory reserves until their aggregate amount reaches 1/10 of the Banks' share capital.

In 2014, as in the previous year, the Bank has not distributed dividends. Please, refer to to note 3(i).

34. Commitments and contingent liabilities

(a) Memorandum items

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to two years.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table represent the maximum accounting loss that would be recognised at the end of the reporting period if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value.

In thousands of BGN	2014	2013
Bank guarantees		
- in BGN	192,548	207,941
- in foreign currency	94,874	157,745
Total guarantees	**287,422**	**365,686**
Unused credit lines	458,524	531,298
Promissory notes	–	811
Letters of credit	13,347	31,573
Other contingent liabilities	81,874	–
Total	**841,167**	**929,368**

These commitments and contingent liabilities have off balance-sheet credit risk because only organisation fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expire. Most of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts in the table do not represent expected future cash flows.

As at the date of the report there are no other significant contingent liabilities and commitments requiring additional disclosure.

35. Cash and cash equivalents

For the purposes of the cash flows statement, cash and cash equivalents comprises the following balances with less than 90 days original maturity:

In thousands of BGN	2014	2013
Cash and balances with central banks	1,651,945	1,347,555
Loans and advances to banks and financial institutions with maturity less than 90 days	85,285	74,625
Total	**1,737,230**	**1,422,180**

36. Average balances

The average carrying amounts of financial assets and liabilities are set out in the table below. The amounts are calculated by using a simple average of monthly balances for all instruments.

In thousands of BGN	2014	2013
FINANCIAL ASSETS		
Cash and balances with central banks	1,477,224	1,302,729
Financial assets held for trading	10,740	8,750
Available for sale investments	421,505	466,239
Financial assets held to maturity	126,810	158,310
Loans and advances to banks and financial institutions	116,397	62,027
Loans and advances to customers	5,945,596	4,918,801
FINANCIAL LIABILITIES		
Due to credit institutions	2,777	3,913
Due to other customers	7,565,280	6,531,303
Other borrowed funds	196,892	94,104
Subordinated term debt	5,163	54,175
Perpetual debt	99,122	98,915
Hybrid debt	214,170	136,017

37. Related party transactions

Parties are considered to be related if one party controls or exercises significant influence over the other party on making financial or operational decisions, or the parties are under common control.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and other transactions. These transactions are carried out on commercial terms and at market rates. The volume of these transactions and outstanding balances at the end of respective periods are as follows:

Type of related party	**Parties that control or manage the Bank**		**Enterprises under common control**	
In thousands of BGN	**2014**	**2013**	**2014**	**2013**
Loans				
Loans outstanding at beginning of the period	1,231	1,349	17,276	24,456
Loans issued/(repaid) during the period	(466)	(118)	(127)	(7,180)
Loans outstanding at end of the period	**765**	**1,231**	**17,149**	**17,276**
Deposits and other financing received				
Deposits at beginning of the period	16,154	12,369	2,801	21,804
Deposits received/(repaid) during the period	(5,808)	3,785	(1,014)	(19,003)
Deposits at end of the period	**10,346**	**16,154**	**1,787**	**2,801**
Deposits placed				
Deposits at beginning of the period	–	–	–	3,989
Deposits placed/(matured) during the period	–	–	–	(3,989)
Deposits at end of the period	**–**	**–**	**–**	**–**
Off-balance sheet commitments issued by the Group				
At beginning of the period	1,607	1,841	234	252
Granted/(expired)	510	(234)	734	(18)
At the end of the period	**2,117**	**1,607**	**968**	**234**

The key management personnel of the Bank received remuneration of BGN 4,247 thousand for 2014 and other related parties received BGN 3,966 thousand.

38. Subsidiary undertakings

(a) First Investment Finance B.V.

In April 2003 the Bank created a special purpose entity, incorporated in the Netherlands, First Investment Finance B.V., which is wholly owned by the Bank. Its purpose is to accomplish a narrow and well-defined objective of receiving loans from foreign financial institutions and attracting investors by issuing bonds and other financial instruments, guaranteed by the Bank, the proceeds from which are used to finance the operations of the Bank. The authorised share capital of the company amounts to EUR 90 thousand, divided into 900 common shares of EUR 100 each. Issued and paid up are 180 shares. The Bank consolidates its investment in this company.

(b) Diners Club Bulgaria AD

In May 2005 the Bank acquired 80% of the share capital of Diners Club Bulgaria AD. The company was incorporated in 1996 as a franchise and processing agent of Diners Club International. As at 31 December 2014 the registered share capital of the company is BGN 610 thousand, and the Bank's shareholding is 94.79%. The Bank consolidates its investment in the company.

(c) First Investment Bank – Albania Sh.a.

In April 2006 the Bank founded First Investment Bank - Albania Sh.a. with a 99.9998% shareholding. On 27 June 2007 First Investment Bank – Albania was granted a full banking licence by the Bank of Albania, and on 1 September 2007 effectively took over the activities of the former FIB-Tirana Branch by assuming all its rights and obligations, assets and liabilities.

