

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

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

Re: Consolidated (unaudited) financial statements of First Investment Bank AD as at 31 December 2018

Dear Sirs,

In compliance with the requirements of the Public Offering of Securities Act (POSA) and the regulations for its implementation, in our capacity as public company and issuer of bonds admitted for trading at a regulated market, we hereby submit the consolidated (unaudited) financial statements of First Investment Bank AD as at 31 December 2018, containing:

1. Financial statements as at 31.12.2018 as per Art. 100o, para. 4(1) with relation to Art. 100o<sup>1</sup>, Para. 7 of POSA;
2. Notes to the financial statements as at 31.12.2018;
3. Interim activity report under Art. 100o, para. 4(2) with relation to Art. 100o<sup>1</sup>, Para. 7 of POSA;
4. Declaration under Art. 100o, para. 4(3) with relation to Art. 100o<sup>1</sup>, Para. 7 of POSA.

Sincerely,

*(signed)*

Svetozar Popov  
Executive Director  
Member of the MB

*(signed)*

Chavdar Zlatev  
Executive Director  
Member of the MB

**Consolidated statement of the financial position as at 31 December 2018**

unaudited

in BGN '000

	2018	2017
<b>ASSETS</b>		
Cash and balances with Central Banks	1 674 754	1 478 594
Investments in securities	802 321	803 999
Loans and advances to banks and other financial institutions	125 483	54 402
Loans and advances to customers	5 790 900	5 162 907
Property and equipment	83 951	91 539
Intangible assets	14 402	7 342
Derivatives held for risk management	905	1 596
Current tax assets	600	63
Repossessed assets	812 934	984 448
Investment Property	242 558	218 212
Other assets	112 711	118 096
<b>TOTAL ASSETS</b>	<b>9 661 519</b>	<b>8 921 198</b>
<b>LIABILITIES AND CAPITAL</b>		
Due to banks	3 024	8 136
Due to other customers	8 342 691	7 583 819
Liabilities evidenced by paper	121 120	127 493
Hybrid debt	208 786	208 786
Derivatives held for risk management	88	-
Deferred tax liabilities	10 163	14 467
Current tax liabilities	379	2 213
Other liabilities	61 667	28 934
<b>TOTAL LIABILITIES</b>	<b>8 747 918</b>	<b>7 973 848</b>
Issued share capital	110 000	110 000
Share premium	97 000	97 000
Statutory reserve	39 865	39 865
Revaluation reserve of investments in securities	17 795	21 431
Revaluation reserve on property	4 500	4 500
Reserve from translation of foreign operations	1 409	(1 525)
Other reserves and retained earnings	640 401	673 571
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>910 970</b>	<b>944 842</b>
Non-controlling interest	2 631	2 508
<b>TOTAL GROUP EQUITY</b>	<b>913 601</b>	<b>947 350</b>
<b>TOTAL LIABILITIES AND GROUP EQUITY</b>	<b>9 661 519</b>	<b>8 921 198</b>

SVETOZAR POPOV  
Executive Director

CHAVDAR ZLATEV  
Executive Director

SEVDALINA VASSILEVA  
Executive Director

JIVKO TODOROV  
Chief Financial Officer

FIRST INVESTMENT BANK AD

**Consolidated statement of comprehensive income for the year ended 31 December 2016**

unaudited

in BGN '000

	<b>2018</b>	<b>2017</b>
Interest income	331 046	356 173
Interest expense	(63 958)	(95 247)
<b>Net interest income</b>	<b>267 088</b>	<b>260 926</b>
Fee and commission income	119 992	120 787
Fee and commission expense	(22 880)	(18 641)
<b>Net fee and commission income</b>	<b>97 112</b>	<b>102 146</b>
Net trading income	10 833	15 326
Other net operating income	16 321	28 191
<b>TOTAL INCOME FROM BANKING OPERATIONS</b>	<b>391 354</b>	<b>406 589</b>
Administrative expenses	(212 061)	(204 698)
Allowance for impairment	(82 648)	(78 850)
Other income/(expenses), net	65 127	(20 431)
<b>PROFIT BEFORE TAX</b>	<b>161 772</b>	<b>102 610</b>
<b>Tax income/(expense)</b>	<b>3 020</b>	<b>(10 365)</b>
<b>GROUP PROFIT AFTER TAX</b>	<b>164 792</b>	<b>92 245</b>
<b>Other comprehensive income for the period</b>		
<b>Items which should or may be reclassified as profit or loss</b>		
Exchange rate differences from translation of foreign operations	2 934	518
Revaluation reserve of investments in securities	(408)	888
<b>Total other comprehensive income</b>	<b>2 526</b>	<b>1 406</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>167 318</b>	<b>93 651</b>
Net profit attributable to:		
Ordinary equity holders	164 633	92 175
Non-controlling interest	159	70
Total comprehensive income attributable to:		
Ordinary equity holders	167 159	93 581
Non-controlling interest	159	70
<b>Basic and diluted earnings per share (BGN)</b>	<b>1.50</b>	<b>0.84</b>

SVETOZAR POPOV  
Executive Director

CHAVDAR ZLATEV  
Executive Director

SEVDALINA VASSILEVA  
Executive Director

JIVKO TODOROV  
Chief Financial Officer

**Consolidated statement of cash flows for the year ended 31 December 2018**

unaudited

in BGN '000

	<b>2018</b>	<b>2017</b>
<b>Net cash flow from operating activities</b>		
Net profit	164 792	92 245
<b>Adjustment for non-cash items</b>		
Allowance for impairment	82 648	78 850
Net interest income	(267 088)	(260 926)
Depreciation and amortization	15 342	16 206
Tax expense	(3 020)	10 365
Loss from sale and write-off of tangible and intangible fixed assets, net	69	220
(Profit) from sale of other assets, net	(81 779)	(10 612)
(Positive) revaluation of investment property	(13 669)	-
	<b>(102 705)</b>	<b>(73 652)</b>
<b>Change in operating assets</b>		
Decrease in financial assets at fair value through profit or loss	25 859	1 545
(Increase) in financial assets at fair value in other comprehensive income	(32 236)	(127 721)
(Increase) in loans and advances to banks and financial institutions	(98)	(2 284)
(Increase) in loans to customers	(1 020 604)	(311 476)
Net (increase)/decrease in other liabilities	8 745	(23 985)
	<b>(1 018 334)</b>	<b>(463 921)</b>
<b>Change in operating liabilities</b>		
Increase/(decrease) in deposits from banks	(5 108)	4 794
Increase/(decrease) in amounts owed to other depositors	773 420	(295 119)
Net increase in other liabilities	49 232	6 462
	<b>817 544</b>	<b>(283 863)</b>
Interest received	393 486	423 690
Interest paid	(78 467)	(128 076)
Dividends received	105	4 478
Paid profit tax, net	(4 066)	(9 407)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>7 563</b>	<b>(530 751)</b>
<b>Cash flow from investing activities</b>		
(Purchase) of tangible and intangible fixed assets	(14 807)	(9 388)
Sale of tangible and intangible fixed assets	29	281
Sale of other assets	271 139	113 039
Decrease in investments	9 687	208 757
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>266 048</b>	<b>312 689</b>
<b>Financing activities</b>		
Increase/(decrease) in borrowings	(6 415)	57 027
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(6 415)</b>	<b>57 027</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>267 196</b>	<b>(161 035)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD</b>	<b>1 520 697</b>	<b>1 681 732</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	<b>1 787 893</b>	<b>1 520 697</b>

**CHAVDAR ZLATEV**  
Executive Director

**SEVDALINA VASSILEVA**  
Executive Director

**JIVKO TODOROV**  
Chief Financial Officer

FIRST INVESTMENT BANK AD

**Consolidated statement of shareholders' equity for the year ended 31 December 2018**

unaudited

in BGN '000

	Issued share capital	Share premium	Other reserves and retained earnings	Revaluation reserve of investments in securities	Revaluation reserve on property	Reserve from translation of foreign operations	Statutory reserve	Non-controlling interest	Total
<b>Balance at 01 January 2017</b>	<b>110 000</b>	<b>97 000</b>	<b>584 513</b>	<b>20 543</b>	<b>4 500</b>	<b>(2 043)</b>	<b>39 865</b>	<b>2 458</b>	<b>856 836</b>
<b>Total comprehensive income for the period</b>									
Net profit for the year ended 31 December 2017	-	-	92 175	-	-	-	-	70	92 245
<b>Other comprehensive income for the period</b>									
Revaluation reserve on available for sale investments	-	-	-	888	-	-	-	-	888
Reserve from translation of foreign operations	-	-	-	-	-	518	-	-	518
Effect from deconsolidation of subsidiaries	-	-	(3 117)	-	-	-	-	(20)	(3 137)
<b>Balance as at 31 December 2017</b>	<b>110 000</b>	<b>97 000</b>	<b>673 571</b>	<b>21 431</b>	<b>4 500</b>	<b>(1 525)</b>	<b>39 865</b>	<b>2 508</b>	<b>947 350</b>
<b>Initial application of IFRS 9</b>									
Effect from the initial application of IFRS 9 as regards impairment losses	-	-	(202 642)	-	-	-	-	(36)	(202 678)
Effect from the initial application of IFRS 9 as regards the revaluation reserve of investments in securities	-	-	4 839	(4 839)	-	-	-	-	-
<b>Change in balances as at 1 January 2018</b>	<b>110 000</b>	<b>97 000</b>	<b>475 768</b>	<b>16 592</b>	<b>4 500</b>	<b>(1 525)</b>	<b>39 865</b>	<b>2 472</b>	<b>744 672</b>
<b>Total comprehensive income for the period</b>									
Net profit for the year ended 31 December 2018	-	-	164 633	-	-	-	-	159	164 792
<b>Other comprehensive income for the period</b>									
Revaluation reserve of investments in securities	-	-	-	1 203	-	-	-	-	1 203
Reserve from translation of foreign operations	-	-	-	-	-	2 934	-	-	2 934
<b>Balance as at 31 December 2018</b>	<b>110 000</b>	<b>97 000</b>	<b>640 401</b>	<b>17 795</b>	<b>4 500</b>	<b>1 409</b>	<b>39 865</b>	<b>2 631</b>	<b>913 601</b>

SVETOZAR POPOV  
Executive Director

CHAVDAR ZLATEV  
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Chief Financial Officer

**ADDENDUM TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF  
FIRST INVESTMENT BANK AD  
AS AT 31/12/2018**

**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.

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

The consolidated financial statements of the Bank as at and for the year ended 31 December 2018 comprise the Bank and its significant subsidiaries, together referred to as the “Group”.

