

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

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

12 February 2020

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

Dear Sirs,

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

- ✓ Audited individual financial statements as at 31.12.2019 and notes thereto, accompanied by the auditors' report as per Art. 100m, para. 4(1) of POSA;
- ✓ 2019 Annual Report of First Investment Bank pursuant to Art. 100m, Para. 4(2) of POSA;
- ✓ Declaration under Art. 100o, para. 4(4) of POSA;
- ✓ Information on First Investment Bank under Annex 11 to Ordinance №2 of the Financial Supervision Commission on the prospects of public offering and admittance for trade on a regulated market of securities and for the disclosure of information.

We are also sending you the Disclosure Policy of First Investment Bank and the Score Card for assessment of corporate governance in Bulgaria.

Sincerely,

(signed)

Nedelcho Nedelchev
Chief Executive Officer
Chairman of the MB

(signed)

Nikola Bakalov
Executive Director
Member of the MB

FIRST INVESTMENT BANK AD

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

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

<i>In BGN '000</i>	Notes	2019	2018
Interest income		289,867	312,212
Interest expense		(59,171)	(61,327)
Net interest income	6	230,696	250,885
Fee and commission income		126,389	115,372
Fee and commission expense		(23,159)	(21,826)
Net fee and commission income	7	103,230	93,546
Net trading income	8	14,929	12,279
Other net operating income	9	71,930	15,653
TOTAL INCOME FROM BANKING OPERATIONS		420,785	372,363
Administrative expenses	10	(209,157)	(202,315)
Allowance for impairment	11	(117,490)	(82,500)
Other income/(expenses), net	12	49,997	64,776
PROFIT BEFORE TAX		144,135	152,324
Income tax expense	13	(14,914)	11,814
NET PROFIT		129,221	164,138
Other comprehensive income for the period			
Items which should or may be reclassified as profit or loss			
Revaluation reserve of investments in securities		931	(3,739)
Total other comprehensive income		931	(3,739)
TOTAL COMPREHENSIVE INCOME		130,152	160,399

The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 65.

The financial statements have been approved by the Managing Board on 7 February 2020 and signed on its behalf by:

NEDELCHO NEDELICHEV
Chief Executive Officer

CHAVDAR ZLATEV
Executive Director

JIVKO TODOROV
Chief Financial Officer

Audited as per the auditors' report dated 11/02/2020:
 Tsvetana Stefanina
Manager
Manager's Proxy

BDO Bulgaria OOD

Antonia Saksanova
Registered auditor
responsible for the audit

Athanassios Petropoulos
Partner

Mazars OOD

Milena Mladenova-Nikolova
Registered auditor
responsible for the audit

Individual statement of financial position as at 31 December 2019

<i>In BGN '000</i>	Notes	2019	2018
ASSETS			
Cash and balances with Central Banks	14	1,998,543	1,615,646
Investments in securities	15	843,378	681,464
Loans and advances to banks and other financial institutions	16	79,576	125,472
Loans and advances to customers	17	5,776,915	5,525,957
Property and equipment	18	77,407	80,627
Intangible assets	19	11,406	13,339
Derivatives held for risk management		814	905
Current tax assets		-	605
Repossessed assets	21	708,428	804,707
Investment Property	22	410,511	242,558
Investments in subsidiaries	23	43,872	36,179
Right-of-use assets	24	144,270	-
Other assets	25	104,911	110,378
TOTAL ASSETS		10,200,031	9,237,837
LIABILITIES AND CAPITAL			
Due to banks	26	25,048	17,243
Due to other customers	27	8,684,001	8,021,439
Liabilities evidenced by paper	28	109,723	118,156
Hybrid debt	29	267,615	208,786
Derivatives held for risk management		361	88
Deferred tax liability	20	16,488	1,696
Current tax liabilities		26	-
Lease liabilities	24	144,270	-
Other liabilities	30	9,434	57,516
TOTAL LIABILITIES		9,256,966	8,424,924
Issued share capital	31	110,000	110,000
Share premium	31	97,000	97,000
Statutory reserve	31	39,861	39,861
Revaluation reserve of investments in securities		11,812	10,881
Revaluation reserve on property		4,500	4,500
Other reserves and retained earnings	31	679,892	550,671
TOTAL SHAREHOLDERS' EQUITY		943,065	812,913
TOTAL LIABILITIES AND GROUP EQUITY		10,200,031	9,237,837

The statement of the financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 65.

The financial statements have been approved by the Managing Board on 7 February 2020 and signed on its behalf by:

NEDELCHO NEDELCHEV <i>Chief Executive Officer</i>	CHAVDAR ZLATEV <i>Executive Director</i>	JIVKO TODOROV <i>Chief Financial Officer</i>
	<i>BDO Bulgaria OOD</i>	
Audited as per the auditors' report dated 11/02/2020: Tsvetana Stefanina <i>Manager</i> <i>Manager's Proxy</i>		Antonia Saksanova <i>Registered auditor</i> <i>responsible for the audit</i>
Athanassios Petropoulos <i>Partner</i>	<i>Mazars OOD</i>	Milena Mladenova-Nikolova <i>Registered auditor</i> <i>responsible for the audit</i>

Individual statement of cash flows for the year ended 31 December 2019

<i>In BGN '000</i>	2019	2018
Net cash flow from operating activities		
Net profit	129,221	164,138
Adjustment for non-cash items		
Allowance for impairment	117,490	82,500
Net interest income	(230,696)	(250,885)
Depreciation and amortization	13,844	14,840
Tax expense	14,914	(11,814)
(Profit)/Loss from sale and write-off of tangible and intangible fixed assets, net	(358)	11
(Profit) from sale of other assets, net	(1,201)	(81,248)
(Positive) revaluation of investment property	(72,940)	(13,669)
	(29,726)	(96,127)
Change in operating assets		
(Increase)/Decrease in financial assets at fair value through profit or loss	(246,126)	26,058
(Increase)/decrease in financial assets at fair value in other comprehensive income	90,327	(23,573)
(Increase) in loans and advances to banks and financial institutions	(25,313)	(12)
(Increase) in loans to customers	(402,329)	(955,688)
(Increase)/decrease in other assets	(25,426)	6,102
	(608,867)	(947,113)
Change in operating liabilities		
Increase in due to banks	7,805	11,500
Increase in amounts owed to other depositors	662,970	697,806
Net increase/(decrease) in other liabilities	(16,514)	31,083
	654,261	740,389
Interest received	307,968	375,791
Interest paid	(59,222)	(75,898)
Dividends received	5,678	61
(Paid)/refunded profit tax	404	(3,031)
NET CASH FLOW FROM OPERATING ACTIVITIES	270,496	(5,928)
Cash flow from investing activities		
(Purchase) of tangible and intangible fixed assets	(11,708)	(13,159)
Sale of tangible and intangible fixed assets	817	8
Sale of other assets	14,143	270,894
(Increase)/decrease of investments	(12,093)	10,136
NET CASH FLOW FROM INVESTING ACTIVITIES	(8,841)	267,879
Financing activities		
(Decrease) in borrowings	(8,636)	(532)
Increase of subordinated liabilities	58,675	-
NET CASH FLOW FROM FINANCING ACTIVITIES	50,039	(532)
NET INCREASE IN CASH AND CASH EQUIVALENTS	311,694	261,419
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	1,728,774	1,467,355
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	2,040,468	1,728,774

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 65.

The financial statements have been approved by the Managing Board on 7 February 2020 and signed on its behalf by:

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Individual statement of shareholders' equity for the year ended 31 December 2019

<i>In BGN '000</i>	Issued share capital	Share premium	Other reserves and retained earnings	Revaluation reserve of investments in securities	Revaluation reserve on property	Statutory reserve	Total
Balance at 01 January 2018	110,000	97,000	658,399	19,524	4,500	39,861	929,284
Initial application of IFRS 9							
Effect from the initial application of IFRS 9 as regards impairment losses	-	-	(276,770)	-	-	-	(276,770)
Effect from the initial application of IFRS 9 as regards the revaluation reserve of investments in securities	-	-	4,904	(4,904)	-	-	-
Change in balances as at 1 January 2018	110,000	97,000	386,533	14,620	4,500	39,861	652,514
Total comprehensive income for the period							
Net profit for the year ended 31 December 2018	-	-	164,138	-	-	-	164,138
Other comprehensive income for the period							
Revaluation reserve of investments in securities	-	-	-	(3,739)	-	-	(3,739)
Balance as at 31 December 2018	110,000	97,000	550,671	10,881	4,500	39,861	812,913
Total comprehensive income for the period							
Net profit for 2019	-	-	129,221	-	-	-	129,221
Other comprehensive income for the period							
Revaluation reserve of investments in securities	-	-	-	931	-	-	931
Balance as at 31 December 2019	110,000	97,000	679,892	11,812	4,500	39,861	943,065

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 65.