As at 31 December 2014 the share capital of First Investment Bank – Albania Sh.a. is EUR 11,975 thousand, fully paid in and the Bank's shareholding is 100%. The Bank consolidates its investment in the company.

(d) Debita OOD and Realtor OOD

Acting jointly the Bank and First Financial Brokerage House OOD (FFBH) set up two new companies Debita OOD and Realtor OOD, which were entered in the Commercial Registry in January 2010. Each of the two companies has a capital of BGN 150,000, which is divided into shares with nominal value of BGN 100 in the following way:

1. Debita OOD – 70% or 1,050 shares held by the Bank and 30% or 450 shares held by FFBH.

2. Realtor OOD – 51% or 765 shares held by the Bank and 49% or 735 shares held by FFBH.

The affiliate companies are set up with the aim to act as servicing companies in accordance to Article 18 of the Special Purpose Investment Companies Act. Debita OOD is engaged in the following activities - acquisition, servicing, management and transactions with receivables, as well as consultancy services in relation to such operations, and Realtor OOD - in management, servicing and maintenance of real estate, organization of construction and renovation of buildings, and consultancy services related to real estate. The Bank consolidates its investments in the companies.

(e) Fi Health Insurance AD

In the second half of 2010 the Bank acquired a majority stake capital of Health Insurance Fund Fi Health AD (formerly Health Insurance Fund Prime Health AD). In June 2013 following a decision by Financial Supervision Commission the company was given a licence to perform insurance activities. The name of the company was changed to Fi Health Insurance AD. It is engaged in insurance business – offering "Illness" and "Accident" insurance policies. As at 31 December 2014 the registered share capital of the company is BGN 5,000 thousand and the Bank's shareholding is 59.10%. The Bank consolidates its investment in the company.

(f) Framas Enterprises Limited

In November 2010 the Bank acquired 10,000 shares, representing 100% of the issued share capital of Framas Enterprises Limited, British Virgin Islands, with the view of providing auxiliary services pursuant to Article 2 (4) of the Law on Credit Institutions. The Bank consolidates its investment in the company.

(g) Balkan Financial Services EAD

In February 2011 the Bank acquired 100 shares representing 100% of the capital of Balkan Financial Services OOD. The company is engaged in consultancy services related to implementation of financial information systems and software development. In January 2012 the company was transformed into a single member joint stock company. As at 31 December 2014 the registered share capital of the company is BGN 50 thousand, and the Bank's shareholding is 100%. The Bank consolidates its investment in the company.

(h) Turnaround Management EOOD, Creative Investment EOOD and Lega Solutions EOOD

In the first half of 2013 the Bank established the companies Turnaround Management EOOD, Creative Investment EOOD and Lega Solutions EOOD as 100% owned by the Bank. The registered capital of each of the companies is the minimum required by law (BGN 2) and they are engaged in production and trade of commodities and services in Bulgaria and abroad (Turnaround Management EOOD, Creative Investment EOOD), acquisition, management and sale of assets, processing of information, financial advisory services (Lega Solutions EOOD) and other activities. The Bank consolidates its investments in the companies.

(i) Unionbank EAD

On 10 October 2013 the Bank has acquired 122,464,965 MKB Unionbank EAD voting shares constituting 100 % of all MKB Unionbank EAD shares. After the acquisition the name of the subsidiary was changed from MKB Unionbank EAD to Unionbank EAD. The principal activities of Unionbank EAD include receiving deposits or other refundable amounts and extension of loans or other financing at its own account and for its own risk. In performance of its activities the subsidiary carries out other commercial transactions stated in its credit institution license in accordance with legal requirements. As a result of the acquisition the Group increased its market share, recognised a gain on bargain purchase of BGN 152,310 thousand and expects to reduce costs through economies of scale. As at 30 September 2013 the total recognised amount of the acquired identifiable assets was BGN 1,506,776 thousand (including BGN 1,132,276 thousand loans and advances to customers) and of the liabilities assumed BGN 1,308,030 thousand (including BGN 985,960 thousand deposits from customers).

(i) Consideration transferred

The consideration agreed for 100% of the shares amounts to EUR 24,000,000 (twenty four million Euros). According to IFRS 3 Business combinations the consideration transferred is measured at fair value.

