To:
Financial Supervision Commission
Investment Activity Supervision Department
16 Budapest Str.
Sofia

Cc:
Bulgarian Stock Exchange - Sofia AD
6 Tri Ushi Str.
Sofia

Re: Annual consolidated (audited) financial statements of First Investment Bank AD as at 31 Dec 2019

Dear Sirs,

In compliance with the requirements of the Public Offering of Securities Act (POSA) and the regulations for its implementation, in our capacity as public company and issuer of bonds admitted for trading at a regulated market, we hereby submit the audited consolidated financial statements of First Investment Bank AD as at 31 December 2019, containing:

- ✓ Audited consolidated financial statements as at 31.12.2019 and notes thereto, accompanied by the auditors' report as per Art. 100m, para. 4(1) of POSA;
- ✓ 2019 Annual Consolidated Report of First Investment Bank pursuant to Art. 100m, Para. 4(2) of POSA;
- ✓ Declaration under Art. 100o, para. 4(4) of POSA.

Sincerely,

(signed)

Nedelcho Nedelchev
Executive Director
Member of the MB

(signed)

Svetozar Popov
Executive Director
Member of the MB

FIRST INVESTMENT BANK AD

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
WITH INDEPENDENT AUDITORS' REPORT THEREON

Consolidated statement of profit or loss and of other comprehensive income for the year ended 31 December 2019

In BGN '000

	Notes	2019	2018
Interest income		309,730	331,046
Interest expense		(63,016)	(63,958)
Net interest income	6	**246,714**	**267,088**
Fee and commission income		131,191	119,992
Fee and commission expense		(24,417)	(22,881)
Net fee and commission income	7	**106,774**	**97,111**
Net trading income	8	15,378	10,809
Other net operating income	9	74,618	16,321
TOTAL INCOME FROM BANKING OPERATIONS		**443,484**	**391,329**
Administrative expenses	10	(220,448)	(212,066)
Allowance for impairment	11	(119,730)	(83,378)
Other income, net	12	51,053	65,127
PROFIT BEFORE TAX		**154,359**	**161,012**
Income tax expense	13	(16,437)	10,534
GROUP PROFIT AFTER TAX		**137,922**	**171,546**
Other comprehensive income			
Items which should or may be reclassified as profit or loss			
Exchange rate differences from translation of foreign operations		638	2,920
Revaluation reserve of investments in securities		(19)	(407)
Total other comprehensive income		**619**	**2,513**
TOTAL COMPREHENSIVE INCOME		**138,541**	**174,059**
Net profit attributable to:			
Ordinary equity holders		137,579	171,388
Non-controlling interest		343	158
Total comprehensive income attributable to:			
Ordinary equity holders		138,198	173,901
Non-controlling interest		343	158
Basic and diluted earnings per share (BGN)	14	**1.25**	**1.56**

The statement of profit or loss and of other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 69.

The financial statements have been approved by the Managing Board on 04 March 2020 and signed on its behalf by:

NEDELCHO NEDELCHEV
Chief Executive Officer

SVETOZAR POPOV
Executive Director

JIVKO TODOROV
Chief Financial Officer

Audited as per the auditors' report dated 06/03/2020:

BDO Bulgaria OOD

Tsvetana Stefanina
Manager
Manager's Proxy

Antonia Saksanova
Registered auditor
responsible for the audit

Mazars OOD

Athanassios Petropoulos
Partner

Milena Mladenova-Nikolova
Registered auditor
responsible for the audit

Consolidated statement *of the financial position as at 31 December 2019* in thousands of BGN

	Notes	2019	2018
ASSETS			
Cash and balances with Central Banks	15	2,072,046	1,674,754
Investments in securities	16	993,022	802,321
Loans and advances to banks and other financial institutions	17	79,618	125,483
Loans and advances to customers	18	6,017,137	5,716,062
Property and equipment	19	81,738	83,951
Intangible assets	20	12,626	14,402
Derivatives held for risk management		814	905
Current tax assets		253	605
Repossessed assets	22	716,129	812,934
Investment Property	23	410,511	242,558
Right-of-use assets	24	159,659	-
Other assets	25	116,622	112,706
TOTAL ASSETS		**10,660,175**	**9,586,681**
LIABILITIES AND CAPITAL			
Due to banks	26	2,007	3,024
Due to other customers	27	9,104,021	8,342,691
Liabilities evidenced by paper	28	109,348	121,120
Subordinated term debt	29	3,943	-
Hybrid debt	29	267,615	208,786
Derivatives held for risk management		361	88
Deferred tax liabilities	21	17,428	2,774
Current tax liabilities		71	259
Lease liabilities	24	159,633	-
Other liabilities	30	16,831	61,667
TOTAL LIABILITIES		**9,681,258**	**8,740,409**
Issued share capital	31	110,000	110,000
Share premium	31	97,000	97,000
Statutory reserve	31	39,865	39,865
Revaluation reserve of investments in securities		17,776	17,795
Revaluation reserve on property		4,500	4,500
Reserve from translation of foreign operations		2,033	1,395
Other reserves and retained earnings	31	704,770	573,087
TOTAL SHAREHOLDERS' EQUITY		**975,944**	**843,642**
Non-controlling interest		2,973	2,630
TOTAL GROUP EQUITY		**978,917**	**846,272**
TOTAL LIABILITIES AND GROUP EQUITY		**10,660,175**	**9,586,681**

The statement of the financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 69.
The financial statements have been approved by the Managing Board on 04 March 2020 and signed on its behalf by:

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Milena Mladenova-Nikolova
Registered auditor

Consolidated statement of cash flows for the year ended 31 December 2019 in thousands of BGN

	2019	2018
Net cash flow from operating activities		
Net profit	137,922	171,546
Adjustment for non-cash items		
Allowance for impairment	119,730	83,378
Net interest income	(246,714)	(267,088)
Depreciation and amortization	14,392	15,342
Tax expense	16,437	(10,534)
(Profit)/loss from sale and write-off of tangible and intangible fixed assets, net	(361)	69
(Profit) from sale of other assets, net	(1,167)	(81,779)
(Positive) revaluation of investment property	(72,940)	(13,669)
	(32,701)	**(102,735)**
Change in operating assets		
(Increase)/Decrease in financial assets at fair value through profit or loss	(246,103)	25,859
(Increase)/decrease in financial assets at fair value in other comprehensive income	60,476	(32,235)
(Increase) in loans and advances to banks and financial institutions	(25,371)	(98)
(Increase) in loans to customers	(450,695)	(1,002,118)
Net (increase)/decrease in other liabilities	(32,915)	8,731
	(694,608)	**(999,861)**
Change in operating liabilities		
(Decrease) in deposits from banks	(958)	(5,108)
Increase in amounts owed to other depositors	761,266	773,420
Net increase/(decrease) in other liabilities	(12,824)	30,947
	747,484	**799,259**
Interest received	323,814	393,486
Interest paid	(62,748)	(78,467)
Dividends received	5,724	105
Paid profit tax, net	(1,554)	(4,066)
NET CASH FLOW FROM OPERATING ACTIVITIES	**285,411**	**7,721**
Cash flow from investing activities		
(Purchase) of tangible and intangible fixed assets	(13,391)	(14,807)
Sale of tangible and intangible fixed assets	820	29
Sale of other assets	14,635	271,139
(Increase)/decrease of investments	(12,093)	9,529
NET CASH FLOW FROM INVESTING ACTIVITIES	**(10,029)**	**265,890**
Financing activities		
(Decrease) in borrowings	(11,849)	(6,415)
Increase of subordinated liabilities	62,587	-
NET CASH FLOW FROM FINANCING ACTIVITIES	**50,738**	**(6,415)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**326,120**	**267,196**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**1,787,893**	**1,520,697**
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (See Note 33)	**2,114,013**	**1,787,893**

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 69.

The financial statements have been approved by the Managing Board on 04 March 2020 and signed on its behalf by:

NEDELCHO NEDELCHEV
Chief Executive Officer

SVETOZAR POPOV
Executive Director

JIVKO TODOROV
Chief Financial Officer

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Partner

Milena Mladenova-Nikolova
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Consolidated statement of shareholders' equity for the year ended 31 December 2019

in thousands of BGN

	Issued share capital	Share premium	Other reserves and retained earnings	Revaluation reserve of investments in securities	Revaluation reserve on property	Reserve from translation of foreign operations	Statutory reserve	Non-controlling interest	Total
Balance at 01 January 2018	**110,000**	**97,000**	**673,571**	**21,431**	**4,500**	**(1,525)**	**39,865**	**2,508**	**947,350**
Initial application of IFRS 9									
Impairment loss	-	-	(276,776)	64	-	-	-	(36)	(276,748)
Revaluation reserve of investments in securities	-	-	4,904	(3,293)	-	-	-	-	1,611
Change in balances as at 1 January 2018	**110,000**	**97,000**	**401,699**	**18,202**	**4,500**	**(1,525)**	**39,865**	**2,472**	**672,213**
Total comprehensive income for the period									
Net profit for the year ended 31 December 2018	-	-	171,388	-	-	-	-	158	171,546
Other comprehensive income for the period									
Revaluation reserve of investments in securities	-	-	-	(407)	-	-	-	-	(407)
Reserve from translation of foreign operations	-	-	-	-	-	2,920	-	-	2,920
Balance as at 31 December 2018	**110,000**	**97,000**	**573,087**	**17,795**	**4,500**	**1,395**	**39,865**	**2,630**	**846,272**
Total comprehensive income for the period									
Net profit for 2019	-	-	137,579	-	-	-	-	343	137,922
Other comprehensive income for the period									
Revaluation reserve of investments in securities	-	-	-	(19)	-	-	-	-	(19)
Reserve from translation of foreign operations	-	-	-	-	-	638	-	-	638
Dividend paid by subsidiary			(5,896)						(5,896)
Balance as at 31 December 2019	**110,000**	**97,000**	**704,770**	**17,776**	**4,500**	**2,033**	**39,865**	**2,973**	**978,917**

The 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 5 to 69.

The financial statements have been approved by the Managing Board on 04 March 2020 and signed on its behalf by:

NEDELCHO NEDELCHEV
Chief Executive Officer

SVETOZAR POPOV
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1. Basis of preparation

(a) Statute

First Investment Bank AD (the Bank) was incorporated in 1993 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 Bulgarian legislation.

Following the successful Initial Public Offering of new shares at the Bulgarian Stock Exchange – Sofia, on June 13th 2007 the Bank was registered as a public company in the Register of the Financial Supervision Commission pursuant to the provisions of the Law on the Public Offering of Securities.

The consolidated financial statements of the Bank as at and for the year ended 31 December 2019 comprise the Bank and its significant subsidiaries (see note 36), together referred to as the “Group”.

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

(b) Statement of compliance

The financial statements were drawn up in accordance with the International Financial Reporting Standards (IFRS) endorsed 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 financial statements, are disclosed in Note 2 (p).

(c) Presentation

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

The financial statements are prepared in accordance with the fair value principle of derivative financial instruments, financial instruments recognised at fair value in profit or loss, investment property, as well as assets recognised at fair value in other comprehensive income. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost convention.

(d) New standards, amendments and interpretations effective as of 01 January 2019

The following amendments to existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- IFRS 16 Leases (issued on 13 January 2016), endorsed by the EU on 31 October 2017, published in the Official Journal on 9 November 2017
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017), endorsed by the EU on 22 March 2018, published in the Official Journal on 26 March 2018
- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017), effective 1 January 2019;
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017), endorsed by the EU on 8 February 2019, published in the Official Journal on 11 February 2019

1. Basis of preparation, continued

(d) New standards, amendments and interpretations effective as of 01 January 2019, continued

- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018), endorsed by the EU on 13 March 2019, published in the Official Journal on 14 March 2019
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017), endorsed by the EU on 14 March 2019, published in the Official Journal on 15 March 2019

The adoption of these new standards and amendments to the existing standards has not led to any changes in the Group's accounting policies with the exception of the application of IFRS 9.

IFRS 16 Leases, effective as of 1 January 2019, replaces the instructions to IAS 17 Leases and makes changes to the accounting for leases, especially for lessees.

According to IAS 17 lessees were required to distinguish between finance leases (recognised in the balance sheet) and operating leases (off-balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting lease payments to be made and the right-of-use asset for almost all lease agreements.

IASB envisaged exemptions for short-term leases or leases of low-value assets; these exemptions may only be applied by the lessee, and the Group did not benefit from that right in the initial recognition.

Lessor accounting remains largely unchanged.

According to IFRS 16, a lease agreement or an agreement containing a lease, is an agreement which grants the right to control the use of an asset over a given period of time against remuneration.

In the process of assessing the effect from implementation of the standard, the Management has taken the following measures:

- Subjected all agreements to comprehensive review in order to assess whether further agreements may be considered as lease agreements pursuant to the new definition of IFRS 16;
- The management decided to apply the modified retrospective method (which means that the comparative information will not be amended). Under the modified approach it is possible not to assess whether existing agreements contain leases and other relief.

The Management analyses the effect from the implementation of the standard with expected contractual lease term of up to 5 years, because in the majority of rental contracts to which the Bank is a party as a lessee, the Bank has the option of terminating with a 3- or 6-month notice without paying penalties. Even in the other contracts such an option is possible in accordance with the law.

This affects the expected actual lease term because the contract term depends on the probability of the Bank exercising that option. With relation to this, the Bank considers the 5-year period as indicative of the maximum duration of the lease term, although there are contracts with a longer term.

The Management discloses the following approximate effect from application of the standard, starting from 1 January 2019 (in thousands of BGN):

Right-of-use assets	128,203
Lease liabilities	128,203

The Group has not identified a significant effect from the initial implementation of IFRS 16 on other reserves and retained earnings.

1. Basis of preparation, continued

(e) Documents issued by IASB/IFRICs not yet endorsed by the European Commission

These new or revised standards, new interpretations and amendments to existing standards that at the reporting date are already issued by the International Accounting Standards Board have not yet been endorsed by the EU and therefore are not taken into account by the Bank in preparing these financial statements.

- IFRS 17 Insurance Contracts (issued on 18 May 2017)
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018), effective 1 January 2020
- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018), effective 1 January 2020.
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018), effective 01 January 2020

2. Significant accounting policies

(a) Income recognition

(i) Interest income and expense

Interest income and expense is recognised in the 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.

Interest income is calculated by applying the effective interest rate on the gross value of the financial asset, except for impaired assets for which the effective interest rate is applied to the amortised cost of the financial asset.

(ii) Fees and Commissions

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 includes 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 income is established. Usually this is the ex-dividend date for equity securities.

2. Significant accounting policies, continued

(b) Basis of consolidation

(i) Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. 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 the consideration 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 interest

Non-controlling interest is measured at its 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 transactions with owners in their capacity as owners. 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, they are recognised directly in equity.

(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.

2. Significant accounting policies, continued

(b) Basis of consolidation, continued

(iii) Subsidiaries

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

(iv) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group income, expenses, balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that 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.

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 difference between amortised cost in functional currency in 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.

2. Significant accounting policies, continued

(d) Financial assets

(i) Recognition

The Group recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Group initially recognizes trade and other receivables on the date of transaction. Advances to customers are recognised when cash is advanced to the borrowers. At initial recognition, the Bank measures all financial assets at fair value plus, in the case of financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

The Group classifies financial assets in the following categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, or financial assets measured at fair value through profit or loss. Management determines the classification of investments at initial recognition according to the business model for management of the specific class of financial assets and the contractual features of the cash flows associated with that financial asset.

(ii) Financial assets at amortised cost

Debt instruments held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows and where the contractual cash flows give rise only to principal and interest payments are recognised at amortised cost. After the initial recognition assets are booked at amortised cost.

Recognition at amortised cost requires application of the effective interest rate method. The amortised cost of a financial asset is the value at which the financial asset was initially recognised, minus the principal repayments plus or minus the amortisation accrued by using the effective interest rate method for each difference between the initial value and the value at the maturity date and minus impairment.

(Iii) Financial assets at fair value through other comprehensive income

Debt instruments held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows or to sell the asset and where the contractual cash flows give rise only to principal and interest payments are recognised at fair value in other comprehensive income. After initial recognition, the asset is measured at fair value with changes in fair value in revaluation reserve of investments in securities (other comprehensive income). When the debt instrument is written off, the profit or loss accrued and recognised in other comprehensive income is transferred to profit or loss.

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

The position contains two categories: financial assets held for trading and financial assets not classified in the above two categories. A financial asset is classified in this category if it was acquired for the purpose of short-term sale or if its contractual characteristics do not meet the requirement for generating payments of only principal and interest. Derivatives are also categorised as held for trading unless they are designated as hedges.

The Group does not designate any debt instrument as at fair value through profit or loss to remove or significantly reduce an accounting mismatch.

2. Significant accounting policies, continued

(d) Financial assets, continued

(v) Capital instruments at fair value through other comprehensive income

The Group may make an irrevocable election to recognize changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss. When the equity instrument is written off, the profit or loss accrued and recognised in other comprehensive income is directly transferred to other reserves and retained earnings.

(vi) Fair value measurement principles

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.

The Group which holds portfolios of financial assets and financial liabilities is are exposed to market risk and credit risk. If the Group manages these portfolios on the basis of its net exposure either to market risk or credit risk, the fair value is 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.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the Group transfers these rights in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred to the buyer. 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 financial assets recognised in its statement of financial position, but retains either all or substantially all risks and rewards of the transferred asset. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised in the statement of financial position (an example of such transactions are repo deals).

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 advances to banks with original maturity of up to three months.

(f) Investments

Investments that the Group holds for the purpose of short-term profit taking or repurchases are classified as financial assets for trading. Investments in debt instruments held by the Group as part of a business model for the purpose of collecting contractual cash flows are classified as financial assets at amortised cost. Investments in debt instruments held by the Group as part of a business model for the purpose of collecting contractual cash flows and sale are classified as financial assets at fair value in other comprehensive income. All other investments, including those whose contractual terms do not meet the requirement for generation of only principal and interest payments are classified as recognised at fair value in profit or loss.

(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 recognised.

2. Significant accounting policies, continued

(g) Securities borrowing and lending business and repurchase transactions, continued

(i) Securities borrowing and lending, continued

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 are reported as liabilities to either banks or other 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 (expenses).

(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 recognized in profit or loss over the period of the borrowings using the effective yield method.

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 of financial assets

The Group recognizes 12-month expected credit loss as loss allowance when there is no significant increase in the credit risk since initial recognition. When there is a significant increase in credit risk since initial recognition, expected credit losses for the remaining life of the financial assets are recognized as loss allowance.

Whether credit risk is significantly increased or not is determined based on the following factors and events for the debtor or the exposure:

- Internal behavioural scoring of natural persons, companies and institutions whose exposures are above the threshold for significance;
- Decrease in credit rating (internal or external) by a given number of notches for companies and institutions whose exposures are above the threshold for significance.

- Delinquencies;
- Other factors.

(k) Property and equipment

Land and buildings are presented in the statement of financial position at their revalued amount which is the fair value of the asset as at the date of revaluation less any subsequent amortisation and depreciation and accumulated impairment losses. All others classes of items of property, plant and equipment are stated in the statement of financial position at their acquisition cost less accumulated depreciation and allowance for impairment.

Depreciation is calculated on a straight-line basis at prescribed rates designed to decrease the cost or valuation of fixed assets over their expected useful lives. The annual rates of amortisation are as follows:

Assets	%
• Buildings	3 - 4
• Equipment	10 - 50
• Fixtures and fittings	10 - 15
• Motor 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	%
• Licenses and trademarks	14 - 20
• Software and licences	8 - 50

(m) Investment Property

Investment property is property (land or a building or part of a building or both) held to earn rentals or for capital appreciation or both. The Bank has chosen for its accounting policy to account for investment property using the fair value model and applies this to all its investment property. Investment properties are initially measured at cost and are subsequently measured using the fair value model, and the revaluation income and expense is recognised in the profit for period in which they occurred. The reclassification of repossessed assets reported as inventories into investment properties is possible only where a contract to rent out the respective property has been signed. The fair value of assets constituting investment property was determined by independent property assessors holding recognised professional qualification and recent experience in assessing property with similar location and category, using reliable techniques for determining fair values.

(n) 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 assessment of the amount due can be made.

2. Significant accounting policies, continued

(n) Provisions, continued

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.

(o) 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 liabilities evidenced by paper.

(p) Off-balance sheet 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 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.

(q) Taxation

Tax on the profit for the year 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 by the statement of financial position date, 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 amounts for financial reporting purposes and the amounts 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.

(r) 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 2019 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.

(r) Critical accounting estimates and judgements in applying accounting policies, continued

- Note 19 - 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.

(ii) Assessment of repossessed assets from collaterals

Assets accepted as collateral are recognized at the lower of the cost of acquisition and the net realizable value. When evaluating the net realizable value of the assets the Bank 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 worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. 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.

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for the Bank's ordinary shares. Basic EPS is calculated by dividing the profit or loss for the period 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 granted to employees.

(t) Employee benefits

Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Government of Bulgaria is responsible for providing pensions in Bulgaria under a defined contribution pension plan. The Bank'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, § 3 of the Labour Code.

According to these regulations in the LC, when a labour contract of a bank's employee, who has acquired a pension right, is ended, the Bank is obliged to pay him compensations amounted to two gross monthly salaries. Where the employee has been with the same employer for the past 10 years, this employee is entitled to a compensation amounting to six gross monthly salaries.

2. Significant accounting policies, continued

(t) Employee benefits, continued

As at balance sheet date, the Management of the Bank 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 Bank 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 employee, 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.

(u) Insurance Contracts

Classification of insurance contracts

Contracts in which the Group undertakes significant insurance risk of a third party (insured party) through compensation to the insured party or another beneficiary in case of a specific uncertain future event (insured event) which has a negative impact on the insured party or the beneficiary, are classified as insurance contracts.

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 instalment 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.

2. Significant accounting policies, continued

(u) Insurance contracts, continued

Reversed premiums

Reversed insurance premiums are insurance premiums for which there has been a 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. Reversed premiums within the current year, related to policies written within the previous year, increase the Gross Written Premiums of the Group.

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 contract 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.

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

The risk that counterparts to financial instruments might default on their obligations. Default risk is monitored on an ongoing basis subject to Group's internal risk management procedures and is controlled through minimum thresholds for the credit quality of the counterpart 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 counterpart 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 or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Bank 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 Bank'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 for buying or selling instruments set by senior management.

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 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 one day horizon and 99 per cent 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 VaR for all positions carried at fair value that was experienced in 2019:

(ii)

	31 December	**2019**			**31 December**
in thousands of BGN	**2019**	**average**	**low**	**high**	**2018**
VaR	385	433	247	686	319

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, other 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 Bank strategy. The body managing liquidity is the Assets, Liability and Liquidity Management Council.

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.

Notes to the financial statements

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 non-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.

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

Liquid assets	**2019**	**2018**
In BGN '000		
Balances with BNB	1,707,610	1,034,757
Current accounts and amounts with other banks	356,807	716,647
Unencumbered government securities	534,411	453,915
Gold	5,592	5,699
Total liquid assets	**2,604,420**	**2,211,018**

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 at 31 December 2019 the thirty largest non-bank depositors represent 7.32 % of total deposits from other customers (31 December 2018: 4.74%).

One of the main ratios used by the Group for managing liquidity risk is the ratio of liquid assets to total borrowings from other clients.

	31 December 2019	**31 December 2018**
Ratio of liquid assets to total borrowings from other clients	28.61%	26.50%

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.

3. Risk management disclosures, continued

B. Non-trading activities, continued

Liquidity risk, continued

Maturity table as at 31 December 2019

in thousands of BGN	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	More than 1 year	Maturity not defined	Total
Assets						
Cash and balances with Central Banks	2,072,046	-	-	-		**2,072,046**
Financial assets at fair value through profit or loss	244,805	-	-	-	22,130	**266,935**
Financial assets at fair value through other comprehensive income	714,082	-	-	-	-	**714,082**
Financial assets at amortised cost	-	-	-	12,005	-	**12,005**
Loans and advances to banks and other financial institutions	53,065	9,029	2,161	15,363	-	**79,618**
Loans and advances to	353,819	236,927	852,087	4,574,304	-	**6,017,137**
Other trading assets	814	-	-	-	-	**814**
Total financial assets	**3,438,631**	**245,956**	**854,248**	**4,601,672**	**22,130**	**9,162,637**
Liabilities						
Due to banks	2,007	-	-	-	-	**2,007**
Due to other customers	4,340,341	1,014,163	2,816,309	933,208	-	**9,104,021**
Liabilities evidenced by paper	13	26	3,309	106,000	-	**109,348**
Subordinated term debt	-	-	-	3,943	-	**3,943**
Hybrid debt	-	-	-	-	267,615	**267,615**
Other financial liabilities, net	1,243	(600)	(159)	(123)	-	**361**
Total financial liabilities	**4,343,604**	**1,013,589**	**2,819,459**	**1,043,028**	**267,615**	**9,487,295**
Net liquidity gap	**(904,973)**	**(767,633)**	**(1,965,211)**	**3,558,644**	**(245,485)**	**(324,658)**

The table shows investments at fair value through other comprehensive income with a maturity of up to 1 month in order to reflect the management's ability to sell them within a short-term period, if needed.

Current undrawn amounts of extended loans are not recognized as liquidity risk because the management considers that, based on the agreed conditions, the Bank can at any time terminate the extension of funds to its borrowers in case it is expected that their credit risk will increase.

Loans and advances to customers reflect also financial lease receivables.

Notes to the financial statements

3.Risk management disclosures, continued

B. Non-trading activities, continued

Liquidity risk, continued

Maturity table as at 31 December 2018

in thousands of BGN	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	More than 1 year	Maturity not defined	Total
Assets						
Cash and balances with Central Banks	1,674,754	-	-	-	-	**1,674,754**
Financial assets at fair value through profit or loss	8,546	-	-	-	17,498	**26,044**
Financial assets at fair value through other comprehensive income	656,265	8,477	5,672	105,115	-	**775,529**
Financial assets at amortised cost	-	-	-	748	-	**748**
Loans and advances to banks and other financial institutions	122,268	628	78	2,509	-	**125,483**
Loans and advances to	383,619	179,694	778,985	4,373,764	-	**5,716,062**
Other trading assets	905	-	-	-	-	**905**
Total financial assets	**2,846,357**	**188,799**	**784,735**	**4,482,136**	**17,498**	**8,319,525**
Liabilities						
Due to banks	3,024	-	-	-	-	**3,024**
Due to other customers	3,559,155	933,212	2,739,394	1,110,930	-	**8,342,691**
Liabilities evidenced by paper	3,218	1,221	3,441	113,240	-	**121,120**
Hybrid debt	-	-	-	-	208,786	**208,786**
Other financial liabilities, net	(2)	63	27	-	-	**88**
Total financial liabilities	**3,565,395**	**934,496**	**2,742,862**	**1,224,170**	**208,786**	**8,675,709**
Net liquidity gap	**(719,038)**	**(745,697)**	**(1,958,127)**	**3,257,966**	**(191,288)**	**(356,184)**

3. Risk management disclosures, continued

B. Non-trading activities, continued

Liquidity risk, continued

The following table provides a remaining maturities analysis of the financial assets and liabilities of the Group as at 31 December 2019 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	More than 1 year	Total
Financial assets					
Cash and balances with Central Banks	2,072,046	-	-	-	**2,072,046**
Financial assets at fair value through profit or loss	244,805	-	-	22,130	**266,935**
Financial assets at fair value through other comprehensive income	714,082	-	-	-	**714,082**
Financial assets at amortised cost	-	-	-	13,468	**13,468**
Loans and advances to banks and other financial institutions	53,065	9,029	2,161	15,363	**79,618**
Loans and advances to customers	354,139	238,810	876,178	5,517,627	**6,986,754**
Total financial assets	**3,438,137**	**247,839**	**878,339**	**5,568,588**	**10,132,903**
Financial liabilities					
Due to banks	2,007	-	-	-	**2,007**
Due to other customers	4,340,652	1,014,763	2,822,577	943,207	**9,121,199**
Liabilities evidenced by paper	13	26	3,323	110,131	**113,493**
Subordinated term debt	-	-	176	4,880	**5,056**
Hybrid debt	-	-	27,577	318,800	**346,377**
Total financial liabilities	**4,342,672**	**1,014,789**	**2,853,653**	**1,377,018**	**9,588,132**
Derivatives held for risk management					
For trading, outgoing cash flow	1,933	-	478	-	2,411
For trading, incoming cash flow	1,504	600	637	123	2,864
Cash flow from derivatives, net	**(429)**	**600**	**159**	**123**	**453**

Fibank

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

Liquidity risk, continued

The following table provides a remaining maturities analysis of the financial assets and liabilities of the Group as at 31 December 2018 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	More than 1 year	Total
Financial assets					
Cash and balances with Central Banks	1,674,754	-	-	-	**1,674,754**
Financial assets at fair value through profit or loss	8,546	-	-	17,498	**26,044**
Financial assets at fair value through other comprehensive income	656,265	8,549	5,853	115,824	**786,491**
Financial assets at amortised cost	-	-	-	1,427	**1,427**
Loans and advances to banks and other financial institutions	122,268	628	78	2,509	**125,483**
Loans and advances to customers	384,067	181,296	803,735	5,393,919	**6,763,017**
Total financial assets	**2,845,900**	**190,473**	**809,666**	**5,531,177**	**9,377,216**
Financial liabilities					
Due to banks	3,024	-	-	-	**3,024**
Due to other customers	3,559,467	933,878	2,746,763	1,125,297	**8,365,405**
Liabilities evidenced by paper	3,219	1,224	3,455	118,439	**126,337**
Hybrid debt	-	-	22,883	264,295	**287,178**
Total financial liabilities	**3,565,710**	**935,102**	**2,773,101**	**1,508,031**	**8,781,944**
Derivatives held for risk management					
For trading, outgoing cash flow	189	82	27	-	298
For trading, incoming cash flow	1,096	19	-	-	1,115
Cash flow from derivatives, net	**907**	**(63)**	**(27)**	**-**	**817**

The expected cash flows of the Group 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 and term deposits 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 clients take advantage of the early repayment possibility.

(ii) Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 Bank is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as the Bulgarian Basic Interest Rate, the LIBOR and EURIBOR, although these indices tend to move in high correlation.

3. Risk management disclosures, continued

B. Non-trading activities, continued

(ii) Market risk, continued

Interest rate risk, continued

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 Bank measures the impact of a change in the market rates both on net interest income and on the Bank'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 Bank following a standardised shock of +100bp/-100bp as at 31 December 2019 is BGN +43.7/-24.9 Mio.

The interest rate risk on the Bank's net interest income one year forward following a standardised shock of +100bp/-100bp as at 31 December 2019 is BGN 19.2/-9.5 Mio.

	Net interest income		Equity	
Effect in millions of BGN	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2019				
as at 31 December	19.2	-9.5	43.7	-24.9
Average for the period	21.0	-13.1	38.0	-20.6
Maximum for the period	24.2	-14.5	43.7	-24.9
Minimum for the period	19.0	-9.5	35.1	-17.3
31 December 2018				
as at 31 December	19.5	-15.4	35.2	-18.4
Average for the period	12.9	-12.6	30.0	-15.2
Maximum for the period	19.5	-15.4	35.2	-18.4
Minimum for the period	10.2	-11.2	26.8	-12.2

3. Risk management disclosures, continued

B. Non-trading activities, continued

(ii) Market risk, continued

Interest rate risk, continued

The following table indicates the effective interest rates at 31 December 2019 and the periods in which financial liabilities and assets reprice.

			Fixed rate instruments			
in thousands of BGN	**Total**	**Floating 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	658,699	622,562	36,137	-	-	-
Financial assets at fair value through profit or loss	240,317	-	240,317	-	-	-
Financial assets at fair value through other comprehensive income	714,082	26,227	687,855	-	-	-
Financial assets at amortised cost	12,005	-	-	-	-	12,005
Loans and advances to banks and other financial institutions	35,140	10,976	5,416	-	18,748	-
Loans and advances to customers	5,257,547	4,838,389	6,676	23,267	115,282	273,933
Total interest-bearing assets	**6,917,790**	**5,498,154**	**976,401**	**23,267**	**134,030**	**285,938**
Liabilities						
Due to banks	2,007	1,617	390	-	-	-
Due to other customers	9,087,253	2,946,561	1,377,010	1,014,163	2,816,309	933,210
Liabilities evidenced by paper	109,348	98,104	-	7	-	11,237
Subordinated term debt	3,943	-	-	-	-	3,943
Hybrid debt	267,615	-	-	-	-	267,615
Total interest-bearing liabilities	**9,470,166**	**3,046,282**	**1,377,400**	**1,014,170**	**2,816,309**	**1,216,005**

3. Risk management disclosures, continued

B. Non-trading activities, continued

(ii) Market risk, continued

Interest rate risk, continued

The following table indicates the effective interest rates at 31 December 2018 and the periods in which financial liabilities and assets reprice.

			Fixed rate instruments			
in thousands of BGN	**Total**	**Floating 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	468,854	441,137	27,717	-	-	-
Financial assets at fair value through profit or loss	3,991	-	3,991	-	-	-
Financial assets at fair value through other comprehensive income	775,528	26,558	629,706	8,477	5,672	105,115
Financial assets at amortised cost	748	748	-	-	-	-
Loans and advances to banks and other financial institutions	24,689	-	4,985	-	19,704	-
Loans and advances to customers	5,081,948	3,934,279	7,266	31,613	141,480	967,310
Total interest-bearing assets	**6,355,758**	**4,402,722**	**673,665**	**40,090**	**166,856**	**1,072,425**
Liabilities						
Due to banks	3,024	3,024	-	-	-	-
Due to other customers	8,279,836	2,326,450	1,169,849	933,212	2,739,394	1,110,931
Liabilities evidenced by paper	121,120	105,394	3,217	1,205	44	11,260
Hybrid debt	208,786	-	-	-	-	208,786
Total interest-bearing liabilities	**8,612,766**	**2,434,868**	**1,173,066**	**934,417**	**2,739,438**	**1,330,977**

3. Risk management disclosures, continued

B. Non-trading activities, continued

(ii) Market risk, continued

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 in performing transactions in foreign currencies and foreign-currency denominated financial instruments.

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 Bank 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 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	**2019**	**2018**
Monetary assets		
Euro	3,940,493	4,177,947
US dollar	591,945	627,557
Other	430,194	320,961
Gold	5,592	5,699
Monetary liabilities		
Euro	3,806,777	3,237,908
US dollar	586,114	628,397
Other	391,165	291,040
Gold	1,628	1,810
Net position		
Euro	133,716	940,039
US dollar	5,831	(840)
Other	39,029	29,921
Gold	3,964	3,889

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 guarantees. 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.

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iii) Credit risk, continued

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**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Carrying amount	6,017,137	5,716,062	1,940,138	1,615,644	966,404	780,268	-	-
Amount committed/ guaranteed	-	-	-	-	-	-	886,993	781,402

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 on the balance sheet. These exposures are as follows:

31 December 2019 — *in thousands of BGN*

Class of exposure	**Gross amount of loans and advances to customers**	**Allowance for impairment**	**Carrying amount of loans and advances to customers**
Performing			
Collectively impaired	4,984,695	(72,868)	4,911,827
Non-performing			
Collectively impaired	219,082	(73,577)	145,505
Individually impaired	1,323,654	(363,849)	959,805
Total	**6,527,431**	**(510,294)**	**6,017,137**

31 December 2018 — *in thousands of BGN*

Class of exposure	**Gross amount of loans and advances to customers**	**Allowance for impairment**	**Carrying amount of loans and advances to customers**
Performing			
Collectively impaired	5,050,018	(119,567)	4,930,451
Non-performing			
Collectively impaired	352,361	(150,491)	201,870
Individually impaired	1,063,005	(479,264)	583,741
Total	**6,465,384**	**(749,322)**	**5,716,062**

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iii) Credit risk, continued

Distribution of trade receivables and impairment as adjustment for financial assets (loans and advances to customers) in compliance with IFRS 9:

	31/12/2019		31/12/2018	
	Gross amount of loans and advances to customers	**Allowance for impairment**	**Gross amount of loans and advances to customers**	**Allowance for impairment**
Exposures without increase of credit risk after the initial recognition (phase 1)	3,871,343	13,555	3,882,962	28,912
Exposures with significant increase of credit risk after the initial recognition (phase 2)	1,113,352	59,313	1,167,056	90,655
Non-performing (impaired) exposures (phase 3)	1,542,736	437,426	1,415,366	629,755
Total	**6,527,431**	**510,294**	**6,465,384**	**749,322**

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

As at 31 December 2019 the gross amount of overdue loans and advances to customers measured as exposures 90+ days overdue is BGN 774,362 thousand (2018: BGN 837,374 thousand).

In addition, the Group is exposed to off-balance sheet credit risk through commitments to extend credits and issue contingent liabilities (See Note 32).

Concentrations of credit risk (whether on or off-balance 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 by location and type of customer in relation to the Group's investments, loans and advances and off-balance sheet commitments.

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iii) Credit risk, continued

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

in thousands of BGN	**2019**	**2018**
Trade	891,509	1,037,381
Industry	1,162,856	1,201,664
Services	722,291	672,197
Finance	108,742	107,668
Transport, logistics	227,205	322,495
Communications	190,717	107,463
Construction	353,245	275,066
Agriculture	184,433	199,847
Tourist services	262,560	249,330
Infrastructure	408,935	501,084
Private individuals	2,002,090	1,742,417
Other	12,848	48,772
Allowance for impairment	(510,294)	(749,322)
Total	**6,017,137**	**5,716,062**

The amounts reflected in the tables represent the maximum accounting loss that would be recognised at the statement of financial position date if counterparts failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed expected losses, which are included in the allowance for impairment.

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 2019 with total exposures outstanding amounting to BGN 162,118 thousand (2018: BGN 187,051 thousand) - ferrous and non-ferrous metallurgy, BGN 85,791 thousand (2018: BGN 89,905 thousand) – mining industry and BGN 94,191 thousand (2018: BGN 104,489 thousand) - power engineering.

The Group has extended loans, confirmed letters of credit and granted guarantees to 8 individual clients or groups (2018: 7) with each individual exposure exceeding 10% of the capital base of the Group, based on the amortised cost of the respective loan facilities and after application of the required regulatory exemptions and techniques for reducing credit risk. The total amount of these exposures is BGN 937,247 thousand, which is 72.99% of the capital base (2018: BGN 644,781 thousand, representing 58.21% of the capital base).

Loans extended by the branch in Cyprus amount to BGN 2,040 thousand (gross carrying amount) (2018: BGN 4,050 thousand), and in Albania to BGN 246,106 thousand (2018: BGN 195,157 thousand) (gross carrying amount.

The Group's policy is to require suitable collateral to be provided by certain 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 Bank's obligations.

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iii) Credit risk, continued

Collateral held against different types of assets:

Type of credit exposure	Main type of collateral	Collateral coverage ratio	
		2019	**2018**
Repurchase agreements	Tradable securities	101%	101%
Loans and advances to banks	None	-	-
Mortgage loans	Real estate	264%	269%
Consumer lending	Mortgage, warrant, financial and other collateral	32%	38%
Credit cards	None	-	-
Loans to companies	Mortgage, pledge of enterprise, pledge of long-term tangible assets, pledge of goods, pledge of other short-term tangible assets, financial and other collateral	481%	442%

The table below shows a breakdown of total gross loans and advances (gross balance sheet value) extended to customers by the Group by type of collateral to the amount of the collateral, excluding credit cards in the amount of BGN 193,197 thousand (2018: 202,095 thousand BGN):

In BGN '000	**2019**	**2018**
Mortgage	1,748,980	1,389,600
Pledge of receivables	1,760,098	1,951,831
Pledge of commercial enterprise	10,968	33,834
Securities	79,396	103,697
Bank guarantees	-	-
Other guaranties	2,355,390	2,271,618
Pledge of goods	18,382	15,106
Pledge of machines	72,070	114,222
Money deposit	25,808	27,044
Stake in capital	-	13,804
Gold	-	-
Other collateral	-	1,004
Unsecured	263,142	341,529
Total	**6,334,234**	**6,263,289**

Other collateral includes insurance policies up to the amount of the insurance cover, future receivables, remuneration transfers, etc.

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iii) Credit risk, continued

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	**2019**	**2018**
Loan to value (LTV) ratio		
Less than 50%	180,953	159,494
51% to 70%	237,868	204,262
71% to 90%	366,968	260,170
91% to 100%	41,349	54,215
More than 100%	69,175	74,440
Total	**896,313**	**752,581**

Loans to corporate customers

Individually significant loans to corporate customers 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. However, collateral provides additional security and the Group requests corporate borrowers to provide it. The Group takes collateral in the form of a first charge over real estate, floating charges over all corporate assets, and other liens and guarantees.

The Group routinely analyses collateral for possible changes in value due to market conditions, legal framework or debtor's actions. Where such changes lead to a breach in the requirements for sufficiency of collateral, the Group requires provision of additional collateral within a certain timeframe.

As at 31 December 2019 the net carrying amount of individually impaired loans to corporate customers amounts to BGN 1,002,145 thousand (2018: BGN 676,046 thousand) and the value of collateral held against those loans amounts to BGN 951,838 thousand (2018: BGN 639,312 thousand).

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

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iii) Credit risk, continued

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 BGN ‘000

	2019		2018	
Type of renegotiation	**Gross amount of loans and advances to customers**	**Allowance for impairment**	**Gross amount of loans and advances to customers**	**Allowance for impairment**
Loans to individuals	**172,392**	**5,598**	**186,497**	**5,839**
Change of maturity	121,338	4,243	116,811	4,387
Change of amount of instalment	212	2	-	-
Change of interest rate	11,898	40	12,779	21
Change due to customers request	23,900	49	34,610	45
Other reasons	15,044	1,264	22,297	1,386
Loans to corporate clients	**2,416,947**	**292,889**	**2,119,413**	**252,094**
Change of maturity	159,060	10,951	60,241	3,727
Change of amount of instalment	600,890	23,976	163,528	9,380
Change of interest rate	216,336	1,386	117,723	397
Change due to customers request	1,169,760	183,330	1,261,350	188,606
Other reasons	270,901	73,246	516,571	49,984
Total:	**2,589,339**	**298,487**	**2,305,910**	**257,933**

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 Restructuring Committee. The Credit Council supports the adopted credit risk management and forms an opinion on loans as per its limits of competence. The Restructuring 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 are other independent specialized bodies - the Risk Analysis and Control Department and the Credit Risk Management, Monitoring and Provisioning Department, which fulfil the functions of identification, evaluation and management of the credit risk, including performing additional second control over the risk exposures. 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 Impaired Assets Department.

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iv) Government debt exposures

The Group closely manages the credit risk on government debt exposures 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.

In BGN '000

31 December 2019

Portfolio	Bulgaria	Albania	Slovakia	Latvia	Lithuania	USA	Romania	Kazakhstan	EFSF*	Belgium
Financial assets at fair value through profit or loss	3,832	-	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	342,823	143,114	2,160	68	45,269	147,695	201	1,374	2,028	2,633
Financial assets at amortised cost	12,005	-	-	-	-	-	-		-	-
Total	**358,660**	**143,114**	**2,160**	**68**	**45,269**	**147,695**	**201**	**1,374**	**2,028**	**2,633**

In BGN '000

31 December 2018

Portfolio	Bulgaria	Albania	Slovakia	Latvia	Lithuania	USA	EFSF	Belgium
Financial assets at fair value through profit or loss	3,991	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	320,264	114,391	2,069	67	43,677	247,145	1,951	2,659
Financial assets at amortised cost	-	-	-	-	-	-	-	-
Total	**324,255**	**114,391**	**2,069**	**67**	**43,677**	**247,145**	**1,951**	**2,659**

*European Financial Stability Facility

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iv) Government debt exposures, continued

Maturity table of government debt securities by country issuer as at 31 December 2019

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	28,396	37,300	7,453	175,278	110,233	358,660
Albania	1,749	1,495	29,888	87,533	22,449	143,114
Slovakia	-	-	-	-	2,160	2,160
Latvia	-	-	-	68	-	68
Lithuania	-	-	-	-	45,269	45,269
USA	52,162	95,533	-	-	-	147,695
Romania	-	-			201	201
Kazakhstan	-	-			1,374	1,374
EFSF	-	-	-	-	2,028	2,028
Belgium	-	-	-	2,633	-	2,633
Total	**82,307**	**134,328**	**37,341**	**265,512**	**183,714**	**703,202**

Maturity table of government debt securities by country issuer as at 31 December 2018

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	38,164	-	-	185,612	100,479	324,255
Albania	227	8,477	5,672	63,110	36,905	114,391
Slovakia	-	-	-	-	2,069	2,069
Latvia	-	-	-	-	67	67
Lithuania	-	-	-	-	43,677	43,677
USA	144,950	102,195	-	-	-	247,145
EFSF	-	-	-	-	1,951	1,951
Belgium	-	-	-	2,659	-	2,659
Total	**183,341**	**110,672**	**5,672**	**251,381**	**185,148**	**736,214**

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.

Regulatory capital

The equity capital of the Group 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, as well as value adjustments due to the requirements for prudential assessments and other deductions. The increase of CET1 includes the adjustments related to the transitional treatment of the effect from the initial application of IFRS 9.

Additional Tier 1 capital

The instruments of Additional Tier 1 capital include hybrid debt (see note 29). As disclosed in Note 37 Post Balance Sheet Events, on 6 February 2020, by Resolution No 38/6 February 2020, the Governing Council of the Bulgarian National Bank granted permission to First Investment Bank to include in its additional tier 1 capital the amount of EUR 30,000 thousand (equal to BGN 58,675 thousand) attracted via the capital instrument issued by the Bank, an issue of perpetual, non-cumulative, non-convertible bonds registered on 20 December 2019 with the Central Depository under ISIN codeBG2100023196.

3. Risk management disclosures, continued

C. Capital adequacy, continued

Tier 2 Capital

Tier 2 capital includes subordinated term debt in the amount of EUR 2,000 thousand (equivalent to BGN 3,912 thousand), issued in 2019 in the form of subordinated bonds of the subsidiary First Investment Bank - Albania Sh.a. (See Note 29).

In thousands of BGN

Total own funds

	2019	2018
Common Equity Tier 1 capital		
Paid up capital instruments	110,000	110,000
(-) Indirect shareholding in Common Equity Tier 1 capital instruments	(72)	(60)
Premium reserves	97,000	97,000
Other reserves	606,298	441,564
Accumulated other comprehensive income	24,309	23,690
Adjustments to Common Equity Tier 1 capital:		
(-) Intangible assets	(12,183)	(14,402)
Transitional adjustments of Common Equity Tier 1 capital	211,742	262,910
(-) Other deductions	(11,225)	(8,614)
Common Equity Tier 1 capital	**1,025,869**	**912,088**
Additional Tier 1 capital instruments		
Hybrid debt	254,258	195,583
Tier 1 Capital	**1,280,127**	**1,107,671**
Tier 2 Capital instruments		
Subordinated term debt	3,912	-
Tier 2 Capital	**3,912**	**-**
Total own funds	**1,284,039**	**1,107,671**

C. Capital adequacy, continued

The Group 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 is calculated as the total of the risk weighted exposures for credit, market and operational risk.

The Group calculates the requirements for credit risk for its exposures in banking and trading portfolios based on the standardised approach. Exposures are taken into account using their balance sheet amount. Off-balance-sheet credit-related commitments are taken into account by applying different categories of conversion factors designed to convert these items into balance sheet equivalents. The resulting equivalent amounts are then weighted for risk using different percentages depending on the class of exposure and its credit rating assessment. Various credit risk mitigation techniques are used, for example collateralised transactions and guarantees. Forwards and options based derivative instruments are weighted for counterparty credit risk.

The Group calculates also capital requirements for market risk for foreign currency and commodity instruments in trading book and banking book.

The Group calculates capital requirements for operational risk by application of the standardized approach. In this approach the Group distributes the net income from banking operations (called the relevant indicator) over the last three years for the respective business lines. Next, the distributed amount from the relevant indicator is multiplied by its corresponding percentage (beta factor) to obtain the annual capital requirement for each business line. The Group calculates the capital requirement for operational risk as the average value for the three-year period of the sum of the annual capital requirements for all business lines. The respective risk exposure is calculated by further multiplication of the capital requirement by 12.5.

The Group has complied with the regulatory capital requirements throughout the period.

3. Risk management disclosures, continued

C. Capital adequacy, continued

Capital adequacy level is as follows:

In BGN '000	Balance sheet/notional amount		Risk exposures	
	2019	**2018**	**2019**	**2018**
Risk weighted exposures for credit risk				
Balance sheet assets				
Exposure class				
Central governments or central banks	2,458,660	1,800,687	223,161	237,480
Multilateral development banks	89	163	-	-
Institutions	219,944	585,417	71,382	151,327
Corporates	1,871,585	2,032,050	1,809,067	1,970,684
Retail	1,455,016	1,272,803	907,695	777,820
Secured by mortgages on immovable property	1,848,664	1,798,847	729,768	729,696
Exposures in default	1,226,650	893,175	1,220,168	986,805
Collective investments undertakings	2,739	2,675	2,739	2,675
Equity	34,868	19,872	51,460	20,703
Other items	1,504,335	1,415,552	1,293,923	1,231,501
Total	**10,622,550**	**9,821,241**	**6,309,363**	**6,108,691**
Off balance sheet items				
Exposure class				
Institutions	-	-	3,932	297
Corporates	381,380	265,128	54,033	68,862
Retail	478,929	471,215	7,880	6,398
Secured by mortgages on immovable property	28,426	45,349	5,302	9,205
Other items	-	-	-	-
Total	**888,735**	**781,692**	**71,147**	**84,762**
Derivatives				
Exposure class				
Central governments or central banks	5,867	-	1,467	-
Institutions	3,937	1,261	787	252
Corporates	2,002	83	2,002	83
Other items	830	923	830	923
Total	**12,636**	**2,267**	**5,086**	**1,258**
Total risk-weighted exposures for credit risk			**6,385,596**	**6,194,711**
Total amount of exposures to market risk			**4,750**	**5,300**
Amount of exposures for operational risk			**612,838**	**658,925**
Total amount of risk exposures			**7,003,184**	**6,858,936**

Capital adequacy ratios	**Equity**		**Capital ratios %**	
	2019	**2018**	**2019**	**2018**
Common Equity Tier 1 capital	**1,025,869**	**912,088**	**14.65%**	**13.30%**
Tier 1 Capital	**1,280,127**	**1,107,671**	**18.28%**	**16.15%**
Total own funds	**1,284,039**	**1,107,671**	**18.34%**	**16.15%**

4. Segment Reporting

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

Reporting and measurement of segment assets and liabilities and segment revenues and results is based on the accounting policies set out in the accounting policy notes.

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, revenue and operating income is allocated after intragroup eliminations based on the location of the Bank branch that generated the revenue. Segment assets and liabilities are allocated after intragroup eliminations based on their geographical location.

In BGN '000	**Bulgarian operations**		**Foreign operations**		**Total**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Interest income	290,613	312,537	19,117	18,509	309,730	331,046
Interest expense	(58,942)	(61,159)	(4,074)	(2,799)	(63,016)	(63,958)
Net interest income	**231,671**	**251,378**	**15,043**	**15,710**	**246,714**	**267,088**
Fee and commission income	123,678	113,935	7,513	6,057	131,191	119,992
Fee and commission expense	(23,566)	(22,145)	(851)	(736)	(24,417)	(22,881)
Net fee and commission income	**100,112**	**91,790**	**6,662**	**5,321**	**106,774**	**97,111**
Net trading income	**13,596**	**11,053**	**1,782**	**(244)**	**15,378**	**10,809**
Administrative expenses	**(209,575)**	**(202,800)**	**(10,873)**	**(9,266)**	**(220,448)**	**(212,066)**
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Assets	**10,155,956**	**9,202,397**	**504,219**	**384,284**	**10,660,175**	**9,586,681**
Liabilities	**8,951,185**	**8,189,960**	**730,073**	**550,449**	**9,681,258**	**8,740,409**

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Notes to the financial statements

4. Segment Reporting, continued

The table below shows assets and liabilities and income and expense by business segments as at 31 December 2019.

in thousands of BGN

Business	Assets	Liabilities	Net interest income	Net fee and commission income	Net trading income	Other net operating income
Corporate customers	3,066,487	835,816	72,141	22,848	-	124
Small and medium enterprises	904,748	676,120	34,201	20,188	-	185
Retail Banking	2,045,902	7,592,085	130,471	56,940	-	809
Treasury	3,145,500	75,743	5,270	5,253	15,378	12,526
Other	1,497,538	501,494	4,631	1,545	-	60,974
Total	**10,660,175**	**9,681,258**	**246,714**	**106,774**	**15,378**	**74,618**

5. Financial assets and liabilities

Accounting classification and fair values

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

The Group 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 are observable date for a given asset or liability. 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 Group 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 Group 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.

5. Financial assets and liabilities, continued
Accounting classification and fair values, continued

However, where the Group 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 Group 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 involving the Risk Analysis and Control Division and the Management 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, by Risk Analysis and Control division.

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, Risk Analysis and Control 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;

5. Financial assets and liabilities, continued
Accounting classification and fair values, continued

- 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. The amounts are based on the amounts in the statement of financial position.

in thousands of BGN

31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	8,316	258,605	14	266,935
Financial assets at fair value through other comprehensive income	544,251	169,341	490	714,082
Derivatives held for risk management	814	(361)	-	453
Total	**553,381**	**427,585**	**504**	**981,470**

In BGN ‘000

31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	8,542	17,488	14	26,044
Financial assets at fair value through other comprehensive income	634,916	140,123	490	775,529
Derivatives held for risk management	905	(88)	-	817
Total	**644,363**	**157,523**	**504**	**802,390**

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5. Financial assets and liabilities, continued
Accounting classification and fair values, continued

The tables below set out analysis of the fair values of financial instruments not recognised at fair value, classified by fair value hierarchy level framework categorising fair value measurement

in thousands of BGN

31 December 2019	Level 1	Level 2	Level 3	Total fair values	Total balance sheet value
Assets					
Cash and balances with Central Banks	-	2,072,046	-	2,072,046	2,072,046
Financial assets at amortised cost	12,121	-	-	12,121	12,005
Loans and advances to banks and other financial institutions	-	79,618	-	79,618	79,618
Loans and advances to	-	1,105,310	5,049,025	6,154,335	6,017,137
Total	**12,121**	**3,256,974**	**5,049,025**	**8,318,120**	**8,180,806**
Liabilities					
Due to banks	-	2,007	-	2,007	2,007
Due to other customers	-	4,340,341	4,770,611	9,110,952	9,104,021
Liabilities evidenced by paper	-	109,339	-	109,339	109,348
Subordinated term debt	-	3,943	-	3,943	3,943
Hybrid debt	-	267,615	-	267,615	267,615
Total	**-**	**4,723,245**	**4,770,611**	**9,493,856**	**9,486,934**

In BGN '000

31 December 2018	Level 1	Level 2	Level 3	Total fair values	Total balance sheet value
Assets					
Cash and balances with Central Banks	-	1,674,754	-	1,674,754	1,674,754
Financial assets at amortised cost	-	862	-	862	748
Loans and advances to banks and other financial institutions	-	125,483	-	125,483	125,483
Loans and advances to customers	-	785,611	5,168,012	5,953,623	5,716,062
Total	**-**	**2,586,710**	**5,168,012**	**7,754,722**	**7,517,047**
Liabilities					
Due to banks	-	3,024	-	3,024	3,024
Due to other customers	-	3,559,273	4,791,901	8,351,174	8,342,691
Liabilities evidenced by paper	-	121,087	-	121,087	121,120
Hybrid debt	-	208,786	-	208,786	208,786
Total	**-**	**3,892,170**	**4,791,901**	**8,684,071**	**8,675,621**

5. Financial assets and liabilities, continued
Accounting classification and fair values, continued

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	**2019**	**2018**
Interest income		
Accounts with and placements to banks and financial institutions	1,743	1,595
Revenue from interest on liabilities	9	84
Retail Banking	120,811	120,721
Corporate customers	122,370	145,650
Small and medium enterprises	43,435	39,517
Microlending	7,272	8,673
Debt instruments	14,090	14,806
	309,730	**331,046**
Interest expense		
Deposits from banks	(12)	(33)
Deposits from other customers	(34,953)	(37,775)
Liabilities evidenced by paper	(707)	(1,006)
Subordinated term debt	(119)	-
Hybrid debt	(23,038)	(22,883)
Interest on assets cost	(3,791)	(2,210)
Lease agreements and other	(396)	(51)
	(63,016)	**(63,958)**
Net interest income	**246,714**	**267,088**

For 2019 the recognized interest income from individually impaired financial assets (loans to customers) amounted to BGN 25,043 thousand (2018: BGN 29,370 thousand).

7. Net fee and commission income

in thousands of BGN		
Fee and commission income	**2019**	**2018**
Letters of credit and guarantees	3,553	2,705
Payment operations	23,901	21,912
Customer accounts	32,892	31,730
Card services	35,108	34,033
Other	35,737	29,612
	131,191	**119,992**
Fee and commission expense		
Letters of credit and guarantees	(661)	(313)
Payment systems	(2,992)	(2,469)
Card services	(16,348)	(14,872)
Other	(4,416)	(5,227)
	(24,417)	**(22,881)**
Net fee and commission income	**106,774**	**97,111**

8. Net trading income

in thousands of BGN	**2019**	**2018**
Net trading income arises from:		
- Debt instruments	(68)	(135)
- Equities	30	(124)
- Foreign exchange rate fluctuations	15,416	11,068
Net trading income	**15,378**	**10,809**

9. Other net operating income

in thousands of BGN	**2019**	**2018**
Other net operating income arising from:		
- net income from transactions and revaluation of gold and precious metals	789	452
- -rental income	5,542	8,862
- Debt instruments	8,182	3,103
- Equities	4,344	1,282
- income from management of assigned receivables	54,643	584
- Gain on administration of loans acquired through business combination	1,118	2,038
Other net operating income	**74,618**	**16,321**

10. Administrative expenses

in thousands of BGN	**2019**	**2018**
General and administrative expenses comprise:		
- Personnel cost	71,842	70,315
-Amortisation of property, equipment and tangibles	14,392	15,342
- Amortisation of right-of-use assets	33,424	-
- Advertising	14,011	16,623
- Building rent expense	-	33,602
-Telecommunication, software and other computer maintenance	12,401	12,400
- Other expenses for external services	74,378	63,784
Administrative expenses	**220,448**	**212,066**

Personnel costs include salaries, social and health security contributions under the provisions of the local legislation. At 31 December 2019 the total number of employees of the Group was 2,825 (31 December 2018: 2,868).

