

To:  
Financial Supervision Commission  
Investment Activity Supervision Department  
16, Budapest Street  
Sofia

CC:  
Bulgarian Stock Exchange – Sofia AD  
6, Tri Ushi Street  
Sofia

Re: Meeting with minority shareholders of First Investment Bank

Dear Sirs,

On June 22, 2016 a meeting of minority shareholders with the management of First Investment Bank (the Bank, Fibank) was held. The Bank's management was represented by Vassil Christov, Chief Executive Officer, Dimitar Kostov, Chief Risk Officer, and Jivko Todorov, Chief Financial Officer.

Regular meetings with minority shareholders are part of the Bank's policy of applying best international practices in good corporate governance. An overview of the Bank's operations in the first quarter of 2016 was made during the meeting and the management expressed their positive expectations for the second quarter results. Emphasis was placed on profit growth seen so far in the year. Mr Vassil Christov pointed out that after the Bank made early and full repayment of the liquidity support, a stable growth of newly opened deposits is observed.

The minority shareholders had the opportunity to discuss with the management of Fibank topics of significance such as the possible future distribution of dividend and the expected outcome of the currently on-going asset quality review in Bulgaria's banking system.

Mr Dimitar Kostov emphasised that the Bank applies a more conservative policy as regards loan management, which has significantly decreased credit risk.

At the meeting one of Fibank's new products was presented – the digital card which is an innovative new platform for digital payments offered for the first time in Bulgaria and on the Balkans in cooperation with MasterCard. It was said that the interest expressed in Bulgaria and from foreign investors far exceeds the Bank's expectations and the intense development in this market segment will contribute to increasing the financial result.

Mr Dimitar Kostov presented to the minority shareholders the Bank's strategy to focus on expansion of lending to SMEs throughout Bulgaria and in the retail segment. This policy will additionally diversify market risks and strengthen the Bank's positions.

Attached to this notification is the file with the presentation made at the meeting.

Regards,

(signed)

Vassil Christov  
Chief Executive Officer  
Chair of the MB

(signed)