(ii) Identifiable assets acquired and liabilities assumed

In thousands of BGN	30 Sep 2013carrying amount	Adjustment	30 Sep 2013 fair value
ASSETS			
Cash and balances with BNB	266,460	–	266,460
Financial assets held for trading	7,026	–	7,026
Derivative financial intruments	4	–	4
Available for sale investments	48,390	–	48,390
Loans and advances to banks and financial institutions	22,276	–	22,276
Loans and advances to customers	1,129,864	2,412	1,132,276
Property, equipment and intangible assets	11,649	–	11,649
Deferred tax assets	474	(353)	121
Other assets	18,779	(205)	18,574
Total assets	**1,504,922**	**1,854**	**1,506,776**
LIABILITIES			
Due to credit institutions	6,716	–	6,716
Derivative financial instruments	5	–	5
Due to other customers	986,461	(501)	985,960
Other borrowed funds, including:	310,921	(802)	310,119
Mortgage bond	29,322	882	30,204
Other borrowings	281,599	(1,684)	279,915
Other liabilities	5,230	–	5,230
Total liabilities	**1,309,333**	**(1,303)**	**1,308,030**
Net assets	**195,589**	**3,157**	**198,746**
Present value of consideration transferred			**46,436**
Bargain purchase			**152,310**

(iii) Measurement of fair values

According to IFRS 3 Business combinations the identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values. The valuation techniques used for measuring the fair values of material acquired assets and liabilities are as follows.

Assets acquired/ liabilities assumed	Valuation technique
Loan portfolio	Income approach The Income approach is predicated upon the value of future cash flows that an asset will generate over its remaining useful life. The Income method provides an indication of value by converting the future cash flows to a single current capital value. Capitalization involves the conversion of income into a capital sum through the application of an appropriate discount rate. The Income approach is considered as the most appropriate method for valuation of the loan portfolio of Unionbank EAD as at 30 September 2013 due to availability of information for the value of future cash flows that the loans will generate over their remaining useful life. In order to estimate the future cash flows that the loans will generate over the remaining loan term, the loan portfolio is divided into segments corresponding to their risk classification groups. The discount rate used for the fair value estimation of the loan portfolio of Unionbank is based on BNB statistics.
Placements	Income approach The Income approach is considered as the most appropriate method for valuation of the placements of Unionbank EAD as at 30 September 2013 due to availability of information for the value of future cash flows that the placements will generate until maturity. The discount rate used for the fair value estimation of placements is based on the respective Euribor.
Deposits	Income approach. The following assumptions have been applied in the estimation of the fair value of Unionbank's deposits: 1. Interest on term deposits accrues and is paid off at the end of the deposit term. 2. Book value on saving and current accounts approximates their fair value. The discount rate used for the estimation of fair value of the time deposits is based on BNB statistics.
Borrowings and bond obligations	Income approach. The main assumptions that have been applied in the estimation of the fair value of Unionbank's debt obligations: 1. Interest on loans is paid periodically at monthly or quarterly intervals, depending on the respective loan contract. 2. The debt obligations will be paid regularly and on time. No penalty interest will be due from Unionbank EAD. No prepayment option exists or will be exercised. 3. The mortgage bond issued by Unionbank EAD matures on 29 September 2014 and pays annual coupon of 5.75%. The discount rate used for the estimation of fair value of the Unionbank's debt is based on average yield on government bonds with comparable maturity.

Property and equipment	• Market comparison method. The Market comparison method involves direct comparison of the subject property with identical or similar assets for which price information is available. • Residual value method. The method is used to arrive at a value for a vacant site or a site or a building that is ripe for redevelopment and has a developed construction project. It assumes that the process of development is a business, and by adopting this assumption it is possible to assess the value of land or land and buildings in their existing form, reflecting development potential, as part of the process. The Residual Method comprises the estimation of the value of the site or the buildings in a developed or redeveloped form (either by comparison or by the investment method), and, from this gross development value should be deducted all costs that will be incurred in putting the property into the form that will command the price. • Income method • Cost method. The cost method estimates value based on the cost of reproducing or replacing the valued property, less depreciation arising from physical and functional deterioration and economic obsolesence.
Assets held for sale	Market comparison method and residual value method.
Intangible assets	It is assumed that the book value of any intangible assets approximates its fair value, given the fact that First Investment Bank AD and Unionbank EAD will merge.

On 4 March 2014 the merger of Unionbank EAD into First Investment Bank AD was listed in the Commercial Register. As per the law, with this listing in the Register Unionbank EAD has been terminated and all its rights and obligations have been transferred to the Bank as its universal successor. The procedure for IT and technological merger and the merger for the accounting purposes of the two banks was also completed on 4 March 2014.

(j) AMC Imoti EOOD

AMC Imoti EOOD was registered in September 2010 and was acquired by the Bank through the purchase of MKB Unionbank EAD as its subsidiary. The scope of operations of the company includes activities related to acquisition of property rights and their subsequent transfer, as well as research and evaluation of real estate, property management, consulting and other services. As at 31 December 2014 capital of the company is BGN 500 thousand, and the Bank is the sole owner. The company is not included in the consolidated financial statements of the Group for the year ended 31 December 2014, as it is considered immaterial to the financial position, financial result and the cash flows of the Group for the same reporting period

39. Subsequent events

There have been no events after the reporting date that require additional disclosures or adjustments to the financial statements of the Group.

