First Investment Bank AD

Unconsolidated statement of shareholders' equity for the year ended 31 December 2014

unaudited

in BGN '000

	Issued share capital	Share premium	Retained earnings	Revaluation reserve on available for sale investments	Revaluation reserve on property	Statutory reserve	Total
Balance as at 1 January 2013	**110 000**	**97 000**	**258 353**	**1 018**	**4 500**	**39 861**	**510 732**
Total comprehensive income for the period							
Net profit for the year ended 31 December 2013	-	-	25 858	-	-	-	25 858
Other comprehensive income for the period							
Revaluation reserve on available for sale investments	-	-	-	2 014	-	-	2 014
Balance at 31 December 2013	**110 000**	**97 000**	**284 211**	**3 032**	**4 500**	**39 861**	**538 604**
Total comprehensive income for the period							
Net profit for the year ended 31 December 2014	-	-	30 455	-	-	-	30 455
Other comprehensive income for the period							
Revaluation reserve on available for sale investments	-	-	-	3 811	-	-	3 811
Gain on bargain purchase of subsidiary recognised at merger	-	-	152 310	-	-	-	152 310
Unionbank EAD profit for the five month period from October 2013 to February 2014 recognised at merger	-	-	3 103	-	-	-	3 103
Balance at 31 December 2014	**110 000**	**97 000**	**470 079**	**6 843**	**4 500**	**39 861**	**728 283**

DIMITAR KOSTOV
Executive Director

MAYA OYFALOSH
Executive Director

First Investment Bank AD

Unconsolidated statement of the financial position as at 31 December 2014

unaudited

in BGN '000

	31 December 2014	31 December 2013
ASSETS		
Cash and balances with Central Banks	1 629 120	1 062 709
Financial assets held for trading	8 887	6 466
Available for sale investments	485 674	444 614
Financial assets held to maturity	29 253	141 222
Loans and advances to banks and other financial institutions	80 560	291 459
Loans and advances to customers	5 734 295	4 871 896
Property and equipment	104 806	104 075
Intangible assets	13 410	11 595
Derivatives held for risk management	4 019	3 702
Current tax assets	94	228
Other assets	555 717	507 977
TOTAL ASSETS	**8 645 835**	**7 445 943**
LIABILITIES AND CAPITAL		
Due to banks	10 229	16 728
Due to other customers	7 409 708	6 397 543
Liabilities evidenced by paper	177 544	147 745
Subordinated term debt	-	24 655
Perpetual debt	103 160	103 068
Hybrid debt	195 447	205 251
Deferred tax liability	3 255	3 137
Derivatives held for risk management	-	684
Current tax liabilities	903	446
Other liabilities	17 306	8 082
TOTAL LIABILITIES	**7 917 552**	**6 907 339**
Issued share capital	110 000	110 000
Share premium	97 000	97 000
Statutory reserve	39 861	39 861
Revaluation reserve on available for sale investments	6 843	3 032
Revaluation reserve on property	4 500	4 500
Retained earnings	470 079	284 211
SHAREHOLDERS' EQUITY	**728 283**	**538 604**
TOTAL LIABILITIES AND GROUP EQUITY	**8 645 835**	**7 445 943**

DIMITAR KOSTOV
Executive Director

MAYA OYFALOSH
Executive Director

First Investment Bank AD

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

unaudited

		in BGN '000
	2014	**2013**
Interest income	503 731	446 451
Interest expense and similar charges:	(227 462)	(284 117)
Net interest income	**276 269**	**162 334**
Fee and commission income	100 858	96 020
Fee and commission expense	(19 421)	(15 667)
Net fee and commission income	**81 437**	**80 353**
Net trading income	12 934	8 532
Other net operating income	14 060	2 329
TOTAL INCOME FROM BANKING OPERATIONS	**384 700**	**253 548**
Administrative expenses	(178 310)	(140 351)
Allowance for impairment	(291 827)	(61 063)
Other income/(expenses), net	119 406	(23 265)
PROFIT BEFORE TAX	**33 969**	**28 869**
Income tax expense	**(3 514)**	**(3 011)**
NET PROFIT	**30 455**	**25 858**
Other comprehensive income for the period		
Items which should or may be reclassified as profit or loss		
Revaluation reserve on available for sale investments	3 811	2 014
Total other comprehensive income	**3 811**	**2 014**
TOTAL COMPREHENSIVE INCOME	**34 266**	**27 872**