The financial statements have been approved by the Managing Board on 7 February 2020 and signed on its behalf by:

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Audited as per the auditors' report dated 11/02/2020:
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1. Basis of preparation**(a) Statute**

First Investment Bank AD (the Bank) was incorporated in 1993 in the Republic of Bulgaria and has its registered office in Sofia, at 37 Dragan Tzankov Blvd.

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

The Bank has foreign operations in Cyprus.

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

(b) Statement of compliance

The separate financial statements were drawn up in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Commission.

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

(c) Presentation

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

The financial statements are prepared in accordance with the fair value principle of derivative financial instruments, financial instruments recognised at fair value in profit or loss, 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.

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

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

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

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

Notes to the financial statements

1. Basis of preparation, continued

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

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

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

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

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

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

Lessor accounting remains largely unchanged.

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

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

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

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

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

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

Right-of-use assets	113,282
Lease liabilities	113,282

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

Notes to the financial statements

1. Basis of preparation, continued

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

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

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

2. Significant accounting policies

(a) Income recognition

(i) *Interest income*

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 Bank estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

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

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

Notes to the financial statements

2. Significant accounting policies, continued

(a) Income recognition, continued

(ii) Fees and Commissions

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

(iii) Net trading income

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

(iv) Dividend income

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

(b) Basis of consolidation of subsidiaries

Investments in subsidiaries are stated at cost, minus the accrued impairment.

(c) Foreign currency transactions

(i) Functional and presentation currency

The financial statements are presented in Bulgarian leva, which is the Bank's functional and presentation currency.

(ii) Transactions and balances

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

(iii) Foreign operations

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

Notes to the financial statements

2. Significant accounting policies, continued

(d) Financial assets, continued

(i) Recognition

The Bank recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Bank 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 Bank 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 Bank'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.

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

Debt instruments held within the Bank'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 Bank does not designate any debt instrument as at fair value through profit or loss to remove or significantly reduce an accounting mismatch.

Notes to the financial statements

2. Significant accounting policies, continued

(d) Financial assets, continued

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

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

(vi) *Fair value measurement principles*

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

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

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

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

If an asset or a liability measured at fair value has a bid price and an ask price, the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price. The Bank which holds portfolios of financial assets and financial liabilities is exposed to market risk and credit risk. If the Bank 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.

Notes to the financial statements

2. Significant accounting policies, continued

(d) Financial assets, continued

(vi) *Fair value measurement principles, continued*

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

(vii) *Derecognition*

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

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

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

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

(e) *Cash and cash equivalents*

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

(f) *Investments*

Investments that the Bank 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 Bank 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 Bank 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.

Notes to the financial statements

2. Significant accounting policies, continued

(g) Securities borrowing and lending business and repurchase transactions

(i) *Securities borrowing and lending*

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

(ii) *Repurchase agreements*

The Bank enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans to either banks or customers. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy for either assets held for trading or available-for-sale as appropriate. The proceeds from the sale 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 Bank purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of a liability and the consideration paid is included in other operating income.

(i) *Offsetting*

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

(j) *Impairment of financial assets*

The Bank 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.

Notes to the financial statements

2. Significant accounting policies, continued

(h) Borrowings, continued

(j) Impairment of assets, continued

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

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

(k) Property and equipment

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

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

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

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

(l) Intangible assets

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

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

Assets	%
• Licenses and trademarks	14
• Software and licences	8 - 50

(m) Investment Property

Investment property is property (land or a building or part of a building or both) held to earn rentals or for capital appreciation or both. The Bank has chosen for its accounting policy to account for investment property using the fair value model and applies this to all its investment property.

Notes to the financial statements

2. Significant accounting policies, continued

(m) Investment Property, continued

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 Bank has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a 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 Bank agrees to pay, at a stipulated future date, a draft drawn on it for a specified amount. The Bank's acceptances primarily arise from documentary credits stipulating payment to be made a certain number of days after receipt of required documents. The Bank negotiates most acceptances to be settled at a later date following the reimbursement from the customers. Acceptances are accounted for as liabilities evidenced by paper.

(p) Off-balance sheet commitments

In the ordinary course of its business, the Bank enters into off-statement of financial position commitments such as guarantees and letters of credit. The Bank 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.

Notes to the financial statements

2. Significant accounting policies, continued

(q) Taxation, continued

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 2019 are stated below and are related to the impairment of financial instruments, income tax and the following notes related to other elements of the financial statements:

- Note 5 - determining of the fair value of the financial instruments through valuation techniques, in which the input data for the financial assets and liabilities are not based on the available market information.
- Note 18 - determining of the fair value of land and buildings through valuation techniques, in which the input data for the assets are not based on available market information;

(ii) *Assessment of repossessed assets from collaterals*

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

(iii) *Income taxes*

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

(s) 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.

Notes to the financial statements

2. Significant accounting policies, continued

(s) Employee benefits, continued

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 Labour Code.

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

Notes to the financial statements

3. Risk management disclosures

A. Trading activities

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

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

(i) Credit risk

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

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

(ii) Market risk

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

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

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

Notes to the financial statements

3. Risk management disclosures, continued

A. Trading activities, continued

(ii) Market risk, continued

The Value at Risk is calculated and monitored on a daily basis as part of the Bank's ongoing risk management. The following table summarises the range of interest VaR for all positions carried at fair value that was experienced in 2019:

	31 December	2019			31 December
<i>in thousands of BGN</i>	2019	average	low	high	2018
VaR	385	433	247	686	319

B. Non-trading activities

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

(i) Liquidity risk

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

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

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

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
Liquidity risk, continued

In order to reduce the liquidity risk, preventive measures have been taken aimed to extend the maturity of borrowings from customers, to encourage long-term relationships with clients and to increase customer satisfaction.

In order to adequately manage liquidity risk, the Bank monitors cash flows on a daily basis.

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

Liquid assets

<i>In BGN '000</i>	31 December 2019	31 December 2018
Balances with BNB	1,674,645	1,034,757
Current accounts and amounts with other banks	316,269	684,823
Unencumbered debt securities	385,256	447,449
Gold	5,479	5,585
Total liquid assets	2,381,649	2,172,614

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

As at 31 December 2019 the thirty largest non-bank depositors represent 7.42 % of total deposits from other customers (31 December 2018: 4.93%).

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

	31 December 2019	31 December 2018
Ratio of liquid assets to total borrowings from other clients	27.43%	27.09%

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
Liquidity risk, continued

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

Maturity table as at 31 December 2019

in thousands of BGN	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	More than 1 year	Maturity not defined	Total
Assets						
Cash and balances with Central Banks	1,998,543	-	-	-	-	1,998,543
Financial assets at fair value through profit or loss	243,425	-	-	-	22,130	265,555
Financial assets at fair value through other comprehensive income	565,818	-	-	-	-	565,818
Financial assets at amortised cost	-	-	-	12,005	-	12,005
Loans and advances to banks and other financial institutions	53,023	9,029	2,161	15,363	-	79,576
Loans and advances to	329,910	233,054	831,538	4,382,413	-	5,776,915
Other trading assets	814	-	-	-	-	814
Total financial assets	3,191,533	242,083	833,699	4,409,781	22,130	8,699,226
Liabilities						
Due to banks	25,048	-	-	-	-	25,048
Due to other customers	4,132,386	994,192	2,739,002	818,421	-	8,684,001
Liabilities evidenced by paper	13	26	3,309	106,375	-	109,723
Hybrid debt	-	-	-	-	267,615	267,615
Other financial liabilities, net	1,243	(600)	(159)	(123)	-	361
Total financial liabilities	4,158,690	993,618	2,742,152	924,673	267,615	9,086,748
Net liquidity gap	(967,157)	(751,535)	(1,908,453)	3,485,108	(245,485)	(387,522)

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

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

Loans and advances to customers reflect also financial lease receivables.