Togetherness

Fullfilment of the goals for 2014

N	Goals	Fullfilment
1	To strengthen its position among the leading banks in the country as a stable and competitive credit institution.	Fibank affirmed its market position in key segments: in terms of assets (third place), retail deposits (second place), loans (third place) corporate loans (second place) and mortgage loans (fifth place). The increase in attracted funds, in the loan portfolio and capital base, as well as the maintenance of stable capital adequacy and liquidity indicators, are proof of its soundness and viability.
2	To maintain its successful development and a financial position, registering sustainable growth in assets and business operations.	The assets of the Group of First Investment Bank increased and by the end of 2014 reached BGN 8,827,882 thousand, compared to BGN 8,777,993 thousand a year earlier. Growth was recorded in gross loans, including consumer loans and loans to corporate clients. The Bank reported an increase in credit and debit cards issued, as well as higher market shares in international payments and trade financing.
3	To successfully finalize the integration of the newly acquired Unionbank EAD.	The processes of IT and technology merger, as well as the procedures of merging for accounting purposes of the two banks were also completed successfully. All actions related to the consolidation and migration of data, systems, infrastructure, human resource, products and services were carried out in accordance with the current legislation.
4	To continue to maintain adequate liquidity and capital adequacy in accordance with the market environment and the regulatory framework.	First Investment Bank maintains capital adequacy and liquidity above the statutory levels: as at 31.12.2014, the total capital adequacy ratio amounted to 14.89%, and the liquidity ratio to 24.01%. The overall risk profile of the Bank is managed with a view to achieving good balance between risk, return and capital.
5	To increase its loan portfolio according to market conditions, focusing on loans to small and medium-sized enterprises.	In 2014, the loan portfolio of the Bank before impairment increased and reached BGN 6,333,930 thousand at the end of the period (2013: BGN 6,256,584 thousand). Loans to SMEs amounted to BGN 557,681 thousand or 8.8% of the portfolio (2013: BGN 686,239 thousand or 11.0%), and microlending to BGN 88,984 thousand or 1.4% of total loans (2013: BGN 93,408 thousand or 1.5%).
6	To continue its support for innovative projects and programs financed through the European Union funds.	In the beginning of 2014, Fibank signed an agreement with the European Investment Fund (EIF) for providing financing under the Risk Sharing Instrument guarantee scheme, aimed at innovative small and medium-sized enterprises. Under this agreement, First Investment Bank began to provide innovative companies in Bulgaria with additional lending at preferential terms up to a total amount of EUR 15 million, with guarantee coverage of 50% provided by the EIF. During the year, First Investment Bank agreed with the European Investment Fund (EIF)an increase of the amounts of funds provided and extension of the term of absorption and inclusion of loans in the program portfolio under the JEREMIE initiative. Over 450 loan agreements with Bulgarian micro, small and medium enterprises were concluded under the program.

7	To expand its range of products and offer more competitive services to individuals and companies while maintaining strategic focus on high standards of customer service.	In 2014, First Investment Bank developed new products for individuals including the Right of Choice mortgage loan, the consumer Easy Loan, both with competitive conditions, as well as new savings accounts: the IQ current account, and the Salary and Smart accounts. Business clients were offered a new Cash Plus business loan against cash collateral, a new loan for agricultural producers based on SAPS subsidies for 2014, as well as new conditions on the Super Loan product. During the year Fibank was included in the program of the Bulgarian Development Bank for targeted funding of banks, and a new agreement was launched with NGF for implementation of a guarantee scheme aimed at providing funding to SMEs using a risk sharing mechanism. During the year the Bank started offering combined packages of banking products and services to businesses and individuals.
8	To remain among the leading banks on the Bulgarian market in the main business lines such as payment transactions, including card payments, attracting funds, international operations, and trade financing.	In 2014, First Investment Bank strengthened its leading position in the card business in the country, developing its services with emphasis on the promotion of contactless payments. The number of cards issued by Fibank increased compared to a year earlier, registering a growth of 14.1%. The award of the MasterCard international organization for overall contribution to the development of card business in Bulgaria served as recognition for the successful development of Fibank's card services. In international payments, the Bank reported better market shares in international transfers in foreign currency: 8.79% of the outgoing transfers (2013: 6.75%) and 11.42% of the incoming transfers (2013: 9.43%), as well as in trade financing: 5.35% of the outgoing (2013: 4.02%) and 6.45% of the incoming (2013: 5.24%) transactions as per SWIFT data.
9	To maintain its profile as an initiator of new products for the local market and carrying out innovative technologies, while applying conservative risk taking and risk management.	In fulfillment of its mission for 2014, the Bank continued to develop high-tech solutions, including the development of a new Fibank mobile application, which can perform active and passive banking transactions. During the year, new functionalities were also added to the Virtual Banking Branch and to the My Fibank electronic service. Fibank consolidated its leading position among banks in the country in respect of products from gold and other precious metals. In 2014 a unique coin of the New Zealand Mint dedicated to the Year of the Horse was offered on the market.
10	To maintain high banking standards in compliance with EU regulations, local legislation and the best international practices.	Proof of the high standards maintained in banking and customer service were the awards received during year: Best Bank in private banking in Bulgaria from the prestigious International Banker magazine, and the Best Bank in the field of retail banking from the international internet portal Global Banking & Finance Review. Fibank was also recognized among the favorite financial institution brands in Bulgaria by the global organization Superbrands. First Investment Bank carries out its activity in compliance with the current legislation and other regulatory requirements, in line with the established standards of practice, as well as in accordance with its internal regulations. In 2014, the Bank took the necessary steps for bringing its activity in compliance with the new regulatory framework: the CRR/CRD IV package, as well as with other regulatory requirements such as FATCA, EMIR, and other regulations, including regarding consumer lending.