DIMITAR KOSTOV

Executive Director

MAYA OYFALOSH

Executive Director

First Investment Bank AD

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

unaudited

		in BGN '000
	2014	**2013**
Net cash flow from operating activities		
Net profit	30 455	25 858
Adjustment for non-cash items		
Allowance for impairment	291 827	61 063
Depreciation and amortization	18 966	19 121
Tax expense	3 514	3 011
(Profit) from sale and write-off of tangible and intangible fixed assets, net	(74)	(59)
(Profit) from sale of other assets, net	(141 404)	(200)
	203 285	**108 794**
Change in operating assets		
(Increase) in financial instruments held for trading	(2 419)	(468)
(Increase)/decrease in available for sale investments	(83 186)	305 159
(Increase)/decrease in loans and advances to banks and financial institutions	18 887	(32 708)
(Increase) in loans to customers	(141 754)	(469 865)
(Increase) in other assets	(94 897)	(187 845)
	(303 369)	**(385 727)**
Change in operating liabilities		
Increase in due to banks	18 701	14 131
Increase in amounts owed to other depositors	160 611	373 013
Net increase in other liabilities	8 009	2 274
	187 321	**389 418**
Tax on profit, paid	(3 740)	(3 518)
NET CASH FLOW FROM OPERATING ACTIVITIES	**83 496**	**108 967**
Cash flow from investing activities		
(Purchase) of tangible and intangible fixed assets	(11 203)	(5 722)
Sale of tangible and intangible fixed assets	382	149
Sale of other assets	200 907	5 204
(Increase)/decrease of investments	177 976	(48 871)
NET CASH FLOW FROM INVESTING ACTIVITIES	**368 062**	**(49 240)**
Financing activities		
Increase/(decrease) in borrowings	(77 159)	121 599
NET CASH FLOW FROM FINANCING ACTIVITIES	**(77 159)**	**121 599**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**374 399**	**181 326**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**1 308 810**	**1 127 484**
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**1 683 209**	**1 308 810**

DIMITAR KOSTOV
Executive Director

MAYA OYFALOSH
Executive Director

ADDENDUM TO THE UNAUDITED UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS OF FIRST INVESTMENT BANK AD AS AT 31.12.14

NOTES

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 Bulgarian legislation.

The Bank has foreign operations in Cyprus.

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

(b) Statement of compliance

These condensed interim financial statements were drawn up in accordance with IAS 34: Interim Financial Reporting.

(c) Presentation

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 those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost convention.

The present financial statements of the Bank are not consolidated. These individual financial statements form an integral part of the consolidated financial statements. Information about the basic earnings per share is given in the consolidated financial statements.

The comparative information for 2013 contains information only about the Bank on a stand-alone basis.

(d) Change in accounting policy

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

- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint arrangements, IFRS 12 Disclosures of Interests in Other Entities, IAS 27 Separate Financial Statements (2012) and IAS 28 Investments in Associates and Joint Ventures (2012) (see (i)).
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities (see (ii)).
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities (see (iii)).
- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (see (iv)).
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (see (v)).

(i) New set of standards for consolidation

Due to the application of those standards the Bank has changed its accounting policy with regard to determining whether it controls, respectively whether it consolidates enterprises in which investments were made and its participation in joint arrangements. These changes did not lead to changes in the conclusion whether the Bank controls and respectively consolidates enterprises in which investments were made, therefore this is not expected to have any impact on the Bank's consolidated financial statements.

The application of IAS 27 (2012) will not have significant impact on the stand-alone financial statements since it does not lead to a change in the Bank’s accounting policy with regard to reporting investments in subsidiaries and joint arrangements.

(ii) Amendments to IFRS 10, IFRS 12 and IAS 27

These amendments will not have any impact on the financial statements, since the Bank does not qualify as an investment entity.

(iii) Offsetting of financial assets and financial liabilities

These amendments will not have any impact on the financial statements since the Bank does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.

(iv) Amendments to IAS 36

These amendments will not have any impact on degree of disclosure in the financial statements.

(v) Amendments to IAS 39

These amendments will not have any impact on the financial statements, since the Bank does not novate derivatives defined as hedging instruments in compliance with laws and regulations.

2. Significant accounting policies

The accounting policy applied by the Bank in the preparation of these interim condensed financial statements is the same as the one applied in the preparation of the last annual financial statements for the year ended on 31 December 2013 г., with the exception of what has been disclosed in 1 (d).

(a) Income recognition

(i) Interest Income

Interest income and expense is recognised in the profit or loss as it accrues, taking into account the effective yield of the asset (liability) or an applicable floating rate. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(ii) Fee and Commission

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

(iii) Net trading income

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

2. Significant accounting policies, continued

(a) Income recognition, continued

(iv) Dividend income

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

(b) Basis of consolidation of subsidiaries

Investments in subsidiaries are stated at cost.