Dimitar Kostov  
Executive Director  
Member of the MB

Quarterly meeting with minority  
shareholders

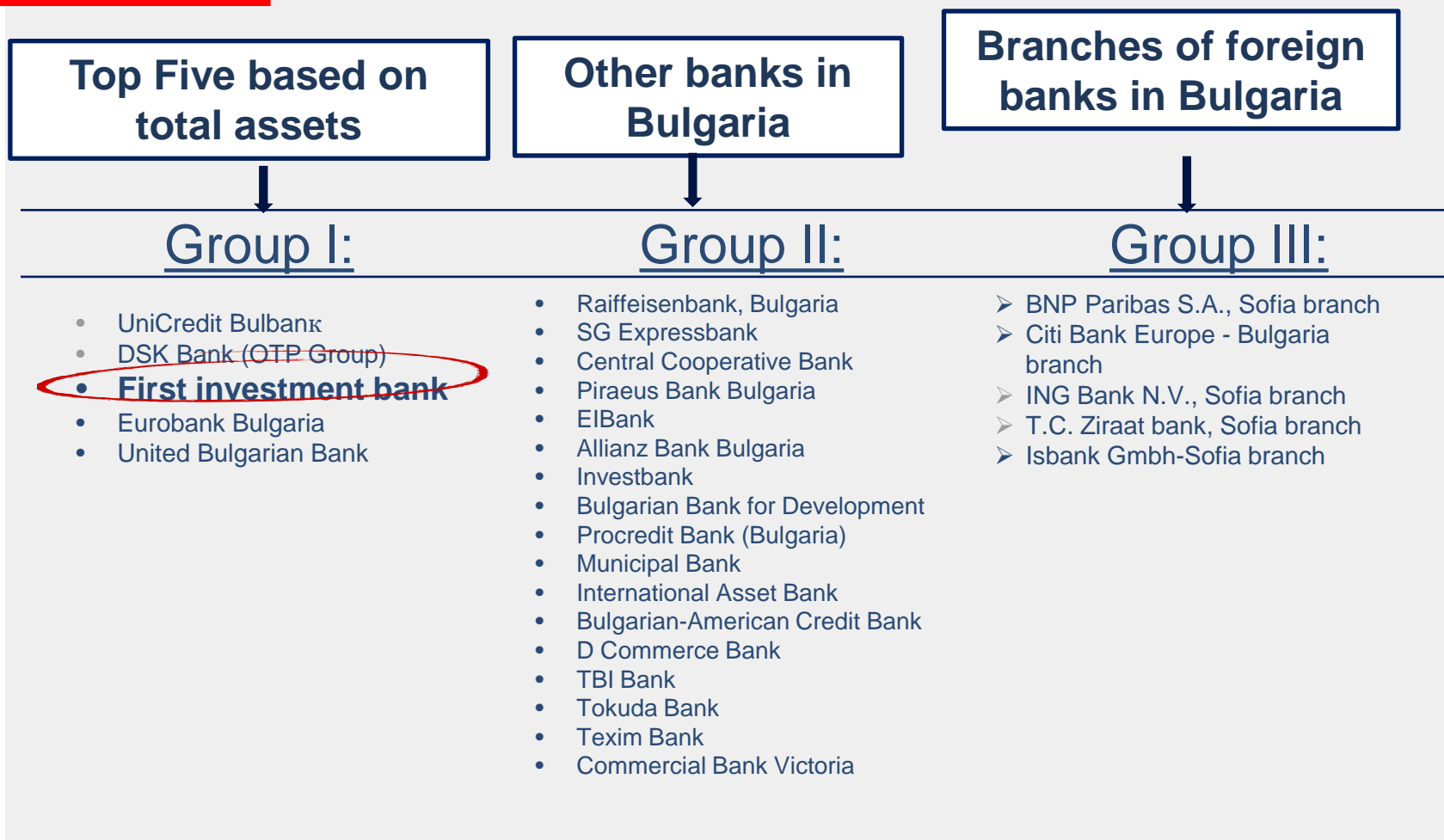
Q1 2016

## Contents:

- ❖ Banking sector and Fibank market positions Q1 2016.
- ❖ Balance sheet as at 31/03/2016
- ❖ Financial result as at 31/03/2016
- ❖ Key ratios

# Banking sector Q1 2016

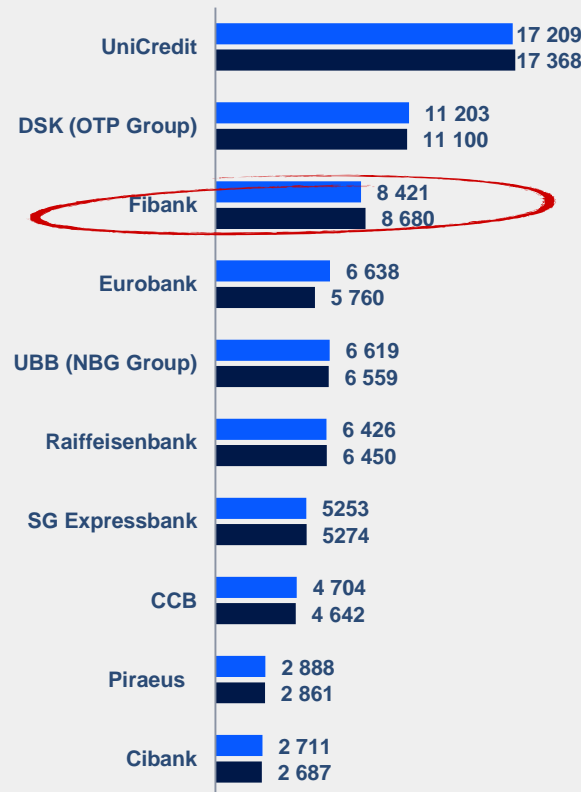
The Bulgarian banking sector consists of 27 banks, subdivided into three groups based on their assets for the respective quarter:



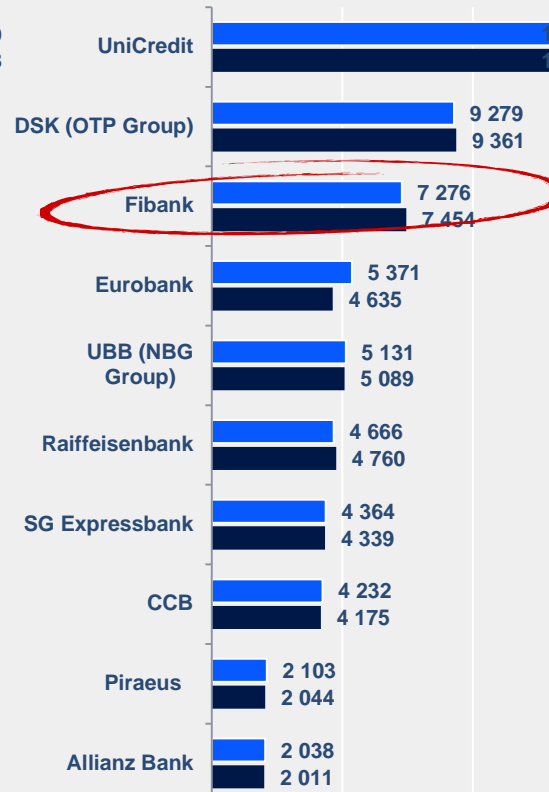
# Market position Q1 2016

	П.д.ял	МЯСТО
Corporate Loans	12.6%	2
Deposits from households	13.3%	3
Total assets	9.7%	3
Deposits NFI	10.5%	3
Loans NFI	10.9%	3
Mortgage loans	6.8%	5
Consumer loans	8.8%	6

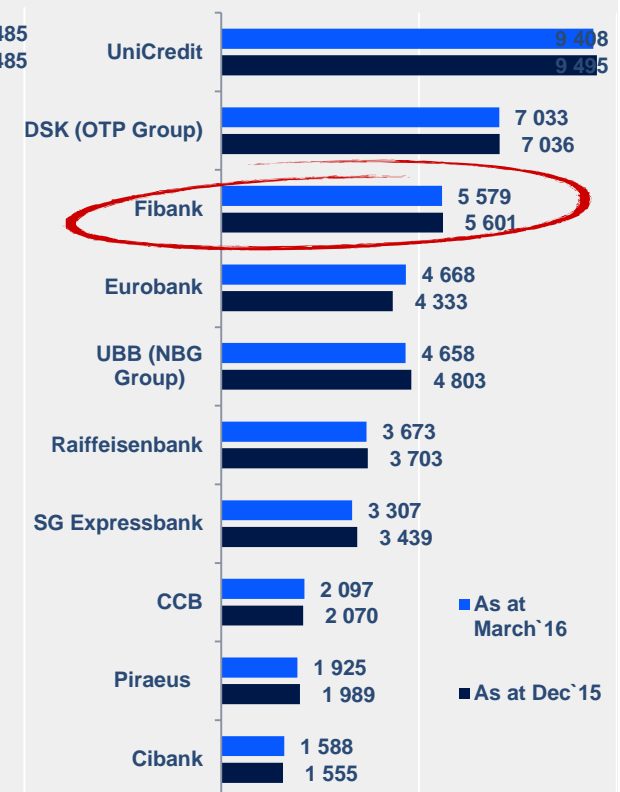
## Assets



## Deposits at amortised value

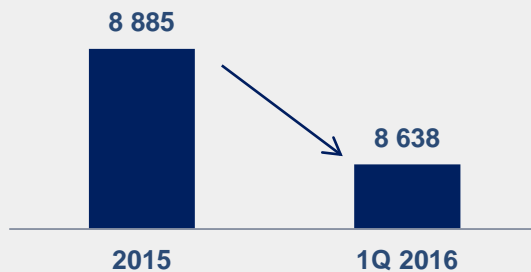


## Loans NFI

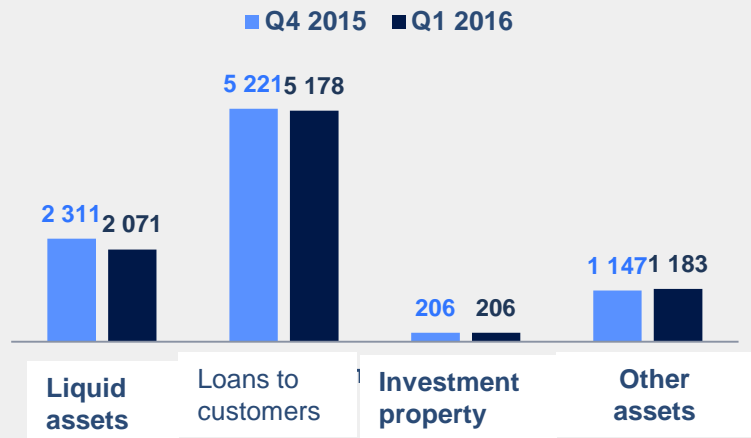


# Balance sheet: assets (in BGN mln.)

## TOTAL ASSETS



## Asset structure (mln BGN)



- Decrease of the balance sheet and liquid assets due to:
  - early repayment of BGN200 million state aid, and
  - option under debt capital instrument
- Solid liquidity base: liquidity ratio 22.75%