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
Liquidity risk, continued
Maturity table as at 31 December 2018

in thousands of BGN	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	More than 1 year	Maturity not defined	Total
Assets						
Cash and balances with Central Banks	1,615,646	-	-	-	-	1,615,646
Financial assets at fair value through profit or loss	7,180	-	-	-	17,498	24,678
Financial assets at fair value through other comprehensive income	656,038	-	-	-	-	656,038
Financial assets at amortised cost	-	-	-	748	-	748
Loans and advances to banks and other financial institutions	122,257	628	78	2,509	-	125,472
Loans and advances to	365,219	177,246	751,899	4,231,593	-	5,525,957
Other trading assets	905	-	-	-	-	905
Total financial assets	2,767,245	177,874	751,977	4,234,850	17,498	7,949,444
Liabilities						
Due to banks	17,243	-	-	-	-	17,243
Due to other customers	3,420,931	923,335	2,647,256	1,029,917	-	8,021,439
Liabilities evidenced by paper	5	1,222	3,441	113,488	-	118,156
Hybrid debt	-	-	-	-	208,786	208,786
Other financial liabilities, net	(2)	63	27	-	-	88
Total financial liabilities	3,438,177	924,620	2,650,724	1,143,405	208,786	8,365,712
Net liquidity gap	(670,932)	(746,746)	(1,898,747)	3,091,445	(191,288)	(416,268)

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
Liquidity risk, continued

The following table provides a remaining maturities analysis of the financial assets and liabilities of the Bank as at 31 December 2019 based on the contractual undiscounted cash flows.

in thousands of BGN	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	More than 1 year	Total
Financial assets					
Cash and balances with Central Banks	1,998,543	-	-	-	1,998,543
Financial assets at fair value through profit or loss	265,555	-	-	-	265,555
Financial assets at fair value through other comprehensive income	565,818	-	-	-	565,818
Financial assets at amortised cost	-	-	-	13,468	13,468
Loans and advances to banks and other financial institutions	53,023	9,029	2,161	15,363	79,576
Loans and advances to customers	330,171	234,902	854,980	5,283,638	6,703,691
Total financial assets	3,213,110	243,931	857,141	5,312,469	9,626,651
Financial liabilities					
Due to banks	25,048	-	-	-	25,048
Due to other customers	4,132,640	994,740	2,744,668	826,590	8,698,638
Liabilities evidenced by paper	13	26	3,323	110,519	113,881
Hybrid debt	-	-	27,653	318,813	346,466
Total financial liabilities	4,157,701	994,766	2,775,644	1,255,922	9,184,033
Derivatives held for risk management					
For trading, outgoing cash flow	1,933	-	478	-	2,411
For trading, incoming cash flow	1,504	600	637	123	2,864
Cash flow from derivatives, net	(429)	600	159	123	453

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
Liquidity risk, continued

The following table provides a remaining maturities analysis of the financial assets and liabilities of the Bank as at 31 December 2018 based on the contractual undiscounted cash flows.

in thousands of BGN	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	More than 1 year	Total
Financial assets					
Cash and balances with Central Banks	1,615,646	-	-	-	1,615,646
Financial assets at fair value through profit or loss	7,180	-	-	17,498	24,678
Financial assets at fair value through other comprehensive income	656,038	-	-	-	656,038
Financial assets at amortised cost	-	-	-	1,427	1,427
Loans and advances to banks and other financial institutions	122,257	628	78	2,509	125,472
Loans and advances to customers	365,616	178,826	775,834	5,218,588	6,538,864
Total financial assets	2,766,737	179,454	775,912	5,240,022	8,962,125
Financial liabilities					
Due to banks	17,243	-	-	-	17,243
Due to other customers	3,421,197	923,964	2,654,002	1,042,623	8,041,786
Liabilities evidenced by paper	5	1,224	3,455	118,682	123,366
Hybrid debt	-	-	22,883	264,295	287,178
Total financial liabilities	3,438,445	925,188	2,680,340	1,425,600	8,469,573
Derivatives held for risk management					
For trading, outgoing cash flow	189	82	27	-	298
For trading, incoming cash flow	1,096	19	-	-	1,115
Cash flow from derivatives, net	907	(63)	(27)	-	817

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
Liquidity risk, continued

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

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

(ii) Market risk
Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities the Bank is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as the Bulgarian Basic Interest Rate, the LIBOR and EURIBOR, although these indices tend to move in high correlation. In addition, the actual effect will depend on a number of other factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within repricing periods and among currencies.

In order to quantify the interest rate risk of its non-trading activities, the Bank measures the impact of a change in the market rates both on net interest income and on the Bank's economic value defined as the difference between fair value of assets and fair value of liabilities.

The interest rate risk on the economic value of the Bank following a standardised shock of +100bp/-100bp as at 31 December 2019 is BGN +43.7/-24.9 Mio.

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

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

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(ii) Market risk, continued
Interest rate risk, continued

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

Fixed rate instruments

<i>in thousands of BGN</i>	Total	Floating rate Instruments	Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	More than 1 year
Assets						
Cash and balances with Central Banks	585,198	585,198	-	-	-	-
Financial assets at fair value through profit or loss	238,937	-	238,937	-	-	-
Financial assets at fair value through other comprehensive income	565,818	26,227	539,591	-	-	-
Financial assets at amortised cost	12,005	-	-	-	-	12,005
Loans and advances to banks and other financial institutions	35,140	10,976	5,416	-	18,748	-
Loans and advances to customers	5,021,745	4,635,431	2,674	23,094	108,665	251,881
Total interest-bearing assets	6,458,843	5,257,832	786,618	23,094	127,413	263,886
Liabilities						
Due to banks	25,048	22,962	2,086	-	-	-
Due to other customers	8,671,127	2,947,695	1,171,817	994,192	2,739,002	818,421
Liabilities evidenced by paper	109,723	98,479	-	7	-	11,237
Hybrid debt	267,615	-	-	-	-	267,615
Total interest-bearing liabilities	9,073,513	3,069,136	1,173,903	994,199	2,739,002	1,097,273

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(ii) Market risk, continued
Interest rate risk, continued

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

Fixed rate instruments

<i>in thousands of BGN</i>	Total	Floating rate Instruments	Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	More than 1 year
Assets						
Cash and balances with Central Banks	409,746	409,746	-	-	-	-
Financial assets at fair value through profit or loss	2,625	-	2,625	-	-	-
Financial assets at fair value through other comprehensive income	656,038	26,558	629,480	-	-	-
Financial assets at amortised cost	748	748	-	-	-	-
Loans and advances to banks and other financial institutions	24,689	-	4,985	-	19,704	-
Loans and advances to customers	4,894,769	3,777,368	2,984	31,442	133,222	949,753
Total interest-bearing assets	5,988,615	4,214,420	640,074	31,442	152,926	949,753
Liabilities						
Due to banks	17,243	17,243	-	-	-	-
Due to other customers	7,960,194	2,327,154	1,032,532	923,335	2,647,256	1,029,917
Liabilities evidenced by paper	118,155	105,642	4	1,205	44	11,260
Hybrid debt	208,786	-	-	-	-	208,786
Total interest-bearing liabilities	8,304,378	2,450,039	1,032,536	924,540	2,647,300	1,249,963

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(ii) Market risk, continued
Currency risk

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

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

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

<i>in thousands of BGN</i>	2019	2018
Monetary assets		
Euro	3,694,463	3,991,277
US dollar	577,834	616,039
Other	180,791	127,806
Gold	5,479	5,585
Monetary liabilities		
Euro	3,583,449	3,083,729
US dollar	571,761	616,138
Other	181,155	127,425
Gold	1,628	1,810
Net position		
Euro	111,014	907,548
US dollar	6,073	(99)
Other	(364)	381
Gold	3,851	3,775

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

(iii) Credit risk

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

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(iii) Credit risk, continued

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

<i>In thousands of BGN</i>	Loans and advances to other customers		Loans and advances to banks and balances with central banks		Investments and financial assets held for trading		Off balance sheet commitments	
	2019	2018	2019	2018	2019	2018	2019	2018
Carrying amount	5,776,915	5,525,957	1,877,860	1,563,988	816,760	659,411	-	-
Amount committed/guaranteed	-	-	-	-	-	-	859,990	757,588

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

31 December 2019

Class of exposure	Gross amount of loans and advances to customers	Allowance for impairment	<i>in thousands of BGN</i>
			Carrying amount of loans and advances to customers
Performing			
Collectively impaired	4,755,703	(68,967)	4,686,736
Non-performing			
Collectively impaired	218,841	(73,351)	145,490
Individually impaired	1,301,864	(357,175)	944,689
Total	6,276,408	(499,493)	5,776,915

31 December 2018

Class of exposure	Gross amount of loans and advances to customers	Allowance for impairment	<i>in thousands of BGN</i>
			Carrying amount of loans and advances to customers
Performing			
Collectively impaired	4,871,753	(116,038)	4,755,715
Non-performing			
Collectively impaired	351,996	(150,125)	201,871
Individually impaired	1,041,855	(473,484)	568,371
Total	6,265,604	(739,647)	5,525,957

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(iii) Credit risk, continued

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

	31/12/2019		31/12/2018	
	Gross amount of loans and advances to customers	Allowance for impairment	Gross amount of loans and advances to customers	Allowance for impairment
Exposures without increase of credit risk after the initial recognition (phase 1)	3,652,415	10,808	3,715,064	26,444
Exposures with significant increase of credit risk after the initial recognition (phase 2)	1,103,288	58,159	1,156,689	89,594
Non-performing (impaired) exposures (phase 3)	1,520,705	430,526	1,393,851	623,609
Total	6,276,408	499,493	6,265,604	739,647

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

As at 31 December 2019 the gross amount of overdue loans and advances to customers measured as exposures 90+ days overdue is BGN 752,708 thousand (2018: BGN 815,860 thousand).