(c) Foreign currency transactions

(i) Functional and presentation currency

The financial statements are presented in Bulgarian leva, which is the Bank'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 difference between amortised cost in functional currency in the beginning of period, adjusted with effective interest and received payments during the period, and amortised cost in foreign currency at the spot exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined.

(iii) Foreign operations

The functional currency of the foreign operations in Cyprus is determined by the management to be the Euro. In determining the functional currency of the foreign operations, the Bank takes into account the fact that they are carried out as an extension of the reporting entity.

(d) Financial assets

The Bank 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 assessed and monitored on the basis of its fair value. 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 Bank provides money, goods or services directly to a debtor with no intention of trading the receivable.

2. Significant accounting policies, continued

(d) Financial assets, continued

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Were the Bank to sell or re-classify other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

(iv) Available-for-sale

Available-for-sale investments are those 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 this 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 Bank's right to receive payment is established.

(vii) Fair value measurement principles

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

When applicable, the Bank 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 Bank 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.

2. Significant accounting policies, continued

(d) Financial assets, continued

(vii) Fair value measurement principles, continued

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

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

The Bank enters into transactions whereby it transfers financial assets recognised in its statement of financial position, but retains either all or substantially all risks and rewards of the transferred asset. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised in the statement of financial position (an example of such transactions are repo deals).

In transactions in which the Bank 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 Bank 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 the central bank and short-term highly liquid accounts and advances to banks with maturity of up to three months.

2. Significant accounting policies, continued

(f) Investments

Investments that the Bank holds for the purpose of short-term profit taking are classified as financial assets for trading. Debt investments that the Bank 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 recognised. 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 Bank 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 (expenses).

(h) Borrowings

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

If the Bank 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 Bank has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

(j) Impairment of Assets

The carrying amounts of the Bank’s assets are reviewed at each balance sheet date 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.

2. Significant accounting policies, continued

(j) Impairment, continued

(i) Loans and advances

Impairment loss on loans and receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If the interest rate for the loan is a floating interest rate, the loan is discounted at the current effective contractual interest rate. Short-term balances are not discounted. The calculation of the present value of estimated future cash flows reflects not only interest and principal payments, but also cash flows that may result from foreclosure less costs for obtaining and selling the collateral for a given exposure.

Loans and advances are presented net of specific and general allowances for impairment. The carrying amount of the asset is reduced through use of an allowance account. Specific allowance for impairment is accounted for loans for which there is objective evidence of impairment as a result of a past event that occurred after initial recognition of the asset. Objective evidence of impairment includes significant financial difficulty of the issuer or obligor; a breach of contract, such as a default or delinquency in interest or principal payments; it becoming probable that the borrower will enter bankruptcy; observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets. The estimated cash flows for a group of similar assets are determined on the basis of past practice and historical loss experience for portfolios with comparable characteristics. Historical loss experience should be adjusted, on the basis of observable data, to reflect the effects of current conditions. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. Increases in the allowance account are recognised in profit or loss. When a loan is identified to be not recoverable, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off directly.

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

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

Assets	%
• Buildings	3 - 4
• Equipment	10-50
• Fixtures and fittings	10 - 15
• Motor vehicles	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 acquired by the Bank 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	10 - 15
• Computer software	8 - 50

(m) Provisions

A provision is recognised in the statement of financial position when the Bank 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 an reliable assessment of the amount due can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Acceptances

An acceptance is created when the Bank agrees to pay, at a stipulated future date, a draft drawn on it for a specified amount. The Bank's acceptances primarily arise from documentary credits stipulating payment to be made a certain number of days after receipt of required documents. The Bank negotiates most acceptances to be settled at a later date following the reimbursement from the customers. Acceptances are accounted for as liabilities evidenced by paper.

(o) Taxation

Tax on the profit for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted by the statement of financial position date, and any adjustment of tax payable for previous years.

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

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

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

2. Significant accounting policies, continued

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

The Bank 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.

(i) Impairment losses on loans and advances

The Bank 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 Bank 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.

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.

(ii) Income taxes

The Bank is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(q) Employee benefits

Defined contribution plans

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

Defined benefit plans

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

The Bank has an obligation to pay certain amounts to each employee who retires with the Bank in accordance with Art. 222, § 3 of the Labor Code.

