Annual report 2015


artist: Genoveva Gotcheva, 13 years old, Sofia

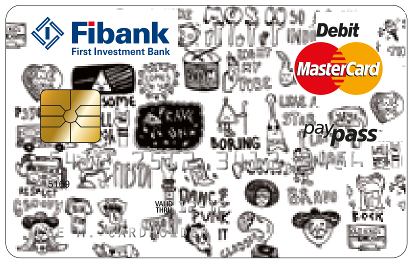
Fibank My bank

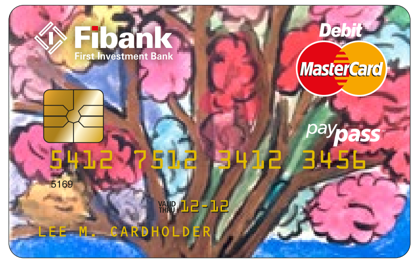
Investing
in our future

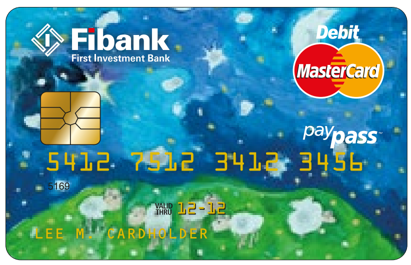
Fibank held a competition for children's drawings.

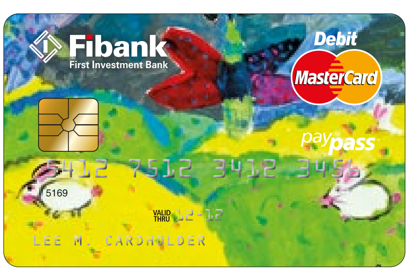
We are proud to publish some of them and regret there is no place enough to show them all.

The drawings will be used in the design of our children's and youth debit cards.









Who we are

First Investment Bank AD (Fibank) is a credit institution with a full license for banking activity in the Republic of Bulgaria and abroad. Fibank offers various products and services for individuals and corporate clients, based on deep financial expertise and knowledge of the various industry sectors of the economy.

Our business

- Corporate banking
- Retail banking
- SME lending
- Microlending
- Card payments
- E-banking
- Trade financing
- International payments
- Money and capital markets
- Foreign exchange

History

First Investment Bank has operated in the Bulgarian market for more than 20 years. It is the biggest Bulgarian-owned bank and the third largest bank in Bulgaria. Throughout the years its business profile has developed as a universal credit institution offering high quality customer service.

Governance structure

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

Employees

3234 employees at end-2015.

Headquarters

37, Dragan Tsankov Blvd., 1797 Sofia.

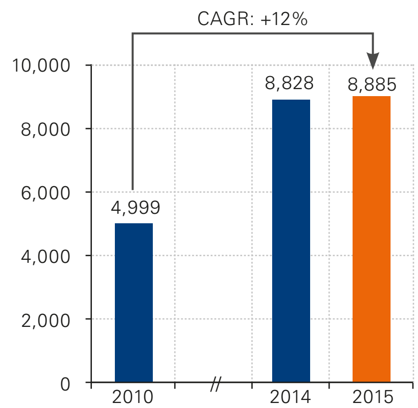
Business principles

- 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

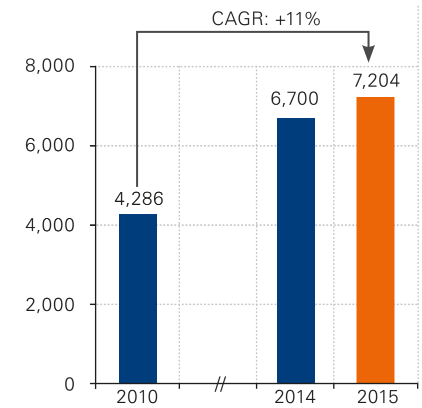
Selected indicators

Assets



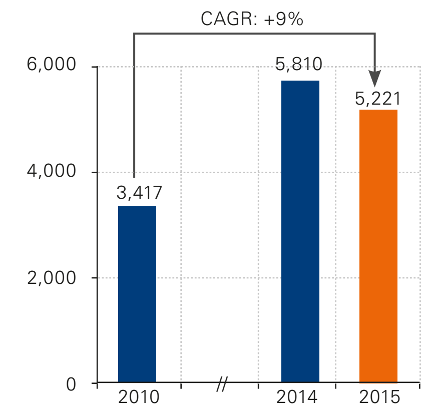
Assets, (BGN mln.)

Deposits



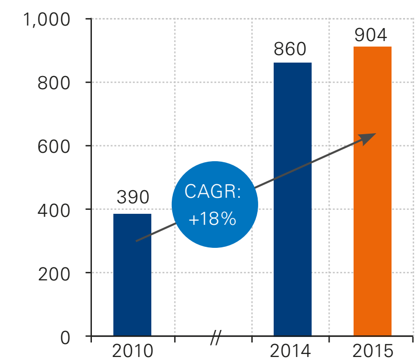
Deposits, (BGN mln.)

Loans



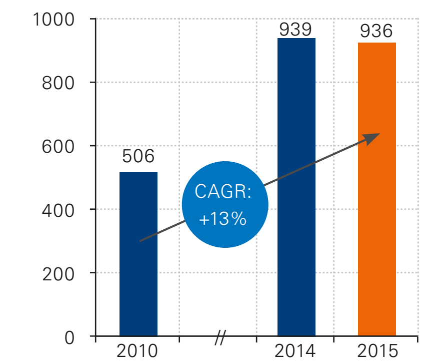
Loans, (BGN mln.)

Tier 1 capital



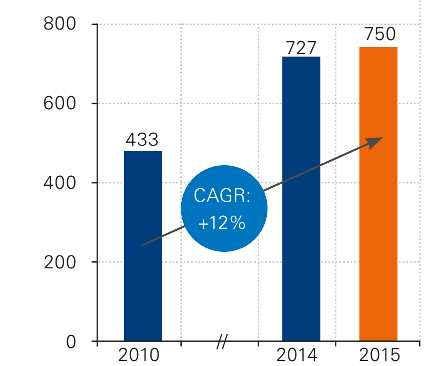
Tier 1 capital, (BGN mln.)

Regulatory capital



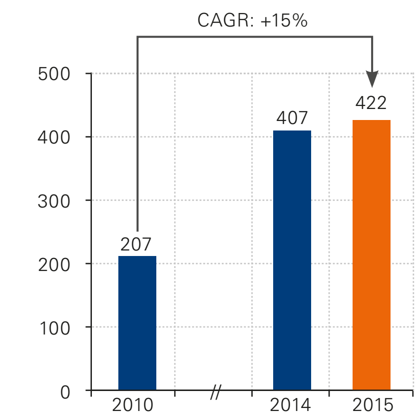
Capital base, (BGN mln.)

Group equity



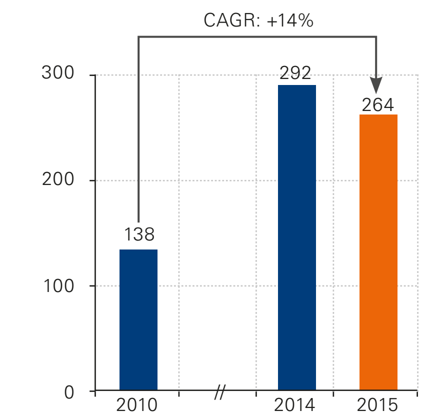
Group equity, (BGN mln.)

Operating income



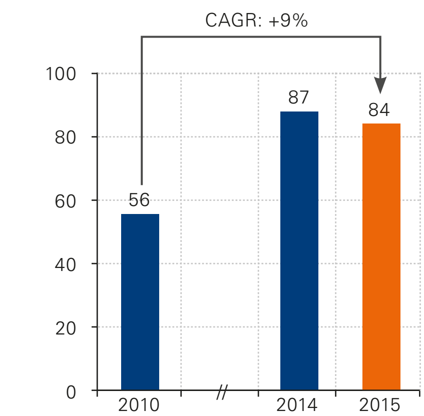
Incone from banking operations (BGN mln.)

Net interest income



Net interest income, (BGN mln.)

Fee and commission income



Net fee and commission income,(BGN mln.)

Contents

Message from the Managing board

Dear shareholders, clients and colleagues,

In 2015 First Investment Bank (Fibank) continued its sustainable development, reporting stable performance and strengthening its position among the leading banks in the Bulgarian market. We were able to streamline many aspects of our activity, create new products and perspectives, while keeping a focus on customer satisfaction. Thanks to our well-structured business model and highly professional approach, we successfully overcame the challenges of the environment and achieved the planned objectives.

In 2015, the economic environment in Bulgaria remained volatile. The main drivers of the economy were exports and investment activity, with public investment playing a major role. The slow economic recovery in the eurozone and geopolitical factors of instability, although having their genesis outside Bulgaria, affected our country's economy.

The regulatory environment was also dynamic and demanding. The new regulatory framework introduced by the CRD IV package, with its volume and intensity of changes, posed additional challenges for banks in Bulgaria, as well as for banks in all EU member states, requiring increased specialized professional knowledge and costs. As always, Fibank developed its activities in line with European standards, local regulations and best international practices.

In 2015 Fibank consolidated its position as a preferred bank of businesses and individuals alike. Borrowed funds increased by 7.5%, reaching BGN 7,204 million. Fibank ranked third in terms of deposits with 10.76 percent market share in the country which is a testimony of customer confidence and satisfaction with the products and services offered. Growth was also reported in the loan portfolios of the retail banking segment by 14.1% to BGN 1,497 million, in SME lending to BGN 570 million, and in microlending to BGN 102 million. Total assets increased to BGN 8,885 million on a consolidated basis, the Bank retaining its third place with a 9.92% market share of banking assets in the country.

Capital adequacy levels were maintained above the regulatory requirements, the common equity tier one capital ratio at the end of 2015 amounting to 11.28% on a consolidated basis, that of tier one capital to 14.23%, and of total capital adequacy to 14.72%. The Bank maintained a high liquidity level of 25.37% with liquidity coverage ratio of 325.61%, compared to the minimum required level of 100%.

In line with market conditions, Fibank applied a conservative approach in managing its loan portfolio and maintained a moderate risk profile: the loan to deposit ratio was 77.79% (2014: 83.32%), loans and advances to customers amounted to BGN 5,221 million, or 58.8% of total assets. Risk diversification with emphasis on portfolio quality and development of systems for risk diagnostics remained a priority, with provisioning coverage of exposures reaching 12.32% (2014: 8.74%). Fibank continued its policy of strict financial discipline, optimizing its administrative costs to BGN 173 million, their ratio to the assets of the Bank decreasing to 1.99%, and the cost/income ratio to 42.89% (2014: 46.96%).

Such positive results were achieved alongside implementation of all commitments made to the European Commission, including early repayment of the state support received in relation to the pressure on the banking system of 2014. A joint plan with the International Finance Corporation (IFC) was successfully implemented for improving the corporate governance and risk management. Organizational changes were also implemented. The positions of Chief Executive Officer (CEO), Chief Risk Officer (CRO), and Chief Compliance Officer (CCO) were introduced, and a new independent member of the Supervisory Board was elected. During the period, the methodologies for operational risk management were further developed and innovations were introduced in the fields of pricing and assessment of profitability.

In a rapidly changing digital world, we invested in our future by updating IT technologies and developing the IT infrastructure in line with the new opportunities. In 2015 we implemented a number of projects aimed at optimizing our information systems, upgrading and introduction of new functionalities. We placed an emphasis on the development of mobile and online services, and were the first in Bulgaria to develop digital credit and debit cards. We will continue our efforts with a view to Fibank remaining among the most modern and innovative institutions in the Bulgarian market, offering its customers advanced technical solutions and opportunities to do banking from anywhere in the world.

Human capital is one of our most important investments for the future, with a high rate of return. We highly value the contribution of our employees towards the realization of the objectives of the Bank. Thanks to their diligence and dedication, the brand of First Investment Bank AD stands as a trademark for high quality. We use this opportunity to thank all our employees. „Together we can do more" is not just the name of one of the 2015 teambuilding initiatives, but a motto of our daily lives. Teamwork is a prerequisite for success in banking, and we are proud of the strong team of Fibank.

In 2015, Fibank continued to support socially significant projects and initiatives aimed at supporting education, culture, and disadvantaged groups. By implementing its policy for corporate social responsibility and demonstrating commitment to the current problems of society, Fibank contributes to building a better world.

While successfully overcoming the challenges of the dynamic environment, we continue to follow the corporate strategy of Fibank based on priorities such as a customer-oriented approach, maintaining a moderate risk profile, modernization of services and infrastructure, and increasing profitability. All these are key to the success of Fibank and to creating long-term value for our customers, shareholders, employees, and society at large.

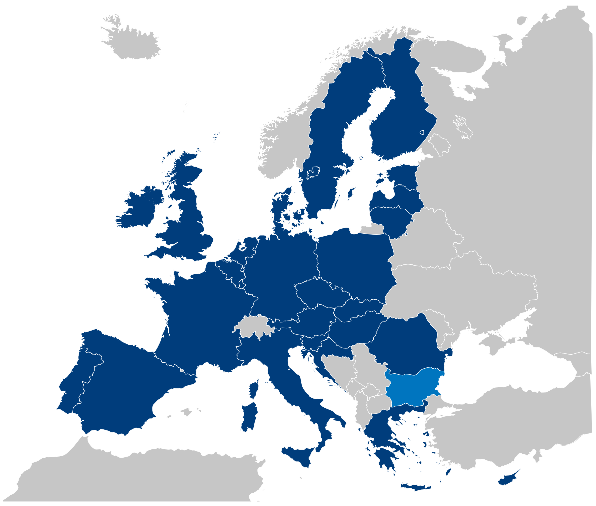
We thank our customers and shareholders, we thank all those who work with us and support us in good times and in difficult times. We will continue to work in the same spirit of dedication to build Fibank as an even better, sounder, and more modern bank.

The Managing Board of First Investment Bank AD

Sofia, May 2016

Macroeconomic development

Republic of Bulgaria



Indicators

Population	7.2 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, Stable
Fitch Ratings	BBB-, Stable
S&P	BB+, Stable

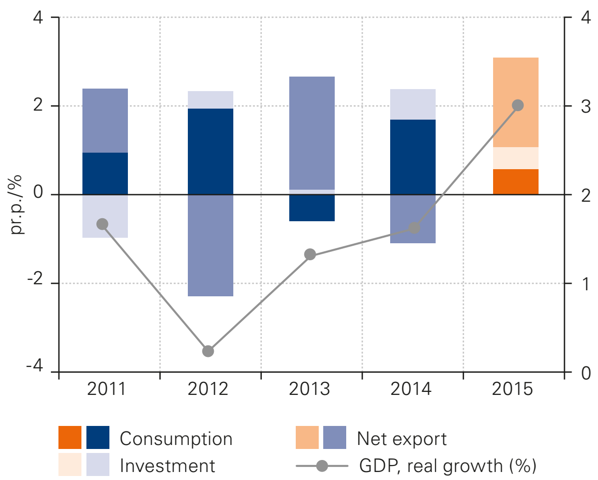
In 2015, the Bulgarian economy showed steady development notwithstanding the unfavorable external conditions resulting from geopolitical factors of instability. Although their genesis was outside Bulgaria, they created an unstable environment for both the international and Bulgarian economy. The slow recovery of the Eurozone economy suppressed economic activity, including in Bulgaria, due to the close interrelatedness of the markets. The volatility of the external environment influenced the decisions of business on new investments, and household consumption.

	2015	**2014**	**2013**	**2012**	**2011**
Gross domestic product (BGN million)	86,373	83,612	81,971	81,544	80,800
Gross domestic product, real growth (%)	3.0	1.6	1.3	0.2	1.6
Consumption, real growth (%)	0.7	2.2	(0.7)	2.6	1.2
Gross fixed capital formation, real growth (%)	2.5	3.4	0.3	1.8	(4.4)
Net export, real growth (%)	3.2	(1.7)	4.3	(3.7)	3.0
Inflation, at period-end (%)	(0.4)	(0.9)	(1.6)	4.2	2.8
Average annual inflation (%)	(0.1)	(1.4)	0.9	3.0	4.2
Unemployment, at end-period (%)	10.0	10.7	11.8	11.4	10.4
Current account (% of GDP)	1.4	0.9	1.3	(0.9)	0.3
Trade balance (% of GDP)	(4.3)	(6.5)	(7.0)	(9.6)	(6.6)
Reserve assets of BNB (EUR million)	20,285	16,534	14,426	15,553	13,349
Foreign direct investments in Bulgaria (% of GDP)	3.6	3.1	3.3	3.2	3.6
Gross external debt (% of GDP)	76.5	92.1	88.1	90.5	88.6
Public sector external debt (% of GDP)	13.4	15.3	9.7	11.0	10.3
Consolidated budget balance (% of GDP)	(2.9)	(3.7)	(1.8)	(0.4)	(1.9)
Exchange rate of USD (BGN for USD 1)	1.79	1.61	1.42	1.48	1.51

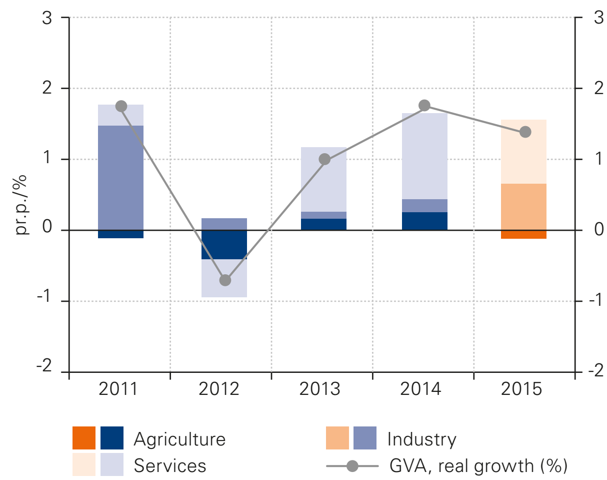
In 2015, the real growth rate of the country's economy grew to 3.0% for the year (2014: 1.6%), the acceleration in the first nine months gradually slowing down to 2.9% over the fourth quarter of 2015. The main driver of the economy were net exports which increased by 3.2% over the year, reflecting the faster growth of exports (2015: 7.6%) against the physical volume of imports (2015: 4.4%). Such an increase reflected the gradual recovery of economic activity throughout the EU countries and the related higher demand for Bulgarian production on the European market. Investment activity increased by 2.5% for the period (2014: 3.4%) additionally contributing to economic growth, mainly in the area of public investments which were supported by accelerated absorption of European funds related to the finalization of projects of the 2007-2013 programming period. In 2015, EUR 1.2 billion were utilized from the EU Structural Funds, the total amount utilized for the programming period amounting to EUR 6.2 billion, with EUR 1.2 billion state co-financing.

Final consumption, including households and government, remained almost unchanged year on year (2015: 0.7%), as a result of still slowly recovering domestic demand and weak income growth.

Components contribution to GDP



Sector contribution to gross value added



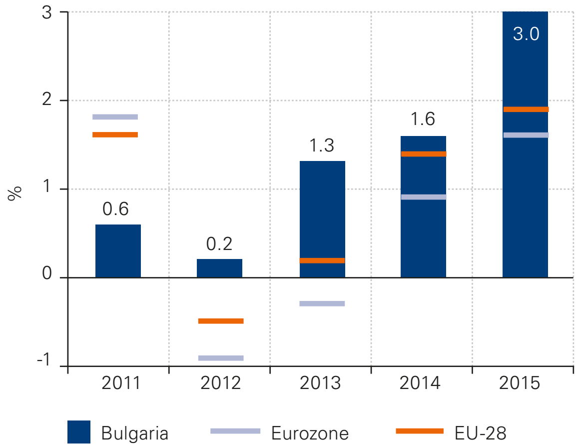
Over the period, gross added value in the economy increased by 1.5% (2014: 1.8%), with the key contribution of the industry sector which grew by a total of 2.7% (2014: 0.7%). A 3.1% growth was reported in the extracting and processing industry, including in main export-oriented sectors such as metallurgy, the chemical industry, petroleum products, food and beverages, as well as in construction which grew by 1.4% year on year (2014: -2.6%).

Added value in the economy was also positively influenced by the services sector which grew by 1.3% in 2015 (2014: 1.8%), including in the areas of trade, transport and tourism (2015: 1.0%), as well as information and telecommunication services (2015: 1.9%). Real estate transactions increased by 3.5% over the year as a result of the development of the property market in the country. The index of housing prices increased by 2.1% for the third quarter of 2015 alone, the real growth in prices of newly built apartments reaching 3.8% on an annual basis.

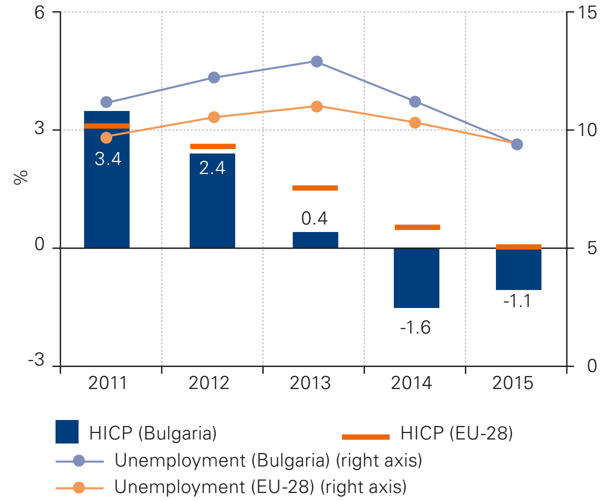
A decline of -1.4% was reported over the period in the agricultural sector (2014: 5.2%), such dynamics mainly reflecting the decrease in production of grain and industrial crops compared to the stronger performance and better agricultural harvest of the previous 2014.

The labor market showed some positive indications during the year, including in seasonal employment, but remained generally unstable, with uneven recovery in various regions and economic sectors. In 2015, unemployment decreased to 10.0% by year-end (Dec. 2014: 10.7%), remaining at levels comparable with those of the EU-28 countries' average of 9.4%, and reflecting the still continuing cautious policy of companies in relation to investments and expenses. The number of employed persons marked a gradual increase reaching 3,062 thousand in the last quarter of 2015, the employment rate amounting to 49.7%. The largest increase in employment was registered in the transport and logistics sector (16.5 thousand persons or 9.1%), followed by manufacturing (15.4 thousand persons or 2.6%), and information and telecommunication services (14.9 thousand persons or 20.5%).

GDP, Bulgaria and EU



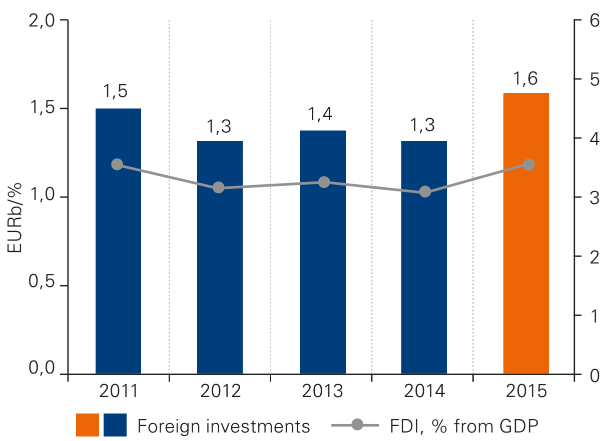
Inflation and unemployment



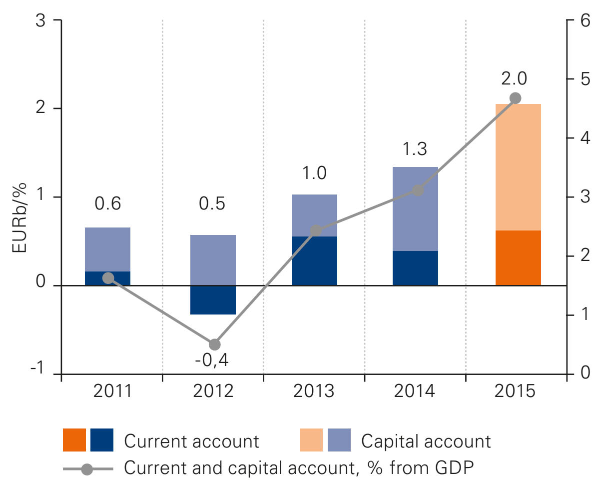
In 2015, deflationary processes in the country continued to gradually subside, the average annual inflation for the period amounting to -0.1% compared to -1.4% for the previous year. At the end of December 2015, the consumer price index amounted to -0.4% (2014: -0.9%), mainly influenced by the lower prices of transport fuels and some administered prices indirectly affected by them. Harmonized inflation, which is a comparable measure of inflation in the EU and one of the price stability criteria for joining the Eurozone, was -1.1% on average for the period (2014: -1.6%) compared to values close to zero at EU-28 level.

During the year, foreign direct investment increased by 19.0% to EUR 1,593 million or 3,6% of GDP (2014: 1,339 EUR million or 3.1% of GDP). The increase was mainly due to higher equity investments (2015: EUR 1,134 million; 2014: EUR 577 million) and reinvested earnings (2015: EUR 644 million; 2014: 167 EUR million). Other investments in the form of debt instruments were negative in the amount of EUR -185 million (2014: EUR 595 million), reflecting the change in net liabilities between companies with foreign participation and direct foreign investors on financial, debenture and commercial loans. By country, the largest investments were attracted from the Netherlands (EUR 697 million), followed by Germany (EUR 182 million), Switzerland (EUR 114 million) and Norway (EUR 112 million).

Foreign investments in Bulgaria



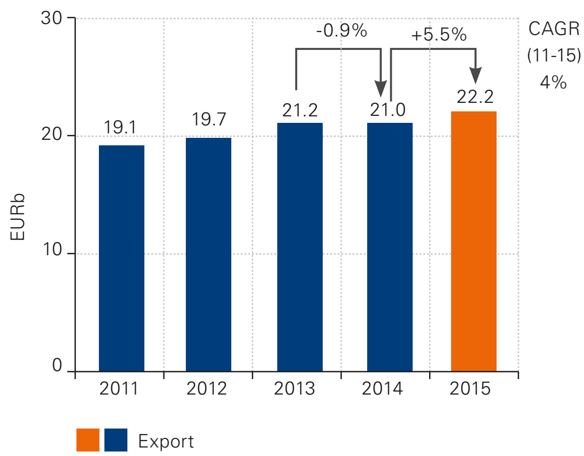
Current and capital account



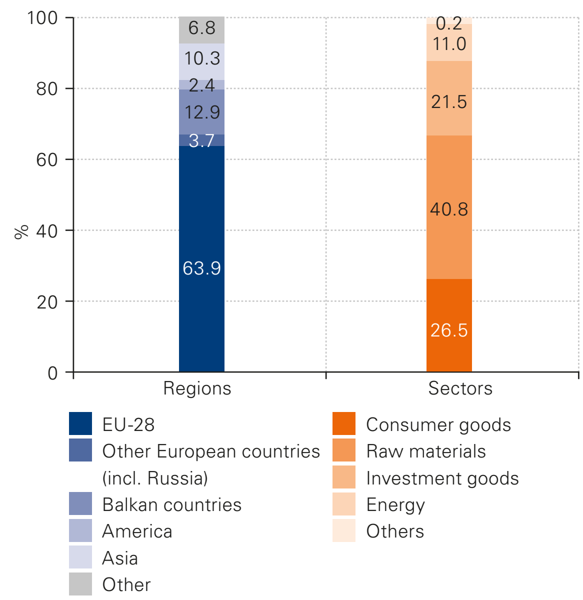
Net portfolio investments in shares (up to 10% of equity), bonds, notes, money market instruments or other marketable securities were negative in the amount of EUR -575 million, contributing to the negative financial account of the balance of payments of EUR -939 million for the year (2014: EUR -2087 million). The 2015 capital account of the country was positive, as a result of the increase in net capital transfers from EU funds which reached 2.9% of GDP by the end of the period.

The positive balance in the country's current account continued to increase in 2015 and reached EUR 609 million (1.4% of GDP), compared to EUR 365 million (0.9% of GDP) a year earlier. A major factor was the decrease in the trade deficit by EUR 860 million to EUR -1917 million or -4.3% of GDP (2014: EUR -2,777 million or -6.5% of GDP).

Value of exports



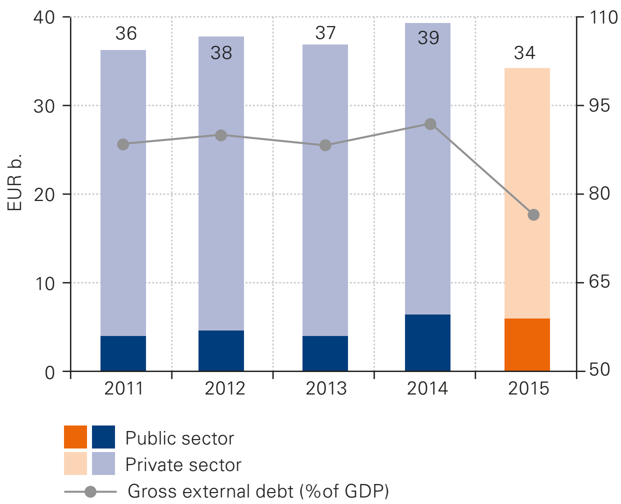
Exports by sector and region



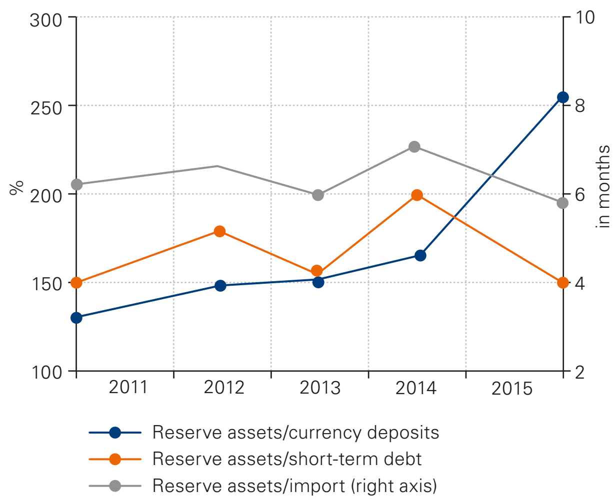
Exports during the year grew faster than imports, reaching EUR 22,184 million or 5.5% more than in 2014, due mainly to recovering external demand, including from the country's major trading partners. A major share of 40.8% in the structure of exports was occupied by raw materials (non-ferrous metals, foodstuffs, chemical products), followed by consumer goods (foods, medicines, clothing, furniture) at 26.5%, investment goods (machinery, spare parts and equipment) at 21.5%, and energy resources, including petroleum products at 11,0%. Imports increased by 1.3% and reached EUR 24,100 million compared to EUR 23,803 million a year earlier, reflecting the slower recovery of private consumption and the dynamics of the international prices of basic fuels and raw materials. In 2015, the European Union strengthened its position as the main market, accounting for 63.9% of exports and 52.9% of imports, compared to 62.3% and 50.6% respectively a year earlier.

The gross external debt of the country decreased by 13.2% to EUR 34,144 million or 76.5% of GDP at the end of 2015 (2014: EUR 39,357 million or 92.1% of GDP). Such a decrease was mainly due to the lower external debt of the private sector which reached EUR 28,146 million at the end of the period compared to EUR 32,804 million a year earlier, as a result of the fall in intercompany and bank indebtedness. Notwithstanding the Eurobonds issued in March 2015, the external debt of the public sector also decreased to EUR 5,998 million (13,4% of GDP) by the end of the period (2014: EUR 6,552 million or 15.3% of GDP) as a result of the repayments made during the year on government bonds issued on the international capital markets, and on other bridge loans. BNB reserve assets covered 256.6% of the short-term debt (2014: 165.9%), and 149.0% (2014: 198.2%) of the foreign currency deposits in the country.

Gross external debt



Reserve assets coverage

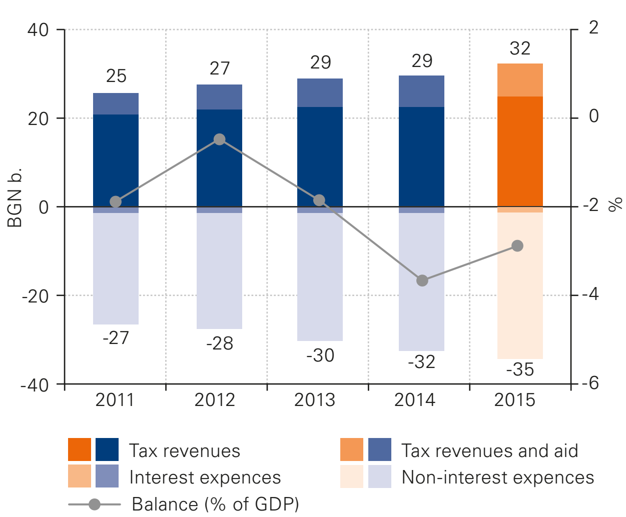


During the year, the debt on securities issued by the Government of the Republic of Bulgaria in the domestic market decreased to BGN 7,283 against BGN 8,252 million in 2014, the predominant part of it (98%) being in the form of government securities issued to finance the budget deficit, and the remainder for financing structural reforms.

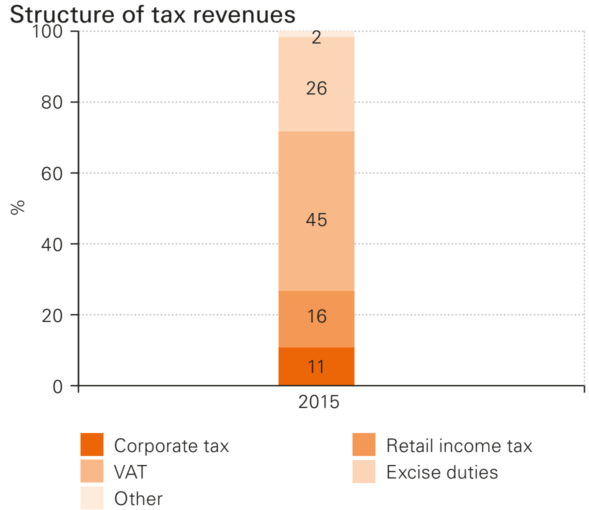
In 2015, the consolidated budget deficit decreased to BGN -2473 million (-2,9% of GDP) at period end against BGN -3048 million (-3,7% of GDP) a year earlier, reflecting the increased collectability of taxes and fees. The consolidated budget revenues over the period increased by 9.5% to BGN 32,205 million (2014: BGN 29,409 million), as a result of the higher revenues from taxes and social security contributions. VAT revenues amounted to BGN 7,740 million or 6.6% over the previous year, mainly due to the proceeds from VAT transactions in the country and to a lesser extent from import ones, also influenced by the lower prices of crude oil on the international markets. There was also growth in excise revenues which reached BGN 4,252 million compared to BGN 4,039 million in 2014, an increase being observed in all major excise goods including fuels, tobacco products, and alcoholic beverages.

Turning to direct taxes for 2015, corporate tax revenues amounted to BGN 1,860 million or a 10.8% increase over the previous year (2014: BGN 1,679 million). Revenues from personal income tax grew by 5.3% to BGN 2,719 million (2014: BGN 2,583 million), mainly due to higher contributions from employers, which reflected the positive indications on the labor market. Revenues from tax on interest income on deposits generated an additional BGN 52 million for the budget. Social security revenues increased by 7.7% to BGN 6,947 million (2014: BGN 6,449 million), of which BGN 4,836 million were social security contributions, and BGN 2,111 million were health insurance contributions.

Consolidated budget



Structure of tax revenues



During the year, changes were adopted to the Tax Insurance Procedure Code (TIPC) which introduced the new provisions of Council Directive 2014/107/EU and regulated the commitments undertaken by the Republic of Bulgaria under international agreements for the automatic exchange of information in tax matters.

Consolidated budget expenditures increased by 6.8% to BGN 34,678 million at the end of December 2015 compared to BGN 32,455 million a year earlier, due mainly to the higher capital expenditures (2015: BGN 6843 million; 2014: BGN 4942 million) related to the accelerated absorption of funds under EU programs and the co-financing provided by the state. Current non-interest expenses increased by 0.7% (BGN 185 million) compared to 2014, and social and health expenditures by 2.2% (BGN 280 million) year on year.

In 2015, Bulgaria's long-term credit rating in foreign currency was confirmed with a stable outlook by the leading international rating agencies, as follows: Fitch Ratings (BBB-), Standard & Poor's (BB+), and Moody's (Baa2).

Expectations for 2016 include diverse dynamics in the key structural indicators reflecting the evolution of risks from the external environment, including a continuation of the gradual recovery in private consumption, a slowdown in public sector investment activity, and a gradual phasing out of the deflationary trend in consumer prices. Projections by the Ministry of Finance and the Bulgarian National Bank forecast a slowdown in the real growth of gross domestic product by about 2.1% for 2016 and subsequent acceleration to 2.5%–2.8% in 2017. For the period 2014–2020, EUR 15.7 billion are intended for the Bulgarian economy under EU funds and programs which is an additional prerequisite for future economic growth.

The banking system

In 2015, the banking sector in Bulgaria demonstrated resilience and the capacity to generate positive results in an unfavorable external environment. Thanks to the conservative policy of the Central Bank, the conventional banking services offered on the local market and the higher risk assessment criteria, the confidence in the system was preserved and positive results were reported.

in % / change in p.p.	2015	2014	2013	%	%
Capital adequacy	22.18	21.95	16.85[1]	0.33	5.10
Tier 1 capital ratio	20.46	19.97	16.04[1]	0.53	3.93
Liquid assets ratio	36.71	30.12	27.07	6.59	3.05
Loans/deposits (net)	69.93	78.71	85.92	(8.78)	(7.21)
Equity/assets	13.17	12.73	13.02	0.44	(0.29)
Return-on-equity (ROE)	9.53	7.51	5.64	2.02	1.87
Return-on-assets (ROA)	1.03	0.89	0.70	0.14	0.19
Nonperforming loans (90 days past due)	15.35	16.75	16.87	(1.40)	0.80

Source: Bulgarian National Bank

The overall capital adequacy ratio increased by 0.33 percentage points during the year and reached 22.18% (2014: 21.95%), while Tier I capital adequacy rose to 20.46% compared to 19.97% a year earlier. Such an increase was mainly driven by the rise in Tier I capital which formed 90.1% of the equity of the system (2014: 88.9%).

Liquidity remained at high levels, in line with the policies of conservatism and the volumes of cash. The increase in highly liquid instruments provided the adequate coverage of borrowed funds and the ratio of liquid assets increased, reaching 36.71% at the end of 2015 compared to 30.12% a year earlier.

1 Data up to and including 2013, were calculated in accordance with Ordinance №8 of BNB on the capital adequacy of credit institutions (repealed SG issue 40 dated 13 May 2014).

The loan/deposit ratio amounted to 69.93% (2014: 78.71%), with an average of 105% for the EU. Such growth in deposits is indicative of the preserved confidence in banks, while at the same time evidencing the lending potential of the banking system in an economy of still low credit activity and insufficient credit demand.

BGN million /change in %	2015	2014	2013	%	%
Net interest income	2,771	2,632	2,541	5.3	3.6
Net fee and commission income	890	828	819	7.5	1.1
Administrative expenses	1,850	1,738	1,783	6.4	(2.5)
Impairment on loans	1,090	1,128	1,047	(3.4)	7.7
Net profit	898	746	585	20.4	27.5

Source: Bulgarian National Bank

In 2015, banking system net profit amounted to BGN 898 million, or a 20.4% percent increase compared to 2014. Net interest income grew by 5.3% over the previous year and amounted to BGN 2,771 million (2014: BGN 2,632 million), while net fee and commission income rose to BGN 890 million (2014: BGN 828 million). Financial results reported for 2015 provided for a return on assets (ROA) of 1.03% (2014: 0.89%) and return on equity (ROE) of 9.53% (2014: 7.51%) which was influenced by the faster growth of profit compared to assets and capital, and reflected the ability of the banking sector to maintain good profitability at acceptable levels of returns.