The amounts accrued in 2019 for services provided by the registered auditors for independent financial audit amounted to BGN 1,107 thousand. The amounts accrued in 2018 for services provided by the registered auditors for independent financial audit amounted to BGN 648 thousand. Over these two years no amounts were accrued for other services unrelated to audit and provided by the registered auditors.

11. Allowance for impairment

in thousands of BGN	**2019**	**2018**
Write-downs		
Loans and advances to customers	(204,265)	(163,028)
Investments in non-consolidated subsidiaries	-	(178)
Securities at fair value through other comprehensive income	-	(26)
Securities at amortised cost	(779)	-
Off balance sheet commitments	(701)	(1,014)
Reversal of write-downs		
Loans and advances to customers	84,990	62,578
Securities at fair value through other comprehensive income	19	-
Off balance sheet commitments	1,006	18,290
Impairment, net	**(119,730)**	**(83,378)**

The expense for impairment in 2019 and 2018 is due to additional allowances resulting from the development of credit risk in a period of challenging economic environment and the conservative approach applied by the Group in recognising the risk of loss for certain individually impaired exposures.

Notes to the financial statements

12. Other income/(expenses), net

	2019	2018
Income from sale of assets	1,354	81,098
Revaluation of investment property	72,940	13,669
Income from sale of investment property	31	168
Dividend income	5,724	105
Net earned insurance premiums	5,242	3,865
(Cost) of guarantee schemes	(33,019)	(33,283)
Claims incurred	(3,385)	(2,812)
(Expense)/Reversal of expense for provisions for pending court	(228)	102
Other income, net	2,394	2,215
Total	**51,053**	**65,127**

13. Income tax expense

	2019	2018
Current taxes	(1,616)	(2,017)
Deferred taxes (See Note 21)	(14,821)	12,551
Income tax expense	**(16,437)**	**10,534**

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

in thousands of BGN	2019	2018
Accounting profit before taxation	**154,359**	**161,012**
Corporate tax at applicable tax rate (10% for 2019 and 10% for 2018)	15,436	16,101
Effect from tax rates of foreign subsidiaries and branches	742	814
Tax effect from the initial application of IFRS 9	-	(27,677)
Tax effect of permanent tax differences	269	298
Other	(10)	(70)
Income tax expense	**16,437**	**(10,534)**
Effective tax rate	10.65%	(6.54%)

14. Earnings per share

	2019	2018
Net profit attributable to shareholders (in thousands of BGN)	137,579	171,388
Average weighted number of ordinary shares held (in thousands)	110,000	110,000
Earnings per share (BGN)	**1.25**	**1.56**

The basic earnings per share, calculated in accordance with IAS 33, are based on the profit attributable to ordinary equity holders of the Bank. In 2019 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.

Notes to the financial statements

15. Cash and balances with Central Banks

in thousands of BGN	**2019**	**2018**
Cash on hand		
- in BGN	149,517	123,104
- in foreign currency	56,593	56,504
Balances with Central Banks	1,751,745	1,063,080
Current accounts and amounts with foreign banks	114,191	432,066
Total	**2,072,046**	**1,674,754**

16. Investments in securities

In thousands of BGN	**2019**	**2018**
Bonds and notes issued by:		
Bulgarian Government		
- denominated in BGN	195,460	182,617
- denominated in foreign currencies	163,200	141,639
Foreign governments	344,542	411,958
Corporates	236,975	17,574
Foreign banks	26,227	26,480
Other issuers – equity instruments	26,618	22,053
Total	**993,022**	**802,321**
Of which financial assets:		
at fair value through other comprehensive income	714,082	775,529
at amortised cost	12,005	748
at fair value through profit and loss	266,935	26,044
Total	**993,022**	**802,321**

A portion of the reported bonds of the Bulgarian and of foreign governments amounting to BGN 86,219 thousand (BGN 85,216 thousand in 2018) are subject to Total Return Swap Agreements.

At the end of 2019, no securities were subject to repurchase agreements. As at the end of 2018 the reported securities issued by foreign governments in the amount of BGN 3,328 thousand were subject to repurchase agreements.

17. Loans and advances to banks and other financial institutions

(a) Analysis by type

in thousands of BGN	**2019**	**2018**
Placements with banks	45,313	23,059
Receivables under resale agreements	5,416	4,985
Other	28,889	97,439
Total	**79,618**	**125,483**

Notes to the financial statements

17. Loans and advances to banks and other financial institutions, continued

(b) Geographical analysis

in thousands of BGN	2019	2018
Domestic banks and financial institutions	13,655	28,912
Foreign banks and other financial institutions	65,963	96,571
Total	**79,618**	**125,483**

18. Loans and advances to customers

in thousands of BGN			**31/12/2019**
	Gross value	**Allowance for impairment**	**Amortised cost**
Retail Banking			
- Consumer loans	865,781	(40,869)	824,912
- Mortgage loans	896,313	(16,120)	880,193
- Credit cards	193,197	(18,352)	174,845
- Other programmes and collateralised financing	5,098	-	5,098
Small and medium enterprises	921,704	(16,956)	904,748
Microlending	163,952	(3,098)	160,854
Corporate customers	3,481,386	(414,899)	3,066,487
Including receivables from financial lease	379,350	(834)	378,516
Total	**6,527,431**	**(510,294)**	**6,017,137**

In BGN '000			**31/12/2018**
	Gross value	**Allowance for impairment**	**Amortised cost**
Retail Banking			
- Consumer loans	750,285	(49,731)	700,554
- Mortgage loans	752,581	(26,362)	726,219
- Credit cards	202,095	(31,303)	170,792
- Other programmes and collateralised financing	6,231	-	6,231
Small and medium enterprises	879,136	(38,880)	840,256
Microlending	140,422	(21,196)	119,226
Corporate customers	3,734,634	(581,850)	3,152,784
Including receivables from financial lease	389,909	(11,480)	378,429
Total	**6,465,384**	**(749,322)**	**5,716,062**

(a) Movement in impairment allowances

in BGN '000	
Balance as at 01 January 2019	**749,322**
Additional allowances	204,265
Amounts released	(84,990)
Write-offs	(359,628)
Other	1,325
Balance as at 31 December 2019	**510,294**

19. Property and equipment

in thousands of BGN	Land and Buildings	Fixtures and fittings	Motor vehicles	Assets under Construction	Leasehold Improvements	Total
Cost						
At 01 January 2018	**17,651**	**146,726**	**6,993**	**27,735**	**67,637**	**266,742**
Additions	-	954		13,412	198	14,564
Exchange rate differences	-	322	31	22	137	512
Write-offs	-	(11,125)	(96)	(67)	(968)	(12,256)
Transfers	-	(9,388)	8	(20,949)	1,657	(9,896)
At 31 December 2018	**17,651**	**146,265**	**6,936**	**20,153**	**68,661**	**259,666**
Additions	-	925	-	11,945	254	13,124
Transferred from investment property	4,136	-	-	-	-	4,136
Transferred from repossessed assets	999	-	-	-	-	999
Exchange rate differences	-	68	4	4	29	105
Write-offs	(578)	(7,969)	(48)	(6,796)	(2,587)	(17,978)
Transfers	-	5,980	-	(9,436)	1,472	(1,984)
At 31 December 2019	**22,208**	**145,269**	**6,892**	**15,870**	**67,829**	**258,068**
Amortisation						
At 01 January 2018	**4,132**	**125,243**	**6,023**	**-**	**39,805**	**175,203**
Exchange rate differences	-	285	18	-	127	430
Accrued during the year	633	7,910	331	-	3,366	12,240
For write offs	-	(11,123)	(67)	-	(968)	(12,158)
At 31 December 2018	**4,765**	**122,315**	**6,305**	**-**	**42,330**	**175,715**
Exchange rate differences	-	51	3	-	25	79
Accrued during the year	645	7,643	256	-	2,504	11,048
For write offs	(132)	(7,750)	(48)	-	(2,582)	(10,512)
At 31 December 2019	**5,278**	**122,259**	**6,516**	**-**	**42,277**	**176,330**
Carrying amount						
At 01 January 2018	**13,519**	**21,483**	**970**	**27,735**	**27,832**	**91,539**
At 31 December 2018	**12,886**	**23,950**	**631**	**20,153**	**26,331**	**83,951**
At 31 December 2019	**16,930**	**23,010**	**376**	**15,870**	**25,552**	**81,738**

19. Property and equipment, continued

The fair value of assets constituting land and buildings was determined by independent property assessors holding recognised professional qualification and recent experience in assessing property with similar location and category. The Group's policy requires that independent assessors determine the fair value sufficiently frequently so as to ensure that the balance sheet value does not differ significantly from the fair value at the end of the reporting period. As at 31 December 2019 the fair value of land and buildings 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 incoming data on the assessment methodology used.

20. Intangible assets

Assessment methodology	**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 (4.5-6.8%, weighted average 5.6%). 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 (4-9%, weighted average 6.5%).	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 (5-10%, weighted average 7.5%). 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); • there is a change in the technical condition of the property

in thousands of BGN	**Software and licences**	**Goodwill**	**Total**
Cost			
At 01 January 2018	**32,031**	**540**	**32,571**
Additions	243	-	243
Exchange rate differences	88	-	88
Transfers	9,896	-	9,896
At 31 December 2018	**42,258**	**540**	**42,798**
Additions	267	-	267
Exchange rate differences	19	-	19
Write-offs	(2,184)	-	(2,184)
Transfers	1,984	-	1,984
At 31 December 2019	**42,344**	**540**	**42,884**
Amortisation			
At 01 January 2018	**25,229**	**-**	**25,229**
Exchange rate differences	65	-	65
Accrued during the year	3,102	-	3,102
At 31 December 2018	**28,396**	**-**	**28,396**
Exchange rate differences	16	-	16
Accrued during the year	3,344	-	3,344
For write offs	(1,498)	-	(1,498)
At 31 December 2019	**30,258**	**-**	**30,258**
Carrying amount			
At 01 January 2018	**6,802**	**540**	**7,342**
At 31 December 2018	**13,862**	**540**	**14,402**
At 31 December 2019	**12,086**	**540**	**12,626**

21. Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 10% for Bulgaria and of 15% for Albania.

The deferred tax as at 31 December 2019 refers to the following items of the statement of financial position:

In thousands of BGN	**Assets**	**Liabilities**	**Net**
Property, equipment and intangibles	(101)	2,337	2,236
Investment Property	-	20,385	20,385
Tax loss	(6,093)	-	(6,093)
Other	(2,780)	3,680	900
Net tax (assets)/liabilities	**(8,974)**	**26,402**	**17,428**

21. Deferred Taxation, continued

The deferred tax as at 31 December 2018 refers to the following items of the statement of financial position:

In thousands of BGN	**Assets**	**Liabilities**	**Net**
Property, equipment and intangibles	(125)	2,075	1,950
Investment Property	-	13,295	13,295
Tax loss	(13,510)	-	(13,510)
Other	(498)	1,537	1,039
Net tax (assets)/liabilities	**(14,133)**	**16,907**	**2,774**

The movements of temporary differences in 2019 are recognised as follows:

In BGN '000	**31 December 2018**				**31 December 2019**
	Net liabilities	**Recognised during the period (in profit) or loss**	**Recognised during the period in equity**	**Other movements**	**Net liabilities**
Property, equipment and intangibles	1,950	288	-	(2)	2,236
Investment Property	13,295	7,090	-	-	20,385
Tax loss	(13,510)	7,417	-	-	(6,093)
Other	1,039	27	(179)	13	900
Net tax (assets)/liabilities	**2,774**	**14,822**	**(179)**	**11**	**17,428**

22. Repossessed assets

in thousands of BGN	2019	2018
Land	470,774	484,588
Buildings	209,088	285,705
Machines, plant and vehicles	35,467	41,852
Fixtures and fittings	800	789
Total	**716,129**	**812,934**

Repossessed assets acquired as collateral are measured at the lower of cost and net realisable value. The net realizable value of the lands and buildings is approximately equal to their fair value. The assessment methodology for land and buildings is given in note 19.

23. Investment Property

in thousands of BGN	
Balance as at 01 January 2019	**242,558**
Additions	8
Transferred from repossessed assets	99,394
Revaluation of investment property to the fair value recognised at transfer	72,940
Transferred to Land and Buildings	(4,136)
Write-offs upon sale	(253)
Balance as at 31 December 2019	**410,511**

24. Right-of-use assets

In BGN '000	
At 01 January 2019	**128,203**
Additions	2,389
Amortisation	(33,424)
Effect of modification to lease terms and expectations on lease term	62,286
Exchange rate differences	205
At 31 December 2019	**159,659**

Lease liabilities	
At 01 January 2019	**128,203**
Additions	2,389
Lease payments	(33,449)
Effect of modification to lease terms and expectations on lease term	62,286
Exchange rate differences	204
At 31 December 2019	**159,633**

24. Right-of-use assets, continued

Lease liabilities, continued

Right-of-use assets recognised by the Group are the branches and offices in various towns in Bulgaria, Cyprus, and Albania, as well as the buildings in which the Bank's headquarters are located. Upon completing the initial recognition, the Group analysed and took into account information on the expected duration of the period in which the Group will be using the assets. In 2019 some of these expectations changes and as a result the Group reviewed its initial assessment and recognized an increase in the right-of-use assets and its lease liabilities amounting to BGN 62,286 thousand.

In the assessment of right-of-use assets and lease liabilities, the Group took into consideration the current level of financing costs in case it plans to finance the purchase of the assets in question, and included this assumption both in the initial, and in the subsequent valuation of right-of-use assets and of lease liabilities.

The table below analyses lease liabilities according to the expected residual term of rental agreements:

In BGN '000	Maturity analysis of lease liabilities		
	Up to 1 year	**More than 1 year**	**Total**
At 01 January 2019	33,230	94,973	**128,203**
At 31 December 2019	32,564	127,069	**159,633**

25. Other assets

in thousands of BGN	**2019**	**2018**
Deferred expense	11,397	11,414
Gold	5,592	5,699
Investments in non-consolidated subsidiaries	8,247	554
Other assets	91,386	95,039
Total	**116,622**	**112,706**

26. Due to banks

in thousands of BGN	**2019**	**2018**
Term deposits	-	-
Payable on demand	2,007	3,024
Total	**2,007**	**3,024**

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27. Due to other customers

in thousands of BGN	2019	2018
Retail customers		
- current accounts	1,569,092	1,301,585
- term and savings deposits	5,504,086	5,384,093
Businesses and public institutions		
- current accounts	1,560,147	1,203,878
- term deposits	470,696	453,135
Total	**9,104,021**	**8,342,691**

28. Liabilities evidenced by paper

in thousands of BGN	2019	2018
Acceptances under letters of credit	10,164	13,553
Liabilities under repurchase agreements	-	3,213
Debt related to agreements for full swap of profitability	73,375	73,276
Financing from financial institutions	25,809	31,078
Total	**109,348**	**121,120**

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

in thousands of BGN

Lender	Interest rate	Maturity	Amortised cost as at 31/12/2019
State Fund Agriculture	2%	20.12.2019 - 15.02.2020	3
European Investment Fund – JEREMIE 2	0 % - 1.286%	30/09/2025	7,419
Bulgarian Bank for Development AD	1% - 1.583%	15.03.2027 - 30.11.2028	16,137
Fund manager of financial instruments in Bulgaria	0%	31/12/2033	2,250
Total			**25,809**

In BGN '000

Lender	Interest rate	Maturity	Amortised cost as at 31/12/2018
State Fund Agriculture	2%	20.12.2019 - 15.02.2020	68
European Investment Fund – JEREMIE 2	0 % - 1.312%	30/09/2025	13,674
Bulgarian Bank for Development AD	1% - 3.50%	30.03.2019 - 30.11.2028	17,336
Total			**31,078**

29. Hybrid and subordinated debt

In BGN '000

	Principal amount	Amortised cost as at 31 December 2019
Hybrid debt with principal EUR 40 mio	78,233	84,929
Hybrid debt with principal EUR 60 mio	117,350	123,857
Hybrid debt with principal EUR 30 mio	58,675	58,829
Total	**254,258**	**267,615**

In BGN '000

	Principal amount	Amortised cost as at 31 December 2018
Hybrid debt with principal EUR 40 mio	78,233	84,929
Hybrid debt with principal EUR 60 mio	117,350	123,857
Total	**195,583**	**208,786**

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

The three hybrid instruments fully comply with the requirements of Regulation 575/2013 for inclusion in the additional tier 1 capital.

On 6 February 2020, by Resolution No 38/6 February 2020, the Governing Council of the Bulgarian National Bank granted permission to First Investment Bank to include in its additional tier 1 capital the amount of EUR 30,000 thousand (equivalent to BGN 58,675 thousand),attracted via the capital instrument issued by the Bank, an issue of perpetual, non-cumulative, non-convertible bonds registered on 20 December 2019 with the Central Depository under ISIN code BG2100023196.

On 25 April 2019, the Group (through its subsidiary bank in Albania) issued subordinated term debt in Euro which was subscribed by natural persons. The maturity date of the subordinated term debt is 25 April 2026, and it is denominated in Euro with total amount of EUR 2,000 thousand (2018: EUR 0 thousand). Information on the instruments issued as at 31 December 2019 is presented below:

In BGN '000

	Amortised cost as at 31 December 2019	Amortised cost as at 31 December 2018
Subordinated term debt with principal of EUR 2 million	3,943	-
Total	**3,943**	**-**

The subordinated term debt instrument fully complies with the requirements of Regulation 575/2013 for inclusion in the tier 2 capital.

30. Other liabilities

in thousands of BGN	2019	2018
Liabilities to personnel	3,171	3,104
Insurance contract provisions	4,609	3,226
Provisions for pending court cases	962	734
Impairment on off balance sheet commitments	709	1,015
Other payables	7,380	53,588
Total	**16,831**	**61,667**

31. Capital and reserves

(a) Number and face value of registered shares as at 31 December 2019

As at 31 December 2019 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 2019 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 Bulgarian Stock Exchange – Sofia.

(c) Statutory reserve

Statutory reserves include amounts set aside for purposes regulated by local legislation. According to Bulgarian legislation the Bank is obliged to set aside at least 1/10 of its annual profit as statutory reserve until the total amount of reserves reaches 1/10 of the Bank's share capital.

In 2019, as in the previous year, the Bank did not distribute dividends.

32. Commitments and contingent liabilities

(a) Contingent liabilities

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 for contingent liabilities represent the maximum accounting loss that would be recognised in the statement of financial position if counterparts failed completely to perform as contracted and any collateral or security proved to be of no value.

in thousands of BGN	**2019**	**2018**
Bank guarantees	212,534	230,239
Unused credit lines	668,866	536,049
Letters of credit	7,830	16,129
Total	**889,230**	**782,417**
Impairment on off balance sheet commitments	709	1,015

These commitments and contingent liabilities have off balance-sheet credit risk and only organization 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 do not represent expected future cash flows.

The contingent loan is a framework agreement for collateral management under numerous loan transactions made with one or more clients. The contingent loan does not lead to an obligation of the Bank to extend specific financial instruments. The negotiation of a specific loan transaction with the Bank client, e.g. extension of a loan or overdraft, contingent liabilities, such as bank guarantees and letters of credit, is subject to a separate decision and approval of the Bank.

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

33. Cash and cash equivalents

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

In BGN '000	**2019**	**2018**
Cash and balances with Central Banks	2,072,046	1,674,754
Loans and advances to banks and financial institutions with original maturity less than 3 months	41,967	113,139
Total	**2,114,013**	**1,787,893**

34. 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	**2019**	**2018**
FINANCIAL ASSETS		
Cash and balances with Central Banks	1,812,197	1,512,021
Investments in securities	798,145	791,344
Loans and advances to banks and other financial institutions	85,497	75,086
Loans and advances to customers	5,955,105	5,390,554
FINANCIAL LIABILITIES		
Due to banks	3,488	7,689
Due to other customers	8,676,531	7,923,879
Liabilities evidenced by paper	113,402	139,409
Subordinated term debt	2,374	-
Hybrid debt	212,611	208,085

35. Related party transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party on making financial or operational decisions, or both 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 were 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 BGN '000	**2019**	**2018**	**2019**	**2018**
Loans				
Loans outstanding at beginning of the period	1,769	753	11,179	1,280
Loans issued/(repaid) during the period	558	1,016	(3,470)	9,899
Loans outstanding at end of the period	2,327	1,769	7,709	11,179
Deposits and loans received:				
At beginning of the period	12,862	8,708	12,928	15,370
Received/(paid) during the period	(1,144)	4,154	(3,469)	(2,442)
At the end of the period	11,718	12,862	9,459	12,928
Deposits placed				
Deposits at beginning of the period	-	-	19,704	19,604
Deposits placed/(matured) during the year	-	-	(956)	100
Deposits at end of the period	-	-	18,748	19,704
Other receivables				
At beginning of the period	-	-	22,118	23,482
Received/(paid) during the period	-	-	(5,328)	(1,364)
At the end of the period	-	-	16,790	22,118
Off-balance sheet commitments				
At beginning of the period	1,283	1,291	351	322
Issued/(expired) during the period	(308)	(8)	711	29
At the end of the period	975	1,283	1,062	351

35. Related party transactions, continued

Type of related party	**Parties that control or manage the Bank**		**Enterprises under common control**	
In BGN '000	**2019**	**2018**	**2019**	**2018**
Interest income	38	310	556	614
Interest expense	3	3	8	8
Fee and commission income	19	220	187	148
Fee and commission expense	2	3	562	450

The key management personnel of the Bank received remuneration of BGN 10,069 thousand for 2019 (2018: BGN 7,480 thousand), and other related parties received BGN 2,054 thousand (2018: BGN 1,840 thousand).

36. Subsidiaries

(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. The company is owned by the Bank. The purpose for creating the entity 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 entity's issued and paid up share capital is EUR 18 thousand divided into 180 issued and paid up shares, each with nominal value of EUR 100. The Bank consolidates its investment in the enterprise.

(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 2019 the share capital of the company is BGN 610 thousand, and the Bank's shareholding is 94.79%. The Bank consolidates its investment in the enterprise.

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

In April 2006 the Bank acquired 99.9998% of the capital of First Investment Bank − Albania Sh.a. upon its incorporation. On 27 June 2007 First Investment Bank – Albania was granted a full banking licence by the Bank of Albania, and on 1 September 2007 it effectively took over the activities of the former branch FIB – Tirana, assuming all rights and obligations, assets and liabilities.

As at 31 December 2019 the share capital of First Investment Bank – Albania Sh.a. was EUR 11,975 thousand, fully paid up, and the Bank's shareholding is 100%. The Bank consolidates its investment in the enterprise.

(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. The capital of the two companies is BGN 150,000 each, distributed in shares with value of BGN 100 each, as follows:

1. Realtor OOD - 70%, i.e. 1.050 shares for the Bank and 30%, i.e. 450 shares for FFBH OOD.

2. Realtor OOD - 51%, i.e. 765 shares for the Bank and 49%, i.e. 735 shares for FFBH OOD.

The companies were established as servicing companies within the meaning of Article 18 of the Law on Special Investment Purpose Companies. The main lines of business for Debita OOD include acquisition, servicing, management and disposal of receivables and the related consultancy services; the main lines of business for Realtor OOD include management, servicing and maintenance of real estate, construction and refurbishment works and consultancy in the field of real estate. These companies are not included in the consolidated financial statements of the Group for the year ended 31 December 2019, as they are considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiaries is reconsidered at each reporting date.

Notes to the financial statements

36. Subsidiaries, continued

(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), a company engaged in voluntary health insurance as well as acquisition, management and sale of investments in other companies. With a decision of the Financial Supervision Commission issued in June 2013 the company has been granted a license to operate as an insurer. The name was changed to FI Health Insurance AD and the principal activity is insurance – Disease and Accident. In June 2018 the company expanded its license with one more insurance class - "Various financial loss". As at 31 December 2019 the 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 enterprise.

(f) Balkan Financial Services EAD

In February 2011 the Bank acquired 100 shares representing 100% of the capital of Balkan Financial Services EOOD. 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 sole-shareholder company. In 2019 First Investment Bank increased its capital from BGN 50 thousand to BGN 6,436.7 thousand, divided into 128,734 ordinary registered dematerialized shares with voting rights, of BGN 50 thousand par value each, and the increase of BGN 6,386.7 thousand was by a non-cash instalment – contribution of software and hardware. As at 31 December 2019 the share capital of the company is BGN 6,436.7 thousand, and the Bank's shareholding is 100%. The company is not included in the consolidated financial statements of the Group for the year ended 31 December 2019, as it is considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiary is reconsidered at each reporting date.

(g) Turnaround Management EOOD, Creative Investment EOOD and Lega Solutions EOOD

During the first half of 2013 the Bank established as the sole shareholder the companies Turnaround Management EOOD, Creative Investment EOOD and Lega Solutions EOOD. Each company has the minimum required capital of BGN 2 and their principal activities include manufacturing and trade in goods and services in Bulgaria and abroad (Turnaround Management EOOD, Creative Investment EOOD), acquisition, management and sale of assets, information processing, financial consultations (Lega Solutions EOOD), etc. These companies are not included in the consolidated financial statements of the Group for the year ended 31 December 2019, as they are considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiaries is reconsidered at each reporting date.

(h) AMC Imoti EOOD

AMC Imoti EOOD was registered in September 2010 and was acquired by the Bank in 2013 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 2019 the 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 2019, as it is considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiary is reconsidered at each reporting date.

36. Subsidiaries, continued

(l) Other

The Bank indirectly holds the subsidiary Fi Health EOOD. The company is not included in the consolidated financial statements of the Group for the year ended 31 December 2019, as it is considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiary is reconsidered at each reporting date.

(j) MyFin EAD

At its meeting held on 21 March 2019 the Bank's Managing Board decided to establish the sole-shareholder company MyFin EAD to be operating as an issuer of electronic money within the meaning of Article 34, Para. 2(2) of the Payment Services and Payment Systems Act. The Managing Board resolution was approved by the Supervisory Board on 27 March 2019. On 19 April 2019 the Bank paid up the company's capital, amounting to BGN 1,000 thousand, as per the decisions of the competent bodies. As at 31 December 2019 the company MyFin EAD has not yet been incorporated and registered in the Commercial Register with the Registry Agency.

37. Post balance sheet events

There have been no events after the reporting date that require additional disclosures or adjustments to the financial statements of the Group, other than those listed below:

- On 29 January 2020 the Bank submitted to the Financial Supervision Commission a prospectus for the offering of new shares as a stage in the process initiated with the resolution for the Bank's capital increase which was publicly disclosed on 20 December 2019; said prospectus determines the maximum amount of revenues from the subscription at BGN 200 000 000, and states that the subscription will be considered successful if at least BGN 20 000 000 are subscribed. On 20 February 2020 the Financial Supervision Commission refused to grant approval for the prospectus, and the Bank's management has publicly confirmed its readiness to draft a prospectus again and submit it for approval by the FSC after the date of audit of the present financial report.

- On 6 February 2020, by Resolution No 38/6 February 2020, the Governing Council of the Bulgarian National Bank granted permission to First Investment Bank to include in its additional tier 1 capital the amount of EUR 30,000 thousand attracted via the capital instrument issued by the Bank, an issue of perpetual, non-cumulative, non-convertible bonds registered on 20 December 2019 with the Central Depository under ISIN codeBG2100023196.

- On 7 February 2020 a new member of the Managing Board and Executive Director of First Investment Bank - Nikola Bakalov - was registered the Commercial Register with the Registry Agency.

- On 27 February 2020 the Governing Council of the Bulgarian National Bank issued a license for operation as an e-money company to MyFin EAD (currently being incorporated) pursuant to Article 37, Para. 2, with relation to Art. 12, Para. 1 of the Payment Services and Payment Systems Act.

INDEPENDENT AUDITORS REPORT

To the shareholders of
First Investment Bank AD

Report on the audit of the consolidated financial statements
Opinion

We have audited the consolidated financial statements of First Investment Bank AD and its subsidiaries ("the Group") containing the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, as well as the notes to the consolidated financial statements that also contain a summary of significant accounting policies.
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of First Investment Bank AD and its subsidiaries as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under these standards are further described in our section "Auditor's Responsibilities for the Auditing of the Financial Statements". We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (IESBA Code), along with the ethical requirements of the Independent Financial Audit Act (IFAA) applicable to our audit of the consolidated financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in line with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we received is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, according to our professional judgment, were of the highest importance in the audit of the current period's consolidated financial statements. These issues are considered as part of our audit of the consolidated financial statements as a whole and the formation of our opinion thereon, and we do not provide a separate opinion on these issues.

Impairment of customer receivables

Findings of substance	**Matters discussed with audit committee**
Impairment is a material judgment of management in respect of losses incurred within the First Investment Bank AD's loan portfolio. First Investment Bank AD assesses the need for impairment of loans on an individual and portfolio basis. Loans represent 56% of the assets of First Investment Bank AD. First Investment Bank AD categorizes its receivables from customers in 4 business segments: retail banking, small and medium enterprises, microcredit and corporate clients. The share of receivables from corporate customers is the largest - 51% of the total receivables from customers. Because of their materiality and uncertainty related to the process of identifying deteriorating loans, the assessment of objective evidence of impairment and the determination of recoverable value is defined as a key audit issue. The process includes various assumptions and factors, including the counterparty's financial condition, expected future cash flows, collateral value. As a result, the use of different modeling techniques and assumptions may lead to differences in the valuation of loan loss provisions. Exposures that give the greatest uncertainty to valuations are those where there is a risk of cash flow shortages or collateral insufficiency.	The issues discussed cover the positive results and good practices set out in the provisioning model. First Investment Bank AD has complied with IFRS requirements when developing policy and provisioning rules. Improvements have been discussed in the procedures that First Investment Bank AD should introduce in order to: – a clearer documenting of judgments about the future cash flows of borrowers and the expected development of future credit exposures, with particular attention being paid to lending for working capital by First Investment Bank AD. – systematically confirming the commitment of the borrowers' owners to provide ongoing support to the companies. A recommendation was also discussed with The Audit Committee that the risk management bodies of First Investment Bank AD monitor the changes in risk factors, the macroeconomic framework and other data used in the provisioning models, and the material changes to be timely reflected in the provisioning models.
Procedures carried out in support of our conclusions and discussions: - The internal rules of First Investment Bank AD have been reviewed, we have gained understanding of key controls in key business processes, and tests of effectiveness of controls are performed according to the audit strategy.	

<table>
<tr><th>Findings of substance</th><th>Matters discussed with audit committee</th></tr>
<tr><td colspan="2">- A sample of borrowers has been reviewed on a risk-based basis for which substantive procedures have been performed in relation to the assessment of the adequacy of the recognized impairment provision.
- For individually accrued provisions, we tested assumptions about the identification and quantification of impairments, including future cash flow projections and credit collateral estimates. We examined a sample of credit exposures that continue to be, have become, or have been, at risk of impairment.
- For collective impairment provisions, we reviewed the methodology used by First Investment Bank AD to determine them, the reasonableness of the underlying assumptions and the sufficiency of the data used by the management.
- For selected non-performing loans, we have evaluated the management forecasts for cash flow generation, collateral estimates and other repayment sources. In addition, we have tested a sample of performing loans for which we have assessed the financial performance indicators for weaknesses and other risks that could jeopardize the ability to repay exposures.</td></tr>
<tr><td colspan="2">References in the Annual Financial Statements
• Notes 18 and 18a
• Note 2 (j)
• Note 3 C (iii)</td></tr>
</table>

Assets acquired as collateral

Findings of substance	Matters discussed with audit committee
The position in the consolidated financial statements amounting to BGN 716,129 thousand is disclosed in the respective subgroups. The Buildings group contains assets of varying degrees of completeness and are in line with their condition at the acquisition date. For the largest object, which includes assets of all groups, First Investment Bank AD has outsourced the management, security and preparation activities for the realization to a subsidiary. As a result of these actions during the year a change from Group of Buildings to Group of Land was made and disclosed amounting to BGN 129,496 thousand.	The actions and procedures that First Investment Bank AD should implement in order to enable First Investment Bank AD to track the changes in the portion of revenues and expenses by groups and subgroups by the time of realization of the respective assets were discussed. In addition, we have set out our recommendation to improve asset inventory processes that have been acquired as collateral in order to better and fully implement the national financial reporting framework.

Findings of substance	Matters discussed with audit committee
First Investment Bank AD has recognized in the group Other expenses, net (Note 12) income of BGN 1,354 thousand. First Investment Bank AD, like any other banking institution, is exposed to a significant risk on the realization of assets acquired as collateral.	
Procedures carried out in support of our conclusions and discussions: - The internal rules of First Investment Bank AD have been reviewed, we have gained understanding of key controls in key business processes, and tests of effectiveness of controls are performed according to the audit strategy. - For a sample of newly acquired collateral assets amounting to BGN 20 thousand, the acquisition documents were reviewed and the fair value reports were reviewed for a sample of BGN 468,220 thousand. - Supporting documents for our sample have been reviewed in connection with the largest object - a brokerage agreement, a rental agreement, a commission contract and the annexes to them. Substantive procedures have been carried out to confirm the completeness and accuracy of reclassification between the different groups.	
References in the Annual Consolidated Financial Statements • Note 12 • Note 22	

Litigation and provisions

Findings of substance	Matters discussed with audit committee
First Investment Bank AD, like any other banking institution, is exposed to a significant risk of litigation and regulatory scrutiny. The magnitude of the impact cannot always be predicted but may result in provisions for contingent and other liabilities depending on the relevant facts and circumstances. The level of provisions is subject to management and judgment based on legal advice. First Investment Bank AD has recognized provisions of BGN 962 thousand for litigation. In connection with issued bank guarantees, First Investment Bank AD has blocked funds amounting to BGN 43,094	Recognition and measurement of provisions has been discussed with the Audit Committee to ensure that First Investment Bank AD has correctly applied its provisioning policies. Disputes have been discussed in which First Investment Bank AD has not recognized provisions to ensure that there is no need for additional provision, in particular: the legal department of First Investment Bank AD reports to the Audit Committee on the current status of litigation. Considerable changes have been discussed, taking into account potential changes in provisions.

Findings of substance	Matters discussed with audit committee
thousand, which are disclosed in Note 25 as in the consolidated financial statements included in the Other Assets sub-group. Due to the uncertainties arising from the occurrence and bringing of claims related to lawsuits against First Investment Bank AD, there is a risk of incomplete or untimely recording in the consolidated financial statements of legal claims that are relevant to the respective reporting period.	The discussion is also done in order to identify all material litigation.
Procedures carried out in support of our conclusions and discussions: - The internal rules of First Investment Bank AD and its subsidiries have been reviewed, we have gained understanding of key controls in key business processes, and audits have been tested for the effectiveness of controls in accordance with the audit strategy. - A letter was received from the legal department of First Investment Bank AD, as well as from external legal advisors, on information about cases brought in foreign jurisdictions and subsequent proceedings in Bulgaria. Listed are the pending litigation cases in Bulgarian and Romanian courts, where no final decisions are in force.	
References in the Annual Consolidated Financial Statements • Note 24 • Note 30	

Other matters

Pursuant to Decision 81/15 March 2019 of the Bulgarian National Bank (BNB), First Investment Bank AD should have reclassified certain Receivables from customers as “Non-performing exposures”. The Bank did not reclassify as “Non-performing exposures” Receivables from clients amounting to BGN 295,473 thousand gross (BGN 270,279 thousand net), for which the management provided BNB with explanations and reasons for its decision.

In determining risk-weighted assets, management has excluded Assets with right-to-use under IFRS 16 Leasing in the amount of BGN 159,659 thousand.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information, which we have obtained prior the date of our auditor's report, comprises the management report, including the corporate governance statement and non-financial declaration prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

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

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

We have nothing to report in this regard.

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

We are jointly and severally liable for the performance of our audit and for the audit opinion we express, in accordance with the requirements of the IFAA applicable in Bulgaria. Upon assuming and implementing the joint audit engagement we are reporting on, we are also guided by the Joint Audit Guidelines issued on 13.06.2017 by the Institute of Certified Public Accountants in Bulgaria and by the Commission for Public supervision on the registered auditors in Bulgaria.

Report on Other Legal and Regulatory Requirements

Additional Matters to be Reported under the Accountancy Act and the Public Offering of Securities Act

In addition to our responsibilities and reporting in accordance with ISAs, described above in the “Information Other than the Consolidated Financial Statements and Auditor’s Report Thereon” section, in relation to the management report, the corporate governance statement and the non-financial declaration, we have also performed the procedures added to those required under ISAs in accordance with the “Guidelines for new and extended audit reports and communication from the auditor” of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming opinions about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act (Art. 100m, paragraph 10 of the POSA in conjunction with Art. 100m, paragraph 8(3) and (4) of the POSA) applicable in Bulgaria.

Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

a) The information included in the management report referring to the financial year for which the financial statements have been prepared is consistent with those consolidated financial statements.
b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100(m), paragraph 7 of the Public Offering of Securities Act.
c) The corporate governance statement referring to the financial year for which the financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100 (m), paragraph 8 of the Public Offering of Securities Act.
d) The non-financial declaration for the financial year for which the consolidated financial statements have been prepared has been provided and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Opinion in connection with Art. 100(m), paragraph 10 in conjunction with Art. 100 m, paragraph 8(3) and (4) of the Public Offering of Securities Act

Based on the procedures performed and the knowledge and understanding obtained about entity’s activities and the environment in which it operates, in our opinion, the description of the main characteristics of entity’s internal control and risk management systems relevant to the financial reporting process, which is part of the management report (as a component of the corporate governance statement) and the information under Art. 10 paragraph 1(c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on Takeover Bids, do not contain any material misrepresentations.

Additional Reporting on the Audit of the Consolidated Financial Statements in connection with Art. 100(m), paragraph 4(3) of the Public Offering of Securities Act

Statement in connection with Art. 100(m), paragraph 4(3)(b) of the Public Offering of Securities Act

The information about related party transactions is disclosed in Note 35 to the consolidated financial statements. Based on the audit procedures performed by us on related party transactions as part of our audit of the consolidated financial statements as a whole, no facts, circumstances or other information have come to our attention based on which to conclude that the related party transactions have not been disclosed in the accompanying consolidated financial statements for the year ended 31 December 2017, in all material respects, in accordance with the requirements of IAS 24 Related Party Disclosures. The results of our audit procedures on related party transactions were addressed by us in the context of forming our opinion on the consolidated financial statements as a whole and not for the purpose of expressing a separate opinion on related party transactions.

Statement in connection with Art. 100(m), paragraph 4(3)(c) of the Public Offering of Securities Act

Our responsibilities for the audit of the consolidated financial statements as a whole, described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report include an evaluation as to whether the financial statements present the significant transactions and events in a manner that achieves fair presentation. Based on the audit procedures performed by us on the significant transactions underlying the consolidated financial statements for the year ended 31 December 2017, no facts, circumstances or other information have come to our attention based on which to conclude that there are material misrepresentations and disclosures in accordance with the relevant requirements of IFRSs as adopted by the European Union. The results of our audit procedures on Group’s transactions and events significant for the consolidated financial statements were addressed by us in the context of forming our opinion on the consolidated financial statements as a whole and not for the purpose of expressing a separate opinion on those significant transactions.

Reporting under Art. 10 of Regulation (EC) No 537/2014 in relation to the requirements of Art. 59 of the Independent Financial Audit Act

Pursuant to the requirements of the Independent Financial Audit Act in conjunction with Art. 10 of Regulation (EC) No 537/2014, we further report the following information.

- Mazars OOD and BDO Bulgaria OOD have been appointed as statutory auditors of the consolidated financial statements for the year ended 31 December 2019 of First Investment Bank and its subsidiaries at the General Meeting of Shareholders held on 18 November 2019 for a period of one year.
- The audit of the financial statements for the year ending 31 December 2019 of the Bank is the third full continuous engagement to a statutory audit of this enterprise by Mazars OOD and a fifth full continuous engagement to a statutory audit of this entity by BDO Bulgaria OOD.
- We confirm that our audit opinion is consistent with the additional report submitted to the Audit Committee of First Investment Bank, in accordance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We confirm that we have not provided the specified in Art. 64 of the Independent Financial Audit Act banned services outside the audit.
- We confirm that we have retained our independence in relation to First Investment Bank and its subsidiaries in conducting the audit.

Sofia, 06 March 2020

For BDO Bulgaria Ltd:

Tsvetana Stefanina
Manager
Proxy of the
manager

Antonia Saksanova
Registered auditor responsible for the audit
Sofia, Bulgaria Boulevard, 51 b, fl. 4

For MAZAR Ltd.:

Atanasios Petropoulos
Procurator

Milena Mladenova
Registered auditor responsible for the audit
Sofia, Bul. Tsar Osvoboditel № 2

ACTIVITY REPORT

(ON A CONSOLIDATED BASIS)

OF FIRST INVESTMENT BANK AD

FOR 2019

MARCH 2020

The present report is prepared on the grounds of and in compliance with the requirements of the Accounting Act, the Law on Public Offering of Securities, Ordinance №2 of the Financial Supervision Commission for the prospects of public offering and admittance for trade on a regulated market of securities and for the disclosure of information, Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and the National Corporate Governance Code, approved by the Financial Supervision Commission.

WHO WE ARE

First Investment Bank AD (Fibank) is among the leading banks in Bulgaria, offering various products and services for individuals, as well as for corporate clients.

OUR BUSINESS

- Retail banking
- Microlending
- SME banking
- Corporate banking
- Card payments
- Digital banking
- Trade financing
- International payments
- Money and capital markets
- Foreign exchange
- Gold and commemorative coins

HISTORY

More than 25 years, First Investment Bank AD has developed as a universal credit institution, having its own image and a brand for superior quality of service, innovative, dynamic bank, preferred by the population and supporting good projects, which competes with the best in the industry.

GOVERNANCE STRUCTURE

A two-tier governance system consisting of a Supervisory Board and a Managing Board.

EMPLOYEES

2,825 employees at end-2019.

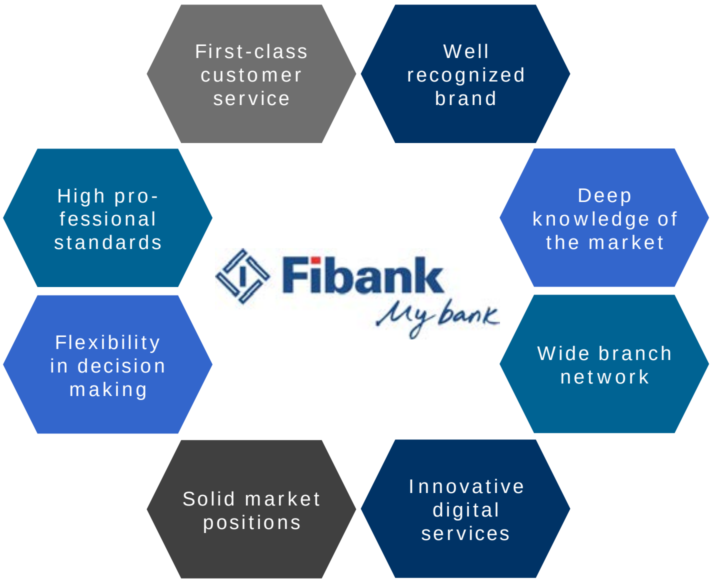
HEADQUARTERS

37, Dragan Tsankov Blvd., 1797 Sofia

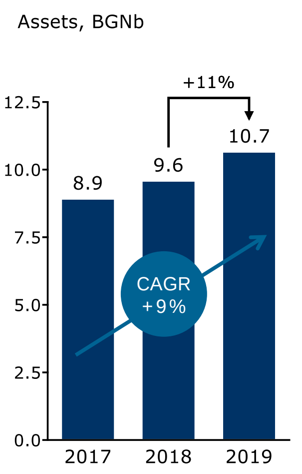
BUSINESS PRINCIPLES

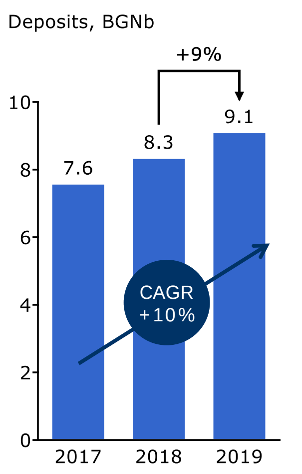
- We believe that trust is the basis of long-term relations
- We strive not only for the best practices and results, but we have the goodwill and discipline to achieve them
- We appreciate and respect our business partners
- We strive for development and proactive solutions
- We are engaged in social issues and we make our contribution to their solution
- We bear responsibility for our decisions and actions

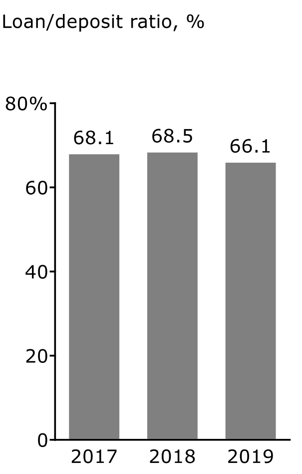
COMPETITIVE ADVANTAGES

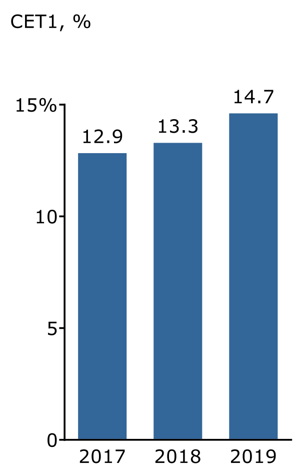


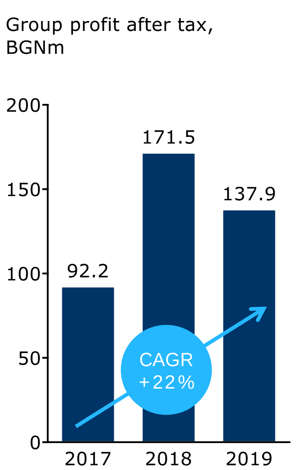
SELECTED INDICATORS

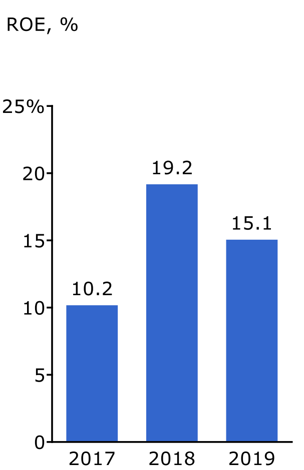
Assets


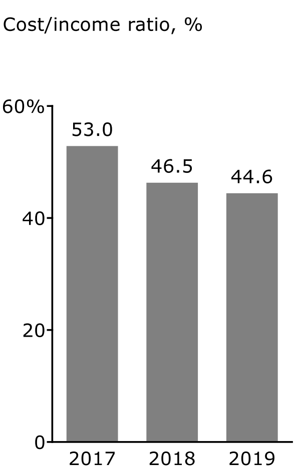
Deposits


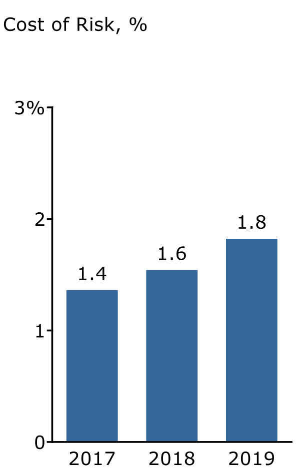
Loan/deposit ratio


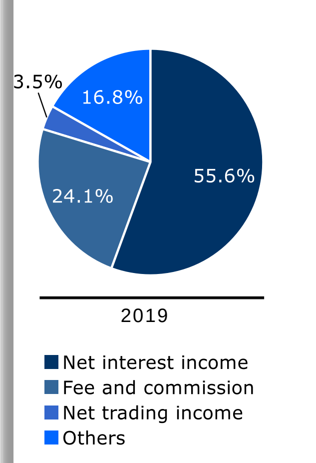
CET1 ratio


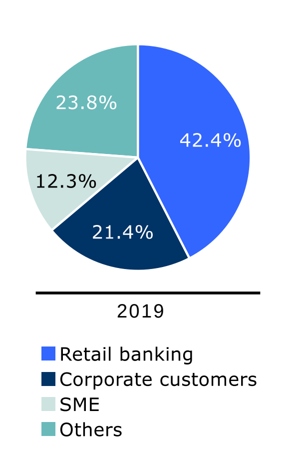
Group profit after tax


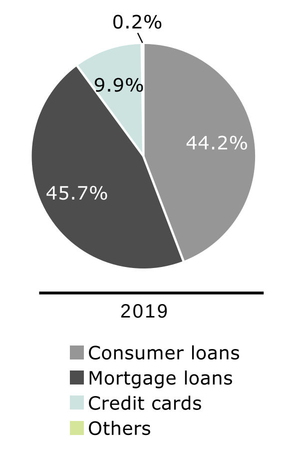
Return on equity (ROE)


Cost/income ratio


Cost of Risk


Operating income by type of income


Operating income by business lines


Loans for individuals


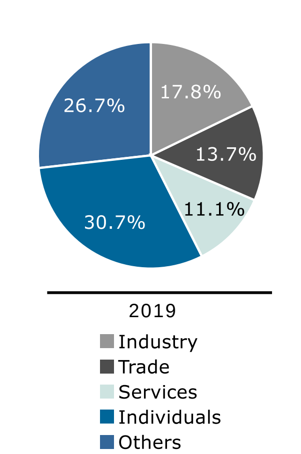
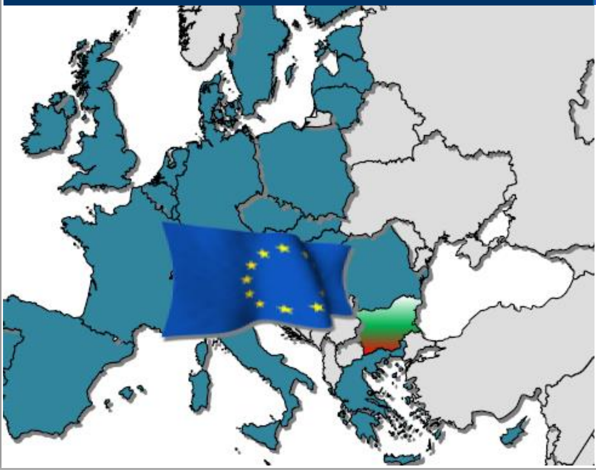
Portfolio by sectors


TABLE OF CONTENTS

MACROECONOMIC DEVELOPMENT

Republic of Bulgaria



Indicators	
Population	7,0 mln. people
Area	110,994 km^2
Member of the European Union	2007
Member of NATO	2004
Exchange rate EUR/BGN (fixed)	1.95583
Flat tax rate	10%
Moody's	Baa2, positive
Fitch Ratings	BBB, positive
S&P	BBB, positive

In 2019, the Bulgarian economy reported positive developments, notwithstanding some indications of volatility in the international environment and signs of slowing global growth. This was mainly driven by private consumption and net exports, as well as by the continuing trend of improvement in labor market indicators. The existing Currency Board arrangement in the country and the fiscal position also contributed to maintaining macroeconomic stability.

	2019	2018	2017	2016	2015
Gross domestic product (BGN million)	115,729[1]	109,695	102,308	95,092	89,333
Gross domestic product, real growth (%)	3.7[2]	3.1	3.5	3.8	4.0
- Private consumption, real growth (%)	6.1[2]	4.4	3.8	3.5	3.8
- Public consumption, real growth (%)	4.6[2]	5.3	4.3	2.2	1.8
- Investments, real growth (%)	0.8[2]	5.4	3.2	(6.6)	2.7
- Net exports, real growth (%)	1.1[2]	(4.0)	(1.6)	3.4	1.6
Inflation, at period-end (%)	3.8	2.7	2.8	0.1	(0.4)
Average annual inflation (%)	3.1	2.8	2.1	(0.8)	(0.1)
Unemployment, at period-end (%)	5.9	6.1	7.1	8.0	10.0
Current account (% of GDP)	9.7	5.4	3.5	3.2	0.1
Trade balance (% of GDP)	(0.2)	(3.3)	(1.5)	(2.0)	(5.7)
International reserves of BNB (BGN million)	48,574	49,039	46,279	46,742	39,675
FDI in Bulgaria (% of GDP)	1.0	1.0	3.1	1.9	4.4
Gross external debt (% of GDP)	56.6[3]	59.1	65.4	71.3	74.1
Government and government guaranteed debt (% of GDP)	20.5	21.8	25.0	28.8	26.1
Consolidated budget balance (% of GDP)	(1.0)	0.1	0.8	1.5	(2.8)
USD exchange rate (BGN for USD 1)	1.74	1.71	1.63	1.86	1.79

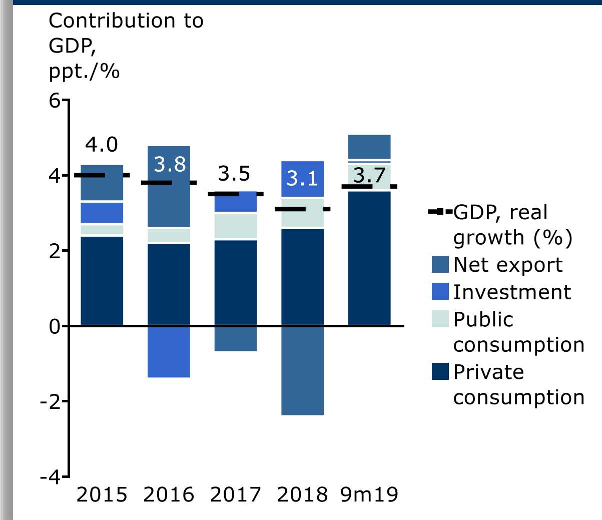
Sources: NSI, BNB, MF, Employment agency

[1] estimated data for 2019 (based on BNB assessment)
[2] data for the first nine months of 2019
[3] data as at November 2019

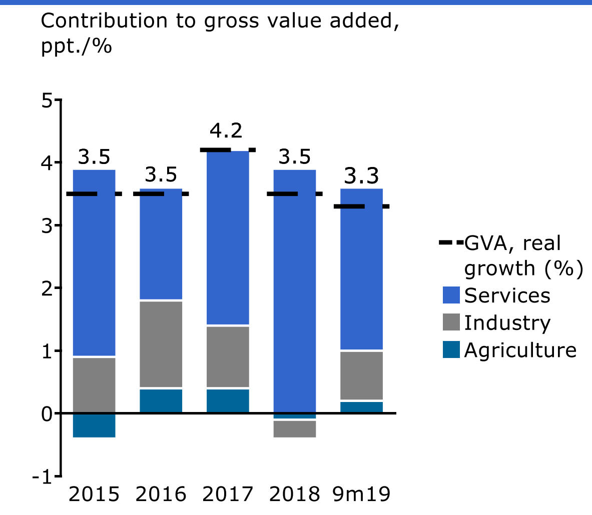
For the first nine months of 2019, the real growth rate of the country's economy amounted to 3.7% on an annual basis (2018: 3.1%), slowing down to 3.1% in the third quarter of the year as a result of the weaker economic activity in euro area countries and the global instability, including related to protectionist measures and trade conflicts, as well as to uncertainties stemming from the UK's exit from the EU (Brexit). Final consumption, and in particular private consumption of households remained a main driver for the economy, rising by 6.1% for the nine months of 2019 (2018: 4.5%), although slowing its growth to 4.4% in the third quarter of the year as a result of lower domestic demand.

Net exports made further contribution to growth, increasing by 1.1% for the first nine months of 2019 (2018: -4.0%), driven by a greater decrease in imports (9M19: -0.6%) compared to exports (9M19: 0.5%). Fixed capital investment decelerated to 0.8% over the period (2018: 5.4%), mainly affecting private investment.

Components contribution to GDP



Sector contribution to gross value added

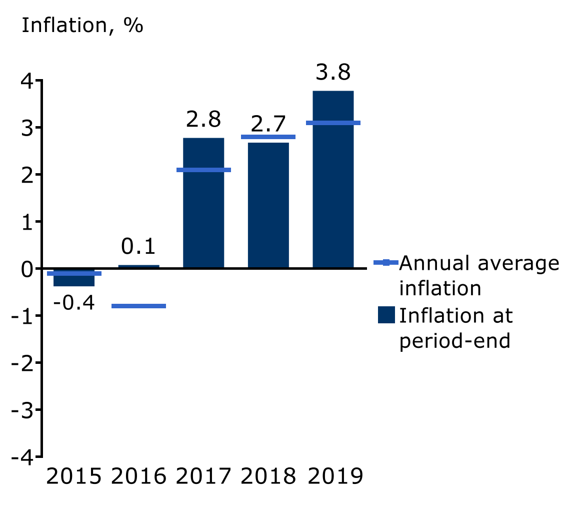


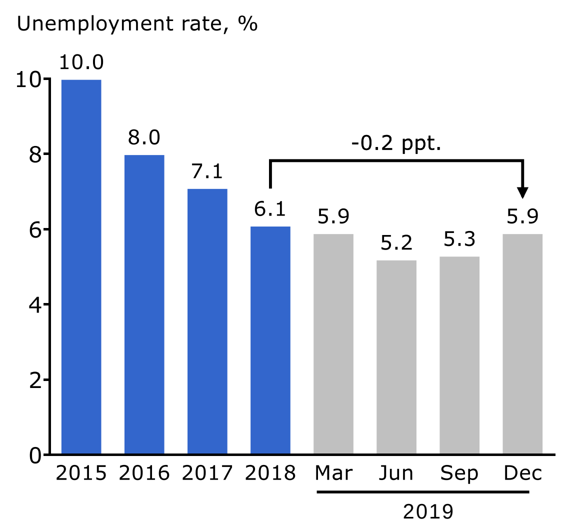
For the first nine months of 2019, gross value added in the economy grew by 3.3% (2018: 3.5%). In the services sector, a real growth of 3.8% was reported (2018: 5.8%), including in trade, transport and tourism (9M19: 1.8%), which accounted for 31% of value added in this sector. Real estate transactions reported an increase of 6.3% for the first nine months of the year, driven by the recovery in the real estate market and the construction sector. The home price index rose by a total of 5.4% yoy by the third quarter of 2019, including 5.8% for newly built apartments and 5.1% for existing housing.

The industrial sector also had a positive impact on value added in the economy, increasing by 2.9% for the period (2018: -1.1%). For the first nine months of 2019, an increase of 2.9% was observed in the mining and processing industries, including in the main export-oriented sectors. Value added in construction also provided a positive contribution of 3.0% over the year (2018: 1.1%), reflecting the positive dynamics and indications of recovery in the sector. An increase of 3.5% was reported in agriculture (2018: -2.0%), mainly influenced by the volume of production, including subsidies in the crop and livestock sectors.