According to these regulations in the LC, when a labor contract of a bank's employee, who has acquired a pension right, is ended, the Bank is obliged to pay him compensations amounted to two gross monthly salaries. Where the employee has been with the same employer for the past 10 years, this employee is entitled to a compensation amounting to six gross monthly salaries. As at balance sheet date, the Management of the Bank estimates the approximate amount of the potential expenditures for every employee using the projected unit credit method.

Termination benefits

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

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. The Bank 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.

(r) New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations endorsed by the European Commission may be applied early for the annual period ending on 31 December 2014, although they are not mandatory. These changes to IFRS have not been applied early in preparing these financial statements. The bank does not plan to adopt these standards early.

Standards, interpretations and amendments to standards which have not been applied early – endorsed by the European Commission

- Annual improvements to IFRC, 2010-2012 cycle and 2011-2013 cycle. The improvements introduce eleven amendments to nine standards and make related amendments to other standards and interpretations. These amendments are not expected to have significant effects on the Group's financial statements.
- Amendments to IAS 19 – *Defined Benefit Plans: Employee Contributions* These amendments are not expected to impact the financial statements because there are no defined benefit plans which include instalments from employees or third parties.

Standards, interpretations and amendments to standards issued by IASB/IFRICs not yet endorsed by the European Commission

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

- IFRS 9 Financial Instruments (issued on 24 July 2014)
- IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014);
- IFRS 15 — Revenue from Contracts with Customers (issued on 28 May 2014);
- Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment entities: application of related to the application of investment entities exceptions (issued on 18 December 2014);*
- Amendments to IAS 1 under the Disclosure initiative (issued on 18 December 2014).
- *Annual improvements to IFRS 2012-2014 cycle (issued on 25 September 2014)*
- Amendments to IFRS 10 and IAS 28: *Sales or contributions of assets between an investor and its associate/joint venture (issued on 11 September 2014);*

- Amendments to IAS 27 - *Equity Method in Separate Financial Statements (issued on 12 August 2014)*
- Amendments to IAS 16 and IAS 41 – Bearer plants (issued on 30 June 2014)
- Amendments to IAS 16 and IAS 38 - Acceptable methods of depreciation and amortisation (issued on 12 May 2014);
- Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014).

3. Segment Reporting

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

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

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

The Bank operates principally in Bulgaria, but also has operations in Cyprus.

In presenting information on the basis of geographical segments, revenue and operating income is allocated based on the location of the Bank branch that generated the revenue. Segment assets and liabilities are allocated based on their geographical location.

in BGN '000	**Bulgarian operations**		**Foreign operations**		**Total**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Interest income	468,361	411,083	35,370	35,368	503,731	446,451
Interest expense and similar charges:	(226,902)	(283,642)	(560)	(475)	(227,462)	(284,117)
Net interest income	**241,459**	**127,441**	**34,810**	**34,893**	**276,269**	**162,334**
Fee and commission income	99,646	95,150	1,212	870	100,858	96,020
Fee and commission expense	(19,417)	(15,662)	(4)	(5)	(19,421)	(15,667)
Net fee and commission income	**80,229**	**79,488**	**1,208**	**865**	**81,437**	**80,353**
Net trading income	**12,796**	**8,522**	**138**	**10**	**12,934**	**8,532**
Administrative expenses	**(177,431)**	**(139,439)**	**(879)**	**(912)**	**(178,310)**	**(140,351)**
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Assets	**8,103,805**	**6,935,791**	**542,030**	**510,152**	**8,645,835**	**7,445,943**
Liabilities	**7,877,433**	**6,881,449**	**40,119**	**25,890**	**7,917,552**	**6,907,339**

The table below shows assets and liabilities and income and expense by business segments as at 31 December 2014.

in BGN '000

Business	**Assets**	**Liabilities**	**Interest income**	**Interest expense and similar charges:**	**Net fee and commission income**	**Net trading income**	**Other net operating income**
Commercial banking	4,446,962	1,864,525	352,317	(38,760)	41,669	-	-
Retail Banking	1,287,333	5,545,184	138,957	(180,047)	23,412	-	-
Card business	-	-	-	-	13,810	-	-
Treasury	2,201,142	10,229	12,457	(81)	1,140	12,934	14,060
Other	710,398	497,614	-	(8,574)	1,406	-	-
Total	**8,645,835**	**7,917,552**	**503,731**	**(227,462)**	**81,437**	**12,934**	**14,060**

4. Financial assets and liabilities

Accounting classification and fair values

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

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

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

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

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

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

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

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

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

However, where the Bank measures portfolios of financial assets and financial liabilities on the basis of net exposures, it applies judgement in determining appropriate portfolio level adjustments such as bid-ask spread.