BGN million /change in %	2015	2014	2013	%	%
Assets	87,524	85,135	85,747	2.8	(0.7)
Loans to non-financial corporates	33,285	34,319	38,306	(3.0)	(10.4)
Loans to individuals and households	18,312	18,290	18,504	0.1	(1.2)
Deposits from business clients[1]	24,869	22,707	22,982	9.5	(1.2)
Deposits from individuals and households	44,407	41,003	39,248	8.3	4.5

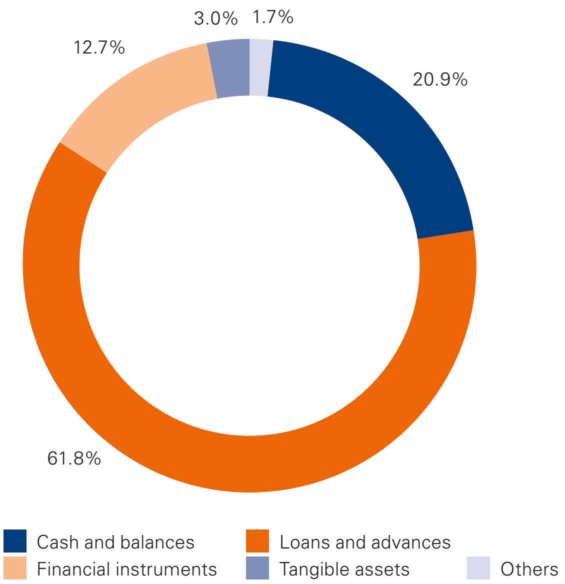
Source: Bulgarian National Bank

Total balance sheet assets grew by 2.8% yoy to BGN 87,524 million (2014: BGN 85,135 million), while loans and advances decreased their relative share to 61.8% of total assets (2014: 71.8%), reflecting low credit activity resulting from the continuing uncertainty of the external environment.

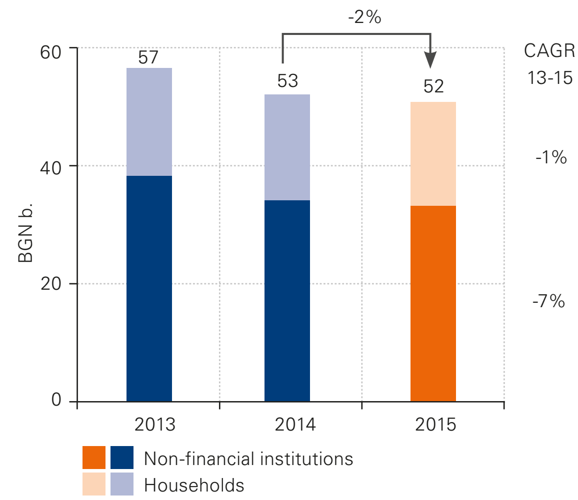
The gross loan portfolio (excluding credit institutions and central banks) decreased by 2.6% to BGN 54,121 million, mainly as a result of the decrease in loans to non-financial institutions which amounted to BGN 33,285 million, or 3.0% less compared to the end of 2014. These remained structure-determining, forming 61.5% of the gross portfolio, followed by loans to households at 33.8%, other financial institutions at 3.4%, and the government sector at 1.2%. Loans to individuals remained almost unchanged compared to previous year, at BGN 18,312 million (2014: BGN 18,290 million), with residential mortgage loans amounting to BGN 8,764 million, and consumer loans to BGN 8,718 million.

1 In order to be comparable to information from previous periods, deposits from non-financial corporates, other financial institutions and central government are included.

Structure of assets at the end of 2015



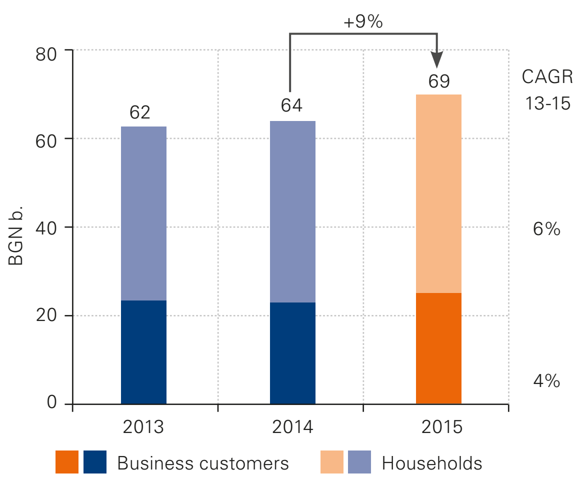
Loans to households and NFIs



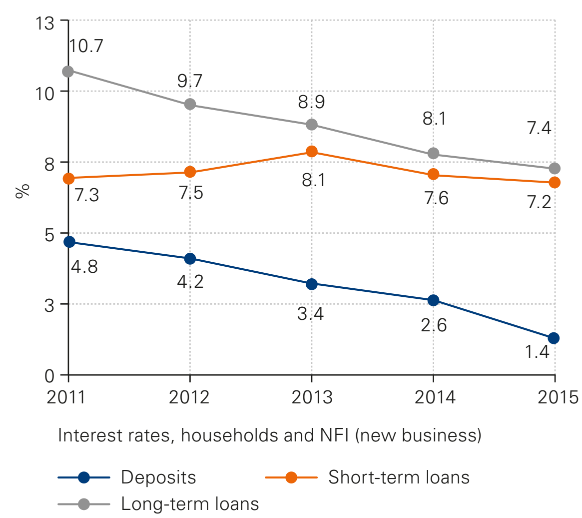
The share of non-performing loans past due over 90 days decreased and amounted to 15.35% of the gross loan portfolio (2014: 16.75%). Non-performing loans were adequately covered by impairment and the additionally accumulated buffers by the system. In the structure of non-performing loans (past due over 90 days) loans to non-financial corporations occupied the highest share (70.0%), followed by households (28.6%) and other financial institutions (1.4%).

In 2015, the borrowed funds in the banking system (excluding credit institutions and central banks) increased by 8.7% and reached BGN 69,276 million (2014: BGN 63,710 million) which was influenced by the continuing high rate of savings among the population and the still uncertain external environment. Corporate deposits increased by 9.5% during the year and amounted to BGN 24,869 million at the end of 2015 (2014: BGN 22,707 million), forming 28.5% of total borrowings. In line with the tendency of recent years, deposits of individuals continued to grow by 8.3% to BGN 44,407 million at year end (2014: BGN 41 003 million), remaining structure-determining for the system with a 64.1% share of total attracted funds.

Deposits from retail and business customers



Interest rates of loans and deposits



In the currency structure of deposits, the share of BGN deposits remained at 57.3% (2014: 57.5%), while EUR deposits decreased to 33.8% (2014: 35.3%). Those in other currencies amounted to 8.9% (2014: 7.3%).

During the year, the downward trend in interest rates continued, according to the dynamics in the Eurozone and the EU countries. Interest rates on deposits (new business) of households and non-financial institutions fell by 1.26 percentage points to 1.38% for 2015 compared to 2.64% a year earlier, influenced by both the increased attracted funds and overall liquidity of the system, and the associated lower activity of the interbank money market in the country. A decrease was also observed in interest rates on loans (new business), to a greater extent in long-term loans (2015: 7.43%; 2014: 8.11%) rather than in short-term loans (2015: 7.16%; 2014: 7.56%).

In 2015, regulatory changes were introduced arising both from the new requirements of EU banking regulations, and from national legislative initiatives. During the year, the European Commission adopted a significant number of delegated regulations and implementing regulations, further developing and complementing the framework on prudential requirements for credit institutions and investment firms established by Regulation (EU) № 575/2013, which are directly applicable to the activities of banks.

As part of the Single Rulebook and the introduction of Basel III package in the legislation of the EU member states, a new Law on Recovery and Resolution of Credit Institutions and Investment Firms was adopted effective from 14.08.2015, introducing in Bulgarian legislation the provisions of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms. With the new Law on Bank Deposit Guarantee (LBDG) effective from 14.08.2015, the new provisions were transposed of Directive 2014/59/EU on deposit guarantee schemes. The amount guaranteed by the Fund to one person on his accounts in one bank remained unchanged, at BGN 196,000.

Also adopted were amendments to the Act on Restriction of Cash Payments effective from 01.01.2016, which reduced the threshold for cash payments in Bulgaria to BGN 10,000.

The amendments to the Consumer Protection Act expanded and upgraded the existing legislative framework for resolving consumer disputes, providing for a new procedure for alternative dispute resolution between consumers and traders established in the EU through the creation of general and sectoral conciliation committees to the Commission for Consumer Protection.

A new Ordinance No 21 of BNB was adopted during the period on the minimum required reserves maintained by banks with the Bulgarian National Bank, which introduces the concept of “excess reserves” with the BNB, and also provides for the option that negative interest is accrued on them.

Also adopted were changes to Ordinance No 22 of BNB on the Central Credit Register which amend the circle of entities that should submit and receive information on the credit indebtedness of their customers, as well as the scope of information submitted or received.

In 2015, amendments were adopted to Ordinance No 38 of FSC on the Requirements to the Activities of Investment Firms, which expressly provide that its provisions should also be applicable to credit institutions acting as investment intermediaries.

During the year, 28 credit institutions operated in the country including 6 branches of foreign banks. Subsidiaries of EU banks formed 70.2%[1] of the system’s assets, local banks 24.4%, branches of banks from the EU 3.9%, and banks and branches outside the EU 1.3% and 0.1% of the banking assets respectively. Changes in the external environment created conditions for the emergence of consolidation processes in the banking sector, an even greater increase of competitiveness, and the development of new products and services.

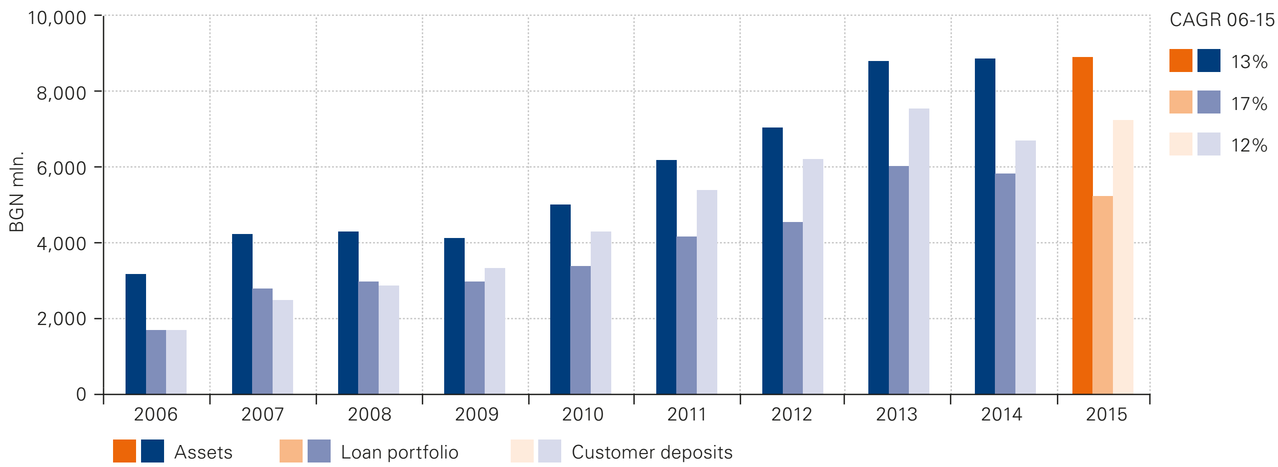
Mission

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.

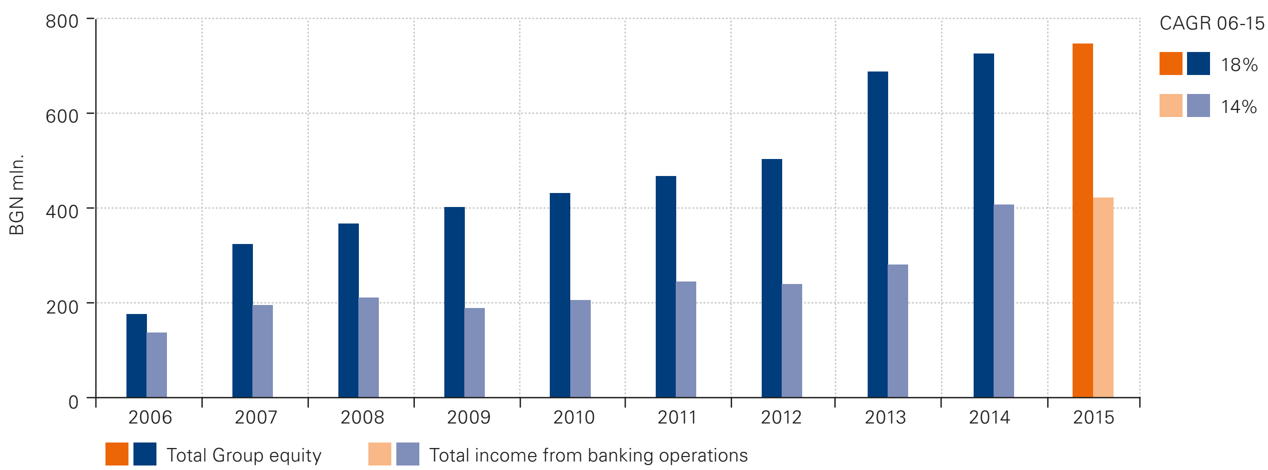
1 Data as at the end of the third quarter of 2015.

Sustainable development

Balance-sheet indicators



Financial indicators



In 2015 First Investment Bank fulfilled promptly all commitments undertaken with regard to the liquidity support received pursuant to Decision C(2014) 8959/25.11.2014 of the European Commission, including on enhancing corporate governance and risk management, which were realized together with the International Finance Corporation (IFC), part of the World Bank Group. Organizational changes were put into effect, through which the positions of Chief Executive Officer (CEO), Chief Risk Officer (CRO), Chief Compliance Officer (CCO) were established, and a new independent member of the Supervisory Board was elected. During the period the methods for operational risk management were further developed, and new tools were implemented with regards to pricing and profitability.

Furthermore, during the reporting period the Bank continued to repayed ahead of schedule the state aid received in the form of a deposit from the Ministry of Finance, and as at 31 December 2015 its outstanding value amounted to BGN 450,922 thousand, compared to BGN 901,844 thousand as at end-2014. At the beginning of 2016, after the reporting period, the Bank repaid another BGN 200 million of the liquidity support, and the rest remains due by 28 May 2016.

On-going monitoring for the prompt and correct fulfillment of all commitments undertaken was exercised by a specially appointed independent monitoring trustee, approved by the European Commission.

Bank profile

Corporate status

First Investment Bank is a joint-stock company registered with Sofia City Court pursuant to a ruling dated 8 October 1993. Since 28 February 2008 the Bank has been registered in the Commercial Register 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 – Bankservice AD
- MasterCard International
- VISA International
- S.W.I.F.T.

Market position[1]

- Third in assets
- Third in lending
  – Second in corporate lending
  – Fifth in mortgage loans
  – Sixth in consumer loans
- Third 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

1 Market positions are based on unconsolidated data from the BNB and Borica – Bankservice AD.

Market share[1]

- 9.92% of bank assets in Bulgaria
- 10.72% of loans in the country
  – 12.38% of corporate lending
  – 8.52% of consumer lending
  – 6.79% of mortgage lending
- 10.76% of deposits in the country
  – 13.41% 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.

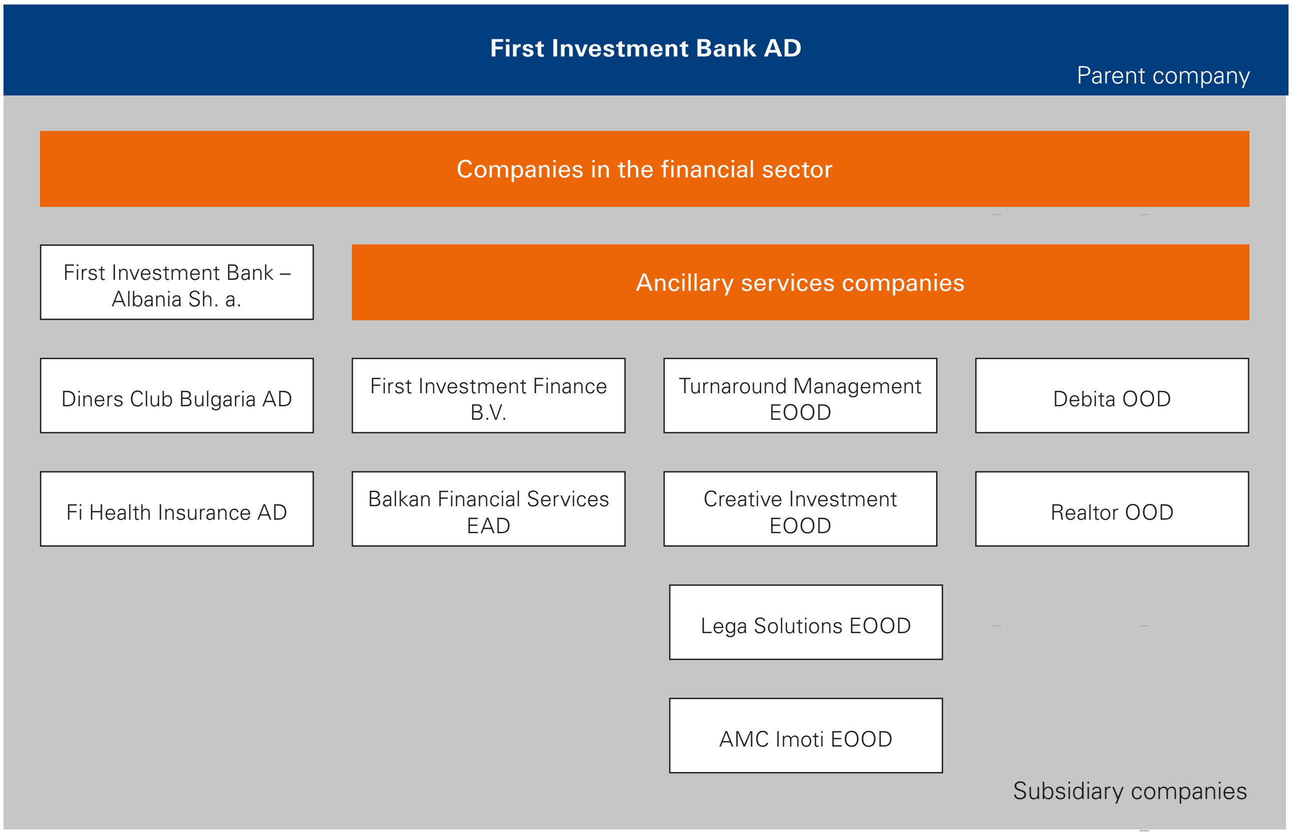
Fibank is a respected, reliable and fair partner, which has built over the years a good reputation among international financial institutions and gained valuable experience and know-how from its numerous business partners, investors, customers and counterparties.

Branch network

At 31 December 2015 the Group of First Investment Bank had a total of 173 branches and offices: 162 branches and offices (including the Head Office) throughout Bulgaria, one foreign branch in Cyprus, as well as the Head Office and 9 branches of the subsidiary bank First Investment Bank – Albania Sh.a.

1 Market positions are based on unconsolidated data from the BNB and Borica – Bankservice AD.

Subsidiaries



First Investment Bank AD had eleven subsidiary companies as at 31 December 2015: 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%).

For further information regarding subsidiary companies see the "Business review of the subsidiary companies" section, as well as note 37 "Subsidiaries" of the Consolidated Financial Statements as at 31 December 2015, together with the Report of the Independent Auditor.

Awards 2015

- For a second consecutive year, First Investment Bank was distinguished as the favorite brand among financial institutions in Bulgaria by the global organization Superbrands based on independent research of the consumer segment.
- The Debit MasterCard product of the Bank was distinguished as Card Product of the Consumers at the annual awards of the b2b Magazine.
- First Investment Bank received from Commerzbank the prestigious STP Award 2014 for excellent quality in the delivery of commercial payments and financial institutions transfers.
- Fibank, as a socially responsible company, was awarded the honorary Heart of Sofia sign by Art Center Karnolsky for supporting and stimulating the talented children of Bulgaria.

- First Investment Bank received the Best Marketing Team award for its project “A Message from Fibank” at the annual awards of the Bulgarian Association of Advertisers.
- First Investment Bank – Albania Sh.a. was awarded by the commercial and the industrial chamber in the country as the Best Bank in Albania, offering high quality of customer service and products in line with customers’ needs.

First Investment Bank: dates and facts

1993	First Investment Bank was established on 8 October 1993 in Sofia. Fibank was granted a full banking licence for carrying out operations in Bulgaria and abroad.
1994-95	The Bank developed and specialised in servicing corporate clients.
1996	First Investment Bank was the first in Bulgaria to offer services enabling banking from home or from the office. Fibank was the first bank to receive a 5-year loan from the European Bank for Reconstruction and Development for financing small and medium-sized enterprises in Bulgaria.
1997	The Bank started issuing Cirrus/Maestro debit cards, Eurocard/Mastercard credit cards and the American Express card. Fibank was the first Bulgarian bank to offer debit cards with international access. Thompson Bankwatch awarded Fibank its first credit rating. The Bank opened its first branch abroad, in Cyprus.
1998	First Investment Bank obtained its first syndicated loan from foreign banks. The Bank negotiated financing for the import of investment goods from Austria, Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Portugal, Spain, Sweden and Switzerland, guaranteed by export insurance agencies.
1999	The Bank negotiated a syndicated loan organized by EBRD to the total amount of EUR 12.5 million. First Investment Bank received a midium-term loan for EUR 6.6 million from a German government organization for financing of Bulgarian companies. The Bank opened a foreign branch in Tirana, Albania offering banking services to Albanian companies and individu-als.
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 8 million new shares with a nominal value of BGN 10 each.
2007	First Investment Bank realized the biggest banking initial public offering of shares in Bulgaria. The Bank became a public company and increased its issued share capital from BGN 100 million to BGN 110 million. „Fibank Mobile" – the first banking mobile portal created by the Bank with useful financial information for its customers, started functioning. The Albanian Central Bank issued a full banking licence to First Investment Bank – Albania Sh.a. Fibank is among the first banks in Bulgaria to implement new chip technology by issuing debit and credit cards.
2008	Fibank successfully implemented new centralized and integrated core banking information system FlexCube, suitable for retail banking as well as for corporate banking, with a module for Internet banking and a module for work processes management. First Investment Bank received a syndicated loan 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" – part of the Bank's Ecological program, which provides e-statements on customers' current and deposit accounts and credit cards.
2010	Fibank welcomed its one millionth client. First Investment Bank signed an agreement with IFC for cooperation in the field of trade finance. Fibank was the first Bank in Bulgaria to offer contactless payments based on PayPass technology. Fibank acquired 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. Fibank developed its services for financing and project management under EU Programmes and initiatives. 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. Fibank was included in the Top 1000 World Banks ranking of the prestigious magazine The Banker in terms of Tier I capital. 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. First Investment Bank marked the 20th anniversary of its establishment. 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 successfully implemented. The processes of integration of operational accounting systems, procedures, infrastructure, human resources, products and services were performed in less than 6 months, due to the high professionalism of the employees and the good management of processes by the specially established for this purpose integration board. First Investment Bank successfully overcame the pressure on the banking system thanks to existing high liquidity, good organization, high corporate spirit and professionalism, as well as to the liquidity support pursuant to EC Decision C(2014) 4554/29.06.2014. The long-term collaboration with the International Finance Corporation (IFC) was continued, as on Fibank's initiative through the year the IFC performed a diagnosis of the Bank's corporate governance and risk management. Fibank was granted two awards for the best bank in the field of retail banking from the international portal Global Banking & Finance Review, as well as for its entire contribution to the development of the card business in Bulgaria from the international organization MasterCard. The Bank continued to develop and expand the opportunities for supporting clients in the absorption of resources from European funds, including through collaboration with the European Investment Fund, the National Guarantee Fund and the Bulgarian Development Bank.

artist: Dimana Dobreva, 12 years old, Sofia

Highlights 2015

January

- First Investment Bank signed an agreement with the International Finance Corporation (IFC), part of the World Bank Group, to implement a joint project 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 loan was offered based on SAPS subsidies for 2015, with a simplified procedure and pre-approved amount of up to BGN 500 thousand for loyal borrowers.

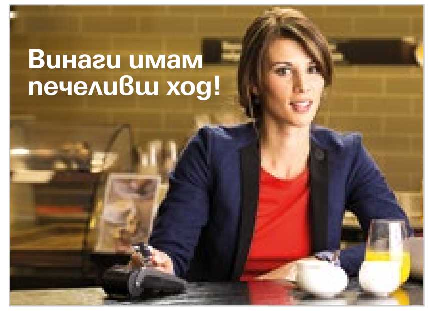
February

- The Bank offered preferential conditions for issuance of bank guarantees to SMEs selected as contractors, or applying under the National Programmed for the refurbishment of buildings.
- First Investment Bank offered attractive banking packages for business customers.
- Fibank was among the sponsors of the FIS World Cup Ladies' Alpine competition held in Bansko.

March

- First Investment Bank developed its systems and processes for the defining and analysis of key risk indicators (KRIs), with the aim of improving the monitoring and management of operational risk.
- Fibank organized a series of seminars on European financing for businesses, aiming at introducing the possibilities for applying under the EU operational programs for the new 2014-2020 programming period.

April



- New lending products and competitive terms for micro enterprise customers were introduced, as part of the Bank's policy to further develop and support this market segment.
- Fibank supported the technology conference dedicated to digital transformation - CEEDS'15 by Webit, in fulfillment of its mission to introduce innovative and high-tech banking solutions.
- A promotional campaign for issuance of MasterCard/VISA credit cards was launched.

May

- For the fourth consecutive year, First Investment Bank launched the competition Best Bulgarian Firm of the Year, aimed at supporting Bulgarian companies and creating increased confidence among them, as well as at drawing attention to positive and successful business examples in the country.
- Within the student initiative Business in Practice, students of economics assumed the roles of Executive Directors of Fibank.

June

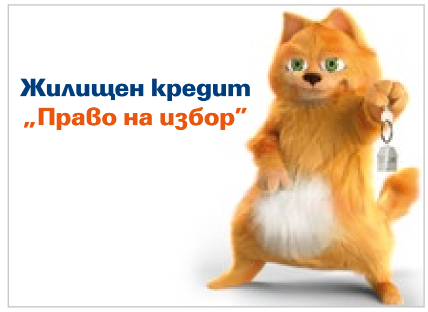
- At the General Meeting of Shareholders of First Investment Bank, a new member of the Supervisory Board was elected: Mr. Jyrki Koskelo, an accomplished professional with extensive experience in the International Finance Corporation (IFC).
- The activities related to the Compliance function were further developed according to the Basel Committee corporate governance principles for banks.
- Ms. Maya Georgieva, Deputy Chair of the Supervisory Board, participated in the annual Corporate Governance Group network meeting of the International Finance Corporation (IFC) held in Washington.
- The Bank launched a new social responsibility initiative under the motto "Sports in the city with Fibank" by donating a renovated basketball court to Gorna Banya district in the city of Sofia.

July

- A new Corporate Governance Code of First Investment Bank was adopted, outlining the framework and setting out the basic components, functions and responsibilities that constitute the system of corporate governance at the Bank, exceeding the local regulatory requirements and implementing the latest principles of the Basel Committee on Banking supervision.
- The corporate blog of Fibank marked its seventh anniversary.

August

- The Bank developed its operational risk management by introducing regular self-assessment (RCSA) as an additional tool for evaluating and analyzing this kind of risk.
- First Investment Bank offered competitive conditions on the Right of Choice mortgage loan, such as fixed interest rate for the first 3 years and the possibility for a 12-month grace period every five years of the loan term.
- Fibank repaid a perpetual capital instrument with an original principal of EUR 27 million, after obtaining approval by the BNB and the EC.



September

- A new system for investment intermediation and brokerage services was introduced, featuring complete and integrated front office and back office functionalities.
- In an effort to maintain an open line of communication with investors and enhance dialogue with minority shareholders, a Club of investors was created.
- Fibank started distribution of new a collector's series of gold and silver bullion medallions, The Tree of Life from the Swiss refinery PAMP.

October

- The Bank further developed its pricing methodologies, with a view to maximize the application of the risk-based approach by type of lending product.
- The conditions for provision of standard factoring services to corporate clients were optimized.
- A platform for electronic education was successfully implemented under the E-learning project, with a view to greater effectiveness of the learning process and providing opportunities for the use of modern communication channels.
- Fibank initiated a charity campaign in cooperation with the Dimitar Berbatov Foundation to support the talented children of Bulgaria.

November

- A new organizational structure of the Bank was adopted, further elaborating the control functions and introducing new positions, including those of Chief Executive Officer, Chief Risk Officer and Chief Compliance Officer.
- New investment gold and silver bullion bars were offered on the occasion of the Year of the Monkey, produced by the Swiss refinery PAMP.
- An extension of the framework agreement with Taiwan's Eximbank was signed to finance deliveries of goods made by Taiwanese suppliers to customers of Fibank.

December

- A project was realized for the development and implementation of a profitability assessment application at the level of business line, portfolio, product, and customer.
- A new Forex Plus deposit product was developed, with the possibility of obtaining an additional bonus tied to the US dollar exchange rate.
- Fibank sent an invitation to minority shareholders to participate in an Annual Meeting aimed at enhancing transparency and feedback between them and the senior management of the Bank.
- Fibank negotiated a new agreement with the NGF for the issuance of a BGN 20 million portfolio guarantee for securing the Bank's loans to SMEs.

Financial review

Key indicators

	2015	2014	2013	2012	2011
Financial indicators (BGN thousand)					
Net interest income	263,546	291,911	181,711	154,235	161,989
Net fee and commission income	84,217	87,425	86,691	74,304	72,328
Net trading income	11,017	11,997	9,381	8,539	11,294
Total income from banking operations	421,582	406,647	284,445	239,897	243,472
Administrative expenses	(180,827)	(190,981)	(156,239)	(160,022)	(157,926)
Impairment	(329,137)	(299,621)	(70,305)	(36,709)	(35,263)
Group profit after tax	17,851	30,764	184,904	30,573	35,962
Earnings per share	0.16	0.28	1.68	0.28	0.33
Balance-sheet indicators (BGN thousand)					
Assets	8,885,364	8,827,882	8,777,993	7,050,448	6,174,452
Loans and advances to customers	5,221,360	5,810,328	6,020,792	4,540,389	4,182,236
Loans and advances to banks and financial institutions	109,455	112,078	120,126	45,939	100,427
Due to other customers	7,203,969	6,699,677	7,535,756	6,189,721	5,388,310
Liabilities evidenced by paper	135,726	177,544	196,444	62,420	112,306
Total Group equity	749,846	726,897	692,515	505,267	470,002
Key ratios (in %)					
Capital adequacy ratio[1]	14.72	14.89	14.26	13.10	12.57
Tier 1 capital ratio[1]	14.23	13.64	13.31	11.39	10.18
Liquidity ratio	26.01	24.01	22.63	27.64	26.17
Loans/deposits ratio	77.79	83.32	83.03	76.09	80.08
Provisioning coverage ratio	12.32	8.74	4.12	3.99	3.29
Net interest income/total income from banking operations	62.51	71.78	63.88	64.29	66.53
Return-on-equity (after tax)	2.43	4.33	33.34	6.29	7.95
Return-on-assets (after tax)	0.20	0.35	2.47	0.46	0.64
Cost/income ratio	42.89	46.96	54.93	66.70	64.86
Resources (in numbers)					
Branches and offices	173	179	221	162	173
Staff	3,234	3,291	3,554	2,859	2,838

1 Values for 2015 and 2014 were calculated as per Regulation (EU) №575/2013 requirements

Credit rating

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

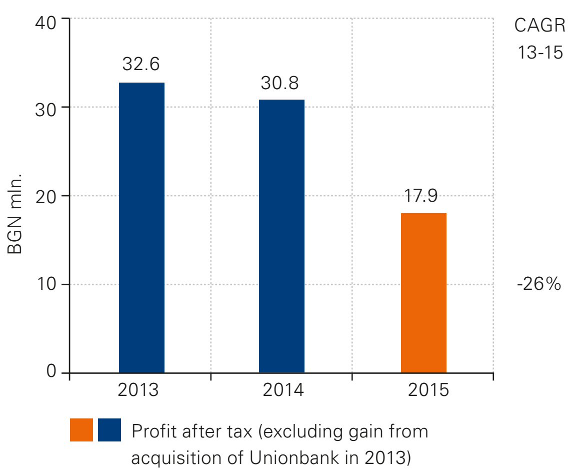
Fitch Ratings	2015	2014	2013	2012	2011
Long-term rating	B-	BB-	BB-	BB-	BB-
Short-term rating	B	B	B	B	B
Viability rating	b-	b-	b-	b-	b+
Support rating	5	3	3	3	3
Support rating floor	NF	BB-	BB-	BB-	BB-
Outlook	Stable	Negative	Stable	Stable	Watch

In May 2015 Fitch Ratings revised the ratings of a number of banks in the EU, among them First Investment Bank, as a result of the implementation of the new European framework for recovery and restructuring of credit institutions and the related expectations of the rating agency for a decrease in the probability of state support for the banks in EU. In connection to this, the support rating of First Investment Bank was changed from „3" to „5" and as a consequnce – the long-term rating revised to „B-" in line with the level of the viability rating of the Bank. The latter, which reflects the standalone solvency of First Investment Bank was confirmed at the level of „b-", with a stable outlook. The short-term rating of the Bank was confirmed as well at „B".

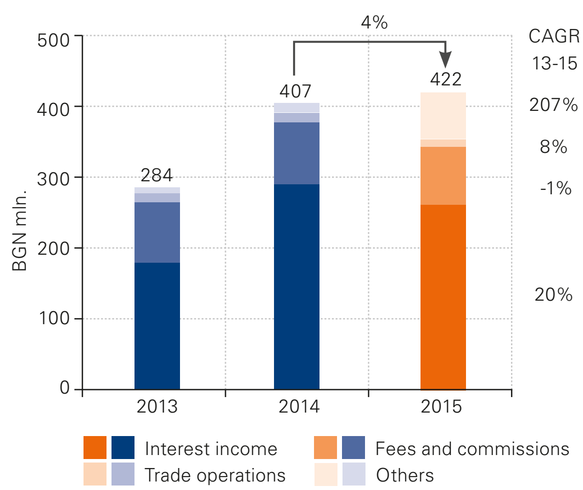
Financial results

In 2015 the Group profit after tax of First Investment Bank amounted to BGN 17,851 thousand, compared to BGN 30,764 thousand a year earlier, a result of the lower interest and fee and commission income, as well as of the more conservative provisioning policy applied by the Bank. The dynamics reflected also the continuing high-liquid but low-profitability assets such as cash and first-class government bonds, used for securing the maintained high levels of liquidity. Return-on-equity (after tax) amounted to 2.43% (2014: 4.33%), return-on-assets (after tax) was 0.20% (2014: 0.35%), while earnings per share was BGN 0.16 (2014: BGN 0.28).

Profit after tax



Income from banking operations



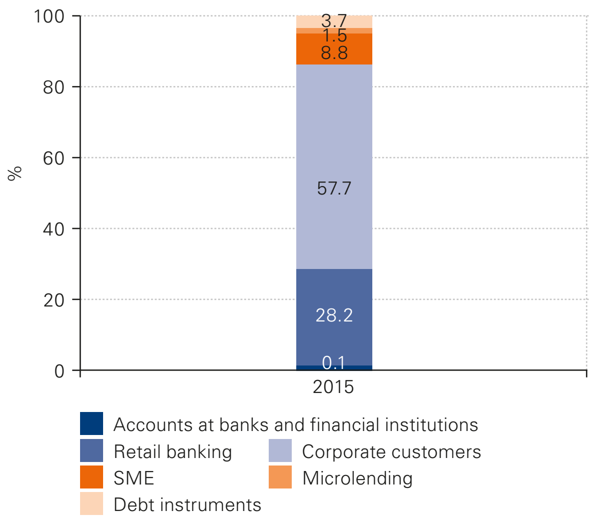
In accordance with the external environment and market conditions, total income from banking operations slowed its growth, increasing by 3.7% and reaching BGN 421,582 thousand (2014: BGN 406,647 thousand).

In 2015 net interest income amounted to BGN 263,546 thousand (2014: BGN 291,911 thousand), and remained the main source of income for the Bank, comprising 62.5% of the total income from banking operations. Fibank's operations abroad decreased and formed 11.1% of the net interest income (2014: 14.9%) in line with the Bank's policy for reduction of the loan portfolio of the Cyprus branch to foreign legal entities (non-residents).

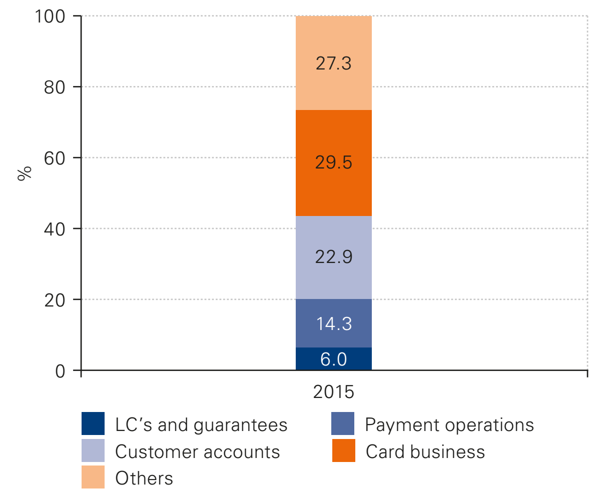
For the reporting period, the interest income amounted to BGN 485,026 thousand (2014: BGN 529,072 thousand), in accordance with the economic environment and the needs for financing, as well as with the market trend for decrease in interest rates. Interest income from corporate clients amounted to BGN 279,820 thousand, compared to BGN 320,417 thousand the previous year, and a decrease was reported also in retail banking to BGN 136,997 thousand (2014: BGN 142,571 thousand), and in small and medium enterprises to BGN 42,806 thousand (2014: BGN 43,006 thousand). Interest income related to microlending increased to BGN 7,050 thousand (2014: BGN 6,913 thousand), while that related to debt instruments reached BGN 17,859 thousand (2014: BGN 15,517 thousand).

The Bank continued to optimize the structure and expenses of attracted funds in line with market conditions. Interest expenses decreased by 6.6% to BGN 221,480 thousand (2014: BGN 237,161 thousand), as a result mainly of a decrease in the expenses on customer deposits, which reached BGN 203,400 thousand, compared to BGN 228,396 thousand in the previous year, forming 91.8% of total interest expenses. Throughout the year First Investment Bank continued to adapt the interest rates on deposits products in accordance with market trends and the competitive environment, as well as with the maintained high levels of liquidity. A decrease was reported also on the interest expenses arising from other borrowed funds (2015: BGN 2,534 thousand; 2014: BGN 4,741 thousand) and on perpetual debt instruments (2015: BGN 8,847 thousand; 2014: BGN 11,583 thousand), resulting from instruments and matured financings repaid during the period.

Interest income



Fee and commission income

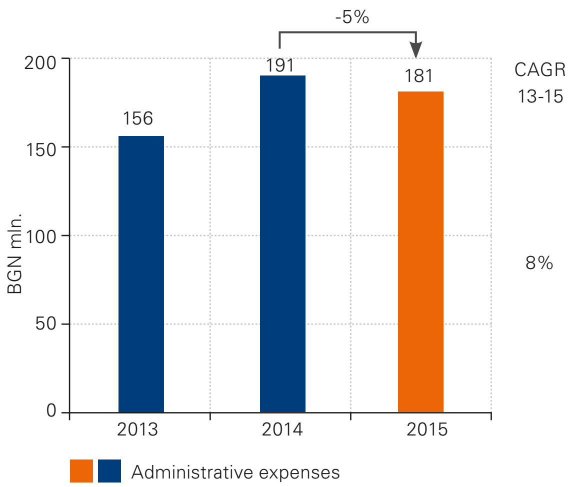


Net fee and commission income amounted to BGN 84,217 thousand, remaining on levels close to the previous year (BGN 87,425 thousand). An increase was reported on the fee and commission income arising from customer accounts (2015: BGN 23,554 thousand; 2014: BGN 23,514 thousand). A decrease during the period was registered on those arising from payment transactions (2015: BGN 14,727 thousand; 2014: BGN 16,128 thousand), from the card business (2015: BGN 30,351 thousand; 2014: BGN 30,840 thousand), from letters of credit and guaranties (2015: BGN 6,138 thousand; 2014: BGN 6,656 thousand), as well as from other services (2015: BGN 27,984 thousand; 2014: BGN 31,041 thousand), including those related to lending activity. For 2015 net fee and commission income formed 20.0% of the total income from banking operations (2014: 21.5%). The operations of Fibank abroad formed 3.8% of net fee and commission income (2014: 4.2%).