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

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

**(d) New standards, amendments and interpretations effective as of 01 January 2018**

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:

- 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), endorsed by the EU on 22 September 2016, published in the Official Journal on 29 October 2016
- IFRS 9 Financial Instruments (issued on 24 July 2014), endorsed by the EU on 22 November 2016, published in the Official Journal on 29 November 2016
- Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016), endorsed by the EU on 31 October 2017, published in the Official Journal on 9 November 2017
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016), endorsed by the EU on 3 November 2017, published in the Official Journal on 9 November 2017
- Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016), endorsed by the EU on 7 February 2018, published in the Official Journal on 8 February 2018
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016), endorsed by the EU on 26 February 2018, published in the Official Journal on 27 February 2018
- Amendments to IAS 40: Transfers of Investment Property (issued on 8 December 2016), endorsed by the EU on 14 March 2018, published in the Official Journal on 15 March 2018
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016), endorsed by the EU on 28 March 2018, published in the Official Journal on 3 April 2018

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

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. The new standard introduces significant changes to the classification and

assessment of financial assets and a new model for the expected credit loss from impairment of financial assets. IFRS 9 includes new guidelines on the accounting for hedging.

The Group's Management has identified the following areas that are expected to be most impacted by the application of IFRS 9:

the classification and measurement of the Group's financial assets were reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed. Management holds most financial assets to hold and collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly.

Management expects the majority of held-to-maturity investments to continue to be accounted for at amortised cost, while others amounting to BGN 9,785 thousand will be recognised at fair value in profit or loss, as the cash flows are not solely payments of principal and interest. Management does not find a significant effect on profit or loss from this change in accounting.

Management expects that some of the financial assets held to maturity amounting at 01.01.2018 to BGN 34,099 thousand to be accounted at fair value in other comprehensive income, because they represent government securities and are held as part of a business model for the purpose of collecting contractual cash flows, as well as of the cash flows from sale of the asset. Besides, the contractual cash flows from these financial instruments give rise only to principal and interest payments. With this change the management reports an effect in an increase in other comprehensive income (revaluation reserve of investments in securities) amounting to BGN 1,611 thousand.

As of 01.01.2018 a number of available-for-sale financial assets at total amount of BGN 18,286 thousand are measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest. The related fair value gains will be transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018. Management does not report a significant effect on the equity components from this change in accounting

The other financial assets held by the Group at 01.01.2018 include:

equity instruments, amounting to BGN 15,820 thousand currently classified as available-for-sale financial assets for which a fair value through profit and loss valuation method will be applied. In relation to this the Group reclassified as of 01 January 2018 from its revaluation reserve, net of taxes, in other reserves and retained earnings the amount of BGN 4,904 thousand.

- equity investments, amounting to BGN 4,164 thousand available-for-sale, up to now measured at fair value through profit or loss which the Group continued to measure on the same basis under IFRS 9;

- debt instruments, amounting to BGN 9,830 thousand currently classified as held-to-maturity and measured at amortised cost which meet the conditions for classification at amortised cost under IFRS 9.

- debt instruments, amounting to BGN 1,261 thousand currently classified as financial assets available-for-sale which meet the conditions for classification at amortised cost under IFRS 9. Management does not report a significant effect on the equity components (revaluation reserve of investments in securities) from this change in accounting.

IFRS 9 requires gains or losses realised on the sale of financial assets at fair value through other comprehensive income no longer to be transferred to profit or loss, but instead to be transferred from reserve to retained earnings. In 2017, no such gains or losses were recognised in relation to the disposal of available-for-sale financial assets.

An expected credit loss-based impairment should be recognised on the Group's trade receivables and investments in debt-type assets currently classified as AFS and HTM unless classified as at fair value through profit or loss in accordance with the new criteria. The Group recognises impairment also on its off-balance sheet commitments on the basis of the expected loss. Based

on the assessments undertaken as at 01.01.2018, the Group reports a certain increase in the loss allowance

- for trade debtors by BGN 184,431 thousand;
- securities at amortised cost in the amount of BGN 158 thousand;
- off-balance sheet commitments amounting to BGN 18,290 thousand.

As at 01.01.2018, with the adoption of IFRS 9, impairment of financial assets at fair value is reported in other comprehensive income in the amount BGN 65 thousand. This amount does not affect the value of the respective financial assets, it adjusts the revaluation reserve of investments in securities (increase) against other reserves and retained earnings (decrease).

It will no longer be possible to measure equity investments at cost less impairment. Instead, all such investments will be measured at fair value. Changes in fair value will be presented in current profit or loss, except in case the Group presents them in other comprehensive income without the right to reverse.

At 01.01.2018 the Group intends to present the changes in the fair value of investments in equity instruments in profit or loss, not in other comprehensive income.

## **2. Significant accounting policies**

The accounting policy applied by the Group 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 2017, with the exception of the disclosed effect from the application of IFRS 9.

### **(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. 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.

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

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

#### **(ii) Fees and Commissions**

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

#### **(iii) Net trading income**

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



**(iv) Dividend income**

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

**(b) Basis of consolidation**

**(i) Business Combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

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

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

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

## **2. Significant accounting policies, continued**

### **(b) Basis of consolidation, continued**

#### ***(i) Business Combinations, continued***

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

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

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

#### ***(ii) Non-controlling interest***

Non-controlling interest is measured at its proportionate share of the acquiree's identifiable net assets at the acquisition date.

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

#### ***(iii) Subsidiaries***

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

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

#### ***(iv) Loss of control***

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

## **2. Significant accounting policies, continued**

### **(b) Basis of consolidation, continued**

#### ***(v) Transactions eliminated on consolidation***

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

### **(c) Foreign currency transactions**

#### ***(i) Functional and presentation currency***

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

### ***Transactions and balances***

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

#### ***(iii) Foreign operations***

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

### **(d) Financial assets**

#### ***(i) Recognition***

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

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

**(ii) Financial assets at amortised cost**

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

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

**(iii) Financial assets at fair value through other comprehensive income**

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

**(iv) Financial assets at fair value through profit or loss**

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

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

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

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

## **2. Significant accounting policies, continued**

### **(d) Financial assets, continued**

#### **(vi) Fair value measurement principles**

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

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

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

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

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

The Group, when holding portfolios of financial assets and financial liabilities, is exposed to market risk and credit risk. If the Group manages these portfolios on the basis of its net exposure either to market risk or credit risk, the fair value is measured on the basis of a price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

#### **(vii) Derecognition**

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

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

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

In transactions in which the Group neither retains nor transfers substantially all the risks and

rewards of ownership of a financial asset, it derecognises the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers in which, control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

**(e) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances on hand, cash deposited with the central bank and short-term highly liquid accounts and advances to banks with original maturity of up to three months.

**(f) Investments**

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

**(g) Securities borrowing and lending business and repurchase transactions**

***(i) Securities borrowing and lending***

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

***(ii) Repurchase agreements***

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

**(h) Borrowings**

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

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

The Group writes off financial liabilities when they are repaid, i.e. when the contractual obligation is fulfilled, revoked or expires.

**(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 financial assets**

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

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

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

**(k) Property and equipment**

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

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

<b>Assets</b>	<b>%</b>
• Buildings	3 - 4
• Equipment	10 - 50
• Fixtures and fittings	10 - 15
• Motor vehicles	10 - 20
• Leasehold Improvements	2 - 50

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

**(l) Intangible assets**

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

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

<b>Assets</b>	<b>%</b>
• Licenses and trademarks	10 - 20
• Software and licences	8 - 50

**(m) Investment Property**

Investment property is property (land or a building or part of a building or both) held to earn rentals or for capital appreciation or both. The Group has chosen for its accounting policy to account for

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

**(n) Provisions**

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and 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.

**(o) Acceptances**

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

**(p) Off-balance sheet commitments**

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

**(q) Taxation**

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

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

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

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

**(r) Critical accounting estimates and judgements in applying accounting policies**

The 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.



Information on the valuations and the valuation uncertainty, for which there is a significant risk of change as of 31 December 2018 are stated below and are related to the impairment and valuation of assets, income tax and the following notes related to other elements of the financial statements:

- Note 4 - 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 15 - determining of the fair value of land and buildings through valuation techniques, in which the input data for the assets are not based on available market information;

**(ii) Assessment of repossessed assets from collaterals**

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

**(iii) Income taxes**

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

**(s) Earnings per share**

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

**(t) Employee benefits**

**Defined contribution plans**

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

**Defined benefit plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The 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.

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 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.

### **(u) Insurance Contracts**

#### ***Classification of insurance contracts***

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

Insurance risk is every risk, which is not financial risk. Financial risk is any risk related to probable future change in one or several of the following: interest, price of the security, market prices, currency prices, credit rating, credit index or other variable- if there are the non-financial variables, the variable is not specific for the counterparties. Insurance contracts may also transfer part of the financial risk.

#### ***Written premiums***

Written premiums are recognized as income on the basis of the due premium from the insured individuals for the underwriting year, which begins during the financial year, or the due single premium 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 premiums are insurance premiums for which there has been a violation of the General terms of the insurance contract or a change in the terms of the contract. Reversed premiums within the current year, related to policies written within the current year, decrease the Gross Written Premiums of the Group. Reversed premiums within the current year, related to policies written within the previous year, increase the Gross Written Premiums of the Group.

#### ***Unearned-premium reserve***

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

coefficient for deferral is calculated as a ratio between the number of the days within the following reporting period during which the contract is valid to the total number of days during which the contract is valid.

#### ***Unexpired risk reserve***

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

#### ***Claims incurred***

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

#### ***Outstanding claims reserve***

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

#### ***Acquisition costs***

Acquisition costs include accrued commission expense from agents and brokers.

### **(v) New standards and interpretations not yet effective**

#### **Standards, interpretations and amendments in standards that are issued by IASB and endorsed by EU but not yet effective**

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

#### **Documents issued by IASB/IFRICs not yet endorsed by the European Commission**

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

- IFRS 17 Insurance Contracts (issued on 18 May 2017)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued on 12 October 2017), effective 1 January 2019.
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017), effective 1 January 2019
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018), effective 1 January 2019
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018), effective 1 January 2020
- Amendment to IFRS 3 Business Combinations (issued on 22 October 2018), effective 1 January 2020.
- Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018), effective 01 January 2020

## **2. Segment Reporting**

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

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

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

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

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

<i>in BGN '000</i>	<b>Bulgarian operations</b>		<b>Foreign operations</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Interest income	312,537	340,526	18,509	15,647	331,046	356,173
Interest expense	(61,159)	(92,333)	(2,799)	(2,914)	(63,958)	(95,247)
<b>Net interest income</b>	<b>251,378</b>	<b>248,193</b>	<b>15,710</b>	<b>12,733</b>	<b>267,088</b>	<b>260,926</b>
Fee and commission income	113,935	116,456	6,057	4,331	119,992	120,787
Fee and commission expense	(22,144)	(18,093)	(736)	(548)	(22,880)	(18,641)
<b>Net fee and commission income</b>	<b>91,791</b>	<b>98,363</b>	<b>5,321</b>	<b>3,783</b>	<b>97,112</b>	<b>102,146</b>
<b>Net trading income</b>	<b>11,053</b>	<b>14,771</b>	<b>(220)</b>	<b>555</b>	<b>10,833</b>	<b>15,326</b>
<b>Administrative expenses</b>	<b>(202,795)</b>	<b>(197,160)</b>	<b>(9,266)</b>	<b>(7,538)</b>	<b>(212,061)</b>	<b>(204,698)</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Assets</b>	<b>9,276,293</b>	<b>8,604,827</b>	<b>385,226</b>	<b>316,371</b>	<b>9,661,519</b>	<b>8,921,198</b>
<b>Liabilities</b>	<b>8,197,036</b>	<b>7,625,939</b>	<b>550,882</b>	<b>347,909</b>	<b>8,747,918</b>	<b>7,973,848</b>

The table below shows assets and liabilities and income and expense by business segments as at 31 December 2018.