In 2019, the labor market continued to show positive indications, the unemployment rate decreasing to 5.9% at the end of 2019 (2018: 6.1%; 2017: 7.1%; 2016: 8.0%; 2015: 10.0%), in line with the growing expectations of companies regarding investments and costs. The number of employed persons reached 3,299 thousand in the third quarter of 2019, with employment rate (of persons aged 15-64) amounting to 71.4%, or 2.6 ppt. higher than a year earlier. As of the end of September 2019, 63% of employees worked in the services sector, 30% in industry and 7% in agriculture.

Inflation	Unemployment rate



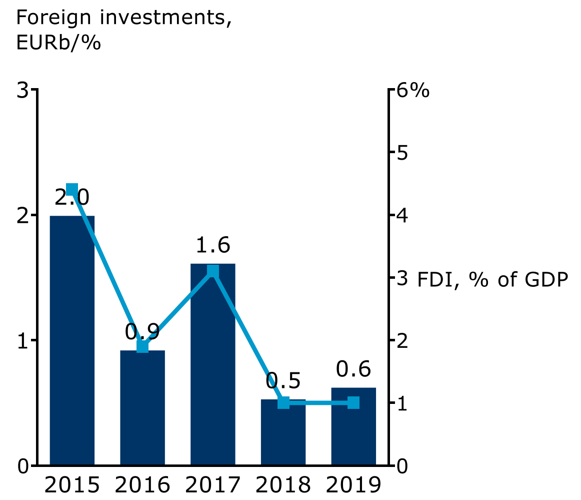


During the year, inflation in the country followed an upward trend, with average annual inflation in 2019 amounting to 3.1% (2018: 2.8%) and end-of-year inflation to 3.8% (2018: 2.7%). Such a trend was driven by price increases in almost all major subgroups following the increase in consumer demand, including in the services sector (3.0%), catering (5.8%), as well as food (6.8%) and water, electricity, gas (2.4%), the last two having predominant weight in the consumer basket (30.3% and 17.1% respectively). Domestic prices were also affected by the prices of raw materials in the international markets, including oil prices. Harmonized inflation, which is one of the criteria for price stability for joining the Eurozone, was 3.1% at the end of 2019 (2018: 2.3%) and 2.5% on average for the period (2018: 2.6%).

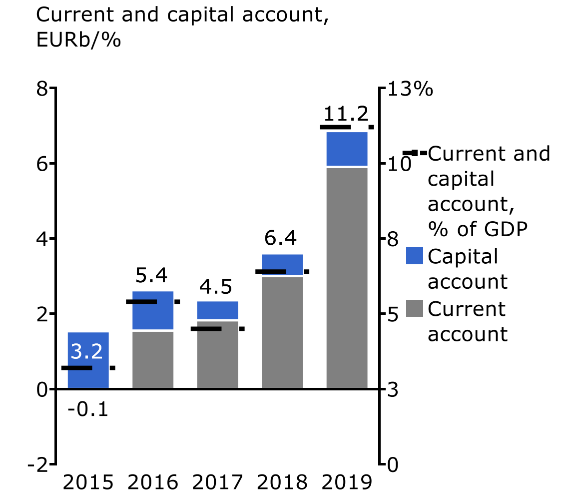
In 2019, foreign direct investment in the country amounted to EUR 630 million or 1.0% of GDP (2018: EUR 537 million or 1.0% of GDP). Such dynamics were mainly due to higher investment in debt instruments (bonds, financial and commercial loans) and retained earnings, rather than equity investment. By country, most investments were attracted from the Netherlands (EUR 404 million), the United Kingdom (EUR 174 million) and Luxemburg (EUR 142 million).

The growth in exports (4.1% yoy to EUR 28,876 million) led to decrease in deficit in the trade balance to EUR -128 million or -0.2% of GDP for 2019 (2018: -1,858 million or -3.3% of GDP). As a result, the balance on the current and capital account on an annual base increased to EUR 6,855 million or 11.2% of GDP, additionally influenced by the higher income in services (tourism and travelling) and in capital transfers, including under EU programs.

Foreign investments in the country

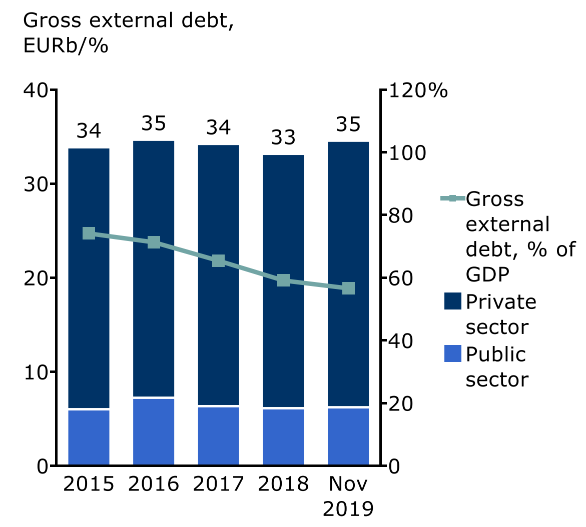


Current and capital account

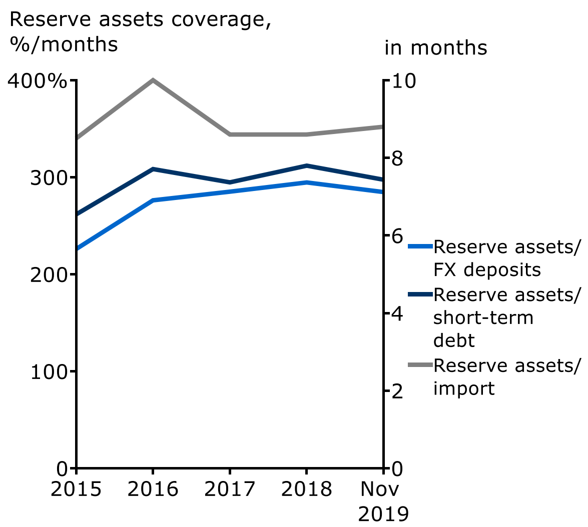


Bulgaria's gross external debt increased in absolute terms to EUR 34,552 million by the end of November 2019, but decreased as a percentage of GDP to 56.6% (2018: EUR 33,156 million or 59.1% of GDP), same dynamics being observed in both the private and public sectors. Public external debt continued its decrease to 10.2% of GDP as of November 2019 (EUR 6,221 million), remaining among the lowest in the EU. Total government and government guaranteed debt, including debt issued in the internal market, amounted to 20.5% of GDP (2018: 21.8%), compared to an average of above 80% for the EU and euro area countries. BNB reserve assets covered 297.4% of short-term debt as of November 2019 (11M18: 289.1%) and 284.7% of foreign currency deposits (11M18: 284.0%) in the country.

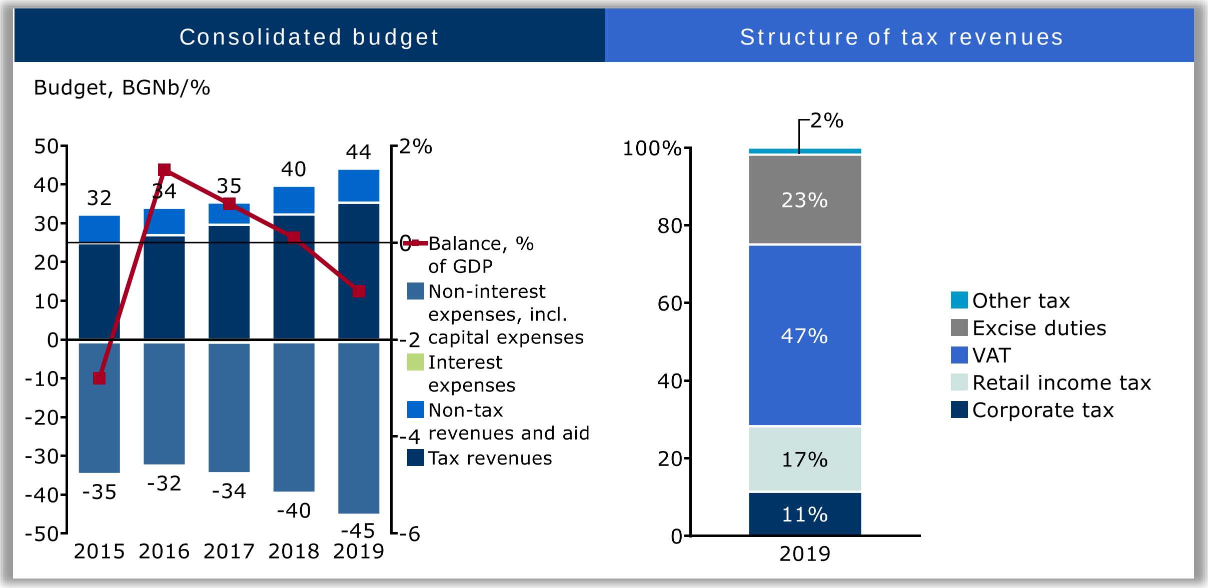
Gross external debt



Reserve assets coverage



In 2019, the consolidated budget reported deficit on the amount of BGN 1,148 million or 1.0% of GDP as at the end of 2019 (2018: BGN 135 million or 0.1% of GDP), reflecting higher growth of cost compared to income. Tax revenues increased by 9.4% yoy to BGN 35,280 million as of December 2019, increase being reported in all major revenue groups, including corporate tax (by 9.3% to BGN 2,695 million), personal income tax (by 9.6% to BGN 3,999 million), VAT (by 10.2% to BGN 11,086 million), excise duties (by 5.4% to BGN 5,486 million) and customs duties (by 2.1% to BGN 231 million). Social security contributions also increased, amounting to BGN 10,546 million as of December 2019, of which BGN 7,622 million social security contributions and BGN 2,924 million health insurance contributions.



Expenditures under the consolidated fiscal program also increased to 45,197 BGN million, mainly as a result of the increase in capital costs (including in connection with the modernization of the Bulgarian army), social and health insurance payments, as well as remuneration costs in the education system and the public sector.

In 2019 the international rating agencies Fitch Ratings (BBB) and Moody's Investor Service (Baa2) upgraded the credit rating outlook on Bulgaria from stable to positive, while Standard & Poor's raised its long-term foreign and local currency sovereign credit ratings from BBB- to BBB, with a positive outlook.

In 2019, in implementation of the stated intention of Bulgaria to accede to the European Monetary Mechanism II (ERM II) and the Single Supervisory Mechanism (SSM) through close cooperation with the European Central Bank, a comprehensive assessment of six Bulgarian banks was carried out, including asset quality review and stress test. These developments were yet another step towards Bulgaria's accession to the Eurozone.

Forecasts for 2020 include continuing growth in private consumption, with its gradual slowdown by 2022 due to the dynamics of domestic demand and inflation, accompanied by an increase in investment activity, partly in connection with the absorption of funds under EU programs. The estimates of the Ministry of Finance (autumn macroeconomic forecast) are for real GDP growth of 3.3% over the 2020-2022 period, in line with EU and Eurozone economic activity trends and the risks associated with the international environment.

THE BANKING SYSTEM

In 2019, the banking system in Bulgaria reported stable indicators and improved financial performance against the background of sustainable deposit growth and continued resurgence of the lending activity. The external environment and low interest rates continued to have an effect on banking activity, as well as the signals for slowing down of the economic activity in the last quarters of the year. The broad regulatory framework and the continuing integration with the European financial infrastructure had an additional effect on the development of banking policies.

In fulfillment of the roadmap for the accession of Bulgaria to the euro area and of the Bulgarian lev to the European Exchange Rate Mechanism II (ERM II) and the filed, in relation to this, application for establishment of close cooperation with the European Central Bank (ECB) within the framework of the Single Supervisory Mechanism (SSM), in 2019 has been conducted a comprehensive assessment of six Bulgarian banks, which consists of Asset Quality Review (AQR) and Stress Test (ST). The results of the conducted assessment have shown sustainability of the Bulgarian banking sector.

in % / change in ppt	2019	2018	2017	19/18	18/17
CET 1 ratio	19.84[4]	18.99	20.41	0.85	(1.86)
Tier 1 capital ratio	20.22[4]	19.41	20.86	0.81	(1.89)
Capital adequacy ratio	21.02[4]	20.38	22.08	0.64	(2.07)
Leverage ratio	11.11[4]	10.11	10.68	1.00	(0.21)
Liquidity coverage ratio (LCR)	269.9	294.1	347.6	(24.2)	(53.5)
Loans/deposits[5]	72.17	72.02	71.53	0.15	0.49
Return-on-equity (ROE)	11.63	12.11	9.32	(0.48)	2.79
Return-on-assets (ROA)	1.47	1.59	1.20	(0.12)	0.39
Non-performing loans and advances[6]	6.48	7.63	10.17	(1.15)	(2.54)

Source: Bulgarian National Bank

The total capital ratio for the system increases up to 21.02% at the end of September 2019 (2018: 20.38%) while the Tier 1 capital ratio (T1 ratio) – up to 20.22% compared to 19.41% at the end of 2018, both indicators well above the regulatory requirements. Such dynamics were mainly driven by the increase in CET 1 capital, including paid-in capital and retained profit during the year, which was outpaced by the increase in risk-weighted assets. The leverage ratio, used as an additional regulatory indicator comparing Tier 1 capital to the total on- and off-balance sheet exposures of banks, was 11.11% as at September 2019 compared to 10.11% as at 31.12.2018.

In fulfillment of its macroprudential policy, reflecting systematic and conservative approach, BNB has increased the capital requirements for the banks, as in force from October 2019 BNB has introduced a positive level of the counter-cyclical capital buffer, applicable to local credit risk exposures of 0.5%, as well as with subsequent decisions BNB has increased its level up to 1% in force from April 2020 and up to 1.5% in force from January 2021. In November 2019, the BNB announced its annual review of that buffer for other systemically important institutions (O-SIIs) identifying as such eight banks and determining individual buffer levels for 2019, ranging from 0.25% to 0.75%, and for 2020 – from 0.50%

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[4] Data as of 30 September 2019.
[5] Gross loans and advances (without central banks and credit institutions)/deposits (without credit institutions).
[6] Non-performing loans and advances/gross loan and advances.

to 1%. In 2019 has been conducted a review of the systemic risk buffer, whose values have been confirmed at 3% of the risk expositions in Bulgaria.

During the year, liquidity remained at high levels notwithstanding the indications of resurgence in lending - the loan/deposit ratio remained at 72.17% (2018: 72.02%), reflecting the sustained conservative approach in risk management. Applicable in the country are the liquidity reporting requirements, including with respect to the liquidity coverage ratio (LCR), correlating the liquidity buffers supported by banks against net outflows over a period of 30 calendar days. At the end of 2019, the ratio was 269.9% compared to 294.1% at the end of 2018, exceeding the minimum requirements of 100%. The ratio of liquidity buffer to balance sheet assets for the system was 25.8% at the end of September 2019.

In 2019, the banking system generated a net profit of BGN 1,675 million, or with 0.2% lower than in 2018, as an increase was reported in the net interest income and those from fee and commission and a decrease in the operating and impairment charges to BGN 431 million for the period (2018: BGN 479 million).

BGN million/ change in %	2019	2018	2017	19/18	18/17
Net interest income	2,746	2,742	2,675	0.2	2.5
Net fee and commission income	1,106	1,066	996	3.8	7.0
Administrative expenses	1,664	1,717	1,613	(3.1)	6.4
Impairment	431	479	745	(10.0)	(35.7)
Net profit	1,675	1,678	1,174	(0.2)	42.9

Source: Bulgarian National Bank

Net interest income for 2019 remained at levels close to the previous period – BGN 2,746 million (2018: BGN 2,742 million), while net fee and commission income increased to BGN 1,106 million (2018: BGN 1,066 million), as continuing to make a solid contribution to net profit, the latter accounted for 26.1% of the total operating income of the system (2018: 25.2%). The financial results reported for 2019 provided a return on assets (ROA) of 1.47% for 2019 (2018: 1.59%) and return on equity (ROE) of 11.63% for the same period (2018: 12.11%), serving as proof of the banking sector's ability to generate high returns, in line with the current developments and opportunities.

Total balance-sheet assets grew by 8.2% y/o/y to BGN 114,201 million as of December 2019 (2018: BGN 105,557 million). Changes in the balance sheet structure of the system included an increase in the share of loans to 65.7% of total assets (2018: 63.3%). Cash and balances with central banks accounted for 15.9% of assets, and investment in securities – for 13.1%, mainly including debt securities.

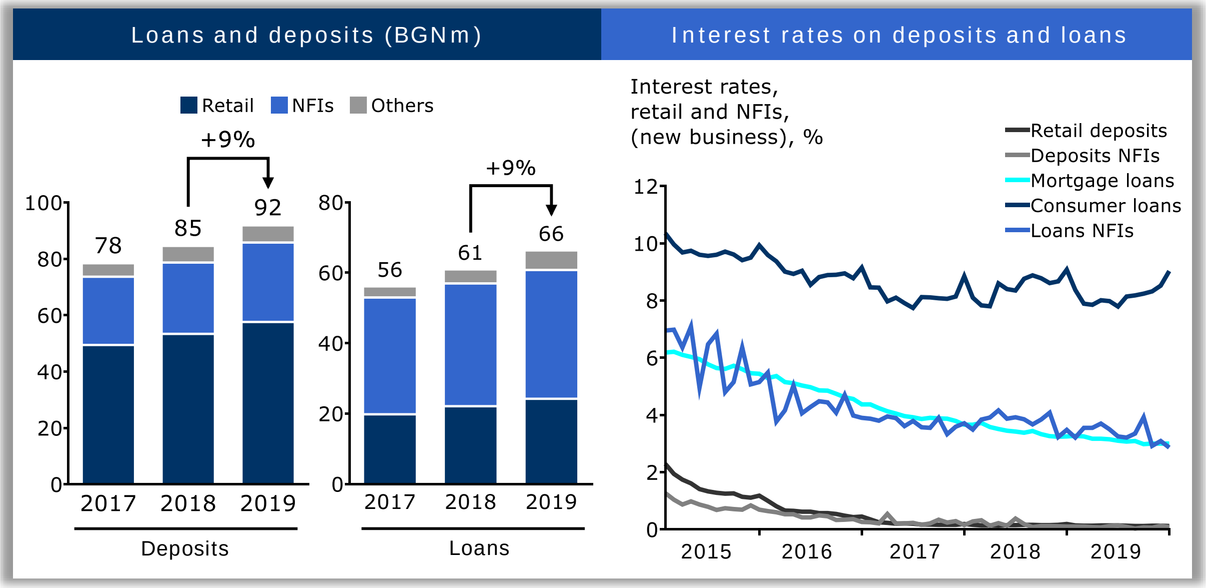
The gross loan portfolio (without credit institutions and central banks) during 2019 increased by 8.8% to BGN 66,293 million at the end of the period (2018: BGN 60,908 million). Increase involved all segments, and especially household loans which accounted for 36.5% of the total portfolio (2018: 36.2%). Residential mortgage loans grew by 14.5% to BGN 12,487 million (2018: BGN 10,906 million) and consumer loans – by 20.3% to BGN 12,427 million (2018: BGN 10,333 million) at the end of December 2019. Loans to non-financial corporations retained their major share of 55.2% of total loans to customers, reaching BGN 36,573 million (2018: BGN 34,871 million), while those to other financial corporations grew to BGN 4,594 million (2018: BGN 3,220 million).

BGN million / change in %	2019	2018	2017	19/18	18/17
Assets	114,201	105,557	97,808	8.2	7.9
Loans to non-financial corporates	36,573	34,871	33,160	4.9	5.2
Loans to individuals, incl.:	24,193	22,075	19,789	9.6	11.6
- Mortgage loans	12,487	10,906	9,460	14.5	15.3
- Consumer loans	12,427	10,333	9,151	20.3	12.9
Deposits from non-financial corporates	28,150	25,278	24,190	11.4	4.5
Deposits from individuals	57,616	53,383	49,456	7.9	7.9

Source: Bulgarian National Bank

The share of non-performing loans and advances continued to decline to 6.48% of gross loans and advances (2018: 7.63%) as of December 2019. Non-performing loans were adequately covered by impairment allowances and the additionally accumulated buffers in the system. Loans to non-financial corporations accounted for the largest share in the structure of non-performing loans (68.3%), followed by loans to households (29.0%) and other financial corporations (2.6%).

In 2019, borrowed funds in the banking system (excluding credit institutions) continued their upward trend, growing by 8.6% to BGN 91,853 million as of December 2019 (2018: BGN 84,571 million). An increase was reported in deposits of both non-financial corporations (by 11.4% to BGN 28,150 million) and households (by 7.9% to BGN 57,616 million), retaining a dominant share of 62.7% of all attracted funds. Deposits of other financial corporations reached BGN 3,422 million, and those in the government sector BGN 2,665 million. In the currency structure of deposits, the share of BGN deposits increased to 63.2% as of December 2019 (2018: 61.7%) at the expense of EUR deposits which decreased to 29.3% (2018: 30.6%), while those in other currencies amounted to 7.5% (2018: 7.7%).



In the course of the year, the downward trend in interest rates remained in line with the dynamics in the Eurozone and the EU countries. The interest rates on deposits (new business[7]) of households and non-financial corporations fell on average for 2019 (weighted through the volumes) to 0.13% and 0.09% respectively (2018: 0.15% and 0.21% respectively). Decrease was also observed in interest rates

[7] Term deposits in BGN up to 1 year.

on loans (new business[8]); for non-financial corporations – down to 3.32% on average for the period (2018: 3.75%) and for mortgage loans – down to 3.09% (2018: 3.42%), for consumer loans - to 8.18% (2018: 8.50%).

At the end of December 2019, 24 credit institutions operated in the country, including 5 branches of foreign banks. Subsidiaries of EU banks accounted for 72.7%[9] of the system's assets, local banks – for 21.1%, while branches of EU and non- EU and non-EU-owned banks formed the remaining 6.2%. The share of the other systemically important institutions (O-SII) in the country accounted for 78.0% of the banking assets as of December 2019.

Consolidation processes will continue to pose a challenge to the banking system, mirroring those in the European Union, along with the digitization and technological development, the volume of regulations affecting the competitive advantages of banks, the increase of the competition in the banking services by entry of the so-called fintech companies, as well as the indications for slowing down the global growth and the risks of instability internationally.

REGULATORY FRAMEWORK DEVELOPMENTS

In 2019, implementation of the single European regulatory rules by transposing them into the national legislation continued to be a priority among the legislative initiatives in the area of banking.

In the beginning of the year, a new Implementing Regulation of the Law on Measures against Money Laundering was promulgated, clarifying and further developing the requirements in the area of actions and measures against money laundering, incl. those introduced by 4th EU Directive, for prevention of using the financial system for the purposes of money laundering or terrorist financing (Directive (EU) 2015/849).

In the corporate governance area, the focus in 2019 are the requirements introduced in the national legislation, arising from the EBA Guidelines on Internal governance (EBA/GL/2017/11) and the Guidelines of EBA and ESMA on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2017/12). In relation to this, a new Ordinance № 20 of BNB on Issuance of approvals to members of the Management Board (Board of Directors) and Supervisory Board of a credit Institution and performance requirements for their duties, was adopted. With this Ordinance some new requirements regarding the policies of the banks for selection and suitability assessment of the members of the managing and supervisory authorities, the rules for encouraging the diversity within the boards, as well as the key function holders, were introduced.

A new Ordinance № 10 of BNB as of 24th April 2019 for the organization, management and internal control in the banks was adopted, systemizing the internal control framework, with the three levels of control that each bank has to implement – operative control, risk management and compliance and audit, incl. the regulated requirements for each of these levels. Some changes were also made in Ordinance №4 of BNB on the requirements for the remunerations in banks and in Ordinance №7 of BNB on organization and risk management in the banks, further developing the requirements for the significant banks for setting up remuneration and risk committees, as well as the requirements for their structure and composition.

In June 2019, a package of regulations and directives regarding the capital and prudential requirements was published – the so-called banking package CRR2/CRD5, including Regulation (EU) 2019/876 (CRR2) and Directive (EU) 2019/878 (CRD5), as well as the requirements for recovery and restructuring – the so-called banking package BRRD2/SRMR2, including Directive (EU) 2019/879 (BRRD2) and Regulation

[8] Loans with original maturity in BGN.
[9] Data as at end-Q3 2019.

(EU) 2019/877 (SRMR2). With the banking packages, which are with pending implementation and application, mainly as of 2021, the existing legal framework in these areas is being developed, as introducing new requirements in relation to the leverage and net stable financing ratios, the requirements for acceptable obligations, the market risk and counterparty credit risk, reporting and disclosure requirements, as well as the capacity for loss-taking and recapitalization of the credit institutions and investment intermediaries.

The risk management framework was further developed with new Guidelines of the European Banking Authority (EBA), for which BNB has taken decision to apply, incl. the Guidelines on stress testing of the institutions under Art.108 and Art.109 of Directive 2013/36/EU - EBA/GL/2018/04 (as of 1st January 2019); Revised Guidelines on the common procedures and methodology for the process of supervisory review and assessment and the supervisory stress tests - EBA/GL/2018/03 (as of 31st March 2019); Guidelines on the management of interest rate risk, arising from non-trading book activities - EBA/GL/2018/02 (as of 30th June 2019 and reflected in the ICAAP of the banks as of 31st December 2019); Guidelines on management of non-performing and forborne exposures - EBA/GL/2018/06 (as of 30th June 2019); Guidelines on outsourcing arrangements - EBA/GL/2019/02 (as of 30th September 2019); Guidelines on disclosure of non-performing and forborne exposures - EBA/GL/2018/10 (as of 31st December 2019);

During the year, in the area of the payment services a new Regulation (EU) 2019/518 of the European Parliament and of the Council amending the Regulation (EC) 924/2009 as regards certain charges on cross-border payments in the Union and currency conversion charges was adopted, introducing some amendments in relation to the harmonization of the charges on cross-border payments in euro in EEA with the charges on the relevant national payments of the same value in the national currency of the member state, in which the payment service provider of the user is situated.

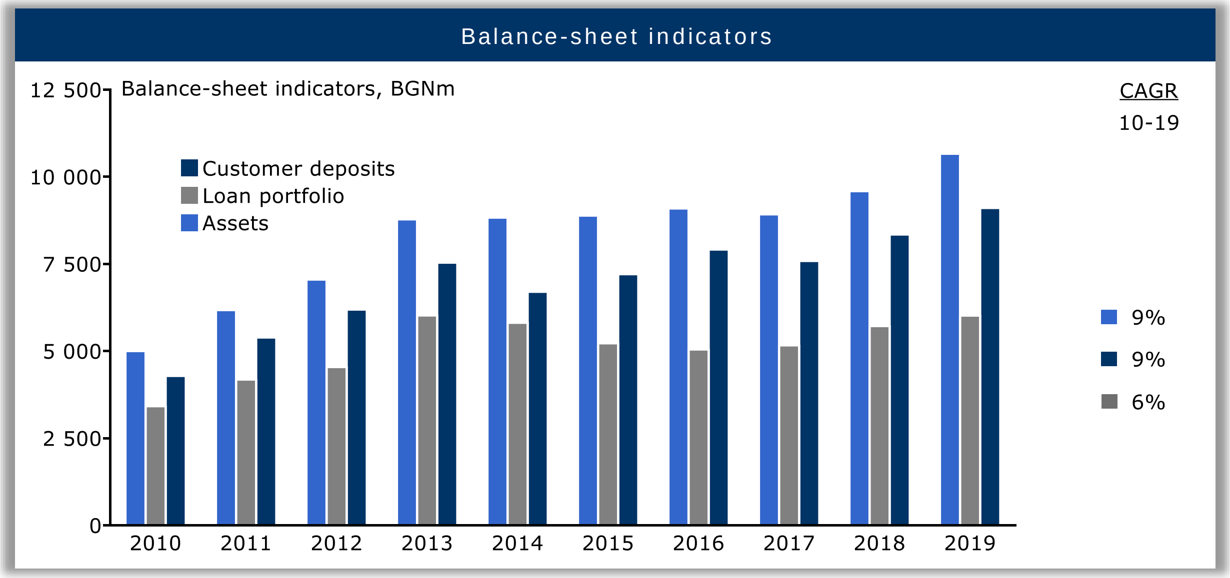
At national level, in June 2019, some amendments in Ordinance №3 of BNB on the terms and procedures for opening payment accounts, executing payment transactions and using payment instruments, were adopted, regulating the possibility for conclusion of a framework agreement for remote payment services, as well as the procedure for exemption of the payment service providers, that have implemented a special interface (API), from the requirement for setting up a backup mechanism in compliance with the provisions of Delegated Regulation (EU) 2018/389 on the with regard to regulatory technical standards for strong customer authentication and common and secure open standards of communication.

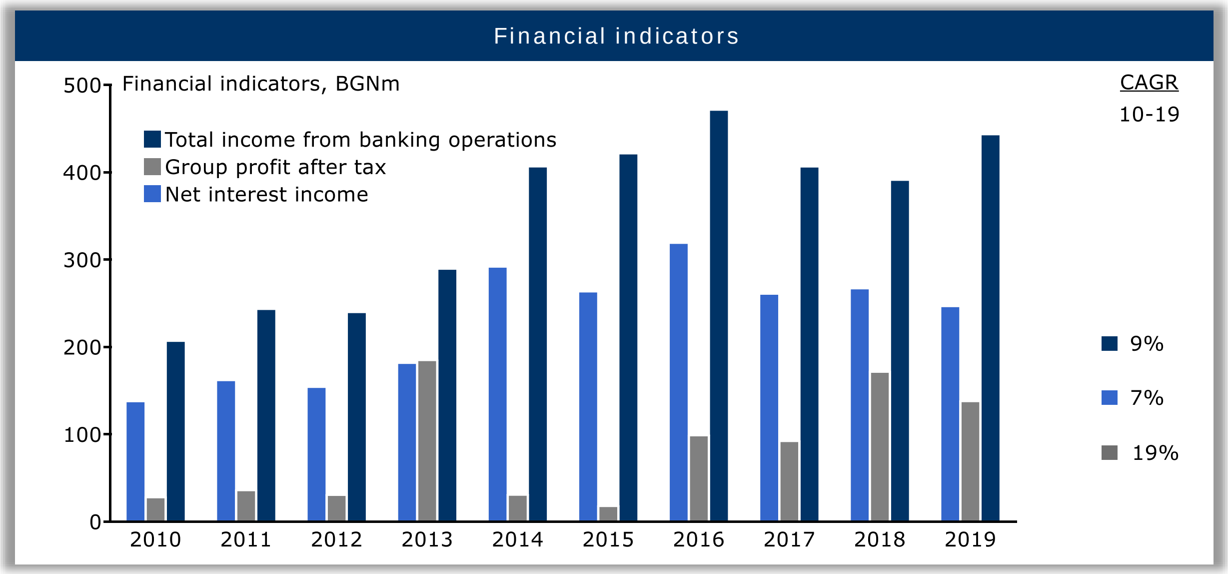
In the cash activity area, during the year a new Ordinance №39 of BNB on the Nominal value, coverage, form and design of banknotes and coins put into circulation, as well as a new Ordinance №18 of BNB on the Control over quality of banknotes and coins in circulation, were adopted.

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.

DEVELOPMENT





COMPREHENSIVE ASSESSMENT

In 2019, the European Central Bank (ECB) conducted a comprehensive assessment of six Bulgarian banks, incl. First Investment Bank, which comprised an asset quality review (AQR) and a stress test (ST). The assessment was conducted in the context of Bulgaria's request for establishing close cooperation between the ECB and the BNB, in connection with the intention to acceding the European Monetary Mechanism II (ERM II), as part of the roadmap for accession to the Eurozone.

Fibank successfully passed the AQR and the stress tests, as the good organization and the experience of the specialized teams that were in place for the purpose of continuity of the usual processes and business activities, contributed to the successful outcome.

During the second part of the year, with the aim for addressing the recommendations, First Investment Bank took a number of steps for realization of capital levers, including non-distribution of profits, de-risking, accruing additional impairment, accelerating the process of disposal of portfolios and management of repossessed assets, as well as actions related with issuance of additional eligible capital through placement of new hybrid instrument and realization of public issuance of shares. First Investment Bank continues to follow its strategy for optimization of risk management and strengthening capital, as a base for future growth.

For more information on the actions taken for realization of capital levers, see the „Financial review“ and the „Risk management“ sections.

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 of 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 it is a registered investment intermediary.

PARTICIPATIONS AND MEMBERSHIPS

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

MARKET POSITION [10]

- Fifth in assets
- Fourth in lending
  - Second in corporate lending
  - Sixth in consumer loans
  - Sixth in mortgage loans
- Fourth in deposits
  - Third in deposits from individuals
- Among the leading banks in the card business
- Among the leading banks in payment services, including international payments and trade operations

[10] Market positions are based on unconsolidated data from the BNB and Borica AD.

MARKET SHARE[11]

- 8.81% of bank assets in Bulgaria
- 10.00% of loans in the country
  - 11.60% of corporate lending
  - 8.51% of consumer lending
  - 6.91% of mortgage lending
- 9.53% of deposits in the country
  - 11.67% of deposits from individuals

CORRESPONDENT RELATIONS

Fibank has a wide network built up of correspondent banks, through which it performs international payments and trade financing 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.

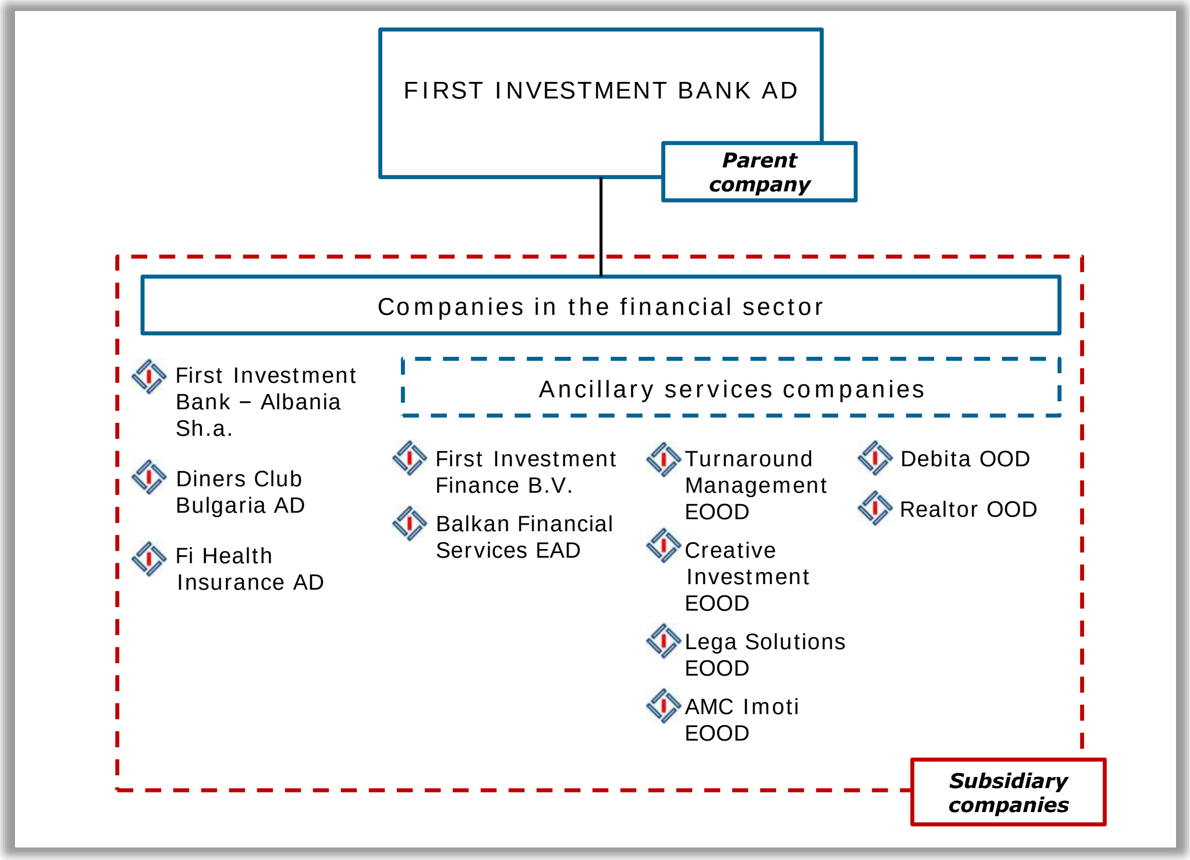
BRANCH NETWORK

As at 31 December 2019 the Group of First Investment Bank had a total of 158 branches and offices: 144 branches and offices, incl. Head Offices, throughout Bulgaria and a foreign branch in Cyprus, as well as Head Office and 14 branches of its subsidiary First Investment Bank – Albania Sh.a. in Albania.

For further information regarding the branch network see section „Distribution channels", as well as section „Business review of subsidiary companies".

[11] Market shares are based on unconsolidated data from the BNB.

SUBSIDIARIES



First Investment Bank AD had eleven subsidiary companies as at 31 December 2019: First Investment Bank - Albania Sh.a. (100%), Diners Club Bulgaria AD (94.79%), Fi Health Insurance AD (59.10%), First Investment Finance B.V. (100%), Debita OOD (70%), Realtor OOD (51%), Balkan Financial Services EAD (100%), Creative Investment EOOD (100%), Turnaround Management EOOD (100%), Lega Solutions EOOD (100%) and AMC Imoti EAD (100%).

As at 31.12.2019, the following subsidiaries were included in the consolidated financial statements of the Group of First Investment Bank: First Investment Bank - Albania Sh.a., Diners Club Bulgaria AD, Fi Health Insurance AD and First Investment Finance B.V. The rest of the subsidiary companies were not included in the consolidated financial statements, as they were considered immaterial to the financial position, financial results and the cash flow of the Group for the year ended 31 December 2019. The decision for consolidation of the subsidiaries is reviewed at each reporting date.

In March 2019, First Investment Bank decided to establish the sole shareholder company MyFin EAD, to be operating as an issuer of electronic money within the meaning of Article 34, Para. 2(2) of the Law on Payment Services and Payment Systems. The paid-up capital for establishing the company amounted to BGN 1 million. As at 31 December 2019, the company MyFin EAD was not yet incorporated and registered in the Commercial Register with the Registry Agency.

For further information regarding subsidiary companies see section „Business review of subsidiary companies", as well as note 36 "Subsidiaries" of the Consolidated Financial Statements as at 31 December 2019.

AWARDS 2019

- First Investment Bank was distinguished with the prestigious award for strongest brand in the 2019-2020 Superbrands international competition.
- For yet another year, First Investment Bank won the Favorite Brand award and the first place in the Financial Institutions category of the My Love Marks consumer rating.
- Fibank received two awards in the 2019 International Product of the Year competition: for its Smart Lady program supporting women entrepreneurs and for its innovative debit cards for children and teens.
- First Investment Bank was awarded in the Fast Developing Product category at the annual Business Lady Awards 2019 for the successful product positioning of its debit card for children and teens.
- Fibank ranked second in the Product Site 2019 category of the Website of the Year competition for its Smart Lady online platform for women in business.
- Diners Club Bulgaria AD was awarded the Best Small Franchise 2018 award by DISCOVER Global Network in recognition of the results achieved, the successful development of Diners Club credit cards in the country, and the innovations implemented.

FIRST INVESTMENT BANK: DATES AND FACTS

1993	First Investment Bank was established on 8 October 1993 in Sofia. Fibank was granted a full banking license for carrying out operations in Bulgaria and abroad.
1994-95	The Bank developed and specialized 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 a number of EU countries, guaranteed by export insurance agencies.
1999	The Bank negotiated a syndicated loan organized by EBRD to the total amount of EUR 12.5 million. First Investment Bank received a medium-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 to 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, to 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 new shares.
2007	◈ First Investment Bank realized the biggest banking initial public offering of shares in Bulgaria and became a public company. ◈ „Fibank Mobile" – the first banking mobile portal created by the Bank with useful financial information for its customers, started functioning. ◈ Fibank is among the first banks in Bulgaria to implement new chip technology by issuing debit and credit cards. ◈ First Investment Bank – Albania Sh.a. was issued a full banking license in Albania.
2008	◈ Fibank implemented new centralized and integrated core banking information system FlexCube. ◈ First Investment Bank received a syndicated loan to 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", which provides e-statements on bank 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 a controlling interest in Health Insurance Fund FI Health AD.
2011	◈ First Investment Bank was recognized as the Best Bank in Bulgaria in 2011 by the financial magazine Euromoney. ◈ 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 "Bank of the Year" award from "Bank of the Year" Association, with the best complex performance. ◈ The Bank signed an agreement with the European Investment Fund for the financing of SME under the JEREMIE initiative. ◈ Vassil Christov, Executive Director of First Investment Bank won the prestigious award "Banker of the Year" of the "Banker" Weekly.
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. ◈ Fibank finalized the issuance of new hybrid debt (two bonds emissions) to the total amount of EUR 100 million, 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.
2014	◈ The merger of Union Bank EAD into First Investment Bank AD was implemented, incl. entire integration of operational systems, procedures, infrastructure, human resources, products and services

	◈ First Investment Bank successfully overcame the pressure on the banking system thanks to existing high liquidity, high professionalism, as well as to the liquidity support pursuant to EC Decision C(2014) 4554/29.06.2014 ◈ Fibank was awarded as best bank in the field of retail banking from the international portal Global Banking & Finance Review.
2015	◈ First Investment Bank realized a joint project with the IFC for upgrading the systems for risk management and corporate governance in Fibank in accordance with the principles of the Basel Committee and recognized international standards. ◈ A new independent member of the Supervisory Board was elected: Mr. Jyrki Koskelo, an accomplished professional with extensive experience in the IFC. ◈ A new organizational structure of the Bank was adopted, further elaborating the control functions and introducing new positions, incl. CEO, CRO, CCO. ◈ In an effort to maintain an open line of communication with investors and enhance dialogue with minority shareholders, a Club of investors was created. ◈ First Investment Bank was distinguished as the favorite brand among financial institutions in Bulgaria by the global organization Superbrands.
2016	◈ An innovative platform was launched for electronic payments via mobile devices with contactless (NFC) function and use of digital bank cards. ◈ The Bank repaid in full the liquidity support according to decision C(2014)8959 of 25.11.2014 of the EC. ◈ Fibank successfully passed the asset quality review and the stress test of the banking system conducted in the country. ◈ New contactless debit cards for children and teenagers were developed.
2017	◈ Fibank created an integrated e-banking platform My Fibank, using a single customer service channel (Omnichannel). ◈ Changes were made to the Management Board in line with in line with the Bank's key growth and strategic development goals. ◈ First Investment Bank joined as direct participant the Pan-European Automated Clearing House STEP2 SEPA Credit Transfer (SCT). ◈ Fibank updated its core banking information system by migrating to Oracle Flexcube12. ◈ First Investment Bank developed its online consumer credit services at the Bank's internet address www.credit.fibank.bg.
2018	◈ First Investment Bank celebrated the 25th anniversary of its founding. ◈ A new Smart Lady program was launched in support of women entrepreneurs, mainly targeting micro, small and medium enterprises run by women, as well as businesses with products and services designed for women. ◈ A new electronic deposit named My Deposit was offered, opened and managed entirely online through the My Fibank e-banking platform. ◈ A software Fibank Token was developed as a means of signature and authentication in the electronic banking system of the Bank. ◈ An innovative new-generation Evolve credit card was developed, combining three brands (Fibank, Diners Club and Mastercard) into one payment instrument. ◈ Fibank signed an agreement with the Bulgarian Development Bank for the financing of micro, small and medium-sized enterprises with the support of the European Strategic Investment Fund (COSME+).

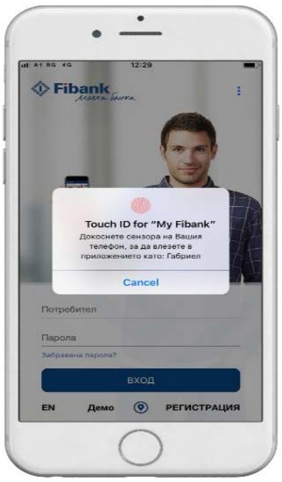
HIGHLIGHTS 2019

JANUARY

- First Investment Bank extended the functionality of its debit cards for children and teens by adding online payment options and card digitalization.
- Fibank started to actively offer financing for micro, small and medium-sized enterprises with the support of the European Strategic Investment Fund (COSME+).
- A promotional consumer lending campaign was organized featuring completely online loan application at www.credit.fibank.bg.
- First Investment Bank – Albania Sh.a. continued to expand its branch network in Albania as part of its strategy for growth in the retail and SME segments.

FEBRUARY

- Innovations were introduced to meet the requirements for Strong Customer Authentication (SCA) in online card payments, as well as the requirements to dynamically link transactions to a specific amount and payee.
- The functionalities of the My Fibank mobile application were further developed, including fingerprint/faceID as additional means of access and identification.
- New gold and silver products were offered of the Swiss refinery PAMP.



MARCH

- First Investment Bank launched a test environment enabling developers and third party providers (TPPs) to test access to the application programming interface (API) provided by the Bank in relation to the new account information and payment initiation services, regulated by PSD2.
- Fibank participated in European Money Week through activities and initiatives aimed at improving the financial literacy of students in a number of cities in Bulgaria.

APRIL

- An innovative service was launched for remote signing of consumer loans by using a software/hardware token, or qualified electronic signature through a mobile application of an external certification service provider.
- Fibank launched a new project: a long-term, comprehensive internship program named My Career Start, as part of its overall approach to designing and implementing integrated HR solutions in support of business.
- First Investment Bank – Albania Sh.a. issued EUR 2 million subordinated term debt (long-term bonds) under the terms of private placement.

- Fi Health Insurance launched a new insurance product “FiHealth Wallet”, providing protection against misuse of bank cards issued by Fibank, as well as in case of theft or loss of personal documents or other personal effects.

MAY

- Fibank introduced a new web-based platform for its Smart Lady program. It enabled conducting remote training, providing practical advice and case studies, as well as publication of specialized materials in support of women entrepreneurs.
- The option to place orders for cash transactions through the My Fibank mobile application was enabled.
- The Cyprus branch of First Investment Bank became an indirect participant, through Fibank, in the TARGET2 and BISERA7-EUR payment systems, as well as in the STEP2 SEPA Credit Transfer system operated by EBA Clearing.
- Diners Club Bulgaria AD was awarded the Best Small Franchise 2018 award by DISCOVER Global Network in recognition of the results achieved, the successful development of Diners Club credit cards in the country, and the innovations implemented.

JUNE

- Operating Agreements were concluded with the Fund Manager of Financial Instruments in Bulgaria (Fund of Funds) for the implementation of a Risk-sharing micro-finance facility in support of start-ups and social enterprises.
- The Annual General Meeting of Shareholders of First Investment Bank was held. It was decided that the entire net profit of the Bank for 2018 would be retained, and that no dividends would be paid or any other deductions made from the 2019 profit with a view to its inclusion in the common equity Tier 1 capital.
- First Investment Bank launched a production environment based on the BISTRA national standard, operated by BORICA AD, enabling third-party providers (TPPs) to access the application programming interface (API) provided by the Bank in relation to account information and payment initiation services.
- A new personal banking service through the Bank's branch network was launched, featuring package offers to separate segments of customers meeting certain minimum financial criteria.

JULY

- First Investment Bank established partnership with E.I. Sturdza Strategic Management Limited (part of the swiss Eric Sturdza Group) for offering new mutual funds on the Bulgarian market.
- Fibank passed the comprehensive assessment (asset quality review – AQR and stress test), conducted by the ECB during the year.
- First Investment Bank – Albania Sh.a. launched new credit products, including the new “Any Purpose” consumer loan and the “Quick Vacation” loan, featuring competitive terms and application requirements.

AUGUST

- Fibank developed a new service for contactless withdrawals from ATMs of the Bank, providing additional speed and convenience for customers in carrying out such transactions.
- The Bank further developed its policies for selection and suitability assessment of members of management and supervisory bodies and key position holders, in line with the new regulatory requirements in this area.

SEPTEMBER

- An innovative project for making payments using Garmin smart watch with Garmin Pay functionality was successfully implemented in partnership between Fibank, Mastercard and Garmin.
- First Investment Bank was among the leading banks to join the global SWIFT gpi solution, which significantly improves the speed and traceability of cross-border transfers.
- First Investment Bank – Albania Sh.a. offered new contactless debit and credit cards using the innovative RFID (radio frequency identification) technology.

OCTOBER

- The Bank launched micro-cards for adults built in a special payment accessory: a silicone bracelet, thus aiming to reach a wider range of users.
- First Investment Bank refined its policies on calculating capital requirements for operational risk, with a view to moving from basic indicator approach to standardized approach.

NOVEMBER

- Fibank was the first among banks in the country to launch the Apple Pay service for making fast, convenient and secure mobile payments via digital card and smart devices supporting the Apple Wallet functionality.
- A new agreement was signed with the National Guarantee Fund for a BGN 20 million portfolio guarantee to provide financing for small and medium-sized enterprises in the country through a risk-sharing mechanism.

- First Investment Bank provided access, via the My Fibank mobile banking, to payment accounts of its customers kept with other payment service providers, including the provision of account information and payment initiation services.
- An extraordinary general meeting of the shareholders of Fibank was held at which Mazars OOD and BDO Bulgaria OOD were appointed as registered auditors to perform the independent financial audit of the Bank's financial statements for 2019.

DECEMBER

- First Investment Bank successfully placed, under the terms of a private placement, a debt-equity (hybrid) instrument (bond issue) worth a total of EUR 30 million.
- The Bank decided to increase its share capital from BGN 110 million to BGN 150 million by issuing up to 40 million new shares under the terms of public offering, each share with a nominal value of BGN 1, and an issue value of BGN 5.
- In implementing the requirements of Regulation (EU) 2019/518, Fibank equilized the fees for cross-border payments in EUR within EEA with those respective national payments in BGN.
- A centralized back-office started functioning with the aim to increase efficiency in servicing customers.
- An extension of the framework agreement with Taiwan's Eximbank was signed for financing deliveries of goods made by Taiwanese suppliers to customers of Fibank.
- Fibank presented its charity calendar for 2020, in support of the Bulgarian Rhythmic Gymnastics Federation and the homeless animal shelter Animal Rescue Sofia.

- First Investment Bank – Albania Sh.a. signed a partnership agreement with the Albanian Rural Credit Guarantee Foundation to facilitate the financing of micro, small and medium-sized enterprises in Albania, based on KfW policies and support.

FINANCIAL REVIEW

KEY INDICATORS

	2019	2018	2017	2016	2015
Financial indicators (BGN thousand)					
Net interest income	246,714	267,088	260,926	319,179	263,546
Net fee and commission income	106,774	97,111	102,146	92,163	84,217
Net trading income	15,378	10,809	15,326	13,937	11,017
Total income from banking operations	443,484	391,329	406,589	471,570	421,582
Administrative expenses	(220,448)	(212,066)	(204,698)	(192,307)	(180,827)
Impairment	(119,730)	(83,378)	(78,850)	(156,120)	(329,137)
Group profit after tax	137,922	171,546	92,245	98,811	17,851
Earnings per share (BGN)	1.25	1.56	0.84	0.90	0.16
Balance-sheet indicators (BGN thousand)					
Assets	10,660,175	9,586,681	8,921,198	9,089,855	8,885,364
Loans and advances to customers	6,017,137	5,716,062	5,162,907	5,044,850	5,221,360
Loans and advances to banks and fin. inst.	79,618	125,483	54,402	51,863	109,455
Due to other customers	9,104,021	8,342,691	7,583,819	7,911,911	7,203,969
Other borrowed funds	109,348	121,120	127,493	70,367	135,726
Hybrid debt	267,615	208,786	208,786	208,740	202,044
Total Group equity	978,917	846,272	947,350	856,836	749,846
Key ratios (in %)					
Capital adequacy ratio	18.34	16.15	15.89	15.13	14.72
Tier 1 capital ratio	18.28	16.15	15.87	15.10	14.23
CET 1 ratio	14.65	13.30	12.87	12.01	11.28
Leverage ratio	11.84	11.08	11.28	10.11	10.11
Liquid assets/deposits from customers	28.61	26.50	25.91	29.12	28.32
Liquidity coverage ratio (LCR)	221.64	269.21	334.85	327.37	325.61
Net stable financing ratio (NSFR)	132.74	135.45	136.43	137.61	132.25
Net loans/deposits ratio	66.09	68.52	68.08	63.76	72.48
Return-on-equity (after tax)	15.12	19.24	10.24	12.17	2.43
Return-on-assets (after tax)	1.38	1.87	1.03	1.12	0.20
Cost of risk	1.83	1.55	1.37	2.66	5.53
Net interest income/total income from banking operations	55.63	68.25	64.17	67.68	62.51
Cost/income ratio	44.58	46.46	53.01	41.94	34.10
Resources (in numbers)					
Branches and offices	158	168	166	168	173
Staff	2,825	2,868	3,221	3,322	3,234

CREDIT RATING

For the first eight months of 2019, First Investment Bank has been awarded public credit ratings by the Fitch Ratings u Moody's Investors Service credit rating agencies as follows:

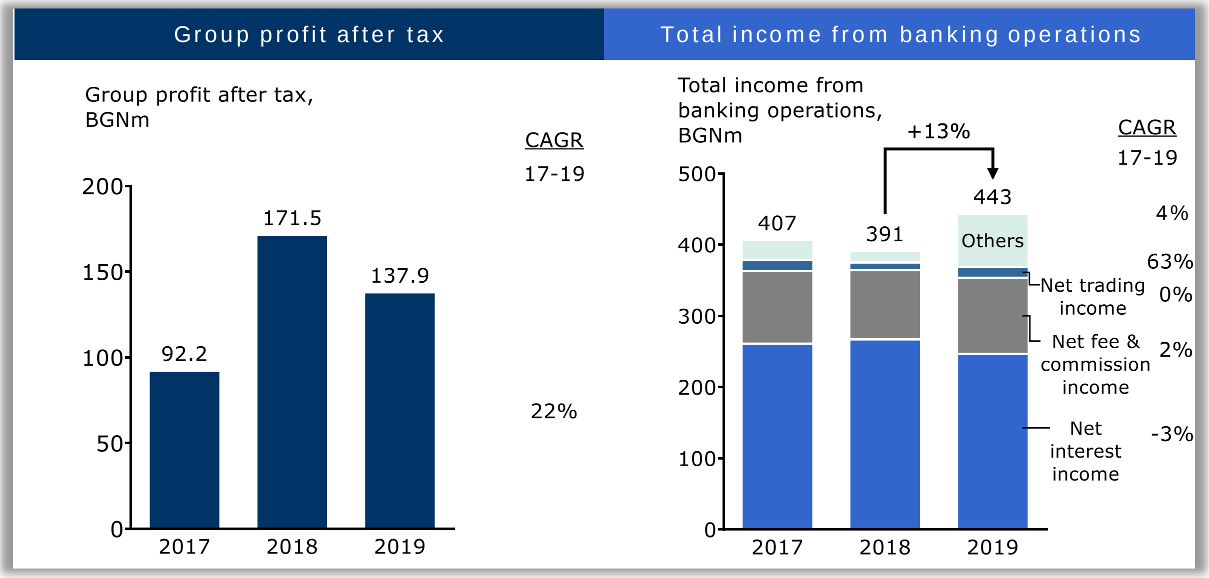
Fitch Ratings	13.08.2019	03.06.2019	2018
Long-term rating	B	B	B
Short-term rating	B	B	B
Viability rating	b	b	b
Support rating	5	5	5
Support rating floor	NF	NF	NF
Outlook	Stable	Stable	Stable

Moody’s Investors Service	01.08.2019	04.06.2019	2018
Long-term rating	B3	B2	B1
Short-term rating	NP	NP	NP
Baseline Credit Assessment	caa1	b3	b2
Long-term Counterparty Risk Rating	B1	Ba3	Ba2
Short-term Counterparty Risk Rating	NP	NP	NP
Outlook	Negative	Stable	Stable

As of December 31, 2019, First Investment Bank has no public credit ratings and maintains a private monitored rating with Fitch Ratings.

FINANCIAL RESULTS

In 2019 the Group of First Investment Bank reported solid financial results and steady development, as group profit after tax amounting to BGN 137,922 thousand compared to BGN 171,546 thousand a year earlier. The results were mainly driven by the higher operating income, the realized income in connection with the sale of portfolios, as a result of the Bank's consistent actions to optimization of its balance-sheet positions, as well as the environment of low interest rates. The return on equity (after taxes) is 15.12%, the return on assets (after taxes) is 1.38% and the earnings per share are BGN 1.25.



During the year First Investment Bank performed its activity in compliance with the goals for development and the external environment and necessity for financing. The total income from banking operations amounted to BGN 443,484 thousand (2018: BGN 391,329 thousand), as the decrease registered in net interest income generated in an environment of continuing low interest rates is compensated by the growth in net income and commissions and other operating income.

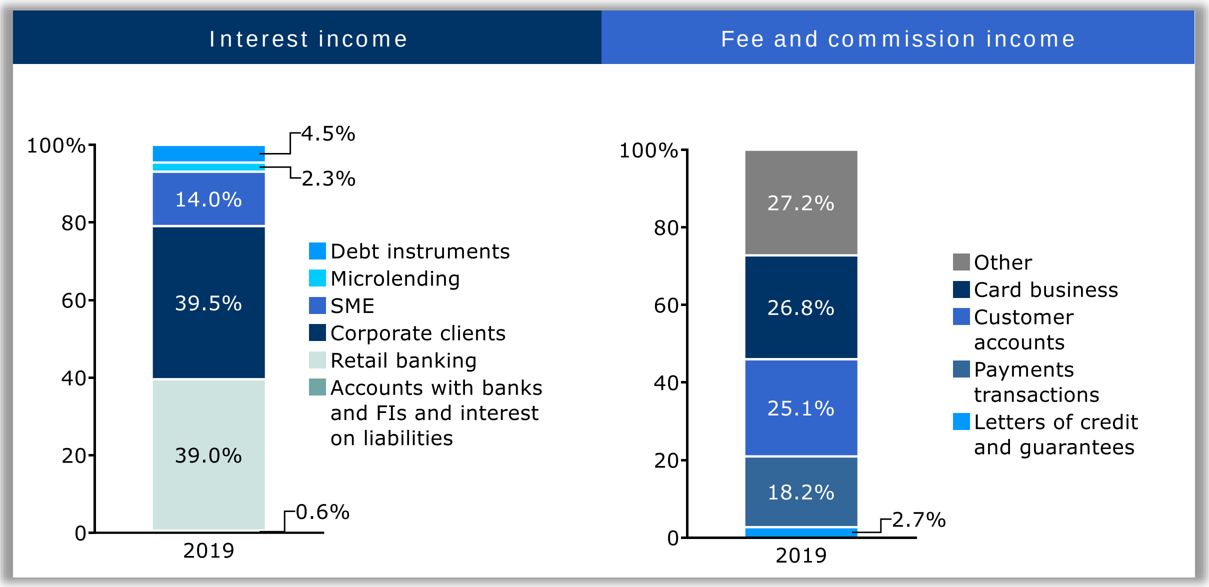
For 2019, net interest income amounted to BGN 246,714 thousand (2018: BGN 267,088 thousand), and remained a major source of income for the Group, constituting 55.6% of total operating income (2018: 68.3%). Fibank's operations abroad formed 6.1% of the Group's net interest income (2018: 5.9%), reflecting the activity development of the subsidiary company in Albania. For further information regarding First Investment Bank – Albania Sh.a. see section „*Business review of subsidiary companies*"

For the reporting period, interest income decreased to BGN 309,730 thousand (2018: BGN 331,046 thousand), reflecting the market trend for reduction in interest rates, as well as the competitive conditions offered by the Bank. A decrease was recorded mainly in corporate customers[12] (2019: BGN 122,370 thousand; 2018: BGN 145,650 thousand), as well as in microlending (2019: BGN 7,272 thousand; 2018: BGN 8,673 thousand). An increase was recorded in small and medium-sized enterprises (2019: BGN 43,435 thousand; 2018: BGN 39,517) and in retail banking (2019: BGN 120,811; 2018: BGN 120,721 thousand). Debt related income amounted to BGN 14,090 thousand (2018: BGN 14,806 thousand), which reflected the dynamics in the profitability and the conditions on the debt securities markets.