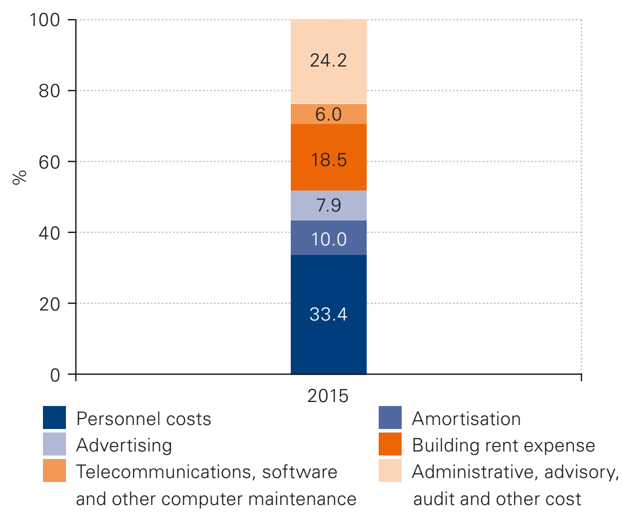
For 2015 net trading income amounted to BGN 11,017 thousand, compared to BGN 11,997 thousand during the previous year. The dynamics reflected the lower income arising from foreign exchange operations (2015: BGN 10,919 thousand; 2014 BGN 11,282 thousand) and from debt instruments (2015: BGN 157 thousand; 2014: BGN 662 thousand), as well as the reported net losses arising from equity instruments (2015: BGN -59 thousand; 2014: BGN 53 thousand). The relative share of the net trading income remained insignificant at 2.6% of the total income from banking operations of the Group (2014: 3.0%).

Other operating income increased to BGN 62,802 thousand, compared to BGN 15,314 thousand the previous year, resulting from income registered during the period from the management of assigned receivables amounting to BGN 50,456 thousand.

Administrative expenses



Structure of administrative expenses



First Investment Bank continued its policy on process optimization and the reduction of administrative expenses, which decreased by 5.3% in 2015 to BGN 180,827 thousand (2014: BGN 190,981 thousand). This came mainly from lower administrative, advisory, audit and other expenses (2015: BGN 43,796 thousand; 2014: BGN 50,490 thousand) and those for personnel (2015: BGN 60,436 thousand; 2014: BGN 65,849 thousand), while an increase was reported in building rent expenses, which reached BGN 33,527 thousand, compared to BGN 30,647 thousand in the previous year. The dynamics in the other types of expenses for the year were under BGN 2.5 million. For the period the cost/income ratio amounted to 42.89% on a consolidated basis (2014: 46.96%).

During the year additional write-downs amounted to BGN 400,490 thousand, while the revesal of write-downs to BGN 71,353 thousand, as a result of which net impairment losses on loan exposures for 2015 amounted to BGN 329,137 thousand (2014: BGN 299,621 thousand). The increase reflected the growing focus on the conservative assessment of credit risk, as well as the continuing uncertainty in the external environment.

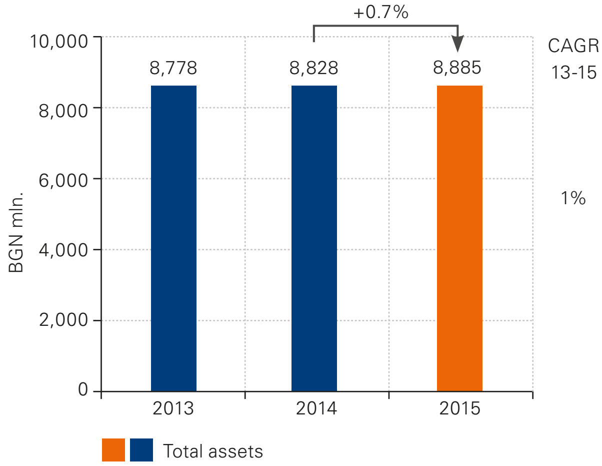
Throughout the year the Group reported other net income on the amount of BGN 108,734 thousand (2014: BGN 119,665 thousand), as a result mainly of reassessment in connection with the new asset class (investment property amounting to BGN 111,940 thousand) which First Investment Bank started to report in 2015. At the end of the year, in accordance with regulatory requirements, the Bank made its installment to the new Bank Restructuring Fund on the amount of BGN 8,647 thousand.

For further information see the Consolidated Financial Statements as at 31 December 2015, together with the Report of the Independent Auditor.

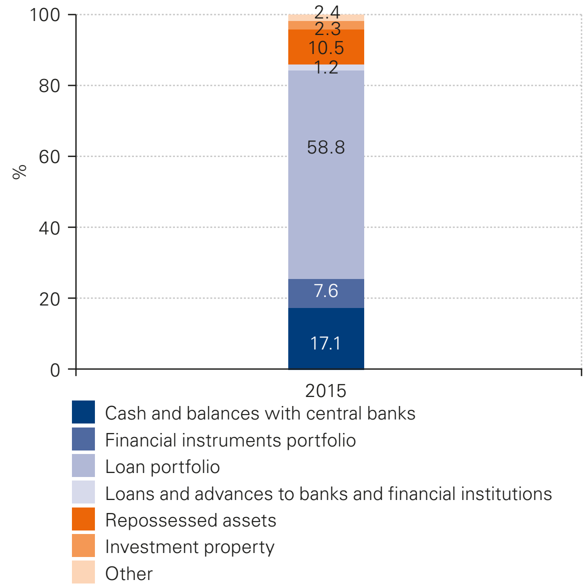
Balance

During 2015 the balance position of First Investment Bank was retained, as at the end of the year the total assets of the Group amounted to BGN 8,885,364 thousand (2014: BGN 8,827,882 thousand). Fibank strengthened its market position, placed third in terms of assets among banks in the country (2014: third), with a market share of 9.92% on an unconsolidated basis (2014: 10.16%).

Total Group assets



Asset structure



In 2015 the changes in the asset structure of the Bank reflected its policy for maintaining a loan portfolio in line with the market conditions and the attracted funds, as well as preserving the high levels of liquidity. Loans and advances to customers remained structurally defining, as they formed 58.8% (2014: 65.8%) of the total assets, followed by cash and balances with central banks at 17.1% (2014: 18.7%) and the portfolio of financial instruments (financial assets held for trading, available for sale investments and financial assets held to maturity) at 7.6% (2014: 6.3%). Throughout the year the Bank reported a new asset class – investment property for higher return in accordance with the market conditions. The loans/deposits ratio amounted to 77.79% compared to 83.32% for the previous year.

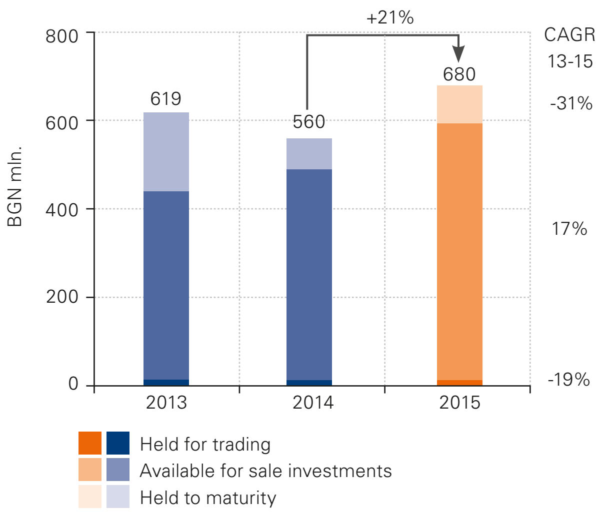
Cash and balances with central banks amounted to BGN 1,522,374 thousand as at end-2015, compared to BGN 1,651,945 thousand the previous year. The dynamics reflected mainly a decrease in the accounts and amounts with foreign banks, which were BGN 509,068 thousand at the end of the period (2014: BGN 645,729 thousand), and depended on the liquidity needs and expected incoming and outgoing cash flows. The balances with central banks remained on levels close to the previous year (2015: BGN 849,402 thousand; 2014: BGN 840,589 thousand), as they included mainly the minimum required reserves which the Banks are required to maintain in the BNB pursuant to Ordinance №21 of the BNB on the Minimum Required Reserves Maintained with the Bulgarian National Bank by Banks. First Investment Bank manages the cash funds in accordance with customer demand, security requirements and the optimal return from the available resources. The cash on hand amounted to BGN 163,887 thousand, compared to BGN 165,611 thousand the previous year.

Loans and advances to banks and financial institutions amounted to BGN 109,455 thousand at the end of the period (2014: BGN 112,078 thousand), and included mainly receivables from foreign banks.

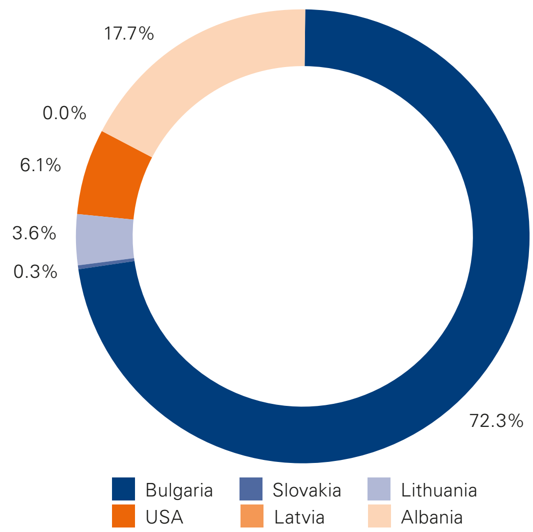
Available for sale investments grew by 20.0% and reached BGN 584,415 thousand as at 31 December 2015. The increase was a result mainly of the growth in the bonds issued by the Bulgarian government (2015: BGN 420,333 thousand; 2014: BGN 373,210 thousand), as well as of those issued by foreign governments (2015: BGN 100,219 thousand; 2014: BGN 61,453 thousand) and foreign banks (BGN 57,575 thousand; 2014: BGN 44,018 thousand).

At the end of the period the financial assets held for trading amounted to BGN 10,886 thousand (2014: BGN 9,646 thousand) reflecting the investment policy of the Bank for maintaining of a limited trade portfolio. They included mainly government bonds issued by the Bulgarian government, which formed 58.4% of the portfolio. The financial assets held to maturity increased to BGN 84,244 thousand, compared to BGN 63,737 thousand at the end of the previous year. The increase resulted from acquired securities issued by foreign governments (2015: BGN 63,674 thousand; 2014: BGN 44,257 thousand), which the Group intends and has the ability to hold to maturity.

Portfolio of financial instruments



Portfolio of government debt by countries



As at 31 December 2015 Fibank operations abroad decreased their share and formed 3.4% of Group assets or BGN 300,408 thousand (2014: 8.6% or BGN 755,677 thousand) in line with the Bank's policy of focusing the Cyprus branch's activities on the segments of micro, small businesses and retail banking.

Repossessed assets amounted to BGN 931,555 thousand at the end of the period (2014: BGN 521,605 thousand), as the increase was influenced mainly from newly acquired assets resulting mainly from a debt-to-asset transaction concluded between the Bank and its borrowers during the year. As at 31 December 2015, the new asset class of investment property amounted to BGN 206,244 thousand, comprising land and buildings, managed with the aim of generating additional return and an increase in value.

The other assets of the Group amounted to BGN 92,375 thousand (2014: BGN 39,413 thousand) and included mainly tax receivables and deferred expense.

For further information see the Consolidated Financial Statements as at 31 December 2015, together with the Report of the Independent Auditor.

Loan portfolio

Loans

In 2015, the loan portfolio of the Group before impairment decreased to BGN 5,954,855 thousand (2014: BGN 6,333,930 thousand) due to a decline in the corporate customers segment, which was influenced mainly by a debt-to-asset transaction realized during the year for protecting the Bank's position as a secured creditor and for optimizing the return from exposure. An increase was reported in all other business lines, as a result of which First Investment Bank strengthened its market position and ranked third in terms of loans among banks in the country (2014: third). As at 31 December 2015, the market share of Fibank was 10.72% on an unconsolidated basis (2014: 11.54%).

In BGN thousand / % of total	2015	%	2014	%	2013	%
Retail customers	1,497,181	25.1	1,312,617	20.7	1,335,342	21.3
Small and medium enterprises	570,490	9.6	557,681	8.8	686,239	11.0
Microlending	102,218	1.7	88,984	1.4	93,408	1.5
Corporate customers	3,784,966	63.6	4,374,648	69.1	4,141,595	66.2
Gross loan portfolio	**5,954,855**	**100**	**6,333,930**	**100**	**6,256,584**	**100**
Impairment	(733,495)		(523,602)		(235,792)	
Loan portfolio after impairment	**5,221,360**		**5,810,328**		**6,020,792**	

In furthering the policy for diversification of credit risk and fulfilling the strategy to be the preferred bank for the population within the country, during the reporting period loans to retail customers increased their share to 25.1% of the total loan portfolio, those to SMEs rose to 9.6%, and microlending to 1.7%. The share of loans to corporate customers decreased to 63.6% (2014: 69.1%) of total loans, although it remained structure-defining for the operations of the Group.

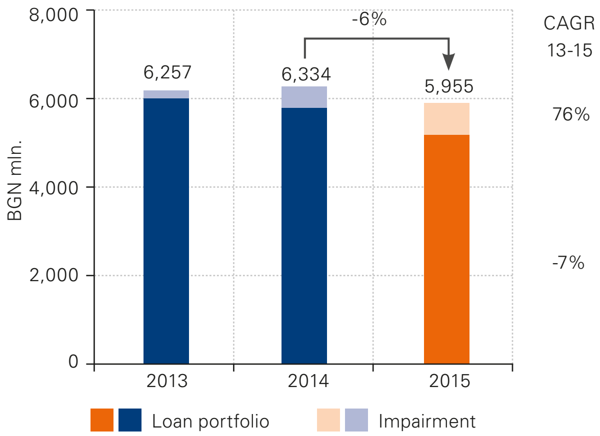
In BGN thousand / % of total	2015	%	2014	%	2013	%
Loans in BGN	2,108,965	35.4	1,811,006	28.6	1,631,203	26.1
Loans in EUR	3,591,628	60.3	4,213,292	66.5	4,321,896	69.1
Loans in other currency	254,262	4.3	309,632	4.9	303,485	4.8
Gross loan portfolio	**5,954,855**	**100**	**6,333,930**	**100**	**6,256,584**	**100**
Impairment	(733,495)		(523,602)		(235,792)	
Loan portfolio after impairment	**5,221,360**		**5,810,328**		**6,020,792**	

In the currency structure of the loan portfolio, loans in EUR had a predominant share of 60.3% (2014: 66.5%) and amounted to BGN 3,591,628 thousand at the end of the period (2014: BGN 4,213,292 thousand), helped by the effective Currency Board Arrangement in the country, which minimizes currency risk. Loans in BGN increased to BGN 2,108,965 thousand (2014: BGN 1,811,006 thousand) or 35.4% of the total portfolio (2014: 28.6%) at the expense of loans in other currencies, which decreased as a percentage to 4.3% of total loans (2014: 4.9%) and amounted to BGN 254,262 thousand (2014: BGN 309,632 thousand).

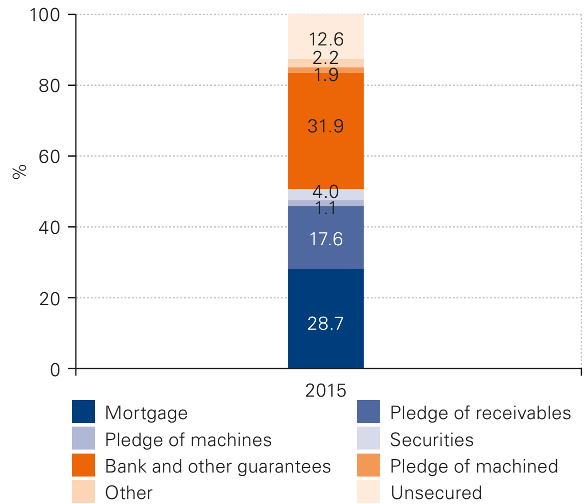
Loans granted by First Investment Bank's units abroad amounted to BGN 156,871 thousand before allowances, compared to BGN 628,800 thousand a year earlier. The decrease reflected the changed policy for development of the Cyprus branch activities, aimed at focusing on retail banking and lending to micro and small enterprises, and centralizing the corporate lending development into the Bank's Head Office.

In 2015 Fibank remained focused on the quality of the loan portfolio and furthered the conservative approach to credit risk assessment. Portfolio impairment for calculating potential losses from credit risk reached BGN 733,495 thousand at the end of the period (2014: BGN 523,602 thousand), as the loan provisioning ratio increased to 12.32%, compared to 8.74% for 2014. During the year write-offs on loans to customers amounted to BGN 119,432 thousand. These are maintained off-balance and the Group continues its actions for full or partially collection of the debt.

Loan portfolio and impairment



Loan portfolio by collateral



The Bank's policy is to require customers to provide adequate collateral before granting loans. In this respect it accepts all types of collateral permitted by law and applies discount rates depending on the expected realizable value. At the end of 2015 collaterals with the largest share in the portfolio of the Group were bank and other guarantees at 31.9%, followed by mortgages at 28.7%, pledges of receivables at 17.6% and securities at 4.0%.

For more information on credit risk, see Note 3 "Risk Management" of the Consolidated Financial Statements as at 31 December 2015, together with the Report of the Independent Auditor.

Related party transactions

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

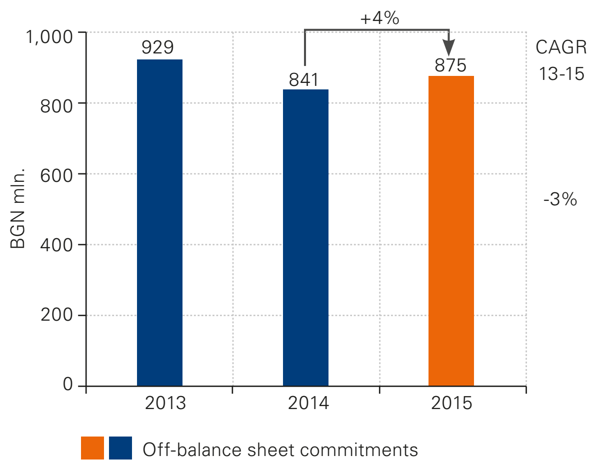
In BGN thousand	**2015**	**2014**	**2013**
Loans			
Parties that control or manage the Bank	1,500	765	1,231
Enterprises under common control	16,137	17,149	17,276
Off-balance sheet commitments			
Parties that control or manage the Bank	2,484	2,117	1,607
Enterprises under common control	838	968	234

For more information regarding related party transactions, see Note 36 "Related party transactions" of the Consolidated Financial Statements as at 31 December 2015 together with the Report of the Independent Auditor.

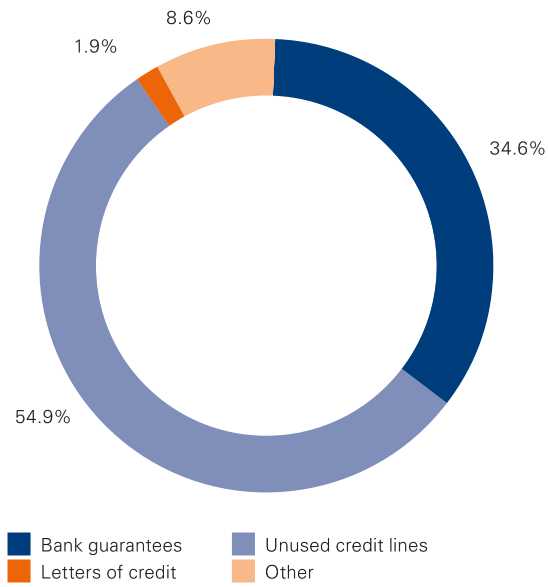
Commitments and contigent liabilities

Contingent liabilities undertaken by the Bank include bank guarantees, letters of credit, unused lines of credit and promissory notes. They are provided according to Fibank's general credit policy for risk assessment and security. 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.

Off-balance sheet commitments



Structure of off-balance sheet commitments



At the end of the reporting period, the total amount of off-balance sheet commitments amounted to BGN 874,562 thousand, compared to BGN 841,167 thousand a year earlier. This increase was a result of the growth in bank guarantees, up to BGN 302,475 thousand (2014: BGN 287,422 thousand), in unused credit lines to BGN 480,548 thousand (2014: BGN 458,524 thousand) and in letters of credit, up to BGN 16,351 thousand (2014: BGN 13,347 thousand). As at 31 December 2015 the amounts on other contingent liabilities amounted to BGN 75,188 thousand.

Attracted funds

In 2015, attracted funds from customers increased by 7.5% to reach BGN 7,203,969 thousand (2014: BGN 6,699,677 thousand) and remained the main source of funding for the Group, forming 88.6% of total liabilities (2014: 82.7%). The dynamics reflected the continuing higher savings rate of individuals and households in the country and the measures taken by the Bank aiming at further stability and development of the deposit base, including new deposit and savings products. The continuing trend of growth of the attracted funds was proof of the trust and customer satisfaction with the development and services offered by Fibank.

The funds attracted from individuals increased by 7.3% during the year and amounted to BGN 6,146,440 thousand at the end of the period, compared to BGN 5,728,991 thousand a year earlier. They retained their structure-defining share in the total deposits due from customers at 85.3% (2014: 85.5%).

In the currency structure of attracted funds from individuals, funds in BGN formed the majority at 42.3% of total deposits from customers (2014: 40.4%), followed by those in EUR at 34.8% (2014: 37.1%) and other currencies at 8.3% (2014: 8.0%). As at 31 December 2015 First Investment Bank ranked third in terms of deposits of individuals among banks in Bulgaria (2014: second). Fibank's market share was 13.41% on an unconsolidated basis (2014: 13.52%) at the end of the period.

In BGN thousand / % of total	2015	%	2014	%	2013	%
Attracted funds from individuals	**6,146,440**	**85.3**	**5,728,991**	**85.5**	**5,616,002**	**74.5**
In BGN	3,044,936	42.3	2,706,892	40.4	2,553,382	33.9
In EUR	2,506,032	34.8	2,483,478	37.1	2,469,339	32.7
In other currency	595,472	8.3	538,621	8.0	593,281	7.9
Attracted funds from corporate, state-owned and public institutions	**1,057,529**	**14.7**	**970,686**	**14.5**	**1,919,754**	**25.5**
In BGN	659,299	9.2	585,166	8.7	1,167,169	15.5
In EUR	261,272	3.6	283,743	4.2	572,793	7.6
In other currency	136,958	1.9	101,777	1.5	179,792	2.4
Total attracted funds from customers	**7,203,969**	**100**	**6,699,677**	**100**	**7,535,756**	**100**

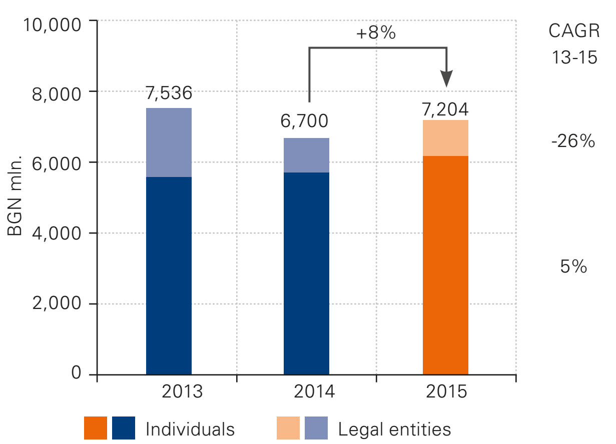
First Investment Bank allocated the required annual premiums pursuant to the Law on Bank Deposit Guarantee, which for 2015 totalled BGN 32,886 thousand. According to the new Law on Bank Deposit Guarantee, effective from 14.08.2015, the amount guaranteed by the Fund on a customer's bank accounts held with the Bank remained unchanged at BGN 196,000 per customer.

Attracted funds from corporate, state-owned and public institutions increased to BGN 1,057,529 thousand (2014: BGN 970,686 thousand) at the end of the year. Their share amounted to 14.7% of the total attracted funds from customers (2014:14.5%).

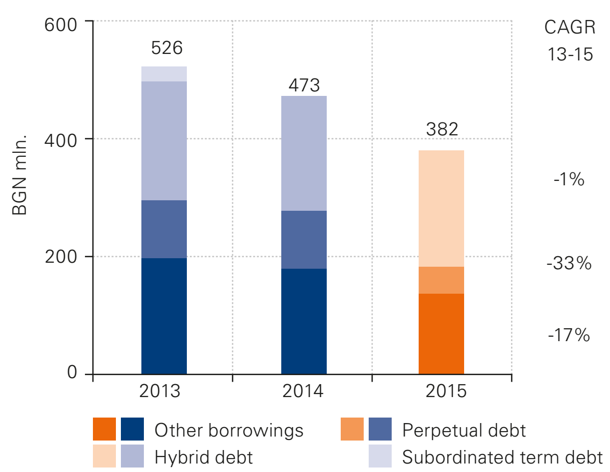
In the currency structure of attracted funds from corporates, state-owned and public institutions, funds in BGN formed 9.2% of the total deposits from customers (2014: 8.7%), those in EUR were 3.6% (2014: 4.2%), while those in other currencies were 1.9% (2014: 1.5%).

In 2015, First Investment Bank continued to repay ahead of schedule the support received from the state in the form of a deposit as part of the liquidity scheme approved by decision C (2014) 4554 of 29.06.2014, of the European Commission. As at 31 December 2015, the outstanding value of the deposit of the Ministry of Finance amounted to BGN 450,922 thousand, compared to BGN 901,844 thousand a year earlier

Deposits from customers



Other borrowings



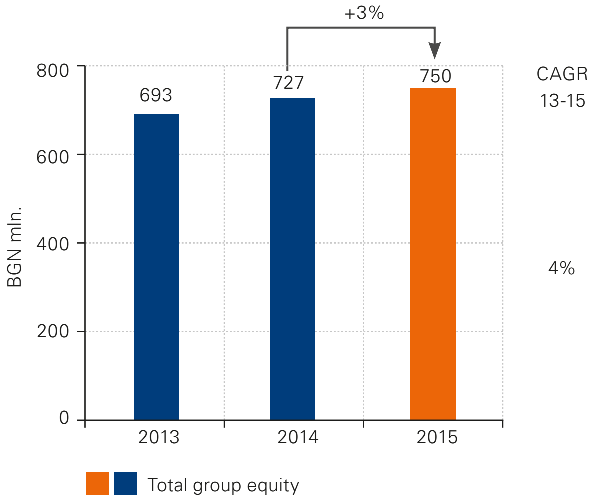
Other borrowed funds amounted to BGN 135,726 thousand as at 31 December 2015, compared to BGN 177,544 thousand a year earlier, mainly due to the decrease in financing from financial institutions. They reached BGN 80,615 thousand at the end of the period (2014: BGN 137,778 thousand), and included attracted funds from the European Investment Fund on the JEREMIE initiative at BGN 68,097 thousand (2014: BGN 68,495 thousand), a fund from the Bulgarian Development Bank AD at BGN 8,436 thousand (2014: BGN 62,759 thousand) and from the Agriculture State Fund at BGN 4,082 thousand (2014: BGN 6,524 thousand). Throughout the year, additional funds were attracted in the form of liabilities under repurchase agreements concluded with banks amounting to BGN 28,856 thousand at the end of the period. An increase was recorded in acceptances under letters of credit – up to BGN 26,255 thousand, compared to BGN 23,337 thousand a year earlier.

For further information see the Consolidated Financial Statements as at 31 December 2015, together with the Report of the Independent Auditor.

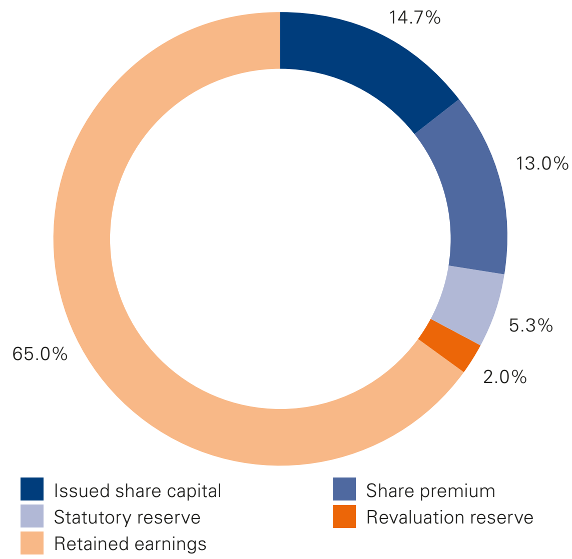
Capital

Shareholders' equity of First Investment Bank increased throughout the year to BGN 749,846 thousand (2014: BGN 726,897 thousand), due primarily to the increase in retained earnings which reached BGN 485,805 thousand at the end of the period (2014: BGN 468,945 thousand), as well as in the revaluation reserve on available for sale investments – up to BGN 12,737 thousand, compared to BGN 7,114 thousand a year earlier.

Total group equity



Equity structure



The issued share capital of First Investment Bank amounted to BGN 110,000 thousand, divided into 110,000,000 ordinary, dematerialized, voting shares with a nominal value of BGN 1 each. The issued share capital is fully paid.

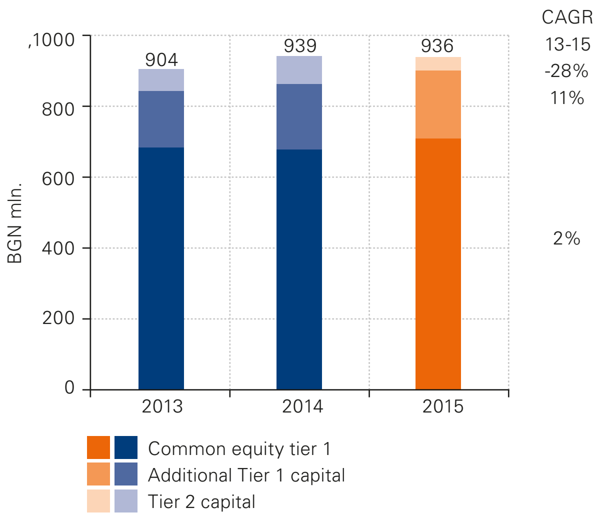
Regulatory capital

First Investment Bank maintains own funds for the purpose of capital adequacy under the form of common equity tier 1, additional tier 1 and tier 2 capital, following the requirements of Regulation (EU) No 575/2013, incl. the EC implementing regulations, and Ordinance No7 of the BNB on the organization and management of risks in banks.

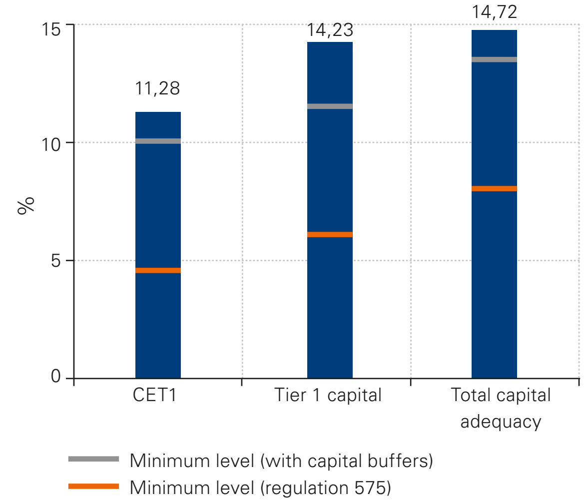
In 2015 First Investment Bank continued its consistent policy for capital development focusing on tier 1 capital and common equity tier 1 in particular. At the end of the reporting period common equity tier 1 grew by 5.2% to BGN 716,850 thousand (2014: BGN 681,237 thousand) including a registered increase in the reserves, and in retained earnings. As a result tier 1 also grew to reach BGN 904,427 thousand (2014: BGN 860,348 thousand) at the end of the period. The total own funds amounted to BGN 935,878 thousand compared to BGN 939,052 thousand a year earlier, influenced by perpetual debt repaid during the year.

As at 31 December 2015, First Investment Bank issued two hybrid debt instruments (bond issues) with an original principal amounting to EUR 40 million (ISIN: BG2100008114) and EUR 60 million (ISIN: BG 2100022123), which fully comply with the requirements of Regulation (EU) No 575/2013 and are included in the additional tier 1 capital. The bonds are registered, dematerialized, interest-bearing, perpetual, unsecured, freely transferable, non-convertible, deeply subordinated and without incentive to redeem. The amortised cost of the hybrid debt at the end of the period was BGN 202,044 thousand, compared to BGN 195,447 thousand a year earlier. Both hybrid bond issues are admitted to trade on a regulated market on the Luxemburg Stock Exchange.

Regulatory capital



Capital adequacy 2015



As part of the regulatory capital Fibank uses perpetual debt instruments that are recognized as tier 2 capital. As at 31 December 2015, the Bank had perpetual debt instrument with an original principal amounting to EUR 21 million, which is included in the tier 2 capital after obtaining the respective permits from the Bulgarian National Bank. After entry into force of Regulation (EU) No 575/2013, the instrument is subject to grandfathering and as at 31.12.2015 it was included in the tier 2 capital with 70% of its principal value. At the end of the reporting period, the amortized cost of perpetual debt was BGN 44,663 thousand, compared to BGN 99,999 thousand a year earlier. The decrease resulted from a perpetual debt instrument repaid in August 2015 with an original principal amount of EUR 27 million after approval from the Bulgarian National Bank.

For the purpose of reporting of 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, under the transitional treatment in 2015 cannot be more than 75% of tier 1 capital. As at 31 December 2015, the eligible capital of First Investment Bank, calculated in accordance with Regulation (EU) No 575/2013 and Ordinance No 7 of BNB for the organization and management of risks in banks amounted to BGN 935,870 thousand on a consolidated basis.

Capital requirements

As at 31 December 2015 First Investment Bank complies with the capital requirements and capital adequacy ratios pursuant to Regulation (EU) No 575/2013 and the applicable legislation, including Ordinance No 8 of the BNB on capital buffers and Ordinance No 7 of the BNB on the organization and management of risks in banks.

The capital indicators of First Investment Bank on a consolidated basis were above the regulatory levels - the common equity tier 1 capital ratio amounted to 11.28%, the tier 1 capital ratio was 14.23%, while the total capital adequacy ratio was 14.72%.

In BGN thousand/% of risk exposures	**2015**	**%**	**2014**	**%**	**2013**[1]	**%**
Tier 1 capital	904,427	14.23	860,348	13.64	843,173	13.31
- Incl. common equity tier 1 capital	716,850	11.28	681,237	10.80	-	-
Own funds	935,878	14.72	939,052	14.89	903,810	14.26
Total risk exposure	**6,355,988**		**6,306,376**		**6,336,803**	

1 The amounts for 2013 are calculated in accordance with Ordinance No8 of BNB on the capital adequacy of credit institutions (repealed SG, issue 40 dated 13 May 2014).

Capital buffers

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

In December 2015 the Bulgarian National Bank determined the level of the countercyclical capital buffer applicable to credit risk exposures in the Republic of Bulgaria, amounting to 0% for the first quarter of 2016.

Leverage

First Investment Bank calculates the leverage ratio as an instrument that correlates tier 1 capital to total exposure of the Bank (assets and off-balance sheet exposures) in compliance with the requirements of the Delegated Regulation (EU) 2015/62 of the Commission of 10 October 2014 with regard to the leverage ratio. As at 31 December 2015, the leverage ratio amounted to 10.11% on a consolidated basis.

The Bank applies adequate policies and processes to identify and manage the risk of excessive leverage, including through different scenarios and monitoring the leverage ratio, calculated in compliance with the applicable regulatory requirements.

For further information see the Consolidated Financial Statements as at 31 December 2015, together with the Report of the Independent Auditor.

artist: Lora Yankova, 9 years old, Sofia

Risk management

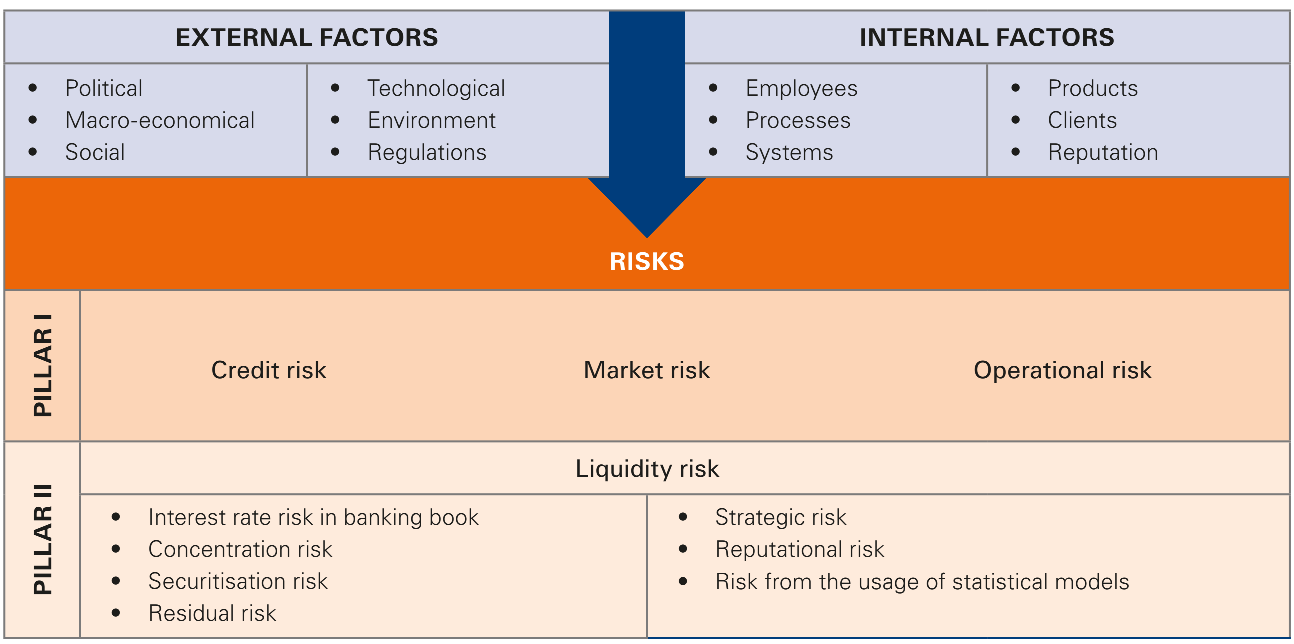
Risk management strategy

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

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

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

In 2015, a mid-term risk management strategy was adopted consistent with Fibank's development objectives as a universal bank and increasing the safeguards against the risks inherent in banking. The strategy differentiates the types of risk in groups (Pillar 1 and Pillar 2, under Basel III) and sets out the methods for their measurement in accordance with the applicable regulatory framework (the CRR / CRD IV package).



In 2015, First Investment Bank further developed its risk management framework according to the principle and model of the three lines of defense which is recognized as the best practice and standard for risk management in the financial industry.

- 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 compliance with the best risk management standards, the Bank seeks to develop a risk culture that will further enhance visibility 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.

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, clearly defined levels of competencies and authority. 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.

During the year, as part of a joint project with the International Finance Corporation (IFC) and in fulfillment of the Bank's commitments, activities were implemented to upgrade and further develop the policies and practices for managing risks according to the Corporate Governance Principles for Banks of the Basel Committee on Banking Supervision of 2015 and the recognized international practices and standards. A full risk management and control function was introduced, organized 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/she ensures the effective monitoring, measuring, controlling and reporting of all types of risk to which the Bank is exposed.

The scope and structure of the Compliance function were extended. Its 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 and management of the Compliance function in First Investment Bank. He/she 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 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.

The Risk Committee is responsible for the broad strategic and tactical oversight over the risk management function of the Bank, including with regard to the formation of risk exposures, and also supports the Supervisory Board in determining the policy concerning the overall current and future risk strategy, and the Bank's risk-taking propensity. As at 31 December 2015, the Risk Committee consisted of three members of the Supervisory Board of First Investment Bank AD. The Chairman of the Risk Committee is Mr. Evgeni Lukanov, Chairman of the Supervisory Board of the Bank.

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

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, a Liquidity Council, a Credit 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. The Credit Council consists of members elected by the Managing Board, representatives of the following departments: Credit Risk Management, Monitoring and Provisioning; Corporate Banking; SME Lending; Legal; Branch Network. The Chairperson of the Credit Council is the director of the Credit Risk Management, Monitoring and Provisioning department.