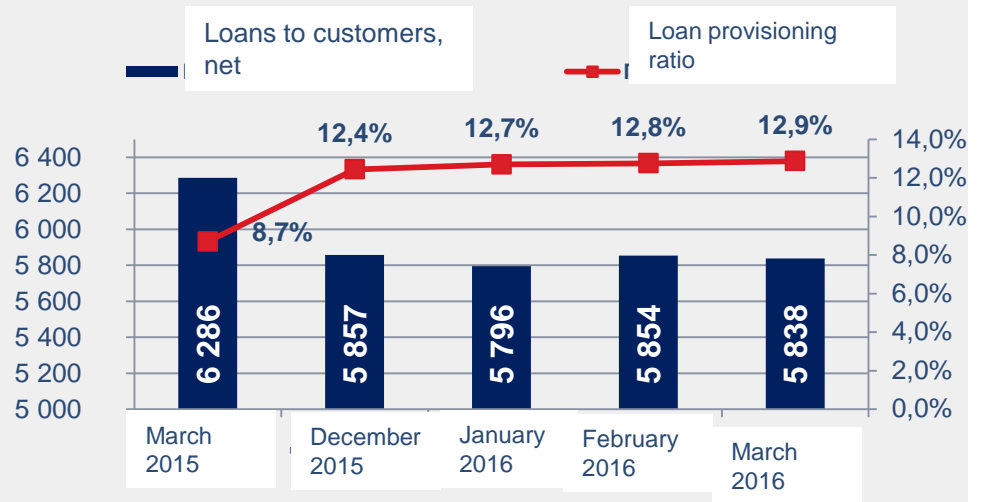
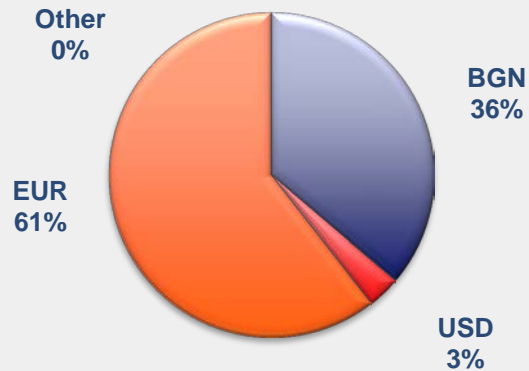
# Balance sheet: loan portfolio (mln BGN)

- The loan book structure reflects the bank's strategy to be the bank preferred by Bulgarians
- Fibank places great emphasis on the quality of the loan book and makes accurate assessment of credit risk. The loan provisioning ratio is 12.9% compared to 8.7% in Q1 2015

Customer structure



Currency structure



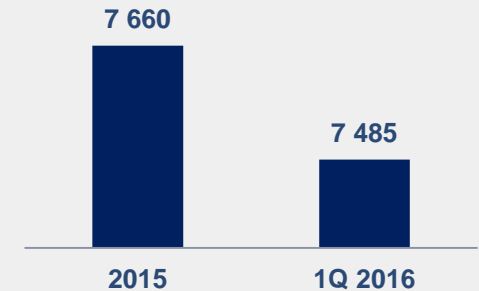
# Balance sheet: deposits

(mln BGN)

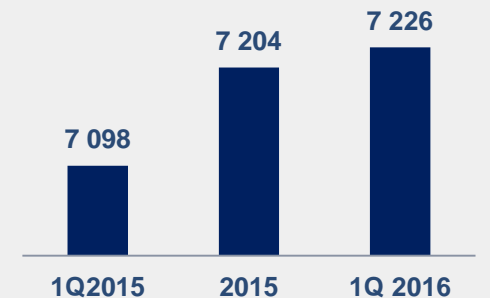
- The deposit base dynamics is due to the early repayment of BGN200 mln state aid
- Fibank clients are loyal. The deposits from private individuals, households and NFI increase by BGN129 mln (+1.81%) on an annual basis
- At 31/03/2016 Fibank repaid early to the Ministry of Finance BGN 650 million. The remaining BGN 250 million are due by 27/05/2016 according to the plan endorsed by the European Commission.