Goals for development during 2015

- To update its corporate governance and risk management systems according to the latest guidelines in the respective areas in collaboration with the International Finance Corporation (IFC).
- To maintain high standards of banking in line with the European standards, local regulations and best international practices.
- To consolidate its position as a preferred bank by businesses and individuals.
- To continue its sustainable development with a gradual increase in assets following the growth of liabilities.
- To continue to develop lending to small and medium-sized companies with a view to further diversification of the loan portfolio.
- To maintain adequate liquidity and capital buffers in accordance with the market environment and the regulatory framework.
- To manage the loan portfolio in line with the market conditions and attracted funds while increasing the risk-weighted approach to all types of operations.
- To continue to support customers who are beneficiaries of programs and funds of the European Union.
- To offer new products and services to individuals and companies corresponding to the evolving market trends while maintaining high standards of customer service.
- To maintain its position among the leading banks on the Bulgarian market in the field of card payments and international transactions, offering innovative and competitive products and services.
- To assert its image as a socially responsible institution supporting significant projects and initiatives in the public life of the country.

Other information

Members of the Supervisory board

Evgeni Lukanov – Chairman of the Supervisory Board

Mr. Lukanov joined First Investment Bank AD in 1998 as Deputy Director, and later as Director and General Manager of the Tirana Branch, Albania. From 2001 to 2003 he was Director of the Bank's Vitosha Branch (Sofia).

Mr. Lukanov has occupied a number of senior positions with First Investment Bank AD. From 2003 to 2007 he was Director of the Risk Management Department and Member of the Managing Board. From 2004 to 2012 - Executive Director and Member of the Managing Board of First Investment Bank AD.

During his 17-year experience with the First Investment Bank AD, Mr. Lukanov has been Chairman of the Credit Council and the Liquidity Council of the Bank. He has been in charge of the following departments: Risk Management, Impaired Assets and Provisioning, Loan Administration, Specialized Monitoring and Control, Retail Banking, Methodology, and Liquidity.

Mr. Lukanov has also been member of the Managing Board of First Investment Bank – Albania Sh.a.

At the beginning of February 2012, Mr. Lukanov was elected as Chairman of the Supervisory Board of First Investment Bank AD and as Chairman of the Risk Committee to the Supervisory Board of the Bank.

Mr. Lukanov holds a Masters Degree in Economics from the University of National and World Economy, Sofia. Prior to joining First Investment Bank AD, Mr. Evgeni Lukanov has worked as currency broker with First Financial Brokerage House OOD.

Besides his position on the Supervisory Board of the Bank, Mr. Lukanov is also Chairman of the Audit Committee of First Investment Bank - Albania Sh.a, Chairman of the Board of Directors of Fi Health Insurance AD, and Manager of Debita OOD and Realtor OOD. He is owner of ET Imeksa-Evgeni Lukanov and holds more than 10% of the capital of Avea OOD.

Maya Georgieva – Deputy Chair of the Supervisory Board

Prior to joining First Investment Bank, Ms. Maya Georgieva worked with the Bulgarian National Bank for 19 years where she gained considerable experience in international banking relationships and payments, banking statistics and firm crediting. Her last appointment with BNB was as Head of the Balance of Payments Division.

Ms. Maya Georgieva joined First Investment Bank AD in 1995 as Director of the International Department. From 1998 to 2012 she served as Executive Director of First Investment Bank and Member of the Managing Board. During her 20-year experience with the Bank she was responsible for the following departments: SME Lending Department, HR Department, Administrative Department, Sales Department, Retail Banking, Marketing, Advertising and PR, Branch Network, Private Banking and the Vault.

Alongside her responsibilities at the Bank, Ms. Georgieva has also occupied a number of other senior executive positions. From 2003 to 2011 she chaired the Supervisory Board of CASYS International - a Macedonia-based card processing company servicing card payments in Bulgaria, Macedonia and Albania. From 2009 to 2011 she was Chair of the Board of Directors of Diners Club Bulgaria AD – a franchise company of Diners Club International, owned by First Investment Bank. In this capacity she inspired the launch of a number of products, including the first female-oriented credit card.