The Liquidity Council 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 and maturity structure of assets and liabilities and of liquidity indicators, with a view to possible early warning and taking actions for their optimization. The Chairperson of the Liquidity Council is the chairman of the Managing Board of the Bank, and other members include the an Executive Director, the Chief financial Officer, and the directors of the Treasury, Risk Analysis and Control, Corporate Banking, 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 Restructuring Committee is composed of members elected by the Managing Board, representatives of the following departments: Impaired Assets; Credit Risk Management, Monitoring and Provisioning; Corporate Banking; SME Lending; Retail Banking; Accounting; Legal. The members of the Restructuring Committee are employees of the Bank who are not directly involved in taking lending decisions. The Chairman of the Restructuring Committee is the deputy director of the Impaired Assets department.

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 Operational Risk Committee includes representatives of the following departments: Risk Analysis and Control; Compliance – Regulations and Standards; Accounting; Operations; Branch Network; Legal. The Chairman of the Operational Risk Committee is the director of the Risk Analysis and Control department.

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.

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 coordinates the Bank's activities related to the prevention of money laundering and financing of terrorism as a specialized office under Art. 6, para. 5 of the Law on Measures against Money Laundering, and exercises control over the application of requirements for combating and preventing fraud..

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

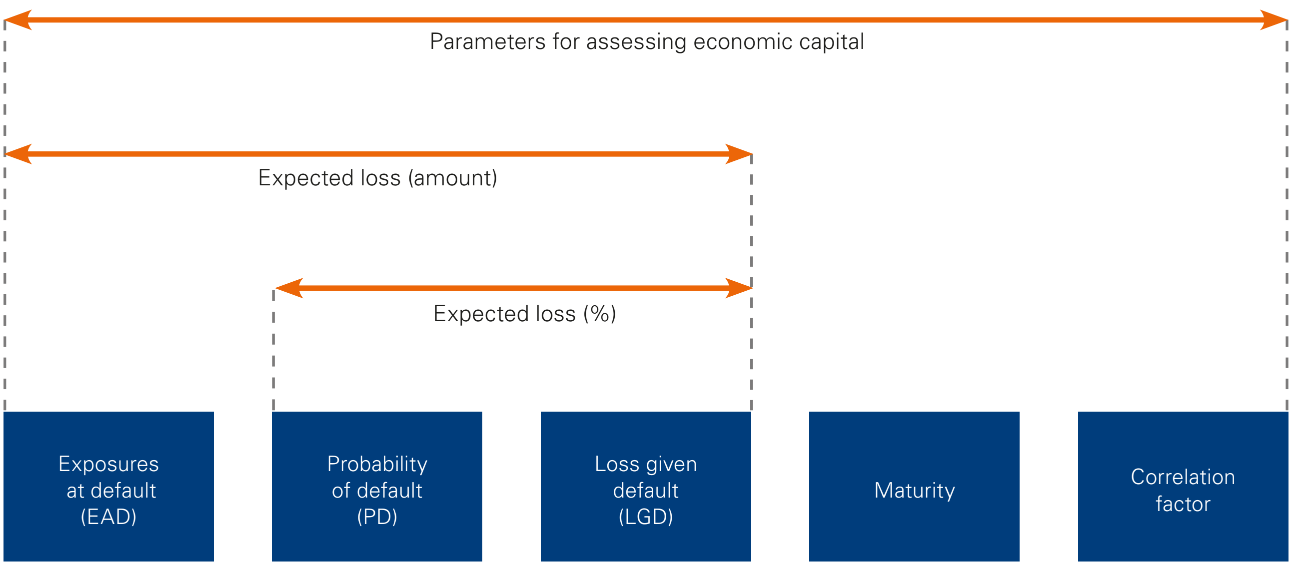
Credit risk

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, 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 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.

Risk parameters for assessing expected and unexpected losses

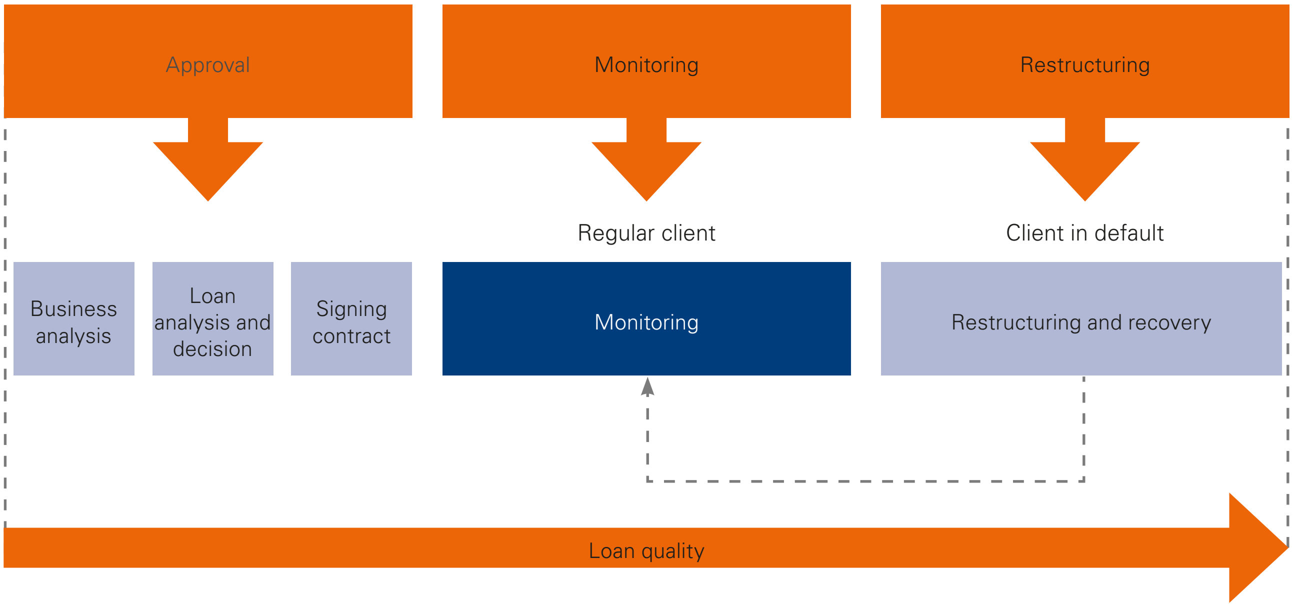


The framework, defined in accordance with the Basel standards, sets minimum regulatory capital requirements to cover financial risks. In addition to regulatory capital, First Investment Bank also calculates economic capital which is included in the internal measurement and management of risk. Economic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

The Bank uses internal models for credit assessment of corporate, SME, micro and retail customers. Assessment models are based on quantitative and qualitative parameters, weights of individual parameters being defined on the basis of historical experience. Every corporate client is assigned a credit rating. The credit risk assessment derived from the model is further examined by a credit specialist.

The credit process 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.

Loan life-cycle



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 actively 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.

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 establishes 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.

In 2015, the Bank updated its rules for impairment and the provisioning of risk exposures in order to reflect changes in local regulations. The Bank applies 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.

During the year, as part of joint efforts with IFC for upgrading the policies and practices of risk management, First Investment Bank further developed and updated its methodologies for pricing credit products according to the best standards and in line with market realities. It is the policy of the Bank to seek to structure the minimum rate of return for a credit product so as to cover the cost of borrowed funds (based on internal transfer prices), the risk assumed, the associated operating costs, and the required rate of return on equity allocated to respective product.

For further information regarding credit risk see note 3 "Risk management" of the Consolidated Financial Statements as at 31 December 2015 together with the Report of the Independent Auditor.

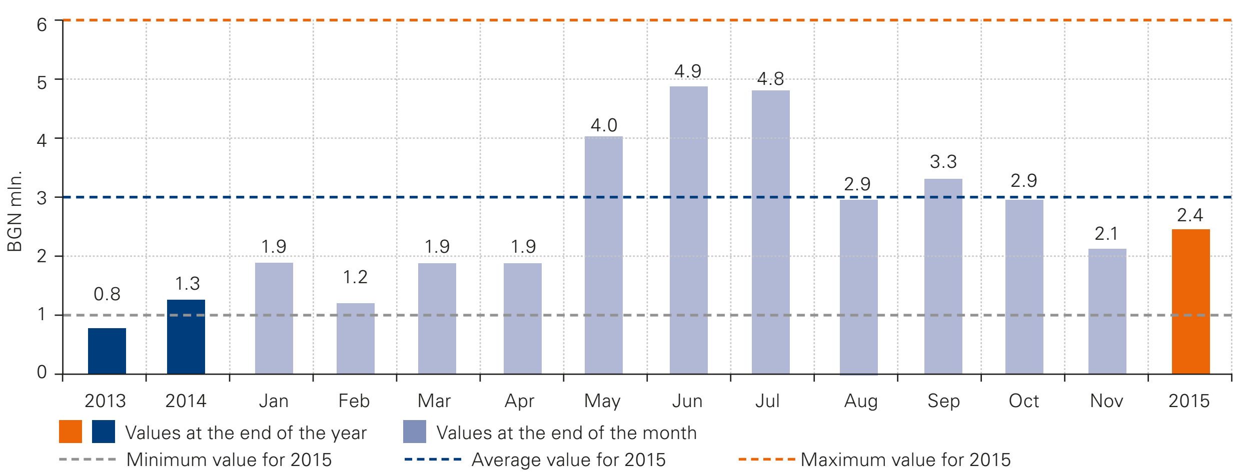
Market risk

Market risk is the risk of losses due to changes in the price of financial instruments resulting from general risk factors 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. It is the policy of the Bank to maintain an insignificant trading portfolio, therefore it does not calculate capital requirements for market risk in this portfolio (except capital requirements for currency and commodity risks) and uses value at risk (VaR) models to calculate the general position risk of debt instruments for internal purposes.

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 manages interest rate risk in the banking book though written rules, limits and procedures aimed at reducing the mismatch between interest rate sensitivity of assets and liabilities. Interest rate risk in the banking book is measured using models that assess the impact of interest rate scenarios on the economic value of the Bank and on the net interest income within a one-year horizon. Evaluation of the impact on the economic value of the Bank is based on models of the duration of interest-bearing assets and liabilities. The evaluation of the impact on net interest income is based on a maturity 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.

To manage the interest rate risk of securities carried at fair value, Fibank applies VaR analysis, duration analysis and analysis of standardized interest rate shocks. In accordance with the Basel principles and requirements for market risk, the Bank also 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.

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



In addition to using the VaR model, the Bank also applies various stress tests and scenarios for specific cases related to the management of market 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, based on an internal VaR model, the maximum loss that could be incurred within 10 days 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 2015 together with the Report of the Independent Auditor.

Liquidity risk

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

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 maturity and currency structure of assets and liabilities, regular gap analysis of inflows and outflows, maintaining a low risk portfolio of assets to meet current liabilities, and operations on the interbank market.

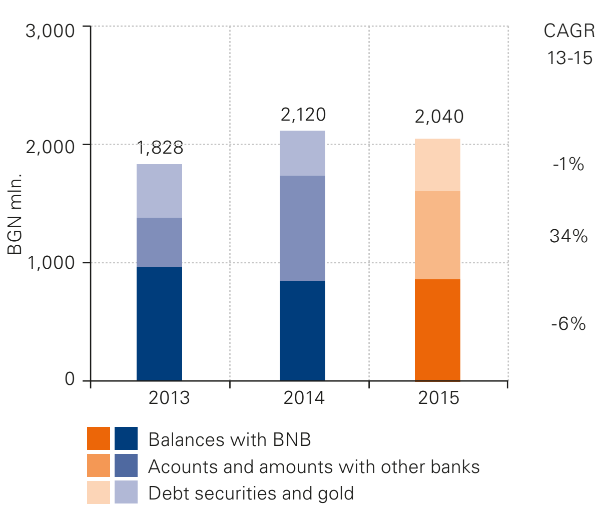
In order to maintain a moderate risk profile, Fibank has established an adequate framework for liquidity risk management. The Bank's policy on liquidity management is designed so as to ensure meeting all obligations even under stress originating from the external environment or from the specifics of banking activity, as well as to maintain an adequate level and structure of liquid buffers and apply appropriate mechanisms for 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 addition to the methods and systems for managing liquidity risk, the Bank has taken preparatory steps, in accordance with the guidelines of the European Banking Authority, for conducting regular Internal Liquidity Adequacy Assessment (ILAA).

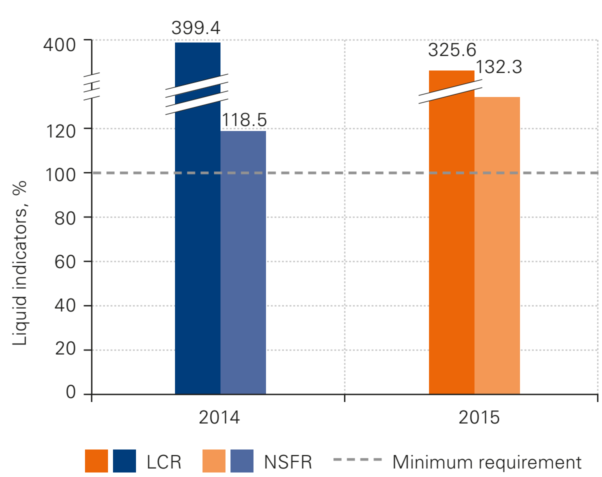
In 2015, in fulfillment of the requirements applicable to banks in the country under the Law on Credit Institutions, Ordinance №7 of BNB on the organization and management of risks in banks, and the Law on the recovery and resolution of credit institutions and investment firms transposing Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, First Investment Bank prepared a recovery plan in the event of potential financial difficulties. The plan contains quantitative and qualitative early warning signals and recovery indicators (capital indicators, liquidity indicators, profitability indicators, market-based indicators), the occurrence of which triggers appropriate measures. Indicators concerning liquidity risk include liquidity coverage ratio (LCR); net outflow from financing; ratio of liquid assets to deposits from non-financial customers; net stable funding ratio (NSFR). Various stress scenarios are also differentiated, concerning idiosyncratic shock, systemic shock, and combined shock. In the case of liquidity pressure, systems and processes are established for a quick and adequate response, with clearly defined levels of escalation and decision-making.

During the reporting year, Fibank continued to maintain an adequate amount of liquid assets. As at 31 December 2015 the liquidity ratio was 26.01% on a consolidated basis (2014: 24.01%, while the ratio of liquid assets to total borrowings was 25.37% (2014: 26.25%). 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. At the end of the period, the liquidity coverage ratio (LCR) amounted to 325.61% on a consolidated basis.

Liquid assets of the Group



LCR and NSFR



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 132.25% on a consolidated basis.

For further information regarding liquidity risk see note 3 "Risk management" of the Consolidated Financial Statements as at 31 December 2015 together with the Report of the Independent Auditor.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes, people or systems, or from external events. In order to mitigate the risks arising from operational events, 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.

During the year, the Bank further developed its methods and tools for managing operational risk by taking actions to further improve the process of defining, collecting and analyzing key indicators for operational risk. The key risk indicators applied by Fibank are defined at Bank level, as well as specifically for each business unit and process in the Bank, 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.

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.

The Bank has internal rules for information security and access to information systems that include organizational framework, management and responsibilities of employees to guarantee data security. 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.

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. Self assessment is an additional tool for evaluating the exposure of the Bank to operational risk and analyzing the effectiveness of existing controls for its mitigation.

Risk exposures

As at 31 December 2015 First Investment Bank applies the standardized approach for the calculation of the risk exposures for credit risk, in accordance with Regulation (EU) No 575/2013. Due to the limited volume of financial instruments in the trading book (bonds and other securities) capital requirements are calculated in accordance with the requirements of Regulation (EU) No 575/2013 as applied to the banking portfolio. The Bank applies the basic indicator approach for calculation of the capital requirement to cover the risk of operational losses.

In BGN thousand/ % of total	2015	%	2014	%	2013[1]	%
For credit risk	5,836,275	91.8	5,865,325	93.0	5,935,405	93.7
For market risk	6,300	0.1	6,902	0.1	7,738	0.1
For operational risk	513,413	8.1	434,149	6.9	393,660	6.2
Total risk exposures	**6,355,988**	**100**	**6,306,376**	**100**	**6,336,803**	**100**

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

Internal capital adequacy analysis

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

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.

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 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 one year horizon, at 96% 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 regards concentration risk, its quantitative evaluation is part of the overall assessment of the exposure to credit risk. For the purposes of ICAAP, First Investment Bank assesses the concentration risk due to the uneven distribution of credit exposures by client, or by a group of related persons, from the perspective of its financial stability and ability to carry out its core business.

The Bank's exposure to market risk is limited and involves the assessment of capital adequacy in relation to position risk, foreign exchange risk, and commodity risk. For calculation of the economic capital for market risk, internal value-at-risk (VaR) models are used, with a time horizon of 1 year and a confidence level of 96%.

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.

1 Amounts for 2013 are calculated as per the repealed Ordinance No8 of BNB on the capital adequacy of credit institutions.

With regard to operational risk, First Investment Bank applies the Basic Indicator Approach; for the purposes of ICAAP it is assumed that the economic capital is comparable to that for supervisory purposes. Furthermore, the Bank uses stress tests the results of which are correlated with the regulatory 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, 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.

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. 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 of 96% to the budgeted net profit for the next year.

Distribution channels

Branch network

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

In 2015, the Bank continued to optimize its branch network, taking into account the market environment, the workload of the locations and the volumes of activity. During the year, seven offices were closed (two in Sofia and five in the rest of the country) and one new office was opened in the town of Zlatitsa. As at 31 December 2015, the branch network of the Group of First Investment Bank comprised a total of 173 branches and offices on a consolidated basis (2014: 179), located in more than 60 cities in Bulgaria: 54 offices in Sofia, 108 branches and offices in the remaining part of the country, one foreign branch in Nicosia, Cyprus, as well as a subsidiary bank in Albania, operating with a Head Office and 9 branches. *For further information on the branch network of First Investment Bank – Albania Sh.a., see section "Business overview of subsidiary companies".*

The branches and offices of the Bank in the country offer a full range of banking products and services for both individuals and business customers. In an effort to more fully satisfy customer demand, much of the branch network operates with extended working hours, and there are also offices that provide customer service at weekends.

Types of products/services	Individuals	Business clients
Deposit and savings products	✓	✓
Package programs	✓	✓
Payment services	✓	✓
Debit and credit cards	✓	✓
Diners Club cards	✓	✓
Mortgage loans	✓	
Consumer loans	✓	
Loans to business clients		✓
Trade financing		✓
Project financing		✓
Factoring		✓
Europrograms financing		✓
E-banking	✓	✓
Investment services	✓	✓
Investment gold and products of other precious metals	✓	✓

The branch of First Investment Bank in the city of Nicosia, Cyprus has operated in the Cyprus banking market since 1997, initially mainly in the area of corporate lending. Over the years, it has systematically and consistently worked in the direction of expanding its products and services. Currently, the branch offers standard credit and savings products, advanced payment services and electronic banking, with a strategic focus on SME customers and retail banking.

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

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

In 2015, Fibank's contact center continued to function as an effective channel for communication and active selling of target products and services.

In pursuance of its strategic focus on high standards of customer service, the Bank continued to work towards further development and diversification of the services offered through the contact center, in line with customer needs and new technologies. By the end of 2015, customers could turn to the contact center in order to apply for a credit or debit card, for a debit card overdraft, to receive accurate and timely information on products and services, on the tariff and interest rate terms of the Bank, on the location of branches and their working hours, as well as to obtain adequate and professional assistance in case of a question or a problem. Clients are also provided with the opportunity for real-time communication through the corporate website of the Bank.

During the year, over 40 different outbound campaigns were carried out through the contact center, including information campaigns and those associated with direct marketing of banking products and services, or supporting the collection of receivables from customers. Over 150 thousand outgoing calls were made, with nearly 70% of respondents reached.

Corporate blog

Established in 2008, the corporate blog of First Investment Bank has functioned for seven years now as an alternative channel of communication. It presents a diverse range of social and corporate initiatives of the institution, financial analyses and research related to the market of banking products and services in the country, news on various topics, and useful customer information. It assesses the use of products and services through open discussion and interactive inquiries, thereby allowing for testing customer satisfaction. The feedback received from users is leading in improving the products and services of the Bank, as well as in the implementation of various initiatives.

The Bank constantly strives to develop the information presented by the corporate blog in order to make it more readily understandable by users, in line with the modern trends of online communication. In 2015, the corporate blog of Fibank carried out new initiatives, including analysis and information on the products of precious metals offered by the Bank. New sections were also included, featuring interviews with business customers of Fibank, as well as with students receiving scholarships from the Union of Actors in Bulgaria whose social fund Bank has supported over the period 2014-2015.

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

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. This approach helps to attract new customers, build long-term relationships with existing ones, as well as receive direct feedback about the products and services of the Bank.

In 2015, new corporate customers from different market segments were attracted by First Investment Bank using direct sales.

The Bank has considerable experience in the servicing of budget spending units, state and municipal enterprises.

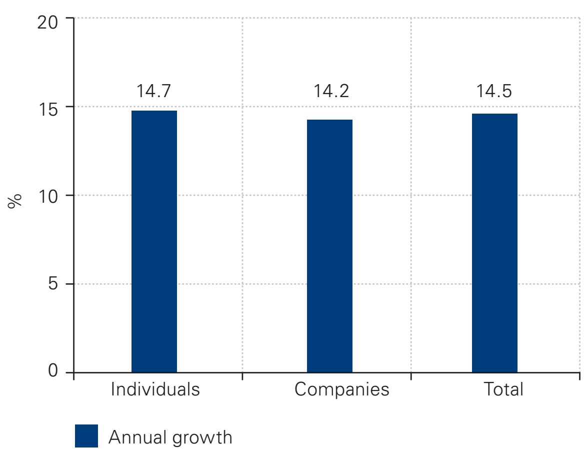
Remote banking

Virtual banking branch (e-fibank)

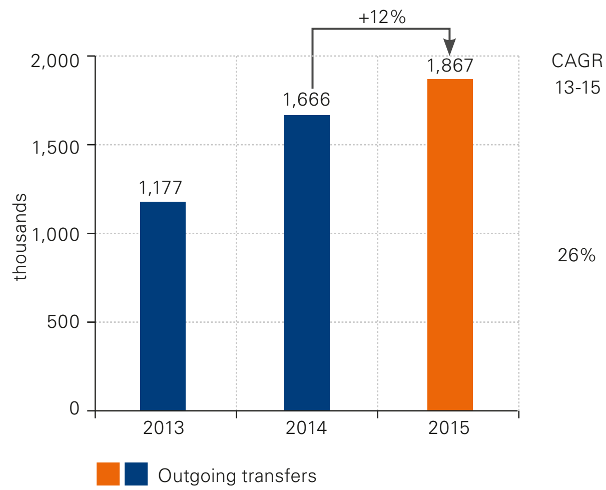
First Investment Bank has successfully offered electronic banking since 2001, being a pioneer in this area. It provides customers with a modern, fast, inexpensive and secure way to use a wide range of banking products and services. In 2015, First Investment Bank continued to develop its services related to electronic banking, according to the needs of customers and with the aim of diversifying and adding new functionalities.

New functionalities were introduced during the year, including options for managing SMS notification services through the e-fibank system, with the aim of greater flexibility and security for clients in exercising control over their balances, transactions and cash flows.

New registrations via e-Fibank for 2015



Outgoing transfers via e-Fibank



An increase in the number of customers of the Virtual Banking Branch was observed during the period. The 14.5% rise in new registrations compared to the previous year was assisted by the promotional campaigns conducted by the Bank – both general ones and others aimed at promoting specific packages of products and services of Fibank. There was also an increase in transfers performed through e-fibank, reaching 50% of the number (2014: 47%) and 64% of the volume (2014: 53%) of all outgoing transfers performed by the Bank.

Mobile application (Fibank)

in order to supply high quality service in line with modern trends and technologies, in 2015 First Investment Bank continued to develop the Fibank mobile application, designed for bank customers using mobile devices (smart phones) with Android and/or iOS operating systems. The design and functionalities of the application were updated during the year.

It allows performing active banking transactions by individuals, including transfers in local and foreign currency, as well as passive banking transactions by individuals and legal entities, including information on balances and transactions on bank accounts and/or payment cards (account statements and/or other reporting information). The application also provides information on the Bank's branches and ATM devices, determining the ATM device closest to the current location of the mobile device, the exchange rates of the Bank, news and ongoing promotions.

My Fibank

First Investment Bank has successfully offered its customers electronic banking services through My Fibank for more than six years. During the year, efforts and resources were allocated towards integration of the existing functionalities into a uniform channel for development of the digital services offered.

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

In 2015 there was a 16% increase in the number of My Fibank customers compared to the previous year, with a rise in new registrations in both the retail and corporate segments.

artist: Rada Skumova, 12 years old

Information technologies

In 2015, development of information technologies continued to be among the strategic priorities of First Investment Bank. In line with its mission, the Bank consistently develops its high-tech solutions, aiming to be among the most technologically advanced and innovative institutions in the Bulgarian banking market.

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

During the year, activities were carried out on various projects aimed at optimizing the infrastructure and systems used, as well as at upgrading existing functionalities and implementation of new ones.

With a view to increasing capacity and improving efficiency, actions were taken to upgrade the network infrastructure and server technology. The Bank continued its consistent policy aimed at increasing the level of security through development and updating of the IT security systems in order to provide additional protection and prevention.

During the period, efforts were directed at upgrading and modernizing the systems for archiving and storage of data, including the introduction of a new system for archiving databases based on Oracle ZFS Storage, as well as HP StoreOnce backup systems with replication capability. Systems for storing data were updated through centralization and upgrading. Additional activities were carried out towards upgrading the software and hardware of the IPCC systems, and of those related to electronic communication/mail services.

In 2015, Fibank’s card system software was also updated. The Bank uses a modern and highly functional card operating system that provides opportunities for development and the flexible management of card products and operations, as well as for the processing of bank cards according to the increasing capacity and volumes of business.

During the year, Fibank successfully implemented a new brokerage system for centralized and automated provision of investment intermediation, registration and brokerage services. The system features fully integrated front office/back-office functionality for trading in financial instruments, as well as flexible integration with dealer systems and the core information system of the Bank. It covers both trade for clients’ account, and the Bank’s portfolios, providing access to all local and international regulated and OTC markets and all types of valid orders in an automated process, including with regard to the activities of the branch network, treasury, front and back offices.

In connection with the development of payment systems, the information system of the Bank was adapted to a new and higher version of the national system component of TARGET2 (TARGET2-BNB) which provides detailed information about the recipient when performing payment transactions.

In 2016, the expectations and plans of the Bank include migration of the core banking IT system FlexCube to a new and higher version with a view to further improving the processes and system performance of the system, adding new functionalities, as well as faster and easier parameterization of innovative and flexible products and services. In line with the latest technology and modern trends, the launch of mobile cards is planned as part of the activities for development of remote means of payment and electronic banking.

Corporate governance

Corporate governance framework

The corporate policy of First Investment Bank AD is based on internationally recognized standards and principles of good corporate governance, taking into account the changes in the regulatory and economic environment as well as the increased capacity and importance of First Investment Bank in the financial market of the country.

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.

The Bank constantly develops and improves its corporate governance as a means to enhance efficiency, successfully implement its strategy and plans for long-term development, and strengthen the authority of First Investment Bank.

Cooperation with the international finance corporation (IFC)

In 2015, First Investment Bank implemented a joint project with the International Finance Corporation (IFC), part of the World Bank Group, aimed at upgrading and further development of systems and implementing the most advanced practices in corporate governance and risk management. The project activities were implemented as planned, covering various aspects such as commitment to international best practices regarding corporate governance, organizational structure and activities of supervisory and management bodies, control environment, transparency and disclosure, minority shareholders, and management of risks.

Throughout the year, teams from both institutions worked together for the implementation of the planned activities, organizing numerous presentations and workshops to discuss and exchange ideas and experience.

At the end of June 2015 Ms. Maya Georgieva, Deputy Chair of the Supervisory Board, participated in the annual Corporate Governance Group network meeting of the IFC held in Washington. At the meeting, the successful cooperation between the two institutions was presented, as well as the efforts and activities implemented as part of the joint project. A panel discussion was held on the possibilities of replicating the successful working model in other regions.

As part of the 2015 project, a new Corporate Governance Code of First Investment Bank was developed and adopted which outlines and structures the main components, functions and responsibilities constituting the system of corporate governance of First Investment Bank, exceeding the requirements of applicable law in the Republic of Bulgaria and applying the latest principles of the Basel Committee on Banking supervision (of 2015) as well as the applicable standards of the Organization for Economic Cooperation and Development (OECD) in this field. The Code sets out the basic principles and requirements for maintaining and improving the organization and methods of governance at the Bank, aimed at:

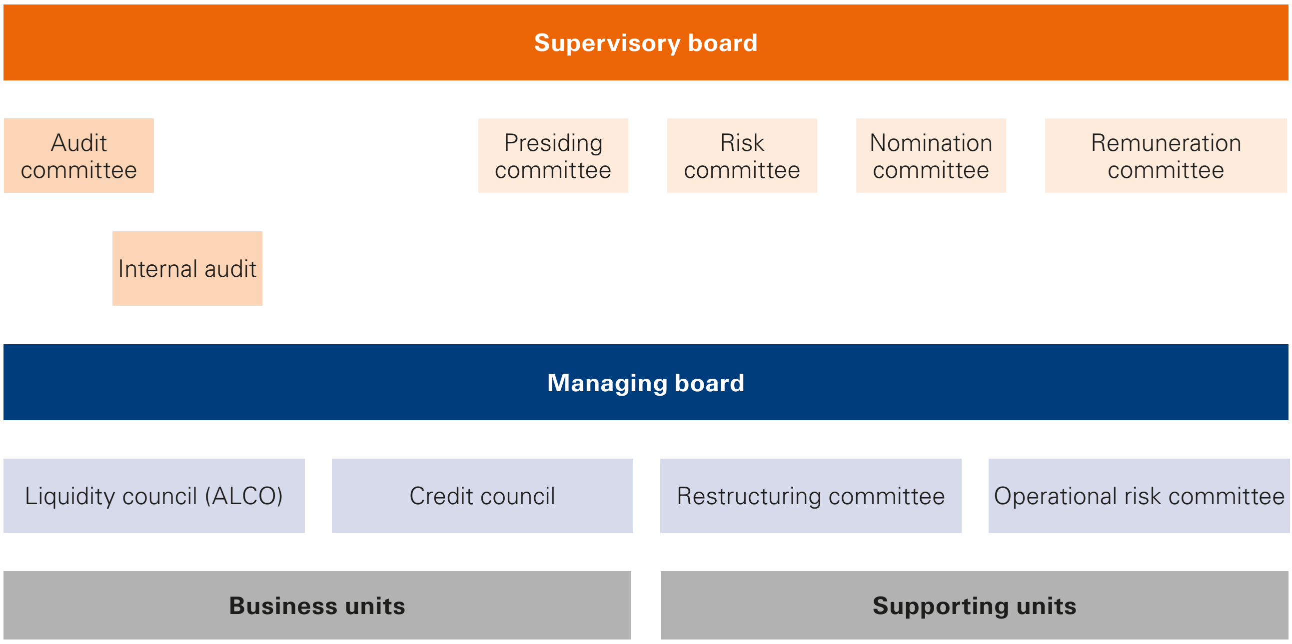
- honest and responsible governance based on adding value;
- effective practices of management oversight and control;
- executive management and senior staff acting in the best interest of the Bank and towards increasing the value of shareholders' equity;
- timely information disclosure and transparency;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

With the Corporate Governance Code and the Disclosure Policy of First Investment Bank, the requirements are met of Art 100n, para 4, item 3 of POSA on the program for implementation of internationally recognized standards of good corporate governance. Both documents are publicly available at the corporate website of the Bank (http://www.fibank.bg/bg/korporativno-upravlenie/page/3589). In 2015, the requirements specified therein were met, including the requirements for disclosure of regulated information and information under the financial calendar of the Bank for 2015. In addition, pursuant to the National Code of corporate governance, the Bank annually discloses to the public, along with its annual report and financial statements, a corporate governance scorecard.

Following the recommendations of the IFC, Terms of reference (ToR) were developed during the period for SB members, consistent with the applicable regulations and international standards, as well as ToR for an independent SB member participating in the Audit Committee which contain additional criteria for independence pursuant to the regulatory requirements in the country. First Investment Bank initiated the preparation and maintenance of a composition matrix of the Supervisory Board, detailing the professional knowledge and skills of its members. The matrix will help ensure an effective process of succession, and serve to better identify the needs for further improvement and development of the professional competencies of SB members.

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.

Management structure



Corporate governance report

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

Supervisory board

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

In June 2015, at the General Meeting of Shareholders of First Investment Bank, a new member of the Supervisory Board was elected: Mr. Jyrki Koskelo, entered as such in the Commercial Register kept by the Registry Agency on 27 July 2015.

As an independent member, he will support the Supervisory Board in developing the business objectives and strategy of the Bank, of its corporate culture and values, as well as in observing the best practices of corporate governance and effective risk management.

Mr. Koskelo has extensive experience in banking and global financial markets, as well as rich expertise in different geographical regions. He has spent more than 20 years working for the International Finance Corporation (IFC), member of the World Bank Group, occupying various senior management positions, including as vice president (directly reporting to the CEO) and member of the management committee of IFC. *For more information, see the "Other information" section.*

As at 31 December 2015 the members of the Supervisory Board held a total of 208,706 shares of Fibank and none of them owned more than 1% of the issued share capital.

Number of shares / % of issued share capital	2015	%
Evgeni Krastev Lukanov	168,739	0.15
Maya Lubenova Georgieva	11,388	0.01
Georgi Dimitrov Mutafchiev	9,454	0.01
Radka Vesselinova Mineva	0	0
Jordan Velichkov Skortchev	19,125	0.02
Jyrki Ilmari Koskelo	0	0
Total	**208,706**	**0.19**

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

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 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 Supervisory Board consists of three to seven individuals elected by the General Meeting of Shareholders who have adequate knowledge 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, and teamwork skills necessary for the effective discharge of his or her obligations, and for guaranteeing the ability of the Supervisory Board as a collective body to ensure the implementation of the long-term objectives of the Bank.

The composition of the Supervisory Board is structured so as to ensure conscientious, professional and independent fulfillment of the obligations of its members. One half of the Supervisory Board members are independent which exceeds the requirements of national legislation. In addition, they meet independence requirements which are more stringent than those specified by law.

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.

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. Chair of the Presiding Committee is Ms. Maya Georgieva. In the course of its activity, the Presiding Committee held 11 meetings in 2015.

The Risk Committee assists the supervision over the risk management activities of the Managing Board, as well as the broad strategic and tactical supervision of the risk management function in the Bank. The Committee advises the Supervisory Board in relation to the overall current and future strategy regarding compliance with risk policy and risk limits, the Bank's risk propensity, and the control of its implementation by senior management. Chair of the Risk Committee is Mr. Evgeni Lukanov. During the reporting period, the Risk Committee addressed issues of its competence at 28 meetings.

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. Jordan Skortchev. The Remuneration Committee has held 5 meetings in 2015.

The Nomination Committee assists the Supervisory Board in assessing the suitability of candidates, or active members of the Managing Board and other senior management staff of the Bank, as well as regarding compliance with applicable regulations in the selection of candidates for senior management. Chair of the Selection Committee is Mr. Georgi Mutafchiev. During the year, the Nomination Committee addressed issues of its competence at 11 meetings.

As a company of public interest and according to the Law on the Independent Financial Audit, the Bank has a functioning **Audit Committee** which is responsible for supervising the financial reporting and the independent financial audit, as well as for the effectiveness of the systems for internal control and risk management in the Bank. The Committee also makes a recommendation in the selection of a registered external auditor to perform the independent financial audit of the Bank and monitors its independence in accordance with the legal requirements and the Code of Ethics for Professional Accountants. In 2015, in accordance with the current best practices and international standards, initiatives were taken to further develop the activity and strengthen the role of the Audit Committee as an auxiliary body in the supervision over the control environment in the Bank. In June 2015, a new Chair of the Audit Committee was elected: Ms. Radina Beneva, a member of the committee who is independent from the Supervisory Board. In 2015, 8 meetings of the Audit Committee were held, including regular meetings with the Chief Financial Officer, the Director of Internal Audit, as well as with representatives of the independent external auditor of the Bank.

Managing board

Vassil Christov Christov	Chief Executive Officer (CEO), Chairman of the Managing Board
Dimitar Kostov Kostov	Chief Risk Officer (CRO), Member of the Managing Board and Executive Director
Svetoslav Stoyanov Moldovansky	Chief Operating Officer (COO), Member of the Managing Board and Executive Director
Maya Ivanova Oyfalosh	Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director
Nadia Vasileva Koshinska	Chief Retail Banking Officer (CRBO) and Member of the Managing Board
Jivko Ivanov Todorov	Chief Financial Officer (CFO) and Member of the Managing Board

In November 2015, decisions were taken on changes in the composition of the Managing Board of First Investment Bank, and changes were adopted in the organizational structure of the Bank with a view to further improvement of the corporate governance and risk management, in accordance with the IFC recommendations reflecting the current best international practices in those areas.

The structural changes included the introduction of the Chief Executive Officer (CEO) position which was occupied by Mr. Vassil Christov, also elected as Chairman of the Managing Board. A complete Risk Management function was introduced, consistent with the applicable international standards for internal control and risk management – headed by Mr. Dimitar Kostov, elected as Chief Risk Officer. Also introduced were the positions Chief Operating Officer – occupied by Mr. Svetoslav Moldovansky, Chief Corporate Banking Officer – by Ms. Maya Oyfalosh, and Chief Retail Banking Officer – by Ms. Nadia Koshinska who was also elected as new member of the Managing Board of the Bank (registered in the Commercial register in January 2016). The Chief Financial Officer of the Bank, Mr. Jivko Todorov, was also included in the composition of the MB.

The new Managing Board members are professionals with extensive experience in banking and are qualified for the discharge of their duties. For more information, see the “Other information” section.

Changes in the composition of the MB also included the release of Mr. Chavdar Zlatev, Ms. Milka Todorova, Mr. Ivaylo Ivanov and Ms. Mariana Sadzhaklieva as members of the Managing Board, while they retained their positions in the senior management of Fibank. Their high professional qualities and responsible attitude helped overcome the challenges faced by the Bank in 2015 and contributed to its future development and the implementation of its objectives.

As part of the structural changes during the year a complete Compliance function was also created, headed by Mr. Svetozar Popov, elected as Chief Compliance Officer responsible for compliance of the activity with regulatory requirements and recognized standards. Mr. Popov has extensive experience in banking, having held the positions of specialist credit risk management, deputy director of Risk Management department, and chairman of the Credit Committee at First Investment Bank, as well as organizational and administrative experience accumulated over more than seven years as Executive Director at UNIBank, Macedonia.

As at 31 December 2015 the members of the Managing Board held a total of 24,026 shares of Fibank and none of them owned more than 1% of the issued share capital.

Number of shares / % of issued share capital	2015	%
Vassil Christov Christov	21,676	0.02
Dimitar Kostov Kostov	0	0
Svetoslav Stoyanov Moldovansky	0	0
Maya Ivanova Oyfalosh	2,350	0.00
Nadia Vasileva Koshinska[1]	N/A	N/A
Jivko Ivanov Todorov	0	0
Total	**24,026**	**0.02**

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

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. Supervisory Board members are entitled to direct contact with the senior staff and employees of the Bank, and the head secretary has key role for the overall support of this process.

The Managing Board consists of three to nine individuals 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 selection of senior management personnel. The Management Board members are established professionals with proven leadership qualities, constituting a prerequisite for achieving the objectives of the Bank.

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. The Managing Board of First Investment Bank holds meetings every week.

The Managing Board is supported in its activity by a Credit Council, Council on management of assets, liabilities and liquidity (Liquidity Council), Restructuring Committee, and Operational Risk Committee, which operate according to written structure, scope of activities, and functions. *For more information, see the "Risk management" section.*

1 Ms Nadia Koshinska was registered in the Commercial Register as a member of the Managing Board of the Bank on 12 January 2016

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 and 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 2015, an annual General Meeting of Shareholders was held at which a decision was taken that the entire net profit of the Bank for 2014 shall be capitalized, and no dividends shall be paid or other deductions made from the profit for 2015. BDO Bulgaria OOD was selected as the specialized audit firm to perform an independent financial audit of the annual financial statements of the Bank for 2015. The company was selected after preliminary approval by the Bulgarian National Bank and recommendation by the Audit Committee of the Bank.