*in thousands of BGN*

<b>Business</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Interest income</b>	<b>Interest expense</b>	<b>Net fee and commission income</b>	<b>Net trading income</b>	<b>Other net operating income</b>
Corporate customers	3,226,675	754,755	145,650	(803)	23,682	-	383
Small and medium enterprises	840,658	347,282	39,517	(774)	14,326	-	395
Retail Banking	1,723,567	7,240,654	129,394	(36,198)	58,258	-	1,844
Treasury	2,603,463	79,601	16,485	(2,764)	2,296	10,833	4,385
Other	1,267,156	325,626	-	(23,419)	(1,450)	-	9,314
<b>Total</b>	<b>9,661,519</b>	<b>8,747,918</b>	<b>331,046</b>	<b>(63,958)</b>	<b>97,112</b>	<b>10,833</b>	<b>16,321</b>

### 3. Financial assets and liabilities

#### Accounting classification and fair values

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

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

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

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

or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

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

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

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

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

The Group uses widely recognised valuation models for determining the fair value of common and simpler 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 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;
- proposal of new models and changes to existing models is made by the Risk Analysis and Control Division and approved by the Management Board;
- calibration of models against observed market transactions;
- analysis and investigation of significant daily valuation movements;

- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous month, by Risk Analysis and Control division.

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

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

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

*in thousands of BGN*

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

*In BGN '000*

<b>31 December 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss	7,979	-	-	7,979
Financial assets at fair value through other comprehensive income	619,128	123,168	10	742,306
Derivatives held for risk management	1,092	504	-	1,596
<b>Total</b>	<b>628,199</b>	<b>123,672</b>	<b>10</b>	<b>751,881</b>

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

*in thousands of BGN*

<b>31 December 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total fair values</b>	<b>Total balance sheet value</b>
<b>Assets</b>					
Cash and balances with Central Banks	-	1,674,754	-	1,674,754	1,674,754
Financial assets at amortised cost	-	862	-	862	748
Loans and advances to banks and other financial institutions	-	125,483	-	125,483	125,483
Loans and advances to customers	-	722,179	5,267,739	5,989,918	5,790,900
<b>Total</b>	<b>-</b>	<b>2,523,278</b>	<b>5,267,739</b>	<b>7,791,017</b>	<b>7,591,885</b>
<b>Liabilities</b>					
Due to banks	-	3,024	-	3,024	3,024
Due to other customers	-	3,559,273	4,791,901	8,351,174	8,342,691
Liabilities evidenced by paper	-	121,087	-	121,087	121,120
Hybrid debt	-	208,786	-	208,786	208,786
<b>Total</b>	<b>-</b>	<b>3,892,170</b>	<b>4,791,901</b>	<b>8,684,071</b>	<b>8,675,621</b>

In BGN '000

31 December 2017	Level 1	Level 2	Level 3	Total fair values	Total balance sheet value
<b>Assets</b>					
Cash and balances with Central Banks	-	1,478,594	-	1,478,594	1,478,594
Financial assets at amortised cost	-	56,140	-	56,140	53,714
Loans and advances to banks and other financial institutions	-	54,402	-	54,402	54,402
Loans and advances to customers	-	665,629	4,781,433	5,447,062	5,162,907
<b>Total</b>	-	<b>2,254,765</b>	<b>4,781,433</b>	<b>7,036,198</b>	<b>6,749,617</b>
<b>Liabilities</b>					
Due to banks	-	8,136	-	8,136	8,136
Due to other customers	-	2,892,520	4,691,190	7,583,710	7,583,819
Liabilities evidenced by paper	-	127,455	-	127,455	127,493
Hybrid debt	-	208,786	-	208,786	208,786
<b>Total</b>	-	<b>3,236,897</b>	<b>4,691,190</b>	<b>7,928,087</b>	<b>7,928,234</b>

## 5. Net interest income

<i>in thousands of BGN</i>	2018	2017
<b>Interest income</b>		
Accounts with and placements to banks and financial institutions	1,595	891
Revenue from interest on liabilities	84	-
Retail Banking	120,721	126,072
Corporate customers	145,650	169,280
Small and medium enterprises	39,517	36,965
Microlending	8,673	9,213
Debt instruments	14,806	13,752
	<b>331,046</b>	<b>356,173</b>
<b>Interest expense</b>		
Deposits from banks	(33)	(28)
Deposits from other customers	(37,775)	(69,142)
Liabilities evidenced by paper	(1,006)	(820)
Hybrid debt	(22,883)	(22,929)
Interest on assets cost	(2,210)	(2,317)
Lease agreements and other	(51)	(11)
	<b>(63,958)</b>	<b>(95,247)</b>
<b>Net interest income</b>	<b>267,088</b>	<b>260,926</b>

## 6. Net fee and commission income

<i>in thousands of BGN</i>	2018	2017
<b>Fee and commission income</b>		
Letters of credit and guarantees	2,705	2,911
Payment operations	21,912	20,862
Customer accounts	31,730	30,863
Card services	34,033	31,375
Other	29,612	34,776
	<b>119,992</b>	<b>120,787</b>
<b>Fee and commission expense</b>		
Letters of credit and guarantees	(313)	(296)
Payment systems	(2,469)	(2,196)
Card services	(14,872)	(13,540)
Other	(5,226)	(2,609)
	<b>(22,880)</b>	<b>(18,641)</b>
<b>Net fee and commission income</b>	<b>97,112</b>	<b>102,146</b>

## 7. Net trading income

<i>in thousands of BGN</i>	2018	2017
Net trading income arises from:		
- Debt instruments	(135)	236
- Equities	(124)	247
- Foreign exchange rate fluctuations	11,092	14,843
<b>Net trading income</b>	<b>10,833</b>	<b>15,326</b>

## 8. Other net operating income

<i>In BGN '000</i>	2018	2017
Other net operating income arising from:		
-net income from transactions and revaluation of gold and precious metals	452	66
Rental income	8,862	11,283
- Debt instruments	3,103	12,384
- Equities	1,282	-
- income from management of assigned receivables	584	-
- Gain on administration of loans acquired through business combination	2,038	4,458
<b>Other net operating income</b>	<b>16,321</b>	<b>28,191</b>

## 9. Administrative expenses

<i>in thousands of BGN</i>	2018	2017
General and administrative expenses comprise:		
- Personnel cost	70,315	64,968
- Depreciation and amortisation	15,342	16,206
- Advertising	16,623	18,379
- Building rent expense	33,602	33,475
-Telecommunication, software and other computer maintenance	12,400	11,832
- Other expenses for external services	63,779	59,838
<b>Administrative expenses</b>	<b>212,061</b>	<b>204,698</b>

## 10. Allowance for impairment

<i>in thousands of BGN</i>	2018	2017
<b>Write-downs</b>		
<i>Loans and advances to customers</i>	(162,834)	(95,924)
<i>Investments in non-consolidated subsidiaries</i>	(178)	-
<i>Securities</i>	(27)	-
<i>Off balance sheet commitments</i>	(1,014)	-
<b>Reversal of write-downs</b>		
<i>Loans and advances to customers</i>	63,115	17,074
<i>Off balance sheet commitments</i>	18,290	-
<b>Impairment cost, net</b>	<b>(82,648)</b>	<b>(78,850)</b>

## 10a. Other income/(expenses), net

<i>in thousands of BGN</i>	2018	2017
Income from sale of assets	81,098	10,642
Revaluation of investment property	13,669	-
Income from sale of investment property	168	(42)
Dividend income	105	4,478
Net earned insurance premiums	3,865	3,577
Cost of guarantee schemes	(33,283)	(36,371)
Claims incurred	(2,812)	(2,334)
Reversal of expense for provisions for pending court cases	102	308
Other income, net	2,215	(689)
<b>Total</b>	<b>65,127</b>	<b>(20,431)</b>



## 10b. Earnings per share

	2018	2017
Net profit attributable to shareholders (in thousands of BGN)	164,633	92,175
Average weighted number of ordinary shares held (in thousands)	110,000	110,000
<b>Earnings per share (BGN)</b>	<b>1.50</b>	<b>0.84</b>

The basic earnings per share, calculated in accordance with IAS 33, are based on the profit attributable to ordinary equity holders of the Bank. In 2018 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.

## 11. Cash and balances with Central Banks

<i>in thousands of BGN</i>	2018	2017
Cash on hand		
- in BGN	123,105	130,754
- in foreign currency	56,503	62,181
Balances with Central Banks	1,063,080	898,134
Current accounts and amounts with local banks	-	33
Current accounts and amounts with foreign banks	432,066	387,492
<b>Total</b>	<b>1,674,754</b>	<b>1,478,594</b>

## 12. Investments in securities

<i>In thousands of BGN</i>	2018	2017
Bonds and notes issued by:		
Bulgarian Government		
- denominated in BGN	182,617	235,889
- denominated in foreign currencies	141,639	147,911
Foreign governments		
- treasury bills	263,313	261,320
- treasury bonds	149,135	75,165
Corporates	17,084	-
Foreign banks	26,480	63,730
Other issuers – equity instruments	22,053	19,984
<b>Total</b>	<b>802,321</b>	<b>803,999</b>
Of which financial assets:		
at fair value through other comprehensive income	775,529	742,306
at amortised cost	748	53,714
at fair value through profit and loss	26,044	7,979
<b>Total</b>	<b>802,321</b>	<b>803,999</b>

## 13. Loans and advances to banks and other financial institutions

### (a) Analysis by type

<i>in thousands of BGN</i>	2018	2017
Placements with banks	23,059	21,748
Receivables under resale agreements	4,985	4,977
Other	97,439	27,677
<b>Total</b>	<b>125,483</b>	<b>54,402</b>

### (b) Geographical analysis

<i>in thousands of BGN</i>	2018	2017
Domestic banks and financial institutions	28,912	11,680
Foreign banks and other financial institutions	96,571	42,722
<b>Total</b>	<b>125,483</b>	<b>54,402</b>

## 14. Loans and advances to customers

*in thousands of BGN*

			31/12/2018
	Gross value	Allowance for impairment	Amortised cost
Retail Banking			
- Consumer loans	750,285	(49,739)	700,546
- Mortgage loans	752,581	(25,885)	726,696
- Credit cards	202,095	(31,234)	170,861
- Other programmes and collateralised financing	6,231	-	6,231
Small and medium enterprises	879,136	(38,478)	840,658
Microlending	140,422	(21,189)	119,233
Corporate customers	3,734,634	(507,959)	3,226,675
Including receivables from financial lease	389,909	(11,480)	378,429
<b>Total</b>	<b>6,465,384</b>	<b>(674,484)</b>	<b>5,790,900</b>