The last years trends in interest expenses remained, decreasing to BGN 63,016 thousand (2018: BGN 63,958 thousand), mainly due to a reduction in the expenses on customer deposits, which reached

[12] Business lines based on the Bank's internal criteria for customer segmentation

34,953 thousand BGN compared to BGN 37,775 thousand a year earlier and formed 55.5% of total interest expense During the year, First Investment Bank continued to adjust interest rates on deposit products in accordance with market conditions and competitive environment, as well as regarding the levels of liquidity. The net interest margin of the Group amounted to 3.47% for the period.

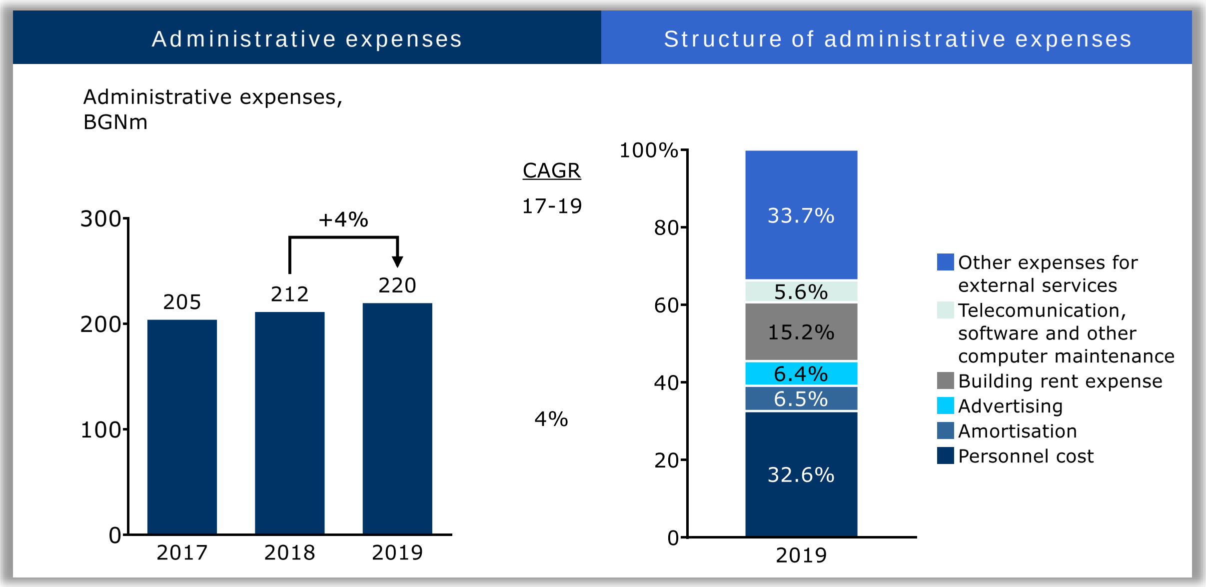


Net fee and commission income for 2019 amounted to BGN 106,774 thousand compared to BGN 97,111 thousand for the previous year, forming 24.1% of total income from banking operations of the Group (2018: 24.8%), thus providing solid input to the operating profit. Fibank's operations abroad formed 6.2% of net fee and commission income (2018: 5.5%). An increase was reported in all main services, including card services (2019: BGN 35,108 thousand; 2018: BGN 34,033 thousand), payment operations (2019: BGN 23,901 thousand; 2018: BGN 21,912 thousand), and customers accounts (2019: BGN 32,892 thousand; 2018: BGN 31,730 thousand), letters of credit and guarantees (2019: BGN 3,553 thousand; 2018: BGN 2,705 thousand) and other services (2019: BGN 35,737 thousand; 2018: BGN 29,612 thousand), including in these related to credit activity.

For 2019, net trading income increased to BGN 15,378 thousand (2018: BGN 10,809 thousand). The increase reflected mainly the higher income arising from foreign exchange operations, which amounted to BGN 15,416 thousand, compared to BGN 11,068 thousand a year earlier. Net expense was reported in the operations arising from debt and equity instruments, which amounted on total BGN 38 thousand for the period, compared to BGN 259 thousand for the previous year. The share of net trading income remained insignificant at 3.5% of total income from banking operations of the Group (2018: 2.8%).

Other operating income amounted to BGN 74,618 thousand, compared to BGN 16,321 thousand a year earlier, arising mainly from realized additional revenues from management of ceded receivables, incl. sale of portfolios amounting to BGN 54,643 thousand (2018: BGN 584 thousand). Other revenue, including income from debt instruments (2019: BGN 8,182 thousand; 2018: BGN 3,103 thousand), from equity instruments (2019: BGN 4,344 thousand; 2018: BGN 1,282 thousand), from leases (2019: BGN 5,542 thousand; 2018: BGN 8,862 thousand), as well as from the management of loans, acquired through business combination (2019: BGN 1,118 thousand; 2018: BGN 2,038 thousand).

For the year, the administrative expenses amounted to BGN 220,448 thousand against BGN 212,066 thousand a year earlier, mainly driven by higher costs on personnel (2019: BGN 71,842 thousand; 2018: BGN 70,315 thousand), as well as for external services (2019: BGN 74,378 thousand; 2018: BGN 63,784 thousand). The expenses for telecommunications, software and other computer maintenance remained almost unchanged (2019: BGN 12,401 thousand; 2018: BGN 12,400 thousand), a decrease was reported in advertising expenses (2019: BGN 14,011 thousand; 2018: BGN 16,623 thousand), as well as the amortization expenses of properties, equipment and intangible fixed assets (2019: BGN 14,392 thousand; BGN 15,342 thousand). For 2019, amortization on right of use assets amounted to BGN 33,424 thousand. For the period, cost/income ratio amounted to 44.58% on a consolidated basis (2018: 46.46%).



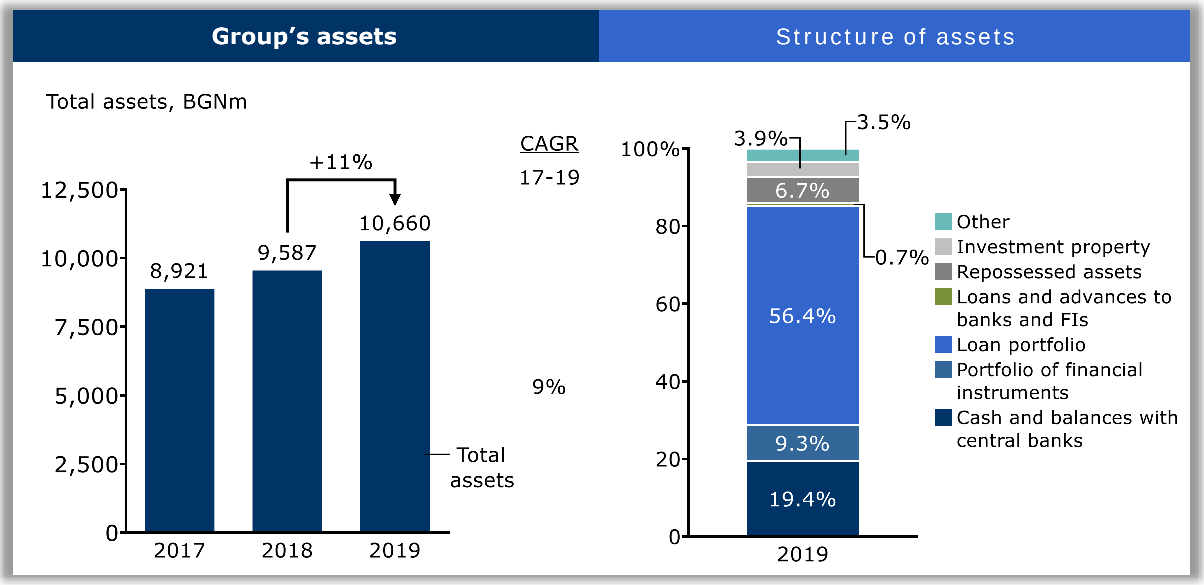
During the year an additional write-downs were made on loans, off-balance sheet commitments and other investments amounting to BGN 205,745 thousand while the reversal of write-downs were BGN 86,015 thousand, the actions being part of the measures taken by the Bank to address the recommendations from the comprehensive assessment conducted during the year. As a result of this the net impairment for 2019 amounts to BGN 119,730 thousand (2018: BGN 83,378 thousand). *For more information see section Risk Management.*

For the period the Group of First Investment Bank reported other net income amounting to BGN 51,053 thousand, which included mainly income from revaluation of investment properties (2019: BGN 72,940 thousand), dividend income (2019: BGN 5,724 thousand), net income on insurance contracts (2019: BGN 1,857 thousand), income of sale of assets (2019: BGN 1,354 thousand), as well as expenses for contributions that were made to the funds for deposit insurance, restructuring and investor compensation (2019: BGN 33,019 thousand).

For further information see the Consolidated financial statements for the year ended December 31, 2019.

BALANCE

In 2019, total assets of the Group of First Investment Bank increased with 11.2% to BGN 10,660,175 thousand, compared to BGN 9,586,681 thousand a year earlier. The dynamics reflected the development of the credit services with a focus on retail and SME banking in line with the Bank's plans, optimization of balance sheet positions and the increase in attracted funds. Fibank retained its leading positions among the banks in the country, as it was ranked fifth in terms of assets among banks in the country (2018: fourth) as at the end of 2019, with market share of 8.81% on a consolidated basis (2018: 8.82%).

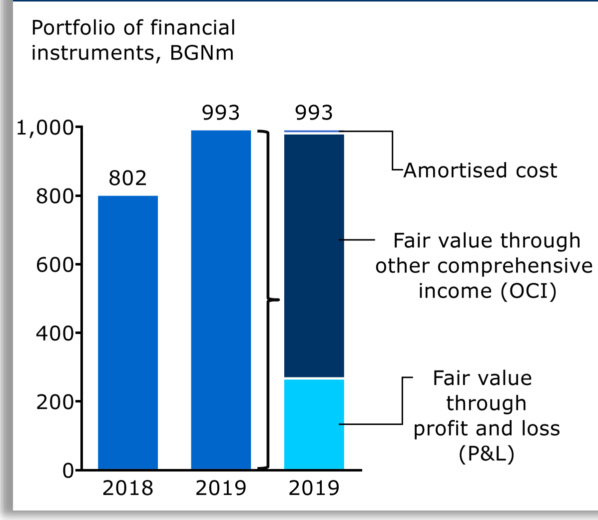


In the structure of the Group's assets, the loans and advances to customers remained structure-determining by 56.4% of total assets (2018: 59.6%), followed by cash and balances with central banks - 19.4% (2018: 17.5%) and investments in securities - 9.3% (2018: 8.4%). Repossessed assets decreased their share to 6.7% (2018: 8.5%) and investment property amounted to 3.9% of assets (2018: 2.5%) as a result of reclassification, done during the year. Loan/deposit ratio amounted to 66.1% compared to 68.5% the previous year, reflecting the conservative approach to credit risk management.

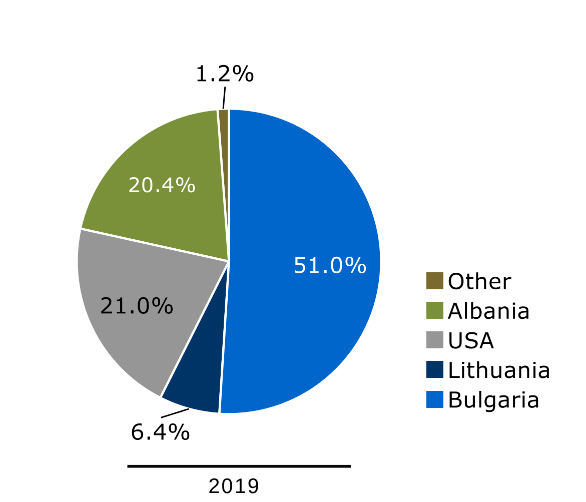
Cash and balances with central banks amounted to BGN 2,072,046 thousand or 23.7% more than the end of 2018 - BGN 1,674,754 thousand. An increase was reported in the receivables from central banks, which reached BGN 1,751,745 thousand at the end of the period (2018: BGN 1,063,080 thousand). First Investment Bank manages the cash funds in accordance with customer needs and maintaining optimal return. At the end of 2019, cash on hand amounted to BGN 206,110 thousand, compared to BGN 179,608 thousand a year earlier. Current accounts in foreign banks amounted to BGN 114,191 thousand (2018: BGN 432,066 thousand).

Loans and advances to banks and financial institutions amount to BGN 79,618 thousand at the end of the period (2018: BGN 125,483 thousand). The decrease was registered mainly in receivables from foreign banks and financial institutions (2019: BGN 65,963 thousand; 2018: BGN 96,571 thousand) as at less degree by these of local banks and institutions (2019: BGN 13,655 thousand; 2018: BGN 28,912 thousand).

Portfolio of financial instruments



Portfolio of government debt by countries



The portfolio of investments of the Group in securities was BGN 993,022 thousand as of December 31, 2019 (2018: BGN 802,321 thousand), as the dynamics reflected an increase mainly in corporate investment in corporate bonds (2019: BGN 236,975 thousand; 2018: BGN 17,574 thousand) and bonds issued by the Bulgarian government (2019: BGN 358,660 thousand; 2018: BGN 324,256 thousand), at the expense of bonds issued by the foreign governments (2019: BGN 344,542 thousand; 2018: BGN 411,958 thousand). Bonds and other securities issued by foreign banks leave almost unchanged - BGN 26,227 thousand (2018: BGN 26,480 thousand). In compliance with IFRS 9 and related to requirements on business models and the criteria on classification and evaluation of financial assets of the separate portfolios, BGN 714,082 thousand of the securities portfolio was reported at fair value through other comprehensive income (2018: BGN 775,529 thousand), BGN 266,935 thousand - at fair value through profit or loss (2018: BGN 26,044 thousand) and BGN 12,005 thousand - at amortized cost (2018: BGN 748 thousand).

As of 31 December 2019, Fibank's operations abroad formed 4.7% of the Group's assets (2018: 4.0%) and 7.5% of the liabilities (2018: 6.3%), in compliance with the development of the activity of the subsidiary bank in Albania and focused with priority toward the retail banking segment and SMEs. *For further information regarding First Investment Bank – Albania Sh.a. see section „Business review of subsidiary companies".*

Repossessed assets reported a decrease to BGN 716,129 thousand (2018: BGN 812,934 thousand), with a decrease in all major items, including lands, buildings and machines, facilities and vehicles. Investment property is increasing as a result of assets transferred during the year (2019: BGN 99,394 thousand) and revaluation made during the transfer (2019: BGN 72,940 thousand). As a result, the total amount of investment properties reached BGN 410,511 thousand, following write-offs on sold properties amounting to BGN 253 thousand and transferred to land and buildings at BGN 4,136 thousand.

Other assets of the Group amounted to BGN 116,622 thousand (2018: BGN 112,706 thousand), including deferred expenses, gold, investments in non-consolidated subsidiaries and other receivables. The right of use assets amounted to BGN 159,659 thousand as at the end of the year.

For further information see the Consolidated financial statements for the year ended December 31, 2019.

LOAN PORTFOLIO

LOANS

In 2019, the Group of First Investment Bank's net loan portfolio increased by 5.3% to BGN 6,017,137 thousand (2018: BGN 5,716,062 thousand), following the goals on priority development in the business segments of retail banking and SMEs.

In BGN thousand / % of total	2019	%	2018	%	2017	%
Retail customers	1,960,389	30.0	1,711,192	26.5	1,507,337	26.1
Microlending	163,952	2.5	140,422	2.2	121,533	2.1
Small and medium enterprises	921,704	14.1	879,136	13.6	753,438	13.1
Corporate customers	3,481,386	53.3	3,734,634	57.7	3,382,460	58.7
Gross loan portfolio	**6,527,431**	**100**	**6,465,384**	**100**	**5,764,768**	**100**
Impairment	(510,294)		(749,322)		(601,861)	
Net loan portfolio	**6,017,137**		**5,716,062**		**5,162,907**	

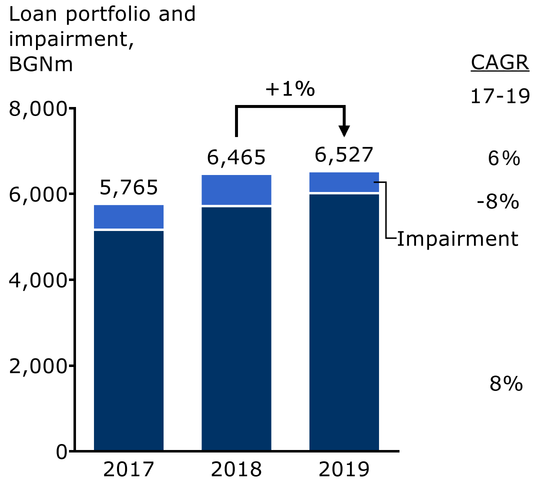
An increase was registered in retail loans, which increased their share to 30.0% of the total portfolio (2018: 26.5%), microlending to 2.5% (2018: 2.2%) and SMEs to 14.1% (2018: 13.6%). A decrease was reported in loans to corporate customers, with their share falling to 53.3% of total loans (2018: 57.7%). As of December 31, 2019, First Investment Bank was fourth in terms of loans among banks in the country with a market share of 10.00% (2018: 10.69%).

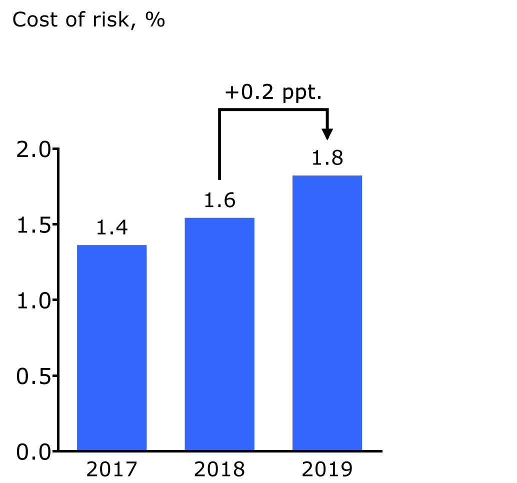
In BGN thousand / % of total	2019	%	2018	%	2017	%
Loans in BGN	3,371,730	51.7	3,149,075	48.7	2,723,674	47.2
Loans in EUR	2,932,912	44.9	3,142,067	48.6	2,920,875	50.7
Loans in other currency	222,789	3.4	174,242	2.7	120,219	2.1
Gross loan portfolio	**6,527,431**	**100**	**6,465,384**	**100**	**5,764,768**	**100**
Impairment	(510,294)		(749,322)		(601,861)	
Net loan portfolio	**6,017,137**		**5,716,062**		**5,162,907**	

In the currency structure of the loan portfolio, the loans in BGN increased to BGN 3,371,730 thousand (2018: BGN 3,149,075 thousand) or 51.7% of the total portfolio (2018: 48.7%). A decrease was reported in the loans in EUR to BGN 2,932,912 thousand at the end of the period (2018: BGN 3,142,067 thousand), which decreased their share to 44.9% (2018: 48.6%) in total loans. There is a Currency Board Arrangement functioning in the country, which minimizes currency risk BGN/EUR. Bulgaria has formally declared its intention to join the Exchange rate mechanism II (ERM II) and the Single Supervisory Mechanism (SSM), which is a step towards joining the Euro Area. Loans in other currency amounted to BGN 222,789 thousand (2018: BGN 174,242 thousand), forming 3.4% of the total loan portfolio (2018: 2.7%).

Loans granted by the subsidiaries of First Investment Bank abroad constituted 3.8% of the gross portfolio of the Group (2018: 3.1%), as reflecting the increase in the loan portfolio of First Investment Bank – Albania Sh.a. to individuals and SMEs. *For further information see section „Business review of subsidiary companies*”.

Loan portfolio and impairment	Cost of risk

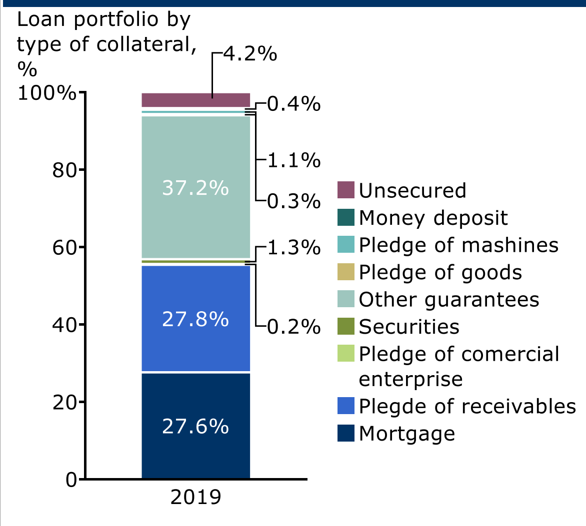


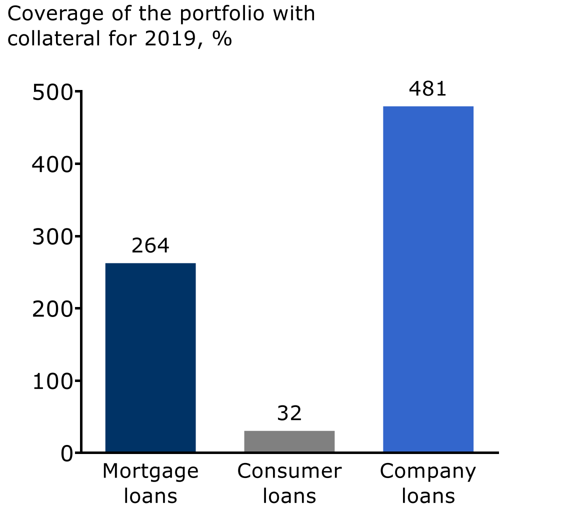


In 2019, Fibank managed the credit risk in accordance with the set targets in compliance with the regulatory requirements of the European and local legislation. At the end of the period the impairment for calculation of the potential losses on the loan portfolio amounted to BGN 510,294 thousand compared to BGN 749,322 thousand a year earlier. The main impact had the write-off of impaired exposures in the amount of BGN 359,628 thousand (2018: BGN 212,985 thousand). During the year, an additional allowances were accrued on the amount of BGN 204,265 thousand, reflecting mainly the more conservative approach to credit risk assessment after the Asset quality review (AQR). Impairment of BGN 84,990 thousand was reintegrated for the period.

The policy of First investment bank is to require customers to provide adequate collateral before granting loans. It accepts all types of collateral permitted by law and applies discount rates depending on the expected realizable value.

Loan portfolio by type of collateral	Coverage of the portfolio with collateral





At the end of 2019 collaterals with the largest share in the Group's portfolio were other guarantees at 37.2%, followed by pledges of receivables at 27.8% and mortgages at 27.6%.

For further information on credit risk, see Note 3 "Risk Management" of the Consolidated Financial Statements for the year ended December 31, 2019.

RELATED PARTY TRANSACTIONS

In the normal course of business the Bank carries out transactions with related parties. These transactions are effected in market conditions and are in compliance with the effective legislation.

Type of related party	Parties that control or manage the Bank		Enterprises under common control	
In BGN thousand	**2019**	**2018**	**2019**	**2018**
Loans	2,327	1,769	7,709	11,179
Deposits and loans received	11,718	12,862	9,459	12,928
Deposits placed	-	-	18,748	19,704
Other receivables	-	-	16,790	22,118
Off-balance sheet commitments	975	1,283	1,062	351

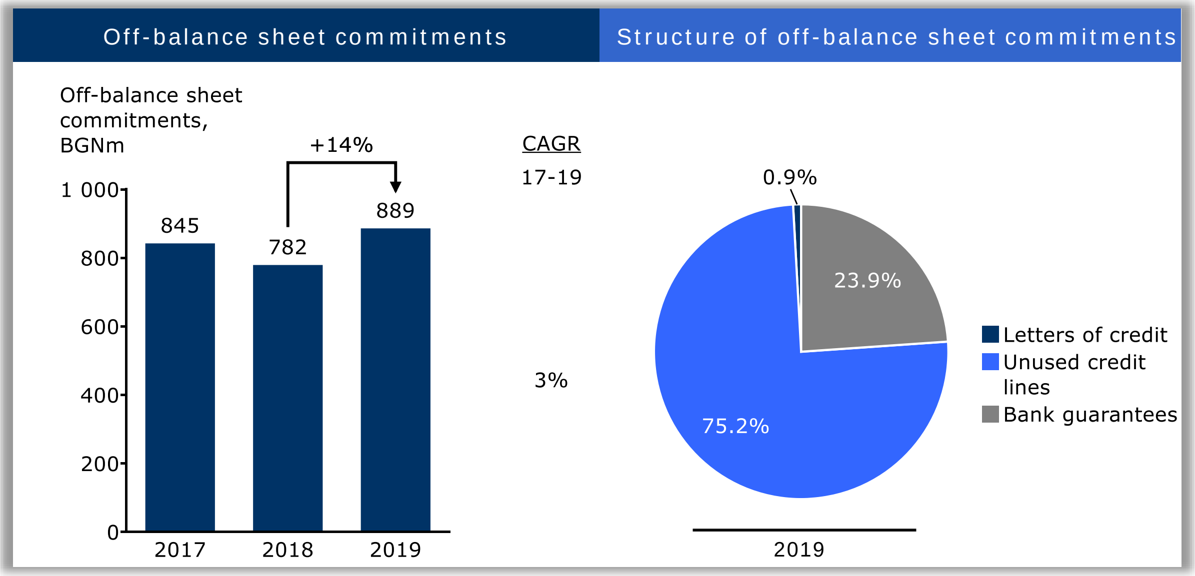
For more information regarding related party transactions, see Note 35 "Related party transactions" of the Consolidated financial statements for the year ended December 31, 2019.

COMMITMENTS AND CONTIGENT LIABILITIES

Contingent liabilities, undertaken by the Bank, include bank guarantees, letters of credit, unused lines of credit and promissory notes, and more. They are provided according to Fibank's general credit policy for risk assessment and security, as with respect to the offered documentary operations the Bank also applies the unified international rules in this area, protecting the interests of the parties that are involved in the operation.

Contingent liabilities are the preferred instrument of credit institutions because they carry lower credit risk, while being a good source of income from fees and commissions. They are also preferred by customers because they are cheaper than immediate payment, and help to facilitate payments and provide additional security for the parties to the transaction.

At the end of the reporting period the total amount of off-balance sheet commitments amounted to BGN 889,230 thousand, compared to BGN 782,417 thousand. The increase was mainly the result of growth in unused lines of credit - up to BGN 668,866 thousand (2018: BGN 536,049 thousand). A decrease was reported for bank guarantees to BGN 212,534 thousand (2018: BGN 230,239 thousand), as well as for letters of credit to BGN 7,830 thousand (2018: BGN 16,129 thousand).



For more information on off-balance sheet commitments, see Note 32 "Commitments and contingent liabilities" from the Consolidated financial statements for the year ended December 31, 2019.

ATTRACTED FUNDS

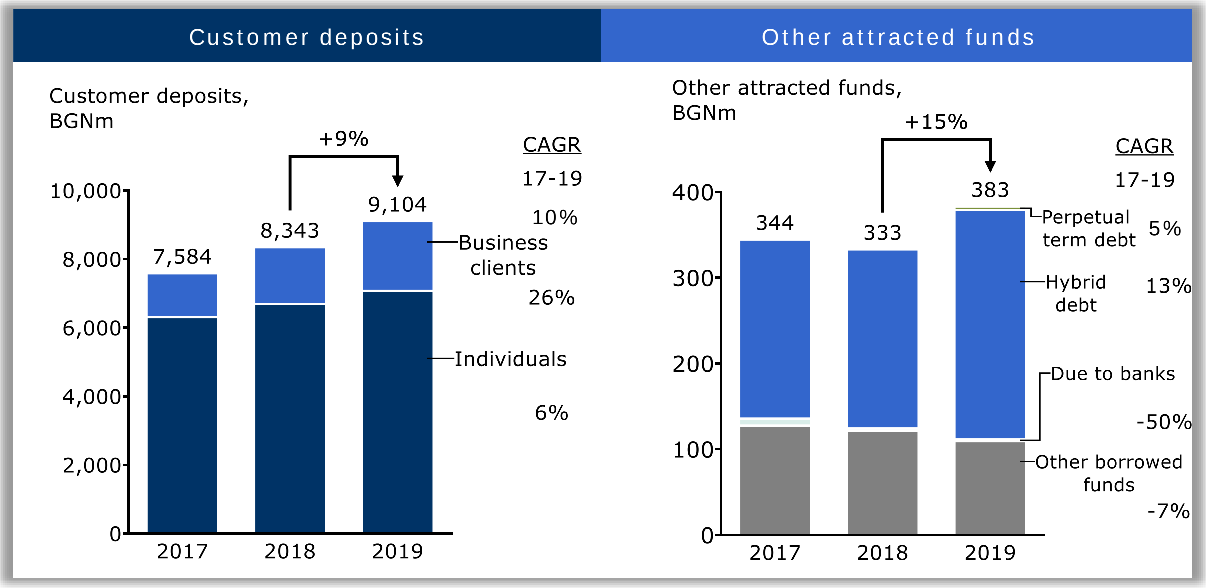
In 2019, attracted funds from customers increased by 9.1% (BGN 761,330 thousand) and reached BGN 9,104,021 thousand (2018: BGN 8,342,691 thousand), thus remaining the main source of funding for the Group with 94.0% of total liabilities (2018: 95.4%). First Investment Bank offers various savings products, as well as package programs, in line with the market conditions and customers' needs. As at 31 December 2019, the Bank was fourth in terms of deposits among banks in Bulgaria (2018: fourth) with a market share of 9.53% on a consolidated basis (2018: 9.57%).

The funds attracted from individuals grew by 5.1% to BGN 7,073,178 thousand at the end of the period compared to BGN 6,685,678 thousand a year earlier. They retained their structure-defining share in the total deposits due to customers at 77.7% (2018: 80.1%). In the currency structure of attracted funds from individuals, funds in BGN formed the majority at 44.3% of total deposits from customers (2018: 44.5%), followed by those in EUR at 25.8% (2018: 27.6%) and in other currencies at 7.6% (2018: 8.1%).

In BGN thousand / % of total	2019	%	2018	%	2017	%
Attracted funds from individuals	**7,073,178**	**77.7**	**6,685,678**	**80.1**	**6,305,463**	**83.1**
In BGN	4,032,471	44.3	3,709,545	44.5	3,467,849	45.7
In EUR	2,347,852	25.8	2,304,045	27.6	2,216,508	29.2
In other currency	692,855	7.6	672,088	8.1	621,106	8.2
Attracted funds from corporate, state-owned and public institutions	**2,030,843**	**22.3**	**1,657,013**	**19.9**	**1,278,356**	**16.9**
In BGN	1,293,489	14.2	959,992	11.5	768,027	10.1
In EUR	563,299	6.2	513,060	6.1	343,011	4.5
In other currency	174,055	1.9	183,961	2.2	167,318	2.2
Total attracted funds from customers	**9,104,021**	**100**	**8,342,691**	**100**	**7,583,819**	**100**

In accordance with regulatory requirements First Investment Bank allocates the required annual premiums for the Deposit Insurance Fund, as according to the law, the amount guaranteed by the Fund on a customer's bank accounts held with the Bank is BGN 196,000.

Attracted funds from corporates and institutions increased by 22.6% to BGN 2,030,843 thousand (2018: BGN 1,657,013 thousand) as a result of the consecutive Bank's policy of cross sales, development of transactional business in compliance with the new technologies and European payment infrastructure, as well as maintaining long-term relations with customers. At the end of 2019 their share increased to 22.3% of the total deposits from customers (2018: 19.9%). In the currency structure of attracted funds from corporates and public institutions, funds in BGN formed 14.2% of total deposits from customers (2018: 11.5%), those in EUR - 6.2% (2018: 6.1%), while those in other currencies at 1.9% (2018: 2.2%).



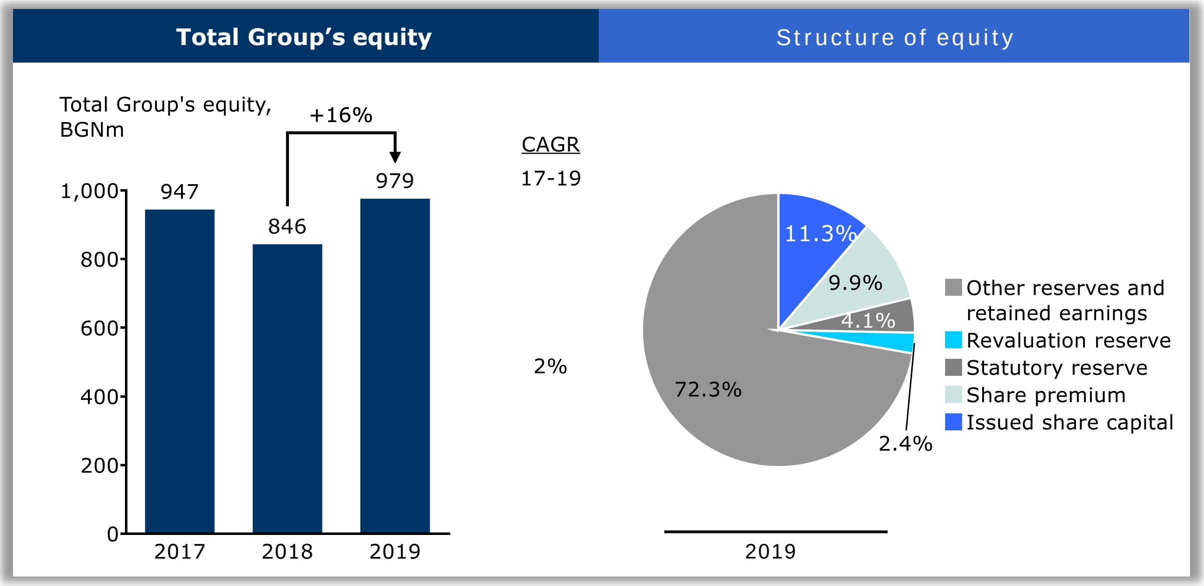
Other borrowed funds amounted to BGN 109,348 thousand as at 31 December 2019 compared to BGN 121,120 thousand a year earlier, as a decrease was reported in liabilities on the acceptances under letters of credit (2019: BGN 10,164 thousand; 2018: BGN 13,553 thousand) and in financings from financial institutions (2019: BGN 25,809 thousand; 2018: BGN 31,078 thousand). They included attracted funds mainly from the European Investment Fund under the JEREMIE 2 initiative at BGN 7,419 thousand (2018: BGN 13,674 thousand), from the Bulgarian Development Bank AD at BGN 16,137 thousand (2018: BGN 17,336 thousand), as well as a new attracted funds from the Fund Manager of Financial Instruments in Bulgaria (The Fund of Funds) at BGN 2,250 thousand. *For more information see section Europrograms*. As at the end of the year the amortized cost of the debt related to agreements for full swap of profitability amounted to BGN 73,375 thousand (2018: BGN 73,276 thousand).

For 2019 the liabilities due to banks in current accounts amounted to BGN 2,007 thousand, compared to BGN 3,024 thousand a year earlier. The leasing liabilities amounted to BGN 159,633 thousand as at the end of the year.

For more information on borrowings see the Consolidated Financial Statements for the year ended December 31, 2019.

CAPITAL

As at 31 December 2019, the issued share capital of First Investment Bank amounted to BGN 110,000 thousand, divided into 110,000,000 ordinary, registered, dematerialized, voting shares in the General Meeting of Shareholders, with a nominal value of BGN 1 each. The issued share capital is fully paid. The total Group equity of Group of First Investment Bank increased by 15.7% to BGN 978,917 thousand (2018: BGN 846,272 thousand) as a result of the increase in other reserves and retained earnings, which reached BGN 704,770 thousand at the end of the period (2018: BGN 573,087 thousand).



In December 2019, it was decided to increase the Bank's capital from BGN 110 million to BGN 150 million by issuing of up to 40 million new ordinary, registered, dematerialized voting shares in the General Meeting of Shareholders, each with a face value of BGN 1 and an issue value of BGN 5. The Bank's capital will be increased if at least 4,000,000 (four million) shares are subscribed and paid, and the increase will be with the value of the subscribed shares. In the capital increase, rights are planned to be issued in accordance with the provisions of the Law on Public Offering of Securities, which entitle the shareholders to subscribe shares from the increase in proportion to their participation in the Bank's capital before the increase. One right is issued against each existing share. Each 2.75 rights allowed one new share to be subscribed. First Investment Bank intended to use the additional capital in implementing its priority lending strategy for small and medium-sized businesses and individuals.

REGULATORY CAPITAL

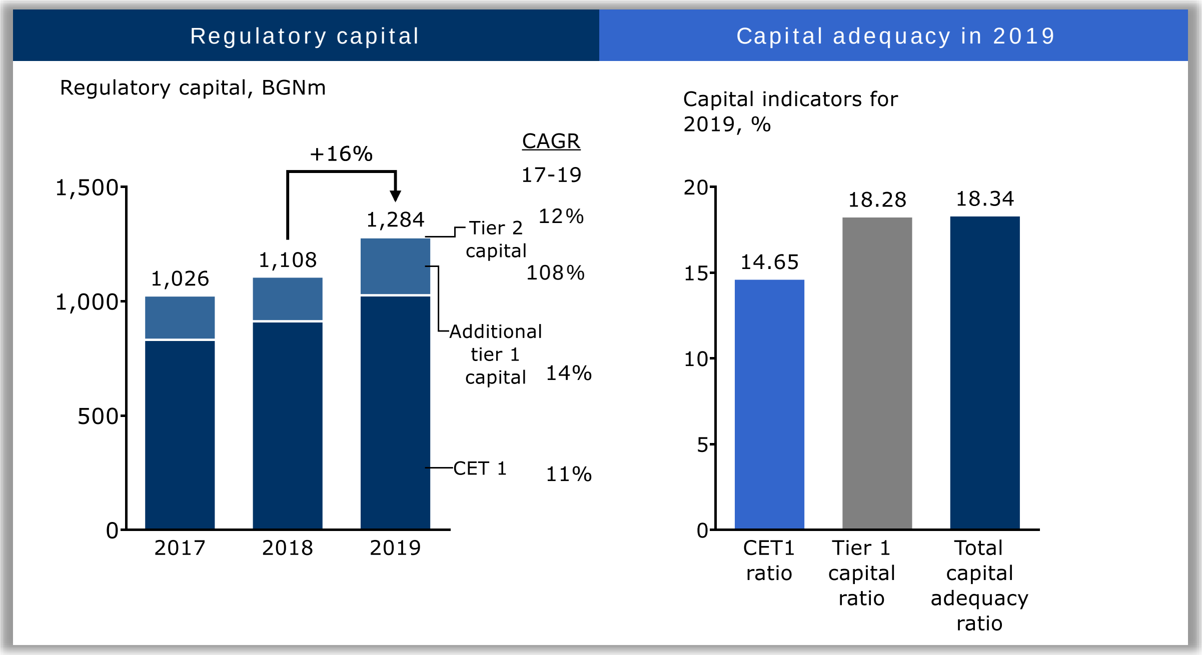
First Investment Bank maintains own funds for the purpose of capital adequacy under the form of common equity tier 1 and additional tier 1, following the requirements of Regulation (EU) No575/2013, incl. the EC implementing regulations, and Ordinance No7 of the BNB on the organization and management of risks in banks.

In 2019, First Investment Bank continued its consistent policy for capital development focusing on common equity tier 1 capital. At the end of the reporting period common equity tier 1 grew by 12.5% to BGN 1,025,869 thousand (2018: BGN 912,088 thousand). As a result of this, tier 1 capital also grew to reach BGN 1,280,127 thousand (2018: BGN 1,107,671 thousand) at the end of the period. The total own funds amounted to BGN 1,284,039 thousand compared to BGN 1,107,671 thousand a year earlier.

At the end of 2019, First Investment Bank successfully placed, under the terms of private offering, a new debt-equity (hybrid) instrument (bond issue) with a total face value and issue value of EUR 30 million. Bonds are registered, dematerialized, interest-bearing, perpetual, unsecured, freely transferable, non-convertible, deeply subordinated and without incentive to redeem, eligible for Tier 1 capital inclusion. As a result, the amortized cost of hybrid debt at the end of the period increased to BGN 267,615 thousand (2018: BGN 208,786 thousand). *For more information, see Note 29 "Hybrid debt" of the Consolidated financial statements for the year ended December 31, 2019*

As at 31 December 2019, First Investment Bank had issued two hybrid instruments (bond issues) with an original principal in the amount of EUR 40 million (ISIN: BG2100008114) and EUR 60 million (ISIN: BG2100022123), which are included in the additional tier 1 capital of the Bank. Both hybrid bond issues are admitted to trade on a regulated market at the Luxembourg Stock Exchange.

In April 2019, the Bank's subsidiary, First Investment Bank - Albania Sh.a., issued EUR 2 million subordinated term debt (long-term bonds) under the terms of private placement, eligible for Tier 2 capital inclusion. As at 31 December 2019, the amortized cost of the debt was BGN 3,943 thousand.



For the purpose of reporting large exposures and qualifying holdings outside the financial sector, First Investment Bank applies the definition of eligible capital, which includes tier 1 capital and tier 2 capital, which cannot exceed 1/3 of tier 1 capital. As at 31 December 2019, the eligible capital of First Investment Bank, calculated in accordance with Regulation (EU) No 575/2013 and Ordinance No7 of BNB for the organization and management of risks in banks amounted to BGN 1,284,039 thousand.

Pursuant to Regulation (EC) 2017/2395 of the European Parliament and of the Council of 12 December 2017 for amending Regulation (EC) 575/2013, the banks have been provided with the option to choose to apply transitional measures for mitigating the impact of the introduction of IFRS 9 on regulatory own funds. With these a five-year term is being defined for gradual introduction during which banks can add a specific amount to the common equity tier 1, calculated in accordance with the approach chosen (the so-called static approach or static approach with dynamic part included) and in accordance with the coeficients for transitional arrangements in the amount of 0.85 for 2019, 0.70 for 2020, 0.50 for 2021 and 0.25 for 2022.

In this regard, it was decided during the transitional period until 2022, First Investment Bank to apply the measures under Article 473a of Regulation (EU) No 575/2013, including the additional relief provided for in paragraph 4 - the so-called dynamic part of the transitional treatment.

CAPITAL REQUIREMENTS

At end-2019 the capital indicators of the Group of First Investment Bank were as follows: the common equity tier 1 ratio was 14.65%, the tier 1 capital ratio was 18.28% and the total capital adequacy ratio was 18.34%, exceeding the minimum regulatory capital requirements – respectively 4.5%, 6.0% and 8.0%, definited in Regulation (EU) № 575/2013.

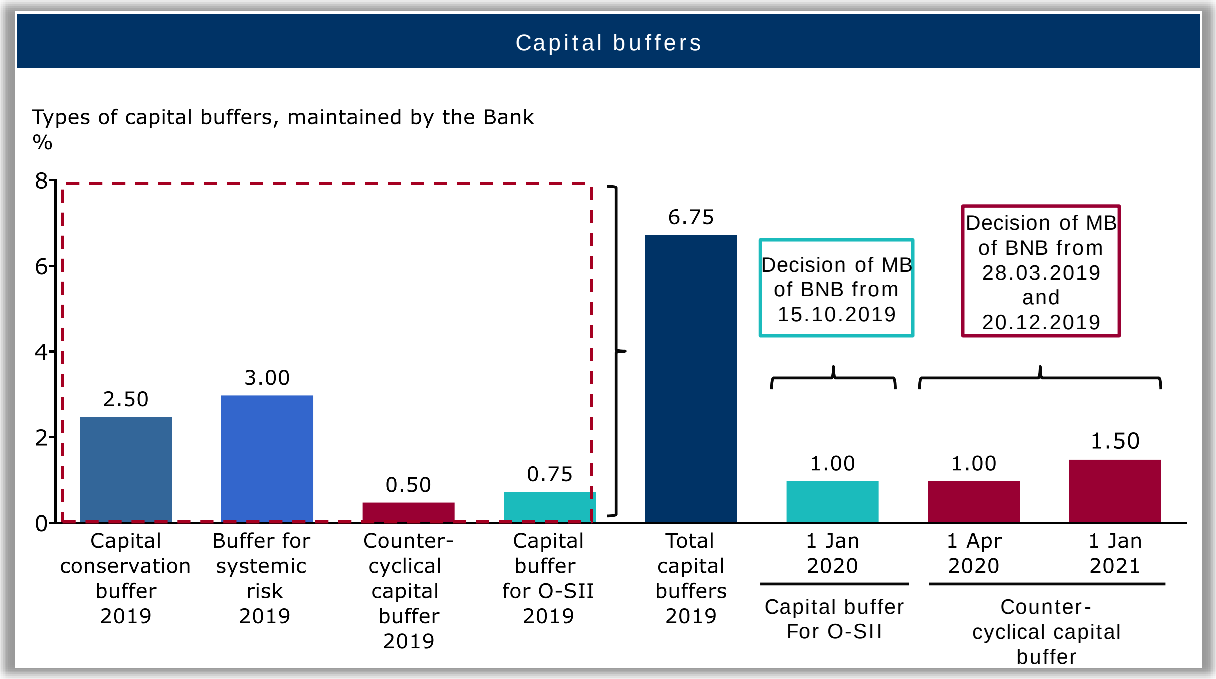
In BGNth/% of risk exposures	2019	%	2018	%	2017	%
CET 1 capital	1,025,869	14.65	912,088	13.30	831,161	12.87
Tier 1 capital	1,280,127	18.28	1,107,671	16.15	1,025,305	15.87
Own funds	1,284,039	18.34	1,107,671	16.15	1,026,205	15.89
Total risk exposures	**7,003,184**		**6,858,936**		**6,458,822**	

In 2019 the application of complex measures with regards to capital levers in key areas were continued, including through profit retention, diversification of the loan portfolio, maintaining high discipline with regards to risk management, as well as actions related to the issuance of additional eligible capital through the issuance of a new debt-equity (hybrid) instrument and the realization of a public issue of shares.

CAPITAL BUFFERS

In addition to the capital requirements, pursuant to Regulation (EU) No 575/2013, First Investment Bank maintains four capital buffers in compliance with the requirements of Ordinance No8 of the BNB on capital buffers.

First Investment Bank maintains a capital conservation buffer, comprised of common equity tier 1 capital, equal to 2.5% of the total risk exposure of the Bank, as well as buffer for systemic risk covered by common equity tier 1 capital with the aim for decreasing the effect of potential long-term non-cyclical system or macroprudential risks in the banking system in the country. In 2019 the level of the capital buffer for systemic risk applicable to all banks in Bulgaria remained unchanged at 3% of the total risk exposures in the country.



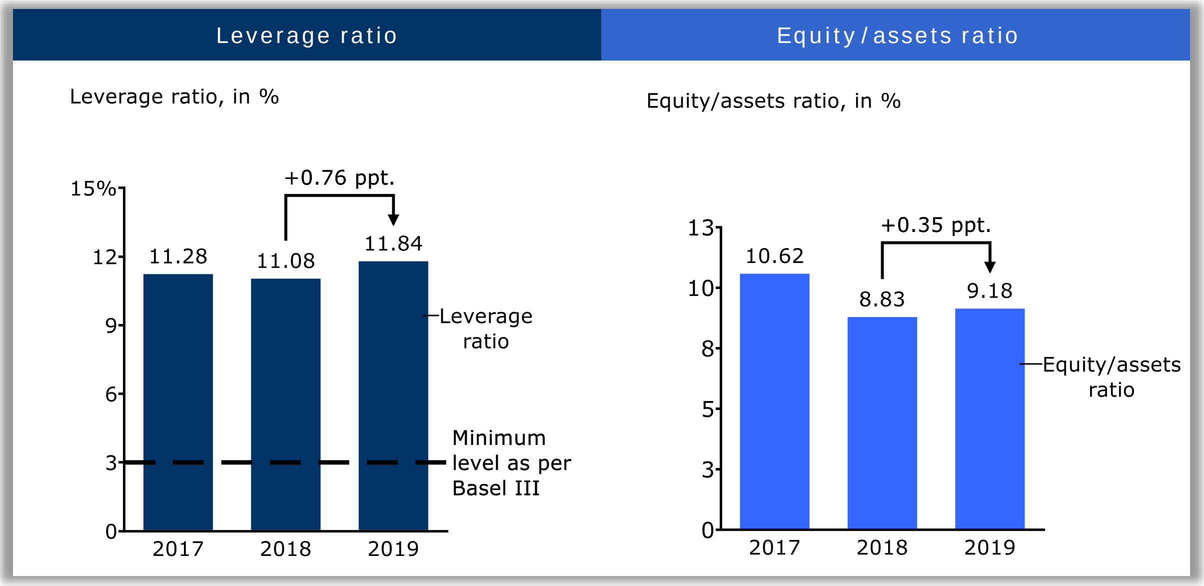
With the aim for protection of the banking system against potential losses arising from accumulated cyclical systemic risk in periods of excessive credit growth, the banks in Bulgaria, incl. Fibank maintains countercyclical capital buffer, applicable to credit risk exposures in the Republic of Bulgaria. Its level is determined by the Bulgarian National Bank each quarter and from October 2019 it is defined at 0.5%, and following decisions increased its level up to 1% in force as of April 2020 and up to 1.5% in force as of January 2021.

In addition, the determined by BNB other systematically important institutions (O-SII) in the country among which First Investment Bank AD should maintain a buffer for O-SII with a view on their significance for the national economy and financial system. The applicable for Fibank buffer for O-SII on an individual and consolidated basis, determined as a share of the total value of the risk exposures, is in the amount of 0.75% for 2019 and 1.0% for 2020.

LEVERAGE

The leverage ratio is an additional regulatory and supervisory tool, which measures the required capital maintained by banks that is not risk-sensitive or risk-weighted, thereby complementing and building on the risk-based capital ratios applicable under the existing regulatory framework. In terms of the leverage ratio, an observation period is under way during which banks measure and disclose the ratio, with a view to its introduction as a mandatory requirement by the CRR2/CRDV package with a minimum level of 3% as of June 2021.

First Investment Bank calculates the leverage ratio by matching its Tier 1 capital to the total exposure of the Bank (assets, off-balance sheet items, and other exposures to derivatives and securities financing transactions), subject to the requirements of Delegated Regulation (EU) 2015/62 of the Commission concerning the leverage ratios and the other applicable regulations. As at 31 December 2019, the leverage ratio amounted to 11.84% on a consolidated basis compared to 11.08% for the previous period.



First Investment Bank has written rules in place to identify, manage and monitor the risk of excessive leverage resulting from potential vulnerability of the Bank related to the maintained levels of leverage. The risk of excessive leverage is currently monitored based on specific indicators, which include the leverage ratio, calculated in accordance with applicable regulatory requirements, as well as the mismatches between assets and liabilities. The Bank manages this type of risk using various scenarios, including such that take into account its possible increase due to a decrease in the Tier 1 capital resulting from potential losses. The leverage ratio is also part of the capital indicators of the system for ongoing monitoring and early warning, and is incorporated in the framework for risk management at the Bank, including in the management processes in case of potential financial risks.

For more information on capital see the Consolidated Financial Statements as at 31 December 2019.

RISK MANAGEMENT

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

In 2019 the Bank performed its activity in line with the approved risk strategy and in accordance with the goals for development, by further enhancing the control mechanisms with respect to risks inherent to the banking activity, including developing additional capital buffers. Focus during the year was placed on executing the goals for reducing and management of nonperforming exposures, incl. through sales of portfolios, as well as with respect to long-term priorities towards optimizing non-interest assets and ensuring their effective realization.

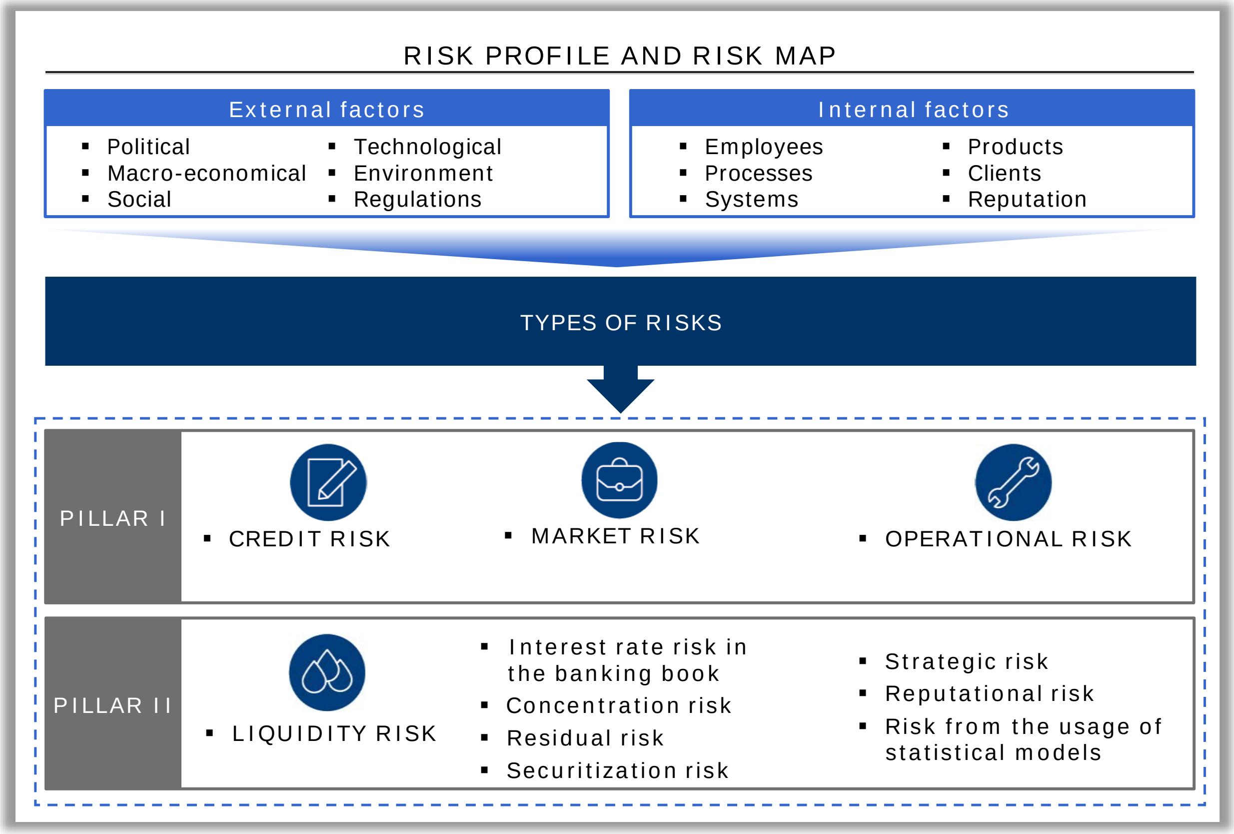
RISK MANAGEMENT STRATEGY

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, as well as to 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

RISK MAP

First Investment Bank develops a risk map, which classifies the risks into different types and identifies those the Bank is exposed to or may be exposed to in its activity. It is updated once a year or more often if needed, aiming at defining all material risks and their adequate integration within the risk management framework of the Bank.



The types of risks are differentiated into groups (Pillar 1 and Pillar 2) as well as the methods for their measurement in accordance with the applicable regulatory framework.

RISK APPETITE

Risk appetite reflects the types and size of risks the Bank is able and willing to take in order to achieve its strategic business goals. The risks identified in the risk map are included in the risk appetite. With the aim of maintaining a moderate risk profile, the main goals on the basis of which the risk strategy is structured, are defined, as follows:

- achieving a sustainable level of capital to ensure good risk taking capacity, as well as capacity to cover risks in the long term;
- maintaining good asset quality while providing for an efficient decision-making process;
- achieving a balanced risk/return ratio for all business activities of the Bank.

With respect to its risk profile, the strategy is focused on priority development in the retail and SME segments, as well as constant maintaining an effective control environment for existing business processes, accompanied by active management of operational risk, maintaining an adequate level of unencumbered liquid assets, and limiting the assumed market risk within the current levels.

The risk appetite is subject to review by the Managing Board and approval from the Supervisory Board once a year or more often, if needed, in accordance with the business environment dynamics. It is part of the annual process for defining the strategy and planning within the Bank.

RISK CULTURE

Prudent and consistent risk culture is one of the key elements of effective risk management. In compliance with the best standards, the Bank seeks to develop a risk culture that will further enhance visibility and prevention in terms of individual risk types, their identification, evaluation and monitoring, including by applying appropriate forms of training among the employees and senior management involved in risk management.

The Bank aims at applying the following principles for ensuring high risk culture:

- risk taking within the approved risk appetite;
- approval of every risk in accordance with the effective approval levels and the internal risk management framework;
- current/ongoing monitoring and risk management;
- responsibility of employees of all levels to the management and escalation of risks, while applying a conservative and future-oriented approach in their assessment;
- effective communication and constructive criticism aimed at making rational and informed decisions, as well as creating conditions for open and positive engagement throughout the organization;
- applying appropriate incentives to contribute to sound and efficient management, discouraging risk-taking in excess of the level acceptable to the Bank.