The General Meeting adopted changes in the Statute of First Investment Bank, refining certain texts on the functions and powers of the control and management bodies of the Bank. Also adopted were changes in the composition of the Supervisory Board and Audit Committee of the Bank.

Audit and internal control

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. 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.

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

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

Protection of shareholders’ rights

The corporate governance of First Investment Bank 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. No limitation of rights of individual shareholders holding shares of the same class is allowed.

The convening of the General Meeting of Shareholders is made by written notice to shareholders in accordance with the Statute of the Bank in order to encourage their participation in the General Meeting, and in such a way as not to impede the voting or make it unnecessarily expensive. The Bank provides shareholders with timely and adequate information for decision-making, taking into account the scope of competence of the General Meeting. The invitation, together with the written materials related to the agenda of the General Meeting, are announced in the Commercial Register to the Registry Agency, submitted to the Financial Supervision Commission, and made available to the public through www.x3news.com at least 30 days before holding 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.

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

In 2015, in accordance with good corporate governance practices, the Bank launched initiatives to further engage minority shareholders. In an effort to maintain an open line of communication with shareholders and investors, First Investment Bank created a Club of Investors, by registering in which all stakeholders can receive e-mail notifications of any investor information disclosed by the Bank to the public. During the year, preparatory work was also carried out in connection with the launch of an initiative for organizing and holding annual 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.

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.

During the year, a new Disclosure policy of First Investment Bank was adopted 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, Fibank discloses to the public (through the information agency www.x3news.com) periodic information, including independently audited annual financial reports, as well as interim quarterly reports and activity reports.

First Investment Bank prepares this Annual Report in Bulgarian and English, subject to examination by an independent auditor, 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, corporate governance framework and risk management.

The Bank also immediately discloses ad hoc information on important events related to its activity. Information is also published on the website of Fibank: www.fibank.bg, Investors section.

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

The scope of information disclosed by First Investment Bank exceeds the requirements of national legislation. 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 information on events and initiatives conducted as part of its corporate social responsibility policy.

With a view to effective liaison between First Investment Bank and its shareholders and those interested in investing in financial instruments issued by the Bank, a Director of Investor Relations has been appointed in First Investment Bank.

Investor relations director

Vassilka Momchilova Stamatova Investor Relations Director

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

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.

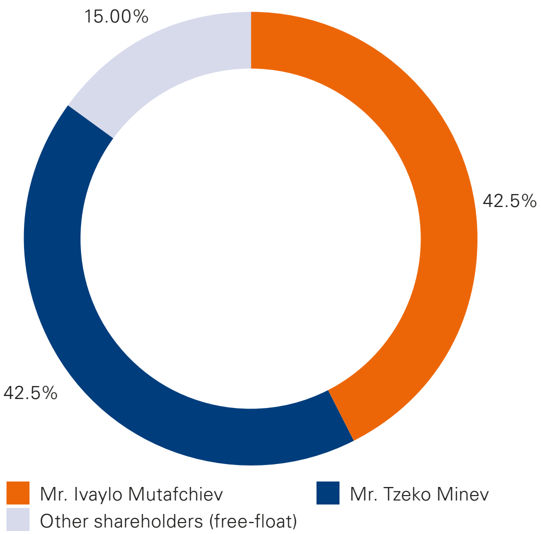
Periodically, in accordance with the legal requirements and best practices, First Investment Bank discloses information of a non-financial nature, including on the social responsibility of the Bank and its participation in the social life of the country. The Bank supports socially significant projects 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 the "Social responsibility" section.

For seven 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.

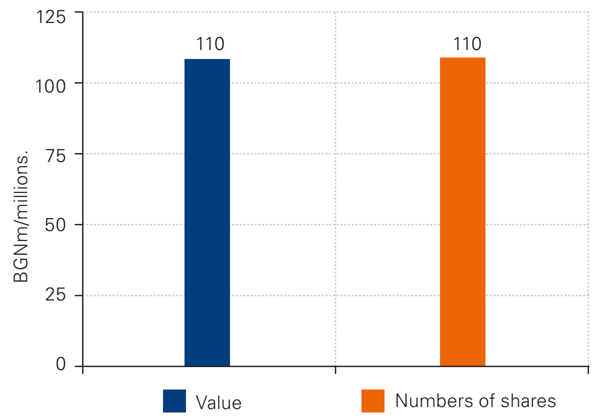
Shareholders' structure

As at 31 December 2015 the major shareholders of First Investment Bank were Mr. Tzeko Minev (42.5%) and Mr. Ivailo Mutafchiev (42.5%). The remaining 15% of the Bank's issued share capital (BGN 16.5 million) was owned by other shareholders, holding shares subject to free trade on the Bulgarian Stock Exchange – Sofia (free-float). The total number of shareholders exceeded 3,000 which include both individuals and legal entities, incl. institutional investors.

Shareholder structure at end-2015



Issued share capital at end-2015

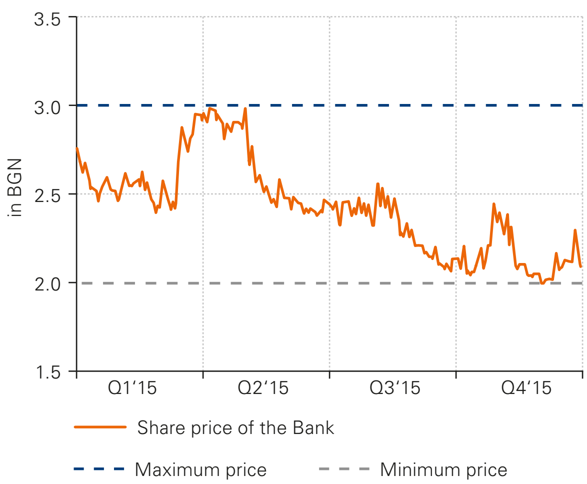


During the reporting period First Investment Bank did not acquire or transfer own shares, and at the end of the reporting period the Bank did not have own shares.

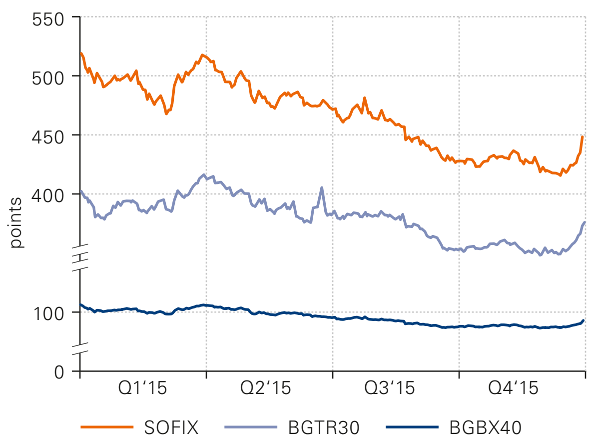
Bank's share price

In 2015, the share price of the Bank fluctuated in the range between BGN 2.02 to BGN 3.00. The last price of the shares of First Investment Bank for the reporting period was BGN 2,161 (2014: BGN 2,800) and the market capitalization of the Bank, calculated on this basis amounted to BGN 237,710 thousand. (2014: BGN 308,000 thousand). A total of 1,666 transactions were concluded with the shares of the Bank on the regulated market BSE, amounting to a turnover of BGN 4,439 thousand to 4999 transactions and BGN 22,691 thousand turnover a year earlier.

Share price of the Bank during 2015



Main stock-exchange indices on BSE-Sofia



As at 31 December 2015, the shares of the Bank were traded on the Main Market, 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.

artist: Lora Yankova, 9 years old, Sofia

Human capital

During the year, the Bank carried out projects designed to further develop the professional skills and motivation of employees, and to increase the operational efficiency of work processes. Fibank successfully implemented a platform for electronic education under the E-learning project which seeks to achieve greater efficiency in the learning process, reduce the cost of a training course, and provide opportunities for the use of modern communication channels in the learning process.

During the period, First Investment Bank carried out activities under the project "Together we Can do More" aimed at motivating employees through recognition, distinguishing and encouraging their contribution and achievements, as well as at promoting business behaviors important for the success of the Bank.

With a view to greater efficiency of work processes and working hours efforts were directed at introducing a new electronic system for reporting and control, as well as at additional activities to further develop and standardize the basic administrative processes related to management of human capital and their documentation.

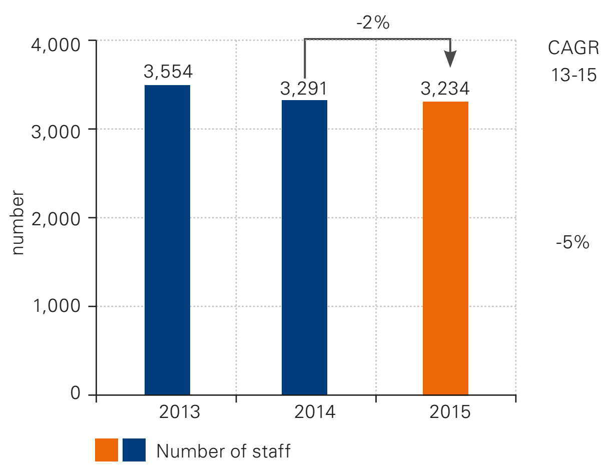
Development of expert and social competencies of First Investment Bank employees in 2015 was accomplished through the implementation of an annual training plan, according to the business objectives and identified needs. During the year, 78% of the staff of the Bank (2375 people) received various forms of training and qualification.

In order to maintain a high standard of service, excellent professional skills and achieve effective results in attracting new customers, several significant educational projects were realized during the year, including:

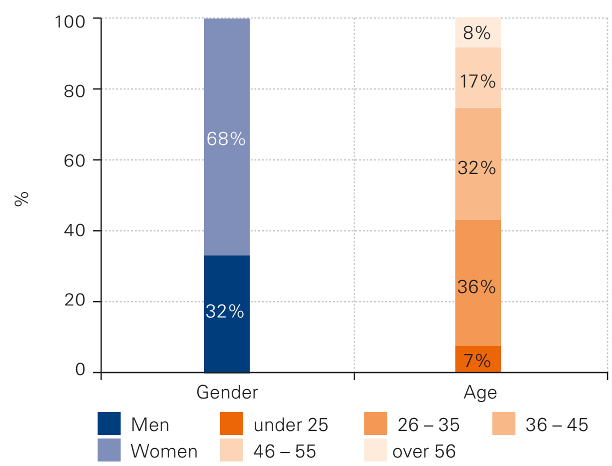
- Product training for front office specialists on offering packages for individuals and legal entities, as well as in relation to credit cards and overdrafts;
- Training for loan specialists associated with consulting and selling skills, new products and regulatory changes;
- Training in effective communication in customer service by phone for employees in the sphere of electron banking and card payments;
- Training for cashiers related to servicing of ATM terminals;
- Training for IT specialists of the Bank related to improving their professional skills for work with the Oracle database.

As at 31.12.2015, the number of staff of First Investment Bank on a consolidated basis amounted to 3,234 employees against 3,291 a year earlier, the dynamics reflecting activities related to the optimization of processes and resources, and adherence to a policy of synergy and optimal efficiency.

Number of staff of the Group



Staff structure



At year's end 43% of the employees of the Bank were up to 35 years of age, and the share of those up to 45 totaled 75% of the staff. In line with general trends, 68% of the staff were 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 Law on Credit Institutions and Ordinance No. 4 of the BNB on the Requirements for Remunerations in Banks, which is consistent with the business strategy, objectives and 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.

With regard to some categories of staff, including senior management, employees with control functions and those whose activities are related to risk-taking, it is the policy of the Bank to limit the amount of variable remuneration to that of the fixed one, except for cases where the General Meeting of Shareholders has taken a decision on a higher amount, but in any case not greater than double the amount of the fixed remuneration. The policy includes specific requirements 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.

The remuneration of key management staff of the Bank for 2015 amounted to BGN 6,486 thousand.

Policy for nomination of senior management

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

The Policy sets out the basic requirements, principles, guidelines and criteria for selection and assessing the suitability of members of the bodies of First Investment Bank who have management and supervisory functions, including the senior management staff of the Bank. The Policy structures the activity of selection and assessment of senior management, as well as identifies the essential requirements and criteria, so that they to a maximum extent meet the high standards applied by the Bank with a view to making an adequate contribution to the realization of its objectives and strategy. As part of the Policy, the Bank maintains a well structured annex with the authority levels for taking decisions on the selection of members of the Supervisory Board, members of the committees of the Supervisory Board the head of Internal Audit, and senior management staff.

First Investment Bank aims at implementing a policy for ensuring diversity in the composition of its governing bodies, including various aspects such as work experience, educational qualifications, age, gender. The Bank maintains a matrix with data on the professional knowledge and skills (Composition Matrix) of the Supervisory Board members for the purpose of support and better identification of the needs for further improvement and development of their professional competencies, and ensuring an effective process of succession in the SB composition. As at 31 December 2015, 33% of the Supervisory Board and Management Board staff were women.

Social responsibility

In implementation of its program for corporate social responsibility, in 2015 First Investment Bank continued to support socially significant projects and initiatives, actively participating in public life in the country and promoting Bulgarian sport, culture and education.

As the largest bank with Bulgarian capital, Fibank strives to contribute to the preservation and development of Bulgarian traditions, culture and education. During the year, the Bank provided scholarships for excellent students from First English Language School and the National Trade and Banking High School in Sofia, and supported the student organization AISEC as part of its annual fund for financing student projects with a financial focus. In implementation of its donation program during the period, the Bank also provided one-time assistance for renovation of the facilities of 119 School Acad. Mihail Arnaudov in the town of Sofia.

As part of the project to support the social program of the Union of Actors in Bulgaria, launched in late 2014, the Bank provided annual scholarships to talented students in the field of theatrical arts, as well as financial support to ensure a decent retirement for deserving Bulgarian actors.

During the year, the Bank continued its successful cooperation with the Dimitar Berbatov Foundation, assisting its cause for the support of Bulgarian children and encouraging their talents and achievements. In this connection, First Investment Bank created a charity calendar featuring some of the Foundation's most gifted children excelling in areas such as sport, mathematics, physics, art, ballet, etc.

In pursuance of its policy to support significant cultural and musical projects, First Investment Bank became a sponsor of the prestigious Eurovision Song Contest for children, hosted by Bulgaria in November 2015. During the year, the Bank supported the national tour of the Legends group whose members include some of the best loved and most popular Bulgarian music personalities. For yet another year, the Bank also sponsored the organization of the international jazz festival in the town of Bansko.

In 2015, First Investment Bank continued its support for the development of sports in Bulgaria as a socially responsible cause. In June 2015 the Bank donated to all sporting people a renovated basketball court in the district of Gorna Banya in Sofia, thus launching a new socially responsible initiative under the motto "Sports in the City with Fibank" which, in partnership with local municipalities across the country, will focus on an active lifestyle in an urban environment combined with a rational diet, and the benefits of active living for the young generation.

As partner of the Bulgarian Athletics Federation, the Bulgarian Rhythmic Gymnastics Federation and general sponsor of the Bulgarian Olympic Committee and the Bulgarian Ski Federation, First Investment Bank continued to support Bulgarian athletes in their respective disciplines at events on the local and international scene. At the end of the year, Fibank awarded the talented Bulgarian snowboarder Radoslav Yankov for winning the World Cup parallel slalom race with a financial prize to assist his future sports career and achievements.

During the reporting period, First Investment Bank launched for the fourth consecutive year the competition Best Bulgarian Firm of the Year, aimed at supporting Bulgarian companies and creating increased confidence among them, as well as at drawing attention to positive and successful business examples in the country. The new category added to the competition, Project Financing of Business Talents, is designed to support young Bulgarian entrepreneurs with innovative ideas who need mentoring support in creating business plans, and initial funding for their projects.

Business review

Retail banking

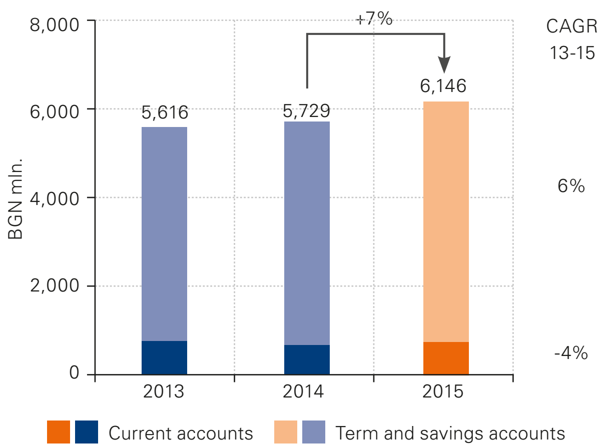
Deposits

In 2015 the attracted funds from individuals grew by 7.3%, reaching BGN 6,146,440 thousand (2014: BGN 5,728,991 thousand). The increase was a result mainly of the growth in term and saving accounts, which reached BGN 5,451,553 thousand at the end of the period (2014: BGN 5,090,022 thousand) or 7.1% more than the previous year. They increased their structure-determining share in attracted funds from individuals to 88.7% (2014: 88.8%).

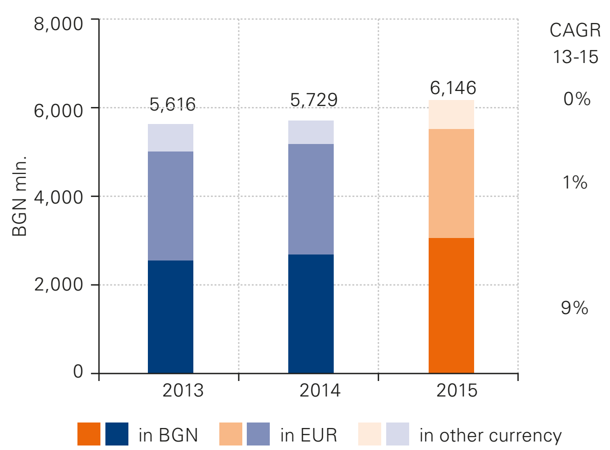
The Policy of the Bank is directed towards building a stable deposit base by offering various and flexible deposit products, adapted to the market conditions and clients` needs, while maintaining high standards of customer service.

In 2015 Fibank continued to optimize the conditions of deposit products, including its combined packages of banking products and services for individuals - ,,My Choice" and " My Choice online", in order to fully satisfy customer needs and offering competitive conditions in line with the market environment.

Deposits to individuals



Deposits to individuals by currency



The current accounts at the end of 2015 also increased to BGN 694,887 thousand compared to BGN 638,969 thousand for the previous year. A contributor to the growth were the wide range of current accounts offered by the Bank, including specialized ones tailored to the specific needs of certain customers such as condominium accounts, notary accounts, such for insurance brokers, agents and others.

In terms of attracted funds from individuals First Investment Bank was placed third among banks in the country (2014: second). As at the end of 2015, the market share of the Bank amounted to 13.41% on an unconsolidated basis (2014: 13.52%).

Loans

The loan portfolio of individuals increased by 14.1% to BGN 1,497,181 thousand at the end of 2015 (2014: BGN 1,312,617 thousand) due to growth in the segment of consumer loans and credit cards limits, as well as in the other programs and secured financing provided by the Bank to retail customers throughout the year.

In BGN thousand/ % of total	2015	%	2014	%	2013	%
Consumer loans	478,485	32.0	412,250	31.4	389,356	29.2
Mortgage loans	615,117	41.1	654,449	49.9	714,896	53.5
Credit cards	262,435	17.5	245,918	18.7	231,090	17.3
Other programs and secured financing	141,144	9.4	-	-	-	-
Total retail loans	**1,497,181**	**100**	**1,312,617**	**100**	**1,335,342**	**100**

Consumer loans

Consumer loans increased by 16.1% to BGN 478,485 thousand (2014: BGN 412,250 thousand), contributors being the competitive terms offered by the Bank, the easy loan application procedure and the development of new products, including seasonal offerings in line with customer needs and market necessities. In autumn 2015 a campaign for consumer loans was organized for the first day of school with a simplified procedure for prior approval and no fees for consideration and granting of credit.

First Investment Bank's market share in this segment increased to 8.52% (2014: 7.12%) at the end of the year, as Fibank improved its market position to sixth place (2014: seventh) in terms of consumer loans among banks in the country on an unconsolidated basis.

Mortgage loans

As at the end of December 2015 mortgage loans amounted to BGN 615,114 thousand, at levels close to the previous year (2014: BGN 654,449 thousand). The dynamics reflected continued caution regarding costs and increased levels of savings among the population. Mortgage loans retained their structure-determining share in the portfolio of loans to individuals – at 41.1% at the end of the period (2014: 49.9%).

Throughout the year, First Investment Bank offered new conditions on the mortgage loan "Right of Choice" – with a fixed rate for the first 3 years and the possibility of a grace period of 12 months in every five years of the loan term.

As at 31 December 2015 the market share of the Bank in this segment was 6.79% (2014: 6.83%). Fibank retained fifth place among banks in the country on an unconsolidated basis.

Limits on credit cards

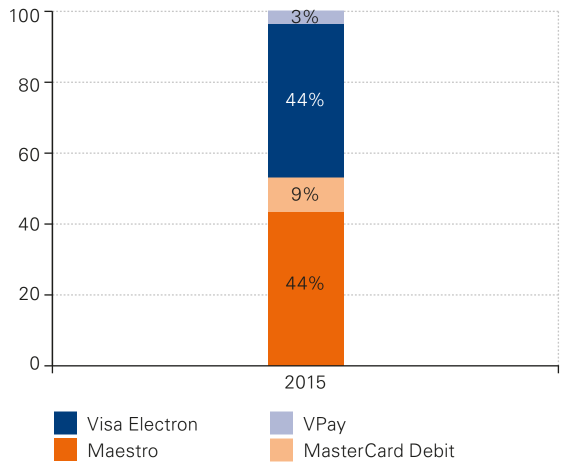
The utilized limits on credit cards increased by 6.7% and reached BGN 262,435 thousand (2014: BGN 245 918 thousand), contributors being Fibank's various and innovative card products and services, including thematic campaigns to promote and attract new customers which were organized in implementation of the Bank's 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 17.5% (2014: 18.7%).

Card payments

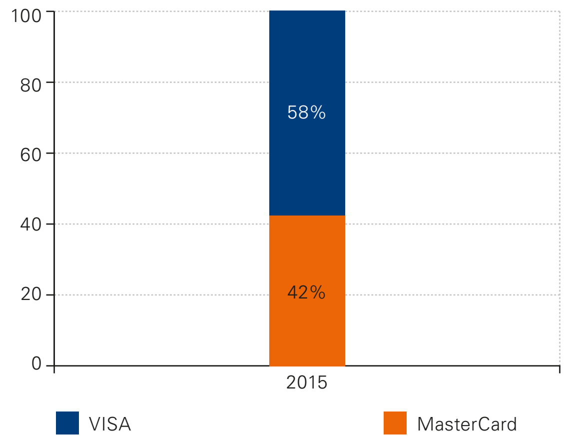
In 2015, First Investment Bank continued to develop its card business in line with customer needs and modern technology, including through organization of promotional campaigns and promoting contactless payments.

As at 31 December 2015, the number of cards issued by Fibank remained at levels close to those of the previous year. The most significant growth of 36.6% was observed in the issuance of the Debit MasterCard which features innovative functionality for contactless payments, internet payment options, and is included in the YES loyalty program of Fibank. As evidence of its successful development, the Debit MasterCard product of the Bank was distinguished as Card Product of the Consumers at the annual awards of the b2b Magazine.

Structure of debit cards



Structure of credit cards



The structure of payment cards over the period remained relatively unchanged. At year-end, the ratio in credit cards was 42% for MasterCard against 58% for VISA, and in debit cards 53% for Maestro and Debit MasterCard compared to 47% for VISA electron and VPay.

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

First Investment Bank was also among the first banks in the country to introduce chip technology (EMV standard). Currently all cards issued by Fibank, and all ATM and POS terminals serviced by it are compliant with the EMV standard which is essential for the SEPA card payments framework and aims to further increase the security of card payments and limit abuses and fraud relating to cards.

As at 31 December 2015, the POS terminal network of First Investment Bank exceeded 10 thousand units, remaining at levels close to those of the previous year. The Bank aims to continue offering competitive terms to both merchants and users of card services in order to stimulate this type of payments.

The ATM terminal network serviced by the Bank totalled 630 devices, compared to 637 a year earlier, reflecting adherence to optimal efficiency of the terminal network according to the specific locations, the workload, and the volume of transactions. In addition the subsidiary bank in Albania maintains its own network of ATM terminals. For further information on the card business of First Investment Bank – Albania Sh.a. see section „Business overview of subsidiary companies".

Gold and commemorative coins

During the year, First Investment Bank maintained its leading position among banks in the country in terms of transactions and consultations related to products of investment gold and other precious metals. It also successfully developed the online sales of this kind of products.

In 2015, net income from transactions and revaluation of gold and precious metals amounted to BGN 785 thousand compared to BGN 619 for the previous year, reflecting the dynamics in demand and the price of precious metals over the period. At year-end the Bank's assets in the form of gold amounted to BGN 8,383 thousand (2014: BGN 9,558 thousand).

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

In 2015 the Bank, jointly with the Swiss refinery PAMP, created and launched a new joint product: the collectible series "The Tree of Life" of gold and silver bullion medallions. The design of a silver coin dedicated to the Year of the Monkey was developed in collaboration with the New Zealand Mint, exclusively offered in the offices of Fibank in the country.

In carrying out transactions in gold and precious metals, First Investment Bank invariably complies with the quality criteria of the London Metal Exchange and the international ethical trading standards.

Private banking

In 2015, First investment bank continued to develop its private banking by widening the range of bank solutions for this segment, for the purpose of attracting new affluent clients and improving individual banking schemes. Fibank reported a 12% increase in the number of clients served by private banking over the year, as well as a twofold increase over the last three years. Growth was also reported in revenues generated by private banking, including those associated with service charges which increased by 41% year-on-year.

A special package for private banking customers was introduced during the year bringing together several banking products and services, including a current account, a MasterCard World Elite credit card with minimum balance, and use of the My Fibank electronic services.

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

Private banking is offered to individuals and legal entities matching certain criteria for average monthly proceeds and turnover on accounts with the Bank, as well as use of additional products, services and investment strategies.

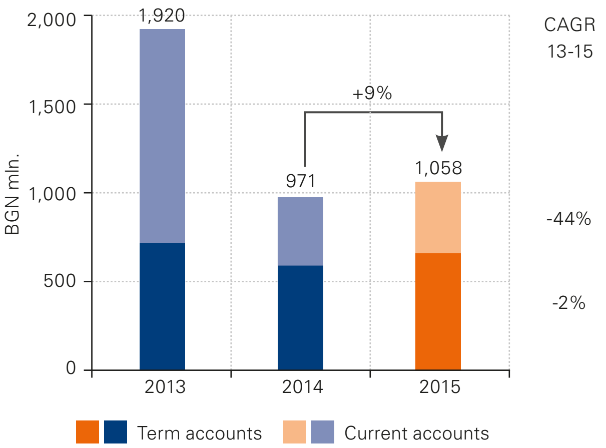
Corporate banking

Deposits

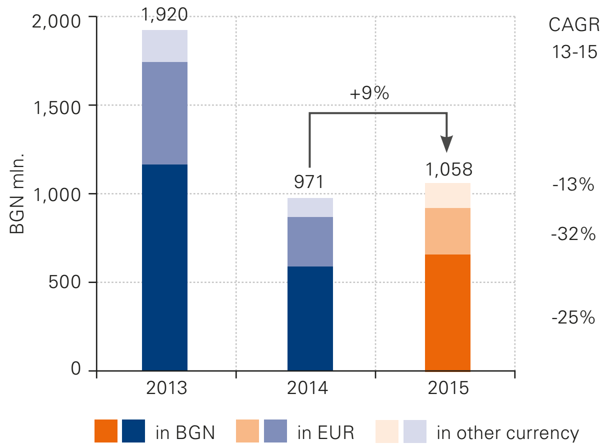
Attracted funds from corporate and public institutions in 2015 amounted to BGN 1,057,529 thousand (2014: BGN 970,686 thousand). The increase in volume reflected both the current accounts and the fixed-term accounts.

Current accounts increased to BGN 681,812 thousand at the end of 2015 compared to BGN 601,000 thousand a year earlier, forming 64.5% of the attracted funds from corporate and public institutions (2014: 61.9%).

Deposits to corporates



Deposits to corporate by currency



Term accounts amounted to BGN 375,717 thousand compared to BGN 369,686 thousand at the end of previous year and formed 35.5% of attracted funds from corporate and public institutions (2014: 38.1%). The growth continued to be influenced by the cautious policies of companies in terms of costs, as well as by newly attracted clients of the Bank during the year.

As at 31 December 2015 funds attracted by the thirty biggest non-banking clients represented 3.65% of the total amount due to other customers (2014: 3.56%).

Loans

Corporate lending

The portfolio of loans to corporates amounted to BGN 4,457,674 thousand at the end of 2015, compared to BGN 5,021,313 thousand a year earlier. The dynamics was influenced by the decrease in the segment of corporate clients, mainly as a result this year of a debt-to-asset transaction aimed at protecting the Bank's position as a secured creditor and optimizing the return from exposure. As a result, and in pursuit of the Bank's policy to diversify credit risk, this segment decreased its share in the corporate portfolio to 84.9% at the year's end (2014: 87.1%). Loans to small and medium enterprises and microlending grew, as they increased their share in the structure of loans to companies to 12.8% (2014: 11.1%) and to 2.3% (2014: 1.8%) respectively.

BGN thousand/ % of total	2015	%	2014	%	2013	%
Corporate customers	3,784,966	84.9	4,374,648	87.1	4,141,595	84.2
Small and medium enterprises	570,490	12.8	557,681	11.1	686,239	13.9
Microlending	102,218	2.3	88,984	1.8	93,408	1.9
Total loans to corporates	**4,457,674**	**100**	**5,021,313**	**100**	**4,921,242**	**100**

First Investment Bank continued to provide various financing for business clients, including under the form of working capital loans, investment loans, guarantees, financing on the programs and funds of EU and others. Throughout the year the conditions for the provision of services on standard factoring through buying of receivables under commercial invoices for a period of deferred payment up to 90 days were optimized, and new products were developed, including revolving credit lines and a credit line for bank guarantees and letters of credit.

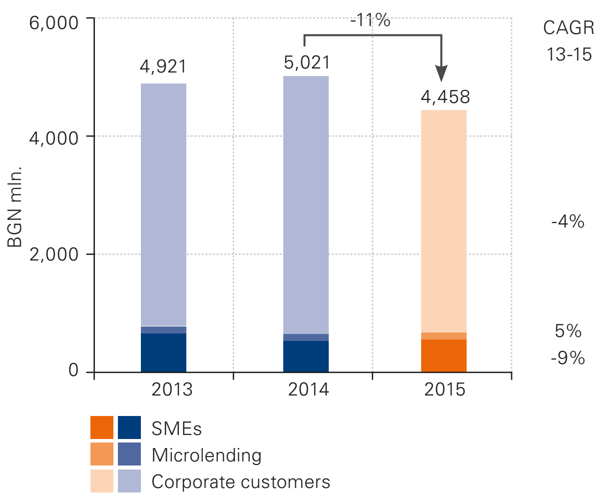
The market share of the Bank at the end of the year amounted to 12.38% of loans to enterprises in the banking system (2014: 14.49%). Fibank retained its second place (2014: second) among banks in the country on an unconsolidated basis.

During the year, according to the dynamics and the amortization of the portfolio of corporate clients, a decrease was registered in the sectors of industry (2015: BGN 1,145,360 thousand; 2014: BGN 1,538,208 thousand), trade (2015: BGN 1,102,617 thousand; 2014: BGN 1,426,114 thousand) and services (2015: BGN 467,974 thousand; 2014: BGN 576,602 thousand).

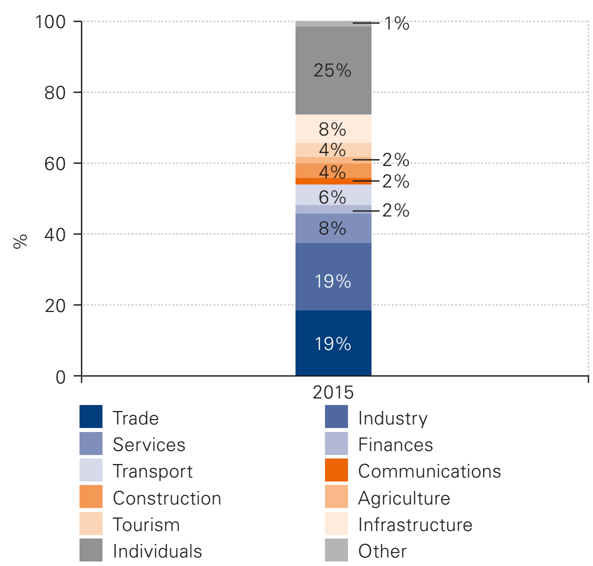
Growth was registered in loans to the transport sector, which reached BGN 361,759 thousand at the end of the period (2014: BGN 288,906 thousand), as well as those in infrastructure (2015: BGN 481,471 thousand; 2014: BGN 424,743 thousand), which was influenced by the development of infrastructure projects, as well as the dynamics of public consumption in the country.

In 2015, in line with developments in economic activity, growth was registered in other economic sectors, including agriculture – up to BGN 128,393 thousand (2014: BGN 112,595 thousand) in tourism – up to BGN 215,520 thousand (2014: BGN 172,824 thousand) in communications – up to BGN 94,254 thousand (2014: BGN 77,660 thousand) and financial services – up to BGN 135,235 thousand (2014: BGN 109,577 thousand). Loans in the construction sector were at levels close to the previous year (2015: BGN 238,275 thousand; 2014: BGN 244,049 thousand).

Corporate portfolio



Portfolio bredkdown by sector



Fibank continued the successful offering of investment and working capital loans in BGN and EUR for companies under the JEREMIE initiative with lower interest rates and eased collateral conditions and service fees, as at the end of the period almost full utilization of the portfolio of loans under the initiative was registered.

In order to satisfy and facilitate the needs of Bulgarian business in this year the Bank optimized and further developed the terms of combined packages of banking products and services: "Fibank Business", "Fibank Business Class", "Fibank Business Class Plus" and "Fibank Business Class Premium". Through them more competitive conditions to corporate clients were offered and opportunities given for cost optimization and relief of the procedures for using different bank services.

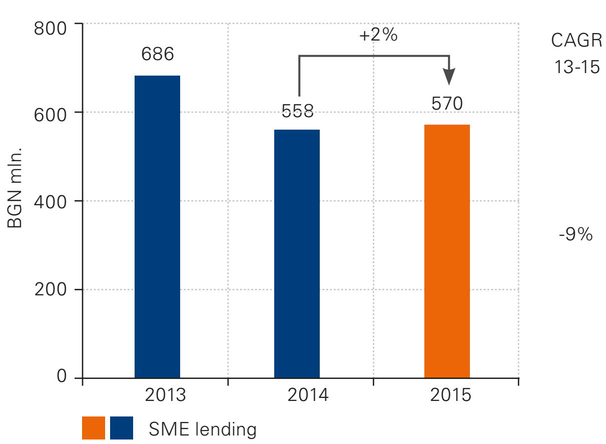
SME lending

In 2015, loans to small and medium enterprises increased to BGN 570,490 thousand at the end of the period, compared to BGN 557,681 thousand a year earlier. The increase was influenced by the competitive products offered by the Bank to SME's, including diverse financing under EU programs and funds and other guarantee schemes, as well as by campaigns during the period aimed at promoting this type of lending.

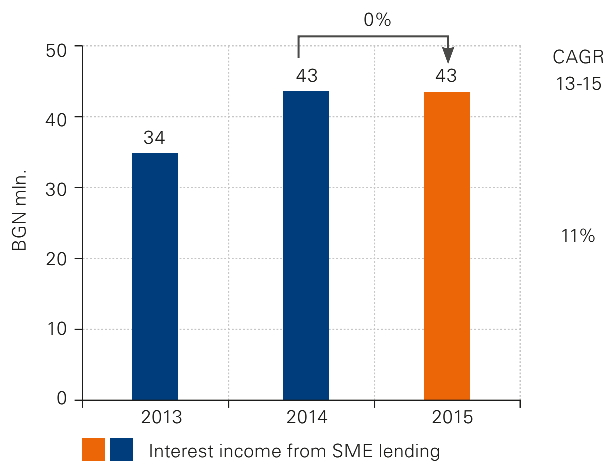
At the beginning of the period, First Investment Bank started offering a new credit to farmers, based on SAPS subsidies, with simplified approval procedures and pre-approved (up to BGN 500,000) to diligent borrowers and those with experience in the approved scheme.

In the first quarter of the year the Bank developed new preferential conditions for the issuance of bank guarantees aimed at SMEs that are selected for contractors or those applying under the National Programme for Rehabilitation.

SME lending



Interest income from SME lending



For SME financing, the Bank maintained cooperation with the National Guarantee Fund, National Agriculture Fund, Bulgarian Development Bank AD and the Bulgarian Export Insurance Agency. Through various financing schemes, Fibank also actively supported beneficiary companies under programs for the utilization of funds from European structural and cohesion funds, including in relation to the launch of the new programming period 2014-2020.

For additional flexibility and compliance with the needs of business, this year optimized conditions of the product "Super Loan" were offered, providing an opportunity for a fixed interest rate and a grace period of up to 3 years in the form of an overdraft.

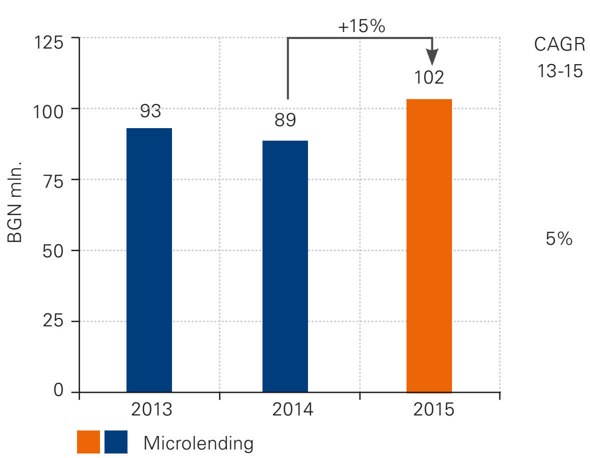
Microlending

In 2015, the microlending portfolio grew by 14.9% and reached BGN 102,218 thousand at the end of the period compared to BGN 88,984 thousand a year earlier. The increase reflected the Bank's focus on the development of this market segment, as well as the expanded product range offered by Fibank.

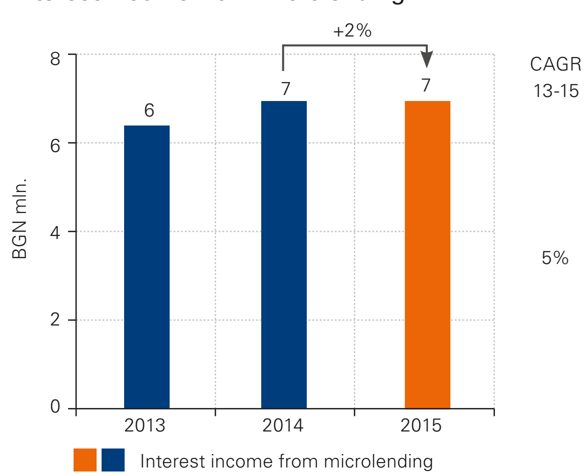
The Microlending Program of First Investment Bank covers a wide range of retailers, manufacturers, farmers, freelancers, including start-ups and companies with less market experience.

The Bank offers specialized products for microenterprises including investment loans, working capital loans, and overdraft facilities at competitive terms, according to the clients' rating and the security provided. During the reporting period, the Bank introduced new credit products for clients' micro enterprises – a mortgage business loan / mortgage business overdraft and new competitive conditions of the microlending program, including an increased maximum period for investment loans - up to 15 years for loans with high liquid collateral.

Microlending



Interest income from microlending



Europrograms

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

During the year, the Bank continued its successful operation under the agreement with the European Investment Fund (EIF) under the JEREMIE initiative, where absorption in the loan portfolio is nearly 100%. Fibank was among the first banks approved to participate in the initiative, and for a third year has provided investment and working capital loans to micro, small and medium enterprises in the country at competitive interest rates and favorable conditions in terms of collateral and service charges. In cooperation with the EIF, the Bank also provides financing under the Risk Sharing Instrument guarantee scheme, focused on innovation and research-orientated SMEs in Bulgaria.