Such adjustments are derived from observable bid-ask spreads for similar instruments and adjusted for factors specific to the portfolio.

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

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

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

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

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

The tables below set out analysis of financial instruments measured at fair value at the end of the reporting period classified by fair value hierarchy level framework categorising fair value measurement The amounts are based on the amounts in the statement of financial position.

in BGN '000

31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	8,887	-	-	8,887
Available for sale investments	397,540	45,975	42,159	485,674
Derivatives held for risk management	3,463	556	-	4,019
Total	**409,890**	**46,531**	**42,159**	**498,580**

in BGN '000

31 December 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets held for trading	6,466	-	-	6,466
Available for sale investments	336,874	19,220	88,520	444,614
Derivatives held for risk management	3702	(684)	-	3,018
Total	**347,042**	**18,536**	**88,520**	**454,098**

Movements in Level 3 financial instruments in 2014 were, as follows

in BGN '000	**Available for sale investments**
Balance as at 1 January 2014	**88,520**
Decrease	
Effect of the merger of Unionbank EAD – eliminating investment in subsidiary	(46,940)
Increases	
Acquisition of investments at cost, recognised in the merger of Unionbank EAD	579
Balance at 31 December 2014	**42,159**

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

in BGN '000

31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total fair values**	**Total balance sheet value**
Assets					
Cash and balances with Central Banks	-	1,629,120	-	1,629,120	1,629,120
Financial assets held to maturity	8,666	19,564	-	28,230	29,253
Loans and advances to banks and other financial institutions	-	80,560	-	80,560	80,560
Loans and advances to customers	-	717,148	5,009,873	5,727,021	5,734,295
Total	**8,666**	**2,446,392**	**5,009,873**	**7,464,931**	**7,473,228**
Liabilities					
Due to banks	-	10,229	-	10,229	10,229
Due to other customers	-	1,819,294	5,607,290	7,426,584	7,409,708
Liabilities evidenced by paper	-	177,544	-	177,544	177,544
Subordinated term debt	-	-	-	-	-
Perpetual debt	-	103,160	-	103,160	103,160
Hybrid debt	-	181,636	-	181,636	195,447
Total	**-**	**2,291,863**	**5,607,290**	**7,899,153**	**7,896,088**

in BGN '000

31 December 2013	**Level 1**	**Level 2**	**Level 3**	**Total fair values**	**Total balance sheet value**
Assets					
Cash and balances with Central Banks	-	1,062,709	-	1,062,709	1,062,709
Financial assets held to maturity	122,963	17,694	-	140,657	141,222
Loans and advances to banks and other financial institutions	-	291,459	-	291,459	291,459
Loans and advances to customers	-	841,386	4,035,019	4,876,405	4,871,896
Total	**122,963**	**2,213,248**	**4,035,019**	**6,371,230**	**6,367,286**
Liabilities					
Due to banks	-	16,728	-	16,728	16,728
Due to other customers	-	1,064,559	5,331,269	6,395,828	6,397,543
Liabilities evidenced by paper	-	147,745	-	147,745	147,745
Subordinated term debt	-	24,655	-	24,655	24,655
Perpetual debt	-	103,068	-	103,068	103,068
Hybrid debt	-	200,230	-	200,230	205,251
Total	**-**	**1,556,985**	**5,331,269**	**6,888,254**	**6,894,990**

5. Net interest income

in BGN '000	**2014**	**2013**
Interest income		
Accounts with and placements to banks and financial institutions	1,986	2,582
Retail Banking	132,719	100,830
Corporate customers	319,365	308,716
Small and medium enterprises	32,952	22,091
Microlending	6,238	2,970
Debt instruments	10,471	9,262
	503,731	**446,451**
Interest expense and similar charges:		
Deposits from banks	(7)	(11)
Deposits from other customers	(218,619)	(245,662)
Liabilities evidenced by paper	(4,222)	(2,212)
Subordinated term debt	(2,189)	(8,607)
Perpetual debt	(12,187)	(12,187)
Hybrid debt	9,804	(15,403)
Lease agreements and other	(42)	(35)
	(227,462)	**(284,117)**
Net interest income	**276,269**	**162,334**

6. Net fee and commission income

in BGN '000		
Fee and commission income	**2014**	**2013**
Letters of credit and guarantees	5,879	7,589
Payments transactions	15,125	10,253
Customer accounts	22,539	18,699
Card services	28,850	26,652
Other	28,465	32,827
	100,858	**96,020**
Fee and commission expense		
Letters of credit and guarantees	(190)	(431)
Deposits to banks and other financial institutions	(1,031)	(734)
Card services	(15,040)	(13,490)
Payment systems	(871)	(584)
Other	(2,289)	(428)
	(19,421)	**(15,667)**
Net fee and commission income	**81,437**	**80,353**

The Bank has made a reclassification of the fee and commission expenses on account of administrative expenses (see note 9) for a total of BGN 5,084 thousand compared to the financial statements at 31 December 2013 in order to present more accurate and clear comparative data.