From 2006 to 2011 she was also member of the Managing Board of First Investment Bank - Albania Sh.a., a subsidiary of First Investment Bank.

In the beginning of February 2012, Ms. Georgieva was elected as Deputy Chair of the Supervisory Board of First Investment Bank AD and Chair of the Presiding Committee to the Supervisory Board of First Investment Bank AD.

Ms. Georgieva holds a Masters Degree in Macroeconomics from the University of National and World Economy in Sofia and has post-graduate specializations in International Payments with the International Monetary Fund and Banking from Specialized postgraduate course of BNB joint with the Bulgarian Union of Science and Technology.

In both 2001 and 2011, she was granted the „Banker of the Year" award of the Bulgarian financial weekly „Banker".

Georgi Mutafchiev, Ph.D. – Member of the Supervisory Board

Mr. Mutafchiev began his career in 1985 as an expert, and later as a senior expert on development of the system for management and coordination of enterprises of the Electronic Industry Association.

In 1987 he joined Techno-Import-Export Foreign Trade Company as a senior expert with the Department of Coordination and Development under the Executive Director.

In 1991 Mr. Georgi Mutafchiev started work at the Bulgarian National Bank as Head Reserve Manager with the Foreign Currency Operations Department. During his six-year experience with the National Bank, he was responsible of the investment of foreign currency reserve and controlled the management thereof.

From 1997 to 2011 he was Executive Director of Flavia AD and Flavin AD. Flavia AD is one of the largest light industry companies in Bulgaria.

Along with his responsibilities in Flavia, as of the year 2000 Mr. Mutafchiev was elected as member of the Supervisory Board of First Investment Bank.

Mr. Mutafchiev graduated in law from the Sofia University St. Kliment Ohridski in 1982. From 1982 to 1984 he studied at the Sorbonne in Paris, where he received a PhD degree in Business Law. The same year Mr. Mutafchiev also acquired an MBA degree from the Schiller University, Paris.

He is a member of the Board of Directors of Flavia AD and owns more than 25% of the company capital.

Radka Mineva – Member of the Supervisory Board

Prior to joining First Investment Bank AD, Ms. Mineva worked as a capital markets dealer at the Bulgarian National Bank where she gained considerable experience in banking. During the time spent with the Central bank, she specialized at the Frankfurt Stock Exchange and the London Stock Exchange as a capital markets dealer.

Ms. Mineva started her career with the foreign trade enterprise Main Engineering Office, where she worked for 9 years; she also spent three years as an expert at RVM Trading Company.

Since 2000, Ms. Mineva has been a Member of the Supervisory Board of First Investment Bank AD.

She is a graduate of the University of National and World Economy in Sofia, with a degree in Trade and Tourism.

Besides her position on the Supervisory Board of the Bank, Ms. Mineva is Manager of Balkan Holidays Services OOD - a company with activities in the sphere of tourism, transportation, hotel business, tour operation, and tour agency services. Ms. Mineva is also Manager of Balkan Holidays Partners OOD – a company engaged in international and domestic tourism services, foreign economic transactions, and financial management. She owns more than 25% of the capital of Balkan Holidays Partners OOD.

Jordan Skortchev – Member of the Supervisory Board

Before joining First Investment Bank AD, Mr. Jordan Skortchev worked for two years with the Central and Latin America Department of the foreign trade organization Intercommerce, followed by five years with First Private Bank, Sofia as an FX Dealer and Head of the Dealing Division.

Mr. Skortchev joined First Investment Bank in 1996 as Chief Dealer, FX Markets.

From 2000 to 2012 Mr. Skortchev was Member of the Managing Board and Executive Director of the Bank.

During his 19-year experience with the Bank, Mr. Skortchev has been responsible for the following departments: Card Payments, Operations, Gold and Numismatics, Internet Banking, Dealing, Security and Office Network-Sofia.

Alongside his responsibilities at the Bank, Mr. Skortchev has also occupied other senior executive positions.

Mr. Skortchev has been Chairman of the Supervisory Board of UNIBank, Republic of Macedonia, member of the Supervisory Board of CaSys International, Republic of Macedonia, member of the Board of Directors of Diners Club Bulgaria AD, member of the Board of Directors of Bankservice AD, member of the Board of Directors of Medical center FiHealth AD, and Manager of FiHealth OOD.

In the begining of February 2012, as a Member of the Supervisory Board of the First Investment Bank AD, Mr. Skortchev was elected as Chairman of the Remuneration Committee to the Supervisory Board of the Bank.

Mr. Skortchev holds a Masters Degree in International Economic Relations from the Higher Institute of Economics (now the University of National and World Economy) in Sofia. He has specialized in banking in Luxembourg, in swap deals at Euromoney, and in futures and options at the Chicago Stock Exchange.