Over the period, First Investment Bank strengthened its relationship with the National Guarantee Fund (NGF) and the Bulgarian Development Bank (BDB), performing its activities and commitments under the existing agreements and funding schemes. At the end of the year preparatory actions were taken, and in early January 2016 Fibank signed a new guarantee agreement with the National Guarantee Fund (NGF) for the issuance of a BGN 20 million portfolio guarantee for securing the Bank's loans to micro, small and medium enterprises in Bulgaria.

In order to provide integrated customer assistance in the absorption of EU funds, the Bank offers the Full Support service through which support is provided in the preliminary study of the administrative and financial eligibility of the project idea, expert advice in project development, as well as comprehensive servicing of the implementation phase following approval. In this connection, the first procedures and measures were launched over the year aimed at the business for the new 2014-2020 programming period.

During the year, Fibank organized a series of seminars on the topic "European Funding for Business" in order to familiarize the business community in Bulgaria with the possibilities for applying under EU operational programs in the new programming period.

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

Payment services

First Investment Bank carries out its activity related to money transfers and other payment services in compliance with Bulgarian and European legislation, including the Law on Payment services and Payment Systems and Ordinance No3 of the BNB on the Conditions and Procedure for the Execution of Payment Transactions and for the Use of Payment Instruments. The Bulgarian regulatory frame in this sphere has been harmonized to that of the European Community in regards to Payment Services Directive and reflects contemporary European tendencies in the establishment of the single European market for payment services.

In 2015, First Investment Bank was a member and participant in the payment systems and organizations, as follows:

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

During the year Fibank continued to develop its activity on payment services in accordance with customers' needs, the modern technologies and regulatory requirements, including activity through the System for Servicing of Clients Transfers in Euro (BISERA7-EUR). First Investment Bank is a member and has participated in the payment system operated by BORICA- BANKSERVICE from 2010 and through this system the Bank can carry out SEPA transfers, with final settlement in the national system component of TARGET2 (TARGET2-BNB).

Additional activities and capabilities in terms of the core banking information system during the period were made in order to optimise the process of selecting a channel in the execution of transfer orders.

International payments

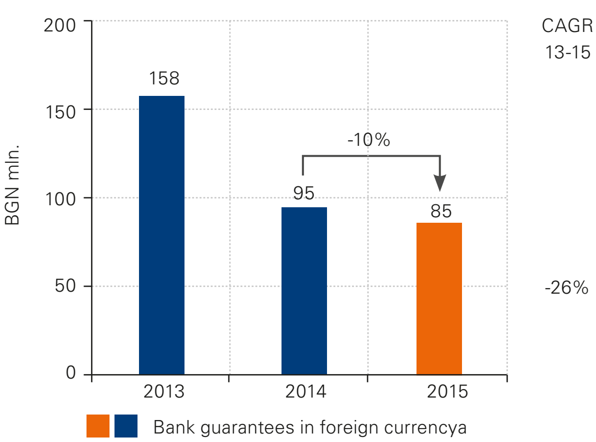
First Investment Bank is among the leading banks in Bulgaria in the sphere of international payments and trade financing. Fibank is a popular, reliable and fair business partner which has built a good reputation over the years among international financial institutions and has gained valuable experience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

In 2015, the Bank reported an increase in incoming and outgoing foreign currency transfers in terms of both number and amount. This was 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 also operates in issuing checks and performing various documentary transactions.

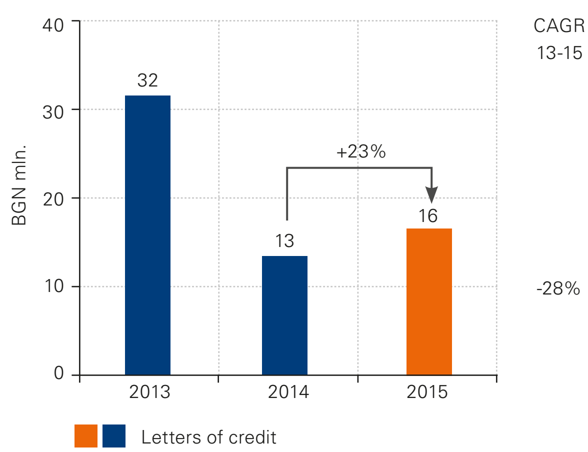
In recognition of the high quality of the services provided during the period, First Investment Bank received from Commerzbank the prestigious STP Award 2014 for excellent quality in the delivery of commercial payments and financial institutions transfers.

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

Bank guarantees in foreign currency



Letters of credit



During the reporting period, the letters of credit and bank guarantees in foreign currency issued by the Bank to guarantee the performance of its customers to third parties amounted to BGN 101,688 thousand (2014: BGN 108, 221 thousand), forming 11.6% of the off-balance sheet commitments of the Bank (2014: 12.9%).

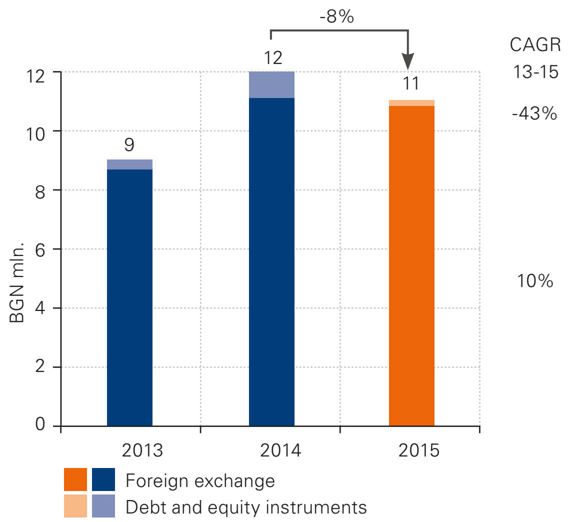
Under the Law on Ratification of the Agreement between the Government of the Republic of Bulgaria and the Government of the United States to improve tax compliance internationally and enactment of FATCA (SG. 47 of June 26, 2015), financial institutions in the country must comply with the Foreign Account Tax Compliant Act (FATCA). In pursuance of this, First Investment Bank AD is registered with the Internal Revenue Service of the United States (IRS) as a Lead Financial Institution (Lead FFI) of an Expanded Affiliated Group. Its registration status is Registered (deemed-compliant foreign financial institution), with Global Intermediary Identification Number (GIIN): SP7FU7.00000.LE.100.

In addition, at the end of the year analytical and training activities were carried out to implement the new requirements for automatic exchange of financial information in the area of tax legislation regulated by the Tax-Insurance Procedure Code (TIPC) of Bulgaria.

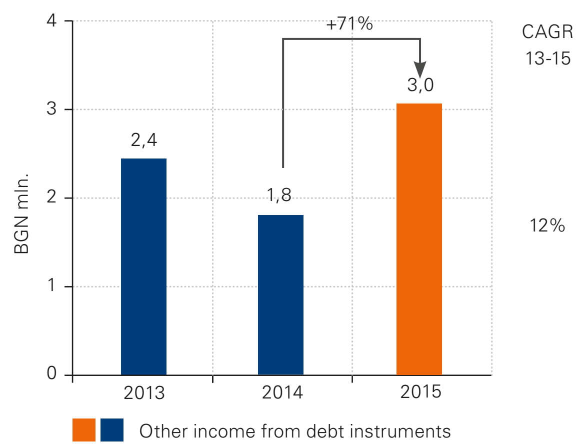
Capital markets

In 2015, net trading income decreased to BGN 11,017 thousand (2014: BGN 11,997 thousand) mainly as a result of the lower income from trade operations related to exchange rates and debt and equity instruments. Other operating income arising from debt instruments amounted to BGN 3,044 thousand against BGN 1,783 thousand for the previous year.

Net trading income



Other income from debt instruments



The portfolio of financial instruments at year-end amounted to BGN 679,545 thousand, compared to BGN 560,358 thousand a year earlier, of which BGN 584,415 were investments available for sale (2014: BGN 486,975 thousand), BGN 10,886 thousand financial assets held for trading (2014: BGN 9,646 thousand) and BGN 84,244 thousand financial assets held to maturity (2014: BGN 63,737 thousand).

First Investment Bank continued to develop its investment services and activities in line with the regulatory requirements and the market environment. For the purpose of better centralization, automation and adding new functionalities, a new system for investment intermediation, registration and brokerage services was introduced during the year, featuring complete and integrated front office and back functionality, including regarding activity through the branch network.

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. Fibank's activities are in compliance with MiFID regulations in accordance with the Markets in Financial Instruments Act and Ordinance №38 of the Financial Supervision Commission, which ensures a higher level of protection for non-professional customers. As part of the Compliance function, the Bank has a specialized unit for control of investment services and activities which 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.

artist: Angelene Genadieva, 13 years old, Plovdiv

Business overview of subsidiary companies

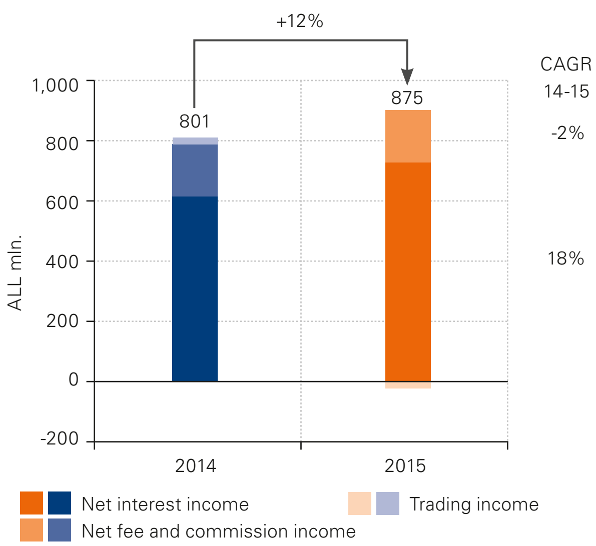
First Investment Bank – Albania Sh.a.

First Investment Bank – Albania Sh.a. 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.

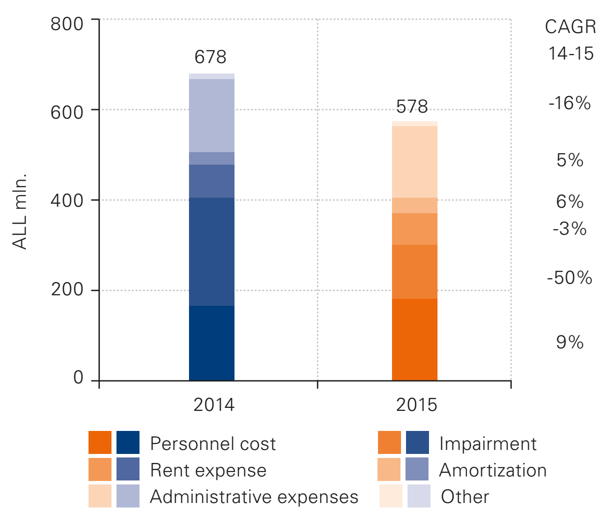
In line with its mission, First Investment Bank – Albania Sh.a. aims to be among the fastest growing small banks in Albania, recognized as an innovative credit institution which offers first class service and exceptional products and services, provides excellent career opportunities to employees, and is socially responsible.

In 2015, First Investment Bank – Albania Sh.a. reported positive financial results and increased volumes while maintaining high standards of risk management and customer-oriented approach. The Bank maintained strong liquidity and capital position, its capital adequacy ratio at year-end amounting to 17.54% against a minimum required level of 12% according to the applicable regulatory requirements in the country.

Total income from banking operations



Structure of operating expenses

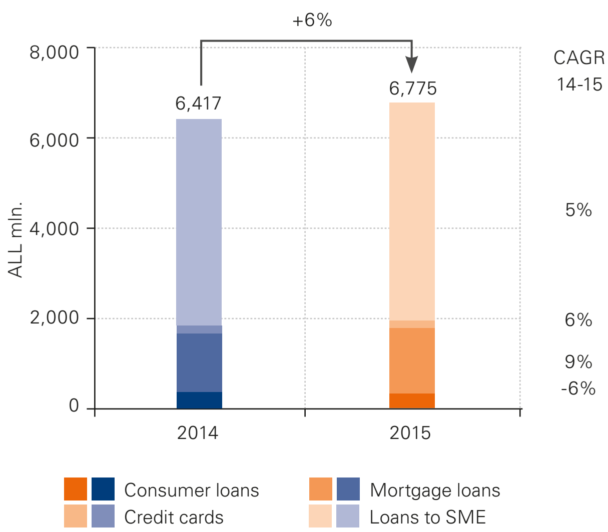


First Investment Bank – Albania Sh.a. reported net profit amounting to ALL 250,947 thousand,[1] compared to ALL 97,492 thousand a year earlier. This was driven by the increase in net interest income by 18.0% to ALL 727,408 thousand (2014: ALL 616,687 thousand), as well as by the lower costs for impairment of credit exposures which amounted to ALL 118,271 thousand for the period (2014: ALL 238,349 thousand). Net fee and commission income remained at levels close to the previous year - ALL 172,277 thousand, forming 19.7% of total income from banking operations. The Bank applies a cost optimization policy: general administrative expenses amounted to ALL 165,193 thousand compared to ALL 157 448 thousand for 2014, while those for rents and depreciation remained at levels close to the previous reporting period (2015: ALL 103 029 thousand; 2014: ALL 103,369 thousand). Personnel costs reached ALL 181,709 thousand at year end (2014: ALL 167,320 thousand), in line with the numbers of staff (2015: 126 employees; 2014: 122 employees).

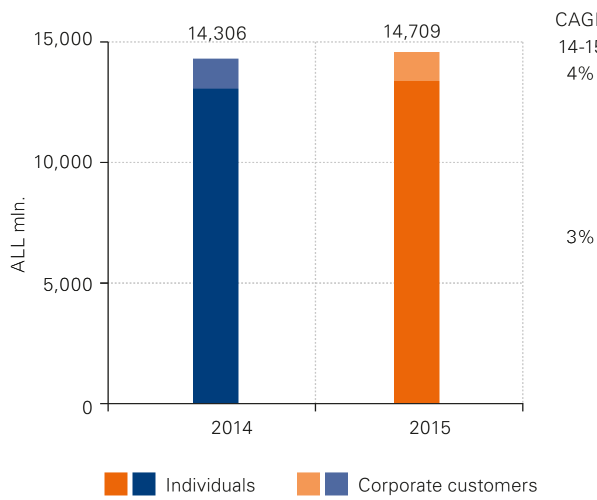
1 The official rate of the Albanian lek (ALL) against the euro at the end of 2015 was 137.28, and the average for the year - ALL 139.67 for one euro.

During the period, the bank's assets increased by 6.2% reaching ALL 16,939,994 thousand (2014: ALL 15,948,619 thousand), mainly due to the growth in financial assets available for sale (2015: ALL 5,379,780 thousand; 2014: ALL 2,663,518 thousand) and in receivables from customers. Loans to customers increased by 5.6% to ALL 6,198,085 thousand (2014: ALL 5,869,704 thousand) mainly attributable to the growth in SME loans and mortgage loans to individuals. A new Five Stars mortgage loan in Euro was launched during the year, featuring competitive interest rate and commission terms. For customers receiving their salary in the bank, a new Fibank Salary product was developed with a credit limit featuring favorable conditions regarding surety, fees, and commissions.

Loan portfolio



Deposits



Loans and advances to banks and financial institutions amounted to ALL 1,238,433 thousand as at 31 December 2015 (2014: ALL 2,872,821 thousand), with a predominant share of claims on foreign institutions. Financial assets held to maturity amounted to ALL 1,957,557 thousand, compared to ALL 2,470,853 thousand a year earlier.

Amounts due to customers increased to ALL 14,709,329 thousand at period-end (2014: ALL 14,305,614 thousand), with growth being reported both in individuals and in business customers. This was driven by the flexible savings products and current accounts offered by the bank, as well as by the increased customer base.

The equity of First Investment Bank – Albania Sh.a. increased, reaching ALL 1,830,405 thousand compared to ALL 1,496,062 thousand at the end of 2014 due to an increase in retained earnings and revaluation surplus of investments available for sale.

During the year, First Investment Bank – Albania Sh.a. continued to develop its card business by organizing numerous promotional campaigns. An increase was reported in utilized limits on credit cards. The Bank is certified by Visa to offer debit and credit chip cards to individual and corporate clients. During the period, a new online card authorization system was introduced, providing connection in online mode with the authorization center servicing the bank. The system enables additional services and better management of card accounts and card payments.

At the end of 2015, the branch network of First Investment Bank – Albania Sh.a. comprised the headquarters in Tirana and nine branches in the country, including in the larger cities of Durres, Vlora, Elbasan, Fier, Shkoder, Korca and Berat. 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. develops its corporate social responsibility and commitment to society by supporting social initiatives in Albania. During the year, a project was realized to help disadvantaged children in the city of Shkoder by financing the reconstruction of places for children to play, as well as donating funds for clothes, food and toys.

First Investment Bank – Albania Sh.a. has a corporate governance structure consisting of Executive Management (Directorate), Managing Board, and an Audit Committee. The 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 the management of corporate assets.

The financial statements of the bank are prepared in accordance with International Financial Reporting Standards, and audited by an independent auditor. For 2015, the independent auditor of the bank was BDO Albania.

Diners Club Bulgaria AD

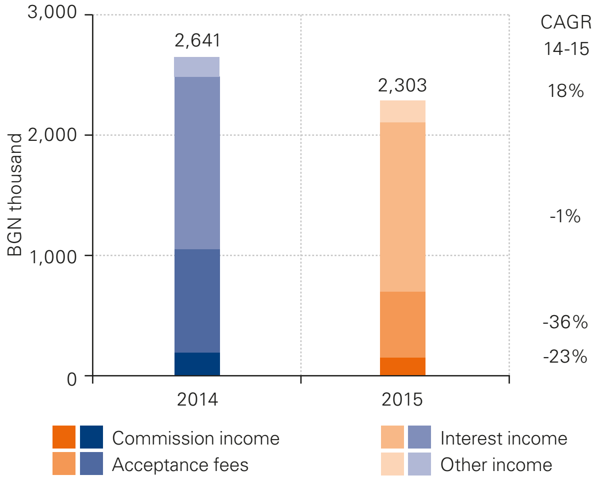
Diners Club Bulgaria AD is a joint stock company incorporated in November 1996, with main business activity the issuance of Diners Club credit cards and processing of payments with them. In 2005 First Investment Bank acquired 80% of the company's capital. In 2010, Diners Club Bulgaria is licensed by the Bulgarian National Bank as a payment institution to perform payment transactions using payment cards, as well as issue and accept payments with payment instruments.

Over the years, Diners Club Bulgaria AD has worked consistently in the direction of 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. In 2015, the company continued to work in this direction, entering into additional partnerships with financial institutions in the country. During the year, the locations allowing payments with Diners Club cards exceeded 16,000 and resources were allocated to develop additional functionalities and services for the cardholders.

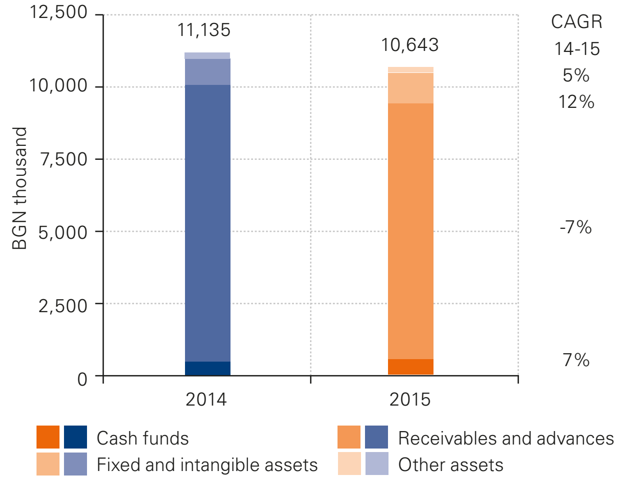
A new MyDinersClub service was launched during the period, providing customers with electronic statements on their credit cards, references for the authorizations and transactions performed, as well as with the ability to make payments of utility bills, municipal taxes and fees, and repay obligations on Diners Club cards. The DinersClubBG mobile application was updated for customers using smart phones with Android and/or iOS operating systems. It allows cardholders to obtain information on the latest news and promotions, the ATM devices serving cards Diners Club, as well as the commercial outlets and VIP lounges offering discounts for payments with cards issued by Diners Club Bulgaria.

For 2015 the company reported a net profit of BGN 73 thousand, compared to BGN 138 thousand a year earlier. This reduction was influenced by the lower net operating income (2015: BGN 2,236 thousand; 2014: BGN 2,550 thousand), including interest, fee and commission income which reflected the still uncertain external environment and the dynamics of interest rates in the country. Diners Club Bulgaria continued to implement a policy of optimizing operating expenses which amounted to BGN 1,247 thousand, compared to BGN 1,483 thousand for the previous year as a result of a decrease in general and administrative expenses, as well as in impairment costs. Financial expenses remained at levels close to the previous period, amounting to BGN 916 thousand (2014: BGN 929 thousand) and primarily including interest expense.

Operational income



Structure of assets



The company's assets decreased by 4.4% to BGN 10,643 thousand (2014: BGN 11,135 thousand), mainly due to a decrease in receivables from customers which amounted to BGN 8,781 thousand or 6.9% less than at the end of 2014 (BGN 9,436 thousand). Loans and advances to individuals formed 98.8% of all receivables from customers (2014: 99.5%).

Borrowings also decreased, drawn bank overdraft amounts reaching BGN 7,765 thousand compared to BGN 8,553 thousand a year earlier. The equity of the company amounted to BGN 1,951 thousand at the end of the period (2014: BGN 1,878 thousand), with retained earnings in the amount of BGN 51 thousand contributing to the growth. The average number of staff for 2015 was 16 employees, compared to 22 employees for the previous year.

Diners Club Bulgaria AD has a one-tier management system, comprising the Board of Directors and the Executive management (Executive Director). The Executive Director entitled to represent Diners Club Bulgaria AD is Mr. Simeon Iliev who has extensive professional experience in the card business.

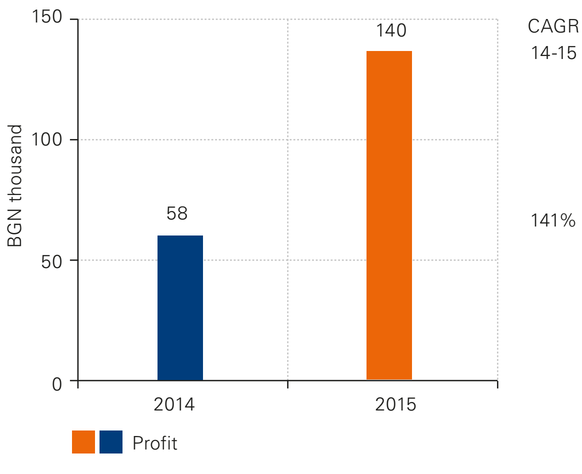
Fi Health Insurance AD

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 activity covering financial costs related to outpatient medical care, hospital treatment, and expenses for medical goods and dental services.

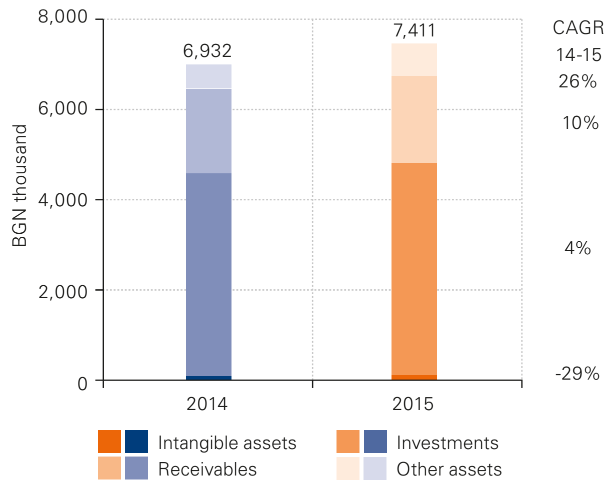
First Investment Bank acquired a majority stake in the company (formerly named Health Insurance Fund FI Health AD/Health Insurance Fund Prime Health AD) in 2010, and over the years it has systematically and consistently worked towards developing its business and expansion of the products and services provided.

In 2015, Fi Health Insurance continued to develop its operations in accordance with its license and the legal requirements, implementing successful campaigns to offer new insurance products and attract new customers. The product range of the company includes insurance coverage designed for both individuals and business customers, primarily from the micro and SME segments, such as the "Peace of mind with Fi Health" and "Occupational accident" insurance products.

Net profit



Structure of assets



For 2015, Fi Health Insurance reported a net profit of BGN 140 thousand compared to BGN 58 thousand a year earlier, attributable to the higher net premiums on general insurance contracts (2015: BGN 2,950 thousand; 2014: BGN 2,627 thousand), and the increased customer base. The company manages insurance risk through the introduction of limits, procedures for approval of submitted claims, and various methods of assessment and control.

The gross premiums on insurance contracts reported for the year increased by 5.6% to BGN 3,218 thousand (2014: BGN 3,048 thousand), with a predominant share of premiums related to insurance for illness. In 2015, the offering of two new products began through the branch network of Fibank: Protect Insurance which provides coverage and financial protection against unforeseen events occurring with users of credit cards issued by Fibank, and Partner Insurance which is designed to financially secure hospital treatment of covered persons. The gross amount of claims paid in 2015 reached BGN 1,633 thousand, compared to BGN 1,322 thousand a year earlier.

Net operating expenses increased to BGN 855 thousand (2014: BGN 786 thousand), reflecting higher administrative costs corresponding to the development and volumes of activity.

The company's assets grew by 7% to BGN 7,411 thousand at year-end (2014: BGN 6,932 thousand), mainly as a result of increased receivables from insured persons which reached BGN 2,063 thousand or 10.3% over the previous year. Another factor was the increase in other financial investments (2015: BGN 4,167 thousand; 2014: BGN 3,990 thousand), mainly comprising Bulgarian government securities and bank deposits. In order to continue safeguarding its financial stability while progressively increasing the portfolio of products, in 2015 Fi Health Insurance signed an agreement with a reinsurance company with a credit rating of A- (S&P).

As at 31 December 2015 the equity of Fi Health Insurance AD amounted to BGN 5,398 thousand, compared to BGN 5,258 thousand a year earlier. The company allocates the relevant technical reserves according to legal requirements and standards, which mainly include unearned premium reserve and outstanding claims reserve.

Fi Health Insurance AD has a one-tier management system, comprising a Board of Directors and Executive management (Executive Director). The Executive Director entitled to represent Fi Health Insurance AD is Mr. Nikola Bakalov who has extensive professional experience in the financial sector, including management positions in First Investment Bank AD related to card payments. As of July 2014, Mr. Nikola Bakalov has been a member of the Managing Board of the Association of Health Insurance Companies.

As at 31 December 2015, 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 regarding subsidiary companies and their consolidation, see note 37 "Subsidiary undertakings" of the Consolidated Financial Statements for the year ended 31 December 2015, together with the Report of the Independent Auditor.

Consolidated financial statements

as at 31 december 2015
with independent auditor’s report thereon

Independent auditor's report

To the shareholders of First Investment Bank AD
Sofia

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of FIRST INVESTMENT BANK AD, which comprise the consolidated statement of financial position as of 31 December 2015, consolidated statement of profit and loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the financial statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion the consolidated financial statements give a true and fair view of the financial position of FIRST INVESTMENT BANK AD as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by EU.

Report on other Legal and Regulatory Requirements

We conducted verification of the annual consolidated management report of FIRST INVESTMENT BANK AD as of 31 December 2015 with regard to the correspondence between the annual consolidated management report and the annual consolidated financial statements for the same reporting period in accordance with the requirements of the Accountancy Act.

In our opinion, as a result of this verification the annual consolidated management report corresponds to the annual consolidated financial statements as of 31 December 2015 with regard to the financial information.

Sofia, 7.04.2016

BDO Bulgaria OOD

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №016
"БДО БЪЛГАРИЯ" ООД

Stoyanka Apostolova, Managing partner
CPA, Certified auditor

Nedyalko Apostolov
Manager

BDO Bulgaria OOD is a specialized auditing company, included in the list of the Institute of CPA in Bulgaria under number 16, member of BDO International. BDO Bulgaria OOD is registered in the Trade Register with Identification Code 831255576 and VAT Number BG831255576.

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Consolidated statement of comprehensive income for the year ended 31 December 2015

In thousands of BGN

	Note	2015	2014
Interest income		485,026	529,072
Interest expense		(221,480)	(237,161)
Net interest income	**6**	**263,546**	**291,911**
Fee and commission income		102,750	108,179
Fee and commission expense		(18,533)	(20,754)
Net fee and commission income	**7**	**84,217**	**87,425**
Net trading income	**8**	11,017	11,997
Other operating income	**9**	62,802	15,314
TOTAL INCOME FROM BANKING OPERATIONS		**421,582**	**406,647**
General administrative expenses	10	(180,827)	(190,981)
Impairment losses	11	(329,137)	(299,621)
Other income/(expenses), net	12	108,734	119,665
PROFIT BEFORE TAX		**20,352**	**35,710**
Income tax expense	13	(2,501)	(4,946)
GROUP PROFIT AFTER TAX		**17,851**	**30,764**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		430	8
Available for sale financial assets		5,623	3,610
Other comprehensive income for the period		**6,053**	**3,618**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**23,904**	**34,382**
Profit attributable to:			
Owners of the Bank		17,815	30,774
Non-controlling interests		36	(10)
Total comprehensive income attributable to:			
Owners of the Bank		23,868	34,392
Non-controlling interests		36	(10)
Basic and diluted earnings per share (in BGN)	**14**	**0.16**	**0.28**

The consolidated statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 96 to 149.

Dimitar Kostov
Chief Risk Officer

Svetoslav Moldovanski
Chief Operating Officer

Maya Oyfalosh
Chief Corporate Banking Officer

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Jivko Todorov
Chief Financial Officer

According to independent auditor's report: BDO Bulgaria OOD

Nedyalko Apostolov
Manager

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ София Рег. №016 "БДО БЪЛГАРИЯ" ООД

Stoyanka Apostolova
Registered auditor

Consolidated statement of financial position as at 31 December 2015

In thousands of BGN

	Note	2015	2014
ASSETS			
Cash and balances with central banks	15	1,522,374	1,651,945
Financial assets held for trading	16	10,886	9,646
Available for sale investments	17	584,415	486,975
Financial assets held to maturity	18	84,244	63,737
Loans and advances to banks and financial institutions	19	109,455	112,078
Loans and advances to customers	20	5,221,360	5,810,328
Property and equipment	21	105,309	109,025
Intangible assets	22	11,878	18,265
Derivative assets held for risk management		3,357	4,019
Deferred tax assets	23	-	46
Current tax assets		1,912	800
Repossessed assets	24	931,555	521,605
Investment property	24a	206,244	-
Other assets	25	92,375	39,413
TOTAL ASSETS		**8,885,364**	**8,827,882**
LIABILITIES AND CAPITAL			
Due to credit institutions	26	4,708	1,393
Due to other customers	27	7,203,969	6,699,677
Ministry of Finance deposit	27a	450,922	901,844
Other borrowed funds	28	135,726	177,544
Perpetual debt	29	44,663	99,999
Hybrid debt	30	202,044	195,447
Deferred tax liabilities	23	5,371	3,336
Current tax liabilities		434	920
Other liabilities	31	87,681	20,825
TOTAL LIABILITIES		**8,135,518**	**8,100,985**
Issued share capital	32	110,000	110,000
Share premium	32	97,000	97,000
Statutory reserve	32	39,865	39,865
Revaluation reserve on available for sale investments		12,737	7,114
Revaluation reserve on land and buildings		4,500	4,500
Reserve from translation of foreign operations		(2,416)	(2,846)
Retained earnings	32	485,805	468,945
SHAREHOLDERS' EQUITY		**747,491**	**724,578**
Non-controlling interests		2,355	2,319
TOTAL GROUP EQUITY		**749,846**	**726,897**
TOTAL LIABILITIES AND GROUP EQUITY		**8,885,364**	**8,827,882**

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 96 to 149.

Dimitar Kostov
Chief Risk Officer

Svetoslav Moldovanski
Chief Operating Officer

Maya Oyfalosh
Chief Corporate Banking Officer

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Jivko Todorov
Chief Financial Officer

According to independent auditor's report: BDO Bulgaria OOD

Nedyalko Apostolov
Manager

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
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Stoyanka Apostolova
Registered auditor

Consolidated statement of cash flows for the year ended 31 December 2015

In thousands of BGN

	2015	2014
Cash flows from operating activities		
Profit for the period	17,851	30,764
Adjustment for non-cash items		
Impairment losses	329,137	299,621
Net interest income	(263,546)	(291,911)
Depreciation and amortisation	17,976	20,270
Income tax expense	2,501	4,946
(Profit)/loss from sale and derecognition of tangible and intangible fixed assets, net	1,674	(62)
(Profit) from sale of other assets, net	(3,273)	(161,239)
(Gain) from revaluation of investment property	(111,940)	-
	(9,620)	**(97,611)**
Change in operating assets		
(Increase)/decrease in financial instruments held for trading	(1,228)	6,845
(Increase) in available for sale investments	(91,375)	(57,216)
Decrease in loans and advances to banks and financial institutions	7,267	16,742
(Increase) in loans to customers	(303,869)	(117,895)
Net (increase) /decrease in other assets	(52,043)	22,490
	(441,248)	**(129,034)**
Change in operating liabilities		
(Decrease)/increase in deposits from banks	3,315	(3,909)
Increase in amounts owed to other depositors	74,720	97,700
Net increase in other liabilities	67,635	5,505
	145,670	**99,296**
Interest received	516,036	463,534
Dividends received	383	546
Interest paid	(238,993)	(280,592)
Income tax paid	(3,580)	(4,022)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**(31,352)**	**52,117**
Cash flows from investing activities		
(Purchase) of tangible and intangible fixed assets	(12,036)	(11,676)
Sale of tangible and intangible fixed assets	2,489	405
Sale of other assets	30,982	200,907
(Increase)/decrease of investments	(20,663)	114,953
NET CASH FLOWS FROM INVESTING ACTIVITIES	**772**	**304,589**
Cash flows from financing activities		
Repayment of subordinated liabilities	(52,660)	(24,655)
(Decrease) in borrowings	(41,733)	(17,001)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	**(94,393)**	**(41,656)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(124,973)**	**315,050**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**1,737,230**	**1,422,180**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (see note 34)	**1,612,257**	**1,737,230**

The consolidated cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 96 to 149.

Dimitar Kostov
Chief Risk Officer

Svetoslav Moldovanski
Chief Operating Officer

Maya Oyfalosh
Chief Corporate Banking Officer

Jivko Todorov
Chief Financial Officer

According to independent auditor's report: BDO Bulgaria OOD

Nedyalko Apostolov
Manager

Stoyanka Apostolova
Registered auditor

Consolidated statement of changes in equity for the year ended 31 December 2015

In thousands of BGN

	Share capital	Share premium	Retained earnings	Revaluation reserve on available for sale investments	Revaluation reserve on land and buildings	Reserve from translation of foreign operations	Statutory reserve	Non-controlling interests	Total
Balance as at 1 January 2014	**110,000**	**97,000**	**438,171**	**3,504**	**4,500**	**(2,854)**	**39,865**	**2,329**	**692,515**
Total comprehensive income									
Profit for the year ended 31 December 2014	-	-	30,774	-	-	-	-	(10)	30,764
Other comprehensive income									
Revaluation reserve on available for sale investments	-	-	-	3,610	-	-	-	-	3,610
Reserve from translation of foreign operations	-	-	-	-	-	8	-	-	8
Balance as at 31 December 2014	**110,000**	**97,000**	**498,945**	**7,114**	**4,500**	**(2,846)**	**39,865**	**2,319**	**726,897**
Total comprehensive income									
Profit for the year ended 31 December 2015	-	-	17,815	-	-	-	-	36	17,851
Other comprehensive income									
Revaluation reserve on available for sale investments	-	-	-	5,623	-	-	-	-	5,623
Reserve from translation of foreign operations	-	-	-	-	-	430	-	-	430
Dividend paid by subsidiary	-	-	(955)	-	-	-	-	-	(955)
Balance as at 31 December 2015	**110,000**	**97,000**	**485,805**	**12,737**	**4,500**	**(2,416)**	**39,865**	**2,355**	**749,846**

The consolidated statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 96 to 149.

The consolidated financial statements have been approved by the Management Board on 7 April 2016 and signed on its behalf by:

Dimitar Kostov
Chief Risk Officer

Svetoslav Moldovanski
Chief Operating Officer

Maya Oyfalosh
Chief Corporate Banking Officer

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Jivko Todorov
Chief Financial Officer

According to independent auditor's report: BDO Bulgaria OOD

Nedyalko Apostolov
Manager

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ София Рег. №016 "БДО БЪЛГАРИЯ" ООД

Stoyanka Apostolova
Registered auditor

1. Basis of preparation

(a) Statute

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

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

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

The consolidated financial statements of the Bank as at and for the year ended 31 December 2015 comprise the Bank and its subsidiaries (see note 37), together referred to as the "Group".

On 10th October 2013 the Bank has acquired 122,464,965 shares with voting rights, which comprise 100% of the share capital of MKB Unionbank EAD. On 4th March 2015 the merger of Unionbank EAD and First Investment Bank AD was registered in the Commercial Register. Under the law, after the registration in the Commercial Register has been accomplished, Unionbank EAD's status of a commercial entity is terminated and all its rights and obligations are transferred to First Investment Bank AD in its capacity of a universal successor. (Please, refer to note 37(i))

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

(b) Statement of compliance

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

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

(c) Basis of preparation

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

The financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held for trading and available-for-sale assets except for investments in equity instruments whose fair value cannot be reliably measured. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

(d) New standards, amendments and interpretations effective as of 1 January 2015

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

- Annual Improvements 2011 - 2013 of (issued on 12 December 2013), effective 1 July 2014, endorsed by the EU on 18 December 2014, published in the Official Journal on 19 December 2014; EU effective date 1 January 2015.
- IFRIC 21 Levies (issued on 20 May 2013) effective 1 January 2014, endorsed by the EU on 13 June 2014, published in the Official Journal on 14 June 2014; EU effective date 17 June 2014.

The adoption of these amendments to the existing standards has not led to any changes in the Company's accounting policies.

2. Significant accounting policies

(a) Income recognition

(i) Interest income and expense

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

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

(ii) Fee and commission

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

(iii) Net trading income

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

(iv) Dividend income

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

(b) Basis of consolidation

(i) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring 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 interests (NCI)

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

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

(iii) Subsidiaries

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

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

(iv) Loss of control

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

(v) Transactions eliminated on consolidation

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

(c) Foreign currency transactions

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Bulgarian leva, which is the Group's functional and presentation currency.

(ii) Transactions and balances

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

(iii) Foreign operations

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

(d) Financial assets

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

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity

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

(iv) Available-for-sale

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

(v) Recognition

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

(vi) Measurement

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

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

(vii) Fair value measurement

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

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

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

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

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

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

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

(viii) Derecognition

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

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

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

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

(e) Cash and cash equivalents

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

(f) Investments

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

(g) Securities borrowing and lending business and repurchase transactions

(i) Securities borrowing and lending

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

(ii) Repurchase agreements

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

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

(h) Borrowings

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

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

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

(i) Offsetting

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

(j) Impairment

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

(i) Loans and advances

A financial asset is impaired or an impairment loss is recognised, provided that there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and this loss event (or events) has an impact on the estimated future cash flows from the financial asset.

Events leading to loss are traceable and provable facts and events which give grounds to believe that a given exposure may not be serviced as it is stipulated in the contract or that part of the debt may remain unrecoverable. The Group assumes that such events are: significant financial difficulty of the borrower; a breach of contract, such as a default or delinquency in interest or principal payments; it becoming probable that the borrower will enter bankruptcy; where due to economic or legal reasons relating to the borrower's financial difficulty the Group makes concessions which it would not otherwise consider; expected negative impact on the borrower's cash flow due to financial difficulties of a related party.

Exposures for which events leading to loss have been registered, where such events are expected to have a significant impact on future cash flows, are categorized as non-performing and are subject to specific impairment (calculated on the basis of individual cash flow or using the portfolio principle).

The Bank applies the principles of individual and collective assessment of risk exposures depending on the exposure classification (performing/non-performing) and size. For all individually significant exposures non-performing exposures specific impairment is calculated on the basis of the individual cash flow and portfolio assessment calculation for all other exposures. As regards performing exposures the Bank applies the collective principle of assessment (taking into account incurred but not reported losses), grouping exposures into portfolios with similar credit risk characteristics.