7. Net trading income

in BGN '000	**2014**	**2013**
Net trading income/(expense) arises from:		
- Debt instruments	797	245
- Equities	32	213
- Foreign exchange rate fluctuations	12,105	8,074
Net trading income	**12,934**	**8,532**

8. Other net operating income

in BGN '000	**2014**	**2013**
Other net operating income arising from:		
- Debt instruments	2,577	2,329
- Equities	-	-
- Gain on administration of loans acquired through business combination	11,483	-
Other net operating income	**14,060**	**2,329**

9. Administrative expenses

in BGN '000	**2014**	**2013**
General and administrative expenses comprise:		
- Personnel cost	60,412	52,031
- Depreciation and amortisation	18,966	19,121
- Advertising	13,140	6,196
- Building rent expense	28,777	23,430
- Telecommunications, software and other comupter maintenance	10,155	9,866
- Administration, consultancy, audit and other costs	46,860	29,707
Administrative expenses	**178,310**	**140,351**

10. Allowance for impairment

in BGN '000	**2014**	**2013**
Write-downs		
Loans and advances to customers	(316,864)	(74,525)
Reversal of write-downs		
Loans and advances to customers	25,037	13,462
Impairment, net	**(291,827)**	**(61,063)**

11. Cash and balances with Central Banks

in BGN '000	**2014**	**2013**
Cash on hand		
- in BGN	117,178	99,829
- in foreign currency	46,178	36,178
Balances with Central Banks	820,051	699,919
Current accounts and amounts with foreign banks	645,713	226,783
Total	**1,629,120**	**1,062,709**

12. Financial assets held for trading

in BGN '000	**2014**	**2013**
Bonds and notes issued by:		
Bulgarian government, rated BBB:		
- denominated in Bulgarian Leva	4,317	3,280
- denominated in foreign currencies	1,380	-
Foreign banks	1,367	-
Other issuers – equity instruments (unrated)	1,823	3,186
Total	**8,887**	**6,466**

13. Available for sale investments

In thousands of BGN	**2014**	**2013**
Bonds and notes issued by:		
Bulgarian Government		
- denominated in Bulgarian Leva	179,418	110,644
- denominated in foreign currencies	193,792	79,532
Foreign governments		
- treasury bills	0	136,853
- treasury bonds	24,281	9,845
Local authorities	51	0
Bulgarian banks	1,955	0
Foreign banks	44,018	19,220
Other issuers – equity instruments	5,788	5,209
Investments in subsidiaries	36,371	83,311
Total	**485,674**	**444,614**

Investments in subsidiaries are as follows:

in BGN '000	% held	**2014**	**2013**
Entity:			
First Investment Finance B.V., Netherlands	100%	3,947	3,947
Diners Club Bulgaria AD	94.79%	5,443	5,443
First Investment Bank − Albania Sh.a.	100%	23,419	23,419
Debita OOD	70%	105	105
Realtor OOD	51%	77	77
Fi Health Insurance AD	59.10%	3,315	3,315
Framas Enterprises Limited	100%	15	15
Balkan Financial Services EAD	100%	50	50
Turnaround Management EOOD	100%	-	-
Creative Investment EOOD	100%	-	-
Lega Solutions EOOD	100%	-	-
Unionbank EAD	100%	-	46,940
AMC Imoti EOOD	100%	-	-
Total		**36,371**	**83,311**

The merger of Unionbank EAD in First Investment Bank AD was listed in the Commercial Register on 4 March 2014. By force of law with the record in the Commercial Register Unionbank EAD was delisted as a company and all its rights and obligations were transferred to First Investment Bank AD as its universal successor. The process of IT and technological merger, as well as the accounting merger of the two banks were successfully completed on 4 March 2014.

14. Financial assets held to maturity

in BGN '000	**2014**	**2013**
Securities held to maturity issued by:		
Bulgarian Government	-	-
Foreign governments	9,773	122,878
Foreign banks	19,480	18,344
Total	**29,253**	**141,222**

In May 2014 the Bank sold investments held to maturity with nominal value of EUR 40,000. This sale does not constitute a change in the Bank's intent and ability to hold investments to maturity, as it refers to an isolated event which is beyond the Bank's control, is not recurrent and the Bank had no reasonable grounds to anticipate it.