Members of the Managing board

Dimitar Kostov
Chairman of the Managing Board and Executive Director

Mr. Dimitar Kostov joined the team of First Investment Bank AD in 2003 as a specialist in the „Risk Management" Department. Later he held a position as a head of „Evaluation of risk exposures" Division. From 2004 to 2007 he was a deputy director of "Risk Management" Department, and from 2007 to 2011 he was a director of „Risk Management" Department. In 2010, Mr. Kostov was elected as a member of a Managing Board of First Investment Bank AD, and in the beginning of 2011 he was appointed as a Deputy Executive Director. Since the end of 2011 Mr. Kostov has been an Executive Director of the Bank and at the beginning of 2012 was elected Chairman of the Managing Board of the Bank.

Previously, Mr. Kostov had worked as a manager „Customer relations" at Raiffeisenbank (Bulgaria) EAD and in United Bulgarian Bank AD as a senior bank officer „Large Corporate Clients". He holds a Master's degree in Business Administration from the Sofia University „St. Kliment Ohridski". Mr.Kostov is a CFA charterholder.

In the Bank he is responsible for the Risk Management Department, the Loan Administration Department, the Impaired Assets and Provisioning Department, the Specialized Monitoring and Control Department, the Methodology Department, the Legal Department and the Administration Department.

Besides his position in the Bank, Mr. Kostov is also a Chairman of the Supervisory Board of UNIBank, Republic of Macedonia.

Vassil Christov
Member of the Managing Board and Executive Director

Mr. Vassil Christov joined First Investment Bank AD in 2001 as a head of the „Mortgage loans" Division. From 2002 he was a director of „Retail Banking" Department, and from 2005 to 2010 he was a director of the „Branch Network" Department. In 2010 Mr.Christov was elected as a member of the Managing Board of First Investment Bank AD, and in the beginning of 2011 was appointed as a Deputy Executive Director. Since the end of 2011 Mr. Christov has been an Executive Director of the Bank.

Previously, Mr. Christov had worked as a senior credit officer of „Large Corporate Customers" at United Bulgarian Bank AD. He holds a Master's in Accounting and Control from the University of National and World Economy in Sofia.

In the Bank he is responsible for the Retail Banking Department, the Branch Network Department, the Marketing and Advertising Department, the Corporate Communications Department, the Private Banking Department, the Organization and Control of Customer Service Department, the Vault and the Office to management bodies of Fibank Unit.

Besides his position in the Bank, Mr. Christov is also a Chairman of the Managing Board (Steering Council) of First Investment Bank – Albania Sh.a. and a member of the Board of Directors of Diners Club Bulgaria AD. Mr. Christov is a member of the Board of Directors of Medical centers FiHealth AD, Medical centers FiHealth Plovdiv AD and a member of the Board of Directors of Balkan Financial Services EAD.

In 2012 Mr. Christov was granted the prestige "Banker of the Year" award of the Bulgarian financial weekly „Banker".

Svetoslav Moldovansky
Member of the Managing Board and Executive Director

Mr. Svetoslav Moldovansky joined First Investment Bank AD in 2005 as a director of „Specialised Internal Control Service". From 2007 to 2008 he was a Chief Executive Officer of „First Investment Bank – Albania Sh.a". From 2008 to 2010 he held a position as a director of „Operations" Department. In 2010 he was elected as a member of the Managing Board of First Investment Bank AD, and in the beginning of 2011 he was appointed as a Deputy Executive Director. Since the end of 2011 Mr. Moldovansky has been an Executive Director of the Bank.

Previously, Mr. Moldovansky had worked as a manager „Management of Corporate Risk" at KPMG Bulgaria OOD and as a senior auditor at Deloitte&Touche (now Deloitte), Bulgaria. He holds a Master's in Finance from the University of National and World Economy in Sofia. Mr. Moldovansky is certified auditor with the Information Systems Audit and Control Association (ISACA), USA.

In the Bank he is responsible for the Operations Department, the Card Payments Department, the E-banking Department, the Gold and Commemorative Coins Department, Human Capital Management Department, the Security Department and the External partners, Europrograms and Correspondent Banking Department.

Besides his position in the Bank, Mr. Moldovansky is also a member of the Audit Committee of First Investment Bank – Albania Sh.a., a member of the Supervisory Board of UNIBank, Republic of Macedonia, a member of the Supervisory Board of Casys International, Republic of Macedonia, a member of the Board of Directors of Diners Club Bulgaria AD, a chairman of the Board of Directors of Balkan Financial Services EAD. Mr. Moldovansky possesses more than 10% of the capital of Next DC OOD, of the capital of Club 12 OOD and of the capital of Cook and More OOD.

Maya Oyfalosh
Member of the Managing Board and Executive Director

Mrs. Maya Oyfalosh joined First Investment Bank AD in 1993 as a credit specialist. Later she was promoted to Director of „Analysis and Corporate Loans" and elected as a member of the Credit Council of the Bank. In 2004, Mrs. Oyfalosh was appointed Director of Corporate Banking Department and elected as a member of the Managing Board. In the beginning of 2011 she was appointed as a Director of „Management of Loan Portfolios of Foreign Branches and Companies" Department and a member of the Managing Board of Fibank. Since April 2013 Mrs. Oyfalosh has been an Executive Director of the Bank and is a member of the Managing Board.