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

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

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

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(iii) Credit risk, continued

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

<i>in thousands of BGN</i>	2019	2018
Trade	844,380	992,286
Industry	1,133,840	1,179,765
Services	691,080	655,577
Finance	112,944	107,517
Transport, logistics	217,938	316,628
Communications	190,441	106,858
Construction	336,886	258,219
Agriculture	180,014	194,749
Tourist services	255,881	244,533
Infrastructure	408,558	500,735
Private individuals	1,892,605	1,660,890
Other	11,841	47,847
Allowance for impairment	(499,493)	(739,647)
Total	5,776,915	5,525,957

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

The Bank has extended loans to enterprises involved in different types of activities but within the same economic sector - industry. As such the exposures share a similar industry risk. There are three such groups of enterprises at 31 December 2019 with total exposures outstanding amounting respectively to BGN 162,118 thousand (2018: BGN 187,051 thousand) - ferrous and non-ferrous metallurgy, BGN 85,791 thousand (2018: BGN 89,905 thousand) – mining industry and BGN 94,191 thousand (2018: BGN 104,489 thousand) - power engineering.

The Bank has extended loans, confirmed letters of credit and granted guarantees to 8 individual clients or groups (2018: 7) with each individual exposure exceeding 10% of the capital base of the Bank, based on the amortised cost of the respective loan facilities and after application of the required regulatory exemptions and techniques for reducing credit risk. The total amount of these exposures is BGN 937,247 thousand, which is 74.55% of the capital base (2018: BGN 644,781 thousand, representing 59.40% of the capital base).

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(iii) Credit risk, continued

Loans extended by the branch in Cyprus amount to BGN 2,040 thousand (gross carrying amount before any allowances) (2018: BGN 4,050 thousand).

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

Collateral held against different types of assets:

Type of credit exposure	Main type of collateral	Collateral coverage ratio	
		2019	2018
Repurchase agreements	Tradable securities	101%	101%
Loans and advances to banks	None	-	-
Mortgage loans	Real estate	266%	271%
Consumer lending	Mortgage, warrant, financial and other collateral	29%	36%
Credit cards	None	-	-
Loans to companies	Mortgage, pledge of enterprise, pledge of long-term tangible assets, pledge of goods, pledge of other short-term tangible assets, financial and other collateral	487%	447%

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(iii) Credit risk, continued

The table below shows a breakdown of total gross loans and advances (gross balance sheet value) extended to customers by the Bank by type of collateral to the amount of the collateral, excluding credit cards in the amount of BGN 176,309 thousand (2018: 187,577 thousand BGN).

<i>In BGN '000</i>	2019	2018
Mortgage	1,569,581	1,252,712
Pledge of receivables	1,765,592	1,954,391
Pledge of commercial enterprise	10,968	33,834
Securities	68,951	97,547
Other guaranties	2,355,338	2,271,538
Pledge of goods	9,145	9,692
Pledge of machines	60,799	102,479
Money deposit	11,349	12,219
Stake in capital	-	13,804
Other collateral	-	1,004
Unsecured	248,376	328,807
Total	6,100,099	6,078,027

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

Residential mortgage lending

The table below represents credit exposures from housing and mortgage loans to individual customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The gross amount excludes any impairment allowances. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

<i>in thousands of BGN</i>	2019	2018
Loan to value (LTV) ratio		
Less than 50%	156,714	144,617
51% to 70%	218,295	189,006
71% to 90%	351,401	247,444
91% to 100%	35,732	50,730
More than 100%	61,097	68,514
Total	823,239	700,311

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(iii) Credit risk, continued
Loans to corporate customers

The loans to corporate customers constituting individually significant exposures are subject to individual credit appraisal and impairment testing. The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan. However, collateral provides additional security and the Bank requests corporate borrowers to provide it. The Bank takes collateral in the form of a first charge over real estate, floating charges over all corporate assets, and other liens and guarantees.

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

As at 31 December 2019 the net carrying amount of individually impaired loans to corporate customers amounts to BGN 990,692 thousand (2018: BGN 664,841 thousand) and the value of collateral held against those loans amounts to BGN 940,848 thousand (2018: BGN 628,107 thousand).

The Bank constantly monitors the risk of default on already given loans and if there is available data for potential or actual problems, the Bank prepares an action plan and takes measures for managing the possible unwanted results, including restructuring of the loans

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

Loans renegotiated through the year

in BGN '000

Type of renegotiation	2019		2018	
	Gross amount of loans and advances to customers	Allowance for impairment	Gross amount of loans and advances to customers	Allowance for impairment
Loans to individuals	169,026	5,554	183,721	5,798
Change of maturity	121,250	4,242	116,667	4,385
Change in repayment instalments	116	-	-	-
Change of interest rate	8,749	2	11,366	-
Change due to customers request	23,867	46	33,391	27
Other reasons	15,044	1,264	22,297	1,386
Loans to companies	2,423,194	293,206	2,123,031	252,326
Change of maturity	158,067	10,938	59,942	3,723
Change in repayment instalments	599,938	23,964	163,528	9,380
Change of interest rate	213,942	1,355	112,060	313
Change due to customers request	1,180,346	183,703	1,260,193	188,589
Other reasons	270,901	73,246	527,308	50,321
Total:	2,592,220	298,760	2,306,752	258,124

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(iii) Credit risk, continued
Structure and organization of credit risk management functions

Credit risk management as a comprehensive process is accomplished under the supervision of the Management Board of the Bank. The Supervisory Board exercises control over the activities of the Management Board on the credit risk management either directly or through the Risk Committee, which supports the Supervisory Board with the extensive supervision over the risk management function in the Bank, including over the formation of risk exposures.

There are collective bodies in the Bank the function of which is to support the activities of the Management Board on the credit risk management- Credit Council and Restructuring Committee. The Credit Council supports the adopted credit risk management and forms an opinion on loans as per its limits of competence. The Restructuring Committee is a specialized body for supervision of the loan exposures with indicators for deterioration. In addition to the collective bodies in the Bank, there are other independent specialized bodies - the Risk Analysis and Control Department and the Credit Risk Management, Monitoring and Provisioning Department, which fulfil the functions of identification, evaluation and management of the credit risk, including performing additional second control over the risk exposures. The realization, coordination and current control over the lending process is organized from the following departments: Corporate Banking, SME financing, Retail Banking, and Loan Administration, while the problem assets management is performed by the Impaired Assets Department.

(iv) Government debt exposures

The Bank closely manages the credit risk on government debt exposures and as a result the overall quality of the government debt portfolio is very high.

The table below shows the carrying amount of the government debt portfolio by country issuer. The assets are presented without any allowance for impairment. The Bank does not recognise allowance for impairment against the government debt exposures which are measured at amortised cost as at 31 December 2019 and 31 December 2018 as well as those at fair value through other comprehensive income.

in BGN '000

31 December 2019

Portfolio	Bulgaria	Lithuania	Latvia	Slovakia	USA	Romania	Kazakhstan
at fair value through profit and loss	2,452	-	-	-	-	-	-
at fair value through other comprehensive income	342,824	45,269	68	2,160	147,695	201	1,374
at amortised cost	12,005	-	-	-	-	-	-
Total	357,281	45,269	68	2,160	147,695	201	1,374

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(iv) Government debt exposures, continued
in thousands of BGN
31 December 2018

Portfolio	Bulgaria	Slovakia	Latvia	Lithuania	USA
Financial assets held for trading	2,625	-	-	-	-
Investments available for sale	320,264	43,677	67	2,069	247,145
Financial assets held to maturity	-	-	-	-	-
Total	322,889	43,677	67	2,069	247,145

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

in thousands of BGN

Country issuer	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Bulgaria	28,207	37,300	7,454	175,019	109,301	357,281
Lithuania	-	-	-	-	45,269	45,269
Latvia	-	-	-	68	-	68
Slovakia	-	-	-	-	2,160	2,160
USA	52,162	95,533	-	-	-	147,695
Romania	-	-	-	-	201	201
Kazakhstan	-	-	-	-	1,374	1,374
Total	80,369	132,833	7,454	175,087	158,305	554,048

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

In BGN '000

Country issuer	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Bulgaria	38,164	-	-	185,312	99,413	322,889
Slovakia	-	-	-	-	43,677	43,677
Latvia	-	-	-	-	67	67
Lithuania	-	-	-	-	2,069	2,069
USA	144,950	102,195	-	-	-	247,145
Total	183,114	102,195	-	185,312	145,226	615,847

Notes to the financial statements

3. Risk management disclosures, continued

C. Capital adequacy

Since 1 January 2014, the provisions of the CRD IV package have been in force. Through Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, CRD IV package transposes into European law the provisions of the new capital standards for banks – Basel III.