RISK MANAGEMENT FRAMEWORK

The risk management framework of First Investment Bank includes automated systems, 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, independence, clearly defined levels of competencies and authority, adequacy of the intrabank requirements to the nature and volume of activity, effective mechanisms for internal audit and control. The Bank meets the requirements of current legislation to credit institutions for the preparation and maintenance of current recovery plans in case of potential occurrence of financial difficulties and for the continuity of processes and activities, including with regard to recovery of all critical functions and resources.

LINES OF DEFENCE

The risk management framework of First Investment Bank is structured in accordance with the principle and model of the three lines of defense which is in compliance with the Basel Committee for Banking Supervision principles for corporate governance in banks:

- First line of defense: the business units which take the risk and are responsible for managing it, including through identification, assessment, reporting in accordance with current limits, procedures and controls implemented in the Bank;
- Second line of defense: the Risk Management and Compliance functions which are independent of the first line of defense. The Risk Management function monitors, assesses and reports risks, while the Compliance function monitors and controls the maintaining of internal regulations in compliance with the applicable regulatory provisions and standards;
- Third line of defense: Internal Audit which is independent of the first and the second lines of defense. It provides an independent review of the quality and effectiveness of risk management, business processes and banking activity, as well as of the business planning and internal policies and procedures.

In 2019 the Bank allocated efforts and resources for further developing its policies on internal governance with respect to internal control framework and the independent risk management, compliance and audit functions in accordance with the new requirements in this sphere, incl. the changes in Ordinance No 10 of the BNB on the Organisation, Governance and Internal Control of Banks, Ordinance No 7 of the BNB on Organisation and Risk Management of Banks and the EBA Guidelines on internal governance (EBA/GL/2017/11).

STRUCTURE AND INTERNAL ORGANISATION

First Investment Bank has a developed risk management and control function, organized in line with the recognized international practices and standards, under the management of a Chief Risk Officer (a member of the Managing Board) with appropriate experience and qualifications and directly reporting to the Risk Committee of the Supervisory Board.

The Chief Risk Officer organizes the overall risk management framework of the Bank, manages the process of its implementation, coordinates the activities of the risk committees of the Bank, and controls the credit process in its entirety, including the process of collection of problem loans. He ensures the effective monitoring, measuring, controlling and reporting of all types of risk to which the Bank is exposed.

First Investment Bank has also developed a compliance function, whose main objective is to identify, assess, monitor and report the risk of non-compliance. The function ensures the compliance of activities with regulatory requirements and recognized standards, and supports the Managing Board and senior staff in the management and control of this risk. The function is organized under a Chief Compliance Officer who is subordinated to the Chief Executive Officer and has direct reporting to the Risk Committee of the Supervisory Board.

The Chief Compliance Officer is responsible for the overall organization of management of the Compliance function in First Investment Bank. He coordinates the identification of regulatory requirements and the compliance of the Bank's activity with them, and ensures integration of the Compliance function in the established risk management framework across the Bank, by all business units and at all levels.

The Bank maintains an information system allowing for the 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 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

The overall process of risk management is carried out under the guidance of the Managing Board of First Investment 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 existing internal bank rules and procedures.

Risk committee advises the Supervisory Board and the Managing Board in relation to the overall current and future strategy on ensuring compliance of the risk policy and risk limits, risk-taking propensity and control on its execution by the senior management. In 2019 changes were made to the composition of the committee, aiming at optimizing the activity and compliance with the applicable regulatory requirements in this sphere. As at 31 December 2019, the Risk Committee consisted of three members of the Supervisory Board of First Investment Bank AD. The Chairman of the Risk Committee is Mr. Jyrki Koskelo, independent member of the Supervisory Board. The Bank fulfills the requirement towards significant banks, the majority of members of the committee to be independent under the meaning of art.10a, par.2 of LCI.

For supporting the activity of the Managing Board in managing the various types of risks, the following **collective management bodies** operate at the Head Office of First Investment Bank: a Credit Council, an Asset, liability and Liquidity management Council (ALCO), a Restructuring Committee and an 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, including with regards to proposals from the operational/business units in the Head Office, as well as from the branches of the Bank in the country and abroad. The Chairman of the Credit Council is the Chief Risk Officer (CRO), while the other members include the Chief Corporate Banking Officer (CCBO), the Director and Member of the Managing Board regarding SME Banking, as well as the Director of the Credit Risk Management, Monitoring and Provisioning department**.**

The **Asset, liability and Liquidity management Council (ALCO)** is a specialized collective body which advises the Managing Board on matters relating to implementing the policy for asset and liability management, and maintaining adequate liquidity in the Bank. It carries out systematic analysis of the interest-rate structure of assets and liabilities, of the maturity ladder and of liquidity indicators, with a view to possible early warning and taking actions for their optimization. The Chairperson of ALCO is the chairman of the Managing Board of the Bank, and other members include the Chief Risk Officer (CRO), the Chief Financial Officer (CFO), the Chief Retail Banking Officer (CRBO), the Chief Corporate Banking Officer (CCBO) and the directors of the Treasury, Risk Analysis and Control and Retail Banking departments.

The **Restructuring Committee** is a specialized internal bank body responsible for the monitoring, evaluation, classification, impairment and provisioning of risk exposures and commitments. It also gives motivated written proposals to the Managing Board, and decides on restructuring of exposures according to the current authority levels in the Bank. The Chairman of the Restructuring Committee is the Director of the Impaired Assets department, while the rest of its members include: representatives from Credit Risk Management, Monitoring and Provisioning; Corporate Banking; SME Banking; Retail Banking; Legal and Finance departments. In the meetings of the Restructuring Committee don't participate employees of the Bank who were directly involved in taking lending decisions.

The **Operational Risk Committee** is an advisory body to the MB, designed to help the adequate management of operational risk by monitoring and analyzing operating events. The Committee proposes measures to minimize operational risks, as well as prevention measures. The Chairman of Operational Risk Committee is the director of Risk Analysis and Control department and the other permanent members are representatives of the following departments: Card Payments; Compliance – Regulations and Standards; Accounting; Operations and Branch Network. As additional members can participate representatives from Security, Legal and Human Capital Management departments.

Apart from the collective management bodies, the following departments also function in First Investment which are independent (separate from the business units) structural units in the organizational structure of the Bank: Risk Analysis and Control; Credit Risk Management, Monitoring and Provisioning; Compliance – Regulations and Standards; Compliance – Specialized Monitoring and Control.

The Risk Analysis and Control department performs functions for the identification, measurement and management of the various types of risks inherent in the Bank's activity. The department monitors the determined levels of risk appetite and risk tolerance, is responsible for the implementation of new requirements relating to risk assessment and capital adequacy, and assists other departments in carrying out their functions related to risk management and control.

The Credit Risk Management, Monitoring and Provisioning department performs the functions of management and monitoring of credit risk, and exercises secondary control over risk exposures according to the current authority levels on loan transactions in the Bank. The department manages the process of categorization of credit exposures, including the assessment of potential losses.

The Compliance – Regulations and Standards department carries out the activities of identifying, assessing and managing the risk of non-compliance, ensures adequate and legitimate internal regulatory framework in the structure of the Bank, and monitors for compliance of the Bank's products and services with existing regulations.

The Compliance – Specialized Monitoring and Control department carries out the Bank's activities related to the prevention of money laundering and financing of terrorism as a specialized office under Art. 106 of the Law on Measures against Money Laundering (LMAML), and exercises control over the application of requirements for combating and preventing fraud. The Compliance function in the Bank also includes specialized units engaged in customer satisfaction and control of investment services and activities. During the year, the Bank continued bringing its activity in line with the requirements of the LMAML, incl. with regards to applying the new Rules for application of the Law on Measures against Money Laundering.

In 2019 a new specialized unit for Strategic Risk Management was established aiming at identifying and assessing the strategic risk, incl. the main risks on the Bank's strategic projects, as well as analyzing the realistics of the assumptions embeded in the strategies of the Bank with respect to changes in the external environment and the markets it operates on. In this regard, the policies of the Bank for managing strategic risk were further developed during the year.

SYSTEM OF LIMITS

First Investment Bank applies a system of internal limits for different types of risks, in line with the regulatory requirements and the Bank's risk management strategy, including limits by client/counterparty, type of instrument and portfolio, sector, market, etc. The limits applied are monitored on a regular basis and are subject to periodic review and update in line with the risk appetite, market conditions and current regulatory framework.

For more information on the internal limits for different types of risk, see the subsections on credit risk, market risk, liquidity risk, operational risk, as well as the Consolidated Financial Statements for the year ended 31 December 2019.

RECOVERY PLAN

In pursuance of the Law on Recovery and Resolution of Credit Institutions and Investment Firms, banks in the country are required to prepare and maintain recovery plans in case of potential occurrence of financial difficulties.

In 2019, First Investment Bank updated its recovery plan as the reporting levels of risk indicators were reviewed, incl. capital indicators in line the applicable to the Bank requirements for maintaining capital buffers. Updated were also the applied stress scenarios, incl. detailed and further developed the underlying assumptions, as well as the recovery options/measures for potential implementation of each one of them, taking into consideration the actions taken for addressing the results from the comprehensive assessment of the Bank (AQR and stress test), conducted by ECB during the year.

The Recovery plan includes detailed process of escalation and decision-making, as well as the units and bodies within the Bank responsible for its updating and implementation. It includes quantitative and qualitative early warning and recovery indicators, based on a wide range of capital, liquidity, profitability, asset quality, market-based and macroeconomic indicators, upon the occurrence of which a phased process is initiated, involving analysis and identification of the best way to overcome the crisis situation, as well as taking of decisions to trigger the appropriate actions according to the procedures for reporting and escalation.

For the purposes of the plan, the key business lines and the critical functions of the Bank have been identified that are necessary for its smooth operation. According to the applicable requirements and in order to determine the range of hypothetical events, different stress scenarios of idiosyncratic, systemic and combined shock have been defined, against which effective recovery measures have been identified.

In connection with the implementation of the plan, an effective process of communication and disclosure has been structured in First Investment Bank, including internal communication (to internal bank bodies and employees) and external communication (to supervisors, shareholders and investors, customers and counterparties, and other stakeholders), as well as measures for management of potential negative market reactions.

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

CREDIT RISK

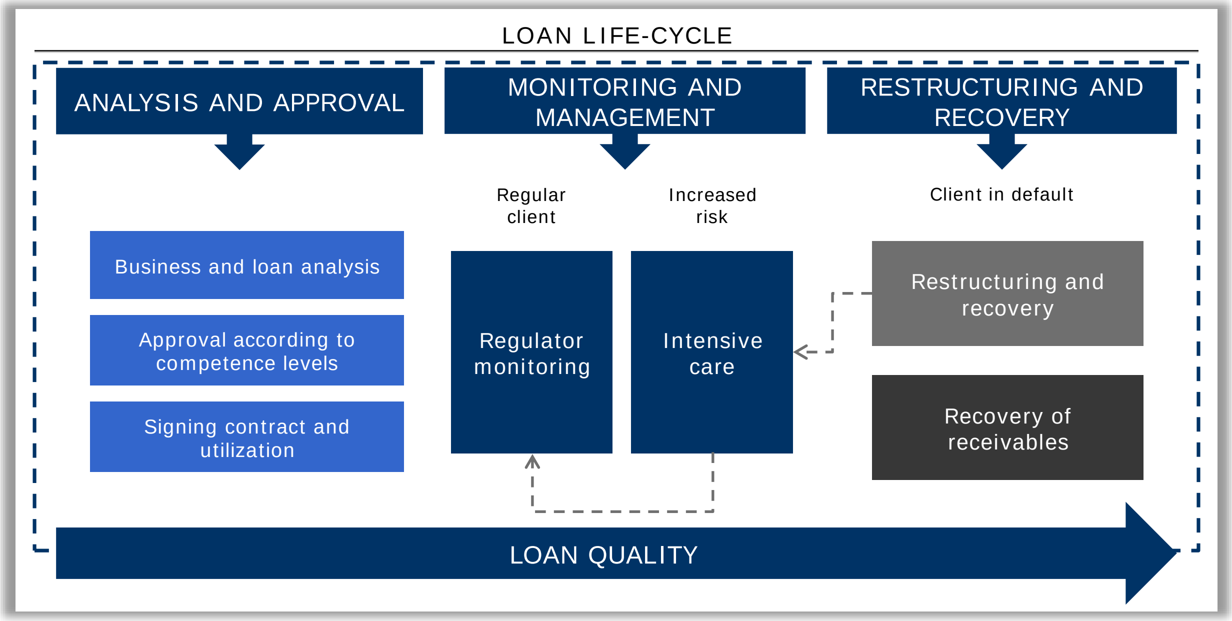
Credit risk is the risk arising from the debtor's inability to meet the requirements of a contract with the bank or inability to act in accordance with the agreed terms. The different types of credit risk include concentration risk, residual risk, dilution risk, counterparty risk, and settlement risk. 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 credit risk by applying internal limits on exposures, on customers/counterparties, types of instruments, industry sectors, markets, by written rules and procedures, by internal rating and scoring models, as well as by procedural requirements in originating and managing of loan exposures (administration).

The internal bank regulations regarding credit risk are structured in accordance with the business model and organization of the activity, as well as in compliance with the regulatory requirements and recognized banking practices and standards, which include internal rules for lending and managing problem exposures, rules for impairment and the provisioning of risk exposures, approval levels in the origination of loan exposures, as well as the methodology for conducting of credit analysis and internal credit ratings (scoring models) regarding the creditworthiness of customers. Internal rules and procedures are updated regularly with the aim of identifying, analyzing and minimizing potential and existing risks. The applied limits on credit risk exposures are monitored on an ongoing basis and in compliance with the market conditions and regulatory framework.

LOAN PROCESS

The loan process in First Investment Bank is automated through a Workflow system integrated with the main information system of the Bank, which includes controls and authority levels when considering transactions. Approved transactions are administered centrally by the Loan Administration department, applying the "four eyes" principle.



In 2019 changes were made in the levels of competence on credit deals in line with the strategy of the Bank for priority development and focus in the retail banking and SME segments. During the year changes were made also in the internal processes and scope of information sent towards the Central credit register, maintained by BNB in compliance with the new regulations in this sphere (Ordinance No.22 of the BNB on the Central Credit Register as well as BNB Guidelines for Submitting and Receiving Information from the Information System of the Central Credit Register), incl. with respect to data for persons that are co-debtors and warrantors on loans.

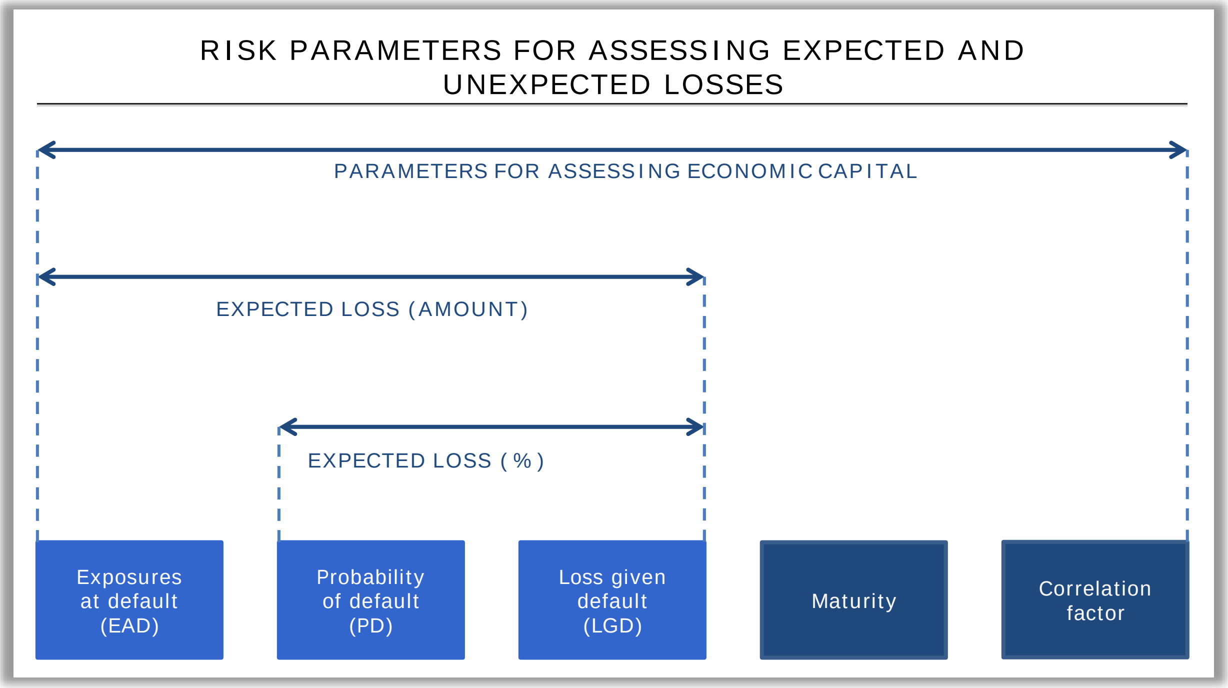
First Investment Bank maintains systems for the ongoing administering and monitoring of different portfolios and exposures to credit risk, including aiming at recognizing and managing exposures in default and performing adequate value adjustments for credit risk. Considering the impact of the economic cycle, Fibank manages exposures in default with a view to their timely diagnosis and taking measures consistent with the repayment capacity of the clients and the Bank's policy on risk-taking. During the period, the monitoring system of the Bank were updated as well as the internal procedures for monitoring of credit exposures, incl. with respect to the early warning signals. Allocated were efforts for implementing a new software tool for organizing and maintaining electronic credit files.

In the Bank functions a separate department for Intensive loan management, which manages the exposures of customers transferred from the business units with increased credit risk compared to the initial disbursement of the loan, as well as from the impaired assets unit, when there are indicators for recovery of the exposure and objective possibility for future regular servicing.

MODELS FOR CREDIT RISK MEASUREMENT

First Investment Bank applies internal credit risk models to assess the probability of default (PD), loss given default (LGD), and exposure at default (EAD) which allows the calculation of risk-adjusted returns. All credit risk exposures are controlled on an ongoing basis.

The framework, defined in accordance with the Basel standards, sets minimum regulatory capital requirements to cover financial risks. In addition to regulatory capital, First Investment Bank also calculates economic capital which is included in the internal measurement and management of risk. Economic capital is maintained for the purpose of protection and covering of unexpected losses arising from market conditions or events.



For further information regarding economic capital see subsection „Internal Capital Adequacy Analysis“.

The Bank uses internal models for credit assessment of business and retail customers. Assessment models are based on quantitative and qualitative parameters, weights of individual parameters being defined on the basis of historical experience. The business clients are assigned a credit rating, while the individuals – based on scoring. Additional assessment for the business clients is made based on a behavioral scoring model. The credit risk assessment derived from the rating models is further examined by a credit specialist/risk manager.

The Bank has project finance evaluation models (including for real estate, industrial projects and financing of individual fixed assets), applying quantitative analysis (based on estimated cash flows) and qualitative evaluation of the project and investor management, market environment and credit structuring, as well as a separate evaluation of the assets being funded. With the aim for their automation while applying a centralized approach, in 2019 the Bank worked on their implementation in the information systems of the Bank.

There is a structured process within the Bank for assessment and validation of the risk management models to ensure their reliability, accuracy and effective implementation. It envisages the preparation of regular validation reports in the Bank: brief/monitoring quarterly reports and extended annual validation reports, covering both quantitative analysis (statistical, econometric and other quantitative approaches) and analysis of the qualitative (non-statistical) characteristics, in compliance with the current regulatory requirements and good banking practices in the area.

CREDIT RISK MITIGATION METHODS

Credit risk is managed also by acceptance of guarantees and collateral of types and in amounts according to the current regulations and the Bank's internal rules and requirements. 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 the monitoring and control of residual risk. Secured protection is ensured by assets which are liquid enough and have relatively unchanging value in time. The Bank applies internal written rules regulating eligible collaterals by type and amount, in compliance with the regulatory requirements for their recognition, as well as the legal requirements for supporting documentation. For reduction of credit risk, First Investment Bank applies the financial collateral simple method under the requirements of Regulation (EU) No 575/2013.

First Investment Bank currently monitors the relative regulations, as well as the acknowledged standards and good practices in this area, aiming constantly further development and enhancement of the rules and processes existing in the Bank with respect to the acceptance, evaluation and management of collaterals, including with regards to the methods for valuation. In 2019, implemented in the internal rules and procedures were the requirements, resulted from the BNB Guidelines on the treatment of regulated plots of land for the purpose of the risk weight reduction to 50% in accordance with Article 126 of Regulation (EU) No 575/2013.

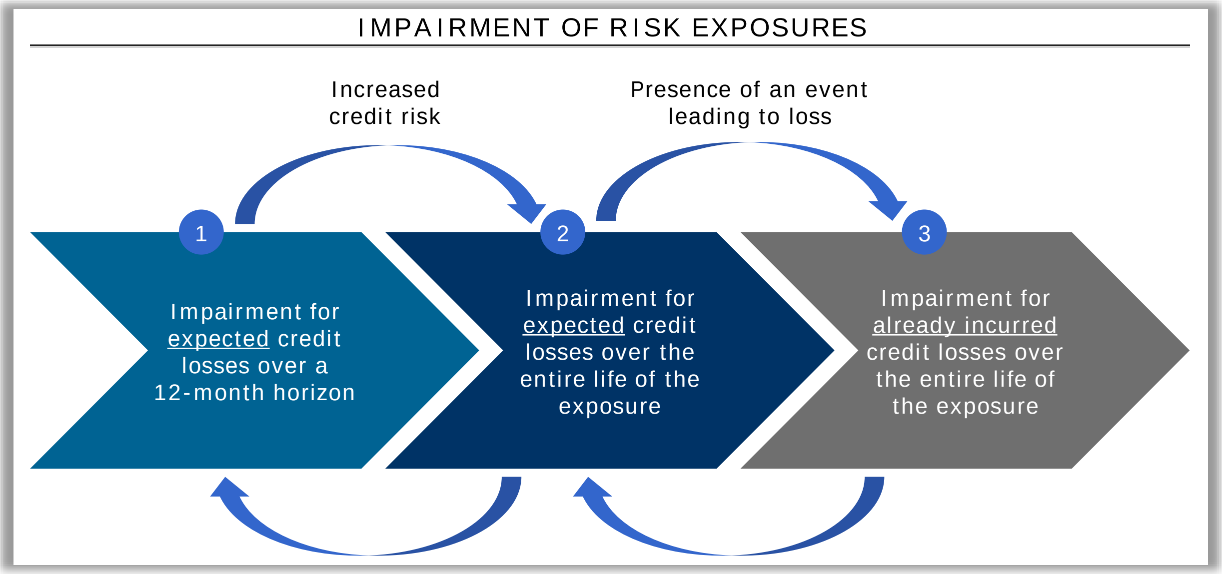
PROBLEM EXPOSURES AND IMPAIRMENT

First Investment Bank has internal rules and written procedures for managing problem credit exposures, which include all main actions related to management of problem loans, including analysis and assessment of risk exposures, restructuring and recovering, enforced collection, sale and writing off of problem exposures. Fibank uses also a specialized system for integrated management of problem assets, which includes all stages for monitoring and recovery of receivables.

Among the strategic priorities of the Bank regarding its risk profile is reducing the portfolio of nonperforming exposures, as in this regard actions were taken for their effective management aiming at achieving sustainable levels and good asset quality. In relation to this, adequate to the business model and risk profile measures were identified aligned with the EBA Guidelines on management of nonperforming and forborn exposures (EBA/GL/2018/06).

In fulfilling the measures for management of nonperforming exposures in December 2019 First Investment Bank signed contracts for sale of loan portfolios of exposures to retail and business clients with a total amount of BGN 538 million. As a result of the aggregate actions for managing asset quality as at 31 December 2019, the ratio of exposures over 90 days past due under the FinREP framework decreased by 1.21 percentage points to 9.15% of gross loans and advances on a consolidated basis.

With respect to impairment and provisioning of risk exposures, First Investment Bank applies written rules, which are structured based on the principles of individual and portfolio evaluation of risk exposures, depending on the classification and amount of exposure. For exposures reported as non-performing specific impairment is determined, calculated on the basis of individual cash flows for individually significant exposures, or on portfolio basis for the others. Regarding exposures reported as performing, the Bank applies impairment on a portfolio basis (taking into account potential losses), grouping exposures with similar credit risk characteristics. According to IFRS9 an allowance for impairment loss is calculated equal to the expected credit losses over the life of the instrument, if the credit risk of the financial instrument has increased significantly since the original recognition. Otherwise, an allowance for impairment losses is calculated equal to the expected credit losses over a 12-month horizon.



The Bank has written parameters for defining the increased credit risk, which include days past due, as well as other indicators i.e. presence of forborne measures, deterioration in the rating/scoring of the client and other, as well as defined the parameters for meeting the cash flow test for solely payments of principal and interest (SPPI test), including in case of defining new or changed credit products

In relation to addressing the results from the conducted comprehensive assessment of the Bank, during the second part of 2019 a thorough review of the loan portfolio was done for compliance between the ECB methodology used in the comprehensive assessment and the applicable international financial reporting standards (IFRS). In this regard additional impairments were made which reflected in the accounts the more conservative approach for assessing credit risk following the AQR.

For more information on credit risk, see note 3 "Risk Management" from the Consolidated Financial Statements for the year ended 31 December 2019.

MARKET RISK

Market risk is the risk of losses due to changes in the price of financial instruments resulting from general risk factors inherent in the markets and 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.

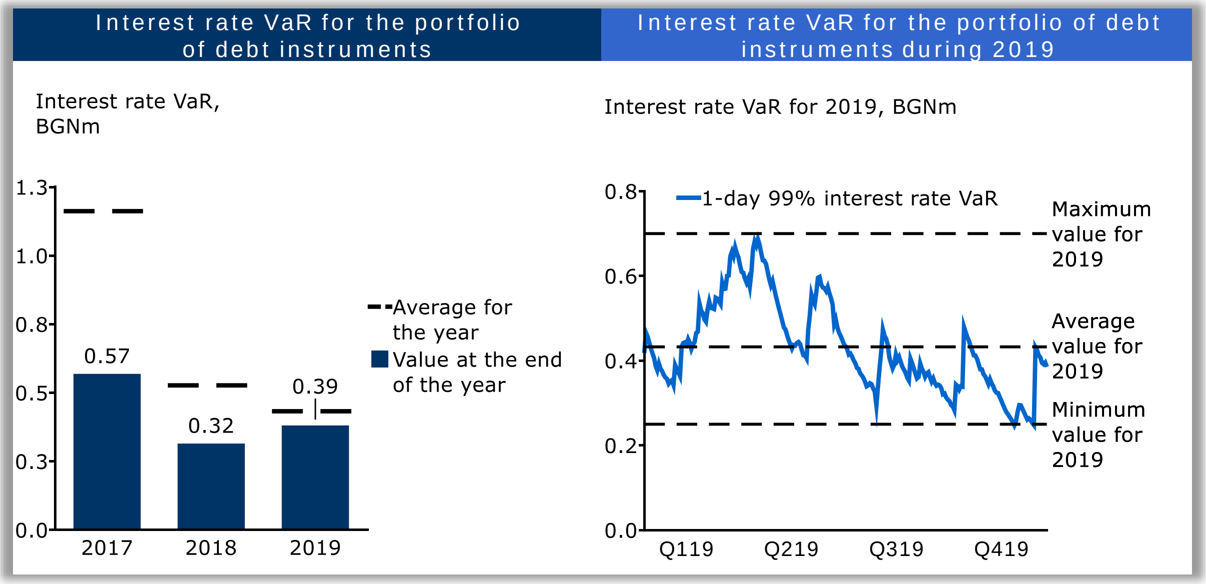
The management of market risk is based on applying internal limits and written rules and procedures with respect to the processes and control environment. For the purpose of assessing and minimizing market risk the Bank applies internal models for assessment, which are based on the "Value at Risk" (VaR) concept, as in addition other duration analyses, calculation of stressed VaR, stress tests and scenarios are used. The limits applied by the Bank for debt and capital instruments are structured with the aim for minimizing the risk and applying a wide and risk-based framework of limits, which are directly connected with the risk profile of the investments, as well as with the dynamics of the risk profile in time.

INTEREST RATE RISK

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. First Investment Bank is exposed to interest rate risk from the trading and the banking portfolios.

It is the policy of the Bank to maintain an insignificant trading portfolio in accordance with the criteria of Regulation (EU) № 575/2013. Therefore, it does not calculate capital requirements for interest rate and pricing risk in this portfolio. For quantifying measurement of the interest rate and position risk in the trading portfolio, the Bank applies VaR analysis with a 1-day horizon and 99% confidence level, which means that there is 1% probability for the trading portfolio to depreciate within a 1-day interval more than its calculated VaR. The model is calculated and monitored on a daily basis by estimating the maximum loss that could occur over a specified horizon under normal market conditions, due to the adverse changes in the market rates, if the positions remained unchanged for the specified time interval.

In compliance with the European Banking Authority guidelines, the Bank measures stressed value at risk (sVaR) of the debt securities portfolio, where model inputs are calibrated so as to reflect an extended period of significant stress at the international financial markets.

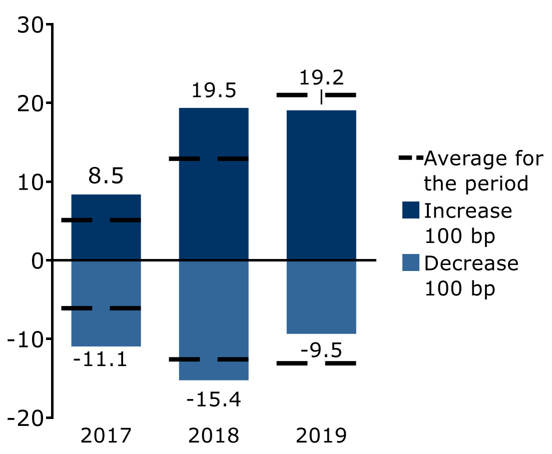


With regards to the interest rate risk in the banking book, First Investment Bank manages this type of risk though written rules, limits and procedures aimed at reducing the mismatch between interest rate sensitivity of assets and liabilities. In compliance with the EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02) 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. 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 table of interest-bearing assets and liabilities and the estimated change in interest rates by classes of instruments following a change in market interest rates.

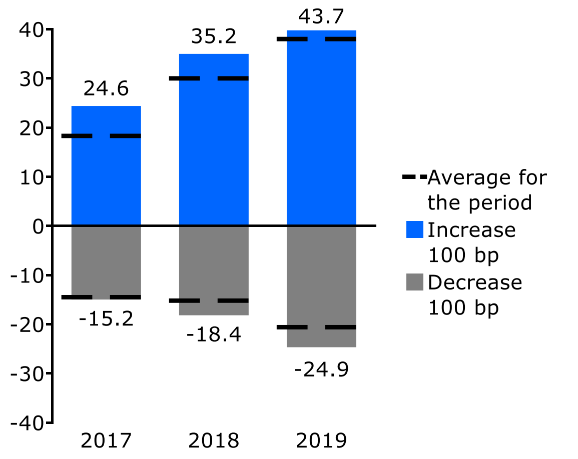
As at 31 December 2019 the interest rate risk on the economic value of the Bank following a standardized shock of +100/-100 bp was BGN +43.7/-24.9 million, while on the net interest income one year forward was BGN +19.2/-9.5 million.

Effect on the interest income	Effect on the equity

Effect on the interest income from interest rate shock +100/-100 bp



Effect on the equity from interest rate shock +100/-100 bp



CURRENCY RISK

Currency risk is the risk of loss resulting from an adverse change in exchange rates. Fibank's exposure to currency risk arising from positions in the banking and trading book is limited by the application of regulatory-required and internal limits.

The Bank actively manages the amount of its overall open foreign exchange exposure, and seeks to maintain negligible levels of currency mismatches in its entire activity. In addition, First Investment Bank calculates and applies limits, based on an internal VaR model, regarding the maximum loss that could be incurred within 1 day at a confidence level of 99.0%.

The Bank is also exposed to currency risk as a result of proprietary trading transactions. The volume of such transactions is very limited and 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 2019.

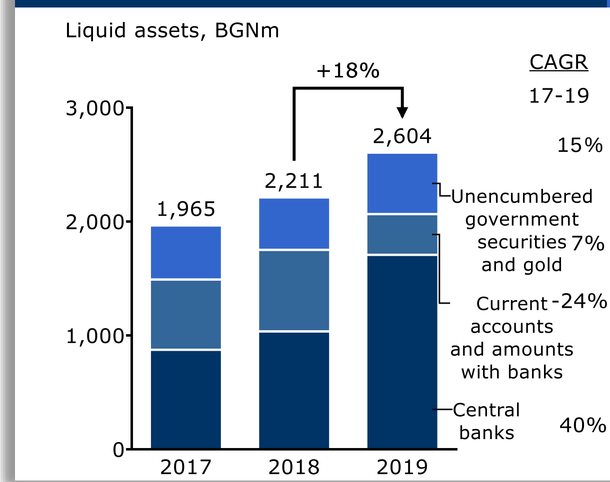
LIQUIDITY RISK

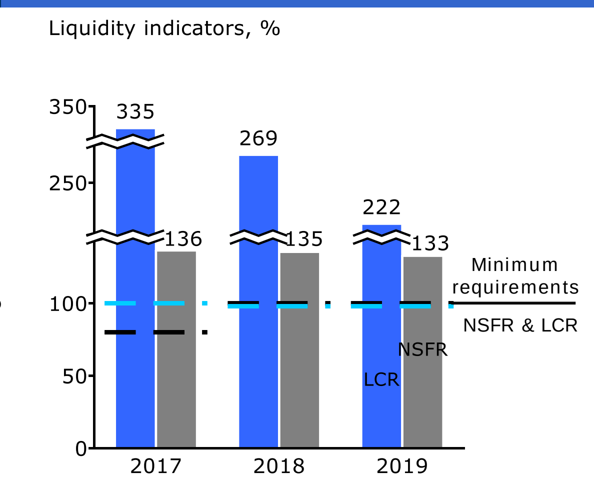
Liquidity risk originates from the funding of the banking business and in positions management. It includes the risk of failure to meet a payment when due, or failure to sell certain assets at a fair price and in the short term to meet an obligation.

First Investment Bank manages liquidity risk through an internal system for monitoring and daily liquidity management, maintenance of a sufficient amount of cash consistent with the currency structure of assets and liabilities and maturity ladder, regular gap analysis of inflows and outflows, maintaining a low risk portfolio of assets to meet current liabilities, and operations on the interbank market.

In order to maintain a moderate risk profile, Fibank has established an adequate framework for liquidity risk management. The Bank's policy on liquidity management is designed so as to ensure meeting all obligations even under stress originating from the external environment or from the specifics of banking activity, as well as to maintain an adequate level and structure of liquid buffers and apply appropriate mechanisms for the distribution of costs, profits and risks related to liquidity. The Bank applies a combination of methods, financial models and instruments for assessment and management of liquidity, including the 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. 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, as well as maintains a maturity ladder, which is part of the additional liquidity monitoring indicators and a tool for detailed monitoring of cash inflows and outflows by maturity interval.

As regards asset/liability and liquidity management policies, First Investment Bank applies the business model requirements and the criteria for classification and valuation of financial assets in the Bank's portfolios in accordance with IFRS 9. Based on the purpose for managing the financial assets, the business models applied by the Bank include: 1) business model, whose purpose is the assets to be held to collect contractual cash flows (hold to collect); 2) business model, whose purpose is both to collect contractual cash flows as well as sale of financial assets (hold to collect and sell); 3) other business model, when the purpose is different from the previous two business models (other business model), and which includes the assets held for trading.





During the reporting year Fibank maintained an adequate amount of liquid assets, as at 31 December 2019 the ratio of liquid assets covering the attracted funds due to other customers amounted to 28.61%, which was significantly above the BNB recommended level of 20%. According to the regulatory requirements the Bank should maintain a buffer of liquid assets to ensure liquidity coverage of net liquidity outflows over a 30-calendar day stress period with a minimum amount of 100%. At the end of the reporting period, the liquidity coverage ratio (LCR) amounted to 221.64% on a consolidated basis (2018: 269.21%).

First Investment Bank also calculates a net stable funding ratio (NSFR), which is an instrument introduced to ensure that long-term liabilities are adequately covered by stable financing tools both under normal circumstances and in stress conditions. At year-end, the net stable funding ratio amounted to 132.74% on a consolidated basis (2018: 135.45%) and was above the reference value of 100% before its introduction as a binding requirement in 2021 in accordance with Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012.

INTERNAL LIQUIDITY ADEQUACY ASSESSMENT PROCESS

First Investment Bank prepares a regular report on the internal liquidity adequacy assessment process (ILAAP), aimed at performing a comprehensive internal assessment of the liquidity management and funding framework of the Bank in the context of its strategy and risk appetite in terms of liquidity.

In 2019, as part of its annual review process, the Bank updated its ILAAP report, including as regards the results of the applied stress scenarios and stress tests, as well as the composition of the maintained liquidity buffer. The internal liquidity indicators are set in compliance with the requirements for consistency with the Recovery Plan levels, the latter being part of the monitoring and early warning system incorporated in the Bank's risk management framework. Further developed and enhanced were also the internal processes and organization on ILAAP, incl. with respect to the responsible units within the Bank, as well as the CFO's role as a general responsible for controlling the process for updating, for making proposals for amendments on the document, as well as ensure control before presenting for approval from the competent bodies within the Bank.

The assessment takes into consideration the systems and processes existing in the Bank for management of risks related to liquidity and funding, including information on the daily management of liquidity risk and on the allocation of costs and benefits related to liquidity, which are determined based on a methodology for internal transfer prices (ITP) introduced in the Bank. The ILAAP also takes into account the funding strategy of the Bank, including the funding plans within a three-year horizon, as well as the strategy on maintaining liquidity buffers and monitoring of encumbered assets. The quantitative measurements of the readiness of the Bank to deal with a sudden and significant outflow of borrowings (liquidity crisis) are established through stress tests and scenario analyses. For the purposes of ILAAP, First Investment Bank applies a combination of three stress scenarios: of idiosyncratic, market and combined shock, with a horizon of one week and one month, which take into account the stability of the deposit base and the sensitivity of the customers.

To ensure adequate capacity of the Bank to meet all its obligations and commitments, even in the context of a liquidity crisis, First Investment Bank has developed an action plan in case of contingency/ liquidity crisis which is an integral part of the overall system for liquidity management.

For further information regarding liquidity risk see note 3 "Risk management" of the Consolidated Financial Statements as at 31 December 2019.

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, First Investment Bank applies written policies, rules and procedures that are based on the requirements laid down in Bulgarian and EU legislation and good banking practices.

First Investment Bank maintains a system for registration, tracking and control of operational incidents and near-misses that complies with the effective regulatory requirements. Operational risk management at Fibank is based on the principles of not assuming unsound risk, strict compliance with the authority levels and applicable laws, and active management of operational risk. The Bank applies reliable methods for avoiding, transferring, and limiting the impact of operational risks, including through separation of functions and responsibilities, double control, approval levels, internal control, insurance contracts, information security.

With the aim for developing and enhancing its processes for operational risk management key risk indicators are defined within the Bank, which are applied both at Bank level, and specifically for each business unit and process in the Bank. They are used for the purpose of effective signaling of changes that may be relevant to the active management of operational risk, as well as for implementing better monitoring and control of the risk tolerance and of the thresholds and limits on individual types of risk.

The Risk Analysis and Control department defines and categorizes operational events across event types and business lines inherent in banking, as well as the obligations and responsibilities of the Bank's employees in connection with their registration and reporting. The Operational Risk Committee regularly reviews and analyzes operating events and suggests to the Managing Board measures for prompt correction of their causes, as well as for strengthening the controls in the management of processes, activities, products and services at all levels of the Bank's system.

In order to assess the exposure and reduce operational risk, as well as to enhance and improve the control procedures, First Investment Bank conducts regular Risk Control Self-Assessment (*RCSA*) in the form of questionnaires and analyzing of processes. According to the good banking practices the self assessment is an important tool for additional evaluation of the Bank’s exposure to operational risk, as well as a tool, contributing the analyses of the effectiveness of existing controls for its mitigation.

In 2019, First Investment Bank further developed and enhanced its policies regarding capital requirements for operational risk, incl. developed new methodology for allocating the indicators into group activities, in relation to a change in the applied by the Bank approach for calculating of the capital requirements for operational risk, from base indicator approach towards standardized approach pursuant to the requirements of Regulation (EU) № 575/2013.

INFORMATION SECURITY

First Investment Bank has internal rules and policies for information security and access to information systems that include the organizational framework, management and responsibilities of employees to guarantee data security, systems and the respective infrastructure.

A specialized “Information security” unit functions within the Bank under the supervision of the Chief Risk Officer, which coordinates the activities related to information security, defines the requirements towards controls and security of data, as well as organizes the execution of the Management Board’s decisions in this respect.

In 2019, the Bank worked on updating its internal policies on information security, with the aim at applying a more sophisticated approach, incl. with regards to management of data base, as well as procedures for reporting incidents.

PERSONAL DATA PROTECTION

As part of its internal organization as a data controller, the Bank further structured and developed the principles and grounds for processing personal data, including with regard to their transparency, legitimacy, rights of data subjects, as well as technical and organizational measures to protect such data.

In compliance with the requirements of the General Data Protection Regulation (GDPR), the Bank has a Data Protection Officer (DPO) – e-mail: dpo@fibank.bg. The DPO has a leading role in ensuring the lawful processing of personal data in the Bank's structure, conducts awareness-raising training and contributes to building a data protection culture. The DPO is a contact person with the Commission for the Protection of Personal Data and on issues related to the exercise of the rights of the data subjects.

BUSINESS CONTINUITY MANAGEMENT

In order to ensure effective management of the business continuity, First Investment Bank has established contingency and business continuity plans, as well as plans for the recovery of all its critical functions and resources, which are regularly tested. Business continuity management ensures sustainability at all organizational levels within the Bank, as well as opportunity for effective actions and reactions in crisis situations. The organization of processes ensured within the Bank aims at protecting the interests of all stakeholders, its reputation, brand and the value-adding activities.

Building an appropriate corporate culture with regard to business continuity management is an important part of the overall risk culture of the Bank. To further integrate information and apply a centralized approach, the internal rules on business continuity were structured into a single document with main content and separate action plans for specific incidents and crisis situations. The organization thus established aims to ensure rapid and effective action for addressing potential crisis situations, as well as timely elimination of any negative consequences.

During the year as part of the anticipated actions with respect to business continuity, an e-learning was done on the actions and escalation in crisis situations, intended separately to employees and management personnel.

RISK EXPOSURES

As at 31 December 2019 First Investment Bank applied the standardized approach for the calculation of 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 portfolio. At the end of the year the Bank informed BNB on change in the applied approach for calculating capital requirements for operational risk – from the basic indicator approach to standardized approach.

In BGN thousand/ % of total	2019	%	2018	%	2017	%
For credit risk	6,385,596	91.2	6,194,711	90.3	5,787,197	89.6
For market risk	4,750	0.1	5,300	0.1	6,000	0.1
For operational risk	612,838	8.8	658,925	9.6	665,625	10.3
Total risk exposures	**7,003,184**	**100**	**6,858,936**	**100**	**6,458,822**	**100**

In 2019 the structure of risk-weighted assets comprised predominantly of those to credit risk at 91.2% of total exposures (2018: 90.3%), following by those for operational risk at 8.8% (2018: 9.6%) and to market risk at 0.1% (2018: 0.1%), as the Bank continued to maintain a conservative approach in the risk assessment and risk management.

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

First Investment Bank AD performs regular internal capital adequacy analysis (ICAAP) in the content of its business strategy, risk profile and risk appetite. The assessment of the required economic capital of the Bank reflects the risk profile of its activity, as well as its risk appetite, as the main indicators of the quantitative evaluation methods used take into account unfavorable economic environment scenarios.

In 2019, the ICAAP report was updated in line with the risk strategy and the set business goals for development, as well as with the operating environment, incl. the measures applied by the Bank for addressing the results from the comprehensive assessment (AQR and ST), conducted by ECB during the year. For the purpose of applying a more conservative approach, the stress test for credit risk were enhanced by applying a wider and more detailed scenario analysis, based on the adverse macro scenario for Bulgaria developed by ECB. Also taken into consideration were the capital buffer requirements, applicable to the Bank. The business model, as well as the internal governance system, incl. the internal audit, risk management and compliance functions are also taken into account and assessed in the analysis. With the aim for integrity and coordinated execution the additional quantitative levels for risk appetite were aligned with the risk indicators (for capital, liquidity, asset quality and profitability) as structured in the Recovery plan of the Bank.

The internal system for assessing the required internal capital is based on VaR forecasting models for credit and market risk, stress tests for credit, liquidity, reputational, and interest rate risk in the banking book, using the Basic Indicator Approach and stress tests regarding operational risk, the Earnings-at-Risk approach for strategic risk, and on analytical tools and techniques that allow more detailed assessment of capital adequacy in accordance with the risk profile of the Bank and the current operating environment. For aggregating the various types of risks the Bank uses a correlation matrix, which takes into account the connection between the separate risk categories, aiming at more realistic and more enhanced approach for measuring the risk the Bank is exposed to, at the same time in sufficiently conservative estimates.

For calculation of capital adequacy regarding the exposure to **credit risk**, First Investment Bank uses internal valuation models, except in particular cases, e.g. in exposure classes with negligible impact on the risk profile. For exposure classes of substantial importance, which constitute the main credit activity of Fibank, the economic capital is determined based on a single-factor portfolio credit-VaR model which determines the probable distribution of losses that may be incurred within a one-year horizon, at 98% confidence interval. To quantify the risk of occurrence of extraordinary, unlikely but possible events, stress scenarios are applied. The stress scenario results are compared with the capital requirements for credit risk, calculated according to the portfolio VaR model

As part of the overall assessment of the exposure to credit risk, for the purposes of ICAAP, First Investment Bank assesses the concentration risk, which is 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. For the quantitative evaluation of the needed economic capital for this risk, the Bank matches the results of the portfolio VaR model between the real and a hypothetical portfolio, in which the amount of exposures is one and the same at all customers at equally all other conditions.

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 1 year and a confidence level of 98%.

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. The approaches of evaluating the effect of interest rates on the net interest income at a one-year horizon, and the effect on the economic value of the Bank are used. For calculating the sufficiency of the economic capital with respect to interest rate risk in the banking book the largest decrease in the economic value of the Bank is defined resulting in a parallel shift of the yield curves by up to ±200 bps.

For the purposes of ICAAP, First Investment Bank calculates the required economic capital for **operational risk** according to the guidelines described in Basel III: Finalizing post-crisis reforms, applying calculation components that measure the Bank's activity in means of volume and specifics, as well as the level of operational risk inherent in the activity, with a correction factor taking into account the significance of operational events based on historical data.

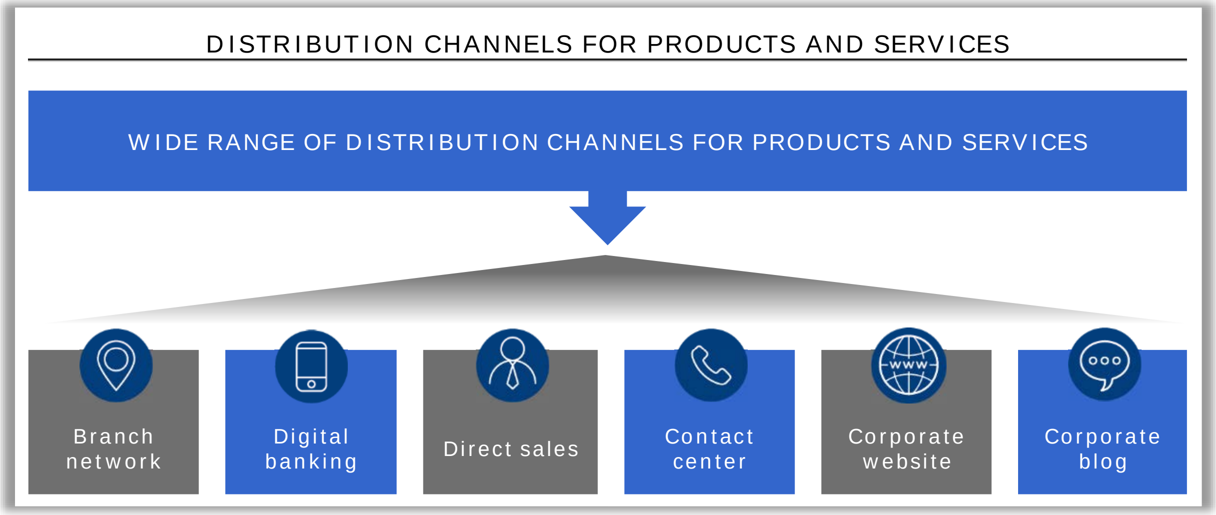
Furthermore, the Bank uses stress tests for extraordinary but probable events, including different scenarios based on their financial impact and probability of occurrence. The results from these are correlated with the economic capital for operational risk.

To assess **liquidity risk**, the Bank differentiates the analysis in two directions regarding the risk of insolvency and the risk of providing liquidity. The risk of insolvency is managed and covered by maintaining an appropriate buffer of unencumbered, highly liquid assets, while the risk of providing liquidity is covered and mitigated by the economic capital. The Bank calculates economic capital for liquidity risk by assessing the amount of loss that would be incurred as a result of a liquidity crisis, (idiosyncratic, market and combined shock), taking into account the cost of repo transactions or liquidating assets to meet the cash outflow, as well as the expected increase in interest expense on borrowings.

For the purpose of ICAAP, the Bank assesses and **other risks**, including strategic risk and reputational risk. For quantification of the strategic risk, the Earnings-at-Risk approach is used, measuring the historical deviations between the budgeted and generated net profit of the Bank. The capital allocated for strategic risk is determined by applying a percentage of deviation corresponding to the accepted confidence level to the budgeted net profit for the next year.

The reputational risk reflects the risk that the Bank's reputation may differ negatively from the expected standard in terms of its expertise, integrity and reliability. Reputational risk may materialize mainly in loss of business, increased cost of funding, or liquidity crisis the effects of which are measured in the assessment of strategic risk and liquidity risk.

DISTRIBUTION CHANNELS



First Investment Bank maintains diversification of the channels for distribution of the products and services offered, including a well-developed branch network, e-banking, direct sales, contact center, corporate website and a corporate blog. All channels are constantly improved in line with the current trends in banking, market conditions, technological development and customer needs.

BRANCH NETWORK

The Branch Network is the primary channel for distribution of the banking products and services of First Investment Bank. The Bank strives to maintain an adequate balance between a well-developed network of physical locations and the provision of modern remote banking techniques, including in the context of the growing importance of digital transformation in the banking sector.

During the year the Bank continued to optimize its branch network, taking into account the market environment, the workload of individual locations and the volumes of activity. Twelve offices were closed during the year, three of them in Sofia and nine in the rest of the country, and one new office was opened in Sofia. As at 31 December 2019, the branch network of First Investment Bank comprised a total of 158 branches and offices on a consolidated basis (2018: 168), located in more than 60 cities in Bulgaria: 51 in Sofia, 92 branches and the offices in the rest of the country, one foreign branch in Nicosia, Cyprus, as well as a subsidiary bank in Albania, which operates with a Head Office and 14 branches in Albania. *For more information on the branch network of First Investment Bank - Albania Sh.a. see section "Business overview of subsidiary companies".*

The branch network both in Sofia and in other places in the country is structured according to a unified organizational model with a view to efficient allocation of budgetary targets, focusing on attracting new customers and cross-selling. There are 27 branches in the country, while in the capital 5 functional branches have been established: Central, East, West, North and South, to each of which offices are allocated based on territorial location and business indicators.

As part of the ongoing improvement and optimization of processes and transactions carried out at the Bank's branches, the efforts continue to reduce customer service time and speed up transactions. This will contribute to even better quality of customer service. In connection with this, a branch digitization project was launched, aimed at modernization and installing new devices for digital services in the Bank's offices.

At the end of the year, a centralized back office was initiated in the Bank's system, its main purpose being to optimize the efficiency in servicing the Bank's customers. The centralized back office performs activities related to directing, distributing, processing and archiving customer and payment documents, as well as preparing bank documents using a specially developed back office platform connected to the core banking information system.

Fibank branches and offices in the country offer the full range of banking products and services to both individuals and business customers. In an effort to better satisfy customer demand, a large part of the branch network operates with extended working hours, while some offices are also open on weekends.

The branch of First Investment Bank in Nicosia, the Republic of Cyprus, has been operating since 1997, initially mainly in the area of corporate lending. Over the years, it has systematically and consistently expanded the range of products and services. At present, the branch offers standard credit and savings products, payment services and e-banking, with a focus on SME customers and retail banking.

FULL SCOPE OF PRODUCTS AND SERVICES

	RETAIL CLIENTS	BUSINESS CLIENTS
DEPOSIT AND SAVINGS PRODUCTS	✓	✓
PAYMENT SERVICES	✓	✓
PACKAGE PROGRAMS	✓	✓
DEBIT AND CREDIT CARDS	✓	✓
DINERS CLUB CARDS	✓	✓
MORTGAGE LOANS	✓	
CONSUMER LOANS	✓	
LOANS TO BUSINESS CUSTOMERS		✓
TRADE FINANCING		✓
PROJECT FINANCING		✓
FACTORING		✓
EUROPROGRAMS FINANCING		✓
DIGITAL BANKING	✓	✓
INVESTMENT SERVICES	✓	✓
INVESTMENT GOLD AND PRODUCTS OF PRECIOUS METALS	✓	✓

In addition to its well-developed branch network, Fibank also uses other channels for distribution of products and services: a wide network of ATM and POS terminals, remote access to information and services through its own contact center, direct sales, digital banking.

CONTACT CENTER – *bank (*2265), 0800 11 011

In 2019, Fibank's Contact Center continued to function as an effective channel for communication and targeted selling of products and services. It also contributed to the attraction of new and retention of current customers through the provision of services in accordance with the Bank's established standards and business objectives.

In pursuit of its strategic focus on high standards in customer service, Fibank has consistently worked towards developing and diversifying the services offered through the Contact Center in line with customer needs and new technologies. As a result, in 2019 a new campaign to promote micro-enterprise credit products was launched. Through the Contact Center, customers may apply for credit and debit cards, for debit card overdrafts or apply for consumer loans. They may receive up-to-date and timely information on products and services, the Tariff and interest rates of the Bank, the location of branches and their working hours, as well as adequate and professional assistance by employees in case of questions or problems. Customers may communicate remotely with the Bank by phone, email or online chat in real time through the corporate website of the Bank.

Throughout the year, over 50 outgoing campaigns of different nature and topics were conducted through the Contact Center, including information campaigns, direct marketing of products and services, consumer opinion surveys, as well as campaigns in support of loan collection (soft collection). Over 123,000 outgoing calls were made, with a high response rate achieved.

Over the reporting period, the Contact Center received about 78,000 incoming calls, more than 2,000 emails and conducted over 1,200 chat conversations in relation to various inquiries and requests by existing or potential customers, including on general banking information, card services, contact and reference information, product requests, etc.

CORPORATE WEBSITE – www.fibank.bg

In 2019, First Investment Bank completely redesigned its corporate website by upgrading and adding a number of new features, including visualization elements in line with current digital trends and features for intuitive design and personalized content.

Among the priorities in project implementation was upgrading the website and its transformation into an active channel for product communication and sales. The new functionalities provide an easy way to compare products and services, allowing customers to quickly select the ones that best meet their needs. Personalization of vision to different types of customers was among the main innovations introduced by Fibank. The new corporate website can be used to apply online for credit cards, overdrafts and consumer loans, as well as to communicate directly with officers of the Bank.

CORPORATE BLOG

In 2019, the corporate blog of First Investment Bank marked its 11th anniversary. Over the years, the Bank has strived to continuously develop its corporate blog in line with current trends in communication in the Internet environment, while maintaining an intuitive and user-oriented approach, design and functionality of the platform.

The corporate blog presents the diverse range of social and corporate initiatives of the Bank, financial analyzes and studies related to the market of banking products and services in the country, current news on various topics, as well as useful information for customers. It engages in open dialogue and customer feedback, thus enabling the Bank to explore the usability of products and services, as well as customer satisfaction.

Apart from its corporate blog, First Investment Bank also maintains active online communication in real time with customers and stakeholders through leading social networks such as Facebook, Instagram, LinkedIn, Twitter and YouTube.

SALES

First Investment Bank uses direct sales (on-site, at the client’s premises) as an additional opportunity for distribution of products and services, including for comprehensive bank servicing of institutional and corporate clients.

In 2019, First Investment Bank continued to attract new corporate customers from different market segments using direct sales. This approach helps to build long-term relationships with key customers, as well as to obtain direct feedback on the Bank's products and services.

The Corporate Sales and Public Procurement Department in the system of First Investment Bank has considerable experience in preparing the Bank's participation in public procurement, as well as in servicing corporate and institutional clients, budget spending units, state and municipal enterprises.

DIGITAL BANKING

MY FIBANK ELECTRONIC BANKING

The My Fibank electronic banking platform of First Investment Bank has been designed as a single customer service channel and is constantly developed by upgrading and adding new functionalities. The platform is integrated with the Oracle Flexcube core banking IT environment, providing a high level of system security, optimization and greater workflow efficiency, as well as increased productivity.

Through the My Fibank electronic banking, customers may use both active and passive banking according to their needs and depending on their access rights to the system. As part of the active banking, customers can open and close current and deposit and other accounts, carry out payments in national and foreign currency including mass payments, make utility payments, buy or sell currency. Passive banking allows customers to check transactions and balances on bank accounts and/or payment cards. It also provides information on locations of branches and ATMs, as well as exchange rates, news and current promotions.

In compliance with the Strong Customer Authentication (SCA) requirements, First Investment Bank provides the software Fibank Token as a means of signature and identification in the electronic banking system, which includes two-factor authentication and the use of QR code scanning technology.

In implementation of the requirements of the Law on Payment Services and Payment Systems transposing Directive (EU) 2015/2366 of the European Parliament and of the Council on payment services in the internal market (PSD 2) and Commission Delegated Regulation (EU) 2018/389 supplementing Directive (EU) 2015/2366 with regard to regulatory technical standards for strong customer authentication and common and secure open standards of communication, First Investment Bank aligned its online banking with the regulatory framework by providing third party providers (TPPs) with access to payment accounts kept at the Bank and accessible online for the provision of account information and payment initiation services.