All exposures which are not impaired individually are subject to portfolio impairment based on common credit risk characteristics. The characteristics (business segment, availability of resources, days overdue) have been selected to be sufficient indicators of the borrowers' ability to pay all amounts due according to the contractual terms of the assessed assets. The combination of these credit characteristics determines the major risk parameters of an exposure (probability of default, loss given default, loss identification period, cure rate) and the impairment loss to be recognised.

Loans and advances are presented net of recognized individual and collective allowances for impairment. The carrying amount of the asset is reduced through use of an allowance account.

Risk exposures fully covered with allowance for impairment are written off where there is a reason to believe that all relevant financial efforts for limiting the loss have been exhausted.

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

(ii) Available for sale financial assets

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

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

(k) Property and equipment

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

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

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

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

(l) Intangible assets

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

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

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

(m) Investment property

Investment property is property (land or a building—or part of a building—or both) held by the Group to earn rentals or for capital appreciation or both. The Group chooses as its accounting policy the fair value model and applies it to measure all of its investment property at fair value. An investment property is measured initially at its cost and its carried thereafter at fair value. A gain or loss arising from a change in the fair value of investment property is recognised in profit or loss for the period in which it arises. Transfers from repossessed asstes accounted for as inventories to investment property are made when there is commencement of an operating lease to another party. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued and reliable valuation techniques are used.

(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 estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(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 other borrowed funds.

(p) Off-statement of financial position commitments

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

(q) Taxation

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

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

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

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

(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 2015 are stated below and are related to the impairment of financial instruments, income tax and the following notes related to other elements of the financial statements:

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

(i) Impairment losses on loans and advances

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

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

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

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

(ii) Impairment of repossessed assets from collaterals

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

(iii) Income taxes

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

(s) Earnings per share

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

(t) Employee benefits

Defined contribution plans

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

Defined benefit plans

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

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

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

Termination benefits

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

Short-term employee benefits

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

(u) Insurance contracts

Classification of insurance contracts

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

Written premiums

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

Reversed premiums

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

Unearned-premium reserve

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

Unexpired risk reserve

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

Claims incurred

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

Outstanding claims reserve

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

Acquisition costs

Acquisition costs include accrued commission expense from agents and brokers.

(v) Standards, interpretations and amendments in standards that are issued by IASB and endorsed by EU but not yet effective

- Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans:* Employee Contributions (issued on 21 November 2013), effective 1 July 2014, endorsed by the EU on 17 December 2014, published in the Official Journal on 9 January 2015, EU effective date 1 February 2015
- Annual Improvements 2010 - 2012 of (issued on 12 December 2013), effective 1 July 2014, endorsed by the EU on 17 December 2014, published in the Official Journal on 9 January 2015; EU effective date 1 February 2015
- Amendments to IAS 16 and IAS 41: *Bearer Plants* (issued on 30 June 2014), effective 1 January 2016, endorsed by the EU on 23 November 2015, published in the Official Journal on 24 November 2015
- Amendments to IFRS 11: *Accounting for Acquisitions of Interests in Joint Operations* (issued on 6 May 2014), effective 1 January 2016, endorsed by the EU on 24 November 2015, published in the Official Journal on 25 November 2015
- Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation* (issued on 12 May 2014)), effective 1 January 2016, endorsed by the EU on 2 December 2015, published in the Official Journal on 3 December 2015
- Annual improvements to IFRSs 2012-2014 (issued on 25 September 2014), effective 1 January 2016, endorsed by the EU on 15 December 2015, published in the Official Journal on 16 December 2015
- Amendments to IAS 1: *Disclosure Initiative* (issued on 18 December 2014), effective 1 January 2016, endorsed by the EU on 18 December 2015, published in the Official Journal on 19 December 2015
- Amendments to IAS 27: *Equity Method in Separate Financial Statements* (issued on 12 August 2014), effective 1 January 2016, endorsed by the EU on 18 December 2015, published in the Official Journal on 23 December 2015.

Documents issued by the IASB / IFRIC not yet endorsed by the EU

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 Company in preparing these financial statements.

- IFRS 9 *Financial Instruments* (issued on 24 July 2014), effective 1 January 2018
- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014), effective 1 January 2016
- IFRS 15 *Revenue from Contracts with Customers* (issued on 28 May 2014) including amendments to IFRS 15: Effective date of IFRS 15 (issued on 11 September 2015), effective 1 January 2018
- Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued on 11 September 2014), IASB Effective Date has been deferred indefinitely
- Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment entities: Applying the Consolidation Exception* (issued on 18 December 2014), effective 1 January 2016.

3. Risk management disclosures

A. Trading activities

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

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

(i) Credit risk

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

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

(ii) Market risk

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

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

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

The Value at Risk is calculated and monitored on a daily basis as part of the Bank's ongoing risk management. The following table summarises the range of interest rate VaR for all positions carried at fair value that was experienced in 2015:

In thousands of BGN	31 December 2015	2015			31 December 2014
		average	low	high	
VaR	2,437	2,950	1,047	5,907	1,368

B. Non-trading activities

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

(i) Liquidity risk

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

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

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

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

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

An independent supervisor monitors the implementation of the plan and provides regular reports to the European Commission.

As at 31 December 2015 the Bank has fulfilled its commitments as per the liquidity recovery plan.

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

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

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

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

In thousands of BGN	31 December 2015	31 December 2014
Liquid assets ratio	**25.37%**	**26.25%**

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

Maturity table as at 31 December 2015

In thousands of BGN	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	Over 1 year	Maturity not defined	Total
Assets						
Cash and balances with central banks	1,522,374	-	-	-	-	**1,522,374**
Financial assets held for trading	10,886	-	-	-	-	**10,886**
Available for sale investments	503,128	4,890	9,874	60,235	6,288	**584,415**
Financial assets held to maturity	2,967	39,402	5,825	36,050	-	**84,244**
Loans and advances to banks and financial institutions	82,688	-	18,711	8,056	-	**109,455**
Loans and advances to customers	576,128	222,730	1,089,740	3,332,762	-	**5,221,360**
Other financial assets	3,283	40	74	(40)	-	**3,357**
Total financial assets	**2,701,454**	**267,062**	**1,124,224**	**3,437,063**	**6,288**	**7,536,091**
Liabilities						
Due to credit institutions	4,708	-	-	-	-	**4,708**
Due to other customers	2,238,980	773,711	2,807,751	1,383,527	-	**7,203,969**
Due to Ministry of Finance	-	-	450,922	-	-	**450,922**
Other borrowed funds	28,959	1,653	7,665	97,449	-	**135,726**
Perpetual debt	-	-	-	-	44,663	**44,663**
Hybrid debt	-	-	-	-	202,044	**202,044**
Total financial liabilities	**2,272,647**	**775,364**	**3,266,338**	**1,480,976**	**246,707**	**8,042,032**
Net liquidity gap	**428,807**	**(508,302)**	**(2,142,114)**	**1,956,087**	**(240,419)**	**(505,941)**

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

Maturity table as at 31 December 2014

In thousands of BGN	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	Over 1 year	Maturity not defined	Total
Assets						
Cash and balances with central banks	1,651,945	-	-	-	-	**1,651,945**
Financial assets held for trading	9,646	-	-	-	-	**9,646**
Available for sale investments	444,636	7,665	18,414	9,972	6,288	**486,975**
Financial assets held to maturity	2,887	13,349	1,398	46,103	-	**63,737**
Loans and advances to banks and financial institutions	85,991	-	26,087	-	-	**112,078**
Loans and advances to customers	506,984	170,629	1,045,408	4,087,307	-	**5,810,328**
Other financial assets	3,517	104	398	-	-	**4,019**
Total financial assets	**2,705,606**	**191,747**	**1,091,705**	**4,143,382**	**6,288**	**8,138,728**
Liabilities						
Due to credit institutions	1,393	-	-	-	-	**1,393**
Due to other customers	1,899,357	698,096	2,982,210	1,120,014	-	**6,699,677**
Due to Ministry of Finance	-	-	301,844	600,000	-	**901,844**
Other borrowed funds	46	3,248	24,841	149,409	-	**177,544**
Perpetual debt	-	-	-	-	99,999	**99,999**
Hybrid debt	-	-	-	-	195,447	**195,447**
Total financial liabilities	**1,900,796**	**701,344**	**3,308,895**	**1,869,423**	**295,446**	**8,075,904**
Net liquidity gap	**804,810**	**(509,597)**	**(2,217,190)**	**2,273,959**	**(289,158)**	**62,824**

The following table provides remaining maturities analysis of the financial assets and liabilities of the Group as at 31 December 2015 based on the contractual undiscounted cash flows.

In thousands of BGN	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	Over 1 year	Total
Financial assets					
Cash and balances with central banks	1,522,374	-	-	-	**1,522,374**
Financial assets held for trading	10,886	-	-	-	**10,886**
Available for sale investments	578,127	-	-	6,288	**584,415**
Financial assets held to maturity	2,972	39,451	6,033	43,600	**92,056**
Loans and advances to banks and financial institutions	82,688	-	18,711	8,056	**109,455**
Loans and advances to customers	659,253	257,461	1,305,777	4,417,357	**6,639,848**
Total financial assets	**2,856,300**	**296,912**	**1,330,521**	**4,475,301**	**8,959,034**
Financial liabilities					
Due to credit institutions	4,708	-	-	-	**4,708**
Due to other customers	2,239,644	776,138	2,840,667	1,435,458	**7,291,907**
Due to Ministry of Finance	-	-	454,041	-	**454,041**
Other borrowed funds	28,964	1,655	7,702	102,039	**140,360**
Perpetual debt	-	-	45,927	-	**45,927**
Hybrid debt	-	-	12,908	264,233	**277,141**
Total financial liabilities	**2,273,316**	**777,793**	**3,361,245**	**1,801,730**	**8,214,084**
Derivative assets held for risk management					
Outgoing cash flow	3,041	1,956	9,877	978	**15,852**
Incoming cash flow	6,324	1,996	9,951	938	**19,209**
Total derivatives, net	3,283	40	74	(40)	**3,357**

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

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

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

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

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

Liquid assets

In thousands of BGN	2015	2014
Balances with BNB	849,402	840,589
Current accounts and amounts with other banks	754,351	888,778
Unencumbered debt securities	427,874	380,658
Gold	8,496	9,672
Total liquid assets	**2,040,123**	**2,119,697**

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

As of 31 December 2015 the funds borrowed from the top 30 depositors, who are not banks and have no collateral, represent 3.65% of the total amount of the liabilities to other clients (31 December 2014: 3.56%).

(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 Group is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as the Bulgarian Base Interest Rate, the LIBOR and EURIBOR, although these indices tend to move in high correlation. In addition, the actual effect will depend on a number of other factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within repricing periods and among currencies.

In order to quantify the interest rate risk of its non-trading activities, the Group measures the impact of a change in the market rates both on net interest income and on the Group's economic value defined as the difference between fair value of assets and fair value of liabilities included in the banking book. In March 2015 some changes in methodology of an interest risk measurement were introduced, more precisely the impact of both interest rate threshold and the repayment plans of every particular loan contract were included in the calculation of the Group's economic value and the Group's net interest income. The liquidity support from the Ministry of Finance is taken into account in the maturity intervals according to the planned repayment schedule, and the standard deposits are no longer considered a liability not sensitive to interest rates due to the fact that the interest rates on deposits are managed actively. Due to the changes in methodology in 2015 significant changes are observed in the reference values of the economic capital and the net interest income compared to 2014.

The interest rate risk on the economic value of the Group following a standardised shock of +100bp/-100bp as of 31 December 2015 is BGN -24.7/+30.0 Mio. The interest rate risk on the Group's net interest income one year forward following a standardised shock of +100bp/-100bp as of 31 December 2015 is BGN -7.5/7.8Mio.

Effect in millions of BGN	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
2015				
As at 31 December	-7.5	+7.8	-24.7	+30.0
Average for the period	+1.9	-1.5	-8.6	+22.0
Maximum for the period	+22.2	-4.5	+11.4	+62.0
Minimum for the period	-13.4	-22.2	-24.7	+1.3
2014				
As at 31 December	+11.7	-11.7	+0.6	-0.6
Average for the period	+8.6	-8.6	-5.2	+5.2
Maximum for the period	+11.7	-4.5	+2.7	+14.5
Minimum for the period	+4.5	-11.7	-14.5	-2.7

The following table indicates the periods in which financial liabilities and assets reprice at 31 December 2015.

In thousands of BGN	Total	Floating rate instru-ments	Fixed rate instruments			
			Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	More than 1 year
Assets						
Cash and balances with central banks	**534,480**	463,861	70,619	-	-	-
Financial assets held for trading	**7,767**	-	-	-	-	7,767
Available for sale investments	**578,124**	33,635	4,644	18,080	26,560	495,205
Financial assets held to maturity	**84,244**	-	38,751	3,618	5,825	36,050
Loans and advances to banks and financial institutions	**83,433**	-	73,611	-	9,822	-
Loans and advances to customers	**4,955,324**	3,832,070	96,189	81,728	185,623	759,714
Total interest-earning assets	**6,243,372**	**4,329,566**	**283,814**	**103,426**	**227,830**	**1,298,736**
Liabilities						
Due to credit institutions	**4,708**	1,889	2,819	-	-	-
Due to other customers	**7,194,894**	1,289,322	940,472	773,711	2,807,862	1,383,527
Due to Ministry of Finance	**450,922**	-	-	-	450,922	-
Other borrowed funds	**135,726**	26,257	28,856	1,532	2,517	76,564
Perpetual debt	**44,663**	-	-	-	-	44,663
Hybrid debt	**202,044**	-	-	-	-	202,044
Total interest-bearing liabilities	**8,032,957**	**1,317,468**	**972,147**	**775,243**	**3,261,301**	**1,706,798**

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

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

Currency risk

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

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

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

In thousands of BGN	2015	2014
Monetary assets		
Euro	4,485,517	5,112,346
US dollar	534,278	436,960
Other currencies	222,071	199,131
Gold	8,496	9,672
Monetary liabilities		
Euro	3,163,496	3,258,730
US dollar	528,354	445,618
Other currencies	212,688	196,884
Gold	6,517	6,926
Net position		
Euro	1,322,021	1,853,616
US dollar	5,924	(8,658)
Other currencies	9,383	2,247
Gold	1,979	2,746

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

(iii) Credit risk

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

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

In thousands of BGN	Loans and advances to other customers		Loans and advances to banks and balances with central banks		Investments and financial assets held for trading		Off balance sheet commitments	
	2015	2014	2015	2014	2015	2014	2015	2014
Carrying amount	5,221,360	5,810,328	1,467,942	1,598,412	670,139	550,881	-	-
Amount committed/ guaranteed	-	-	-	-	-	-	874,562	841,167

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

31 December 2015		In thousands of BGN
Class of exposure	**Gross amount of loans and advances to customers**	**Carrying amount of loans and advances to customers**
Performing		
Collectively impaired	4,533,507	4,517,064
Non-performing		
Collectively impaired	377,608	188,420
Individually impaired	1,043,740	515,876
Total	**5,954,855**	**5,221,360**
31 December 2014		In thousands of BGN
Class of exposure	**Gross amount of loans and advances to customers**	**Carrying amount of loans and advances to customers**
Collectively impaired		
Standard	3,181,717	3,177,051
Watch	12,493	12,164
Nonperforming	778	698
Individually impaired		
Standard	1,991,834	1,928,918
Watch	397,671	278,461
Nonperforming	237,061	195,939
Loss	512,376	217,097
Total	**6,333,930**	**5,810,328**

As a result of amendments to the Bank's internal rules for impairment and provisioning of risk exposures, the classification of exposures by risk classes changed in 2015.

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

At 31.12.2015 the gross amount of overdue receivables from customers measured as exposures overdue for more than 90 days is BGN 881,041 thousand (2014: BGN 687,588 thousand).

In addition, the Group is exposed to off-balance sheet credit risk through commitments to extend credits and issue contingent liabilities (see note 33).

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

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

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

In thousands of BGN	2015	2014
Trade	1,102,617	1,426,114
Industry	1,145,360	1,538,208
Services	467,974	576,602
Finance	135,235	109,577
Transport, logistics	361,759	288,906
Communications	94,254	77,660
Construction	238,275	244,049
Agriculture	128,393	112,595
Tourist services	215,520	172,824
Infrastructure	481,471	424,743
Private individuals	1,496,179	1,309,274
Other	87,818	53,378
Less allowance for impairment	(733,495)	(523,602)
Total	**5,221,360**	**5,810,328**

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 2015 with total exposures outstanding amounting to BGN 204,787 thousand (2014: BGN 188,020 thousand) - ferrous and non-ferrous metallurgy, BGN 60,611 thousand (2014: BGN 60,818 thousand) – mining industry and BGN 111,590 thousand (2014: BGN 140,339 thousand) - power engineering.

The Group has extended loans and issued contingent liabilities to 4 individual clients or groups (2014: 8) with each individual exposure exceeding 10% of the own funds of the Group. The total amount of these exposures is BGN 597,879 thousand which represents 63.88 % of the Group's own funds (2014: BGN 1,091,552 thousand which represented 116.24% of capital base) of which BGN 527,068 thousand (2014: BGN 1,041,053 thousand) represent loans and BGN 70,811 thousand (2014: BGN 50,499 thousand) represent guarantees, letters of credit and other commitments.

The biggest loan exposure of the Group extended to a group of connected clients amounts to BGN 173,334 thousand (2014: BGN 160,941 thousand) representing 18.52% of the Group's own funds (2014: 17.14%).

The loans extended by the Cyprus branch amount to BGN 60,349 thousand amortised cost before allowance (2014: BGN 539,246 thousand) and in Albania – BGN 96,522 thousand (2014: BGN 89,554 thousand).

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

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

Collateral held against different types of assets:

Type of credit exposure	Main type of collateral	Collateral coverage ratio	
		2015	**2014**
Repurchase agreements	Tradable securities	100%	-
Loans and advances to banks	None	-	-
Mortgage loans	Residential real estate and commercial property	304%	315%
Consumer loans	Mortgage, guarantee, financial and other collateral	66%	55%
Credit cards	None	-	-
Loans to companies	Mortgage, pledge of enterprise, pledge of fixed assets, pledge of goods and other inventory, guarantee facilities, financial and other collateral	391%	175%

The table below shows a breakdown of total gross loans and advances extended to customers by the Group by type of collateral up to the collateral amount, excluding credit cards in the amount of BGN 262,435 thousand (31 December 2014: BGN 245,918 thousand):

In thousands of BGN	**2015**	**2014**
Mortgage	1,632,673	1,001,968
Pledge of receivables	1,002,745	1,566,139
Pledge of commercial enterprise	64,417	266,620
Securities	229,634	134,133
Bank guarantee	667	2,623
Other guaranties	1,813,063	1,752,274
Pledge of goods	33,580	58,830
Pledge of machines	107,595	139,111
Money deposit	75,207	157,279
Stake in capital	944	285,214
Gold	18	97
Other collateral	13,071	1,806
Unsecured	718,806	721,918
Total	**5,692,420**	**6,088,012**

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

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	2015	2014
Loan to value (LTV) ratio		
Less than 50%	160,978	180,682
From 50% to 70%	184,496	210,448
From 70% to 90%	180,856	186,632
From 90% to 100%	24,893	27,609
More than 100%	63,894	49,078
Total	**615,117**	**654,449**

Loans and advances to companies

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

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

As at 31 December 2015 the gross amount of individually impaired loans to companies amounts to BGN 1,034,628 thousand (2014: BGN 453,770 thousand) and the value of collateral held against those loans amounts to BGN 1,629,462 thousand (2014: BGN 1,938,997 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.

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

Renegotiated Loans

In thousands of BGN	2015		2014	
Type of renegotiation	**Amortised cost**	**Impairment**	**Amortised cost**	**Impairment**
Loans to Individuals	**434,043**	**35,315**	**34,341**	**1,114**
Change of maturity	175,573	7,926	1,149	553
Change of amount of installment	12,004	1,820	945	174
Change of interest rate	81,336	4,385	6,815	190
Change due to customers request	62,058	2,560	14,454	33
Other reasons	103,072	18,624	10,978	164
Loans to companies	**3,029,620**	**358,778**	**2,697,066**	**169,340**
Change of maturity	267,161	13,000	300,304	367
Change of amount of installment	504,383	116,057	237,249	30,510
Change of interest rate	219,176	22,985	690,245	734
Change due to customers request	1,851,013	163,298	1,421,828	136,136
Other reasons	187,887	43,438	47,440	1,593
Total	**3,463,663**	**394,093**	**2,731,407**	**170,454**

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 Problem Assets Department.

(iv) Government debt exposures

The Group closely manages the credit risk related to government debt 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. As at 31 December 2015 and 31 December 2014 the Group does not recognise allowance for impairment against the exposures which are measured at amortised cost as well as those classified as available for sale.

31 December 2015						In thousands of BGN
Portfolio	**Bulgaria**	**Albania**	**Slovakia**	**Latvia**	**Lithuania**	**USA**
Financial assets held for trading	6,354	-	-	-	-	-
Available for sale investments	420,333	76,646	2,024	68	21,481	-
Financial assets held to maturity	-	27,890	-	-	-	35,784
Total	**426,687**	**104,536**	**2,024**	**68**	**21,481**	**35,784**

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

Maturity table of government debt securities by country issuer as at 31 December 2015

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	2,999	13,190	16,686	192,694	201,118	**426,687**
Albania	4,613	8,508	15,700	30,533	45,182	**104,536**
Slovakia	-	-	-	-	2,024	**2,024**
Latvia	-	-	-	68	-	**68**
Lithuania	-	-	-	-	21,481	**21,481**
USA	-	35,784	-	-	-	**35,784**
Общо	**7,612**	**57,482**	**32,386**	**223,295**	**269,805**	**590,580**

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

In thousands of BGN

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

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;

f) minority interests.

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

Additional Tier 1 capital

The instruments of Additional Tier 1 capital include hybrid debt (see note 30). Deductions from components of Tier 1 capital include regulatory adjustments relating to items that are included in the capital or the assets of the Bank, but are treated differently for capital adequacy regulation.

Tier 2 capital

Tier 2 capital consists of perpetual debt (see note 29) and regulatory adjustments related to the revaluation reserve on land and buildings.

In thousands of BGN **Own funds**	**CRR/CRD IV (Basel III)** **2015**	**CRR/CRD IV (Basel III)** **2014**
Paid up capital instruments	110,000	110,000
(-) Indirect shareholding in Common Equity Tier 1 capital instruments	(60)	(64)
Premium reserves	97,000	97,000
Other reserves	505,411	475,199
Minority interests	2,355	2,319
Accumulated other comprehensive income	17,237	11,614
Deductions from Common Equity Tier 1 capital:		
(-) Intangible assets	(11,878)	(18,265)
Transitional adjustments of Common Equity Tier 1 capital	(3,215)	3,434
Common Equity Tier 1 capital	**716,850**	**681,237**
Additional Tier 1 capital instruments		
Hybrid debt	195,583	195,583
Tier 1 capital deductions:		
Transitional adjustments of Additional Tier 1 capital	(8,006)	(16,472)
Tier 1 capital	**904,427**	**860,348**
Tier 2 capital		
Perpetual debt	28,751	75,104
Transitional adjustments of Tier 2 capital	2,700	3,600
Total own funds	**935,878**	**939,052**

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

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

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

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

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

The Group has complied with the regulatory capital requirements.

Capital adequacy level is as follows:

In thousands of BGN	Balance sheet amount/ notional amount		Risk weighted assets	
	2015 CRD IV	2014 CRD IV	2015 CRD IV	2014 CRD IV
Risk-weighted assets for credit risk				
Balance sheet items				
Exposure classes				
Central governments or central banks	1,543,573	1,335,682	109,568	106,262
Regional governments or local authorities	-	50	-	10
Multilateral development banks	602	507	-	-
Institutions	698,022	812,995	174,538	199,270
Corporates	2,470,926	3,620,193	2,378,218	3,522,227
Retail	849,405	933,820	513,192	560,058
Secured by mortgages on immovable property	1,171,945	854,736	482,944	312,611
Exposures in default	681,173	401,465	733,573	336,128
Collective investments undertakings	2,214	2,199	2,214	2,199
Equity	7,142	7,288	7,893	8,039
Other items	1,433,024	822,730	1,261,718	649,425
Total	**8,858,026**	**8,791,665**	**5,663,858**	**5,696,229**
Off-balance sheet items				
Exposure classes				
Institutions	-	-	487	161
Corporates	509,198	501,614	160,074	158,872
Retail	332,634	324,618	1,315	2,945
Secured by mortgages on immovable property	32,730	14,935	6,796	2,835
Other items	-	-	6	27
Total	**874,562**	**841,167**	**168,678**	**164,840**
Derivatives				
Exposure class				
Institutions	20	45	4	9
Corporates	411	715	411	715
Other items	3,324	3,532	3,324	3,532
Total	**3,755**	**4,292**	**3,739**	**4,256**
Total risk-weighted assets for credit risk			**5,836,275**	**5,865,325**
Risk-weighted assets for market risk			**6,300**	**6,902**
Risk-weighted assets for operational risk			**513,413**	**434,149**
Total risk-weighted assets			**6,355,988**	**6,306,376**

Capital ratios	**Capital**		**Capital ratios %**	
	2015 CRD IV	**2014 CRD IV**	**2015 CRD IV**	**2014 CRD IV**
Common Equity Tier 1 capital	**716,850**	**681,237**	**11.28%**	**10.80%**
Tier 1 Capital	**904,427**	**860,348**	**14.23%**	**13.64%**
Own funds	**935,878**	**939,052**	**14.72%**	**14.89%**

4. Segment reporting

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

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

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

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

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

In thousands of BGN	Bulgarian operations		Foreign operations		Total	
	2015	2014	2015	2014	2015	2014
Interest income	451,427	479,335	33,599	49,737	485,026	529,072
Interest expense	(217,251)	(230,779)	(4,229)	(6,382)	(221,480)	(237,161)
Net interest income	**234,176**	**248,556**	**29,370**	**43,355**	**263,546**	**291,911**
Fee and commission income	99,057	104,029	3,693	4,150	102,750	108,179
Fee and commission expense	(18,044)	(20,282)	(489)	(472)	(18,533)	(20,754)
Net fee and commission	**81,013**	**83,747**	**3,204**	**3,678**	**84,217**	**87,425**
Net trading income	**11,237**	**11,742**	**(220)**	**255**	**11,017**	**11,997**
General administrative expenses	**(173,492)**	**(184,118)**	**(7,335)**	**(6,863)**	**(180,827)**	**(190,981)**
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Segment assets	**8,584,956**	**8,072,205**	**300,408**	**755,677**	**8,885,364**	**8,827,882**
Segment liabilities	**7,891,349**	**7,859,162**	**244,169**	**241,823**	**8,135,518**	**8,100,985**

The following table presents the allocation of assets and liabilities, income and expenses based on business segments as at 31 December 2015 and for the year then ended:

In thousands of BGN

Business segment	Assets	Liabilities	Interest income	Interest expense	Net fee and commission income	Net trading income	Other operating income
Commercial banking	3,762,996	1,508,451	322,626	(24,646)	29,050	-	59,741
Retail banking	1,458,364	6,146,440	144,047	(178,378)	34,404	-	-
Cards business	-	-	-	-	16,180	-	-
Treasury	2,314,731	33,564	18,353	(297)	2,765	11,017	3,061
Other	1,349,273	447,063	-	(18,159)	1,818	-	-
Total	**8,885,364**	**8,135,518**	**485,026**	**(221,480)**	**84,217**	**11,017**	**62,802**

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)(vii).

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

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

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 is responsibility of Risk analysis and control division subject to approval by the Managing Board;
- calibration of models against observed market transactions;
- analysis and investigation of significant daily valuation movements;
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous month, responsibility of Risk 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;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement;
- where a number of quotes for the same financial instrument have been obtained, how fair value has been determined using those quotes.

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

In thousands of BGN

31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	10,886	-	-	10,886
Available for sale investments	460,459	117,668	-	578,127
Derivatives held for risk management	3,258	99	-	3,357
Total	**474,603**	**117,767**	-	**592,370**

In thousands of BGN

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

Capital investments amounting to BGN 6,288 thousand at 31 December 2015 and BGN 6,288 thousand at 31 December 2014 are presented in the statements at their acquisition cost, because their fair value cannot be reliably measured.

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

In thousands of BGN

31 December 2015	Level 1	Level 2	Level 3	Fair value	Total carrying amount
Assets					
Cash and balances with central banks	-	1,522,374	-	1,522,374	1,522,374
Financial assets held to maturity	35,652	49,298	-	84,950	84,244
Loans and advances to banks and financial institutions	-	109,455	-	109,455	109,455
Loans and advances to customers	-	704,296	4,506,579	5,210,875	5,221,360
Total	**35,652**	**2,385,423**	**4,506,579**	**6,927,654**	**6,937,433**
Liabilities					
Due to credit institutions	-	4,708	-	4,708	4,708
Due to other customers	-	2,238,980	4,964,497	7,203,477	7,203,969
Due to MF	-	-	450,602	450,602	450,922
Other borrowed funds	-	135,669	-	135,669	135,726
Perpetual debt	-	44,711	-	44,711	44,663
Hybrid debt	-	201,616	-	201,616	202,044
Total	**-**	**2,625,684**	**5,415,099**	**8,040,783**	**8,042,032**

In thousands of BGN

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

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	2015	2014
Interest income		
Accounts with and placements to banks and financial institutions	494	652
Retail customers	136,997	142,571
Loans to corporate clients	279,820	320,417
Loans to small and medium enterprises	42,806	43,002
Microlending	7,050	6,913
Debt instruments	17,859	15,517
	485,026	**529,072**
Interest expense		
Deposits from banks	(80)	(14)
Deposits from other customers	(203,400)	(228,396)
Other borrowed funds	(2,534)	(4,741)
Subordinated term debt	-	(2,189)
Perpetual debt	(8,847)	(11,583)
Hybrid debt	(6,598)	9,804
Lease agreements and other	(21)	(42)
	(221,480)	**(237,161)**
Net interest income	**263,546**	**291,911**

For 2015 the recognised interest income on individually impaired financial assets (loans and advances to customers) amounts to BGN 27,865 thousand (2014: BGN 76,767 thousand).

7. Net fee and commission income

In thousands of BGN	2015	2014
Fee and commission income		
Letters of credit and guarantees	6,138	6,656
Payments transactions	14,727	16,128
Customer accounts	23,554	23,514
Cards business	30,351	30,840
Other	27,980	31,041
	102,750	**108,179**
Fee and commission expense		
Letters of credit and guarantees	(299)	(241)
Payments systems	(1,842)	(2,054)
Cards business	(13,533)	(15,390)
Other	(2,859)	(3,069)
	(18,533)	**(20,754)**
Net fee and commission income	**84,217**	**87,425**

8. Net trading income

In thousands of BGN	2015	2014
Net trading gains/(losses) arise from:		
- Debt instruments	157	662
- Equity instruments	(59)	53
- Foreign exchange	10,919	11,282
Net trading income	**11,017**	**11,997**

9. Other operating income

In thousands of BGN	2015	2014
Other operating income arise from:		
- Debt instruments	3,044	1,783
- Operating income from management of assigned receivables	50,456	-
- Operating income from management of loans acquired through business combination	9,285	13,520
- Other	17	11
Other operating income	**62,802**	**15,314**

10. General administrative expenses

In thousands of BGN	2015	2014
General and administrative expenses comprise:		
- Personnel cost	60,436	65,849
- Depreciation and amortisation	17,976	20,270
- Advertising	14,266	13,445
- Building rent expense	33,527	30,647
-Telecommunication, software and other computer maintenance	10,826	10,280
- Administration, consultancy, audit and other costs	43,796	50,490
General administrative expenses	**180,827**	**190,981**

Personnel costs include salaries, social and health security contributions under the provisions of the respective local legislation. At 31 December 2015 the total number of employees of the Group is 3,234 (31 December 2014: 3,291).

11. Impairment losses

In thousands of BGN	2015	2014
Write-downs		
Loans and advances to customers	(400,490)	(325,599)
Reversal of write-downs		
Loans and advances to customers	71,353	25,978
Net impairment losses	**(329,137)**	**(299,621)**

The higher expense for impairment in 2015 is due to additional allowances resulting from the development of credit risk in a period of unstable economic environment and the conservative approach applied by the Group in recognising the risk of loss for certain individually impaired exposures.

12. Other income/(expenses), net

In thousands of BGN	2015	2014
Net income from transactions and revaluation of gold and precious metals	786	619
Rental income	4,198	2,332
Income from sale of assets	3,051	158,604
Revaluation of investment property	111,940	-
Dividend income	1,338	546
Earned insurance premiums, net	2,951	2,627
Premium contribution to deposit insurance schemes	(32,886)	(34,033)
Insurance claims incurred	(1,695)	(1,374)
Instalment to the Bank Restructuring Fund	(8,647)	-
Provision expenses for litigations	(6,686)	-
Other income/(expenses), net	34,384	(9,656)
Total	**108,734**	**119,665**

13. Income tax expense

In thousands of BGN	2015	2014
Current taxes	(628)	(4,720)
Deferred taxes (see note 23)	(1,873)	(226)
Income tax expense	**(2,501)**	**(4,946)**

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

In thousands of BGN	2015	2014
Accounting profit before taxation	**20,352**	**35,710**
Corporate tax at applicable tax rate (10% for 2015 and 10% for 2014)	2,035	3,571
Effect of tax rates of foreign subsidiaries and branches	507	301
Tax effect of permanent tax differences	(31)	189
Other	(10)	885
Income tax expense	**2,501**	**4,946**
Effective tax rate	12.29%	13.85%

14. Earnings per share

	2015	2014
Net profit attributable to shareholders (in thousands of BGN)	17,815	30,774
Weighted average number of ordinary shares (in thousands)	110,000	110,000
Earnings per share (in BGN)	**0.16**	**0.28**

The basic earnings per share, calculated in accordance with IAS 33, are based on the profit attributable to ordinary equity holders of the Bank. During 2015 as in the previous year, no conversion or option rights were outstanding. The diluted earnings per share, therefore, correspond to the basic earnings per share.

15. Cash and balances with central banks

In thousands of BGN	2015	2014
Cash on hand		
- In Bulgarian leva	116,572	117,419
- In foreign currencies	47,315	48,192
Balances with central banks	849,402	840,589
Current accounts and amounts with resident banks	17	16
Current accounts and amounts with foreign banks	509,068	645,729
Total	**1,522,374**	**1,651,945**

16. Financial assets held for trading

In thousands of BGN	2015	2014
Bonds, notes and other instruments issued by:		
Bulgarian government, assessed with BBB- rating :		
- denominated in Bulgarian leva	4,208	4,980
- denominated in foreign currencies	2,146	110
Foreign banks, assessed with A rating	1,414	1,367
Other issuers – equity instruments (unrated)	3,118	3,189
Total	**10,886**	**9,646**

17. Available for sale investments

In thousands of BGN	2015	2014
Bonds, notes and other instruments issued by:		
Bulgarian government		
- denominated in Bulgarian leva	233,817	179,418
- denominated in foreign currencies	186,516	193,792
Foreign governments		
- treasury bills	33,219	5,144
- government bonds	67,000	56,309
Local authorities	-	51
Bulgarian banks	-	1,955
Foreign banks	57,575	44,018
Other issuers – equity instruments	6,288	6,288
Total	**584,415**	**486,975**

18. Financial assets held to maturity

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

In thousands of BGN	2015	2014
Securities held to maturity issued by:		
Foreign governments	63,674	44,257
Foreign banks	20,570	19,480
Total	**84,244**	**63,737**

As a result of the bank-run, in June 2014 the Group sold held to maturity investments at the nominal amount of EUR 40,000 thousands. This sale did not represent a change in the Group's intention and ability to hold the investments to their maturity, because it was attributable to an isolated, non-recurring event that was beyond the Bank's control and was not anticipated by the Group. In 2015 the Group did not sell investments held to maturity, except for transactions within less than three months before maturity date of the respective financial instrument.

19. Loans and advances to banks and financial institutions

(a) Analysis by type

In thousands of BGN	2015	2014
Placements and other amounts due from banks	98,372	103,851
Receivables under resale agreements	2,006	-
Other	9,077	8,227
Total	**109,455**	**112,078**

(b) Geographical analysis

In thousands of BGN	2015	2014
Resident banks and financial institutions	6,940	18,819
Foreign banks and financial institutions	102,515	93,259
Total	**109,455**	**112,078**

20. Loans and advances to customers

In thousands of BGN	2015	2014
Retail customers		
- Consumer loans	478,485	412,250
- Mortgage loans	615,117	654,449
- Credit cards	262,435	245,918
- Other programs and collateralised lending	141,144	-
Small and medium enterprises	570,490	557,681
Microlending	102,218	88,984
Corporate customers	3,784,966	4,374,648
Less allowance for impairment	(733,495)	(523,602)
Total	**5,221,360**	**5,810,328**

(a) Movement in impairment allowances

In thousands of BGN

Balance at 1 January 2015	**523,602**
Additional allowances	400,490
Amounts released	(71,353)
Write – offs	(119,432)
Effects of changes in foreign currencies rates	188
Balance at 31 December 2015	**733,495**

The impairment allowance increased during 2015 and amounts to BGN 733,495 thousand at the end of the period (2014: BGN 523,602 thousand) is due to the development of the credit risk and the continuing challenges in the market environment. Loans to customers amounting to BGN 119,432 thousand were written off through an allowance account compared to BGN 543 thousand a year earlier.

21. Property and equipment

In thousands of BGN	Land and buildings	Fixture and fittings	Motor vehicles	Assets under construction	Leasehold improvements	Total
Cost						
At 1 January 2014	**17,778**	**139,851**	**6,399**	**23,360**	**62,911**	**250,299**
Additions	1	176	31	11,312	19	11,539
Foreign exchange differences	-	3	-	-	-	3
Depreciation elimination at merger of Unionbank EAD	(15)	(500)	-	-	(139)	(654)
Disposals	(214)	(2,078)	(313)	(10)		(2,615)
Transfers	-	4,658	708	(8,377)	1,922	(1,089)
At 31 December 2014	**17,550**	**142,110**	**6,825**	**26,285**	**64,713**	**257,483**
Additions	-	111	-	11,574	13	11,698
Foreign exchange differences	-	74	6	2	35	117
Disposals	(185)	(3,630)	(204)	(23)	(797)	(4,839)
Transfers	286	8,193	15	(11,241)	2,402	(345)
At 31 December 2015	**17,651**	**146,858**	**6,642**	**26,597**	**66,366**	**264,114**
Depreciation						
At 1 January 2014	**1,651**	**101,093**	**5,335**	**-**	**26,256**	**134,335**
Foreign exchange differences	-	1	-	-	-	1
Depreciation elimination at merger of Unionbank EAD	(15)	(500)	-	-	(139)	(654)
Charge for the year	630	11,815	330	-	4,271	17,046
On disposals	(5)	(1,974)	(291)	-	-	(2,270)
At 31 December 2014	**2,261**	**110,435**	**5,374**	**-**	**30,388**	**148,458**
Foreign exchange differences	-	57	3	-	29	89
Charge for the year	628	9,947	411	-	3,785	14,771
On disposals	(8)	(3,512)	(196)	-	(797)	(4,513)
At 31 December 2015	**2,881**	**116,927**	**5,592**	**-**	**33,405**	**158,805**
Net book value						
At 1 January 2014	**16,127**	**38,758**	**1,064**	**23,360**	**36,655**	**115,964**
At 31 December 2014	**15,289**	**31,675**	**1,451**	**26,285**	**34,325**	**109,025**
At 31 December 2015	**14,770**	**29,931**	**1,050**	**26,597**	**32,961**	**105,309**

The fair value of assets consisting of land and buildings was determined by independent property assessors holding recognised professional qualification and recent experience in assessing property with similar location and category as of 31 December 2012. The Group's policy requires internal or external appraisers to determine the fair value with sufficient frequency to ensure that the book value does not differ significantly from the fair value at the end of the reporting period. As at 31 December 2015 the fair value of land and buildings was confirmed by the internal appraisers of the Bank and it was not significantly different from their balance sheet value as at that date. The fair value of land and buildings is categorised as Level 3 fair value on the basis of input data on the valuation technique used.