*In BGN '000*

			31/12/2017
	Gross value	Allowance for impairment	Amortised cost
Retail Banking			
- Consumer loans	622,681	(43,757)	578,924
- Mortgage loans	622,171	(31,628)	590,543
- Credit cards	259,303	(36,452)	222,851
- Other programmes and collateralised financing	3,182	-	3,182
Small and medium enterprises	753,438	(77,593)	675,845
Microlending	121,533	(26,515)	95,018
Corporate customers	3,382,460	(385,916)	2,996,544
Including receivables from financial lease	108,218	(24)	108,194
<b>Total</b>	<b>5,764,768</b>	<b>(601,861)</b>	<b>5,162,907</b>

### (a) Movement in impairment allowances

*in BGN '000*

<b>Balance as at 31 December 2017</b>	<b>601,861</b>
Effect from the initial application of IFRS 9	184,230
<b>Balance as at 01 January 2018</b>	<b>786,091</b>
Additional allowances	162,834
Amounts released	(63,115)
Write-offs	(212,468)
Effect from change in exchange rates	1,142
<b>Balance as at 31 December 2018</b>	<b>674,484</b>

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

	31/12/2018		01/01/2018	
	Gross amount of loans and advances to customers	Allowance for impairment	Gross amount of loans and advances to customers	Allowance for impairment
<i>in thousands of BGN</i>				
Exposures without increase of credit risk after the initial recognition (phase 1)	4,462,239	44,210	3,957,322	131,919
Exposures with significant increase of credit risk after the initial recognition (phase 2)	689,188	38,496	557,236	82,415
Non-performing (impaired) exposures (phase 3)	1,313,957	591,778	1,250,210	571,757
<b>Total</b>	<b>6,465,384</b>	<b>674,484</b>	<b>5,764,768</b>	<b>786,091</b>

<b>31 December 2018</b>		<i>in thousands of BGN</i>	
<b>Class of exposure</b>	<b>Gross amount of loans and advances to customers</b>	<b>Allowance for impairment</b>	<b>Carrying amount of loans and advances to customers</b>
Performing			
Collectively impaired	5,151,427	(82,706)	5,068,721
Non-performing			
Collectively impaired	352,126	(150,253)	201,873
Individually impaired	961,831	(441,525)	520,306
<b>Total</b>	<b>6,465,384</b>	<b>(674,484)</b>	<b>5,790,900</b>

  

<b>31 December 2017</b>		<i>in thousands of BGN</i>	
<b>Class of exposure</b>	<b>Gross amount of loans and advances to customers</b>	<b>Allowance for impairment</b>	<b>Carrying amount of loans and advances to customers</b>
Performing			
Collectively impaired	4,514,558	(17,280)	4,497,278
Non-performing			
Collectively impaired	378,338	(194,486)	183,852
Individually impaired	871,872	(390,095)	481,777
<b>Total</b>	<b>5,764,768</b>	<b>(601,861)</b>	<b>5,162,907</b>

As at 31 December 2018 the gross amount of overdue loans and advances to customers measured as exposures 90+ days overdue is BGN 836,676 thousand (31 December 2017: BGN 1,007,466 thousand).

## 15. Property and equipment

	<b>Land and Buildings</b>	<b>Fixtures and fittings</b>	<b>Motor vehicles</b>	<b>Assets under Construction</b>	<b>Leasehold Improvements</b>	<b>Total</b>
<i>in thousands of BGN</i>						
<b>Cost</b>						
<b>At 01 January 2018</b>	<b>17,651</b>	<b>146,726</b>	<b>6,993</b>	<b>27,735</b>	<b>67,637</b>	<b>266,742</b>
Additions	-	954	-	13,412	198	14,564
Exchange rate differences	-	322	31	22	137	512
Write-offs	-	(11,125)	(96)	(67)	(968)	(12,256)
Transfers	-	(9,388)	8	(20,949)	1,657	(9,896)
<b>At 31 December 2018</b>	<b>17,651</b>	<b>146,265</b>	<b>6,936</b>	<b>20,153</b>	<b>68,661</b>	<b>259,666</b>
<b>Amortisation</b>						
<b>At 01 January 2018</b>	<b>4,132</b>	<b>125,243</b>	<b>6,023</b>	-	<b>39,805</b>	<b>175,203</b>
Exchange rate differences	-	285	18	-	127	430
Charge for the period	633	7,910	331	-	3,366	12,240
For write offs	-	(11,123)	(67)	-	(968)	(12,158)
<b>as at 31 December 2018</b>	<b>4,765</b>	<b>122,315</b>	<b>6,305</b>	-	<b>42,330</b>	<b>175,715</b>
<b>Carrying amount</b>						
<b>At 01 January 2018</b>	<b>13,519</b>	<b>21,483</b>	<b>970</b>	<b>27,735</b>	<b>27,832</b>	<b>91,539</b>
<b>At 31 December 2018</b>	<b>12,886</b>	<b>23,950</b>	<b>631</b>	<b>20,153</b>	<b>26,331</b>	<b>83,951</b>

## 16. Intangible assets

	<b>Software and licences</b>	<b>Goodwill</b>	<b>Total</b>
<i>in thousands of BGN</i>			
<b>Cost</b>			
<b>At 01 January 2018</b>	<b>32,031</b>	<b>540</b>	<b>32,571</b>
Additions	243	-	243
Exchange rates and other adjustments	88	-	88
Write-offs	-	-	-
Transfers	9,896	-	9,896
<b>At 31 December 2018</b>	<b>42,258</b>	<b>540</b>	<b>42,798</b>
<b>Amortisation</b>			
<b>At 01 January 2018</b>	<b>25,229</b>	-	<b>25,229</b>
Exchange rates and other adjustments	65	-	65
Charge for the period	3,102	-	3,102
Write-offs	-	-	-
<b>At 31 December 2018</b>	<b>28,396</b>	-	<b>28,396</b>
<b>Carrying amount</b>			
<b>At 01 January 2018</b>	<b>6,802</b>	<b>540</b>	<b>7,342</b>
<b>At 31 December 2018</b>	<b>13,862</b>	<b>540</b>	<b>14,402</b>

### 17a. Repossessed assets

<i>in thousands of BGN</i>	<b>2018</b>	<b>2017</b>
Land	484,588	536,797
Buildings	285,705	310,112
Machines, plant and vehicles	41,852	136,773
Fixtures and fittings	789	766
<b>Total</b>	<b>812,934</b>	<b>984,448</b>

Repossessed assets acquired as collateral are measured at the lower of cost and net realisable value. The net realizable value of the lands and buildings is approximately equal to their fair value.

### 17b. Investment Property

*in thousands of BGN*

<b>Balance as at 01 January 2018</b>	<b>218,212</b>
Transferred from repossessed assets	11,475
Revaluation of investment property to the fair value recognised at transfer	13,669
Write-offs upon sale	(798)
<b>Balance as at 31 December 2018</b>	<b>242,558</b>

### 18. Other assets

*in thousands of BGN*

	<b>2018</b>	<b>2017</b>
Deferred expense	11,414	10,347
Gold	5,699	6,198
Other assets	95,598	101,551
<b>Total</b>	<b>112,711</b>	<b>118,096</b>

### 19. Due to banks

*in thousands of BGN*

	<b>2018</b>	<b>2017</b>
Term deposits	-	4,855
Payable on demand	3,024	3,281
<b>Total</b>	<b>3,024</b>	<b>8,136</b>

### 20. Due to other customers

*in thousands of BGN*

	<b>2018</b>	<b>2017</b>
Retail customers		
- current accounts	1,302,287	1,070,890
- term and savings deposits	5,383,401	5,234,573
Businesses and public institutions		
- current accounts	1,205,805	870,896
- term deposits	451,198	407,460
<b>Total</b>	<b>8,342,691</b>	<b>7,583,819</b>

### 21. Liabilities evidenced by paper

*in thousands of BGN*

	<b>2018</b>	<b>2017</b>
Acceptances under letters of credit	13,553	16,941
Liabilities under repurchase agreements	3,213	9,099
Debt related to agreements for full swap of profitability	73,276	73,211
Financing from financial institutions	31,078	28,242
<b>Total</b>	<b>121,120</b>	<b>127,493</b>

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

*in thousands of BGN*

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

*In BGN '000*

<b>Lender</b>	<b>Interest rate</b>	<b>Maturity</b>	<b>Amortised cost as at 31 Dec 2017</b>
State Fund Agriculture	2%	20.07.2018 - 15.02.2020	373
European Investment Fund – JEREMIE 2	0 % - 1.301%	30/09/2025	24,254
Bulgarian Bank for Development AD	3.50%	30/03/2019	3,615
<b>Total</b>			<b>28,242</b>

## 22. Hybrid debt

*in thousands of BGN*

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

*in thousands of BGN*

	<b>Principal amount</b>	<b>Amortised cost as at 31 Dec 2017</b>
Hybrid debt with principal EUR 40 mio	78,233	84,929
Hybrid debt with principal EUR 60 mio	117,350	123,857
<b>Total</b>	<b>195,583</b>	<b>208,786</b>

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 value of EUR 20,000 thousand, constituting the first tranche of a bond issue with an envisaged total amount of up to EUR 40,000 thousand. 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 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 value of EUR 20,000 thousand, constituting the first tranche of a bond issue with an envisaged total amount of up to EUR 60,000 thousand. In November 2013 the Bank issued the second and third tranches of the instrument, amounting to a total of EUR 40,000 thousand and following permission from the Bulgarian National Bank included them in its 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 bond issues were admitted for trading at the Luxembourg Stock Exchange in 2014 based on prospects approved by the Luxembourg Commission de Surveillance du Secteur Financier.

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

## 23. Other liabilities

*in thousands of BGN*

	<b>2018</b>	<b>2017</b>
Liabilities to personnel	3,104	2,498
Insurance contract provisions	3,226	2,705
Provisions for pending court cases	734	836
Impairment on off balance sheet commitments	1,015	-
Other payables	53,588	22,895
<b>Total</b>	<b>61,667</b>	<b>28,934</b>

## 24. Shareholders

As at 31 December 2018 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 table below shows those shareholders of the Bank holding shares as at 31 December 2018 together with the number and percentage of total issued shares.

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

In 2018, as in the previous year, the Bank did not distribute dividends.