In addition, using the arrangements of PSD2 to expand and integrate its services to customers, First Investment Bank has provided its customers the provision of the new services for account information and payment initiation services, implemented by PSD2, via the My Fibank mobile banking platform. *For more information on open banking, see section Payment services.*

Over the period, the integrated My Fibank e-banking platform continued to establish itself as a channel generating a predominant share of the Bank's total transfers.

MY FIBANK MOBILE APPLICATION

The My Fibank mobile application is part of the My Fibank electronic banking providing remote access to the integrated platform through the use of a mobile device. The application is available to customers after installation from the online store for the respective operating system of the device (AppStore, Google Play).

With the mobile application, retail customers to use the same active and passive banking they are registered for in the electronic platform, subject to limits predetermined by the Bank, or by the customer. Business customers may only use passive banking. In addition, the innovative Digital Payments service developed by Fibank allows customers to use a digital bank card through the mobile application and thus to make digital payments with their NFC enabled mobile device at POS terminals supporting contactless payments.

A number of innovations were made during the year, including with respect to the requirements for Strong Customer Authentication (SCA). In February, the functionalities of the My Fibank mobile application were further developed, introducing fingerprint/faceID as additional means of access and identification. Options provided to minors were expanded, including limited access to active transactions through the mobile application allowing internal bank transfers to specially developed savings accounts for teenagers (smart teen), and the option for debit card digitization.

Other features were expanded and added throughout the year, such as the option to place orders for cash transactions through the My Fibank mobile application. In connection with the launch of digitization of cards issued by the Bank through third-party applications, card users were given the opportunity, depending on the functionality supported by the specific third-party provider (e.g. Apple Pay), to also access third-party applications through the My Fibank mobile application. *For more information on digitizing cards through external providers see the Card Payments section.*

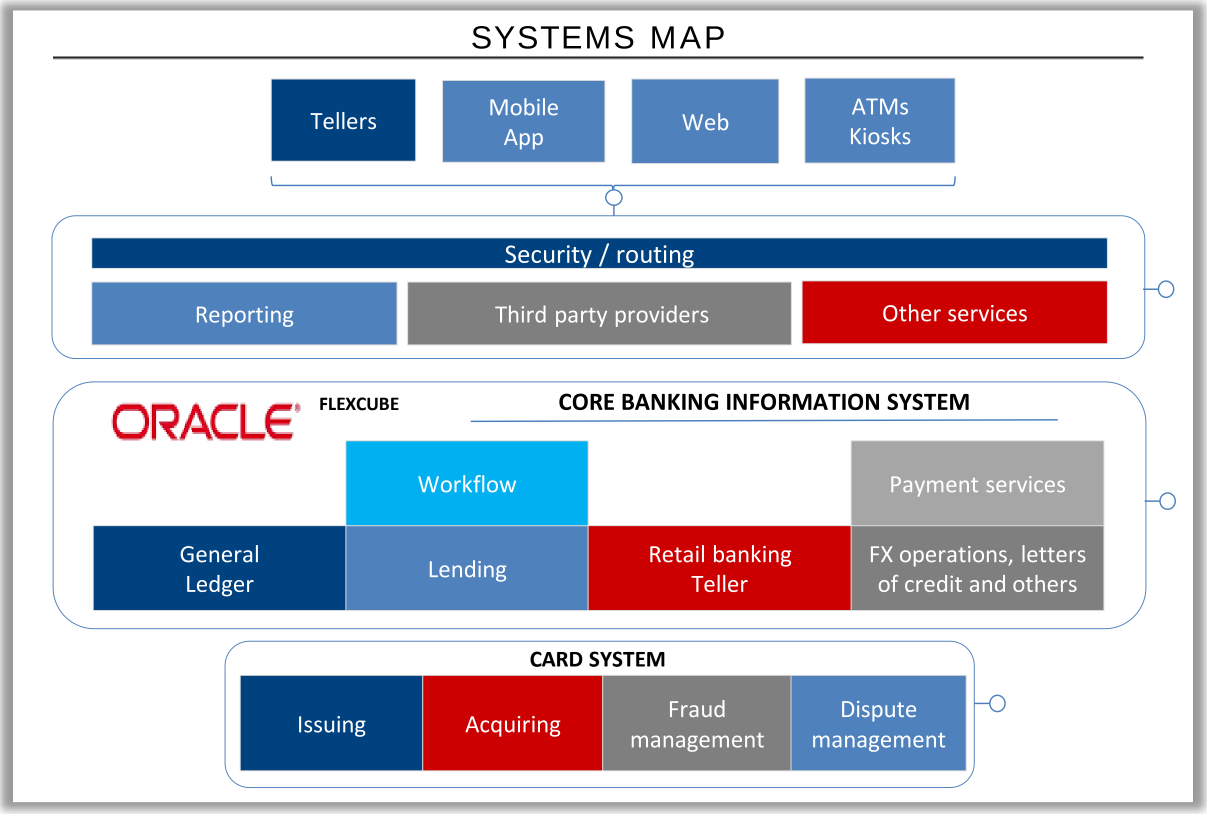
With a view to stimulating digital payments, in the last quarter of 2019 a Digital Cash campaign was carried out for activating mobile devices in My Fibank.

INFORMATION TECHNOLOGY

Developing information technology and maintaining a modern infrastructure, information and technology environment is among First Investment Bank's strategic priorities. Over the years, the Bank has systematically and consistently invested in technologies in line with current banking trends, enabling it to offer innovative value-added products to customers and new multifunctional banking solutions.

In 2019, Fibank continued to develop in this direction, consolidating its position among the most technologically advanced and innovative institutions in the Bulgarian banking market. Over the year, First Investment Bank successfully developed and launched an API portal – initially in a test, and then in a production environment, based on the BISTRA national standard and enabling third-party providers (TPPs) to provide account information and payment initiation services in accordance with the LPSPS and PSD2. Again in the payment services area, technical support activities were carried out related to the Bank's joining the global SWIFT gpi solution, as well as for development and automation of services provided through the international Weltsparen by Raisin platform.

Network-wise, the Bank carried out activities during the period related to modernization and improvement of its IT infrastructure. Fibank uses Oracle's Exadata X7-8 hardware platform and Oracle Flexcube 12 version for its core banking information system. It features versatile modules for retail, corporate and investment banking, as well as the Workflow integrated document management system used for processing and approval of loan applications, acceptance and registration of currency transfers and authorization of other payment transactions.



The system is built in compliance with all risk control principles, including the four eyes principle applied in day-to-day banking. Through its centralized and integrated IT infrastructure, the Bank aims to provide first-class service and high level of security in the execution of banking transactions, as well as to maintain reliable databases, networks and systems ensuring continuity of service and key processes within the Bank.

With regard to system and information security, a SIEM solution was introduced during the period. It features a system for centralized storage of security related events from all systems and devices in the Bank and the ability to analyze large volumes of real-time information in order to detect potential threats to the Bank's security and infrastructure. A Web Application Firewall (WAF) system was also implemented for protection of the Bank's public online services, which analyzes and blocks malicious traffic in real time.

During the year, technical support was provided for the implementation of projects developing new functionalities and upgrading existing ones: new microcards for adults; innovative Garmin Pay and Apple Pay services enabling payments with smart watches mobile devices; contactless cash withdrawal from ATMs; remote signature of consumer loan agreements; innovations to meet the requirements for Strong Customer Authentication (SCA), etc. Efforts were also dedicated to other projects, including the introduction of an electronic document storage system aimed at facilitating and speeding up document processing, as well as increasing the level of security in the storage and use of electronic files.

The overall organization and management of the IT function in First Investment Bank is headed by the Chief Information Technology and Operations Officer, who also assists for the effective implementation of the IT strategy and achieving the development objectives in this area.

In pursuit of its mission, First Investment Bank will continue to develop its systems and infrastructure in order to implement high-tech solutions and new digital services. Work is also underway to implement new projects for branch digitization, as well as to improve the Bank's workflow systems.

CORPORATE GOVERNANCE

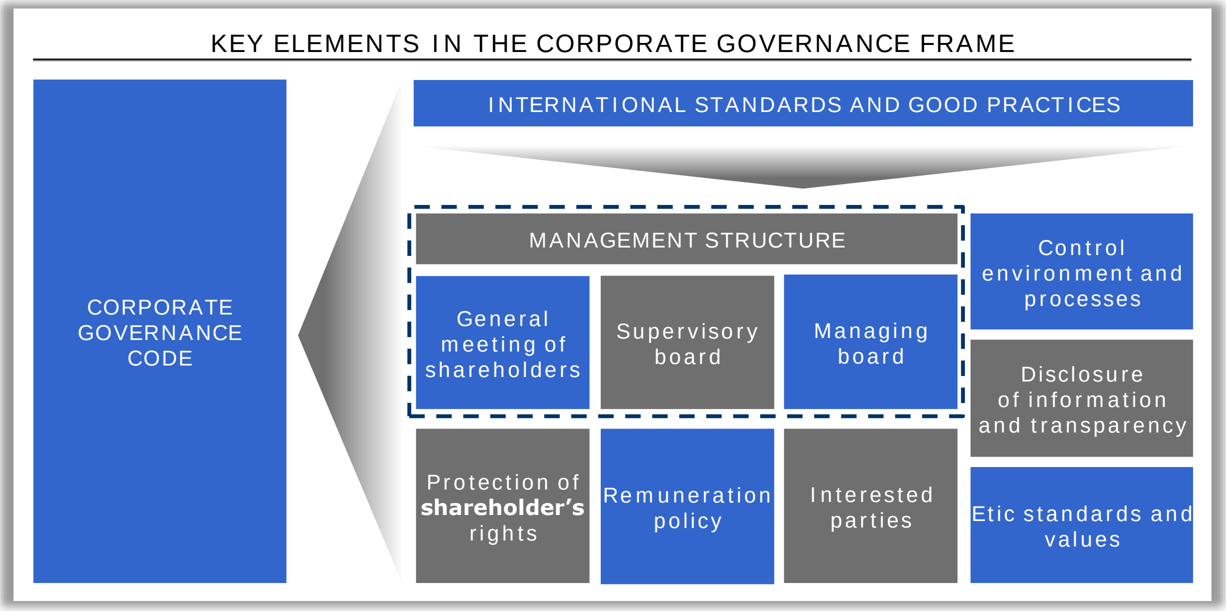
As a public company and public interest entity, First Investment Bank discloses information about its corporate governance practices. This section of the Annual Report represents a

Corporate Governance Statement

pursuant to Art. 100m of the Public Offering of Securities Act and Art. 40 of the Accountancy Act.

CORPORATE GOVERNANCE FRAMEWORK

For First Investment Bank AD good corporate governance is a key element for ensuring long-term and sustainable development, and successful business model. The corporate policy of the Bank is based on professional and transparent governance in accordance with the internationally recognized standards and principles of good corporate governance, taking into account the changes in the regulatory and economic environment as well as the financial markets in the country and abroad.



The corporate governance of First Investment Bank is a system of policies, rules, procedures and practices by which the Bank is managed and controlled, with clearly defined functions, rights and responsibilities at all levels: General Meeting of Shareholders, Supervisory Board and committees to it, Managing Board and committees and councils to it, Internal Audit, and structures at the headquarters, branches and offices. First Investment Bank has a two-tier governance system consisting of a Supervisory Board and Managing Board.

In 2019, the Bank further developed its policies on internal governance in compliance with the new requirements in this sphere, incl. the amendments in the Law on Credit Institutions, Ordinance No 10 of the BNB on the Organisation, Governance and Internal Control of Banks, Ordinance No 20 of the BNB on Issuance of Approvals to Members of the Management Board (Board of Directors) and Supervisory Board of a Credit Institution and Performance Requirements for Their Duties, Ordinance No 7 on Organisation and Risk Management of Banks, Ordinance No 4 of the BNB on the Requirements for Remunerations in Banks, which transpose into national legislation the requirements set in EBA Guidelines on internal governance (EBA/GL/2017/11) and joint EBA and ESMA Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2017/12).

CORPORATE GOVERNANCE CODE

First Investment Bank AD functions in accordance with the Corporate Governance Code adopted by the Managing Board and approved by the Supervisory Board. It outlines and structures the main components, functions and responsibilities constituting the system of corporate governance of First Investment Bank. In addition to the requirements of applicable law in the Republic of Bulgaria, the Code is structured by applying the principles of the Basel Committee on Banking supervision, the guidelines of the European Banking Authority (EBA), as well as the applicable standards of the Organization for Economic Cooperation and Development (OECD) in this field, and the recommendations of the National Corporate Governance Code, approved by the Financial Supervision Commission.

The Code sets out the basic principles and requirements for maintaining and improving the organization and methods of governance at the Bank, aimed at:

- honest and responsible governance based on adding value;
- effective practices of management oversight and control;
- executive management and senior staff acting in the best interest of the Bank and towards increasing the value of shareholders' equity;
- timely information disclosure and transparency;
- effective system of risk management and control based on the principle of three lines of defense.

In compliance with the requirements of the applicable legislation, First Investment Bank annually discloses information on the corporate governance practices and meeting the requirements set in the Corporate Governance Code of First Investment Bank applying the “comply or explain” principle. Along with its annual report and financial statements, the Bank discloses to the public also a corporate governance assessment scorecard in compliance with the National Corporate Governance Code.

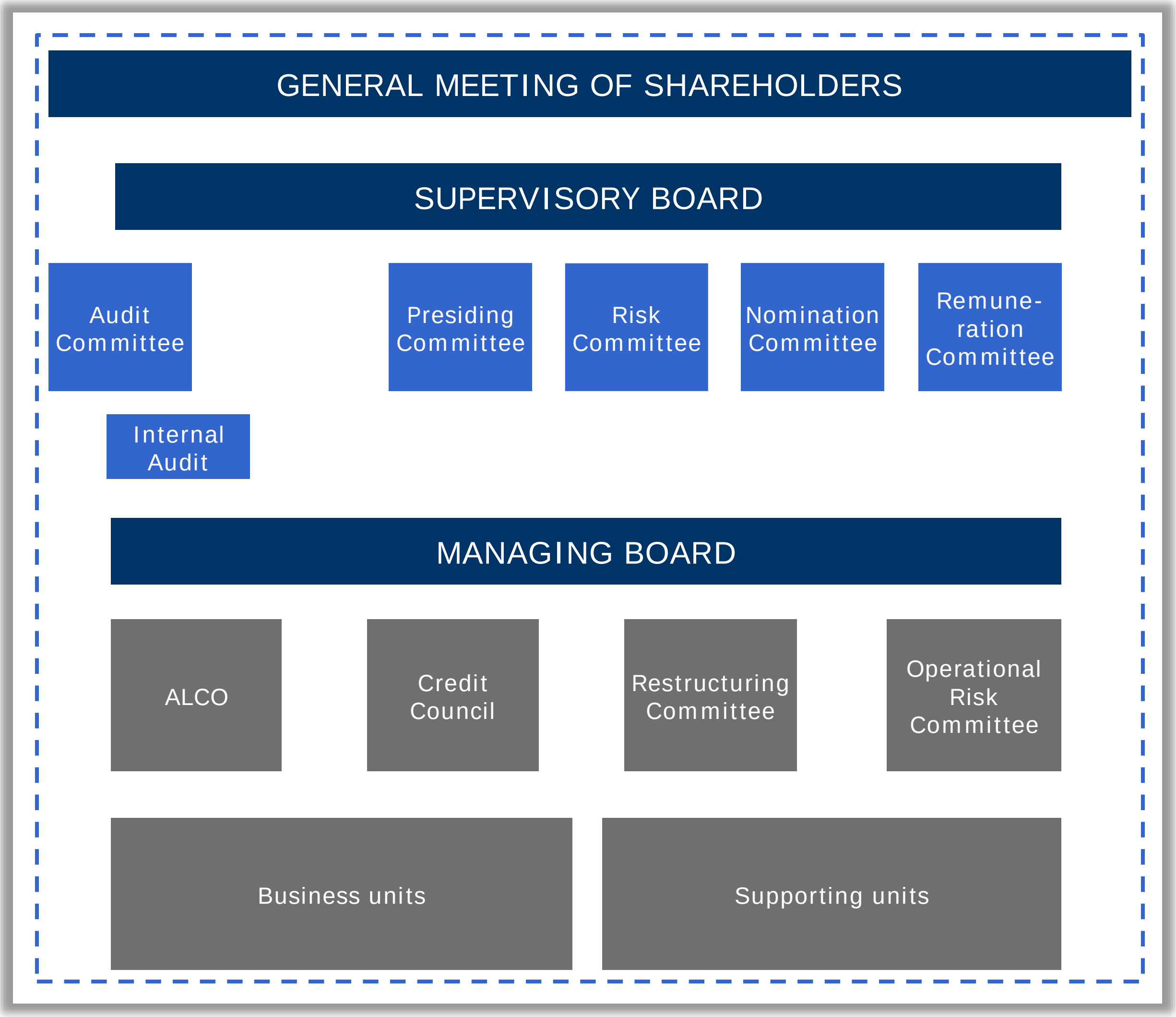
In addition to the Corporate Governance Code, First Investment Bank applies a Disclosure Policy, as both documents are publicly available at the corporate website of the Bank (https://www.fibank.bg/bg/za-nas/korporativno-upravlenie/kodeks-na-korporativno_upravlenie). In 2019, the requirements specified in these were met, including the requirements for disclosure of regulated information and information under the financial calendar of the Bank for 2019.

CODE OF CONDUCT AND WHISTLEBLOWING POLICY

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

The Bank, led by the understanding that following a lawful and ethical conduct in relations between managerial staff, employees, customers and partners of the Bank is an important aspect underlying its overall activity, has in place a Whistleblowing policy. The Policy aims to systematize the means and procedures for internal sharing of information where there are suspicions of unlawful actions, or problems related to the work process, whereby to ensure their transparent and fair consideration and resolution. The creation of conditions for reporting in an environment of trust and respect, as well as for carrying out consistent and impartial actions to verify the received reports, is a key element in preserving the Bank's high corporate spirit and reputation.

MANAGEMENT STRUCTURE



SUPERVISORY BOARD

STRUCTURE AND COMPETENCES

In 2019 there were no changes in the composition of the Supervisory Board of First Investment Bank.

Name	Position
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
Jyrki Ilmari Koskelo	Member of the Supervisory Board

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

The Supervisory Board consists of six individuals elected by the General Meeting of Shareholders with a mandate of up to 5 years, who have adequate knowledge, skills and professional experience, including high financial competencies, in accordance with the current fit and proper requirements, as well as with the activities carried out by the Bank and the main risks to which it is, or might be exposed. Each member of the Supervisory Board has the experience, knowledge, qualifications, as well as high reputation, honesty and integrity necessary for the effective discharge of his or her obligations, and for guaranteeing the ability of the Supervisory Board as a collective body (collective suitability) to ensure the implementation of the long-term objectives of the Bank.

DIVERSITY POLICY AND INDEPENDENCE

First Investment Bank complies its activity and maintains policies and practices for ensuring diversity in the composition of its governing bodies, including various aspects such as work experience, educational qualifications, gender, and age.

In 2019, First Investment Bank enhanced its policies for encouraging diversity in order to maintain a diverse group of board members and to provide diverse views and experience to facilitate independent opinions/decisions and sound governance. In this respect, the Bank seeks to maintain a target level of 30% of the members of the Supervisory Board to be from the underrepresented gender, as if necessary rounding off (down) to an integer. As of 31 December 2019, the Bank fulfilled the set target level as two of the Supervisory Board members were women. The reported levels, exceeded the average levels in EU related to management board in its supervisory function (24%) according to reported data in researches for diversity practices of the European Banking Authority (EBA Report on the benchmarking of diversity practices at European Union level under Article 91(11) of Directive 2013/36/EU (2018 data), EBA/REP/2020/05, published at https://eba.europa.eu/regulation-and-policy/internal-governance). *For further information regarding the professional experience and competences of the Supervisory Board members see section „Other information“.*

The composition of the Supervisory Board is structured so as to ensure conscientious, professional and independent fulfillment of the obligations of its members. First investment bank complies with the requirements applicable for significant banks and public companies, 1/3 of the members of the Supervisory Board to be independent.

EQUITY SHARE

As at 31 December 2019 the members of the Supervisory Board held a total of 377,106 shares of Fibank and none of them owned more than 1% of the issued share capital.

Number of shares / % of issued share capital	2019	%
Evgeni Krastev Lukanov	337,139	0.31
Maya Lubenova Georgieva	11,388	0.01
Georgi Dimitrov Mutafchiev	9,454	0.01
Radka Vesselinova Mineva	-	-
Jordan Velichkov Skortchev	19,125	0.02
Jyrki Ilmari Koskelo	-	-
Total	**377,106**	**0.34**

FUNCTIONS AND RESPONSIBILITIES

The Supervisory Board of First Investment Bank supervises and, where necessary, advises the Managing Board and monitors the overall activities of the Bank. It adopts and oversees the implementation of the strategic objectives, the corporate governance framework, and the corporate culture of the Bank. When exercising supervision over 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 ensures supervision on the risk management framework, including risk appetite, internal governance and the control system of all types of risks by requiring high risk culture among employees. It carries out its activity effectively exchanging information with the Managing Board subject to specifics, and by implementation of high ethical standards and the corporate values of business conduct sets the tone for high corporate culture and business ethics: "Tone of the Top".

The meetings of the Supervisory Board are scheduled in advance based on an annual activity plan. In 2019 the Supervisory Board addressed issues of its competence at 17 presence meetings. Focus in the activity throughout the year was set on the exercise of regular oversight on the execution of the risk management strategy, incl. the measures for management of credit risk and asset quality. Regular review during the first half of 2019, was performed on the process for conducting the comprehensive assessment of Fibank (AQR and stress test) by ECB, while during the second half of the year – on the actions taken for addressing the results from it. In this respect, strategic topics were discussed related to the capital position of the Bank, incl. actions for increasing capital through issuance of new shares and placement of new hybrid debt. During the year the Supervisory Board performed oversight on the execution of the business development strategy, as well as of the reliability of financial information and accountability, as well as the internal control framework, receiving active assistance to that effect by the Audit Committee. The members of the Supervisory Board were also regularly informed about the development and alignment of the activity with new regulatory requirements, including with regard to payment services, corporate and internal governance, internal control framework.

The activity of the Supervisory Board is supported organizationally by a Secretary. In addition to organizing the meetings of the Supervisory Board and the minutes, the secretary has the responsibility to follow the application of the procedures, as well as to ensure the information to be provided and exchanged between the members of the Supervisory Board, members of the committees and the Managing Board.

ASSESSMENT OF THE ACTIVITY

Once a year, the Supervisory Board performs an assessment of the effectiveness of its own activities as a collective body and individually, assessment of the governance practices and procedures, as well as of the functioning of the Managing Board and the committees to the Supervisory Board. Such assessment is accomplished in the fourth quarter of 2019.

COMMITTEES

The Supervisory Board 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. In 2019, changes were made in the composition of the committees aiming at optimizing and enhancing their activity and compliance with the applicable regulatory requirements on internal governance.

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, as well as the line responsibilities of the members of the Managing Board. Chair of the Presiding Committee is Ms. Maya Georgieva.

In 2019, the Presiding Committee addressed issues of its competence, including with regards to the organization of the line responsibilities between the members of the Managing Board, as well as on decisions related to the comprehensive assessment of the Bank, conducted during the year and addressing the results from it. The committee had also reviewed topics on the budget of the Bank for 2020.

The **Risk Committee** advises the Supervisory Board and the Managing Board in relation to the overall current and future strategy on ensuring compliance of the risk policy and risk limits, risk-taking propensity and control on its execution by the senior management. Chairman of the Committee is Mr. Jyrki Koskelo. The Bank fulfills the requirement towards significant banks the majority of the members of the committee to be independent under the meaning of art.10a, par.2 of LCI.

During the reporting period, the Risk Committee in relation to its competences, coordinated decisions on placing new hybrid debt, as well as reviewed updated plans and reports on risk, incl. Recovery plan aiming coordinated execution and consistent application. During the year the committee was informed on and reviewed the execution of the risk strategy, as well as effectiveness of the internal systems for management and control of risk, incl. compliance function.

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. Chair of the Remuneration Committee is Mr. Evgeni Lukanov. The Bank fulfills the requirement towards significant banks (pursuant to Ordinance No 4 of the BNB on the Requirements for Remunerations in Banks) the majority of the members of the committee to be independent under the meaning of art.10a, par.2 of LCI.

In 2019, the Remuneration Committee has addressed issues of its competences with regards to remunerations, including in relation to the changes in the senior management during the year.

The Nomination Committee assists the Supervisory Board in assessing the individual and collective suitability of members of the Supervisory Board and Managing Board, as well as assessing the suitability of the key function holders in compliance with applicable regulations and the Policy of First Investment Bank for nomination and assessment of the suitability of members of the managing and supervisory bodies and persons holding other positions. Chair of the Nomination Committee is Mr.

Jordan Skortchev. The Bank fulfills the requirement towards significant banks the majority of the members of the committee to be independent under the meaning of art.10a, par.2 of LCI.

During the year, the Nomination Committee addressed issues of its competence, including given recommendations in relation to the election and suitability of the key function holders in the Bank, as well as on changes in the composition of the senior management personnel, done during the year.

As a company of public interest and according with the Law on the Independent Financial Audit (LIFA), the Bank has a functioning **Audit Committee** which is responsible for supervising the financial reporting and the independent financial audit, as well as for the effectiveness of the systems for internal control and risk management in the Bank. The Committee also makes a recommendation in the selection and remuneration of the registered auditors to perform the independent financial audit of the Bank and monitors their independence in accordance with the applicable European and national regulations, as well as with the Code of Ethics for Professional Accountants. The activity of the Audit Committee is structured based on written defined competencies, rights and responsibilities, included in its rules of procedure (stature under the meaning of Art. 107 of LIFA) in compliance with the requirements of the Law on the Independent Financial Audit and Regulation 537/2014 of the European Parliament and of the Council on specific requirements regarding statutory audit of public-interest entities.

First investment Bank fulfills the requirement the majority of the members, incl. the chairman of the Audit Committee to be external and independent from the Bank. The Chair of the Audit Committee is Mr. Georgi Trenchev who possesses high financial competencies as well as the knowledge, professional experience and qualifications in the field of accounting and financial audit necessary for the effective performance of his duties.

During the year, Audit Committee addressed various matters of its competence, including developing of the internal policies regarding internal control function within the Bank, recommendations on the selection of statutory auditors, ongoing monitoring of financial reporting and independent financial audit, monitoring the effectiveness of the internal audit function and control systems, incl. through regular meetings were held with the Chief Financial Officer, the Director of Internal Audit, as well as with representatives of the statutory auditors of the Bank.

MANAGING BOARD

In 2019, changes were made to the composition of the Management Board of First Investment Bank. In November 2019 Mr. Sevdalina Vassileva was released as member of the Management Board and Executive Director of the Bank. The management of Fibank expressed gratitude for her contribution to the institution's development and respected her choice to seek new professional challenges.

STRUCTURE AND COMPETENCES

At the end of 2019 the Managing Board of First Investment Bank AD consists of five members elected by the Supervisory Board on the recommendation of the Nomination Committee, in accordance with the requirements of applicable law, the Statute of the Bank, and the Policy of First Investment Bank for nomination and assessment of the suitability of members of the managing and supervisory bodies and persons holding other positions.

Name	Position
Nedelcho Vasilev Nedelchev	Chief Executive Officer (CEO), Chairman of the Managing Board
Svetozar Alexandrov Popov	Chief Risk Officer (CRO), Member of the Managing Board and Executive Director
Chavdar Georgiev Zlatev	Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director
Jivko Ivanov Todorov	Chief Financial Officer (CFO) and Member of the Managing Board
Nadia Vasileva Koshinska	Member of the Managing Board and Director of SME Banking Department

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

The Management Board members are elected for period of up to 5 years and can be re-elected for next mandates without limitation.

The members of the Managing Board are established professionals with high reputation and proven leadership qualities and capacity to translate these knowledge, skills and experience into well-argumented solutions that can be applied to the practices in the Bank, aiming to achieve the objectives and the development strategy and stable management of the institution.

In accordance with the policies and practices for maintaining and ensuring diversity in the composition of the management bodies, the Bank seeks to maintain a target level of 30% of the members of the Managing Board to be from the underrepresented gender, as if necessary rounding off (down) to an integer. As of 31 December 2019, the Bank fulfilled the set target level as one of the Managing Board members was woman. The reported levels, exceeded the average levels in EU related to management board in its management function (15%) according to reported data in researches for diversity practices of the European Banking Authority (EBA Report on the benchmarking of diversity practices at European Union level under Article 91(11) of Directive 2013/36/EU (2018 data), EBA/REP/2020/05, published at https://eba.europa.eu/regulation-and-policy/internal-governance).
For further information regarding the professional experience and competences of the Supervisory Board members see section „Other information“.

The composition of the Managing Board is structured so as to ensure effective management of operations, subject to the generally accepted principles of managerial and professional competence and clear separation of duties and responsibilities. The Bank is represented together with each two of the executive members of the Board (executive directors).

The Managing Board of First Investment Bank holds meetings every week, as the meeting agenda is prepared in advance. For the meetings of the Managing Board minutes are prepared which are signed by all members that were present at the meeting.

The activity of the Managing Board is supported organizationally by a Secretary, who is employed on a full-time basis and possesses the necessary qualifications and skills to ensure that the governing bodies follow internal rules and external regulations, as well as facilitates the communication between them.

EQUITY SHARE

As at 31 December 2019 the members of the Managing Board held a total of 1107 shares of Fibank and none of them owned more than 1% of the issued share capital.

Number of shares / % of issued share capital	2019	%
Nedelcho Vasilev Nedelchev	350	0.00
Svetozar Alexandrov Popov	-	-
Chavdar Georgiev Zlatev	523	0.00
Jivko Ivanov Todorov	-	-
Nadia Vasileva Koshinska	234	0.00
Total	**1,107**	**0.00**

FUNCTIONS AND RESPONSIBILITIES

The Managing Board of First Investment Bank is the body which manages the Bank independently and responsibly, in accordance with the established mission, objectives and strategies. The Managing Board operates under rules of procedure approved by the Supervisory Board. Its main functions are to manage and represent the Bank by resolving all matters affecting the Bank within its scope of activities, except those of the exclusive competence of the General Meeting of Shareholders or the Supervisory Board according to the law and the Statute of the Bank. The Managing Board organizes the implementation of decisions of the General Meeting of Shareholders and the Supervisory Board, and performs any other functions assigned to it by those bodies or the law. According to the statutes and internal 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.

In accordance with the principles of good corporate governance, an open dialogue is maintained between the Supervisory Board and the Managing Board of First Investment Bank. Besides the regular reports on implementation of objectives and activities, joint meetings are also conducted. The Managing Board immediately notifies the Chairman of the Supervisory Board or his deputy of any circumstances that are of material importance to the Bank and provides timely information regarding implementation of the business strategy, risk appetite, achievement of objectives, risk limits or rules relating to regulatory compliance, the system of internal control, or the compliance of the Bank's activity with the regulatory requirements and the external environment.

COMMITTEES AND COUNCILS TO THE MANAGING BOARD

The activity of the Managing Board is supported by collective bodies, including Credit Council, Assets, Liabilities and Liquidity management Council (ALCO), Restructuring Committee, Operational risk

Committee, which function according to written structure, scope of activities and functions – *for more information see section „Risk Management“.*

Other internal collective bodies also operate in the Bank, e.g. a Change Management Committee was set up. The Committee is an auxiliary body to the MB, responsible for monitoring the implementation of the Bank's IT strategic program, and to manage and control the project portfolio, the targeted use of resources and the approved budget in this area. The Committee is chaired by the CEO of the Bank, the other members including the Chief Financial Officer, the Chief Retail Banking Officer, the Chief IT and Operations Officer, as well as the directors of Information Technology, Risk Analysis and Control, and Strategic Planning and Development departments.

In line with the long-term priorities aimed at reducing non-interest-bearing assets and ensuring their effective realization, a Commission for management and sale of assets functions within the Bank. Its role is to assist the Management Board in relation to the management, administration and sale of acquired assets, in accordance with the Levels of authority established in the Bank. The Commission is chaired by a member of the Management Board, while the other members include the directors of the Impaired Assets, Asset Management and Administrative departments, as well as the Head of the Asset Valuation division to the Finance department.

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders of First Investment Bank is the most senior management body, allowing shareholders to decide on fundamental issues concerning the existence and activities of the Bank. In particular, the General Meeting of Shareholders decides on amendments and supplements to the Statute of the Bank, on increasing or reducing the capital, as well as on transformation or dissolution of the Bank. The General Meeting of Shareholders has powers to appoint or dismiss members of the Supervisory Board, the Audit Committee and the Head of the Internal Audit of the Bank, decide on the distribution of profit, on the issuance of bonds, as well as on any other matters under the Statute of the Bank and the applicable law.

In June 2019, an Annual General Meeting of Shareholders was held, which represented 86.78% of the share capital and voting rights, at which a decision was taken that the entire net profit of the Bank for 2018 shall be capitalized, and no dividends shall be paid or other deductions made from the profit for 2019, with the aim for its inclusion in the common equity tier 1 capital of the Bank. The General Meeting of Shareholders also adopted amendments to the By-laws of First Investment Bank, with which for a period of 5 years, as from 23.07.2019, the Managing Board, with the approval of the Supervisory Board, may decide to issue mortgage bonds pursuant to the Law on mortgage bonds with a total nominal amount up to BGN 400,000,000, maturity up to 10 years from the date of issuance and other conditions defined by the Managing Board.

In November 2019, an Extraordinary General Meeting of Shareholders was held, which represented 85.24% of the share capital and voting rights, at which BDO Bulgaria OOD and Mazars OOD were appointed as auditing companies to perform an independent financial audit of the financial statements of the Bank for 2019. The companies were selected after preliminary approval by the Bulgarian National Bank and upon recommendation by the Audit Committee of the Bank, according to selection criteria approved by the BNB in coordination with the Commission for Public Oversight of Statutory Auditors.

With a view to greater efficiency and facilitating the implementation of certain decisions, the General Meeting of Shareholders with its previous decisions of 29.05.2017 and 16.05.2016 has authorized the Management Board, with the prior approval of the Supervisory Board, to adopt resolutions for increase, through issuance of new shares, of the Bank’s capital until it reaches an aggregate nominal amount of BGN 210,000,000.00 (within a period of 5 years as from 23.06.2017), as well as for the issuance of debt instruments, including subordinated term debt and debt/equity (hybrid) instruments, up to the aggregate amount of BGN 2 billion or its equivalence in another currency (within a period of 5 years as from 16.06.2016).

CONTROL ENVIRONMENT AND PROCESSES

The Bank has established and constantly improves a reliable and comprehensive internal control framework which includes control functions with the necessary powers and rights of access, enabling independent performance of duties by the structural and auxiliary units exercising monitoring and control.

The risk management processes, procedures and requirements are structured according to the "three lines of defense" principle, which include the business units, risk management and compliance functions, as well as internal audit. The control functions are independent of the operational business units which they monitor and control, and are also organizationally independent of one another as they perform different functions. *For more information on risk management and compliance functions see* section *„Risk Management“.*

In 2019, First Investment Bank allocated efforts and resources for further developing its internal policies on internal control framework in compliance with the new requirements in this sphere, incl. the amendments in Ordinance No 10 of the BNB on the Organisation, Governance and Internal Control of Banks and EBA Guidelines on internal governance (EBA/GL/2017/11).

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. A Whistleblowing policy is also in place, aimed to systematize the means and procedures for internal sharing of information where there are suspicions of unlawful actions, or problems related to the work process, whereby to ensure their transparent and fair consideration and resolution.

INTERNAL AUDIT

The internal audit function established in First Investment Bank has broad powers, independence, resource availability and access to the competent management and supervisory bodies. It contributes to the effective management of the Bank, giving reasonable assurance that legal regulations, rules and procedures are adhered to, and appropriate and timely corrective actions are taken, thereby helping to reduce the risk of losses and to achieve the business objectives of the Bank.

The internal audit carries out periodic inspections to ensure the achievement of goals and objectives, the economical and efficient use of resources, adequate control of various risks, protection of assets, reliability and integrity of financial and management information, and compliance of activity with current legislation and the existing policies, plans, internal rules and procedures.

The 2019 General Meeting of Shareholders of First Investment Bank approved the 2018 annual report of the Internal Audit which informs shareholders about the main results of the control activities of internal auditors, the measures taken, and their implementation. During the period updated were the policies and rules related to audit function in compliance with the applicable regulatory and other requirements and standards in this sphere.

REGISTERED AUDITORS

The annual financial statements of First Investment Bank are subject to independent financial audit jointly by two audit companies, which are registered auditors pursuant to the Law on Independent

Financial Audit and in compliance with the applicable legislation. In order to ensure transparency and to disclose the results of the Bank to all stakeholders, the audited financial statements are published in Bulgarian and English on its corporate website at www.fibank.bg.

The registered auditors are elected by the General Meeting of Shareholders on a proposal by the Supervisory Board and following a recommendation by the Audit Committee of the Bank. The registered auditors are audit companies independent from the Bank, and their selection is also agreed in advance with the Bulgarian National Bank based on criteria for coordination of the selection, approved by the BNB together with the Commission for Public Oversight of Statutory Auditors.

The registered auditors selected to perform independent financial audit of the annual financial statements of the Bank for 2019 are:

- BDO Bulgaria OOD, UIC: 831255576, entered in the register of registered auditors, maintained by the Institute of Certified Public Accountants under registration № 016; and
- Mazars OOD, UIC: 204638408, entered in the register of registered auditors, maintained by the Institute of Certified Public Accountants under registration № 169.

In its capacity of a company of public interest in accordance with the Law on the Independent Financial Audit, an Audit Committee functions within the Bank. *For further information on its functions and responsibilities see section „Supervisory Board“.*

PROTECTION OF SHAREHOLDERS' RIGHTS

The corporate governance of First Investment Bank protects the rights of shareholders, depositors and other customers of the Bank, treating 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 investment decision-making by investors.

CONVENING OF GMS AND INFORMATION

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 the General Meeting. They are also published on the website of the Bank in Bulgarian and English 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. As part of the invitation written rules for voting with proxy are included, also requirements related to documents prepared in a foreign language, as well as information on receiving and accepting notifications, warrants of attorney and other documents through electronic means of communication were also laid down.

In cases where the Bank employees are also its shareholders, the same requirements regarding voting rights that are currently applicable to the other shareholders are applied.

MAIN TRANSFER RIGHTS AND RESTRICTIONS

All shares issued by First Investment Bank AD are ordinary, dematerialized, registered, and each share entitles its holder to one vote at the General Meeting of shareholders, and to a dividend and liquidation share in proportion with its nominal value. The Bank may not issue shares with different nominal values.

The Bank's shares are freely transferable, subject to the requirements of applicable law. Under the regulatory framework, natural or legal persons, or persons acting in concert, may not, without prior approval of the BNB, acquire directly or indirectly shares or voting rights in the Bank if, as a result of such acquisition, their holding becomes qualifying, or if such holding reaches or exceeds the thresholds of 20, 33 or 50 percent of the shares or voting rights, or when the Bank becomes a subsidiary.

No restriction on the rights of individual shareholders holding shares of the same class is allowed, and there are no shareholders of First Investment Bank with special voting rights. Also, the Bank has no knowledge of agreements between shareholders that could lead to restrictions on the transfer of shares, or voting rights.

First Investment Bank maintains a special section on the rights of shareholders on its corporate website at (https://www.fibank.bg/bg/investitori/korporativno-upravlenie/prava-na-akcionerite).

With the decision made in 2019 by the Managing Board to increase the Bank's capital through the issuance of new shares, it is envisaged the issue of rights in accordance with the Law on Public Offering of Securities, which entitle the shareholders to subscribe shares in the increase in proportion to their participation in the Bank's capital before the increase. One right is issued against each one existing share, as every 2.75 rights allowing one new share to be subscribed.

MINORITY SHAREHOLDERS AND INSTITUTIONAL INVESTORS

In accordance with good corporate governance practices, the Bank develops initiatives to engage minority shareholders and institutional investors.

In an effort to maintain an open line of communication with shareholders and investors, First Investment Bank maintains an Investors Club, by registering in which all stakeholders can receive e-mail notifications of any investor information disclosed by the Bank to the public.

The Bank organizes and holds meetings with minority shareholders, with a view to furthering transparency and creating an opportunity for open dialogue and feedback between them and the senior management of the Bank, as well as their opportunity to contribute and work actively for the successful development of First Investment Bank AD. In accordance with good corporate governance practices, aiming at equal treatment of respondents, the notice for the regular meetings with minority shareholders, as well as the results from their holding, are publicly disclosed through www.x3news.com, as well as on the Bank's website.

INFORMATION DISCLOSURE

Transparency and timely disclosure of information is a key principle in corporate governance. First Investment Bank maintains a system of disclosure in accordance with current regulations, which is aimed at providing timely, accurate and understandable information about significant events, allows for objective and informed decisions, ensures equal access to information and prevents abuse of insider information.

First Investment Bank has Disclosure policy adopted by the Managing Board and approved by the Supervisory Board that outlines the framework for provision of information to stakeholders, shareholders and investors in accordance with modern practices of good corporate governance and provides an opportunity for making objective and informed decisions and assessments. In disclosing information, the Bank is guided by the principles of accuracy, accessibility, equality, timeliness, integrity and regularity.

In its capacity as a public company and issuer, Fibank discloses to the public (through www.x3news.com) periodic information, including annual financial reports audited jointly by two registered auditors, as well as interim financial and activity reports. The scope of periodic information disclosed by First Investment Bank exceeds the requirements of national legislation, as the Bank has decided to publicly disclose quarterly financial activity reports in compliance with Art. 100n[1], par.7 of LPOS and Art.33a[2], par.2 of Ordinance №2 of the FSC, that are with more detailed content as the one in its half-year reports, instead of the more concise public notifications for financial condition for the first, third and fourth quarter.

First Investment Bank prepares this Annual Report in Bulgarian and English, which contains detailed information on the development and competitive position of the Bank and its financial results, implementation of objectives and review of business by type of activity, as well as information on the management structure, the corporate governance framework (Corporate Governance Statement pursuant to the Public Offering of Securities Act and the Accountancy Act), risk management and non-financial information (Non-financial statement within the meaning of the Accountancy Act). With respect to the report the registered auditors shall gave their opinion whether it corresponds to the financial statements and is prepared in compliance with the applicable regulatory requirements.

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.

Since 2016, First Investment Bank has participated in the EU-wide transparency exercise conducted by European Banking Authority (EBA), which includes aggregated and detailed bank-level information on capital position, risk exposures, leverage and asset quality. The exercise is part of EBA's actions aimed at promoting transparency and market discipline in the EU financial market. In 2019, 131 banks and banking groups from 27 countries from the EU and EEA took part in the exercise. Information on the results of First Investment Bank are publicly available on the website of EBA at https://eba.europa.eu/risk-analysis-and-data/eu-wide-transparency-exercise.

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.

In addition, Fibank publishes information on the Bank in the form of presentations and interviews with senior management, press releases, journals (e.g. Fibank News), discloses detailed information on products and services of the Bank, the applicable terms and conditions and the Tariff and any amendments thereto, as well as non-financial information on events and initiatives conducted as part of its corporate social responsibility policy.

INVESTOR RELATIONS DIRECTOR

With a view to establishing an effective relationship between First Investment Bank and its shareholders and persons that have interest in investing in financial instruments issued by the Bank, an Investor Relation Director is appointed within First Investment Bank – Mrs. Vassilka Momchilova Stamatova.

The Investor Relations Director of First Investment Bank has the necessary qualifications and professional experience for performing her obligations and responsibilities. The director is responsible for the timely disclosure of all needed reports, notifications and information the Bank is required to disclose to the Financial Supervision Commission, the Bulgarian Stock Exchange, the Central Depositary and the public, as well as to keep a register of all sent materials.

In execution of the applicable regulatory requirements, in June 2019 the Investor Relations director of the Bank reported her activity during 2018 at the Annual General Shareholders' Meeting and her report was adopted by the shareholders unanimously.

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

First Investment Bank has a mobile investor relations application providing quick access to financial information, the financial calendar of the Bank, as well as other data and news of interest to investors.

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.

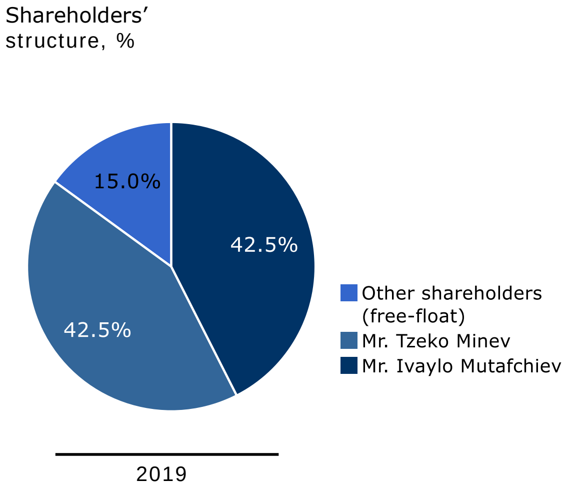
Periodically, in accordance with the legal requirements and best practices, First Investment Bank discloses information of a non-financial nature, including on the social responsibility of the Bank and its participation in the social life of the country. The Bank supports socially significant projects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

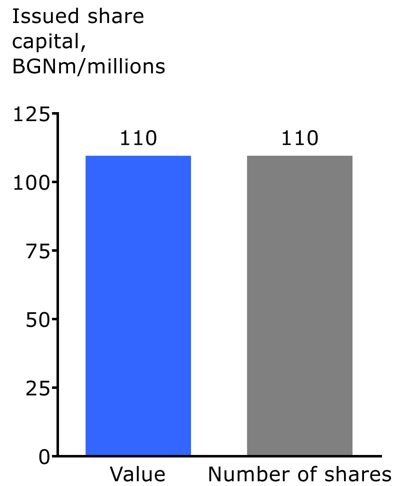
For eleven years now, First Investment Bank has maintained and developed a corporate blog which functions as a channel of communication aimed at open dialogue in accessible language with customers, partners and other stakeholders.

SHAREHOLDERS' STRUCTURE

As at 31 December 2019 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 (free-float). At the end of the year the total number of shareholders is over 1,700 which include both individuals and legal entities, incl. institutional investors.

Shareholders' structure at end-2019	**Issued share capital at end-2019**



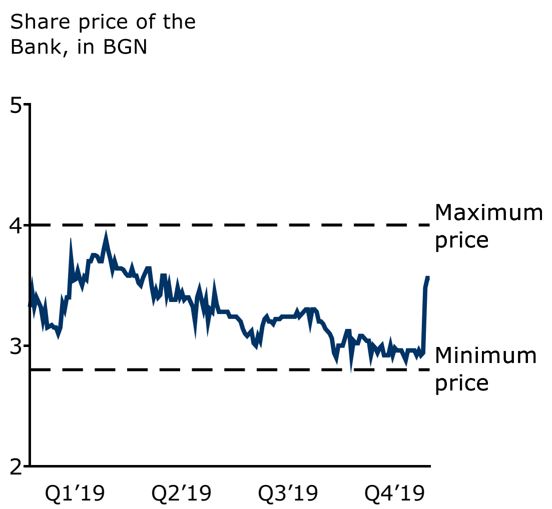


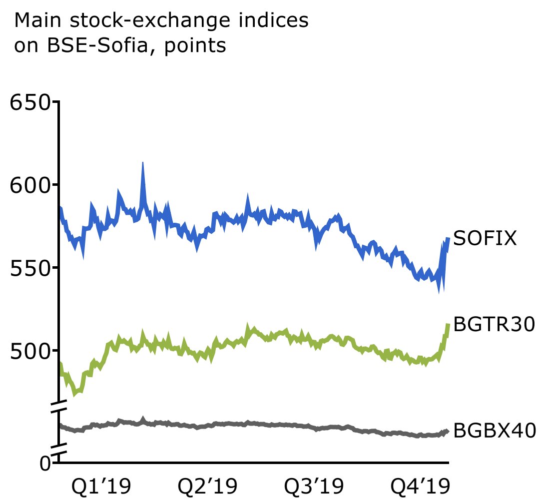
During the reporting period First Investment Bank did not acquire or transfer own shares, and at the end of the reporting period the Bank did not have own shares.

SHARE PRICE AND MARKET CAPITALISATION

In 2019, the share price of the Bank fluctuated in the range between BGN 2.84 to BGN 3.90. The last price of the shares of First Investment Bank for the reporting period was BGN 3,56 (2018: BGN 3,37) and the market capitalization of the Bank, calculated on this basis amounted to BGN 391,600 thousand. (2018: BGN 370,700 thousand). A total of 1,291 transactions were concluded with the shares of the Bank on the regulated market BSE, amounting to a turnover of BGN 1,947 thousand, compared to 1,453 transactions and BGN 3,075 thousand turnover a year earlier.

Share price of the Bank during 2019	Main stock-exchange indices on BSE-Sofia





As at 31 December 2019, the shares of the Bank were traded on the Main Market BSE, Premium Equities Segment of the Bulgarian Stock Exchange and were 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

In 2019, HR management activities were focused on the planning and realization of significant long-term, strategic and training projects, as well as on the implementation of programs to inspire and promote positive examples of productive work behavior among the Bank's employees.

During the year, a project proposal for a long-term **Employer Branding** strategy was developed and presented. The project is to be implemented in conjunction with the Marketing and Advertising and Corporate Communications departments. An important step towards its implementation is the Employee Satisfaction survey, which is planned for 2020. Another major project launched during the period was the introduction of a new HR system, which aims to achieve greater efficiency in the core processes and activities of human capital management related to remuneration and benefits management, selection, training and performance management.

The implementation of the Knowledge Development for Future Management project was successfully completed. 450 employees of the Bank participated in it, receiving software application training and improving their language competencies. The project was carried out with 100% funding under the Human Resource Development Operational Program, amounting to BGN 227,425.

Several major training initiatives were implemented in 2019, such as:

- Training for Front Office employees in offering and selling retail credit products, Diners Club credit cards, FiHealth Insurance products;
- Development of the skills of employees of the Bank's Contact Center in customer service, offering and selling banking products by telephone;
- Lean Six Sigma training on methodologies for managing and optimizing processes and activities.

The successful implementation continued of proven and relevant training programs for newly-appointed Front Officers and Cashiers in key areas of their job responsibilities.

During the year, a project was implemented to upgrade the operational capacity and functionality of the Bank's e-learning platform. The goal of the project was to provide access to all Fibank employees to the e-learning environment and thus to expand and intensify the overall corporate training process. As a result, over 1,800 employees underwent various e-trainings.

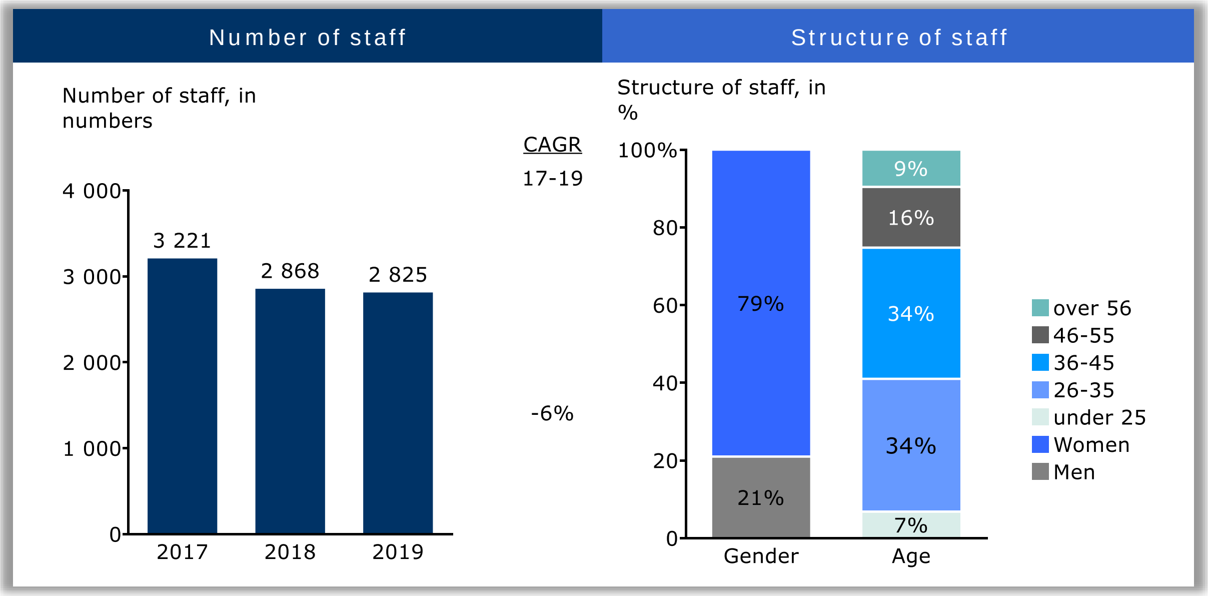
In 2019, the Program for development of internal trainers was launched. Its full deployment is planned for 2020, when 45 in-house trainers will be ready to conduct group trainings, and 90 mentors to train their colleagues at the workplace. The program includes the cities of Sofia, Plovdiv, Varna and Veliko Turnovo and is carried out with the assistance of a consulting firm with proven successful experience in implementing such projects.

In the period June-October 2019, the Bank organized and held an internship program named My Career Start. Over 30 young people had the opportunity to gain practical experience in various departments of the Bank, including the Head Office and branches in the country. Various events and trainings were conducted to develop the interns' knowledge and skills and present the Bank as a preferred and responsible employer.

In 2019, the Recognition Program **„Together We Can Do More”** got 4 years since its launch and is increasingly becoming an inspiring and motivating element for the Bank's employees. As at the end of 2019, the total number of awarded employees in the program is 123, and the moments of the award are a source of joy and pride for the winners and their leaders.

In 2019, Fibank continued to invest in the development of qualifications and motivation of its employees by enrolling in two Master's Programs. The Bank finances the education of high-potential development employees in the Master's Program **„Finance, Banking & Real Estate”** of SDA Bocconi School of Management and American University in Bulgaria.

Nine employees of the Bank successfully graduated during the year in the Master's Program **„Banking Management and Investment”**, which is developed jointly with the University of Finance, Business and Entrepreneurship and is aimed at building partnerships and lasting integration of business with education. For the academic year 2019-2020, new 15 employees who have undergone a special nomination and selection procedure have been enrolled to participate in the Master's Program.



As at 31 December 2019, the number of staff of First Investment Bank on a consolidated basis amounted to 2,825 employees compared to 2,868 a year earlier. As at the end of the year, 37% of the Bank's staff are employees at the age of up to 35 years, and the share of those up to 45 years is 73% of the total staff. According to the general trends, the majority of the Bank's employees are women.

REMUNERATION POLICY

The remuneration principles in the Bank are structured so as to contribute to prudent corporate governance and risk management. First Investment Bank applies a Remuneration policy pursuant to the regulatory requirements, which is consistent with the business strategy, objectives and long-term interests of the Bank, promotes sound and effective risk management, and does not encourage risk-taking in excess of the risk tolerance of the Bank.

The main objective of the policy is attracting and retaining qualified personnel, motivating them to achieve high performance at a moderate level of risk and in accordance with the long-term interests of the Bank and its shareholders. It is based on principles of transparency, prevention of conflicts of interest and equal treatment of all employees, accountability, objectivity, sound risk management.

The policy sets out the general principles in forming remunerations. There are fixed and variable remunerations, the purpose of the Bank being to adhere to an optimal ratio between both, 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. In determining the remuneration, not only the financial results are taken into account, but also the ethical norms and corporate values underlying the Code of Conduct of the Bank, as well as sound and effective risk management.

The policy includes the categories of staff (identified staff), including senior management, employees with control functions and those whose activities are related to risk-taking, as well as defined the specific requirements for them with regard to the structure of the variable 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. *For more information regarding its functions and responsibilities see section „Supervisory Board".*

The remuneration of key management staff for 2019 amounted to BGN 10,069 thousand.

POLICY FOR NOMINATION AND SUITABILITY ASSESSMENT

In 2019, First Investment Bank further developed its Policy of First Investment Bank for nomination and assessment of the suitability of members of the managing and supervisory bodies and persons holding other positions, in compliance with the new requirements in this sphere, incl. the amendments in the Law on Credit Institutions, Ordinance No 20 of the BNB on Issuance of Approvals to Members of the Management Board (Board of Directors) and Supervisory Board of a Credit Institution and Performance Requirements for Their Duties and the joint EBA and ESMA Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2017/12).

The Policy sets out the basic requirements, principles, guidelines and criteria for selection and assessing the individual and collective suitability of members of the bodies of First Investment Bank who have management and supervisory functions, as well as with regards to the key function holders within the Bank. The Policy structures and identifies the essential fit and proper requirements and criteria (incl. with respect to needed knowledge, skills and experience; reputation, honesty and integrity; independence and allocation of enough time for performing of duties; as well as the practices for encouraging diversity, succession planning and training), so that they to a maximum extent meet the high standards applied by the Bank with a view to making an adequate contribution to the realization of its objectives and strategy.

The Bank applies a policy for encouraging diversity with respect to Supervisory Board and Managing Board in order to maintain a diverse group of board members and to provide diverse views and experience to facilitate independent opinions/decisions and sound governance, which includes various aspects such as work experience, educational qualifications, gender, age, geographical diversity. With respect to the composition of the bodies, the Bank seeks to maintain a target level of 30% of the members of the Supervisory Board and of the Managing Board to be from the underrepresented gender, as if necessary rounding off (down) to an integer. As of 31 December 2019, the Bank fulfilled the set target in the policy. *For further information regarding diversity, see sections Supervisory Board and Managing Board.*

SOCIAL RESPONSIBILITY

Non-financial statement

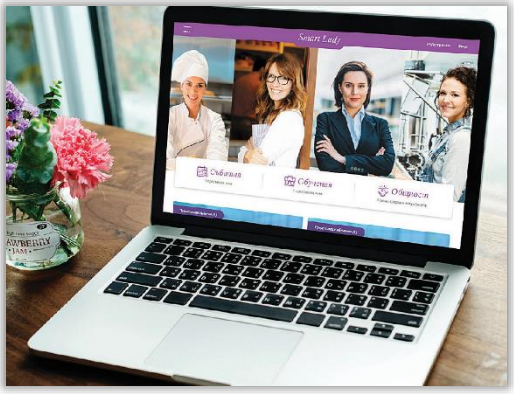
within the meaning of Art. 48 of the Accountancy Act.

In 2019, First Investment Bank maintained its image as a socially responsible institution implementing various projects in the spheres of education, culture and sport as part of its corporate social responsibility program.

In implementation of the long-term program of Fibank for supporting and stimulating the development of the Bulgarian education and young people, have been organized a number of initiatives in 2019 focused on promoting financial literacy among children from a very young age.