Previously, Mrs. Oyfalosh had worked as a department director at First West Finance House and as a credit specialist at First Private Bank.

In the Bank she is responsible for the Corporate Banking Department, the SME Lending Department, the Treasury Department and the Sales Department.

Mrs. Oyfalosh does not hold outside professional positions.

Milka Todorova
Member of the Managing Board and Director of Retail Banking Department

Ms. Milka Todorova started working in First Investment Bank AD in 1995 as a loan officer in the Corporate Banking Department. In 2002 she became Deputy Director of the Corporate Banking Department, and in 2007 was appointed Director of Retail Banking Department. In 2013 she was elected member of the Managing Board and Executive Director of Union Bank EAD which position she held until the merger of Union Bank into First Investment Bank AD in March 2014. At present Ms. Todorova is Director of the Retail Banking Department. In November 2014, Ms. Todorova was elected member of the Managing Board of First Investment Bank AD.

Prior to joining the team of First Investment Bank AD, Ms. Todorova worked in the BNB and CB Biochim AD.

She holds a master's degree in Economics and Industrial Management from the University of National and World Economy in Sofia.

Besides her position with the Bank, Ms. Todorova is member of the Managing Board of First Investment Bank - Albania Sh.a. and of the Supervisory Board of UNIBanka, Republic of Macedonia. She is also manager of the companies Turnaround Management EOOD and Lega Solutions EOOD.

Ms. Todorova possesses more than 10% of the capital of Hidroenergiyni sistemi Bulgaria OOD and of the capital of MIKT OOD

Chavdar Zlatev
Member of the Managing Board and
Director of Corporate Banking Department

Mr. Chavdar Zlatev joined the team of First Investment Bank AD in 2004 as Chief specialist in the SME Lending Department. Soon afterwards he was promoted to Deputy Director of the Department. From 2006 to 2009 he was manager of the Vitosha branch of First Investment Bank AD. He was subsequently appointed Deputy Director of the Branch Network Department, and in 2010 promoted to Director of the Department. In early 2011, he was appointed Director of the Corporate Banking Department. In November 2014 Mr. Zlatev was elected member of the Managing Board of First Investment Bank AD

Prior to joining First Investment Bank AD, Mr. Zlatev worked in CB Unionbank AD as a senior bank officer, Corporate clients. He holds a master's degree in Macroeconomics from the University of National and World Economy in Sofia.

Besides his position with the Bank, Mr. Zlatev is member of the Board of Directors of FiHealth Insurance AD.

Ivaylo Ivanov – Member of the Managing Board and Director of Impaired Assets and Provisioning Department

Mr. Ivaylo Ivanov joined the team of First Investment Bank AD in 2003 as a specialist in the Impaired Assets and Provisioning Department. In 2007 he became Deputy Director of the Impaired Assets and Provisioning Department, and since the end of 2007 he has been Director of the Impaired Assets and Provisioning Department. In 2007, Mr. Ivanov was elected as chairman of the Credit Committee of the Bank. In 2014, Mr. Ivanov was elected member of the Managing Board of First Investment Bank AD.

Prior to joining First Investment Bank AD, Mr. Ivanov has worked in Tokuda Bank AD for the period from 1998 to 2003, as a loan officer serving corporate clients.

Mr. Ivanov holds a master's degree in Economics from the University of National and World Economy in Sofia. He has participated in international conferences and seminars on topics such as "Corporate Management", "Mechanisms to stimulate lending," "Good corporate practices", "Credit portfolio management", "Management of problem loans".

Mr. Ivanov does not hold outside professional positions.

Mariana Sadzhaklieva – Member of the Managing Board and Director of Operations Department

Ms. Mariana Sadzhaklieva joined the Bank in 1999 as a specialist in card payments and afterwards she took various positions. In 2002 she became Director, Marketing, Sales and Overdrafts; in 2003 – Director, Card Transactions Terminals; in 2005 – Deputy Director of Card Payments Department, and in 2006 – Director of Card Payments Department. Since 2013 to date she has been Director of the Operations Department, and since the end of 2014 a member of the Managing Board of the Bank.

Prior to joining the team of First Investment Bank AD, Ms. Sadzhaklieva worked in the field of information and card technologies in the Ministry of Foreign Trade, Interprograma, Balkancard, and Bank High Sys, Sofia. She holds a master's degree in Organization and Design of the Processing of Economic Information (ODPEI) from the University of National and World Economy in Sofia.

Outside the Bank, Ms. Sadzhaklieva participates in the management of Balkan Financial Services EAD and is member of the Supervisory Board of CaSys International, Republic of Macedonia.

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