Regulatory capital

The equity capital of the Bank for regulatory purposes consists of the following elements:

Common Equity Tier 1 capital

- a) issued and paid up capital instruments (ordinary shares);
- b) share premium from issuance of ordinary shares;
- c) audited retained earnings;
- d) accumulated other comprehensive income, including revaluation reserves;
- e) other reserves;

Deductions from components of the Common Equity Tier 1 capital include intangible assets, as well as value adjustments due to the requirements for prudential assessments and other deductions. The increase of CET1 includes the adjustments related to the transitional treatment of the effect from the initial application of IFRS 9.

Additional Tier 1 capital

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

Tier 2 Capital

As at 31 December 2019 the Bank has no instruments classified as Tier 2 Capital.

Notes to the financial statements
3. Risk management disclosures, continued
C. Capital adequacy, continued
Total own funds
2019
2018
In thousands of BGN
Common Equity Tier 1 capital

Paid up capital instruments	110,000	110,000
(-) Indirect shareholding in Common Equity Tier 1 capital instruments	(72)	(60)
Premium reserves	97,000	97,000
Other reserves	590,531	426,393
Accumulated other comprehensive income	16,313	15,381

Deductions from Common Equity Tier 1 capital:

(-) Intangible assets	(11,406)	(13,339)
Transitional adjustments of Common Equity Tier 1 capital	211,729	262,932
Other deductions	(11,091)	(8,385)

Common Equity Tier 1 capital
1,003,004
889,922
Additional Tier 1 capital instruments

Hybrid debt	254,258	195,583
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Tier 1 Capital
1,257,262
1,085,505
Tier 2 Capital

-

-

Total own funds
1,257,262
1,085,505

Notes to the financial statements

3. Risk management disclosures, continued

C. Capital adequacy, continued

The Bank calculates the following ratios:

- a) the Common Equity Tier 1 capital ratio is the Common Equity Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount;
- b) the Tier 1 capital ratio is the Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount;
- c) the total capital ratio is the own funds of the institution expressed as a percentage of the total risk exposure amount.

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

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

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

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

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

Capital adequacy level is as follows:

Notes to the financial statements
3. Risk management disclosures, continued
C. Capital adequacy, continued

in thousands of BGN	Balance sheet/notional amount		Risk exposures	
	2019	2018	2019	2018
Risk weighted exposures for credit risk				
Balance sheet assets				
Exposure class				
Central governments or central banks	2,277,667	1,653,035	46,829	95,783
Multilateral development banks	89	163	-	-
Institutions	190,672	561,045	65,528	146,453
Corporates	1,884,568	2,045,293	1,822,050	1,983,927
Retail	1,289,177	1,133,344	807,007	693,490
Secured by mortgages on immovable property	1,779,803	1,750,595	705,667	712,808
Exposures in default	1,209,562	876,298	1,203,080	969,928
Collective investments undertakings	2,739	2,675	2,739	2,675
Equity	67,678	55,497	84,270	109,766
Other items	1,478,652	1,395,437	1,279,618	1,218,963
Total	10,180,607	9,473,382	6,016,788	5,933,793
Off balance sheet items				
Exposure class				
Institutions	-	-	3,932	297
Corporates	384,553	268,245	54,207	69,033
Retail	446,521	444,287	7,593	5,962
Secured by mortgages on immovable property	28,426	45,349	5,302	9,205
Other items	-	-	-	-
Total	859,500	757,881	71,034	84,497
Derivatives				
Exposure class				
Central governments or central banks	5,867	-	1,467	-
Institutions	3,937	1,261	787	252
Corporates	2,002	83	2,002	83
Other items	830	923	830	923
Total	12,636	2,267	5,086	1,258
Total risk-weighted exposures for credit risk			6,092,908	6,019,548
Total amount of exposures to market risk			4,750	5,300
Amount of exposures for operational risk			588,925	631,550
Total amount of risk exposures			6,686,583	6,656,398
Capital adequacy ratios	Equity		Capital ratios %	
	2019	2018	2019	2018
Common Equity Tier 1 capital	1,003,004	889,922	15.00%	13.37%
Tier 1 Capital	1,257,262	1,085,505	18.80%	16.31%
Total own funds	1,257,262	1,085,505	18.80%	16.31%

Notes to the financial statements

4. Segment Reporting

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

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

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

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

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

<i>In BGN '000</i>	Bulgarian operations		Foreign operations		Total	
	2019	2018	2019	2018	2019	2018
Interest income	289,662	311,466	205	746	289,867	312,212
Interest expense	(59,154)	(61,305)	(17)	(22)	(59,171)	(61,327)
Net interest income	230,508	250,161	188	724	230,696	250,885
Fee and commission income	123,601	113,363	2,788	2,009	126,389	115,372
Fee and commission expense	(23,116)	(21,796)	(43)	(30)	(23,159)	(21,826)
Net fee and commission income	100,485	91,567	2,745	1,979	103,230	93,546
Net trading income	13,645	11,094	1,284	1,185	14,929	12,279
Administrative expenses	(207,386)	(200,894)	(1,771)	(1,421)	(209,157)	(202,315)
	2019	2018	2019	2018	2019	2018
Assets	10,181,802	9,229,337	18,229	8,500	10,200,031	9,237,837
Liabilities	8,980,876	8,210,833	276,090	214,091	9,256,966	8,424,924

Notes to the financial statements

4. Segment Reporting, continued

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

*in thousands of
BGN*

Business	Assets	Liabilities	Net interest income	Net fee and commission income	Net trading income	Other net operating income
Corporate customers	3,079,348	846,817	72,918	23,040	-	124
Small and medium enterprises	757,545	594,353	25,834	19,354	-	185
Retail Banking	1,940,022	7,242,831	127,456	55,479	-	809
Treasury	2,922,311	99,159	(522)	5,335	14,929	9,839
Other	1,500,805	473,806	5,010	22	-	60,973
Total	10,200,031	9,256,966	230,696	103,230	14,929	71,930

5. Financial assets and liabilities Accounting classification and fair values

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

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

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

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

Level 3: inputs are observable 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.

Notes to the financial statements

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

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

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

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

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

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

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

For more complex instruments, the Bank uses proprietary valuation models, which usually are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include certain over the counter derivatives, certain loans and securities for which there is no active market and retained interests in securitisations.

Notes to the financial statements

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

Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

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

- verification of observable pricing;
- 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.

Notes to the financial statements
5. Financial assets and liabilities, continued
Accounting classification and fair values, continued

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

in thousands of BGN

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	6,936	258,605	14	265,555
Financial assets at fair value through other comprehensive income	539,591	26,227	-	565,818
Derivatives held for risk management	814	(361)	-	453
Total	547,341	284,471	14	831,826

In BGN '000

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	7,176	17,488	14	24,678
Financial assets at fair value through other comprehensive income	630,306	25,732	-	656,038
Derivatives held for risk management	905	(88)	-	817
Total	638,387	43,132	14	681,533

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

Notes to the financial statements
5. Financial assets and liabilities, continued
Accounting classification and fair values, continued
In BGN '000

31 December 2019	Level 1	Level 2	Level 3	Total fair values	Total balance sheet value
Assets					
Cash and balances with Central Banks	-	1,998,543	-	1,998,543	1,998,543
Financial assets at amortised cost	12,121	-	-	12,121	12,005
Loans and advances to banks and other financial institutions	-	79,576	-	79,576	79,576
Loans and advances to	-	1,090,179	4,880,830	5,971,009	5,776,915
Total	12,121	3,168,298	4,880,830	8,061,249	7,867,039
Liabilities					
Due to banks	-	25,048	-	25,048	25,048
Due to other customers	-	4,132,480	4,556,909	8,689,389	8,684,001
Liabilities evidenced by paper	-	109,714	-	109,714	109,723
Hybrid debt	-	267,615	-	267,615	267,615
Total	-	4,534,857	4,556,909	9,091,766	9,086,387

In BGN '000

31 December 2018	Level 1	Level 2	Level 3	Total fair values	Total balance sheet value
Assets					
Cash and balances with Central Banks	-	1,615,646	-	1,615,646	1,615,646
Financial assets at amortised cost	-	862	-	862	748
Loans and advances to banks and other financial institutions	-	125,472	-	125,472	125,472
Loans and advances to	-	770,242	4,986,901	5,757,143	5,525,957
Total	-	2,512,222	4,986,901	7,499,123	7,267,823
Liabilities					
Due to banks	-	17,243	-	17,243	17,243
Due to other customers	-	3,421,023	4,607,405	8,028,428	8,021,439
Liabilities evidenced by paper	-	118,128	-	118,128	118,156
Hybrid debt	-	208,786	-	208,786	208,786
Total	-	3,765,180	4,607,405	8,372,585	8,365,624

Notes to the financial statements
5. Financial assets and liabilities, continued
Accounting classification and fair values, continued

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as product and borrower type, maturity, currency, collateral type. The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

6. Net interest income

<i>in thousands of BGN</i>	2019	2018
Interest income		
Accounts with and placements to banks and financial institutions	1,437	1,478
Revenue from interest on liabilities	9	84
Retail Banking	114,894	115,692
Corporate customers	123,142	146,291
Small and medium enterprises	34,759	31,213
Microlending	7,200	8,601
Debt instruments	8,426	8,853
	289,867	312,212
Interest expense		
Deposits from banks	(70)	(10)
Deposits from other customers	(31,666)	(35,312)
Liabilities evidenced by paper	(829)	(1,017)
Hybrid debt	(23,038)	(22,883)
Interest on assets cost	(3,551)	(2,054)
Lease agreements and other	(17)	(51)
	(59,171)	(61,327)
Net interest income	230,696	250,885

For 2019 the recognized interest income from individually impaired financial assets (loans to customers) amounted to BGN 22,644 thousand (2018: BGN 27,318 thousand).