In March 2019 First Investment Bank participated in "European Money Week" – a joint initiative of the European Banking federation and the Association of banks in Bulgaria, aiming to raise the public awareness of the financial education and the financial literacy. Fibank participated through activities and initiatives, aiming to raise the financial literacy of the students in a number of cities in Bulgaria, including Sofia, Plovdiv, Varna, Stara Zagora, Kardzhali, Lovech, Gotze Delchev, Montana. In front of the students have been presented short topics for the financial literacy, aiming to encourage and nurture among children interest to the entrepreneurship, responsibility to the money and skills for long-term planning and management of the personal and family budget. Also, books and a movie titled "Kids and money" have been presented - specially created as part of the Bank`s program for early financial education, as well as demonstrations of payments with cards and payment accessories.

During the year, First Investment bank supported some other projects with educational and scientific focus, incl. the project "Culture vs. science" under the program "Erasmus + K2" of the High school Of Mathematics "Yane Sandanski", Razlog, as well as the Bank awarded the outstanding students graduated in 2019 of the High school of Mathematics, Lovech. Fibank was one of the main partners of the annual congress of the European Students Pharmaceutical Association (ESPA) and the International Biomedical congress (IBCS 2019), held in Sofia.



In 2019, the Bank developed the social orientation of the program Smart Lady, designed to support women entrepreneurs. In fulfillment of this, during the period has been developed a new web - based platform for the program, creating conditions for distance trainings, provision of practical advices and cases, as well as the publication of specialized materials supporting the women entrepreneurs. Recognition for the efforts in this direction is the "Product site 2019" award for the web platform during the year. As part of the program has been established a club "Smart Lady", with social mission to create a community for interaction, contacts and business cooperation among women in business.

First Investment Bank continued to support topics and causes significant to the public. During the year, Fibank and Mastercard supported the global program World Food Program (WFP), aiming to combat against hunger at global level. As part of the program, at local level in the country, has been created an electronic school feeding system "Healthy school" that has been used in a number of schools in Bulgaria. The Bank has been involved in the cause, through which for every lunch paid with a Master card through the platform, is donated one week free food for a child in need.

As the largest Bulgarian-owned bank, Fibank continued its efforts to preserve and develop Bulgarian traditions and culture. The Bank supported Bulgarian cinema through a number of initiatives, as well as a set of musical events and festivals, including the Bansko International Jazz Festival, French music and culture Festival "Golden key" in Plovdiv.

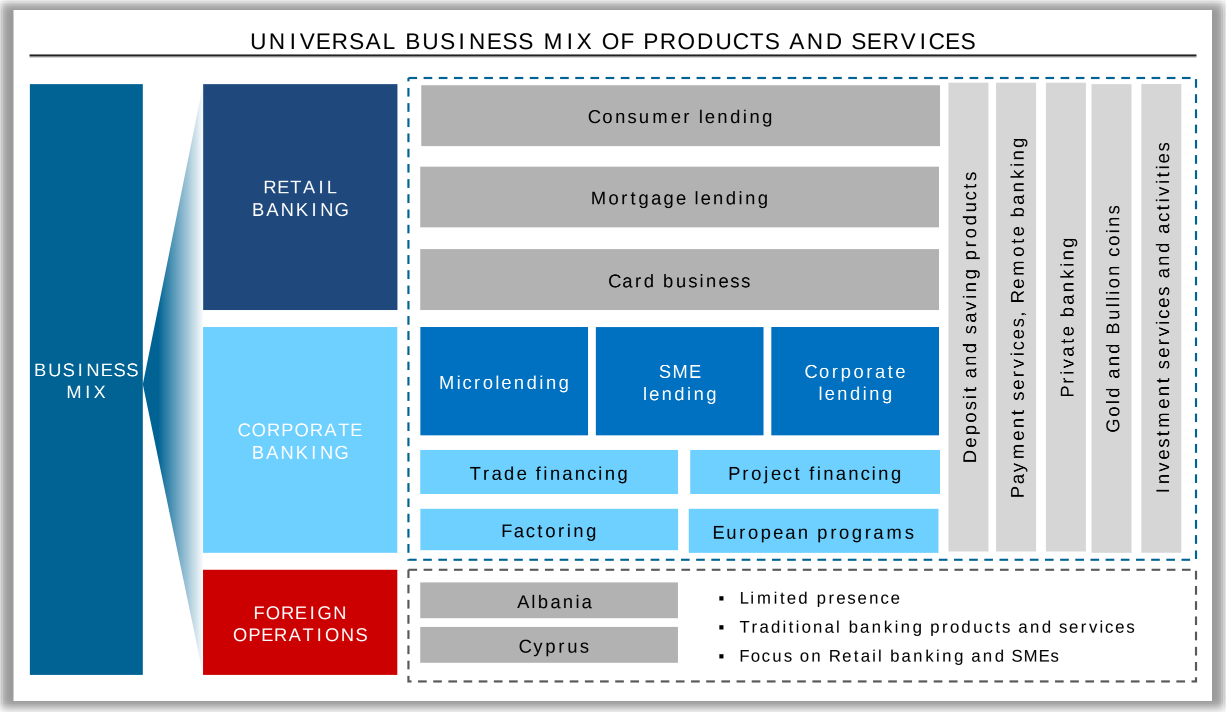
The development of Bulgarian sport and the support of young talents are among the important causes that First Investment Bank seeks to maintain in pursuit of its social responsibility program. In its capacity as a general sponsor of the Bulgarian Olympic Committee, the Bank supported the Bulgarian athletes for their participation in the European Games in Minsk, where more than 80 athletes represented Bulgaria in 15 sports. Fibank was also sponsor of the Men`s Alpine Ski World Cup, in Bankso, incl. through an organized charity auction and the raised funds from which, were donated to the Bulgarian Sports Federation for children and youth in risk.

At the end of 2019, First Investment Bank presented its charity calendar for 2020 which is part of a social project aimed at young and talented Bulgarian athletes, supporting the Bulgarian Rhythmic Gymnastics Federation (BRGF) and as well as, the shelter for homeless animals Animal Rescue Sofia. The calendar is distributed through the branch network of the Bank across the country, and Fibank has committed to double the donations collected for the charity cause.

For another year, Fibank organized 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 and models of entrepreneurship in the country that may become a source of inspiration to others.

In accordance with legal regulations and good practices, First Investment Bank discloses in its Annual Reports non-financial information that represents a *Non-financial statement* within the meaning of Art. 48 of the Accountancy Act, including with regard to the corporate social responsibility policies of the Bank and its participation in the public life of the country, as well as matters related to employees, diversity policies in place, description of business development and products, corporate governance practices and development objectives. *For more information, apart from the Social Responsibility section, see also sections Mission, Bank profile, Highlights 2019, Distribution channels, Information technology, Corporate governance, Human capital, Business overview, Business review of subsidiary companies, Goals for development during 2020.*

BUSINESS REVIEW



First Investment Bank offers a universal mix of products and services to individuals, as well as to business clients, incl. strategic focus for development in the spheres of retail banking, micro, small and medium enterprises.

RETAIL BANKING

DEPOSITS

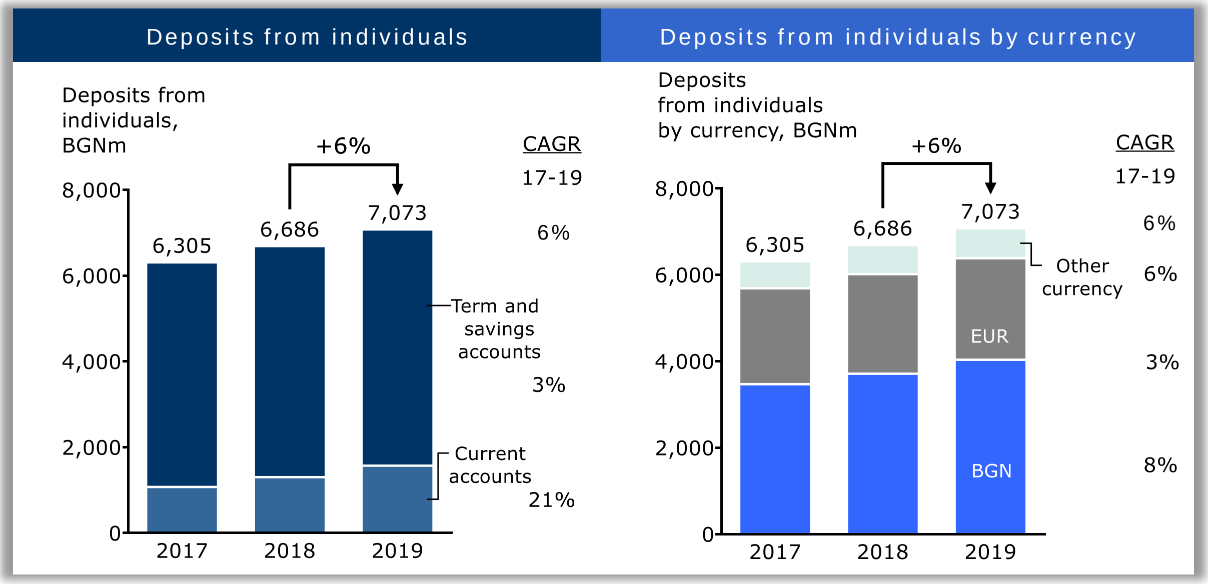
In 2019, attracted funds from individuals increased and reached BGN 7,073,178 thousand compared to BGN 6,685,678 thousand a year earlier, mainly driven by the 20.6% increase in current accounts which reached BGN 1,569,092 thousand (2018: BGN 1,301,585 thousand). Such results were determined by the consistent policy of the Bank for establishing long-term customer relationships, while developing cross-selling and transaction business.

During the year, a new retail product Saving account for teenagers “Smart teen“ was developed, that allows transfer of amounts ordered through the My Fibank Mobile application from and to the Current account with issued debit card Debit Mastercard Pay Pass teen. In April 2019 a campaign for promoting product “Profitable account“ was launched. The product includes current account, tied to a term deposit, where interest is calculated depending on the proceeds on the account.

Fibank offers a wide range of accounts with current character, including IQ current account, as well as specialized accounts, in conformity with the specific needs of certain clients such as condominium accounts, notary accounts, insurance brokers and agents, private enforcement agents.

The Bank's policy is aimed at building a stable deposit base by offering diverse and flexible deposit products, while maintaining high standards of customer service. In 2019, Fibank optimized the terms of its deposit products in line with the market environment and the downward trend in interest rates. It continued to work actively towards building and maintaining lasting customer partnerships.

By the end of the year, term deposits and savings accounts increased to BGN 5,504,086 thousand (2018: BGN 5,384,093 thousand), with borrowings from individuals retaining a major share at 77.8% (2018: 80.5%). With a view to diversifying its sources of funds, the Bank participates in the international platform WeltSparen by Raisin aimed at attracting deposits from foreign persons.



In terms of attracted funds from individuals First Investment Bank was placed third among banks in the country as at the end of December 2019 (2018: third). As at the same date the market share of the Bank amounted to 11.67% on a consolidated basis (2018: 11.98%).

LOANS

The gross loan portfolio of individuals increased with 14.6% to BGN 1,960,389 thousand compared to BGN 1,711,192 thousand for the previous year, as a result of an increase in consumer and mortgage product lines.

In BGN thousand/ % of total	2019	%	2018	%	2017	%
Consumer loans	865,781	44.2	750,285	43.8	622,681	41.3
Mortgage loans	896,313	45.7	752,581	44.0	622,171	41.3
Credit cards	193,197	9.9	202,095	11.8	259,303	17.2
Other programs and secured financing	5,098	0.3	6,231	0.4	3,182	0.2
Total retail loans	**1,960,389**	**100**	**1,711,192**	**100**	**1,507,337**	**100**

CONSUMER LOANS

Consumer loans increased by 15.4% to BGN 865,781 thousand (2018: BGN 750,285 thousand), contributors being the competitive terms offered by the Bank, the easy loan application procedure and the development of new products and programs, including seasonal offerings, in line with customer needs and market necessities. Their share increased to 44.2% of the retail loan portfolio of the Group as at the end of the period (2018: 43.8%).

During the year a new innovative service for distance signing of consumer loans is started by using specialized coding Token device (Software/ Hardware) or qualified electronic signature through a

Third-party mobile application. The new possibility is part of Fibank's program for growth and digitalization of services, developed in order for additional ease of its customers as well as helping the ecological growth. First Investment Bank continued to promote the opportunity for fully online application for consumer loans and overdrafts on its website at www.credit.fibank.bg. The process is integrated into the automated Workflow system of the Bank.

Over the period, the product range was updated, in line with competitive lending terms and customer needs, including products as consumer loan Supercredit, consumer loan Restart, overdraft on current account with debit card Easy credit. New insurance services were offered together in partnership with Fi Health Insurance AD.

First Investment Bank's market share in this segment amount to 8.51% (2018: 9.27%) at the end of December 2019, and Fibank was sixth (2018: fifth) in terms of consumer loans among banks in the country on a consolidated basis.

CREDIT CARDS

The utilized limits on credit cards were in the amount of BGN 193,197 thousand at the end of the period (2018: BGN 202,095 thousand). Fibank develops various and innovative card products and services, including thematic campaigns to promote and attract new customers, which were organized in implementation of the Bank's consistent and long-term policy for stimulating these non-cash payments. The relative share of loans utilized through credit cards in the total loan portfolio to individuals amounted to 9.9% (2018: 11.8%).

A number of promotional offers were launched during the year, including in the area of credit cards and overdrafts. In pursuance of its strategic plans, the Bank continued to develop its operations with a view to more effective management of the customer portfolio and targeting individual customer groups, as well as identifying additional cross-selling opportunities. *For further information see section Cart payments*.

MORTGAGE LOANS

As at the end of December 2019, mortgage loans increased by 19.1% to BGN 896,313 thousand compared to BGN 752,581 thousand a year earlier, forming a 45.7% share in the portfolio of loans to individuals (2018: 44.0%). As at 31 December 2019, the market share of the Bank in this segment increased to 6.91% (2018: 6.68%), as Fibank was placed sixth among banks in the country on a consolidated basis (2018: sixth).

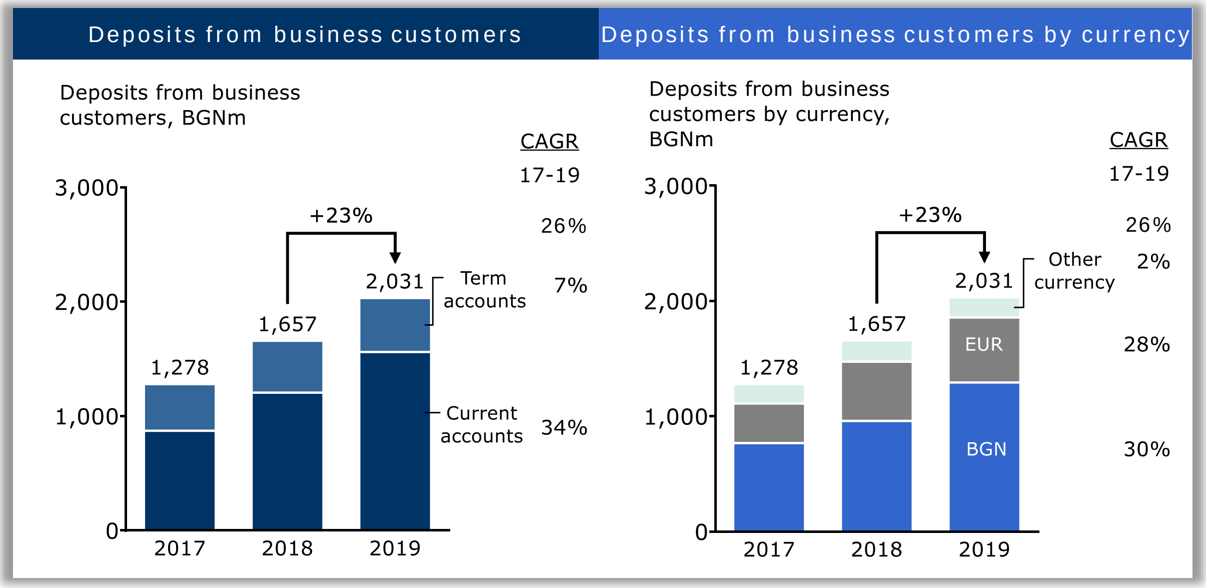
Throughout the year in implementation of its strategy for development of the retail banking segment, Fibank continued to offer mortgage loans under competitive conditions as well as to organize promotional campaigns, aiming to stimulate sales, including the campaign New home with Fibank. During the period in compliance with the market environment the conditions on the mortgage loan "Right of choice" were updated.

In 2020, the Bank will continue to develop and offer flexible credit products for individuals with the aim at attracting new clients and offering supplementary products and services. Expansion of mortgage lending channels is planned, including by participation in specialized online mortgage lending platforms.

CORPORATE BANKING

DEPOSITS

Attracted funds from corporates and institutions in 2019 increased with 22.6% (BGN 373,830 thousand) to BGN 2,030,843 thousand (2018: BGN 1,657,013 thousand). The increase in volume reflected mainly in the current accounts reaching BGN 1,560,147 thousand at the end of 2019 (2018: BGN 1,203,878 thousand) and forming 76.8% of the attracted funds from business customers and institutions (2018: 72.7%).



Term accounts increased as well and reached BGN 470,696 thousand (2018: 453,135 thousand) at the end of the period, forming 23.2% of the attracted funds from corporates and institutions (2018: 27.3%). First Investment Bank offers a variety of deposit and savings accounts, and package programs for business customers which constantly adapt to market conditions and specific company requirements.

In 2019, Fibank further developed its products offered for customers through the international Weltsparen by Raisin platform.

As at 31 December 2019, funds attracted by the thirty biggest non-banking clients represented 7.32% of the total amount due to other customers (2018: 4.74%).

LOANS

CORPORATE LENDING

The portfolio of loans to corporates amounted to BGN 4,567,042 thousand at the end of 2019, compared to BGN 4,754,192 thousand a year earlier as result of decreasing their share in the corporate portfolio to 76.2% at the end of the year (2018: 78.5%). The loans to other business lines – small and medium enterprises and microlending, grew, as they increased their share in the structure of loans to companies to 20.2%, (2018: 18.5%) and to 3.6% (2018: 3.0%) respectively, as part of the policy for portfolio diversification and priority development in these segments.

In BGN thousand/ % of total	2019	%	2018	%	2017	%
Corporate customers	3,481,386	76.2	3,734,634	78.5	3,382,460	79.4
Small and medium enterprises	921,704	20.2	879,136	18.5	753,438	17.7
Microlending	163,952	3.6	140,422	3.0	121,533	2.9
Total loans to corporates	**4,567,042**	**100**	**4,754,192**	**100**	**4,257,431**	**100**

* Business lines based on internal Bank criteria for segmentation of customers

First Investment Bank provides various financing for business clients, including under the form of working capital loans, investment loans, guarantees, financing under the programs and funds of the EU, under the National Guaranteed Fund, factoring services and others.

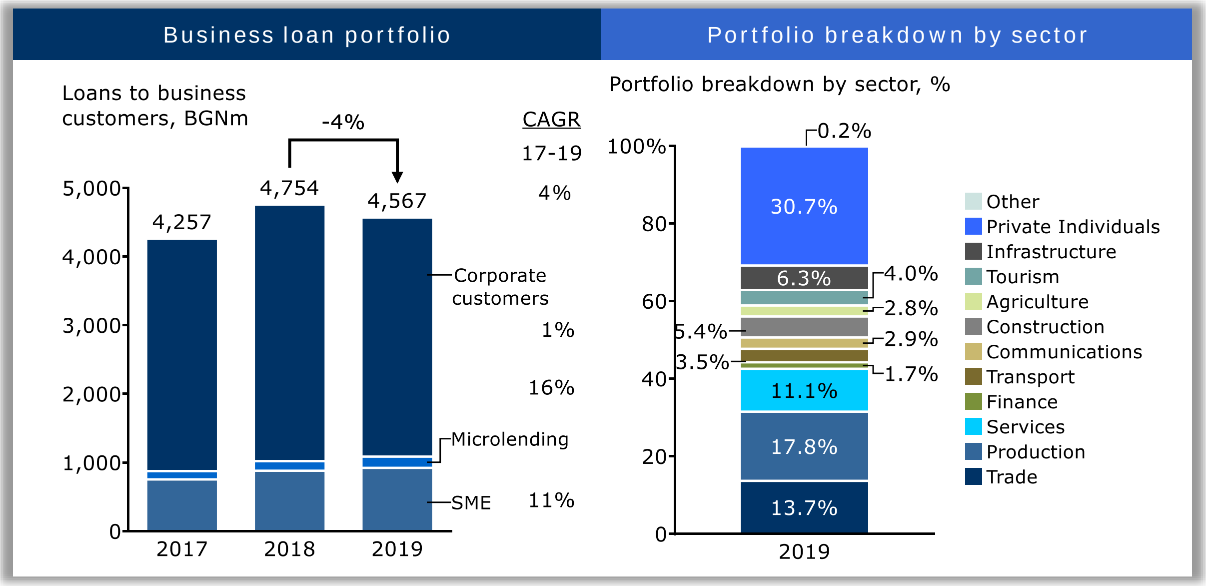
During the year, a campaign was launched to present the factoring services offered by the Bank to existing and potential business customers, including companies delivering of goods or providing services with deferred payment in the country or abroad. First Investment Bank is a member of Factors Chain International (FCI), a global network of leading commercial finance companies and can provide export factoring without recourse, as well as import factoring. The Bank also maintains co-operation with leading factoring insurance companies.

The Bank continued to be among the leading institutions in the country in the area of commercial finance. At the end of the year, in accordance with the renewal option, 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 customers of First Investment Bank in Bulgaria or abroad.

The market share of Fibank at the end of December 2019 amounted to 11.60% of loans to corporates in the banking system (2018, 12.82%), Fibank retained its second place (2018: second) among banks in the country on a consolidated basis.

As at 31.12.2019, loans to the manufacturing sector had a leading share in the portfolio structure (2019: BGN 1,162,856 thousand, 2018: BGN 1,201,664 thousand), followed by the trade sector (2019: BGN 891,509 thousand, 2018: BGN 1,037,381 thousand) and the services sector (2019: BGN 722,291 thousand; 2018: BGN 672,197 thousand), forming respectively 17.8%, 13.7% и 11.1% % of total loans of the Group (2018: 18.6%, 16.0% и 10.4%). Such dynamics reflect the positive trends of economic activity in the country, in line with the Bank's development goals. An increase was also reported in the sectors of construction – up to BGN 353,245 thousand (2018: BGN 275,066 thousand) as a result of the recovery of these sectors and their contribution to value added in the economy over the period. Positive indications and data in the tourism sector contributed to the development of loans in this segment, which reached BGN 262,560 thousand at the end of the period against BGN 249,330 thousand a year earlier. An increase was also reported in the sectors of finance (2019: BGN 108,742 thousand; 2018: BGN 107,668 thousand). Loans in communications increased to BGN 190,717 thousand (2018: BGN 107,463 thousand), driven by the Bank's focus and specialized credit products offered, as well as by the sector's contribution to the growth of the services industry in the country.

During the year decrease was registered in loans in the sphere of agriculture (2019: BGN 184,433 thousand; 2018: BGN 199,847 thousand), in transport sector (2019: BGN 227,205 thousand; 2018: BGN 322,495 thousand) and infrastructure (2019: BGN 408,935 thousand; 2018: BGN 501,084 thousand).



During the period, the Bank affirmed its cooperation with the Bulgarian Export Insurance Agency (BAEZ), by continuing its activity on the agreement for portfolio insurance with the agency, used as part of the techniques for mitigating credit risk.

SME BANKING

In 2019, loans to small and medium enterprises[13] increased with 4.8% to BGN 921,704 thousand compared to BGN 879,136 thousand a year earlier in implementation of the Bank's plans for development of this business segment. The increase was influenced also by the competitive terms offered in the products for SME clients, as well as the various solutions related to the programs and funds of the EU and the other guarantee schemes and financing.

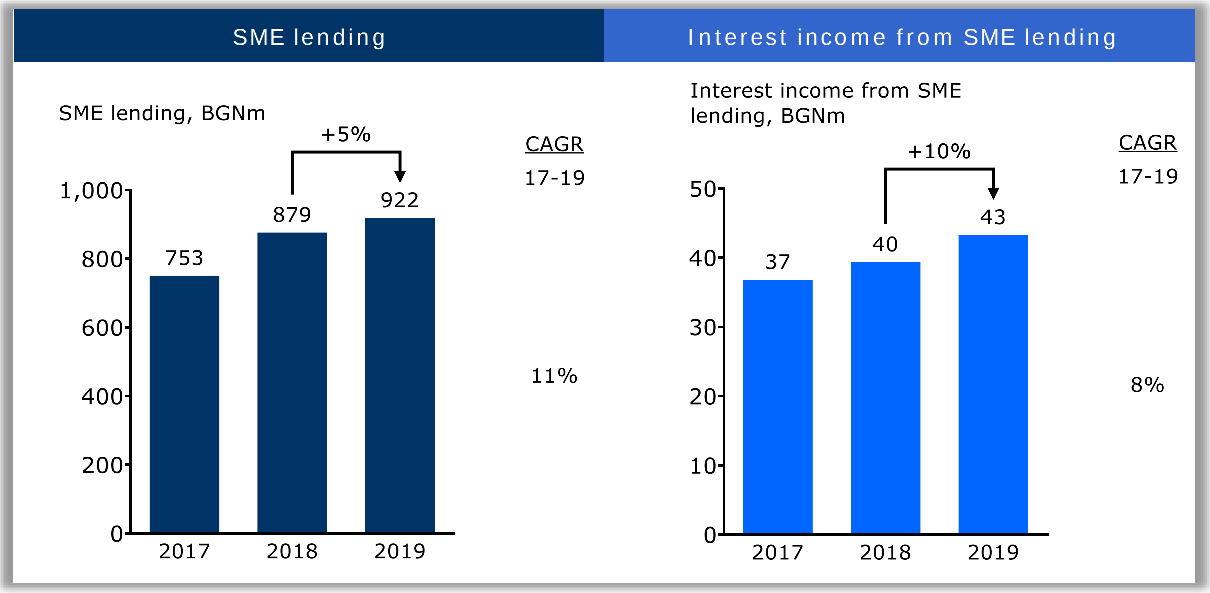
In the beginning of the year, based on an agreement with the National Guarantee Fund (NGF) for financing under the COSME+ guarantee scheme, Fibank started providing investment and working capital loans to small and medium-sized enterprises in the amount of up EUR 150,000 for a term of up to 120 months. Under the program a possibility for issuing a bank guarantee is provided, and revolving credit lines for a term of up to 60 months, as well.

In the end of 2019, First Investment Bank started preparation for new credit decisions aimed at supporting the small and medium-sized enterprises in the country under a program with NGF using mechanism of shared risk. The maximum amount of the limit is BGN 20 million. By the end of 2023 the loan portfolio is possible to reach the amount between BGN 40 and BGN 200 million. *For more information see section „Europrograms“.*

For SME financing, the Bank maintains cooperation with other institutions, including the National Agricultural Fund and the Bulgarian Export Insurance Agency. Through various financing schemes, Fibank also actively supports beneficiary companies under programs for the utilization of funds from European structural and cohesion funds.

For more information on the SME loan portfolio of First Investment Bank – Albania Sh.a. see section "Business overview of subsidiary companies".

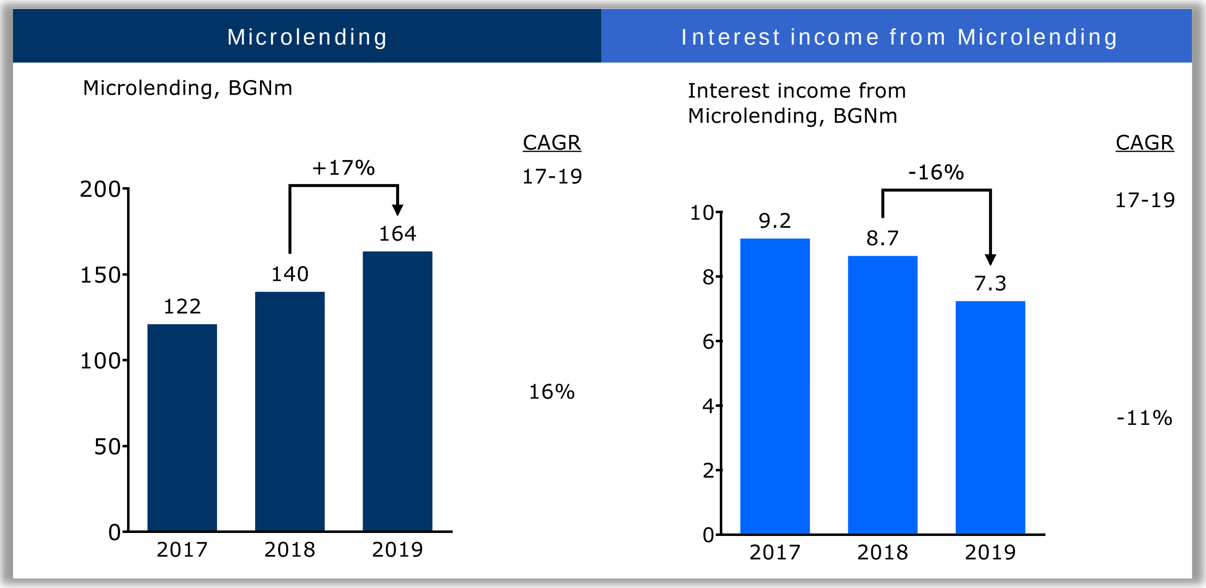
[13] Enterprises with annual income of sales up to BGN 15 mln. regarding the internal criteria for segmentation of customers.



Throughout the year, Fibank continued to promote its credit products tailored to specific sectors or areas of business, such as office purchase/repair, or working capital for small and medium-sized companies operating in the field of information technology. A new campaign was launched for business credit cards, with pre-approved limits for SME customers of the Bank. The Bank also increased its efforts in offering factoring services to Bulgarian companies as an alternative to working capital loans.

MICROLENDING

In 2019, the microlending portfolio grew by 16.8% reaching BGN 163,952 thousand compared to BGN 140,422 thousand a year earlier. The Bank continued its targeted efforts for development and growth in this segment.



The Microlending[14] Program of First Investment Bank covers a wide range of retailers, manufacturers, farmers, freelancers, including start-ups and companies with less market experience. The Bank offers specialized products for microenterprises including investment loans, working capital loans, business credit cards and overdraft facilities at competitive terms.

In 2019, an emphasis in microlending activity was offering investment and working capital loans under the program "Shared risk microlending", financed by Human Resource Development Operational Program 2014-2020 and co-financed by European Social Fund and Youth Employment Initiative. The program supports starting-up companies and businesses focused on social activities and generate positive social impact.

During the period, the Bank continued to support and develop its Smart lady program using the built platform for distance learning and providing information directed at female entrepreneurs. The program mainly targets companies managed or owned by women, as well as businesses producing goods or providing services for women. Financing solutions include investment and working capital loans, bundled offers with Diners Club First Lady credit cards, medical insurance from FiHealth Insurance AD, child savings accounts, as well as debit cards for children and teens.

During the period, the Bank continued to support agricultural producers, including by providing loans secured with pledge of subsidies under schemes and measures of EU's common agricultural policy. Up to a 100% of the expected subsidy payments are financed under this program. As part of its efforts to offer tailored financing solutions to individual sectors or business areas with high development potential, the Banks has credit products in place especially designed for financing projects under EU programs, IT companies, as well as for medical and dental practices.

[14] Enterprises with annual income of sales up to BGN 0.5 mln. regarding the internal criteria for segmentstion of customers.

EUROPROGRAMS

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 overall project implementation, bridge financing up 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.

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

In June 2019 First Investment Bank signed three Operational agreements with the Fund manager of investment instruments in Bulgaria/Fund of the Funds/ for assigning the execution of the instrument "Shared risk microlending ", financed by Human Resource Development Operational Program 2014-2020, co-financed by European Social Fund and Youth Employment Initiative. The Instrument is focused on supporting entrepreneurs and social services by financing starting-up companies, including persons from vulnerable social groups, as well and social enterprises. The maximum amount of the loan resource is BGN 15 million. By the end of 2023 the microlending loan portfolio is aimed to reach the amount of BGN 19 million.

In November 2019 is signed new agreement with the National Guarantee Fund for provision of financing in support of small and medium enterprises under mechanism of Shared risk. Under the program, the National Guarantee Fund issues a guarantee supplementing collateral on investment and working capital loans to small and medium-sized enterprises, which targets the internal Bank requirements for granting loan, excluding the collateral. The total amount of the guaranteed limit is distributed into three sub-portfolios and is in maximum amount of BGN 20 million. Depending on applied percentage for respective loans, total loan portfolio may reach between BGN 40 million and BGN 200 million by the end of 2023.

PAYMENT SERVICES

In 2019 First Investment Bank was a member and participant in payment systems and agent of other payment service providers, 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);
- Pan-European system for payments in Euro (STEP2 SEPA Credit Transfer), as a direct participant through EBA Clearing;
- Bank Organisation for Payments Initiated by Cards (BORICA);
- Agent of Western Union;
- Agent of Easypay.

During the year First Investment Bank Cyprus Branch became indirect participant through First Investment Bank AD in the payment systems TARGET 2, BISERA7-EUR, as well as in the STEP2 SEPA Credit Transfer system, operated by EBA Clearing.

OPEN BANKING

Accent in the activity related to payment services in 2019 was put on the implementing of the new regulatory requirements deriving from the Law on Payment Services and Payment Systems /LPSPS/ and Ordinance № 3 of BNB which implement the Directive (EU) 2015/2366 for the payment services in the internal market (PSD 2), including with regard to the so called “Open Banking”.

In connection with the abovementioned as well as the necessity for providing an online access for Third Party Providers (TPPs) to payment accounts, serviced in the Bank for performing the Payment initiation, Account information and Fund confirmation services, First Investment Bank provided:

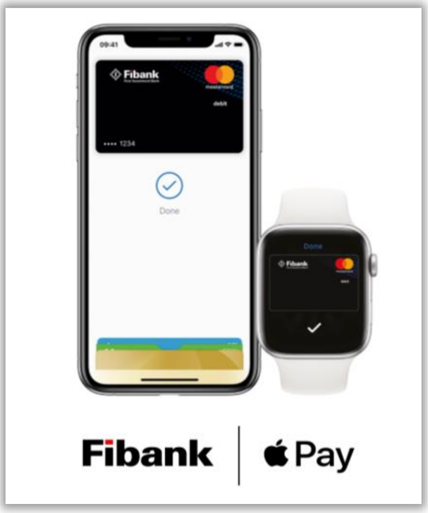
- A testing facility based on BISTRA national standard and available for developers and Third Party Providers (TPPs) to test API /dedicated interface/ access from March, 14th 2019 on the following address: https://psd2dev.fibank.bg/fibank-sb/psd2/;
- A production facility based on BISTRA national standard enabling Third Party Providers to provide PSD2 services from June, 14th 2019 on the following address: https://psd2dev.fibank.bg/fibank/psd2/.

In addition, taking advantage of the regulatory opportunities related to Open Banking and aiming to expand and integrate the services offered to the clients, First Investment Bank provided the usage of the new PSD2 services account information and payment initiation through the Mobile Application *MyFibank.* This option secures quickness and convenience for the clients when they want to have access to consolidated information for their account, serviced at other payment service provider or when they want to initiate payment from such account.

CARD PAYMENTS

In 2019, First Investment Bank continued to develop its card business in line with customer needs and modern technologies, including through offering innovative card products and services on the Bulgarian market, relevant to the context of the increasing digitization in banking.

During the year accent in the activity was put on providing the opportunity for card digitization (debit/credit card) and for contactless payments through third party applications. In fulfillment of this opportunity an innovative project for payments through Garmin smartwatch, supporting Garmin Pay functionality was successfully realized in partnership with Fibank, Mastercard and Garmin. Thanks to the new service clients with Mastercard cards issued by Fibank may perform payments on contactless POS terminals and ATM devices as the security is provided through the MDES (Mastercard Digital Enablement Service) technology whereas the registration of the card is provided through the mobile application Garmin Connect Mobile (GCM).



Another innovation following the same direction was the start of the Apple Pay service offered for the first time among the banks in Bulgaria by First Investment Bank. Using this service any Bank's client having debit or credit card Mastercard can add it/digitize it to Apple Wallet and perform quick, convenient and secure mobile payments, including through the Touch ID/Face ID functionalities maintained by the relevant device as each transaction is to be additionally authorized with one-time unique dynamic security code.

During the year First Investment Bank developed new service for contactless withdrawal from ATM devices, serviced by the Bank with debit and credit cards VISA and Mastercard which aims to provide additional convenience for the clients when performing this kind of operations.

Important new changes were introduced for compliance with and execution of Strong Customer Authentication (SCA) requirements in cases of online payments with cards, as well as with the requirements for dynamic linking of the transaction with specific amount and payee. Cards issued by the Bank were included by default in the *MasterCard SecureCode* and *Verified by VISA* programs, ensuring a safer online payment environment, and provided with 3-D Secure password for each particular online transaction which password constitutes of unique, one-time password serving for certifying the identity of the client and for confirmation of the payment transaction. The 3-D password is secured to the client through Fibank Token and scanning of QR code or through sending of SMS message to the authorized user. In 2020 the Bank shall continue to develop its online card based payment methods in compliance with SCA requirements as the Bank initiated a project for implementing the last version of the protocol for secured payments with cards online EMV 3DS2.

During the year, the Bank continued to promote its innovative micro-cards, issued as an additional debit cards to the Debit MasterCard Pay Pass kids/teen. Built into a bracelet or keychain, they feature contactless payment functionality. New option for digitizing of debit card by minors /teens/ and performing of payments online was introduced which is part of the Bank's program for early financial education which it actively developed during the last years.

In addition, in relation to the micro-cards a new project was realized which ensured the option this type of cards to be offered to adults as well, together with payment accessory – silicone bracelet. In this way, the Bank aimed to ensure accessible for wider range of customers innovative way for card payments through micro-cards, built in convenient accessory for contactless payment.

In 2019 the Bank's ATM network counts 649 units in the end of the year (2018: 648 units) while the Bank's POS terminals network consists of 9,550 units (2018: 10,210). Separately, Fibank's subsidiary bank in Albania has its own network of ATM terminals. *For more information on the card business of First Investment Bank – Albania Sh.a. see section "Business overview of subsidiary companies".*

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 international financial institutions and has gained valuable experience and know-how from its numerous international business partners, investors, customers, and counterparties.

In 2019, the Bank reported an increase of 4% in incoming and 5% in outgoing foreign currency transfers due to the increased customer base, the competitive conditions offered by the Bank and the high quality of customer service.

First Investment Bank has a wide network of correspondent banks through it which carries out international payments and trade finance operations in almost all parts of the world. The Bank executes cross-border currency transfers through SWIFT, as well as the TARGET2 and BISERA7-EUR payment systems and since April 2017 the Bank executes credit transfers as a direct participant in the system STEP2 operated by EBA Clearing. Fibank operates in issuing checks and performing various documentary transactions.

During the year First Investment Bank joined SWIFT gpi (Global payment initiative) – global solution providing fast and transparent international transfers. Since September 2019 the Bank performs international payments through the new platform (gpi payments) which improves the speed and the traceability of the cross-border transfers. In this way Fibank was put among the leading banks which joined SWIFT gpi.

In execution of the regulatory requirements deriving from Regulation (EU) 2019/518 of the European Parliament and of the Council of 19 March 2019 amending Regulation (EU) No 924/2009 as regards certain charges on cross-border payments in the Union and currency conversion charges, Fibank made changes to its Tariff for fees and commissions resulting in equalizing the value of the fees for cross-border payments in Euro in EEA with the respective national payments in BGN.

At the end of the period an extension was negotiated to the framework agreement with the Taiwan export insurance agency Eximbank Taiwan for financing deliveries of goods to clients of First Investment Bank in Bulgaria or other countries where the Bank has branches or subsidiaries. Under the agreement, Fibank can provide financing under amount of every individual credit - up to 100% 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 months to 5 years irrespective of the type of the goods (consumer or non-consumer).

In support of its clients with international business First Investment Bank continued to cooperate in issuing internationally acknowledged guarantees and letters of credit, incl. through a wide network of partner banks and institutions. During the reporting period, the letters of credit and bank guarantees in foreign currency issued to guarantee the performance of its customers to third parties amounted to BGN 70,934 thousand (2018: BGN 89,194 thousand), forming 8,0% of the off-balance sheet commitments of the Group (2018: 11.4%).

GOLD AND COMMEMORATIVE COINS

In 2019, First Investment Bank retained its leading positions in Bulgaria in terms of transactions and advice related to investment gold and other precious metal products. Fibank continued to develop its Gold & Silver online selling platform by constantly updating individual sections and adding new products.

For the reporting period, revenues from sales of gold and precious metal products amounted to BGN 769 thousand compared to BGN 643 thousand a year earlier, reflecting the higher demand and the deals carried out for the period, as well as the dynamics of precious metals prices.

First Investment Bank offers its customers products of investment gold and other precious metals since 2001. Over the years, it 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 New Zealand Mint, the National Bank of Mexico, the Austrian Mint, the British Royal Mint, and others.

Along the lines of traditional cooperation with the New Zealand Mint, a new silver coin was designed dedicated to the Year of the Rat, exclusively offered in Fibank's offices.

Jointly with the Swiss refinery PAMP, was created a new series of gold and silver bars "Heart", which will be distributed in 2020.

In pursuance of its long-standing policy of support for Bulgarian production, Fibank by agreement with the Bulgarian National Bank, distributed Bulgarian commemorative coins and coin sets issued by the central bank.

In carrying out transactions in gold and precious metals, First Investment Bank invariably complies with all quality criteria of the London Metal Exchange and international ethical trading standards.

PRIVATE BANKING

First Investment Bank offers private banking for individuals since 2003, and for corporate clients since 2005. Private banking features servicing by a designated personal officer, who is responsible for the overall banking solutions provided to a customer.

In 2019, the Bank developed its private banking activities, including through expending the range of banking products and services, with a view to attract more customers from this segment, as well as increasing the amount of the attracted funds and the operating income. A highlight in private banking was the offering of a new service "Personal banking", that is targeted to a single customer segment, meeting certain minimum financial criteria and was carried out through the branch network of First Investment Bank. With this service, the customers of the Bank have the opportunity to benefit from a number of product preferences and personalized service. The service included the use of package offers ("Premium" and "Premium plus"), containing preferential terms and conditions for traditional banking products and services. The service was offered in certain locations, where the customers may count on a constant contact and individual service by the personal banker, who provided prompt and competent assistance in carrying out of all banking operations.

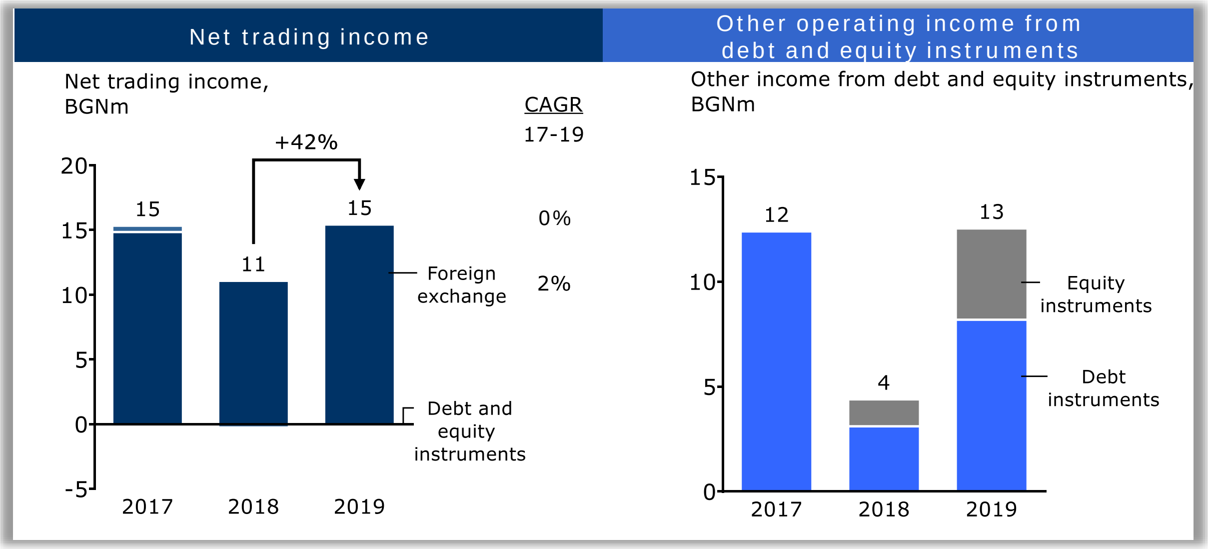
During the year continued the introduction of new investment products, allowing customers under the conditions of a low-interest rate market to diversify their portfolios at various levels of risk. Along these lines, in July 2019 First Investment Bank established a partnership with E.I. Sturdza Strategic Management Limited aimed at offering on the Bulgarian market new mutual funds. Based on the signed agreement, Fibank offered four euro and US dollar - denominated mutual funds as follows:

- Strategic Europe Quality Fund – a mutual fund, investing in European companies for retail investors (Retail class)
- Strategic Global Quality Fund – a mutual fund, investing in international companies for retail investors (Retail class).
- Via Smart-Equity US Fund – a mutual fund, investing mainly in shares of American companies for private investors (Private class).
- Via Smart-Equity World Fund – a mutual fund, investing mainly in shares of international companies for private investors (Private class).

The Bank continues to develop the successful partnership also with Erste Asset Management, part of Erste Bank, Austria in terms of distribution of their mutual funds in Bulgaria to customers and potential customers of the Bank at specially designated locations in Sofia and the country.

CAPITAL MARKETS

In 2019 net trading income amounted to BGN 15,378 thousand (2018: BGN 10,809 thousand), mainly as a result of the higher income from trade operations related to exchange rates. Other net operating incomes, arising from debt and capital instruments, amounted to BGN 12,526 thousand compared to BGN 4,385 thousand a year earlier.



The securities portfolio of the Group at the end of the year amounted to BGN 993,022 thousand, compared to BGN 802,321 thousand a year earlier, of which BGN 714,082 thousand measured at fair value through other comprehensive income (2018: BGN 775,529), BGN 266,935 thousand measured at fair value through profit or loss (2018: BGN 26,044 thousand) and BGN 12,005 thousand measured at amortized cost (2018: BGN 748 thousand).

First Investment Bank applies the business model requirements and criteria for classifying financial assets in the Bank's portfolios according to IFRS 9. Depending on the purpose of financial asset management, those include: 1) a business model whose objective is to hold assets in order to collect the contractual cash flows (hold to collect); 2) a business model whose objective is to both collect contractual cash flows and sell of financial assets (hold to collect and sell); 3) another business model, where the purpose is different from the two above business models (other business model), where assets held for trading are also included.

The Bank's activity is organized in compliance with the regulatory requirements arising from the European legal framework in the field of financial markets – Directive 2014/65/EU of the European Parliament and of the Council and Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments (MiFID II/MiFIR package), as well as in line with the Markets in Financial Instruments Act, the regulations within the scope of market abuses in financial instruments and the other applicable law.

In pursuance of the requirements arising from Regulation (EC) № 648/2012 of the European Parliament and of the Counsel on OTC derivatives, central counterparties and trade repositories (EMIR), the Bank has a Legal Entity Identifier (LEI) code 549300UY81ESCZJ0GR95, issued by the Global Markets Entity Identifier (GMEI) Utility.

In 2019 Fibank started a project for implementation of new technological solutions in order to provide for its clients a real time remote access to trading platforms on regulated markets. The new system's functionalities include the opportunity for submission of orders for purchase or sale of financial instruments, as well as the possibility for generation of different types of reports and direct communication between the client and his broker.

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 in government securities, shares, corporate and municipal bonds, compensatory instruments as well as 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. As part of the Compliance function, the Bank has a specialized unit "Compliance – Investment Services and Activities" which controls and ensures observance of the requirements related to 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. At certain locations, distribution is also carried out of four mutual funds managed by Erste Asset Management (ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H): ERSTE Bond Euro Corporate, YOU INVEST Portfolio 30, ERSTE Stock Europe и ERSTE Stock Global.

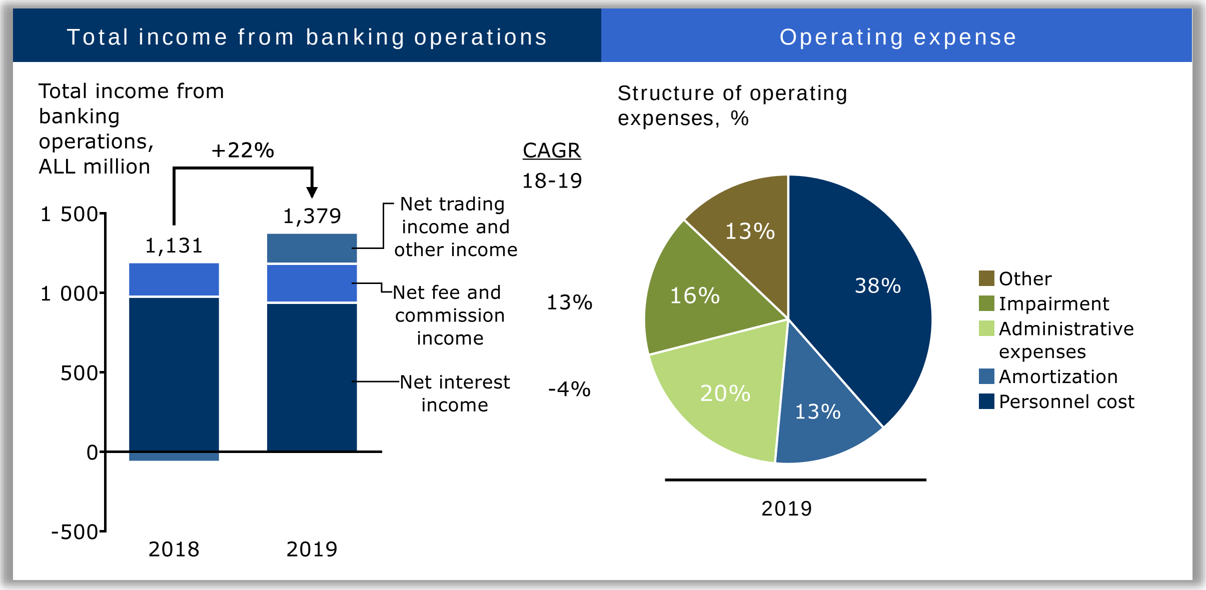
BUSINESS REVIEW OF SUBSIDIARY COMPANIES

FIRST INVESTMENT BANK – ALBANIA SH.A.

First Investment Bank – Albania Sh.a. (Fibank Albania) was granted a full banking license by the Bank of Albania in June 2007, and in September 2007 effectively took over the activities of the former Tirana branch of Fibank which had operated in the Albanian market since 1999, by assuming all its rights and obligations, assets and liabilities. Fibank Albania has also been licensed by the Albanian Financial Supervisory Authority for carrying out investment services and activities, including depository and custodian services.

In line with its mission, First Investment Bank – Albania Sh.a. aims to be among the fastest growing banks in Albania, recognized as an innovative credit institution which offers first class service and exceptional products and services, provides excellent career opportunities to employees, and is socially responsible.

In 2019, First Investment Bank – Albania Sh.a. reported positive financial results and sustainable development while maintaining high standards of risk management and customer-oriented approach. The Bank maintained strong liquidity and capital positions, its capital adequacy ratio at year-end amounting to 14.26% against a minimum required level of 12% according to the applicable regulatory requirements in the country.

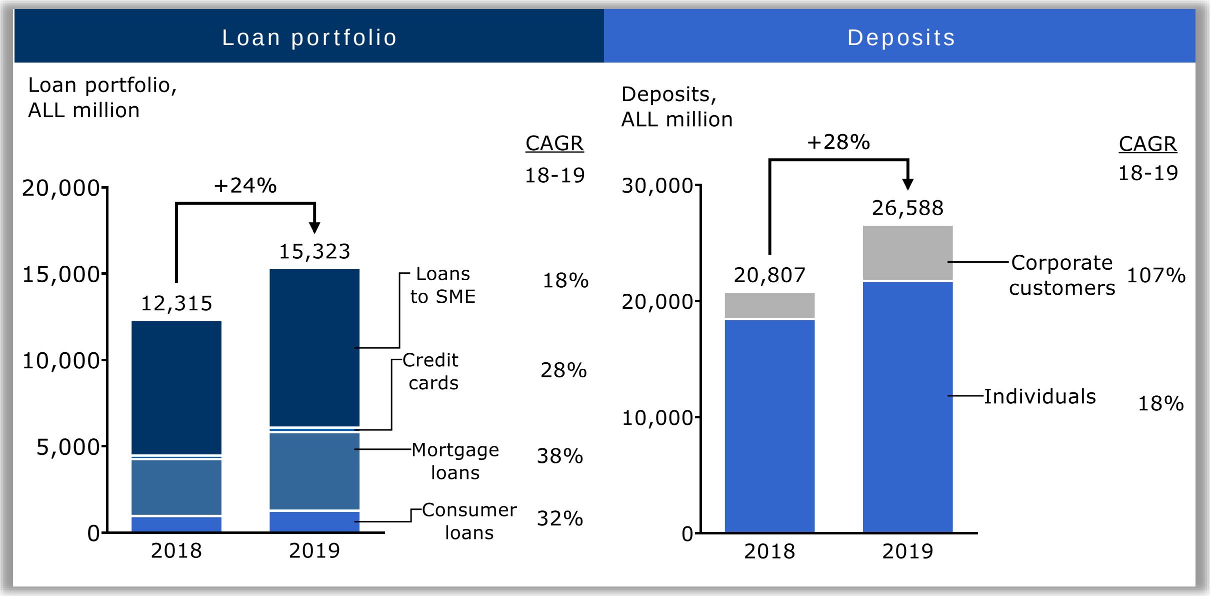


First Investment Bank – Albania Sh.a. reported net income for 2019 amounting to ALL 482,481 thousand, compared to ALL 401,032 thousand a year earlier. This was driven by the increase in operating income by 21.9% to ALL 1,379,012 thousand (2018: ALL 1,131,057 thousand), of which net interest income amounted to ALL 938,325 thousand (68.0% of total income), net fee and commission income – to ALL 245,316 thousand (17.8%), net trading income – to ALL 26,250 thousand (1.9%) and other net operating income – to ALL 169,121 thousand (12.3%).

During the year, personnel costs amounted to ALL 310,448 thousand against ALL 253,281 thousand for the previous year, reflecting the increased number of staff, which reached 218 people at year-end (2018: 183). General administrative costs amounted to ALL 157,552 thousand, depreciation costs to

ALL 104,632 thousand, and impairment costs on on- and off-balance sheet exposures – to ALL 129,620 thousand.

Fibank Albania's assets increased by 28.8% year-on-year to ALL 31,722,865 thousand (2018: ALL 24,632,951 thousand), driven mainly by growth in receivables from customers and banking institutions and investments in securities. Gross loan portfolio increased by 24.4% to ALL 15,322,577 thousand (2018: ALL 12,315,114 thousand), mainly attributable to the growth in retail loans, and more specifically in mortgage loans, as well as in SME loans. In 2019, new credit products were developed and launched, including a new “Any Purpose” consumer loan with favorable terms and requirements regarding collateral and insurance, as well as a new “Quick Vacation” loan with competitive interest rates and health insurance included for the vacation/travel period. At the end of the year, First Investment Bank - Albania Sh.a. signed a partnership agreement with the Albanian Rural Credit Guarantee Foundation to facilitate the financing of micro, small and medium-sized enterprises in Albania, based on KfW policies and support.



Loans and advances to banks and financial institutions increased to ALL 3,279,997 thousand as at 31 December 2019 (2018: ALL 2,448,132 thousand), including current accounts and placements in local and foreign banks and financial institutions. Investments in securities, reported at fair value through other comprehensive income (FVOCI), increased to ALL 9,230,939 thousand (2018: ALL 7,540,288 thousand), including treasury bills (15.9%) and government bonds (84.1%) of the governments of Albania and other EU countries.

Amounts due to customers increased by 27.8% to ALL 26,588,459 thousand at the end of the period (2018: ALL 20,807,370 thousand), with growth reported both in the retail and corporate segment, driven mainly by the flexible savings products and current accounts offered by the bank, as well as by the increased customer base. In April 2019, First Investment Bank - Albania Sh.a. issued EUR 2 million subordinated term debt (long-term bonds) under the terms of private placement. As at 31 December 2019, the amortized cost of the debt was ALL 245,495 thousand.

The equity of First Investment Bank – Albania increased and reached ALL 3,457,903 thousand, compared to ALL 3,407,540 at the end of 2018, due primarily to the increase in retained earnings and other reserves.

During the year, Fibank Albania developed its card business by offering new contactless debit and credit cards using the innovative RFID (radio frequency identification) technology, as well as multilayer plastic for greater security against potential abuse. The Bank continued to organize promotional campaigns, including joint initiatives with VISA and the Booking.com portal. Growth was reported in both the number of cards issued and the volume of card transactions. During the period, there was also a 28.4% increase in the utilization of credit card limits, reaching ALL 256,116 thousand at the end of the year (2018: ALL 199,491 thousand). The Bank is certified by Visa to offer debit and credit cards to individual and corporate clients and has an in-house chip personalization card center.

In 2019, First Investment Bank – Albania Sh.a. continued to expand its branch network by opening two new branches in Tirana, bringing the total number of branches to 14. The bank has headquarters and branches in Tirana, as well as branches in the other larger cities of Durres, Vlora, Elbasan, Fier, Shkoder, Korca, Berat, Lezhë, Saranda and Lushnjë. Through its branch network, the Bank was the first one in the Albanian market to offer products of investment gold and other precious metals.

First Investment Bank – Albania Sh.a. continued to develop its corporate social responsibility and commitment to society by supporting a number of social, environmental and sports initiatives in Albania.

During the year, Fibank Albania supported the Mother and Child Hospital Foundation (FSNF) with donations for future projects in support of mothers and children in need. Together with the Foundation, the bank also sponsored the first MamiCareCentre Social Center in Tirana, which aims to develop parenting skills among young people through special training and activities.

During the period, Fibank Albania also participated in an initiative to combat breast cancer, including by raising funds and promoting public commitment and awareness on the subject.

As part of its environmental initiatives in 2019, Fibank Albania supported the Donate a Flower for Saranda project, organized by youth organizations in the city of Saranda with a core mission to create a greener and more environmentally friendly environment.