15. Loans and advances to banks and other financial institutions

(a) Analysis by type

in BGN '000	**2014**	**2013**
Placements with banks	72,433	271,508
Receivables under resale agreements	-	13,658
Other	8,127	6,293
Total	**80,560**	**291,459**

(b) Geographical analysis

in BGN '000	**2014**	**2013**
Domestic banks and financial institutions	18,236	256,367
Foreign banks and other financial institutions	62,324	35,092
Total	**80,560**	**291,459**

16. Loans and advances to customers

in BGN '000	**2014**	**2013**
Retail Banking		
- Consumer loans	405,545	315,463
- Mortgage loans	635,559	355,957
- Credit cards	234,508	214,277
Small and medium enterprises	493,584	277,223
Microlending	88,984	32,621
Corporate customers	4,391,755	3,900,428
Allowance for impairment	(515,640)	(224,073)
Total	**5,734,295**	**4,871,896**

(a) Movement in impairment allowances

in BGN '000	
Balance as at 1 January 2014	**224,073**
Additional allowances	316,864
Amounts released	(25,037)
Write - offs	(260)
Balance at 31 December 2014	**515,640**

17. Property and equipment

in BGN '000	Land and Buildings	Fixtures and fittings	Motor vehicles	Assets under Construction	Leasehold Improvements	Total
Cost						
At 1 January 2014	**15,896**	**129,945**	**6,010**	**21,018**	**60,594**	**233,463**
Additions		14	-	11,190		11,204
Additions – recognised at the merger of Unionbank EAD	1,868	3,187	-	1,548	544	7,147
Disposals	(214)	(1,955)	(248)	(10)		(2,427)
Transfers	-	4,625	708	(8,466)	1,922	(1,211)
At 31 December 2014	**17,550**	**135,816**	**6,470**	**25,280**	**63,060**	**248,176**
Amortisation						
At 1 January 2014	**1,642**	**97,704**	**5,168**	**-**	**24,874**	**129,388**
Начислена през годината	624	11,023	296	-	4,158	16,101
On disposals	(5)	(1,866)	(248)			(2,119)
At 31 December 2014	**2,261**	**106,861**	**5,216**	**-**	**29,032**	**143,370**
Net book value						
At 31 December 2014	**15,289**	**28,955**	**1,254**	**25,280**	**34,028**	**104,806**
At 1 January 2014	14,254	32,241	842	21,018	35,720	104,075

18. Intangible assets

in BGN '000	Computer software	Total
Cost		
At 1 January 2014	23,526	23,526
Additions – recognised at the merger of Unionbank EAD	3,469	3,469
Transfers	1,211	1,211
At 31 December 2014	**28,206**	**28,206**
Amortisation		
At 1 January 2014	11,931	11,931
Начислена през годината	2,865	2,865
At 31 December 2014	**14,796**	**14,796**
Net book value		
At 31 December 2014	**13,410**	**13,410**
At 1 January 2014	11,595	11,595

19. Other assets

in BGN '000	**2014**	**2013**
Deferred expense	13,451	18,771
Gold bullion	9,558	10,384
Other	532,708	478,822
Total	**555,717**	**507,977**

20. Due to banks

in BGN '000	**2014**	**2013**
Term deposits	0	14,190
Payable on demand	10,229	2,538
Total	**10,229**	**16,728**

21. Due to other customers

in BGN '000	**2014**	**2013**
Retail customers		
- current accounts	575,876	549,376
- term and savings deposits	4,969,307	4,434,658
Businesses and public institutions		
- current accounts	593,399	515,183
- term	369,282	898,326
- Ministry of Finance deposit	901,844	-
Total	**7,409,708**	**6,397,543**

With decision C(2014)8959 of 25.11.2015 the European Commission, DG Competition, approved the provision of liquid support to First Investment Bank AD amounting to BGN 900 mln. for 18 months.