Notes to the financial statements
7. Net fee and commission income
in thousands of BGN

	2019	2018
Fee and commission income		
Letters of credit and guarantees	3,508	2,686
Payment operations	23,209	21,401
Customer accounts	31,214	30,254
Card services	33,522	32,642
Other	34,936	28,389
	126,389	115,372
Fee and commission expense		
Letters of credit and guarantees	(660)	(313)
Payment systems	(2,922)	(2,404)
Card services	(15,616)	(14,233)
Other	(3,961)	(4,876)
	(23,159)	(21,826)
Net fee and commission income	103,230	93,546

8. Net trading income
in thousands of BGN

	2019	2018
Net trading income arises from:		
- Debt instruments	(82)	(108)
- Equities	30	(124)
- Foreign exchange rate fluctuations	14,981	12,511
Net trading income	14,929	12,279

9. Other net operating income
In BGN '000

	2019	2018
Other net operating income arising from:		
- net income/(expense) from transactions and revaluation of gold and precious metals	788	452
Rental income	5,542	8,862
- Debt instruments	5,495	2,435
- Equities	4,344	1,282
- income from management of assigned receivables	54,643	584
- Gain on administration of loans acquired through business combination	1,118	2,038
Other net operating income	71,930	15,653

Notes to the financial statements
10. Administrative expenses

<i>in thousands of BGN</i>	2019	2018
General and administrative expenses comprise:		
- Personnel cost	66,553	66,061
Amortisation of property, equipment and intangibles	13,844	14,840
- Amortisation of right-of-use assets	32,263	-
- Advertising	12,976	15,603
- Building rent expense	-	32,462
-Telecommunication, software and other computer maintenance	11,663	11,737
- Other expenses for external services	71,858	61,612
Administrative expenses	209,157	202,315

Personnel costs include salaries, social and health security contributions under the provisions of the local legislation. At 31 December 2019 the total number of employees was 2,572 (31 December 2018: 2,651).

The amounts accrued in 2019 for services provided by the registered auditors for independent financial audit amounted to BGN 1,057 thousand. The amounts accrued in 2018 for services provided by the registered auditors for independent financial audit amounted to BGN 590 thousand. Over these two years no amounts were accrued for other services unrelated to audit and provided by the registered auditors.

11. Allowance for impairment

<i>in thousands of BGN</i>	2019	2018
Write-downs		
Loans and advances to customers	(198,674)	(159,158)
Investments in subsidiaries	-	(178)
Off balance sheet commitments	(694)	(1,012)
Securities	(779)	-
Reversal of write-downs		
Loans and advances to customers	81,652	59,558
Off balance sheet commitments	1,005	18,290
Impairment cost, net	(117,490)	(82,500)

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

Notes to the financial statements
12. Other income/(expenses), net

<i>in thousands of BGN</i>	2019	2018
Income from sale of assets	1,500	81,117
Revaluation of investment property	72,940	13,669
Income from sale of investment property	31	168
Dividend income	5,678	61
(Cost) of guarantee schemes	(31,828)	(32,339)
(Expense)/Reversal of expense for provisions for pending court cases	(228)	102
Other income, net	1,904	1,998
Total	49,997	64,776

13. Income tax expense

<i>In BGN '000</i>	2019	2018
Current taxes	(123)	(745)
Deferred taxes (See Note 20)	(14,791)	12,559
Income tax expense	(14,914)	11,814

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

<i>in thousands of BGN</i>	2019	2018
Accounting profit before taxation	144,135	152,324
Corporate tax at applicable tax rate (10% for 2019 and 10% for 2018)	14,414	15,232
Effect of tax rates of foreign subsidiaries and branches	226	325
Tax effect from the initial application of IFRS 9	-	(27,677)
Tax effect of permanent tax differences	274	302
Other differences	-	4
Income tax expense	14,914	(11,814)
Effective tax rate	10.35%	(7.76%)

14. Cash and balances with Central Banks

<i>in thousands of BGN</i>	2019	2018
Cash on hand		
- in BGN	149,515	123,104
- in foreign currency	45,328	49,041
Balances with Central Banks	1,718,780	1,035,796
Current accounts and amounts with foreign banks	84,920	407,705
Total	1,998,543	1,615,646

Notes to the financial statements
15. Investments in securities

<i>In thousands of BGN</i>	2019	2018
Bonds and notes issued by:		
Bulgarian Government		
- denominated in BGN	194,315	181,470
- denominated in foreign currencies	162,966	141,419
Foreign governments		
- treasury bills	147,695	247,145
- treasury bonds	49,072	45,813
Corporates	236,485	17,084
Foreign banks	26,227	26,480
Other issuers – equity instruments	26,618	22,053
Total	843,378	681,464
Of which:		
at fair value through other comprehensive income	565,818	656,038
at amortised cost	12,005	748
at fair value through profit and loss	265,555	24,678
Total	843,378	681,464

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

At the end of 2019, as at the end of 2018, no securities were subject to repurchase agreements.

16. Loans and advances to banks and other financial institutions
(a) Analysis by type

<i>in thousands of BGN</i>	2019	2018
Placements with banks	45,313	23,059
Receivables under resale agreements	5,416	4,985
Other	28,847	97,428
Total	79,576	125,472

(b) Geographical analysis

<i>in thousands of BGN</i>	2019	2018
Domestic banks and financial institutions	13,613	28,901
Foreign banks and other financial institutions	65,963	96,571
Total	79,576	125,472

Notes to the financial statements
17. Loans and advances to customers
in thousands of BGN

		Allowance for	31/12/2019
	Gross value	impairment	Amortised cost
Retail Banking			
- Consumer loans	845,305	(39,031)	806,274
- Mortgage loans	823,239	(14,882)	808,357
- Credit cards	176,309	(16,195)	160,114
- Other programmes and collateralised financing	5,098	-	5,098
Small and medium enterprises	768,701	(11,156)	757,545
Microlending	163,102	(2,923)	160,179
Corporate customers	3,494,654	(415,306)	3,079,348
Including receivables from financial lease	379,350	(834)	378,516
Total	6,276,408	(499,493)	5,776,915

In BGN '000

		Allowance for	31/12/2018
	Gross value	impairment	Amortised cost
Retail Banking			
- Consumer loans	734,928	(47,974)	686,954
- Mortgage loans	700,311	(25,061)	675,250
- Credit cards	187,577	(29,900)	157,677
- Other programmes and collateralised financing	6,231	-	6,231
Small and medium enterprises	751,180	(33,507)	717,673
Microlending	139,943	(21,018)	118,925
Corporate customers	3,745,434	(582,187)	3,163,247
Including receivables from financial lease	389,909	(11,480)	378,429
Total	6,265,604	(739,647)	5,525,957

(a) Movement in impairment allowances
in BGN '000

Balance as at 01 January 2019	739,647
Additional allowances	198,674
Amounts released	(81,652)
Write-offs	(358,350)
Other	1,174
Balance as at 31 December 2019	499,493

Notes to the financial statements
18. Property and equipment

<i>in thousands of BGN</i>	Land and Buildings	Fixtures and fittings	Motor vehicles	Assets under Construction	Leasehold Improvements	Total
Cost						
At 01 January 2018	17,651	142,350	6,591	26,411	65,854	258,857
Additions	-	2	-	13,157	-	13,159
Disposals	-	(11,125)	(24)	(17)	(968)	(12,134)
Transfers	-	9,230	8	(20,757)	1,623	(9,896)
At 31 December 2018	17,651	140,457	6,575	18,794	66,509	249,986
Additions	5,135	2	-	11,706	-	16,843
Disposals	(578)	(7,969)	-	(6,796)	(2,587)	(17,930)
Transfers	-	5,851	-	(9,241)	1,471	(1,919)
At 31 December 2019	22,208	138,341	6,575	14,463	65,393	246,980
Amortisation						
At 01 January 2018	4,132	121,477	5,799	-	38,178	169,586
Accrued during the year	633	7,650	305	-	3,300	11,888
On disposals	-	(11,123)	(24)	-	(968)	(12,115)
At 31 December 2018	4,765	118,004	6,080	-	40,510	169,359
Accrued during the year	645	7,344	234	-	2,455	10,678
On disposals	(132)	(7,750)	-	-	(2,582)	(10,464)
At 31 December 2019	5,278	117,598	6,314	-	40,383	169,573
Carrying amount						
At 01 January 2018	13,519	20,873	792	26,411	27,676	89,271
At 31 December 2018	12,886	22,453	495	18,794	25,999	80,627
At 31 December 2019	16,930	20,743	261	14,463	25,010	77,407

The fair value of assets constituting land and buildings was determined by independent property assessors holding recognised professional qualification and recent experience in assessing property with similar location and category. The Bank's policy requires that independent assessors determine the fair value sufficiently frequently so as to ensure that the balance sheet value does not differ significantly from the fair value at the end of the reporting period. As at 31 December 2019 the fair value of land and buildings was not significantly different from their balance sheet value as at that date. The fair value of land and buildings is categorised as Level 3 fair value on the basis of incoming data on the assessment methodology used.