## 25. Commitments and contingent liabilities

### Contingent liabilities

<i>in thousands of BGN</i>	2018	2017
Bank guarantees	230,239	235,521
Unused credit lines	536,049	530,796
Letters of credit	16,129	16,981
Other contingent liabilities	-	62,166
<b>Total</b>	<b>782,417</b>	<b>845,464</b>
Impairment on off balance sheet commitments	1,015	1

## 26. Related party transactions

Type of related party <i>In BGN '000</i>	Parties that control or manage the Bank		Enterprises under common control	
	2018	2017	2018	2017
Loans	1,769	753	11,179	1,280
Deposits and loans received:	12,862	8,708	12,928	15,370
Deposits placed	-	-	19,704	19,604
Other receivables	-	-	22,118	23,482
Off-balance sheet commitments	1,283	1,291	351	322

In 2018:

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  
SVETOZAR POPOV

Executive Director  
SEVDALINA VASSILEVA

Executive Director  
CHAVDAR ZLATEV

Chief Financial Officer  
JIVKO TODOROV

**INTERIM REPORT  
ON THE ACTIVITY OF FIRST INVESTMENT BANK AD  
as at 31 December 2018**

**(consolidated)**

**prepared under Art. 100o, para. 4(2) with relation to Art. 100o<sup>1</sup>, Para. 7 of the Public Offering of Securities Act (POSA) and Art. 33, para. 1(2) and (7) and para. 3 of Ordinance No 2 of the Financial Supervision Commission (FSC) on the prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market and on disclosure of information**

In the fourth quarter of 2018 First Investment Bank AD (First Investment Bank AD, the Bank) continued its successful development as an innovative, stable and reliable bank institution.

Highlights in the activity of First Investment Bank AD as at 31 December 2018:

- The unconsolidated unaudited financial statements of First Investment Bank AD at 31 December 2017 were published on 26 January 2018;
- Notice of changes to the composition of the Managing Board of First Investment Bank was published on 20 February 2018 in the Commercial Register and the Register of Non-for-Profit Legal Entities with the Registry Agency under No. 20180220120456: Chavdar Georgiev Zlatev was registered as member of the Managing Board and executive director of First Investment Bank and Maya Oyfalosh was deregistered as a member of the Managing Board due to her passing away of which we already informed you in October 2017.
- On 01 March 2018 First Investment Bank AD published its consolidated unaudited financial statements as at 31 December 2017;
- On 2 April 2018 First Investment Bank AD published its Annual unconsolidated (audited) financial statements as at 31 December 2017;
- On 20 April 2018 First Investment Bank AD published changes in the Managing Board;
- On 27 April 2018 First Investment Bank AD published its Annual consolidated (audited) financial statements as at 31 Dec 2017;
- On 30 April 2018 First Investment Bank AD published its unconsolidated (unaudited) financial statements of First Investment Bank AD as at 31 March 2018;
- On 16 May 2018 First Investment Bank AD published notice and materials for the General Meeting of Shareholders of First Investment Bank AD;
- On 30 May 2018 First Investment Bank AD published its consolidated (unaudited) financial statements of First Investment Bank AD as at 31 March 2018;

- On 5 June 2018 First Investment Bank AD published updated notice and materials for the General Meeting of Shareholders;
- On 12 June 2018 First Investment Bank AD published changes in the Managing Board;
- On 21 June 2018 First Investment Bank AD published the results from the regular Annual General Meeting of Shareholders of First Investment Bank;
- On 21 June 2018 First Investment Bank AD disclosure information regarding First Investment Bank AD's ratings from Moody's Investors Service;
- On 25 June 2018 First Investment Bank AD published the minutes of the regular Annual General Meeting of Shareholders of held on 21 June 2018 and amendments to its By-Laws;
- On 26 June 2018 First Investment Bank AD published information regarding First Investment Bank AD's ratings from Fitch Ratings;
- On 04 July 2018 First Investment Bank AD disclosed information pursuant to Regulation (EU) No. 575/2013;
- On 17 July 2018 First Investment Bank AD published notification pursuant to Art. 100y, Para. 1(2) with relation to Para.2 of the Law on the Public Offering of Securities (LPOS) regarding amendments to the By-Laws of First Investment Bank AD;
- Individual (unaudited) financial statements of First Investment Bank AD as at 30 June 2018 were published on 30 July 2018;
- Consolidated (unaudited) financial statements of First Investment Bank AD as at 30 June 2018 were published on 30 August 2018.
- Individual (unaudited) financial statements of First Investment Bank AD as at 30 September 2018 were published on 30.10.2018;
- On 07.11.2018 an invitation to minority shareholders of First Investment Bank AD to attend a meeting with the management was published;
- On 16.11.2018 information about the meeting with minority shareholders of First Investment Bank AD was published;
- Consolidated (unaudited) financial statements of First Investment Bank AD as at 30 September 2018 were published on 30.11.2018;
- At the end of 2018 a transaction was effected and reflected in the financial statements – a financial lease transaction with an international investor for a significant portion of the site of the former Kremikovtzi steel plant. The investor is a subsidiary of Soravia Real Estate Developers GmbH and part of the Austrian economic group Soravia. The transaction is an element of First Investment Bank's long-term strategy for decreasing non-interest-bearing assets and further improves the Bank's balance-sheet positions and its financial ratios. Since this transaction was subject to a condition the occurrence of which was not guaranteed, the notification thereof was published on 30.01.2019, after the condition occurred within the established timeframe.



*Review of the activities of First Investment Bank AD as at 31 December 2018 on consolidated (unaudited) basis*

- *Balance sheet as at 31 December 2018.*

The balance sheet assets of the Group as at 31.12.2018 reached BGN 9,662 million, showing growth by BGN 740 mln. for the year, and thus First Investment Bank AD retains its place among the leading banks in the Bulgarian banking system. As at 31.12.2018 the deposits from other customers amounted to BGN 8,343 million, with growth of BGN 753 mln. for 2018; for this indicator the Bank also retains its position as one of the leading banks in Bulgaria. As at 31 December 2018 the accounting equity amounted to BGN 914 million net. Receivables from clients amounted to BGN 5,731 million book value, an increase for the 2018 by BGN 628 million.

- *Consolidated profit for 2018*

The net profit of the Group for 2018 amounted to BGN 164,792 thousand, an increase by BGN 72,547 thousand in comparison to 2017. The total revenue from banking operations for the period amounted to BGN 391,354 thousand. The net interest income amounted to BGN 267,088 thousand, and the net income from fees and commissions – to BGN 97,112 thousand.

- *Capital resources*

The capital adequacy ratio of First Investment Bank AD as at 31 December 2018 reached 16,18 %. The Tier 1 capital adequacy was 16,18 %, and the tier one ratio was 13,33 %. During the period the Bank was in compliance with and significantly above the regulatory capital requirements.

- *Liquidity*

The liquidity coverage ratio of First Investment Bank AD, as at 31 December 2018 reached 269,21 % and the net stable funding ratio is 134,33 %, showing a stable liquidity position

- *A total of 154 branches and offices throughout the country*

As at 31 December 2018, First Investment Bank AD had a total of 154 branches and offices in Bulgaria. The number of outlets reflects the adherence to a policy of synergy and maintaining optimum efficiency in the branch network of the Bank

**INFORMATION AS AT 31 December 2018  
UNDER ART. 33, PARA. 1, P. 7  
OF ORDINANCE No2**

*on the prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market and on disclosure of information*

a) information on changes in the accounting policy during the reporting period, the reasons for them, and the way in which they affect the financial results and equity of the issuer

*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:*

- *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), endorsed by the EU on 22 September 2016, published in the Official Journal on 29 October 2016*
- *IFRS 9 Financial Instruments (issued on 24 July 2014), endorsed by the EU on 22 November 2016, published in the Official Journal on 29 November 2016*
- *Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016), endorsed by the EU on 31 October 2017, published in the Official Journal on 9 November 2017*
- *Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016), endorsed by the EU on 3 November 2017, published in the Official Journal on 9 November 2017*
- *Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016), endorsed by the EU on 7 February 2018, published in the Official Journal on 8 February 2018*
- *Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016), endorsed by the EU on 26 February 2018, published in the Official Journal on 27 February 2018*
- *Amendments to IAS 40: Transfers of Investment Property (issued on 8 December 2016), endorsed by the EU on 14 March 2018, published in the Official Journal on 15 March 2018*
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016), endorsed by the EU on 28 March 2018, published in the Official Journal on 3 April 2018*

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

*IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. The new standard introduces significant changes to the classification and assessment of financial assets and a new model for the expected credit loss from impairment of financial assets. IFRS 9 includes new guidelines on the accounting for hedging.*

*The Group's Management has identified the following areas that are expected to be most impacted by the application of IFRS 9:*

*the classification and measurement of the Group's financial assets were reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed. Management holds most financial assets to hold and collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly.*

Management expects the majority of held-to-maturity investments to continue to be accounted for at amortised cost, while others amounting to BGN 9,785 thousand will be recognised at fair value in profit or loss, as the cash flows are not solely payments of principal and interest. Management does not find a significant effect on profit or loss from this change in accounting.

Management expects that some of the financial assets held to maturity amounting at 01.01.2018 to BGN 34,099 thousand to be accounted at fair value in other comprehensive income, because they represent government securities and are held as part of a business model for the purpose of collecting contractual cash flows, as well as of the cash flows from sale of the asset. Besides, the contractual cash flows from these financial instruments give rise only to principal and interest payments. With this change the management reports an effect in an increase in other comprehensive income (revaluation reserve of investments in securities) amounting to BGN 1,611 thousand.

As of 01.01.2018 a number of available-for-sale financial assets at total amount of BGN 18,286 thousand are measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest. The related fair value gains will be transferred from the available-for-sale financial assets reserve to retained earnings on 1 January 2018. Management does not report a significant effect on the equity components from this change in accounting

The other financial assets held by the Group at 01.01.2018 include:

equity instruments, amounting to BGN 15,820 thousand currently classified as available-for-sale financial assets for which a fair value through profit and loss valuation method will be applied. In relation to this the Group reclassified as of 01 January 2018 from its revaluation reserve, net of taxes, in other reserves and retained earnings the amount of BGN 4,904 thousand.

- equity investments, amounting to BGN 4,164 thousand available-for-sale, up to now measured at fair value through profit or loss which the Group continued to measure on the same basis under IFRS 9;

- debt instruments, amounting to BGN 9,830 thousand currently classified as held-to-maturity and measured at amortised cost which meet the conditions for classification at amortised cost under IFRS 9.

- debt instruments, amounting to BGN 1,261 thousand currently classified as financial assets available-for-sale which meet the conditions for classification at amortised cost under IFRS 9. Management does not report a significant effect on the equity components (revaluation reserve of investments in securities) from this change in accounting.

IFRS 9 requires gains or losses realised on the sale of financial assets at fair value through other comprehensive income no longer to be transferred to profit or loss, but instead to be transferred from reserve to retained earnings. In 2017, no such gains or losses were recognised in relation to the disposal of available-for-sale financial assets.

An expected credit loss-based impairment should be recognised on the Group's trade receivables and investments in debt-type assets currently classified as AFS and HTM unless classified as at fair value through profit or loss in accordance with the new criteria. The Group recognises impairment also on its off-balance sheet commitments on the basis of the expected loss. Based on the assessments undertaken as at 01.01.2018, the Group reports a certain increase in the loss allowance

- for trade debtors by BGN 184,431 thousand;

- securities at amortised cost in the amount of BGN 158 thousand;
- off-balance sheet commitments amounting to BGN 18,290 thousand.