22. Liabilities evidenced by paper

in BGN '000	**2014**	**2013**
Acceptances under letters of credit	23,337	5,763
Liabilities under repurchase agreements	-	38,751
Other term liabilities	154,207	103,231
Total	**177,544**	**147,745**

23. Perpetual debt

in BGN '000	**Principal amount**	**Amortised cost as at 31 December 2014**
Step-up Guaranteed Perpetual Subordinated Bonds EUR 27 mio	52,807	57,628
Step-up Guaranteed Perpetual Subordinated Bonds EUR 21 mio	41,073	45,532
Total	**93,880**	**103,160**

in BGN '000	**Principal amount**	**Amortised cost as at 31 December 2013**
Step-up Guaranteed Perpetual Subordinated Bonds EUR 27 mio	52,807	57,512
Step-up Guaranteed Perpetual Subordinated Bonds EUR 21 mio	41,073	45,556
Total	**93,880**	**103,068**

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 was fully guaranteed by the Bank. The terms and conditions of the debt capital instruments fully comply with the repealed Ordinance 8 on Capital Adequacy of Credit Institutions issued by BNB. The amounts received for the perpetual subordinated bonds are included in Tier 2 capital after respective Permissions by Bulgarian National Bank. After the entry into force of Regulation 575/2013 (effective 1 January 2014) on prudential requirements for credit institutions and investment firms, the two instruments are subject to grandfathering and as at 31.12.2014 are included in the tier 2 capital with 80% of their initial value.

24. Hybrid debt

in BGN '000

	Principal amount	Amortised cost as at 31 December 2014
Hybrid debt with original principal EUR 40 mio	78,233	78,127
Hybrid debt with original principal EUR 60 mio	117,350	117,320
Total	**195,583**	**195,447**

in BGN '000

	Principal amount	Amortised cost as at 31 December 2013
Hybrid debt with original principal EUR 40 mio	78,233	84,736
Hybrid debt with original principal EUR 60 mio	117,350	120,515
Total	**195,583**	**205,251**

In March 2011 the Bank issued a hybrid instrument (bond issue) and, after obtaining permission from the Bulgarian National Bank, included it as Tier 1 capital pursuant to Art. 3a of the repealed Ordinance 8 on Capital Adequacy of Credit Institutions. 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. The bonds are registered, dematerialized, interest-bearing, perpetual, unsecured, freely transferable, non-convertible, deeply subordinated and without incentive to redeem. In June 2012 the Bank issued the second tranche of the instrument, also amounting to EUR 20,000 thousand and following permission from the Bulgarian National Bank included in its Tier 1 capital.

In November 2012 the Bank issued a new hybrid instrument (bond issue) and, after obtaining permission from the Bulgarian National Bank, included it as Tier 1 capital pursuant to Art. 3a of the repealed Ordinance 8 on Capital Adequacy of Credit Institutions. 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 tranche of the instrument with a total amount of EUR 40,000 thousand and following permission from the Bulgarian National Bank included in its Tier 1 capital

The two hybrid instruments fully comply with the requirements of Regulation 575/2013 and are included in the additional tier 1 capital. With relation to Decision C (2014 8959)/25.11.14 of the European Commission regarding SA.39854 (2014/N) the accrual of interest on the hybrid instruments has been suspended until the aid has been repaid.

25. Other liabilities

in BGN '000	2014	2013
Liabilities to personnel	2,524	2,277
Other payables	14,782	5,805
Total	**17,306**	**8,082**

26. Shareholders

As at 31 December 2014 the registered share capital of the Bank is BGN 110,000,000 divided into 110,000,000 ordinary dematerialized shares with voting rights of BGN 1 par value each. All shares have been fully paid up.
The table below shows those shareholders of the Bank holding shares as at 31 December 2014 together with the number and percentage of total issued shares.

	Number of shares	% of issued share capital
Mr. Ivailo Dimitrov Mutafchiev	46,750,000	42.5
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**

27. Commitments and contingent liabilities

Contingent liabilities

in BGN '000	2014	2013
Guarantee		
- in BGN	225,041	142,699
- in foreign currency	309,092	128,222
Total guarantees	**534,133**	**270,921**
Unused credit lines	440,942	395,058
Promissory notes	0	811
Letters of credit	14,509	31,191
Total	**989,584**	**697,981**

28. Related party transactions

Type of related party	**Parties that control or manage the Bank**		**Enterprises under common control**	
in BGN '000	**31 December 2014**	**31 December 2013**	**31 December 2014**	**31 December 2013**
Loans	593	1,231	50,329	34,183
Deposits and loans recieved:	10,664	16,154	122,342	151,535
Deposits placed	-	-	-	239,823
Off-balance sheet commitments issued by the Bank	2,108	1,607	5,180	4,171

In 2014:

1. There were no unusual (in terms of amount, nature or timing) assets, liabilities, equity, net income and cash flows.
2. There were no unusual changes in contingent assets and liabilities since the last annual financial statements.
3. There were not issued, repaid or repurchased capital instruments.
4. No dividends were accrued or paid.

Executive Director	**Executive Director:**
D. KOSTOV	**M. OYFALOSH**