Notes to the financial statements
18. Property and equipment, continued

Assessment methodology	Significant unobservable inputs	Connection between key unobservable inputs and fair value
<p>1. Discounted cash flows: this valuation model takes into account the present value of cash flows generated by property, taking into account the expected growth of rental prices, the period required for cancellation, the level of occupancy, premiums such as periods in which no rent is paid and other expenses which are not paid by tenants. The expected net cash flows are discounted using discount rates adjusted for risk. Among other factors, when determining the discount rate, the quality of the building and its location are taken into account (first-rate or second-rate), as well as the creditworthiness of the tenant and the duration of the loan agreement.</p>	<p>1. Expected market growth of rent (4.5-6.8%, weighted average 5.6%). 2. Period for cancellation (6 months on average after each rental agreement). 3. Occupancy (90-95%, weighted average 92.5%). 4. Periods when no rent is paid (1 year for new rental agreement). 5. Risk adjusted discount rate (4-9%, weighted average 6.5%).</p>	<p>The fair value will increase (decrease) where:</p> <ul style="list-style-type: none"> • the expected market growth of rent is higher (lower); • periods for cancellation are shorter (longer); • Occupancy is higher (lower); • the periods when no rent is paid are shorter (longer); or • the risk adjusted discount rate is lower (higher).
<p>2. Market approach/Comparative approach. This method is based on the comparison of the property being evaluated to other similar properties which have been sold recently or which are available for sale. Using this method, the value of a given property is determined in direct comparison to other similar properties which have been sold in a period of time close to the time when the valuation is made. Based on detailed research, review and analysis of data from the property market, the value is formed and it is the most accurate indicator of market value.</p> <p>This method consists of using information about actual transactions in the real estate market in the last six months. Successful application of this method is only possible where a trustworthy database is available as regards actual transactions with properties similar to the property being valued. Information from real estate sites, local press and other such refers to future investment intentions of the seller and cannot be deemed a trustworthy source of information. When using such sites, the offer price for each analogous property is discounted at the valuator's discretion, but by no less than 5%.</p>	<p>1. Expected market growth of property (5-10%, weighted average 7.5%). 2. Time required to effect the sale (6 months on average after the offer is placed). 3. Transaction success rate (90-95%, weighted average 92.5%). 4. Location (1.0-1.05, weighted average 1.025). 5. Property status (1.0-1.1, weighted average 1.05).</p>	<p>The fair value will increase (decrease) where:</p> <ul style="list-style-type: none"> • the expected market growth of property is higher (lower); • the period of time required for the sale is shorter (longer); • there is a change in the technical condition of the property

Notes to the financial statements
19. Intangible assets
in thousands of BGN

	Software and licences	Total
Cost		
At 01 January 2018	30,526	30,526
Disposals	-	-
Transfers	9,896	9,896
At 31 December 2018	40,422	40,422
Disposals	(2,184)	(2,184)
Transfers	1,919	1,919
At 31 December 2019	40,157	40,157
Amortisation		
At 01 January 2018	24,131	24,131
Accrued during the year	2,952	2,952
On disposals	-	-
At 31 December 2018	27,083	27,083
Accrued during the year	3,166	3,166
On disposals	(1,498)	(1,498)
At 31 December 2019	28,751	28,751
Carrying amount		
At 01 January 2018	6,395	6,395
At 31 December 2018	13,339	13,339
At 31 December 2019	11,406	11,406

20. Deferred Taxation

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

Deferred income tax assets and liabilities are attributable to the following items:

In BGN '000

	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
Property, equipment and intangibles	-	-	2,337	2,075	2,337	2,075
Investment Property	-	-	20,385	13,295	20,385	13,295
Tax loss	(6,093)	(13,510)	-	-	(6,093)	(13,510)
Other	(475)	(498)	334	334	(141)	(164)
Net tax (assets)/liabilities	(6,568)	(14,008)	23,056	15,704	16,488	1,696

Movements in temporary differences in 2019 at the amount of BGN 14,791 thousand are recognised in the profit for the year.

21. Repossessed assets
in thousands of BGN

	2019	2018
Land	464,714	478,133
Buildings	207,447	283,933
Machines, plant and vehicles	35,467	41,852
Fixtures and fittings	800	789
Total	708,428	804,707

Notes to the financial statements
21. Repossessed assets, continued

Reposessed assets acquired as collateral are measured at the lower of cost and net realisable value. The net realizable value of the lands and buildings is approximately equal to their fair value. The assessment methodology for land and buildings is given in note 18.

22. Investment Property

in thousands of BGN

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

23. Investments in subsidiaries

Investments in subsidiaries (see Note 36) are as follows:

in BGN '000

31/12/2019

Entity:	% held	Acquisition cost	Allowance for impairment	Carrying amount
First Investment Finance B.V., Netherlands	100%	3,947	-	3,947
Diners Club Bulgaria AD	94.79%	5,443	-	5,443
First Investment Bank – Albania Sh.a.	100%	23,420	-	23,420
Debita OOD	70%	105	(104)	1
Realtor OOD	51%	77	(74)	3
Fi Health Insurance AD	59.10%	3,315	-	3,315
Balkan Financial Services EAD	100%	7,743	-	7,743
Turnaround Management EOOD	100%	-	-	-
Creative Investment EOOD	100%	-	-	-
Lega Solutions EOOD	100%	-	-	-
AMC Imoti EOOD	100%	-	-	-
Total		44,050	(178)	43,872

in BGN '000

31/12/2018

Entity	% held	Acquisition cost	Allowance for impairment	Carrying amount
First Investment Finance B.V., Netherlands	100%	3,947	-	3,947
Diners Club Bulgaria AD	94.79%	5,443	-	5,443
First Investment Bank – Albania Sh.a.	100%	23,420	-	23,420
Debita OOD	70%	105	(104)	1
Realtor OOD	51%	77	(74)	3
Fi Health Insurance AD	59.10%	3,315	-	3,315
Balkan Financial Services EAD	100%	50	-	50
Turnaround Management EOOD	100%	-	-	-
Creative Investment EOOD	100%	-	-	-
Lega Solutions EOOD	100%	-	-	-
AMC Imoti EOOD	100%	-	-	-
Total		36,357	(178)	36,179

Notes to the financial statements
23. Investments in subsidiaries, continued

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

24. Right-of-use assets

In BGN '000

01 January 2019	113,282
Additions	965
Amortisation	(32,263)
Effect of modification to lease terms and expectations on lease term	<u>62,286</u>
At 31 December 2019	<u>144,270</u>

Lease liabilities

01 January 2019	113,282
Additions	965
Lease payments	(32,263)
Effect of modification to lease terms and expectations on lease term	<u>62,286</u>
At 31 December 2019	<u>144,270</u>

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

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

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

In BGN '000

	Maturity analysis of lease liabilities		
	Up to 1 year	From 1 to 5 years	Total
At 31 December 2018	32 263	81 019	113 282
At 31 December 2019	31,569	112,701	144,270

Notes to the financial statements
25. Other assets

<i>in thousands of BGN</i>	2019	2018
Deferred expense	10,540	10,735
Gold	5,479	5,585
Other assets	88,892	94,058
Total	104,911	110,378

26. Due to banks

<i>in thousands of BGN</i>	2019	2018
Term deposits	2,086	-
Payable on demand	22,962	17,243
Total	25,048	17,243

27. Due to other customers

<i>in thousands of BGN</i>	2019	2018
Retail customers		
- current accounts	1,448,789	1,204,229
- term and savings deposits	5,275,148	5,188,626
Businesses and public institutions		
- current accounts	1,511,780	1,184,170
- term deposits	448,284	444,414
Total	8,684,001	8,021,439

28. Liabilities evidenced by paper

<i>in thousands of BGN</i>	2019	2018
Acceptances under letters of credit	10,164	13,553
Debt related to agreements for full swap of profitability	73,750	73,525
Financing from financial institutions	25,809	31,078
Total	109,723	118,156

Notes to the financial statements
28. Other borrowed funds, continued

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

in thousands of BGN

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

In BGN '000

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

29. Hybrid debt

in thousands of BGN

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

In BGN '000

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

Notes to the financial statements

29. Hybrid debt, continued

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

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

On 6 February 2020, by Resolution No 38/6 February 2020, the Governing Council of the Bulgarian National Bank granted permission to First Investment Bank to include in its additional tier 1 capital the amount of EUR 30,000 thousand (equal to BGN 58,675 thousand) attracted via the capital instrument issued by the Bank, an issue of perpetual, non-cumulative, non-convertible bonds registered on 20 December 2019 with the Central Depository under ISIN codeBG2100023196.