*As at 01.01.2018, with the adoption of IFRS 9, impairment of financial assets at fair value is reported in other comprehensive income in the amount BGN 65 thousand. This amount does not affect the value of the respective financial assets, it adjusts the revaluation reserve of investments in securities (increase) against other reserves and retained earnings (decrease).*

*It will no longer be possible to measure equity investments at cost less impairment. Instead, all such investments will be measured at fair value. Changes in fair value will be presented in current profit or loss, except in case the Group presents them in other comprehensive income without the right to reverse.*

*At 01.01.2018 the Group intends to present the changes in the fair value of investments in equity instruments in profit or loss, not in other comprehensive income.*

*The accounting policy applied by the Group 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 2017, with the exception of the disclosed effect from the application of IFRS 9.*

b) information on changes in the economic group of the issuer, if applicable:

*On 03.01.2018 Anelia Krushkova was listed in the Commercial Register as the second manager of First Investment Bank AD's subsidiary AMC Imoti EOOD.*

*On 03.01.2018 Milka Dimitrova Todorova was delisted as a manager of First Investment Bank AD's subsidiary Turnaround Management EOOD, UIC 202475975.*

*On 27.06.2018 Jivko Todorov was listed in the Commercial Register as a new Member of Board of directors of First Investment Bank AD's subsidiary Balkan Financial Services and Svetoslav Moldovanski was delisted as a member of BoD.*

*With a decision dated 26.09.2018 an extraordinary general meeting of shareholders of "Medical Centers FI Health Plovdiv" dismissed Svetozar Popov as a member of the Board of Directors and appointed Ralitsa Bogoeva as a member of the board. The change was listed in the Commercial Register on 11.10.2018.*

*With a decision dated 26.09.2018 an extraordinary general meeting of shareholders of "Medical Centers FI Health" dismissed Svetozar Popov as a member of the Board of Directors and appointed Ralitsa Bogoeva as a member of the board. The change was listed in the Commercial Register on 11.10.2018.*

*With a decision of the sole owner of AMC Imoti EOOD, as of 01.09.2018 Kiril Georgiev was dismissed as manager of the company. The change was listed in the Commercial Register on 01.10.2018.*

c) information on the outcome from organizational changes within the issuer, such as restructuring, sale of companies from the economic group, in-kind contributions by the company, renting of property, long-term investments, suspension of operations:

*See „b” above.*

d) opinion of the managing body regarding the feasibility of the forecasts published for the current financial year, taking into account the results of the current quarter, as well as

information about the factors and circumstances that will affect the achievement of the forecast results at least for the next quarter:

*No forecasts were published for the results for 2018.*

e) information on the persons holding directly or indirectly at least 5 per cent of votes in the General Meeting at the end of the respective quarter, and changes in the votes held by such persons since the end of the previous quarter:

	<i>at 30 September 2018</i>		<i>at 31 December 2018</i>	
	<i>Number of shares</i>	<i>% of capital</i>	<i>Number of shares</i>	<i>% of capital</i>
Mr Tseko Minev	46 750 000	42,50%	46 750 000	42,50%
Mr Ivaylo Mutafchiev	46 750 000	42,50%	46 750 000	42,50%

f) information about the shares held by the management and supervisory bodies of the issuer at the end of the respective quarter, as well as on the changes which have occurred since the end of the preceding quarter for each person:

<i>Members of the Managing Board</i>	<i>at 30 September 2018</i>		<i>at 31 December 2018</i>	
	<i>Number of shares</i>	<i>% of capital</i>	<i>Number of shares</i>	<i>% of capital</i>
Nedelcho Nedelchev	350	0,00	No change	
Chavdar Zlatev	523	0,00	No change	
Sevdalina Vasileva	0	0,00	No change	
Svetozar Popov	0	0,00	No change	
Jivko Todorov	0	0,00	No change	
Nadya Koshinska	234	0,00	No change	

<i>Members of the Supervisory Board</i>	<i>at 30 September 2018</i>		<i>at 31 December 2018</i>	
	<i>Number of shares</i>	<i>% of capital</i>	<i>Number of shares</i>	<i>% of capital</i>
Evgeni Lukanov	337 139	0,31	No change	
Maya Georgieva	11 388	0,01	No change	
Jordan Skortchev	19 125	0,02	No change	
Georgi Mutafchiev	9 454	0,01	No change	
Radka Mineva	-	0,00	No change	
Jyrki Koskelo	-	0,00	No change	

g) Information about pending judicial, administrative or arbitration procedures concerning liabilities or receivables amounting to at least 10 per cent of the equity of the issuer; if the total amount of liabilities or receivables of the issuer in all initiated procedures exceeds 10 per cent of its equity, information shall be presented for each procedure separately:

*No events have occurred.*

h) information about loans granted by the issuer or any of its subsidiaries, guarantees provided or liabilities assumed to a single entity or its subsidiary, including related parties, indicating

the nature of relations between the issuer and the entity, outstanding principal amount, interest rate, maturity date, initial amount of the liability, term and conditions:

*First Investment Bank AD is a public company part of whose main activity is the public attraction of deposits or other repayable funds and granting of loans or other financing. In this sense, for the period until 31 December 2018 no events have occurred beyond the ordinary activity of the Bank.*

**INFORMATION AS AT 31 December 2018  
UNDER ART. 33, PARA. 3  
OF ORDINANCE NO2**

*on the prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market and on disclosure of information*

*1. Transactions between related parties concluded during the reporting period of the current financial year that had significant effect on the financial position or performance of the company in this period:*

First Investment Bank AD enters into transactions with related parties in the ordinary course of its banking business, on terms which would be customary in transactions with unrelated parties. These transactions do not affect the financial condition or performance of First Investment Bank AD.

*2. Changes in transactions concluded with related parties disclosed in the annual report that have significant impact on the financial position or performance of the company during the reporting period of the current financial year.*

As at 31.12.2018, no changes have occurred in transactions concluded with related parties that have significant impact on the financial position or performance of First Investment Bank AD.

(signed)  
Svetozar Popov  
Executive Director  
MB Member

(signed)  
Chavdar Zlatev  
Executive Director  
MB Member

(signed)  
Sevdalina Vasileva  
Executive Director  
MB Member

(signed)  
Jivko Todorov  
Chief Financial Officer  
MB Member

## DECLARATION

### **under Art. 100o, para. 4(3) with relation to Art. 100o<sup>1</sup>, Para. 7 of the Public Offering of Securities Act (POSA)**

The undersigned, Svetozar Popov, Sevdalina Vasileva, and Chavdar Zlatev, Executive Directors and members of the Managing Board of First Investment Bank AD, and Jivko Todorov, Chief Financial Officer and member of the Managing Board of First Investment Bank AD, hereby declare that to the best of our knowledge:

- the financial statements (consolidated) of First Investment Bank AD as at 31 December 2018, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets and liabilities, financial position and profit of First Investment Bank AD and the consolidated entities;
- the interim report on the activities of First Investment Bank AD as at 31 December 2018 contains a fair review of the information under Art. 100o, para. 4(2) of the Public Offering of Securities Act.

*(signed)*  
Svetozar Popov  
Executive Director  
MB Member

*(signed)*  
Chavdar Zlatev  
Executive Director  
MB Member

*(signed)*  
Sevdalina Vasileva  
Executive Director  
MB Member

*(signed)*  
Jivko Todorov  
Chief Financial Officer  
MB Member

01 March 2019



Bank	FINV9150	First Investment Bank AD
Reporting date	31.12.2018	
Basis for application	consolidated	
Accounting standard	IFRS	Reporting currency in BGN '000

**1.1. Balance sheet [statement of financial position]**

**1.1 Assets**

	References	Breakdown in table	Carrying amount
			part 1, paragraph 27 of Appendix V
			010
010	Cash and cash balances with central banks and other deposits payable on demand	Para. 54 (i) of IAS 1	1 760 022
020	Cash	part 2, paragraph 1 of Appendix V	179 607
030	Cash balances with central banks	part 2, paragraph 1 of Appendix V	1 063 080
040	Other deposits payable on demand	part 2, paragraph 1 of Appendix V	5
050	Financial assets held for trading	Supplement A to IFRS 9	8 546
060	Derivatives	Supplement A to IFRS 9	10
070	Equity	Para. 11 of IAS 32	4
080	Debt securities	part 1, paragraph 31 of Appendix V	4
090	Loans and advances	part 1, paragraph 32 of Appendix V	4
096	Non-tradable financial assets mandatorily reported at fair value through profit or loss	Para. 8 (a)(ii) of IFRS 7; IFRS 9.4.1.4	4
097	Equity	Para. 11 of IAS 32	4
098	Debt securities	part 1, paragraph 31 of Appendix V	4
099	Loans and advances	part 1, paragraph 32 of Appendix V	4
100	Financial assets at fair value through profit or loss	Para. 8 (a)(i) of IFRS 7; IFRS 9.4.1.5	4
120	Debt securities	part 1, paragraph 31 of Appendix V	4
130	Loans and advances	part 1, paragraph 32 of Appendix V	4
141	Financial assets at fair value through other comprehensive income	Para. 8 (h) of IFRS 7; IFRS 9.4.1.2A	4
142	Equity	Para. 11 of IAS 32	4
143	Debt securities	part 1, paragraph 31 of Appendix V	4
144	Loans and advances	part 1, paragraph 32 of Appendix V	4
181	Financial assets at amortised cost	Para. 8 (f) of IFRS 7; IFRS 9.4.1.2	4
182	Debt securities	part 1, paragraph 31 of Appendix V	4
183	Loans and advances	part 1, paragraph 32 of Appendix V	4
240	Derivatives - hedge accounting	IFRS 9.6.2.1, part 1, paragraph 22 of Appendix V	11
250	Changes in the fair value of hedged positions when hedging a portfolio for interest rate risk	Para. 89A (a) of IAS 39, IFRS 9.6.5.8	
260	Investments in a subsidiary, jointly-controlled entity or associate	Para. 54 (e) of IAS 1; part 1, paragraph 21 and part 2, paragraph 4 of Appendix V	40
270	Tangible assets		
280	Property, Plant and Equipment	Para. 6 of IAS 16; Para. 54 (a) of IAS 1	21, 42
290	Investment Property	Para. 5 of IAS 40; Para. 54 (b) of IAS 1	21, 42
300	Intangible assets	Para. 54(c) of IAS 1; Art. 4, Para. 1, item 115 of Reg 575	
310	Goodwill	Para. B67, (d) of IFRS 3; Art. 4, Para. 1, item 113 of Reg 575	
320	Other intangible assets	Paras. 8, 118 of IAS 38	21, 42
330	Tax assets	Para. 54 (n)-(o) of IAS 1	
340	Current tax assets	Para. 54(n) of IAS 1; Para. 5 of IAS 12	
350	Deferred tax assets	Para. 54, (o) of IAS 1; Para. 5 of IAS 12; Art. 4, Para. 1, item 106 of Reg 575	
360	Other assets	part 2, paragraph 5 of Appendix V	
370	Non-current assets and disposal groups classified as held for sale	Para. 54, (j) of IAS 1; Para. 38 of IFRS 5; part 2, item 7 of Appendix V	
380	TOTAL ASSETS	Para. 9, (a), IN 6 of IAS 1	