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

22. Intangible assets

In thousands of BGN	Software and licences	Greenhouse allowances	Goodwill	Total
Cost				
At 1 January 2014	**28,731**	**3,820**	**721**	**33,272**
Additions	137	-	-	137
Exchange differences on translating foreign operations	1	-	-	1
Amortisation elimination at merger of Unionbank EAD	(634)	-	-	(634)
Disposals	(52)	-	-	(52)
Transfers	1,089	-	-	1,089
At 31 December 2014	**29,272**	**3,820**	**721**	**33,813**
Additions	338	-	-	338
Exchange differences on translating foreign operations	12	-	-	12
Disposals	-	(3,820)	(47)	(3,867)
Transfers	345	-	-	345
At 31 December 2015	**29,967**	**-**	**674**	**30,641**
Amortisation				
At 1 January 2014	**13,009**	-	-	**13,009**
Exchange differences on translating foreign operations	1	-	-	1
Amortisation elimination at merger of Unionbank EAD	(634)	-	-	(634)
Charge for the year	3,224	-	-	3,224
On disposals	**(52)**	**-**	**-**	**(52)**
At 31 December 2014	**15,548**	**-**	**-**	**15,548**
Exchange differences on translating foreign operations	10	-	-	10
Charge for the year	3,205	-	-	3,205
On disposals	**-**	**-**	**-**	-
At 31 December 2015	**18,763**	**-**	**-**	**18,763**
Net book value				
At 1 January 2014	**15,722**	**3,820**	**721**	**20,263**
At 31 December 2014	**13,724**	**3,820**	**721**	**18,265**
At 31 December 2015	**11,204**	**-**	**674**	**11,878**

23. 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 15% for Albania.

Deferred income tax balances as at 31 December 2015 are attributable to the following items:

In thousands of BGN	Assets	Liabilities	Net Liabilities
Property, equipment and intangibles	(101)	2,956	2,855
Investment property	-	11,194	11,194
Tax loss	(8,304)	-	(8,304)
Other items	(966)	592	(374)
Net tax (assets)/liabilities	**(9,371)**	**14,742**	**5,371**

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

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

Movements in temporary differences in 2015 are recognised, as follows:

In thousands of BGN	2014		Recognised in (profit) or loss for the period	Recognised in capital for the period	2015	
	Net assets	**Net liabilities**			**Net assets**	**Net liabilities**
Property, equipment and intangibles	(94)	3,257	(308)	-	-	2,855
Investment property	-	-	11,194	-	-	11,194
Tax loss	-	-	(8,304)	-	-	(8,304)
Other items	48	79	(709)	208	-	(374)
Net tax (assets)/liabilities	**(46)**	**3,336**	**1,873**	**208**	**-**	**5,371**

24. Repossessed Assets

In thousands of BGN	2015	2014
Land	366,571	291,367
Buildings	371,213	212,527
Machines, equipment and motor vehicles	192,961	16,906
Fixtures and fittings	810	805
Total	**931,555**	**521,605**

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

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

24a. In 2015 the Group began reporting a new class of assets – investment property, that includes land and buildings, with a total amount of BGN 206,244 thousand as at 31.12.2015, for the purpose of generating rentals and for capital appreciation.

Movement in investment property

In thousands of BGN

At 1 January 2015	**–**
Transfers from repossessed assets acquired as collateral in previous periods	91,837
Transfers from repossessed assets acquired as collateral in the current period	2,467
Revaluation of investment property to fair value	111,940
At 31 December 2015	**206,244**

25. Other assets

In thousands of BGN	**2015**	**2014**
Deferred expense	10,918	13,697
Gold bullion	8,496	9,672
Tax receivables	56,411	890
Other assets	16,550	15,154
Total	**92,375**	**39,413**

26. Due to credit institutions

In thousands of BGN	**2015**	**2014**
Term deposits	1,933	-
Payable on demand	2,775	1,393
Total	**4,708**	**1,393**

27. Due to other customers

In thousands of BGN	**2015**	**2014**
Retail customers		
- current accounts	694,887	638,969
- term and savings deposits	5,451,553	5,090,022
Corporate, state-owned and public institutions		
- current accounts	681,812	601,000
- term deposits	375,717	369,686
Total	**7,203,969**	**6,699,677**

27.a Ministry of Finance deposit

In thousands of BGN	**2015**	**2014**
	450,922	**901,844**

In 2015 the Bank repaid to the Ministry of Finance BGN 464,297 thousand (of which BGN 450,000 thousand principal and BGN 14,297 thousand interest), and in 2014 - BGN 310,922 thousand (of which BGN 300,000 thousand principal and BGN 10,922 thousand interest) of the liquidity support.

28. Other borrowed funds

In thousands of BGN	2015	2014
Acceptances under letters of credit	26,255	23,337
Liabilities under repurchase agreements	28,856	-
Financing from financial institutions	80,615	137,778
Other term liabilities	-	16,429
Total	**135,726**	**177,544**

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

In thousands of BGN

Lender	Interest rate	Maturity	Amortised cost as at 31.12.2015
State Fund Agriculture	2%	10.12.2016 - 13.01.2020	4,082
European Investment Fund – JEREMIE 2	0 % - 1.589%	31.12.2024	68,097
Bulgarian Bank for Development AD	3.50%	30.03.2019	8,436
Total			**80,615**

In thousands of BGN

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

29. Perpetual debt

In thousands of BGN	Principal amount	%	Amortised cost as at 31 December 2015
Step-up guaranteed perpetual subordinated bonds EUR 21 mio	41,073	11.625%	44,663
Total	**41,073**		**44,663**

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

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

In August 2015 the Group repaid the EUR 27 mio Step-up Guaranteed Perpetual Subordinated Bonds after obtaining permission from the Bulgarian National Bank. At 31.12.2015 the EUR 21 mio Step-up Guaranteed Perpetual Subordinated Bonds were included in Tier 2 capital with 70% of their principal value.

30. Hybrid debt

In thousands of BGN	Principal amount	Interest rate*	Amortised cost at 31 December 2015
Hybrid debt with principal EUR 40 mio	78,233	0 %	78,207
Hybrid debt with principal EUR 60 mio	117,350	11 %	123,837
Total	**195,583**		**202,044**

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

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

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

The bonds under both instruments are registered, dematerialized, interest-bearing, perpetual, unsecured, freely transferable, non-convertible, deeply subordinated and without incentive to redeem. The two hybrid instruments fully comply with the requirements of Regulation 575/2013 and are included in the additional tier 1 capital.

*According to Decision C (2014 8959)/25.11.14 of the European Commission regarding liquidity support SA.39854 (2014/N) the accrual of interest on the hybrid instruments has been suspended until the aid repayment. In 2015 the accrual of interest for the instrument with nominal value of EUR 60 million was renewed because its interest payment is due in July 2016 and occurs after the aid is expected to be repaid.

31. Other liabilities

In thousands of BGN	2015	2014
Liabilities to personnel	2,605	2,325
Insurance contract provisions	1,965	1,634
Other payables	83,111	16,866
Total	**87,681**	**20,825**

32. Capital and reserves

(a) Number and face value of registered shares as at 31 December 2015

As at 31 December 2015 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 2015 together with the number and percentage of total issued shares.

	Number of shares	**% of issued share capital**
Mr. Ivailo Dimitrov Mutafchiev	46,750,000	42.5
Mr. Tzeko Todorov Minev	46,750,000	42.5
Other shareholders (shareholders holding shares subject to free trade on the Bulgarian Stock Exchange – Sofia)	16,500,000	15
Total	**110,000,000**	**100**

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

(c) Statutory reserve

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

In 2015, as in the previous year, the Bank has not distributed dividends.

33. Commitments and contingent liabilities

(a) Memorandum items

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

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

In thousands of BGN	**2015**	**2014**
Bank guarantees		
- in BGN	217,138	192,548
- in foreign currency	85,337	94,874
Total guarantees	**302,475**	**287,422**
Unused credit lines	480,548	458,524
Letters of credit	16,351	13,347
Other contingent liabilities	75,188	81,874
Total	**874,562**	**841,167**

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

The contingent loan is a framework agreement for collateral management covering several 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 facility 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 by the Bank.

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

34. Cash and cash equivalents

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

In thousands of BGN	2015	2014
Cash and balances with central banks	1,522,374	1,651,945
Loans and advances to banks and financial institutions with maturity less than 90 days	89,883	85,285
Total	**1,612,257**	**1,737,230**

35. 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	2015	2014
FINANCIAL ASSETS		
Cash and balances with central banks	1,495,121	1,477,224
Financial assets held for trading	11,553	10,740
Available for sale investments	641,940	421,505
Financial assets held to maturity	125,922	126,810
Loans and advances to banks and financial institutions	116,441	116,397
Loans and advances to customers	5,723,467	5,945,596
FINANCIAL LIABILITIES		
Due to credit institutions	4,768	2,777
Due to other customers	7,726,537	7,565,280
Other borrowed funds	182,460	196,892
Subordinated term debt	-	5,163
Perpetual debt	77,452	99,122
Hybrid debt	197,396	214,170

36. Related party transactions

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

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

Type of related party	**Parties that control or manage the Bank**		**Enterprises under common control**	
In thousands of BGN	**2015**	**2014**	**2015**	**2014**
Loans				
Loans outstanding at beginning of the period	765	1,231	17,149	17,276
Loans issued/(repaid) during the period	735	(466)	(1,012)	(127)
Loans outstanding at end of the period	**1,500**	**765**	**16,137**	**17,149**
Deposits and other financing received				
Deposits at beginning of the period	10,346	16,154	1,787	2,801
Deposits received/(repaid) during the period	(2,510)	(5,808)	351	(1,014)
Deposits at end of the period	**7,836**	**10,346**	**2,138**	**1,787**
Deposits placed				
Deposits at beginning of the period	-	-	-	-
Deposits placed/(matured) during the period	-	-	9,822	-
Deposits at end of the period	-	-	**9,822**	**-**
Off-balance sheet commitments issued by the Group				
At beginning of the period	2,117	1,607	968	234
Granted/(expired)	367	510	(130)	734
At the end of the period	**2,484**	**2,117**	**838**	**968**

The key management personnel of the Bank received remuneration of BGN 6,486 thousand for 2015 and other related parties received BGN 3,503 thousand.

37. Subsidiary undertakings

(a) First Investment Finance B.V.

In April 2003 the Bank created a special purpose entity, incorporated in the Netherlands, First Investment Finance B.V., which is wholly owned by the Bank. Its purpose is to accomplish a narrow and well-defined objective of receiving loans from foreign financial institutions and attracting investors by issuing bonds and other financial instruments, guaranteed by the Bank, the proceeds from which are used to finance the operations of the Bank. The issued and paid up share capital of the company amounts to EUR 18 thousand, divided into 180 common shares of EUR 100 each. The Bank consolidates its investment in this company.

(b) Diners Club Bulgaria AD

In May 2005 the Bank acquired 80% of the share capital of Diners Club Bulgaria AD. The company was incorporated in 1996 as a franchise and processing agent of Diners Club International. As at 31 December 2015 the registered share capital of the company is BGN 610 thousand, and the Bank's shareholding is 94.79%. The Bank consolidates its investment in the company.

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

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

As at 31 December 2015 the share capital of First Investment Bank – Albania Sh.a. is EUR 11,975 thousand, fully paid in and the Bank's shareholding is 100%. The Bank consolidates its investment in the company.

(d) Debita OOD and Realtor OOD

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

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

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

The affiliate companies are set up with the aim to act as servicing companies in accordance to Article 18 of the Special Purpose Investment Companies Act. Debita OOD is engaged in the following activities - acquisition, servicing, management and transactions with receivables, as well as consultancy services in relation to such operations, and Realtor OOD - in management, servicing and maintenance of real estate, organization of construction and renovation of buildings, and consultancy services related to real estate. The Bank consolidates its investments in the companies.

(e) Fi Health Insurance AD

In the second half of 2010 the Bank acquired a majority stake capital of Health Insurance Fund Fi Health AD (formerly Health Insurance Fund Prime Health AD). In June 2013 following a decision by Financial Supervision Commission the company was given a licence to perform insurance activities. The name of the company was changed to Fi Health Insurance AD. It is engaged in insurance business – offering "Illness" and "Accident" insurance policies. As at 31 December 2015 the registered share capital of the company is BGN 5,000 thousand and the Bank's shareholding is 59.10%. The Bank consolidates its investment in the company.

(f) Framas Enterprises Limited

In November 2010 the Bank acquired 10,000 shares, representing 100% of the issued share capital of Framas Enterprises Limited, British Virgin Islands, with the view of providing auxiliary services pursuant to Article 2 (4) of the Law on Credit Institutions. In December 2015 the company was dissolved.

(g) Balkan Financial Services EAD

In February 2011 the Bank acquired 100 shares representing 100% of the capital of Balkan Financial Services OOD. The company is engaged in consultancy services related to implementation of financial information systems and software development. In January 2012 the company was transformed into a single member joint stock company. As at 31 December 2015 the registered share capital of the company is BGN 50 thousand, and the Bank's shareholding is 100%. The Bank consolidates its investment in the company.

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

In the first half of 2013 the Bank established the companies Turnaround Management EOOD, Creative Investment EOOD and Lega Solutions EOOD as 100% owned by the Bank. The registered capital of each of the companies is the minimum required by law (BGN 2) and they are engaged in production and trade of commodities and services in Bulgaria and abroad (Turnaround Management EOOD, Creative Investment EOOD), acquisition, management and sale of assets, processing of information, financial advisory services (Lega Solutions EOOD) and other activities. The Bank consolidates its investments in the companies.

(i) Unionbank EAD

On 10 October 2013 the Bank has acquired 122,464,965 MKB Unionbank EAD voting shares constituting 100 % of all MKB Unionbank EAD shares. After the acquisition the name of the subsidiary was changed from MKB Unionbank EAD to Unionbank

EAD. The principal activities of Unionbank EAD include receiving deposits or other refundable amounts and extension of loans or other financing at its own account and for its own risk. In performance of its activities the subsidiary carries out other commercial transactions stated in its credit institution license in accordance with legal requirements. As a result of the acquisition the Group increased its market share, recognised a gain on bargain purchase of BGN 152,310 thousand and expects to reduce costs through economies of scale. As at 30 September 2013 the total recognised amount of the acquired identifiable assets was BGN 1,506,776 thousand (including BGN 1,132,276 thousand loans and advances to customers) and of the liabilities assumed BGN 1,308,030 thousand (including BGN 985,960 thousand deposits from customers).

(i) Consideration transferred

The consideration agreed for 100% of the shares amounts to EUR 24,000,000 (twenty four million Euros). According to IFRS 3 Business combinations the consideration transferred is measured at fair value.

(ii) Identifiable assets acquired and liabilities assumed

In thousands of BGN	30 Sep 2013 carrying amount	Adjustment	30 Sep 2013 fair value
ASSETS			
Cash and balances with BNB	266,460	-	266,460
Financial assets held for trading	7,026	-	7,026
Derivative financial instruments	4	-	4
Available for sale investments	48,390	-	48,390
Loans and advances to banks and financial institutions	22,276	-	22,276
Loans and advances to customers	1,129,864	2,412	1,132,276
Property, equipment and intangible assets	11,649	-	11,649
Deferred tax assets	474	(353)	121
Other assets	18,779	(205)	18,574
Total assets	**1,504,922**	**1,854**	**1,506,776**
LIABILITIES			
Due to credit institutions	6,716	-	6,716
Derivative financial instruments	5	-	5
Due to other customers	986,461	(501)	985,960
Other borrowed funds, including:	310,921	(802)	310,119
Mortgage bond	29,322	882	30,204
Other borrowings	281,599	(1,684)	279,915
Other liabilities	5,230	-	5,230
Total liabilities	**1,309,333**	**(1,303)**	**1,308,030**
Net assets	**195,589**	**3,157**	**198,746**
Present value of consideration transferred			**46,436**
Bargain purchase			**152,310**

(iii) Measurement of fair values

According to IFRS 3 Business combinations the identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values. The valuation techniques used for measuring the fair values of material acquired assets and liabilities are as follows.

Assets acquired / liabilities assumed	**Valuation technique**
Loan portfolio	Income approach The Income approach is predicated upon the value of future cash flows that an asset will generate over its remaining useful life. The Income method provides an indication of value by converting the future cash flows to a single current capital value. Capitalization involves the conversion of income into a capital sum through the application of an appropriate discount rate. The Income approach is considered as the most appropriate method for valuation of the loan portfolio of Unionbank EAD as at 30 September 2013 due to availability of information for the value of future cash flows that the loans will generate over their remaining useful life. In order to estimate the future cash flows that the loans will generate over the remaining loan term, the loan portfolio is divided into segments corresponding to their risk classification groups. The discount rate used for the fair value estimation of the loan portfolio of Unionbank is based on BNB statistics.
Placements	Income approach The Income approach is considered as the most appropriate method for valuation of the placements of Unionbank EAD as at 30 September 2013 due to availability of information for the value of future cash flows that the placements will generate until maturity. The discount rate used for the fair value estimation of placements is based on the respective Euribor.
Deposits	Income approach. The following assumptions have been applied in the estimation of the fair value of Unionbank's deposits: 1. Interest on term deposits accrues and is paid off at the end of the deposit term. 2. Book value on saving and current accounts approximates their fair value. The discount rate used for the estimation of fair value of the time deposits is based on BNB statistics.
Borrowings and bond obligations	Income approach. The main assumptions that have been applied in the estimation of the fair value of Unionbank's debt obligations: 1. Interest on loans is paid periodically at monthly or quarterly intervals, depending on the respective loan contract. 2. The debt obligations will be paid regularly and on time. No penalty interest will be due from Unionbank EAD. No prepayment option exists or will be exercised. 3. The mortgage bond issued by Unionbank EAD matures on 29 September 2014 and pays annual coupon of 5.75%. The discount rate used for the estimation of fair value of the Unionbank's debt is based on average yield on government bonds with comparable maturity.
Property and equipment	• Market comparison method. The Market comparison method involves direct comparison of the subject property with identical or similar assets for which price information is available. • Residual value method. The method is used to arrive at a value for a vacant site or a site or a building that is ripe for redevelopment and has a developed construction project. It assumes that the process of development is a business, and by adopting this assumption it is possible to assess the value of land or land and buildings in their existing form, reflecting development potential, as part of the process. The Residual Method comprises the estimation of the value of the site or the buildings in a developed or redeveloped form (either by comparison or by the investment method), and, from this gross development value should be deducted all costs that will be incurred in putting the property into the form that will command the price. • Income method • Cost method. The cost method estimates value based on the cost of reproducing or replacing the valued property, less depreciation arising from physical and functional deterioration and economic obsolesence.

Assets held for sale	Market comparison method and residual value method.
Intangible assets	It is assumed that the book value of any intangible assets approximates its fair value, given the fact that First Investment Bank AD and Unionbank EAD will merge.

On 4 March 2014 the merger of Unionbank EAD into First Investment Bank AD was listed in the Commercial Register. As per the law, with this listing in the Register Unionbank EAD has been terminated and all its rights and obligations have been transferred to the Bank as its universal successor. The procedure for IT and technological merger and the merger for the accounting purposes of the two banks was also completed on 4 March 2014.

(j) AMC Imoti EOOD

AMC Imoti EOOD was registered in September 2010 and was acquired by the Bank through the purchase of MKB Unionbank EAD as its subsidiary. The scope of operations of the company includes activities related to acquisition of property rights and their subsequent transfer, as well as research and evaluation of real estate, property management, consulting and other services. As at 31 December 2015 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 2015, as it is considered immaterial to the financial position, financial result and the cash flows of the Group for the same reporting period. This decision is reassessed at the end of each reporting period.

(k) Other

The Bank indirectly owns Health EOOD. The company is not included in the consolidated financial statements of the Group for the year ended 31 December 2015, as it is considered immaterial to the financial position, financial result and the cash flows of the Group for the same reporting period. This decision is reassessed at the end of each reporting period.

38. Subsequent events

There have been no events after the reporting date that require additional disclosures or adjustments to the financial statements of the Group.

artist: Lora Yankova, 9 years old, Sofia

Fullfilment of the goals for 2015

N	Goals	Fullfilled
1	Update the corporate governance and risk management systems according to the latest guidelines in the respective areas in collaboration with the International Finance Corporation (IFC).	In 2015, First Investment Bank successfully implemented a joint project with the International Finance Corporation (IFC), aimed at upgrading and implementation of current best practices in corporate governance and risk management. The project activities covered various areas, including commitment to international best practices of corporate governance, organizational structure and activities of the supervisory and management bodies, control environment, transparency and disclosure, minority shareholders, risk management framework, including management of major risks: credit, market, operational risk.
2	Maintain high standards of banking in line with European standards, local regulations and best international practices.	The awards received during the year are proof of the high standards maintained in customer service and banking. The Bank was distinguished as the favorite brand among financial institutions in Bulgaria by the global organization Superbrands, and also received from Commerzbank the prestigious STP Award 2014 for excellent quality in the delivery of commercial payments and financial institutions transfers. The Debit MasterCard product of the Bank was distinguished as Card Product of the Consumers at the annual awards of the b2b Magazine.
3	Consolidate the position as a preferred bank by businesses and individuals.	In 2015, funds attracted from individuals and business customers continued to increase: by 7.5% to BGN 7,203,969 thousand, reflecting the sustained confidence of clients and their satisfaction with the products and services offered by the Bank. There was also an increase in the loan portfolios of the retail segment: by 14.1% to BGN 1,497,181 thousand, the SME segment up to BGN 570,490 thousand, and in micro enterprises up to BGN 102,218 thousand at year-end.
4	Continue sustainable development with a gradual increase in assets following the growth of liabilities.	In 2015, First Investment Bank continued its sustainable development, showing stable performance and strengthened market positions. Total assets increased to BGN 8,885,364 thousand on a consolidated basis, the Bank retaining its third place by this indicator among banks in the country. Borrowings from customers also increased, up to BGN 7,203,969 thousand, growth being reported in both the retail and business segments.
5	Continue to develop lending to small and medium-sized companies with a view to further diversification of the loan portfolio.	Loans to SMEs increased, reaching BGN 570,490 thousand at the end of the year. Their share in the total loan portfolio increased to 9.6% compared to 8.8% a year earlier. New products aimed at this segment were introduced during the year and existing ones were optimized, with a view to offering more competitive terms. The Bank continued its collaboration with a number of local institutions and organizations in support of SMEs, including with NGF, State Fund Agriculture, BDB, the Bulgarian Export Insurance Agency. Fibank actively supported different funding schemes with SME beneficiaries under EU programs and initiatives, including in relation to the launch of the new 2014-2020 programming period.
6	Maintain adequate liquidity and capital buffers in accordance with the market environment and the regulatory framework.	Fibank maintains levels of capital adequacy above the regulatory requirements. At the end of 2015, the Common Equity Tier 1 capital ratio amounted to 11.28%, the Tier 1 capital ratio to 14.23% and the total capital adequacy ratio to 14.72%. The Bank also continues to maintain a high level of liquidity: 25.37%, calculated in accordance with Ordinance 11 of BNB. Liquidity coverage ratio is 325.61%, with a minimum required level of 100%.

7	Manage the loan portfolio in line with market conditions and attracted funds while increasing the risk-weighted approach to all types of operations.	In line with market conditions, First Investment Bank manages its loan portfolio using a conservative approach to the loan/deposit ratio which, as at 31 December 2015, amounted to 77.79% compared to 83.32% a year earlier. In 2015, net receivables from customers amounted to BGN 5,221,360 thousand, or 58.8% of total assets. The Bank continues to focus on the diversification of risk and emphasize the quality of the portfolio, applying a more conservative assessment of credit risk.
8	Continue to support customers who are beneficiaries of programs and funds of the European Union.	During the year, the Bank continued its successful operation along the agreement with the EIF under the JEREMIE initiative, where the absorption in the loan portfolio is nearly 100%. At the end of the year preparatory actions were taken, and in early January 2016 Fibank signed a new guarantee agreement with the NGF for the issuance of a BGN 20 million portfolio guarantee for securing the Bank's loans to micro, small and medium enterprises in Bulgaria. In 2015, Fibank also organized a series of seminars on the topic "European Funding for Business" in order to familiarize the business community in Bulgaria with the possibilities for applying under EU operational programs in the new programming period.
9	Offer new products and services to individuals and companies corresponding to evolving market trends while maintaining high standards of customer service.	New savings products were offered tailored to market trends, including the new Active Management 60-month deposit with progressively increasing interest, and the new Forex Plus deposit featuring the possibility of an additional bonus tied to the US dollar exchange rate. During the year, the conditions of combined packages of banking products and services were further developed and optimized. A new loan was offered in support of agricultural producers based on SAPS subsidies for 2015, as well as new credit products for micro enterprises. In the mortgage finance segment, competitive conditions were offered on the Right of Choice mortgage loan such as fixed interest rate for the first 3 years and the possibility for a 12-month grace period every five years of the loan term.
10	Maintain the position among leading banks in the Bulgarian market in the field of card payments and international transactions, offering innovative and competitive products and services.	First Investment Bank continues to promote contactless payments in the country, including by developing its network of POS terminals serving this type of payments, and organizing various promotional campaigns. During the year, a 36.6% growth was reported in the issuance of the Debit MasterCard which features innovative functionality for contactless payments and internet payment options. In recognition of its success, the product was distinguished as Card Product of the Consumers at the annual awards of the b2b Magazine. In 2015, the Bank continued to be among the leading banks in the country in the field of international payments, reporting an increase in incoming and outgoing foreign currency transfers in terms of both number and amount. During the period, First Investment Bank received from Commerzbank the prestigious STP Award for excellent quality in the delivery of commercial payments and financial institutions transfers.
11	Assert the image of a socially responsible institution supporting significant projects and initiatives in the public life of the country.	During the year, First Investment Bank continued to support socially significant projects and initiatives, actively participating in public life in the country. A number of initiatives were supported related to the development of Bulgarian sports, culture and education. Funds were provided for scholarships of school and university students, charitable activities to improve the facilities of Bulgarian schools, and support for the Union of Actors in Bulgaria. The Bank continued its successful cooperation with the Dimitar Berbatov Foundation, assisting its cause for the support of Bulgarian children and encouraging their talents and achievements. Fibank supported a number of significant cultural and musical projects: the Eurovision Song Contest for children, the national tour of the Legends group, the international jazz festival in the town of Bansko. In June 2015, the Bank renovated a basketball court in the district of Gorna Banya in Sofia, thus launching a new socially responsible initiative under the motto „Sports in the City with Fibank" which will focus on an active lifestyle in an urban environment.

Events after the reporting period

- At the beginning of 2016 First Investment Bank repaid an additional BGN 200 million of the liquidity support received pursuant to European Commission's Decision C (2014) 8959 / 25.11.2014. The balance remains due by 28 May 2016.
- In January 2016 Fibank signed a new guarantee Agreement with the National Guarantee Fund (NGF) for the issuance of a portfolio guarantee of BGN 20 million for securing the Bank's loans to micro, small and medium enterprises in Bulgaria.

Goals for development during 2016

- To maintain its position as a preferred bank by businesses and individuals.
- To reinforce its sustainable development in accordance with the external environment and the regulatory framework.
- To maintain a moderate risk profile and continue to optimize its risk-based approach to all activities and operations.
- To apply high business standards in accordance with the principles of the Basel Committee, and European and local regulations.
- To offer new products to individuals and business customers, tailored to demand and market trends.
- To continue the priority development of lending to individuals and small and medium-sized companies, with a view to further diversifying the loan portfolio.
- To continue to support customers in the implementation of projects under EU programs and funds.
- To offer customers new opportunities for mobile payments based on innovative approaches and technologies.
- To invest in technology, in line with the trends in this field, in order to create added value products for customers and new multifunctional banking solutions.
- To continue to be a socially responsible institution contributing to the implementation of socially significant 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 17-year experience with First Investment Bank AD, Mr. Lukanov has been Chairman of the Credit Council and the Liquidity Council of the Bank. He has been in charge of the following departments: Risk Management, Impaired Assets and Provisioning, Loan Administration, Specialized Monitoring and Control, Retail Banking, Methodology, and Liquidity.

Mr. Lukanov has also been member of the Managing Board of First Investment Bank – Albania Sh.a.

At the beginning of February 2012, Mr. Lukanov was elected as Chairman of the Supervisory Board of First Investment Bank AD and as Chairman of the Risk Committee to the Supervisory Board of the Bank.

Mr. Lukanov holds a Masters Degree in Economics from the University of National and World Economy, Sofia. Prior to joining First Investment Bank AD, Mr. Evgeni Lukanov worked as currency broker with First Financial Brokerage House OOD.

Besides his position on the Supervisory Board of the Bank, Mr. Lukanov is also Chairman of the Audit Committee of First Investment Bank - Albania Sh.a, Chairman of the Board of Directors of Fi Health Insurance AD, and Manager of Debita OOD and Realtor OOD. He is owner of ET Imeksa-Evgeni Lukanov and holds more than 10% of the capital of Avea OOD.

Maya Georgieva - Deputy Chair of the Supervisory Board

Prior to joining First Investment Bank, Ms. Maya Georgieva worked with the Bulgarian National Bank for 19 years where she gained considerable experience in international banking relationships and payments, banking statistics and firm crediting. Her last appointment with BNB was as Head of the Balance of Payments Division.

Ms. Maya Georgieva joined First Investment Bank AD in 1995 as Director of the International Department. From 1998 to 2012 she served as Executive Director of First Investment Bank and Member of the Managing Board. During her 20-year experience with the Bank she 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 Masters Degree in Macroeconomics from the University of National and World Economy in Sofia and has post-graduate specializations in International Payments with the International Monetary Fund and Banking from Specialized postgraduate course of BNB joint with the Bulgarian Union of Science and Technology.

In both 2001 and 2011, she was granted the “Banker of the Year” award of the Bulgarian financial weekly “Banker”.

Georgi Mutafchiev, Ph.D. - Member of the Supervisory Board

Mr. Mutafchiev began his career in 1985 as an expert, and later as a senior expert on development of the system for management and coordination of enterprises of the Electronic Industry Association. In 1987 he joined Techno-Import-Export Foreign Trade Company as a senior expert with the Department of Coordination and Development under the Executive Director.

In 1991 Mr. Georgi Mutafchiev started work at the Bulgarian National Bank as Head Reserve Manager with the Foreign Currency Operations Department. During his six-year experience with the National Bank, he was responsible for the investment of foreign currency reserve and controlled the management thereof.

From 1997 to 2011 he was Executive Director of Flavia AD and Flavin AD. Flavia AD is one of the largest light industry companies in Bulgaria.

Along with its responsibilities in Flavia, in 2000 Mr. Mutafchiev was elected as Member of 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 owns more than 10% of Flavia AD.

Radka Mineva - Member of the Supervisory Board

Prior to joining First Investment Bank AD, Ms. Mineva worked as a capital markets dealer at the Bulgarian National Bank where she gained considerable experience in banking. During the time spent with the Central Bank, she specialized at the Frankfurt Stock Exchange and the London Stock Exchange as a capital markets dealer.

Ms. Mineva started her career with the foreign trade enterprise Main Engineering Office, where she worked for 9 years; she also spent three years as an expert at RVM Trading Company.

Since 2000, Ms. Mineva has been a Member of the Supervisory Board of First Investment Bank AD.

She is a graduate of the University of National and World Economy in Sofia, with a degree in Trade and Tourism.

Besides her position on the Supervisory Board of the Bank, Ms. Mineva is Manager of Balkan Holidays Services OOD - a company with activities in the sphere of tourism, transportation, hotel business, tour operation, and tour agency services. Ms. Mineva is also Manager of Balkan Holidays Partners OOD - a company engaged in international and domestic tourism services, foreign economic transactions, and financial management. Ms. Mineva owns more than 25% of the capital of Balkan Holidays Partners OOD.

Jordan Skortchev - Member of the Supervisory Board

Before joining First Investment Bank AD, Mr. Jordan Skortchev worked for two years with the Central and Latin America Department of the foreign trade organization Intercommerce, followed by five years with First Private Bank, Sofia as an FX Dealer and Head of the Dealing Division.

Mr. Skortchev joined First Investment Bank in 1996 as Chief Dealer, FX Markets.

From 2000 to 2012 Mr. Skortchev was Member of the Managing Board and Executive Director of the Bank.

During his 19-year experience with the Bank, Mr. Skortchev has been responsible for the following departments: Card Payments, Operations, Gold and Numismatics, Internet Banking, Dealing, Security and Office Network-Sofia.

Alongside his responsibilities at the Bank, Mr. Skortchev has also occupied other senior executive positions.

Mr. Skortchev has been Chairman of the Supervisory Board of UNIBank, Republic of Macedonia, member of the Supervisory Board of CaSys International, Republic of Macedonia, member of the Board of Directors of Diners Club Bulgaria AD, member of the Board of Directors of Bankservice AD, member of the Board of Directors of Medical center FiHealth AD, and Manager of FiHealth OOD.

In the begining of February 2012, as a Member of the Supervisory Board of the First Investment Bank AD, Mr. Skortchev was elected as Chairman of the Remuneration Committee to the Supervisory Board of the Bank.

Mr. Skortchev holds a Masters Degree in International Economic Relations from the Higher Institute of Economics (now the University of National and World Economy) in Sofia. He has specialized in banking in Luxembourg, in swap deals at Euromoney, and in futures and options at the Chicago Stock Exchange.

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 he will support 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. 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, joining in 1987. For a period of 13 years he worked in the Central and Eastern Europe and Africa regions and has been country anchor for Poland and the Baltics states. In 2000 he was appointed as Director Work-out Loans and in 2004 became Director Global Financial Markets. In 2007 he was appointed as Vice President (reporting to the CEO) and elected as 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. Prior to planned retirement from the IFC in late 2011, Mr. Koskelo was Special Advisor to the CEO of the corporation for a period of five months.

Prior to joining the IFC, he spent close to 10 years in senior management positions in the private sector.

Mr. Koskelo holds a number of senior and advisory positions in European financial institutions and organizations:

- AATIF (Africa Agriculture and Trade Investment Fund), Luxemburg – Board Member;
- EXPO Bank, Czech Republic - Board Member;
- AtlasMara Co-Nvest LLC, UK - Advisor.

During the period 2012 - April 2015 Mr. Koskelo was a Board Member and advisor in the Africa Development Corporation, Germany; African Banking Corporation, Botswana; RSwitch, Rwanda; EXPO Bank, Latvia, as well as a partner in Sagacitas Finance Advisors, Finland.

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

Vassil Christov – Chief Executive Officer (CEO) and Chairman of the Managing Board

Mr. Vassil Christov joined First Investment Bank AD in 2001 as head of the „Mortgage loans" Division. From 2002 he was director of „Retail Banking" Department, and from 2005 to 2010 he was Director of „Branch Network" Department. In 2010 Mr. Christov was elected as a member of the Managing Board of First Investment Bank AD, and in the beginning of 2011 was appointed as a Deputy Executive Director. From the end of 2011 Mr. Christov was Executive Director of the Bank. At the end of 2015, he was elected as Chief Executive Officer (CEO) and Chairman of the Managing Board.

Previously, Mr. Christov worked as a senior credit officer of "Large corporate customers" at United Bulgarian Bank AD. He holds a Master's in Accounting and Control from the University of National and World Economy in Sofia.

In the Bank he is responsible for the Compliance, the Corporate communications Department, the Human Capital Management Department, the Legal Department, the Marketing and Advertising Department, the Sales Department, the Branch Network Department, the Administrative Department, the Vault and the Protocol & Secretariat.

Besides his position in the Bank, Mr. Christov is also a Chairman of the Managing Board (Steering Council) of First Investment Bank – Albania Sh.a. and a member of the Board of Directors of Diners Club Bulgaria AD. Mr. Christov is a member of the Board of Directors of Medical Centers FiHealth AD, Medical Centers FiHealth Plovdiv AD and a member of the Board of Directors of Balkan Financial Services EAD.

In 2012, Mr. Christov was granted the prestige "Banker of the Year" award of the Bulgarian financial weekly "Banker".

Dimitar Kostov – Chief Risk Officer (CRO), Member of the Managing Board and Executive Director

Mr. Dimitar Kostov joined the team of First Investment Bank AD in 2003 as a specialist in the "Risk Management" Department. Later he held a position as head of "Evaluation of Risk Exposures" Division. From 2004 to 2007 he was a deputy director of "Risk Management" Department, and from 2007 to 2011 he was a director of "Risk Management" Department. In 2010, Mr. Kostov was elected as a member of the Managing Board of First Investment Bank AD, and at the beginning of 2011 he was appointed as a Deputy Executive Director. Since the end of 2011 Mr. Kostov has been an Executive Director of the Bank and during the 2012-2015 period he was Chairman of the Managing Board. At the end of 2015, he was elected as Chief Risk Officer (CRO).

Previously, Mr. Kostov worked as a manager of "Customer Relations" at Raiffeisenbank (Bulgaria) EAD and in United Bulgarian Bank AD as a senior bank officer in "Large Corporate Clients". He holds a Master's degree in Business Administration from Sofia University "St. Kliment Ohridski". Mr. Kostov is a CFA charterholder.

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 and the Information Security Department.

Besides his position in the Bank, Mr. Kostov is also a Chairman of the Supervisory Board of UNIBank, Republic of Macedonia.

Svetoslav Moldovansky – Chief Operating Officer (COO), Member of the Managing Board and Executive Director

Mr. Svetoslav Moldovansky joined First Investment Bank AD in 2005 as Director of "Specialised Internal Control Service". From 2007 to 2008 he was a Chief Executive Officer of "First Investment Bank – Albania Sh.a". From 2008 to 2010 he held a position as Director of the "Operations" Department. In 2010 he was elected as a member of the Managing Board of First Investment Bank AD, and in the beginning of 2011 he was appointed as a Deputy Executive Director. Since the end of 2011 Mr. Moldovansky has been an Executive Director of the Bank. At the end of 2015, he was elected as Chief Operating Officer (COO).

Previously, Mr. Moldovansky worked as manager in "Management of Corporate Risk" at KPMG Bulgaria OOD and as a senior auditor at Deloitte&Touche (now Deloitte), Bulgaria. He holds a Master's in Finance from the University of National and World Economy in Sofia. Mr. Moldovansky is a certified auditor from the Information Systems Audit and Control Association (ISACA), USA.

In the Bank he is responsible for the Operations Department, the Card Payments Department, the E-banking Department, the Gold and Commemorative Coins Department and the Security Department.

Besides his position in the Bank, Mr. Moldovansky is also a member of the Audit Committee of First Investment Bank – Albania Sh.a., a member of the Supervisory Board of UNIBank, Republic of Macedonia, a member of the Supervisory Board of CaSys International, Republic of Macedonia, a member of the Board of Directors of Diners Club Bulgaria AD, Chairman of the Board of Directors of Balkan Financial Services EAD. Mr. Moldovansky possesses more than 10% of the capital of Next DC OOD, of the capital of Club 12 OOD and of the capital of Cook and More OOD.

Maya Oyfalosh – Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director

Ms. Maya Oyfalosh joined First Investment Bank AD in 1993 as a credit specialist. Later she was promoted to Director of "Analysis and Corporate Loans" and elected as a member of the Credit Council of the Bank. In 2004, Ms. Oyfalosh was appointed Director of Corporate Banking Department and elected as a member of the Managing Board. In the beginning of 2011 she was appointed as Director of "Management of Loan Portfolios of Foreign Branches and Companies" and is a member of the Managing Board of Fibank. Since April 2013 Ms. Oyfalosh has been an Executive Director of the Bank and is a member of the Managing Board. At the end of 2015, she was elected as Chief Corporate Banking Officer (CCBO).

Previously, Ms. Oyfalosh worked as a department director at First West Finance House and as a credit specialist at First Private Bank.

In the Bank she is responsible for the Corporate Banking Department and the SME Lending Department.

Ms. Oyfalosh does not hold outside professional positions.

Nadia Koshinska – Chief Retail Banking Officer (CRBO) and Member of the Managing Board

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.

In the Bank she is responsible for the Retail Banking Department, the Private Banking Department and the Organisation and Control of Customer Service Department.

Ms. Nadia Koshinska holds a Masters degree in Accounting and Control from the University of National and World Economy.

Prior to joining First Investment Bank she worked in the balance of payments and foreign debt division in Bulgarian National Bank.

Ms. Koshinska does not hold outside professional positions.

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 currently is an Executive MBA candidate 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 External Partners, Europrograms and Correspondent Banking Department.

Mr. Todorov is a member of the CFO Club in Bulgaria.

Mr. Todorov does not hold outside professional positions.

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