**At 27/05/2016 the bank has fully repaid the state aid**

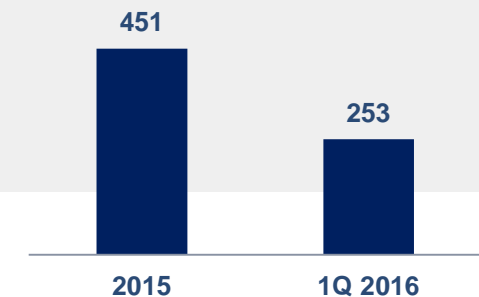
### Total deposits



### Deposits



### MF Deposit





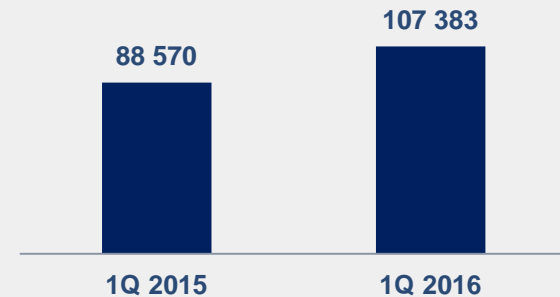
# Financial result

( in BGN '000)

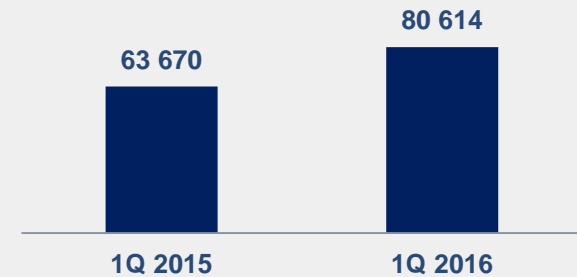
	1Q 2015	1Q 2016	+/-	%
Total income	82 527	99 910	17 383	21.1%
Administrative costs	-45 874	-45 088	786	-1.7%
Profit before impairment	36 653	54 822	18 169	49.6%
Impairment cost	-33 866	-27 545	6 321	-18.7%
Tax expense	-194	-2 895	-2 701	1392.3%
Net profit	2 593	24 382	21 789	840.3%

- Total income increases by 21.1% as a result of increase in banking operations and net interest income
- With a view to increasing the efficiency of operations, Fibank takes a number of steps to improve processes and decrease expenses. The successful implementation of such measures has led to savings of 1.7% in Q1 of 2016

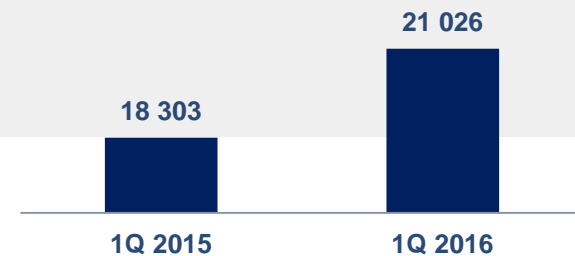
## Total income from banking operations



## Net interest income



## Net fee and commission income



# Key ratios

<b>FIBank AD</b>	<b>31/03/2016</b>	<b>31/12/2015</b>	<b>31/03/2015</b>
<b>Key ratios</b>			
<b>Capital adequacy</b>			
Overall Capital Adequacy*	14.83%	15.04%	14.91%
Tier 1 adequacy*	14.80%	14.53%	13.83%
CET1 adequacy*	11.70%	11.52%	10.88%
<b>Liquidity ratio</b>			
Liquidity ratio under BNB regulation <sup>11</sup>	22.75%	25.36%	27.21%
Liquidity ratio BNB recommendation	23.82%	26.70%	29.01%
LCR (%)	402.17%	330.97%	507.59%
<b>Key ratios</b>			
General expenses/ total income from banking operations	41.50%	42.29%	51.53%
General expenses/Total income from banking operations + other expenses, net	44.90%	33.55%	55.52%
Loan provisioning ratio	12.87%	12.44%	8.70%
Return-on-equity before taxation	13.46%	1.95%	0.91%
Return-on-equity after taxation	12.09%	1.72%	0.81%
Return-on-assets before taxation	1.18%	0.16%	0.08%
Return-on-assets after taxation	1.07%	0.14%	0.07%
Income diversity ratio	75.11%	61.86%	71.63%
Interest margin (interest earning assets base)	5.14%	3.78%	3.75%
Interest margin (total assets base)	3.64%	2.87%	2.82%
Loans/deposits	69.91%	68.48%	74.91%
Cost of risk	1.89%	5.62%	2.16%
NPL ratio	23.01%	24.08%	12.34%
NPL ratio 90+	14.61%	14.87%	

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