In October 2019, First Investment Bank – Albania took part in a campaign for free and voluntary blood donation, in which a number of employees of the bank and other volunteers took part, with the main goal of promoting voluntary blood donation in Albania which is vital to saving thousands of lives.

Employees of the bank also joined a sports event: the fourth edition of the Tirana Marathon, with more than 2,500 participants from 40 different countries.

In support of young people and students from all over the country, Fibank Albania, jointly with the Ministry of Education, Youth and Sports, organized internship programs aimed to provide training in financial markets and banking, as well as to develop professional skills and practical experience among young people.

First Investment Bank – Albania Sh.a. has a corporate governance structure consisting of Executive Management (Directorate), Management Board, and an Audit Committee. Chief Executive Officer of

First Investment Bank – Albania Sh.a. is Mr. Bozhidar Todorov who has extensive experience in banking, having held senior positions at First Investment Bank AD related to management of corporate assets.

The financial statements of the bank are prepared in accordance with International Financial Reporting Standards, and audited by a registered auditor. For 2019, the registered auditor of the bank was BDO Albania.

DINERS CLUB BULGARIA AD

Diners Club Bulgaria AD is a joint stock company incorporated in November 1996, its main business activity being the issuance of Diners Club credit cards and processing of payments with them. In 2005, First Investment Bank acquired 80% of the company's capital. In 2010, Diners Club Bulgaria was licensed by the Bulgarian National Bank as a payment institution to perform payment transactions using payment cards, as well as to issue and accept payments with payment instruments. In July 2019, the license was extended to include the payment services under Art. 4, item 3, letter "c" of the Law on Payment Services and Payment Systems (LPSPS): execution of credit transfers, including standing orders.

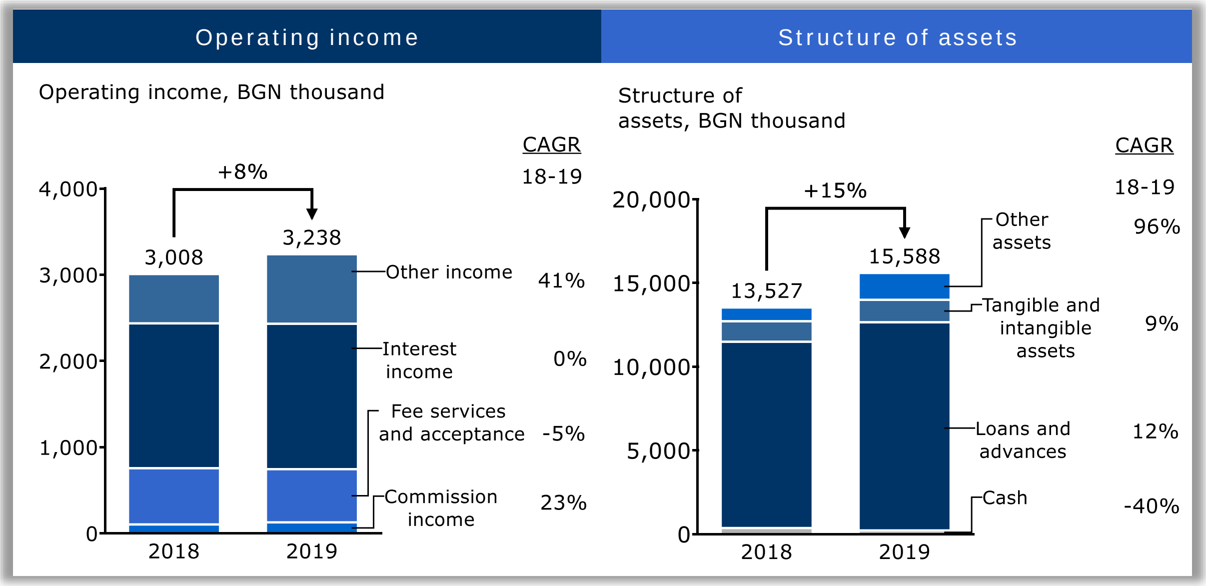
Over the years, Diners Club Bulgaria AD has consistently worked towards increasing the penetration of the Diners Club brand in the local market by offering new services for cardholders, and expanding the network of POS terminals accepting payments with Diners Club cards. The company has partnerships signed with a number of financial institutions in Bulgaria, thus facilitating the constant increase of locations for carrying out payments with Diners Club cards. In order to stimulate payments and issuance of new Diners Club cards, in 2019 various promotional campaigns were carried out, including with retail chains and outlets.

In 2019, the company continued its efforts towards promoting contactless payments. Wristbands with inbuilt contactless microcards were developed and marketed. Over the period, Diners Club Bulgaria further developed its integrated system for secure online payments "ProtectBuy" (3D secure internet payments) for cardholders and merchants, in accordance with the regulatory requirements and security standards for conducting transactions in an online environment.

In May 2019, Diners Club Bulgaria AD was awarded the Best Small Franchise 2018 award by DISCOVER Global Network in recognition of the results achieved, the successful development of Diners Club credit cards in the country, and the innovations implemented. The award followed the successful project for development of the Evolve credit card: an innovative, next-generation product combining two of the global card payment brands (Diners Club and MasterCard) into a single payment instrument.

With a view to the further convenience of customers and providing them with additional services, the company offers the MyDinersClub service (https://my.diners.bg/). The service features electronic card statements, reports for authorizations and transactions made, and also allows payment of utility bills, municipal taxes and fees, as well as amounts due on Diners Club cards.

For 2019, the company reported a net profit of BGN 41 thousand (2018: BGN 438 thousand). The decrease was mainly due to the costs and investments that the company made to meet the highest security standards in card payments. Net operating income increased to BGN 3,132 thousand compared to BGN 2,903 thousand a year earlier, including higher interest income, commissions and other services. The operating expenses of Diners Club Bulgaria AD amounted to BGN 2,066 thousand (2018: BGN 1,641 thousand), the increase coming mainly from general and administrative expenses (2019: BGN 1,769 thousand; 2018: BGN 1,505 thousand) and other operating expenses (2019: 155 BGN thousand; 2018: 67 BGN thousand), including the costs of card schemes and chip certifications. Impairment losses for 2019 amounted to BGN 110 thousand (2018: BGN 51 thousand), and financial expenses to BGN 1,025 thousand (2018: BGN 824 thousand), including interest, exchange rate and other financial expenses.



The assets of the company increased by 15.2% to BGN 15,588 thousand (2018: BGN 13,527 thousand), mainly as a result of an increase in customer receivables which reached BGN 12,430 thousand or an 11.8% increase year-on-year 2018: BGN 11,122 thousand). Loans and advances to individuals formed 99.0% of all receivables from customers (2018: 99.0%).

Borrowings also increased, drawn bank overdraft amounts reaching BGN 13,198 thousand compared to BGN 10,737 thousand a year earlier. The equity of the company amounted to BGN 2,187 thousand at the end of the period (2018: BGN 2,146 thousand). The average number of staff for 2019 was 17 employees (2018: 14 employees).

Diners Club Bulgaria AD has a one-tier management system, comprising the Board of Directors and the Executive management (Executive Director). The Executive Director representing Diners Club Bulgaria AD, Mr. Simeon Iliev, has extensive professional experience in the card business.

FI HEALTH INSURANCE AD

Fi Health Insurance AD is an insurance company licensed by the Financial Supervision Commission in June 2013, when it became the first voluntary health insurance fund in the country to obtain a license for insurance of the risks of accident and illness, covering financial costs related to outpatient medical care, hospital treatment, expenses for medical goods and dental services, as well as indemnity in case of insurance events arising as a result of accident or illness. Since 2018, the insurance license has been expanded to cover another type of risk: miscellaneous financial losses.

First Investment Bank acquired a majority stake in the company (formerly named Health Insurance Fund FI Health AD/Health Insurance Fund Prime Health AD) in 2010, and over the years has systematically and consistently worked towards developing the company's business and expansion of the products and services provided.

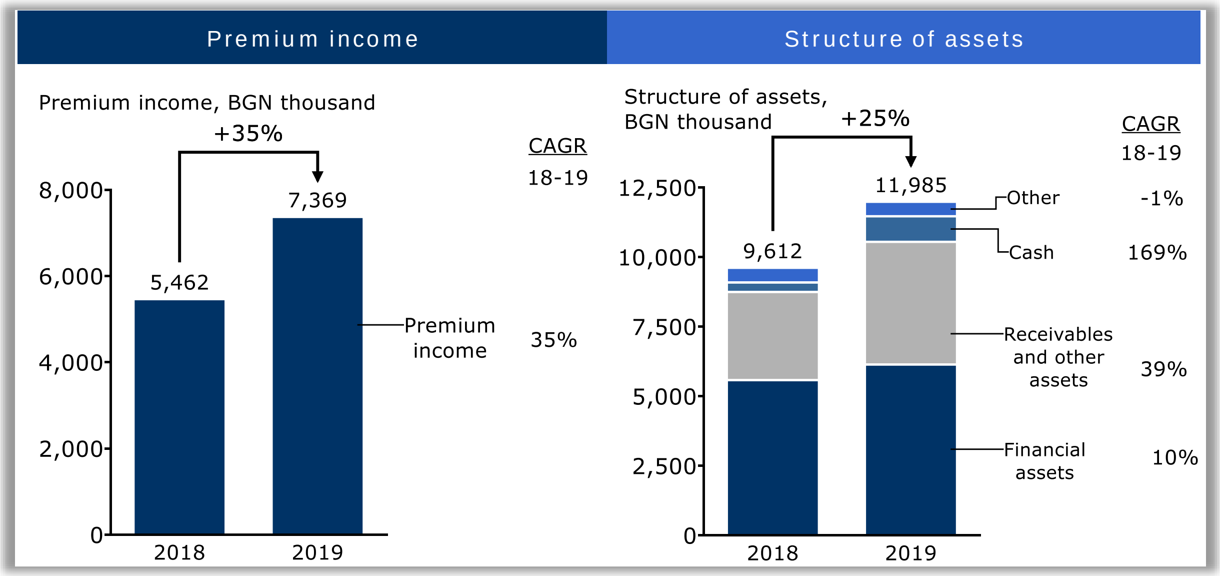
Fi Health Insurance AD has a one-tier management system, comprising a Board of Directors and Executive management (Executive Director). Executive Director of Fi Health Insurance AD is Mr. Nikola Bakalov, who has extensive professional experience in banking and insurance. Since 2016, the company has been represented jointly by its Executive Director and a Procurator, with Ms. Tsvetomira Karapchanska, a longtime Sales Manager of the company, being appointed as Procurator. The company has established compliance, internal control, and risk management functions.

In 2019, Fi Health Insurance continued to develop its operations by successfully launching new insurance products, including the new "FiHealth Wallet" insurance providing protection against misuse of bank cards issued by Fibank, as well as in case of theft or loss of personal documents or other personal effects.

The product range of the company includes insurance coverage designed for both individuals and business customers, primarily from the micro and SME segments, including the "Peace of Mind with Fi Health" and "Occupational Accident" insurance products, the "FiHealth Protect" insurance offered with credit cards, the "FiHealth Partner" insurance designed for individuals, as well as group insurance policies suitable for employees of corporate clients. During the period, the company developed new products for users of retail overdrafts from First Investment Bank, as well as the new "FiHealth Hospital Stay" policy offered online through an insurance broker.

Throughout the year, the company continued to focus on offering group sickness insurance to corporate clients. New agreements were signed with companies employing over 500 staff, which contributed to an increase in both premium income and customer base. Such insurance, taken out by the employer, guarantees comprehensive and high-quality medical care, as well as easier access to reputable medical establishments and qualified health specialists on the territory of the country.

In 2019, Fi Health Insurance AD increased its premium income to BGN 7,369 thousand, compared to BGN 5,462 thousand for 2018. Net profit over the period amounted to BGN 832 thousand. The company manages insurance risk through established limits, procedures for approval of submitted claims, and various methods of assessment and control.



The company's assets increased by 25% to BGN 11,985 year-on-year (2018: BGN 9612 thousand). This was driven by both the increased receivables and other assets (2019: BGN 4,409 thousand; 2018: BGN 3,168 thousand), including receivables under insurance contracts, and the increased financial assets (2019: BGN 6,140 thousand; 2018: BGN 5,579 thousand), which mainly include bank deposits and Bulgarian government securities. As at 31 December 2019, the equity of Fi Health Insurance AD amounted to BGN 6,990 thousand, compared to BGN 6,158 thousand a year earlier. The company allocates the relevant technical reserves according to legal requirements and standards.

In order to continue safeguarding its financial stability while progressively increasing the portfolio of products, in 2019 Fi Health Insurance renewed its agreement with a reinsurance company having a credit rating of A+ (S&P).

As at 31 December 2019 First Investment Bank AD also had other subsidiary companies, as follows: First Investment Finance B.V., Debita OOD, Realtor OOD, Balkan Financial Services EAD, Creative Investment EOOD, Turnaround Management EOOD, Lega Solutions EOOD and AMC Imoti EAD.

For further information on subsidiary companies see section "Bank Profile", as well as note 36 „Subsidiary undertakings" of the Consolidated financial statements for the year ended 31 December 2019.

MEETING THE 2019 GOALS

N	Goals	Achievement
1	To continue to develop as a universal, customer-oriented bank with a focus on retail and SME banking	- Retail, micro and SME loans increased their share in the Bank's total loan portfolio of the Group to respectively 30.0%, 2.5% and 14.1% at the end of 2019, compared to 26.5%, 2.2% and 13.6% a year earlier. - Retail, micro and SME portfolios also increased in absolute amount, up to BGN 1,960 million, BGN 164 million and BGN 922 million. - Offering of updated lending products and programs was started in these segments, as well as competitive conditions offered in line with market environment, incl. consumer loan "Super credit", mortgage loan "Right of choice", new financing under COSME+ for SME and under Microlending risk sharing instrument. - The market shares of the Bank in the strategic segments are 8.51% for consumer loans and 6.91% for mortgage loans. *For more information see section Financial review*
2	To introduce new market-oriented services that will contribute to long-term customer relationships	- A new product for individuals was developed – Smart teen savings account for teenagers. - Development of the digital services in all spheres of banking activity, in lending and savings products as well as in payment services. - A new personal banking service through the Bank's branch network was launched, featuring package offers to segments of customers meeting certain minimum financial criteria. - Micro-cards for adults built in a special payment accessory: a silicone bracelet was launched, thus aiming to reach a wider range of users. - The option to place orders for cash transactions through the My Fibank mobile application was enabled. - Acknowledgement for high quality of customer service were the awards received for strongest brand in the 2019-2020 Superbrands international competition and Favorite Brand in the My Love Marks consumer rating. *For more information see section Awards 2019*
3	To further develop its distribution channels with a view to providing full banking service both through the branch network and the remote banking platform	- An innovative service was launched for remote signing of consumer loans by using a software/hardware token, or qualified electronic signature through a mobile application of an external certification service provider. - Fibank developed a new service for contactless withdrawals from ATMs of the Bank, providing additional speed and convenience for customers. - The functionalities of the My Fibank mobile application were further developed, including fingerprint/faceID as additional means of access and identification. *For more information see section Distribution channels*

4	To implement new solutions for optimizing the performance of operations in line with the changing environment and future development trends	A centralized back-office started functioning with the system of the Bank with the aim to optimize efficiency and quality of customer service. Innovations were introduced to meet the requirements for Strong Customer Authentication (SCA) in online card payments, as well as the requirements to dynamically link transactions to a specific amount and payee. First Investment Bank launched a production environment based on the BISTRA national standard, enabling third-party providers (TPPs) to access the application programming interface (API) provided by the Bank in relation to account information and payment initiation services. *For more information see section Business review*
5	To introduce the new technologies aiming at outpacing development of digital services	The innovative project for payment with Garmin smart watch and supported Garmin Pay functionality was successfully realized with the partnership between Fibank, Mastercard and Garmin. Fibank first among banks in the country started the service Apple Pay for performing fast, convenient and secure mobile payments through a digitized card and smart devices supporting Apple Wallet functionalities. Fibank provided its customers with the new services implemented by PSD 2 for account information and payment initiation via the mobile application My Fibank. *For more information see section Card Payments*
6	To maintain a sustainable business model and sound capital ratios in line with regulatory requirements	At end-2019 the capital indicators of the Group were: CET1 ratio at 14.65%, T1 ratio at 18.28% and total capital ratio at 18.34%, with minimum requirements of 4.5%, 6% and 8% pursuant to Regulation (EU) № 575/2013. First Investment Bank successfully placed, under the terms of a private placement, a debt-equity (hybrid) instrument (bond issue) worth a total of EUR 30 million, complying to the requirements for inclusion in the additional tier 1 capital. The Bank decided to increase its share capital from BGN 110 million to BGN 150 million by issuing up to 40 million new shares under the terms of public offering, each share with a nominal value of BGN 1, and an issue value of BGN 5. *For more information see section Capital*
7	To develop its ethical values and corporate governance standards in line with applicable European guidelines and international practices	In 2019, the Bank further developed its policies on internal governance in compliance with new requirements in this sphere, incl. with regards to structure and composition of committees, as well as to key function holders. First Investment Bank enhanced its Policy for nomination and assessment of the suitability of members of the managing and supervisory bodies and persons holding other positions, in compliance with the amendments in LCI, Ordinance No 20 of the BNB and the joint EBA and ESMA Guidelines (EBA/GL/2017/12).

		◈ Efforts and resources were allocated for refining policies on internal control framework in compliance with the changes in Ordinance No10 of the BNB and the EBA Guidelines on internal governance (EBA/GL/2017/11). *For more information see section* *Corporate Governance*
8	To maintain a conservative approach and effective control environment in risk management	◈ In 2019, Fibank carried out its activities in line with the adopted risk strategy and business objectives, with the aim of further enhancing the safeguards against inherent risks. incl. regarding building up additional capital buffers. ◈ A new specialized unit for Strategic Risk Management was established, with the aim to identify and assess strategic risk, incl. main risks on the strategic projects of the Bank. ◈ Refined were policies on calculating capital requirements for operational risk, with a view to moving from basic indicator approach to standardized approach. *For more information see section* *Risk Management*
9	To implement new initiatives in human capital management aimed at upgrading the skills and enhancing the career development of employees, at creating positive working environment and corporate values	◈ Knowledge Development for Future Management project was successfully completed. 450 employees of the Bank participated, receiving software training and improving language competencies. ◈ In 2019, the Program for development of internal trainers was launched. Its full deployment to cover 45 in-house trainers to be ready to conduct group trainings, and 90 mentors to train their colleagues at the workplace. ◈ The Recognition Program Together We Can Do More got 4 years since its launch and is increasingly becoming an inspiring and motivating element for the Bank's employees. ◈ The Bank finances the education of high-potential development employees in the Master's Program „Finance, Banking & Real Estate" of SDA Bocconi School of Management and American University in Bulgaria. The Master's Program „Banking Management and Investment" continued, developed jointly with the University of Finance, Insurance, Business and Entrepreneurship. *For more information see section* *Human Capital*
10	To continue its socially responsible policy supporting significant social projects and initiatives	◈ First Investment Bank took part in European money week – a joint initiative of the European bank federation and Association of Banks in Bulgaria, which aim to increase the general perception on topics for financial education and financial literacy. ◈ The Bank developed the social side of the Smart Lady program through developed new web-based platform for creating conditions for remote education, ensuring practical advice, as well as publication of specialized materials in support of women enterprenuers. ◈ Fibank developed a charity calendar for 2020, which is part of the social project with focus on sport and the young talented Bulgarian sportsmen – in support of the Bulgarian Rhythmic Gymnastics Federation (BRGF), as well as supporting the asylum for homeless animals Animal Rescue Sofia. *For more information see section* *Social Responsibility*

DEVELOPMENT GOALS FOR 2020

STABILITY AND RETURN

- To maintain sustainable business model and return to shareholders.
- To realise capital levers aiming at maintaining stable capital ratios and conservative approach in managing risks.
- To optimize balance-sheet positions, incl. through enhancing asset quality and decrease in non-interest earning assets.

BUSINESS MIX AND PRODUCTS

- To continue to develop its activity with priority focus on retail and SME sectors.
- To implement new products with focus on transactional business and cross-selling.
- To develop personalized services and maintain high quality of customer service.

DIGITALISATION AND TECHNOLOGY

- To introduce new high-tech solutions in accordance with development of new technologies and digital services.
- To further develop its distribution channels with priority focus on remote banking, incl. through applying an innovative approach and partnership with fintech companies.
- To implement new solutions for optimizing the performance of operations in line with the changing environment and future development trends.

HIGH STANDARDS AND RESPONSIBILITY

- To develop corporate and internal governance standards in line with applicable European guidelines and international practices.
- To develop human capital management through realizing projects aimed at upgrading the skills and career development of employees, improving effectiveness of processes and recognition of the Bank as a preferred employer.
- To continue its socially responsible policy supporting significant social projects and initiatives.

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 years of work in 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. For the period 2012-2019 he was Chairman of the Risk Committee to the Supervisory Board of the Bank and since May 2019 was elected as Chairman of the Remuneration Committee to the Supervisory Board of the Bank.

Mr. Lukanov holds a Master's Degree in Economics from the University of National and World Economy, Sofia. Prior to joining First Investment Bank AD, Mr. Evgeni Lukanov 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 Board of Directors of Fi Health Insurance AD. 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 years of work in the Bank she has been responsible of the following departments: International Payments, Letters of Credit and Guarantees, SME Lending, Human Capital Management, 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 Master's 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.

She was granted several times with the "Banker of the Year" award of the Bulgarian financial weekly "Banker" - in 2001 and 2011, as well as in 2018 for overall contribution to the development of the banking system.

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 for the investment of foreign currency reserve and controlled the management thereof.

From 1998 to 2011 he was Executive Director of Flavia AD and Flavin AD.

Along with its responsibilities in Flavia, in 2000 Mr. Mutafchiev was elected as Member of the Supervisory Board of First Investment Bank. For the period 2014-2019, he was Chairman of the Nomination Committee to the Supervisory Board of First Investment Bank. Since May 2019, Mr. Mutafchiev was elected as Member of the Presiding Committee to the Supervisory Board of First Investment Bank.

Mr. Mutafchiev graduated in law at 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.

Mr. Mutafchiev is not an owner and does not own controlling share in companies.

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. Since May 2019, she was elected as Member of the Presiding Committee to the Supervisory Board of First Investment Bank.

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. Ms. Mineva owns more than 25% of the capital of Balkan Holidays Partners OOD. She is also Member of the Managing Board of the non-profit organization “National Board of Turism”.

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 2001 to 2012 Mr. Skortchev was Member of the Managing Board and Executive Director of the Bank. During his years of work in 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 beginning of February 2012, Mr. Skortchev was elected as a Member of the Supervisory Board of the Bank. For the period 2012-2019, he was Chairman of the Remuneration Committee to the Supervisory Board of First Investment Bank AD. Since May 2019, Mr. Skortchev was elected as Chairman of the Nomination Committee to the Supervisory Board of First Investment Bank AD.

Mr. Skortchev holds a Master’s 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.

Mr. Skortchev holds more than 10% of the capital of Investment intermediary Delta Stock AD.

Jyrki Koskelo – Member of the Supervisory Board

Mr. Jyrki Koskelo was elected as member of the Supervisory Board of First Investment Bank AD in June 2015. In his capacity as an independent member Mr. Koskelo supports the Supervisory Board in setting up the business objectives and the strategy of the Bank, the corporate culture and values, as well as in overseeing good corporate governance practices and effective risk management. As at 31 December 2019, he is Chairman of the Risk Committee to the Supervisory Board of First Investment Bank AD. Mr. Koskelo has long-term experience in banking and global financial markets, as well as wide professional practice in different geographical regions.

Mr. Koskelo worked in the International Finance Corporation (IFC - a member of the World Bank Group) for 24 years, from 1987 to late 2011. The first 13 years he worked as an Investment Officer covering the Central and Eastern Europe and Africa regions. In 2000, he was appointed as Director Work-out Loans and in 2004 he became Director Global Financial Markets. In 2007, he was appointed as Vice

President (reporting to the CEO) and a member of the IFC's Management Committee. Mr. Koskelo led the formulation and implementation of the IFC's investment strategy, policies, and practices across industries and regions, including in Central and Eastern Europe, Latin America and Africa. His major legacies include IFC's entry to Global Trade Finance Programs, decentralization of the organization with significant staffing across emerging markets, IFC's leading role in private sector side of Vienna Initiative to support Central Europe banks after Lehman Crisis and establishment of IFC's Asset Management subsidiary's first $3 billion fund for capitalization of weak banks in poor countries.

Prior to joining the IFC, he spent close to 10 years in senior management positions in the private sector in the Middle East and in USA.

Mr. Koskelo currently holds a number of senior and advisory positions in European and African organizations and financial institutions including:

- AATIF (a KfW & EU sponsored Africa Agriculture and Trade Investment Fund), Luxemburg – Member of the Board of Directors, Chairman of the Investment Committee;
- EXPO Bank, Czech Republic – Member of the Supervisory Board;
- Invest Solar Africa, Botswana – Chairman of the Board of Directors.

During the period 2012 – up to 2019 Mr. Koskelo acted in multiple Supervisory Board and advisory positions including in the Africa Development Corporation, Germany; African Banking Corporation, Botswana; RSwitch, Rwanda; EXPO Bank, Latvia, AtlasMara Co-Nvest LLC, UK, and in Al Jaber Group, UAE.

Mr. Koskelo holds a Master of Science (M.Sc.) degree in Civil Engineering from the Technical University of Helsinki, Finland and a Master of Business Administration (MBA) in International Finance from the Massachusetts Institute of Technology (MIT), Sloan School of Management in Boston, USA.

MEMBERS OF THE MANAGING BOARD

Nedelcho Nedelchev – Chief Executive Officer (CEO) and Chairman of the Managing Board

Mr. Nedelcho Nedelchev was appointed Chief Executive Officer (CEO) and Chairman of the Management Board of First Investment Bank AD in May 2017. During the 2007-2012 period Mr. Nedelchev was member of the Supervisory Board of First Investment Bank AD, and in 2013 he managed the project of acquisition of Unionbank EAD, and was member of its Supervisory Board until its merger into Fibank.

Mr. Nedelchev started his career in the Aval In brokerage house. In 1997 he was financial analyst in First Financial Brokerage House OOD, was soon thereafter promoted to Head of Analysis, and in 2001 became one of its managers. In 2003 he was appointed Deputy Minister of Transport and Communications of the Republic of Bulgaria, and in the 2003-2005 period was also Deputy Chairman and Chairman of the Board of Directors of Bulgarian Telecommunications Company AD. From September 2005 to March 2006, Mr. Nedelchev was an adviser to the Minister of State Administration. During his professional career he has been involved in the management of a number of companies operating in the energy and telecommunications sector in Bulgaria, as well as in the field of financial consulting.

Mr. Nedelchev holds a Master's degree in International Economic Relations from the University of National and World Economy in Sofia and has professional licenses and certifications in the field of international financial and commodity markets, investment services and activities, management, business planning, issued by internationally recognized institutions such as the World Bank, the Wholesale Markets Brokers' Association (London) and others.

In the Bank he is responsible for the Compliance function, the Corporate Communication Department, the Marketing and Advertising Department, the Human Capital Management Department, the Administration Department, the Strategic Planning and Development Department, the Asset Management Department, the Information Technology Department and the Protocol and Secretariat Department.

Besides his position in the Bank, Mr. Nedelchev is a Chairman of the Managing Board of First Investment Bank – Albania Sh.a. He owns more than 25% of the capital of Project Synergy OOD.

Svetozar Popov – Chief Risk Officer (CRO), Member of the Managing Board and Executive Director

Mr. Svetozar Popov joined First Investment Bank AD in 2004 as part of the Risk Management Department, and was shortly thereafter promoted to Head of the Credit Risk Division. From 2006 to 2008 he was Deputy Director of Risk Management, during which period he also chaired the Bank's Credit Council. From 2016 to 2017, Mr. Popov held the office of Chief Compliance Officer (CCO), and in May 2017 he was appointed as Chief Risk Officer (CRO), Member of the Management Board and Executive Director of First Investment Bank AD.

From 2008 to 2015, Mr. Popov was member of the Managing Board and Executive Director of Universal Investment Bank AD, Macedonia, where he gained significant management experience and was responsible for the areas of risk management, credit administration, and finance. Prior to joining First Investment Bank AD, Mr. Popov worked at Raiffeisenbank (Bulgaria) EAD as an SME loan officer.

Mr. Popov holds a Master's degree in Finance from the University of National and World Economy in Sofia, and has obtained additional qualifications in the field of financial analysis from the European Bank for Reconstruction and Development (EBRD) and other internationally recognized institutions, as well as practical experience in foreign banks.

In the Bank he is responsible for the Risk Analysis and Control Department, the Credit Risk Management, Monitoring and Provisioning Department, the Impaired Assets Department, the Loan Administration Department, Security Department, the specialized unit Strategic Risk Management and the specialized unit Information Security.

Besides his position in the Bank, Mr. Popov is a Chairman of the Supervisory Board of UNIBank, Republic of Northern Macedonia and a Manager of Debita OOD.

Chavdar Zlatev - Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director

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, and has participated in the development and implementation of a number of banking products. In November 2014 Mr. Zlatev was elected member of the Managing Board of First Investment Bank AD, and from February 2018 was appointed as Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director.

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. He has specialized loan products and practices in Bank of Ireland, as well as contemporary banking practices in Banco Popolare di Verona.

Responsibilities in the Bank – Corporate Banking Department, Corporate Sales and Public Procurements Department.

Besides his position with the Bank, Mr. Zlatev is a member of the Management Board of First Investment Bank – Albania Sh.a. and a member of the Board of Directors of FiHealth Insurance AD. He is manager and sole owner of Elea Property EOOD.

Jivko Todorov – Chief Financial Officer (CFO) and Member of the Managing Board

Mr. Jivko Todorov joined First Investment Bank AD in June 2014 as Chief Financial Officer. At the end of 2015, Mr. Todorov was elected Member of the Managing Board of the Bank.

Prior to joining First Investment Bank AD, Mr. Todorov worked as Chief Financial Officer (CFO) for Alpha Bank Bulgaria (2012-2014) and for ING Bank NV – Sofia Branch (2004-2012), where he started his banking career in 1997.

Mr. Jivko Todorov holds a Master's degree in Accounting and Control from the University for National and World Economy in Sofia and is an Executive MBA at HULT International Business School, London UK.

In the Bank he is responsible for the Finance Department, the Accounting Department, the Treasury Department, the Investor Relations Department and the Financial Institutions, Correspondent Banking Department and Intensive Loans Management Department.

Mr. Todorov is a member of the CFO Club in Bulgaria. In 2018, he was awarded in the competition "CFO of the Year 2018", organized by EY Bulgaria with first award in the category "Strategy for development of the financial function".

Besides his position in the Bank, Mr. Todorov is a Member of the Board of Directors of Balkan Financial Services EAD.

Nadia Koshinska – Member of the Managing Board and Director of SME Banking Department

Ms. Nadia Koshinska joined Fibank in 1997 as a corporate loan expert. In 2002, she was appointed Deputy Director Loan Administration and held this position until 2004. In 2004 Nadia Koshinska was appointed Director SME Lending Department responsible for increasing the market share of the Bank through implementing special programs and dedicated products for SMEs. Also in 2004, she was appointed as a member of the Credit Council. At the end of 2015, Ms. Koshinska was elected as Chief Retail Banking Officer (CRBO) and Member of the Managing Board, while since September 2017 is a Member of the Managing Board and Director of SME Banking Department.

Prior to joining First Investment Bank she worked in the balance of payments and foreign debt division in Bulgarian National Bank.

Ms. Nadia Koshinska holds a Master's degree in Accounting and Control from the University of National and World Economy.

In the Bank she is responsible for the SME Banking Department.

Ms. Koshinska does not hold outside professional positions.

The present Activity report (on a consolidated basis) for 2019 was approved by the Managing Board of First Investment Bank AD in accordance with the Bank's internal regulations at a meeting dated 04 March 2020.

Signed

Nedelcho Nedelchev

Chief Executive Officer,

Chairman of the Managing Board

Signed

Chavdar Zlatev

Executive Director,

Chief Corporate Banking Officer,

Member of the Managing Board

Signed

Jivko Todorov

Chief Financial Officer,

Member of the Managing Board

DECLARATION

under Art. 100m, para. 4(4) of the Public Offering of Securities Act (POSA) and Art. 32a, para. 1(3) of Ordinance No 2 of the Financial Supervision Commission on the prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market and on disclosure of information

The undersigned Nedelcho Vassilev Nedelchev, Chief Executive Officer and Chairman of the Managing Board of First Investment Bank AD, Svetozar Alexandrov Popov, Executive Director and Member of the Managing Board of First Investment Bank AD and Jivko Ivanov Todorov, Chief Financial Officer and Member of the Managing Board at First Investment Bank AD, hereby declare that to the best of our knowledge:

- The consolidated financial statements of First Investment Bank AD as at 31 December 2019, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets and liabilities, financial position and profit of First Investment Bank AD, as well as of the companies included in the consolidation.
- The consolidated annual report of First Investment Bank AD as at 31 December 2019 contains a fair review of the development and results from the activities of First Investment Bank AD, as well as of the companies included in the consolidation.

Signed

Nedelcho Nedelchev
Chief Executive Officer
Chairman of MB

Signed

Svetozar Popov
Executive Director
Member of MB

Signed

Jivko Todorov
Chief Financial Officer
Member of MB

04 March 2020
Sofia

FIRST INVESTMENT BANK AD

Bank	***FINV9150***	First Investment Bank AD
Reporting date	***31.12.2019***	
Basis for application	***consolidated***	
Accounting standard	IFRS	*Reporting currency in BGN '000*

1. 1.Balance sheet [statement of financial position]

1.1 Assets

		References	*Breakdown in table*	Carrying amount
				part 1, paragraph 27 of Appendix V
				010
010	**Cash and cash balances with central banks and other deposits payable on demand**	*Para. 54 (i) of IAS 1*		**2 089 803**
020	Cash	*part 2, paragraph 1 of Appendix V*		206 108
030	Cash balances with central banks	*part 2, paragraph 1 of Appendix V*		1 751 745
040	Other deposits payable on demand	*part 2, paragraph 1 of Appendix V*	5	131 950
050	**Financial assets held for trading**	*Supplement A to IFRS 9*		**6 940**
060	Derivatives	*Supplement A to IFRS 9*	10	0
070	Equity	*Para. 11 of IAS 32*	4	4 488
080	Debt securities	*part 1, paragraph 31 of Appendix V*	4	2 452
090	Loans and advances	*part 1, paragraph 32 of Appendix V*	4	0
096	**Non-tradable financial assets mandatorily reported at fair value through profit or loss**	*Para. 8 (a)(ii) of IFRC 7; IFRS 9.4.1.4*	4	**258 615**
097	Equity	*Para. 11 of IAS 32*	4	22 130
098	Debt securities	*part 1, paragraph 31 of Appendix V*	4	236 485
099	Loans and advances	*part 1, paragraph 32 of Appendix V*	4	0
100	**Financial assets at fair value through profit or loss**	*Para. 8 (a)(i) of IFRC 7; IFRS 9.4.1.5*	4	**0**
120	Debt securities	*part 1, paragraph 31 of Appendix V*	4	0
130	Loans and advances	*part 1, paragraph 32 of Appendix V*	4	0
141	**Financial assets at fair value through other comprehensive income**	*Para. 8 (h) of IFRC 7; IFRS 9.4.1.2A*	4	**714 083**
142	Equity	*Para. 11 of IAS 32*	4	0
143	Debt securities	*part 1, paragraph 31 of Appendix V*	4	714 083
144	Loans and advances	*part 1, paragraph 32 of Appendix V*	4	0
181	**Financial assets at amortised cost**	*Para. 8 (f) of IFRC 7; IFRS 9.4.1.2*	4	**6 085 923**
182	Debt securities	*part 1, paragraph 31 of Appendix V*	4	12 005
183	Loans and advances	*part 1, paragraph 32 of Appendix V*	4	6 073 918
240	**Derivatives - hedge accounting**	*IFRS 9.6.2.1, part 1, paragraph 22 of Appendix V*	11	**0**
250	**Changes in the fair value of hedged positions when hedging a portfolio for interest rate risk**	*Para. 89A (a) of IAS 39, IFRS 9.6.5.8*		**0**
260	**Investments in a subsidiary, jointly-controlled entity or associate**	*Para. 54 (e) of IAS 1; part 1, paragraph 21 and part 2, paragraph 4 of Appendix V*	40	**11 062**
270	**Tangible assets**			**492 241**
280	Property, Plant and Equipment	*Para. 6 of IAS 16; Para. 54 (a) of IAS 1*	21, 42	81 730
290	Investment Property	*Para. 5 of IAS 40; Para. 54 (b) of IAS 1*	21, 42	410 511
300	**Intangible assets**	*Para. 54(c) of IAS 1; Art. 4, Para. 1, item 115 of Reg 575*		**12 183**
310	Goodwill	*Para. B67, (d) of IFRC 3; Art. 4, Para. 1, item 113 of Reg 575*		107
320	Other intangible assets	*Paras. 8, 118 of IAS 38*	21, 42	12 076
330	**Tax assets**	*Para. 54 (n)-(o) of IAS 1*		**253**
340	Current tax assets	*Para. 54(n) of IAS 1; Para. 5 of IAS 12*		253
350	Deferred tax assets	*Para. 54, (o) of IAS 1; Para. 5 of IAS 12; Art. 4, Para. 1, item 106 of Reg 575*		0
360	**Other assets**	*part 2, paragraph 5 of Appendix V*		**984 746**
370	**Non-current assets and disposal groups classified as held for sale**	*Para. 54, (j) of IAS 1; Para. 38 of IFRC 5; part 2, item 7 of Appendix V*		**0**
380	**TOTAL ASSETS**	*Para. 9, (a), IN 6 of IAS 1*		**10 655 849**

FIRST INVESTMENT BANK AD

Bank	***FINV9150***	First Investment Bank AD
Reporting date	***31.12.2019***	
Basis for application	***consolidated***	
Accounting standard	IFRS	*Reporting currency '000* *BGN*

1. 1.Balance sheet [statement of financial position]

1.2 Liabilities

		References	***Breakdown in table***	**Carrying amount**
				part 1, paragraph 27 of Appendix V
				010
010	**Financial liabilities held for trading**	*Para. 8, (e)(ii) of IFRC 7; BA Para. 6 of IFRS 9*	8	**0**
020	Derivatives	*supplement A to IFRS 9, IFRS 9.4.2.1(a), BA, paragraph 7(a) of IFRS 9*	10	0
030	Short positions	*BA, Paragraph 7(b) of IFRS 9*	8	0
040	Deposits	*Part 2, item 9 of Appendix 2 to ECB/2013/33; Part 1, item 36 of Appendix V*	8	0
050	Issued debt securities	*part 1, paragraph 37 of Appendix V*	8	0
060	Other financial liabilities	*part 1, paragraph 38-41 of Appendix V*	8	0
070	**Financial liabilities at fair value through profit or loss**	*Para. 8 (e)(i) of IFRC 7; IFRS 9.4.2.2*	8	**0**
080	Deposits	*Part 2, item 9 of Appendix 2 to ECB/2013/33; Part 1, item 36 of Appendix V*	8	0
090	Issued debt securities	*part 1, paragraph 37 of Appendix V*	8	0
100	Other financial liabilities	*part 1, paragraph 38-41 of Appendix V*	8	0
110	**Financial liabilities at amortised cost**	*Para. 8 (g) of IFRC 7; IFRS 9.4.2.1*	8	**9 491 710**
120	Deposits	*Part 2, item 9 of Appendix 2 to ECB/2013/33; Part 1, item 36 of Appendix V*	8	9 184 178
130	Issued debt securities	*part 1, paragraph 37 of Appendix V*	8	267 615
140	Other financial liabilities	*part 1, paragraph 38-41 of Appendix V*	8	39 917
150	**Derivatives - hedge accounting**	*IFRS 9.6.2.1, part 1, paragraph 26 of Appendix V*	11	**0**
160	**Changes in the fair value of hedged positions when hedging a portfolio for interest rate risk**	*Para. 89A (b) of IAS 39, IFRS 9.6.5.8*		**0**
170	**Provisions**	*Para. 10 of IAS 37; Para. 54 (l) of IAS 1*	43	**1 671**
180	Pensions and other obligations to pay defined post-employment benefits	*Para. 63 of IFRC 19; Para. 78(d) of IAS 1; part 2, item 9 of Appendix V*	43	0
190	Other long-term employee benefits	*Para. 153 of IFRC 19; Para. 78(d) of IAS 1; part 2, item 10 of Appendix V*	43	0
200	Restructuring	*Para. 71 and 84(a) of IAS 37*	43	0
210	Pending legal matters and tax-related court cases	*IAS 37, addendum B, examples 6 and 10*	43	962
220	Commitments and guarantees	*IFRS 9.4.2.1(c), (d); 9.5.5; 9.C2.5; IAS 37; IFRS 4; part 2, para. 11 of Appendix V*	9 12 43	709
230	Other provisions	*Para. 14 of IAS 37*	43	0
240	**Tax liabilities**	*Para. 54 (n)-(o) of IAS 1*		**17 455**
250	Current tax liabilities	*Para. 54(n) of IAS 1; Para. 5 of IAS 12*		26
260	Deferred tax liabilities	*Para. 54, (o) of IAS 1; Para. 5 of IAS 12; Art. 4, Para. 1, item 108 of Reg 575*		17 429
270	**Share capital payable upon request**	*IAS 32, Illustrative example 33; IFRIC 2; part 2, paragraph 12 of Appendix V*		**0**
280	**Other liabilities**	*part 2, paragraph 13 of Appendix V*		**170 204**
290	**Liabilities in disposal groups classified as held for sale**	*Para. 54, (p) of IAS 1; Para. 38 of IFRC 5; part 2, paragraph 14 of Appendix V*		**0**
300	**TOTAL LIABILITIES**	*Para. 9, (b), IN 6 of IAS 1*		**9 681 040**

FIRST INVESTMENT BANK AD

	FINV9150	First Investment Bank AD
Bank	***31.12.2019***	
Reporting date	***consolidated***	
Basis for application	IFRS	*Reporting currency '000* *BGN*
Accounting standard		

1. 1.Balance sheet [statement of financial position]

1.3 Total own funds

		References	*Breakdown in table*	Carrying amount
				010
	Equity	*Para. 54(s) of IAS 1; Para. 22 of DOB*	46	**110 000**
010	Paid up share capital	*Para. 78 (e) of IAS 1*		110 000
020	Not fully paid-up capital	*part 2, paragraph 14 of Appendix V*		0
030	**Premium reserves**	*Para. 78(e) of IAS 1; Art. 4, Para. 1, item 124 of Reg 575*	46	**97 000**
040	**Issued capital instruments other than share capital**	*part 2, paragraphs 18-19 of Appendix V*	46	**0**
050	Component of the share capital in compound financial instruments	*Paras. 28 -29 of IAS 32; part 2, item 18 of Appendix V*		0
060	Other issued equity instruments	*part 2, paragraph 19 of Appendix V*		0
070	**Other own funds**	*Para. 10 of IFRS 2; part 2, paragraph 20 of Appendix V*		**0**
080	**Accumulated other comprehensive income**	*Art. 4, para. 1, item 100 of Reg 575*	46	**24 309**
090	Items which cannot be reclassified as profit or loss	*Para. 89A (a) of IAS 1*		4 500
095	*Tangible assets*	*Paras. 39 -41 of IAS 16*		4 500
100	*Intangible assets*	*Paras. 85-87 of IAS 38*		0
110	*Actuarial gains or (-) losses on defined benefit plans*	*Para. 7, NI 6 of IAS 1; Para. 120(c) of IAS 19*		0
120	*Non-current assets and disposal groups classified as held for sale*	*Para. 38, IN example 12 of IFRS 5*		0
122	*Share of the other comprehensive income of subsidiaries, associates and joint ventures*	*NI 6 of IAS1, paragraph 10 of IAS 28*		0
124	*Changes in fair value of capital instruments at fair value in other comprehensive income*	*Para. 7 (d) of IAS 1; 5.7.5 and B5.7.1 of IFRC 9; part 2, paragraph 21 of Appendix V*		0
320	*Inefficiency of hedging in fair value hedging of capital instruments at fair value in other comprehensive income*	*Para. 7 (d) of IFRS 1; IFRS 9.5.7.5 and 6.5.3; paragraph 24C of IFRS 7, part 2, paragraph 22 of Appendix V*		0
330	*Changes in fair value of capital instruments at fair value in other comprehensive income [hedged position]*	*IFRS 9 5.7.5 and 6.5.8(b); part 2, paragraph 22 of Appendix V*		0
340	*Changes in fair value of capital instruments at fair value in other comprehensive income [hedging instrument]*	*Para. 7 (e) of IFRS 1; IFRS 9.5.7.5 and 6.5.8(a); part 2, paragraph 57 of Appendix V*		0
350	*Changes in fair value of financial liabilities at fair value in profit or loss due to changes in credit risk*	*Para. 7 (f) of IAS 1; IFRS 9.5.7.7; part 2, paragraph 23 of Appendix V*		0
360	Items which can be reclassified as profit or loss	*Para. 81A (a)(ii) of IAS 1*		19 809
128	*Hedges of net investments in foreign operations [effective portion]*	*IFRS 9.6.5.13(a); Paragraph 24B(b), items ii) and iii) of IFRS 7; Paragraph 24C(b), items i) and iv), and paragraph 24E(a) of IFRS 7; part 2, paragraph 24 of Appendix V*		0
130	*Currency exchange*	*Para. 52 (b) of IFRC 21; Paras. 32, 38-49 of IAS 21*		2 033
140	*Derivatives from hedging Cash flow hedges [effective portion]*	*Paragraph 7(e) of IAS 1; paragraph 24B(b), items ii) and iii) of IFRS 7; paragraph 24C(b), item i) and paragraph 24E of IFRS 7; IFRS 9.6.5.11(b); part 2, paragraph 25 of appendix V*		0
150	*Changes in fair value of debt instruments at fair value in other comprehensive income*	*Para. 7 (da) of IAS 1; IFRS 9.4.1.2A and 5.7.10; part 2, paragraph 26 of Appendix V*		17 776
155	*Hedging instruments [unreported elements]*	*Paragraph 7, (g) and (h) of IAS 1; IFRS 9 6.5.15 and 6.5.16; Paragraph 24 E, (b) and (c) of IFRS 7, part 2, Paragraph 60 of appendix V*		0
165	*Non-current assets and disposal groups classified as held for sale*	*Para. 38, IN example 12 of IFRS 5*		0
170	*Share of the other comprehensive income of subsidiaries, associates and joint ventures*	*NI 6 of IAS1, paragraph 10 of IAS 28*		0

180	**Retained earnings**	*Art. 4, para. 1, item 123 of Reg 575*		**0**
190	**Revaluation reserve**	*Para. 30, D5-D8 of IFRS 1; part 2, item 28 of Appendix V*		**0**
200	**Other reserves**	*Para. 54 of IAS 1; Para. 78 (e) of IAS 1*		**606 298**
210	Reserves or losses from investments in a subsidiary, jointly-controlled entity or associate reported via the equity method	*Para. 11 of IAS 28; part 2, item 29 of Appendix V*		0
220	Other	*part 2, paragraph 29 of Appendix V*		606 298
230	**(-) Repurchased own shares**	*Para. 79 (a)(vi) of IAS 1; Paras. 33-34, IE14, IE36 of IAS 32; part 2, paragraph 30 of Appendix V*	46	**0**
240	**Profit or loss attributable to the owners of the parent company**	*Para. 81B (b)(ii) of IAS 1*	2	**137 088**
250	**(-) Interim dividends**	*Para. 11 of IAS 32*		**0**
260	**Minority interests [Non-controlling interests]**	*Para. 54 (r) of IAS 1*		**114**
270	Accumulated other comprehensive income	*Art. 4, para. 1, item 100 of Reg 575*	46	0
280	Other items		46	114
290	**TOTAL SHAREHOLDERS' EQUITY**	*Para. 9 (c), IN 6 of IAS 1*	46	**974 809**
300	**TOTAL SHAREHOLDERS' EQUITY AND TOTAL LIABILITIES**	*IN 6 of IAS 1*		**10 655 849**

(singed)
SVETOZAR POPOV
Executive Director

(singed)
CHAVDAR ZLATEV
Executive Director

(singed)
Nikola Bakalov
Executive Director

(singed)
Yanko Karakolev
Director of Finance Department

FIRST INVESTMENT BANK AD		
	FINV9150	First Investment Bank AD
Bank	*31.12.2019*	
Reporting date	*consolidated*	
Basis for application	IFRS	*Reporting currency '000 BGN*
Accounting standard		

2. Profit and Loss Account

		References	*Breakdown in table*	**Current period**
				010
	Interest income	*Para. 97 of IAS 1; part 2, paragraph 31 of Appendix V*	16	**309 662**
010	Financial assets held for trading	*Para. 20, (a)(i), Para. B5, (e) of IFRC 7; part 2, paragraphs 33, 34 of Appendix V*		64
020	Non-tradable financial assets mandatorily reported at fair value through profit or loss	*Para. 20, (a)(i), Para. B5, (e) of IFRC 7, IFRS 9.5.7.1*		485
025	Financial assets at fair value through profit or loss	*Para. 20, (a)(i), Para. B5, (e) of IFRC 7*		0
030	Financial assets at fair value through other comprehensive income	*Para. 20(b) of IFRC 7; IFRS 9.5.7.10-11, IFRS 9.4.1.2A*		13 518
041	Financial assets at amortised cost	*Para. 20(b) of IFRC 7; IFRS 9.4.1.2, IFRS 9.5.7.2*		295 586
051	Derivatives — hedge accounting, interest rate risk	*supplement A to IFRS 9, C.6.6.16, part 2, paragraph 35 of Appendix V*		0
070	Other assets	*part 2, paragraph 36 of Appendix V*		0
080	Revenue from interest on liabilities	*IFRS 9.5.7.1, part 2, paragraph 37 of Appendix V*		9
085	**(Interest expense)**	*Para. 97 of IAS 1; part 2, paragraph 31 of Appendix V*	16	**63 042**
090	(Financial liabilities held for trading)	*Para. 20, (a)(i), Para. B5, (e) of IFRC 7; part 2, paragraphs 33, 34 of Appendix V*		0
100	(Financial liabilities at fair value through profit or loss)	*Para. 20, (a)(i), Para. B5, (e) of IFRC 7*		0
110	(Financial liabilities at amortised cost)	*Para. 20(b) of IFRC 7; IFRS 9.5.7.2*		58 852
120	(Derivatives — hedge accounting, interest rate risk)	*Para. 9 of IAS 39; part 2, paragraph 35 of Appendix V*		0
130	(Other liabilities)	*part 2, paragraph 38 of Appendix V*		399
140	(Interest expense on assets)	*IFRS 9.5.7.1, part 2, paragraph 39 of Appendix V*		3 791
145	**(Expense for share capital payable upon request)**	*IFRIC 2, item 11*		**0**
150	**Dividend income**	*part 2, paragraph 40 of Appendix V*	31	**5 678**
160	Financial assets held for trading	*Para. 20, (a)(i), Para. B5, (e) of IFRC 7; part 2, paragraphs 40 of Appendix V*		47
170	Non-tradable financial assets mandatorily reported at fair value through profit or loss	*Para. 20, (a)(i), Para. B5, (e) of IFRC 7; IFRS 9.5.7.1A, part 2, paragraphs 40 of Appendix V*		57
175	Financial assets at fair value through other comprehensive income	*Para. 20, (a)(ii) of IFRC 7; IFRS 9.4.1.2A, IFRS 9.5.7.1A, part 2, paragraph 41 of Appendix V*		0
191	Investments in a subsidiary, jointly-controlled entity or associate reported via the equity method	*part 2, paragraph 42 of Appendix V*		5 574
192	**Fee and commission income**	*Para. 20 (c) of IFRS 7*	22	**131 651**
200	**(Fee and commission expense)**	*Para. 20 (c) of IFRS 7*	22	**24 079**
210	**Net profits or (-) losses from write-off of financial assets and liabilities which are not accounted at fair value through profit or loss**	*part 2, paragraph 45 of Appendix V*	16	**61 948**
220	Financial assets at fair value through other comprehensive income	*IFRS 9.4.12A; IFRS 9.5.7.10-11*		5 381
231	Financial assets at amortised cost	*Para. 20(B)(v) of IFRC 7; IFRS 9.4.1.2, IFRS 9.5.7.2*		56 567
241	Financial liabilities at amortised cost	*Para. 8 (a)(v) of IFRC 7; IFRS 9.5.7.2*		0
260	Other			0
270	**Net profits or (-) losses from financial assets and liabilities held for trading**	*Para. 20, (a)(i) of IFRC 7; IFRS 9.5.7.1, part 2, items 43, 46 of Appendix V*	16	**-52**
280	**Net profits or (-) losses from non-tradable financial assets and liabilities mandatorily reported at fair value through profit or loss**	*Para. 20, (a)(i) of IFRC 7; IFRS 9.5.7.1, part 2, items 46 of Appendix V*		**4 458**
287	**Net profits or (-) losses from financial assets and liabilities at fair value through profit or loss**	*Para. 20, (a)(i) of IFRC 7; IFRS 9.5.7.1, part 2, items 44 of Appendix V*	16, 45	**0**
290	**Net profits or (-) losses from hedge accounting**	*part 2, paragraph 47 of Appendix V*	16	**0**
300	**Net profits or (-) losses from exchange rate differences**	*Para. 28 and Para 52 (a) of IAS 21*		**15 418**
310	**Net profits or (-) losses from write-off of non-financial assets**	*Para. 34 of IAS 1; part 2, paragraph 48 of Appendix V*	45	**1 532**
330	**Other operating income**	*part 2, paragraphs 314-316 of Appendix V*	45	**85 258**
340	**(Other operating expense)**	*part 2, paragraphs 314-316 of Appendix V*	45	**34 878**
350	**TOTAL NET OPERATING INCOME**			**493 554**
355	**(Administrative expenses)**			**204 757**
360	(Personnel costs)	*Para. 7 of IAS 19; Para. 102, IN 6 of IAS 1*	44	71 974
370	(Other administrative expenses)			132 783
380	**(Amortisation)**	*Paras. 102, 104 of IAS 1*		**15 539**
390	(Property, Plant and Equipment)	*Para. 104 of IAS 1; Para. 73, (e), (vii) of IAS 16*		12 230
400	(Investment Property)	*Para. 104 of IAS 1; Para. 79, (d), (iv) of IAS 40*		0
410	(Other intangible assets)	*Para. 104 of IAS 1; Para. 118, (e), (vi) of IAS 38*		3 309

420	**Net profits or (-) losses from modification**	*IFRS 9.5.4.3, supplement A to IFRS 9, part 2, paragraph 49 of Appendix V*		**0**
425	Financial assets at fair value through other comprehensive income	*Paragraph 35J of IFRS 7*		0
426	Financial assets at amortised cost	*Paragraph 35J of IFRS 7*		0
427	**(Provisions or (-) reversed provisions)**	*Para. 59, 84 of IAS 37; Para. 98, (b), (f), (g) of IAS 1*	9 12 43	**-78**
430	(Commitments and guarantees)	*IFRS 9.4.2.1(c), (d); IFRS 9.B2.5; IAS 37; IFRS 4; part 2, para. 50 of Appendix V*		-306
440	(Other provisions)			228
450	**(Impairment or (-) impairment adjustment of financial assets which are not accounted at fair value through profit or loss)**	*Para. 20, (a)(viii) of IFRC 7; IFRS 9.5.4.4, part 2, items 51, 53 of Appendix V*	12	**119 896**
460	(Financial assets at fair value through other comprehensive income)	*IFRS 9.5.4.4; IFRS 9.5.5.1; IFRS 9.5.5.2; IFRS 9.5.5.8*	12	-19
481	(Financial assets at amortised cost)	*IFRS 9.5.4.4; IFRS 9.5.5.1; IFRS 9.5.5.2; IFRS 9.5.5.8*	12	119 915
491	**(Impairment or (-) reversed impairment of investments in a subsidiary, jointly-controlled entity or associate)**	*Paras. 40-43 of IAS 28*	16	**0**
510	**(Impairment or (-) reversed impairment of non-financial assets)**	*Para. 126(a)-(b) of IAS 36*	16	**0**
520	(Property, Plant and Equipment)	*Para. 73, (e), (v)-(vi) of IAS 16*		0
530	(Investment Property)	*Para. 79, (d), (v) of IAS 40*		0
540	(Goodwill)	*B67, (d), (v) of IFRC 3; Para. 124 of IAS 36*		0
550	(Other intangible assets)	*Para. 118, (e), (iv)-(v) of IAS 38*		0
560	(Other)	*Para. 126(a)-(b) of IAS 36*		0
570	**Negative goodwill in profit or loss**	*B64, (n)(i) to IFRC 3*		**0**
580	**Share of profit or (-) loss from investments in a subsidiary, jointly-controlled entity or associate reported via the equity method**	*part 2, paragraph 54 of Appendix V*		**0**
590	**Profit or (-) loss from non-current assets and disposal groups classified as held for sale, which do not meet the requirements for discontinued operations**	*Para. 37 of IFRS 5, part 2, paragraph 55 of Appendix V*		**0**
600	**PROFIT OR (-) LOSS BEFORE TAX FROM CURRENT OPERATIONS**	*Para. 102, IN 6 of IAS 1; Para. 33 A of IFRC 5*		**153 440**
610	**(Tax expense or (-) income relating to the profit or loss from current operations)**	*Para. 8, (d) of IAS 1; Para. 77 of IAS 12*		**16 350**
620	**PROFIT OR (-) LOSS AFTER TAX FROM CURRENT OPERATIONS**	*IN 6 of IAS 1*		**137 090**
630	**Profit or (-) loss after tax from discontinued operations**	*Para. 82, (e) of IAS 1; Para. 33(a) and paragraph 33A of IFRC 5; part 2, paragraph 56 of Appendix V*		**0**
640	Profit or (-) loss before tax from discontinued operations	*Para. 33, (b)(i) of IFRC 5*		0
650	(Tax expense or (-) income related to discontinued operations)	*Para. 33, (b)(i) and (iv) of IFRC 5*		0
660	**PROFIT OR (-) LOSS FOR THE YEAR**	*Para. 81A (a) of IAS 1*		**137 090**
670	Relating to minority interests [non-controlling interests]	*Para. 81B (b)(i) of IAS 1*		2
680	Attributable to the owners of the parent company	*Para. 81B (b)(ii) of IAS 1*		137 088

(singed)
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