Bank	<b>FINV9150</b>	First Investment Bank AD
Reporting date	<b>31.12.2018</b>	
Basis for application	<b>consolidated</b>	
Accounting standard	IFRS	
		Reporting currency '000 BGN

**1. 1. Balance sheet [statement of financial position]**

**1.2 Liabilities**

		References	Breakdown in table	Carrying amount
				part 1, paragraph 27 of Appendix V 010
010	<b>Financial liabilities held for trading</b>	Para. 8, (e)(ii) of IFRS 7; BA Para. 6 of IFRS 9	8	<b>0</b>
020	Derivatives	supplement A to IFRS 9, IFRS 9.4.2.1(a), BA, paragraph 7(a) of IFRS 9	10	0
030	Short positions	BA, Paragraph 7(b) of IFRS 9	8	0
040	Deposits	Part 2, item 9 of Appendix 2 to ECB/2013/33; Part 1, item 36 of Appendix V	8	0
050	Issued debt securities	part 1, paragraph 37 of Appendix V	8	0
060	Other financial liabilities	part 1, paragraph 38-41 of Appendix V	8	0
070	<b>Financial liabilities at fair value through profit or loss</b>	Para. 8 (e)(i) of IFRS 7; IFRS 9.4.2.2	8	<b>0</b>
080	Deposits	Part 2, item 9 of Appendix 2 to ECB/2013/33; Part 1, item 36 of Appendix V	8	0
090	Issued debt securities	part 1, paragraph 37 of Appendix V	8	0
100	Other financial liabilities	part 1, paragraph 38-41 of Appendix V	8	0
110	<b>Financial liabilities at amortised cost</b>	Para. 8 (g) of IFRS 7; IFRS 9.4.2.1	8	<b>8 675 621</b>
120	Deposits	Part 2, item 9 of Appendix 2 to ECB/2013/33; Part 1, item 36 of Appendix V	8	8 422 205
130	Issued debt securities	part 1, paragraph 37 of Appendix V	8	208 786
140	Other financial liabilities	part 1, paragraph 38-41 of Appendix V	8	44 630
150	<b>Derivatives - hedge accounting</b>	IFRS 9.6.2.1, part 1, paragraph 26 of Appendix V	11	<b>0</b>
160	<b>Changes in the fair value of hedged positions when hedging a portfolio for interest rate risk</b>	Para. 89A (b) of IAS 39, IFRS 9.6.5.8		<b>0</b>
170	<b>Provisions</b>	Para. 10 of IAS 37; Para. 54 (l) of IAS 1	43	<b>1 749</b>
180	Pensions and other obligations to pay defined post-employment benefits	Para. 63 of IFRS 19; Para. 78(d) of IAS 1; part 2, item 9 of Appendix V	43	0
190	Other long-term employee benefits	Para. 153 of IFRS 19; Para. 78(d) of IAS 1; part 2, item 10 of Appendix V	43	0
200	Restructuring	Para. 71 and 84(a) of IAS 37	43	0
210	Pending legal matters and tax-related court cases	IAS 37, addendum B, examples 6 and 10	43	734
220	Commitments and guarantees	IFRS 9.4.2.1(c), (d); 9.5.5; 9.C2.5; IAS 37; IFRS 4; part 2, para. 11 of Appendix V	9 12 43	1 015
230	Other provisions	Para. 14 of IAS 37	43	0
240	<b>Tax liabilities</b>	Para. 54 (n)-(o) of IAS 1		<b>10 542</b>
250	Current tax liabilities	Para. 54(n) of IAS 1; Para. 5 of IAS 12		379
260	Deferred tax liabilities	Para. 54, (o) of IAS 1; Para. 5 of IAS 12; Art. 4, Para. 1, item 108 of Reg 575		10 163
270	<b>Share capital payable upon request</b>	IAS 32, illustrative example 33; IFRIC 2; part 2, paragraph 12 of Appendix V		<b>0</b>
280	<b>Other liabilities</b>	part 2, paragraph 13 of Appendix V		<b>60 006</b>
290	<b>Liabilities in disposal groups classified as held for sale</b>	Para. 54, (p) of IAS 1; Para. 38 of IFRS 5; part 2, paragraph 14 of Appendix V		<b>0</b>
300	<b>TOTAL LIABILITIES</b>	Para. 9, (b), IN 6 of IAS 1		<b>8 747 918</b>

Bank	FINV9150	First Investment Bank AD
Reporting date	31.12.2018	
Basis for application	consolidated	
Accounting standard	IFRS	
		Reporting currency '000 BGN

**1. Balance sheet (statement of financial position)**

**1.3 Total own funds**

		References	Breakdown in table	Carrying amount
				010
010	<b>Equity</b>	Para. 54(s) of IAS 1; Para. 22 of DOB	46	<b>110 000</b>
020	Paid up share capital	Para. 78 (e) of IAS 1		110 000
030	Not fully paid-up capital	part 2, paragraph 14 of Appendix V		0
040	<b>Premium reserves</b>	Para. 78(e) of IAS 1; Art. 4, Para. 1, item 124 of Reg 575	46	<b>97 000</b>
050	<b>Issued capital instruments other than share capital</b>	part 2, paragraphs 18-19 of Appendix V	46	<b>0</b>
060	Component of the share capital in compound financial instruments	Paras. 28 -29 of IAS 32; part 2, item 18 of Appendix V		0
070	Other issued equity instruments	part 2, paragraph 19 of Appendix V		0
080	<b>Other own funds</b>	Para. 10 of IFRS 2; part 2, paragraph 20 of Appendix V		<b>0</b>
090	<b>Accumulated other comprehensive income</b>	Art. 4, para. 1, item 100 of Reg 575	46	<b>23 704</b>
095	Items which cannot be reclassified as profit or loss	Para. 89A (a) of IAS 1		4 500
100	Tangible assets	Paras. 39 -41 of IAS 16		4 500
110	Intangible assets	Paras. 85-87 of IAS 38		0
120	Actuarial gains or (-) losses on defined benefit plans	Para. 7, NI 6 of IAS 1; Para. 120(c) of IAS 19		0
122	Non-current assets and disposal groups classified as held for sale	Para. 38, IN example 12 of IFRS 5		0
124	Share of the other comprehensive income of subsidiaries, associates and joint ventures	NI 6 of IAS1, paragraph 10 of IAS 28		0
320	Changes in fair value of capital instruments at fair value in other comprehensive income	Para. 7 (d) of IAS 1; 5.7.5 and B5.7.1 of IFRC 9; part 2, paragraph 21 of Appendix V		0
330	Inefficiency of hedging in fair value hedging of capital instruments at fair value in other comprehensive income	Para. 7 (d) of IFRS 1; IFRS 9.5.7.5 and 6.5.3; paragraph 24C of IFRS 7, part 2, paragraph 22 of Appendix V		0
340	Changes in fair value of capital instruments at fair value in other comprehensive income [hedged position]	IFRS 9 5.7.5 and 6.5.8(b); part 2, paragraph 22 of Appendix V		0
350	Changes in fair value of capital instruments at fair value in other comprehensive income [hedging instrument]	Para. 7 (e) of IFRS 1; IFRS 9.5.7.5 and 6.5.8(a); part 2, paragraph 57 of Appendix V		0
360	Changes in fair value of financial liabilities at fair value in profit or loss due to changes in credit risk	Para. 7 (f) of IAS 1; IFRS 9.5.7.7; part 2, paragraph 23 of Appendix V		0
128	Items which can be reclassified as profit or loss	Para. 81A (a)(ii) of IAS 1		19 204
130	Hedges of net investments in foreign operations [effective portion]	IFRS 9 6.5.13(a); Paragraph 24B(b), items ii) and iii) of IFRS 7; Paragraph 24C(b), items i) and iv), and paragraph 24E(a) of IFRS 7; part 2, paragraph 24 of Appendix V		0
140	Currency exchange	Para. 52 (b) of IFRC 21; Paras. 32, 38-49 of IAS 21		1 409
150	Derivatives from hedging Cash flow hedges [effective portion]	Paragraph 7(e) of IAS 1; paragraph 24B(b), items ii) and iii) of IFRS 7; paragraph 24C(b), item i) and paragraph 24E of IFRS 7; IFRS 9.6.5.11(b); part 2, paragraph 25 of appendix V		0
155	Changes in fair value of debt instruments at fair value in other comprehensive income	Para. 7 (da) of IAS 1; IFRS 9.4.1.2A and 5.7.10; part 2, paragraph 26 of Appendix V		17 795
165	Hedging instruments [unreported elements]	Paragraph 7, (g) and (h) of IAS 1; IFRS 9.6.5.13 and 6.5.16; Paragraph 24E (b) and (c) of IFRS 7		0
170	Non-current assets and disposal groups classified as held for sale	Para. 38, IN example 12 of IFRS 5		0
180	Share of the other comprehensive income of subsidiaries, associates and joint ventures	NI 6 of IAS1, paragraph 10 of IAS 28		0
190	<b>Retained earnings</b>	Art. 4, para. 1, item 123 of Reg 575		<b>0</b>
200	<b>Revaluation reserve</b>	Para. 30, D5-D8 of IFRS 1; part 2, item 28 of Appendix V		<b>0</b>
210	<b>Other reserves</b>	Para. 54 of IAS 1; Para. 78 (e) of IAS 1		<b>515 633</b>
220	Reserves or losses from investments in a subsidiary, jointly-controlled entity or associate reported via the equity method	Para. 11 of IAS 28; part 2, item 29 of Appendix V		0
230	Other	part 2, paragraph 29 of Appendix V		515 633
240	<b>(-) Repurchased own shares</b>	Para. 79 (a)(vi) of IAS 1; Paras. 33-34, IE14, IE36 of IAS 32; part 2, paragraph 30 of Appendix V	46	<b>0</b>
250	<b>Profit or loss attributable to the owners of the parent company</b>	Para. 81B (b)(ii) of IAS 1	2	<b>164 633</b>
260	<b>(-) Interim dividends</b>	Para. 11 of IAS 32		<b>0</b>
270	<b>Minority interests [Non-controlling interests]</b>	Para. 54 (r) of IAS 1		<b>2 631</b>
280	Accumulated other comprehensive income	Art. 4, para. 1, item 100 of Reg 575	46	0
290	Other items		46	2 631
300	<b>TOTAL SHAREHOLDERS' EQUITY</b>	Para. 9 (c), IN 6 of IAS 1	46	<b>913 601</b>
310	<b>TOTAL SHAREHOLDERS' EQUITY AND TOTAL LIABILITIES</b>	IN 6 of IAS 1		<b>9 661 519</b>

SVETOZAR POPOV  
Executive Director

CHAVDAR ZLATEV  
Executive Director

SEVDALINA VASSILEVA  
Executive Director

JIVKO TODOROV  
Chief Financial Officer

Bank	<b>FINV9150</b>	First Investment Bank AD
Reporting date	<b>31.12.2018</b>	
Basis for application	<b>consolidated</b>	
Accounting standard	IFRS	
		Reporting currency '000 BGN

**2. Profit and Loss Account**

		References	Breakdown in table	Current period
				010
010	<b>Interest income</b>	Para. 97 of IAS 1; part 2, paragraph 31 of Appendix V	16	<b>331 045</b>
020	Financial assets held for trading	Para. 20, (a)(i), Para. B5, (e) of IFRS 7; part 2, paragraphs 33, 34 of Appendix V		152
025	Non-tradable financial assets mandatorily reported at fair value through profit or loss	Para. 20, (a)(i), Para. B5, (e) of IFRS 7, IFRS 9.5.7.1		326
030	Financial assets at fair value through profit or loss	Para. 20, (a)(i), Para. B5, (e) of IFRS 7		0
041	Financial assets at fair value through other comprehensive income	Para. 20(b) of IFRS 7; IFRS 9.5.7.10-11, IFRS 9.4.1.2A		14 244
051	Financial assets at amortised cost	Para. 20(b) of IFRS 7; IFRS 9.4.1.2, IFRS 9.5.7.2		316 239
070	Derivatives — hedge accounting, interest rate risk	supplement A to IFRS 9, C.6.6.16, part 2, paragraph 35 of Appendix V		0
080	Other assets	part 2, paragraph 36 of Appendix V		0
085	Revenue from interest on liabilities	IFRS 9.5.7.1, part 2, paragraph 37 of Appendix V		84
090	<b>(Interest expense)</b>	Para. 97 of IAS 1; part 2, paragraph 31 of Appendix V	16	<b>63 958</b>
100	(Financial liabilities held for trading)	Para. 20, (a)(i), Para. B5, (e) of IFRS 7; part 2, paragraphs 33, 34 of Appendix V		0
110	(Financial liabilities at fair value through profit or loss)	Para. 20, (a)(i), Para. B5, (e) of IFRS 7		0
120	(Financial liabilities at amortised cost)	Para. 20(b) of IFRS 7; IFRS 9.5.7.2		61 852
130	(Derivatives — hedge accounting, interest rate risk)	Para. 9 of IAS 39; part 2, paragraph 35 of Appendix V		0
140	(Other liabilities)	part 2, paragraph 38 of Appendix V		52
145	(Interest expense on assets)	IFRS 9.5.7.1, part 2, paragraph 39 of Appendix V		2 054
150	<b>(Expense for share capital payable upon request)</b>	IFRIC 2, item 11		<b>0</b>
160	<b>Dividend income</b>	part 2, paragraph 40 of Appendix V	31	<b>105</b>
170	Financial assets held for trading	Para. 20, (a)(i), Para. B5, (e) of IFRS 7; part 2, paragraphs 40 of Appendix V		15
175	Non-tradable financial assets mandatorily reported at fair value through profit or loss	Para. 20, (a)(i), Para. B5, (e) of IFRS 7; IFRS 9.5.7.1A, part 2, paragraphs 40 of Appendix V		90
191	Financial assets at fair value through other comprehensive income	Para. 20, (a)(ii) of IFRS 7; IFRS 9.4.1.2A, IFRS 9.5.7.1A, part 2, paragraph 41 of Appendix V		0
192	Investments in a subsidiary, jointly-controlled entity or associate reported via the equity method	part 2, paragraph 42 of Appendix V		0
200	<b>Fee and commission income</b>	Para. 20 (c) of IFRS 7	22	<b>119 992</b>
210	<b>(Fee and commission expense)</b>	Para. 20 (c) of IFRS 7	22	<b>22 881</b>
220	<b>Net profits or (-) losses from write-off of financial assets and liabilities which are not accounted at fair value through profit or loss</b>	part 2, paragraph 45 of Appendix V	16	<b>5 630</b>
231	Financial assets at fair value through other comprehensive income	IFRS 9.4.1.2A; IFRS 9.5.7.10-11		2 435
241	Financial assets at amortised cost	Para. 20(B)(v) of IFRS 7; IFRS 9.4.1.2, IFRS 9.5.7.2		3 195
260	Financial liabilities at amortised cost	Para. 8 (a)(v) of IFRS 7; IFRS 9.5.7.2		0
270	Other			0
280	<b>Net profits or (-) losses from financial assets and liabilities held for trading</b>	Para. 20, (a)(i) of IFRS 7; IFRS 9.5.7.1, part 2, items 43, 46 of Appendix V	16	<b>-259</b>
287	<b>Net profits or (-) losses from non-tradable financial assets and liabilities mandatorily reported at fair value through profit or loss</b>	Para. 20, (a)(i) of IFRS 7; IFRS 9.5.7.1, part 2, items 46 of Appendix V		<b>1 282</b>
290	<b>Net profits or (-) losses from financial assets and liabilities at fair value through profit or loss</b>	Para. 20, (a)(i) of IFRS 7; IFRS 9.5.7.1, part 2, items 44 of Appendix V	16, 45	<b>0</b>
300	<b>Net profits or (-) losses from hedge accounting</b>	part 2, paragraph 47 of Appendix V	16	<b>0</b>
310	<b>Net profits or (-) losses from exchange rate differences</b>	Para. 28 and Para 52 (a) of IAS 21		<b>11 092</b>
330	<b>Net profits or (-) losses from write-off of non-financial assets</b>	Para. 34 of IAS 1; part 2, paragraph 48 of Appendix V	45	<b>81 286</b>
340	<b>Other operating income</b>	part 2, paragraphs 314-316 of Appendix V	45	<b>31 453</b>
350	<b>(Other operating expense)</b>	part 2, paragraphs 314-316 of Appendix V	45	<b>38 409</b>
355	<b>TOTAL NET OPERATING INCOME</b>			<b>456 378</b>
360	<b>(Administrative expenses)</b>			<b>196 759</b>
370	(Personnel costs)	Para. 7 of IAS 19; Para. 102, IN 6 of IAS 1	44	71 467
380	(Other administrative expenses)			125 292
390	<b>(Amortisation)</b>	Paras. 102, 104 of IAS 1		<b>15 302</b>
400	(Property, Plant and Equipment)	Para. 104 of IAS 1; Para. 73, (e), (vii) of IAS 16		12 234
410	(Investment Property)	Para. 104 of IAS 1; Para. 79, (d), (iv) of IAS 40		0

		References	Breakdown in table	Current period
				010
420	(Other intangible assets)	Para. 104 of IAS 1; Para. 118, (e), (vi) of IAS 38		3 068
425	<b>Net profits or (-) losses from modification</b>	IFRS 9.5.4.3, supplement A to IFRS 9, part 2, paragraph 49 of Appendix V		<b>0</b>
426	Financial assets at fair value through other comprehensive income	Paragraph 35J of IFRS 7		0
427	Financial assets at amortised cost	Paragraph 35J of IFRS 7		0
430	<b>(Provisions or (-) reversed provisions)</b>	Para. 59, 84 of IAS 37; Para. 98, (b), (f), (g) of IAS 1	9 12 43	<b>-17 378</b>
440	(Commitments and guarantees)	IFRS 9.4.2.1(c), (d); IFRS 9.B2.5; IAS 37; IFRS 4; part 2, para. 50 of Appendix V		-17 276
450	(Other provisions)			-102
460	<b>(Impairment or (-) impairment adjustment of financial assets which are not accounted at fair value through profit or loss)</b>	Para. 20, (a)(viii) of IFRS 7; IFRS 9.5.4.4, part 2, items 51, 53 of Appendix V	12	<b>99 746</b>
481	(Financial assets at fair value through other comprehensive income)	IFRS 9.5.4.4; IFRS 9.5.5.1; IFRS 9.5.5.2; IFRS 9.5.5.8	12	27
491	(Financial assets at amortised cost)	IFRS 9.5.4.4; IFRS 9.5.5.1; IFRS 9.5.5.2; IFRS 9.5.5.8	12	99 719
510	<b>(Impairment or (-) reversed impairment of investments in a subsidiary, jointly-controlled entity or associate)</b>	Paras. 40-43 of IAS 28	16	<b>178</b>
520	<b>(Impairment or (-) reversed impairment of non-financial assets)</b>	Para. 126(a)-(b) of IAS 36	16	<b>0</b>
530	(Property, Plant and Equipment)	Para. 73, (e), (v)-(vi) of IAS 16		0
540	(Investment Property)	Para. 79, (d), (v) of IAS 40		0
550	(Goodwill)	B67, (d), (v) of IFRS 3; Para. 124 of IAS 36		0
560	(Other intangible assets)	Para. 118, (e), (iv)-(v) of IAS 38		0
570	(Other)	Para. 126(a)-(b) of IAS 36		0
580	<b>Negative goodwill in profit or loss</b>	B64, (n)(i) to IFRS 3		<b>0</b>
590	<b>Share of profit or (-) loss from investments in a subsidiary, jointly-controlled entity or associate reported via the equity method</b>	part 2, paragraph 54 of Appendix V		<b>0</b>
600	<b>Profit or (-) loss from non-current assets and disposal groups classified as held for sale, which do not meet the requirements for discontinued operations</b>	Para. 37 of IFRS 5, part 2, paragraph 55 of Appendix V		<b>0</b>
610	<b>PROFIT OR (-) LOSS BEFORE TAX FROM CURRENT OPERATIONS</b>	Para. 102, IN 6 of IAS 1; Para. 33 A of IFRS 5		<b>161 771</b>
620	<b>(Tax expense or (-) income relating to the profit or loss from current operations)</b>	Para. 8, (d) of IAS 1; Para. 77 of IAS 12		<b>-3 020</b>
630	<b>PROFIT OR (-) LOSS AFTER TAX FROM CURRENT OPERATIONS</b>	IN 6 of IAS 1		<b>164 791</b>
640	<b>Profit or (-) loss after tax from discontinued operations</b>	Para. 82, (e) of IAS 1; Para. 33(a) and paragraph 33A of IFRS 5; part 2, paragraph 56 of Appendix V		<b>0</b>
650	Profit or (-) loss before tax from discontinued operations	Para. 33, (b)(i) of IFRS 5		0
660	(Tax expense or (-) income related to discontinued operations)	Para. 33, (b)(i) and (iv) of IFRS 5		0
670	<b>PROFIT OR (-) LOSS FOR THE YEAR</b>	Para. 81A (a) of IAS 1		<b>164 791</b>
680	Relating to minority interests [non-controlling interests]	Para. 81B (b)(i) of IAS 1		158
690	Attributable to the owners of the parent company	Para. 81B (b)(ii) of IAS 1		164 633

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