30. Other liabilities

<i>in thousands of BGN</i>	2019	2018
Liabilities to personnel	3,080	3,096
Provisions for pending court cases	962	734
Impairment on off balance sheet commitments	701	1,012
Other payables	4,691	52,674
Total	9,434	57,516

The provisions for pending court cases were calculated on the basis of the Bank's expectations (using internal and external experts) regarding the outcome of these court cases.

31. Capital and reserves

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

As at 31 December 2019 the registered share capital of the Bank is BGN 110,000,000 divided into 110,000,000 ordinary dematerialized shares with voting rights of BGN 1 par value each. All the shares have been fully paid-up.

The share capital of the Bank was increased from BGN 100,000,000 to BGN 110,000,000 as a result of the successful IPO of new 10,000,000 dematerialized shares through the Bulgarian Stock Exchange – Sofia and was registered at the Commercial Register of Sofia City Court on 4 June 2007. In order to facilitate the IPO and prior to its launching the par value of the Bank's shares was reduced from BGN 10 to BGN 1 by a decision of the General Meeting of the Shareholders without affecting the aggregate amount of the share capital and the individual shareholdings.

Notes to the financial statements

31. Capital and reserves, continued

(b) Shareholders

The table below shows those shareholders of the Bank holding shares as at 31 December 2019 together with the number and percentage of total issued shares.

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

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

(c) Statutory reserve

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

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

32. Commitments and contingent liabilities

(a) Contingent liabilities

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

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

<i>in thousands of BGN</i>	2019	2018
Bank guarantees	211,649	228,705
Unused credit lines	639,956	512,911
Letters of credit	8,385	16,984
Total	859,990	758,600
Impairment on off balance sheet commitments	701	1,012

Notes to the financial statements

32. Commitments and contingent liabilities, continued

(a) Contingent liabilities, continued

These commitments and contingent liabilities have off balance-sheet credit risk and only organization fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expire. Most of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows. The contingent loan is a framework agreement for collateral management under numerous loan transactions made with one or more clients. The contingent loan does not lead to an obligation of the Bank to extend specific financial instruments. The conclusion of a specific loan transaction with the Bank client, e.g. extension of a loan or overdraft, contingent liabilities, such as bank guarantees and letters of credit, is subject to a separate decision and approval of the Bank.

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

33. Cash and cash equivalents

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

<i>In BGN '000</i>	2019	2018
Cash and balances with Central Banks	1,998,543	1,615,646
Loans and advances to banks and financial institutions with original maturity less than 3 months	41,925	113,128
Total	2,040,468	1,728,774

34. Average balances

The average carrying amounts of financial assets and liabilities are set out in the table below. The amounts are calculated by using a simple average of monthly balances for all instruments.

<i>in thousands of BGN</i>	2019	2018
FINANCIAL ASSETS		
Cash and balances with Central Banks	1,725,991	1,456,282
Investments in securities	653,143	681,664
Loans and advances to banks and other financial institutions	80,923	73,610
Loans and advances to customers	5,789,732	5,209,552
FINANCIAL LIABILITIES		
Due to banks	13,318	7,224
Due to other customers	8,332,789	7,629,367
Liabilities evidenced by paper	112,224	129,100
Hybrid debt	212,611	208,085

Notes to the financial statements
35. Related party transactions

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

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

Type of related party <i>In BGN '000</i>	Parties that control or manage the Bank		Enterprises under common control	
	2019	2018	2019	2018
Loans				
Loans outstanding at beginning of the period	1,769	753	21,915	10,309
Loans issued/(repaid) during the period	558	1,016	(1,007)	11,606
Loans outstanding at end of the period	2,327	1,769	20,908	21,915
Deposits and loans received:				
At beginning of the period	12,862	8,708	111,018	101,244
Received/(paid) during the period	(1,144)	4,154	7,100	9,774
At the end of the period	11,718	12,862	118,118	111,018
Deposits placed				
Deposits at beginning of the period	-	-	19,704	19,604
Deposits placed/(matured) during the year	-	-	(956)	100
Deposits at end of the period	-	-	18,748	19,704
Other receivables				
At beginning of the period	-	-	22,146	23,482
Received/(paid) during the period	-	-	(5,356)	(1,336)
At the end of the period	-	-	16,790	22,146
Other borrowings				
At beginning of the period	-	-	100	100
Received/(paid) during the period	-	-	-	-
At the end of the period	-	-	100	100
Off-balance sheet commitments issued by the Bank				
At beginning of the period	1,283	1,291	3,469	2,609
Issued/(expired) during the period	(308)	(8)	766	860
At the end of the period	975	1,283	4,235	3,469

Notes to the financial statements
35. Related party transactions, continued

Type of related party	Parties that control or manage the Bank		Enterprises under common control	
	2019	2018	2019	2018
<i>In BGN '000</i>				
Interest income	38	310	1,359	1,291
Interest expense	3	3	28	559
Fee and commission income	19	220	374	314
Fee and commission expense	2	3	562	450

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

36. Subsidiaries
(a) First Investment Finance B.V.

In April 2003 the Bank created a special purpose entity, incorporated in the Netherlands, First Investment Finance B.V. The company is owned by the Bank. The purpose for creating the entity is to accomplish a narrow and well-defined objective of receiving loans from foreign financial institutions and attracting investors by issuing bonds and other financial instruments guaranteed by the Bank. The entity's issued and paid up share capital is EUR 18 thousand divided into 180 issued and paid up shares, each with nominal value of EUR 100.

(b) Diners Club Bulgaria AD

In May 2005 the Bank acquired 80% of the share capital of Diners Club Bulgaria AD. The company was incorporated in 1996 as a franchise and processing agent of Diners Club International. As at 31 December 2019 the share capital of the company is BGN 610 thousand, and the Bank's shareholding is 94.79%.

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

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

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

Notes to the financial statements

36. Subsidiaries, continued

(d) Debita OOD and Realtor OOD

Acting jointly the Bank and First Financial Brokerage House OOD (FFBH) set up two new companies Debita OOD and Realtor OOD, which were entered in the Commercial Registry in January 2010. The capital of the two companies is BGN 150,000 each, distributed in shares with value of BGN 100 each, as follows:

1. Realtor OOD - 70%, i.e. 1.050 shares for the Bank and 30%, i.e. 450 shares for FFBH OOD.
2. Debita OOD - 51%, i.e. 765 shares for the Bank and 49%, i.e. 735 shares for FFBH OOD.

The companies were established as servicing companies within the meaning of Article 18 of the Law on Special Investment Purpose Companies. The main lines of business for Debita OOD include acquisition, servicing, management and disposal of receivables and the related consultancy services; the main lines of business for Realtor OOD include management, servicing and maintenance of real estate, construction and refurbishment works and consultancy in the field of real estate.

(e) Fi Health Insurance AD

In the second half of 2010 the Bank acquired a majority stake capital of Health Insurance Fund FI Health AD (formerly Health Insurance Fund Prime Health AD), a company engaged in voluntary health insurance as well as acquisition, management and sale of investments in other companies. With a decision of the Financial Supervision Commission issued in June 2013 the company has been granted a license to operate as an insurer. The name was changed to FI Health Insurance AD and the principal activity is insurance – Disease and Accident. In June 2018 the company expanded its license with one more insurance class - "Various financial loss". As at 31 December 2019 the share capital of the company is BGN 5,000 thousand, and the Bank's shareholding is 59.10%.

(f) Balkan Financial Services EAD

In February 2011 the Bank acquired 100 shares representing 100% of the capital of Balkan Financial Services EOOD. The company is engaged in consultancy services related to implementation of financial information systems and software development. In January 2012 the company was transformed into a sole-shareholder company. In 2019 First Investment Bank increased its capital from BGN 50 thousand to BGN 6,436.7 thousand, divided into 128,734 ordinary registered dematerialized shares with voting rights, of BGN 50 thousand par value each, and the increase of BGN 6,386.7 thousand was by a non-cash instalment – contribution of software and hardware. As at 31 December 2019 the share capital of the company is BGN 6,436.7 thousand, and the Bank's shareholding is 100%.

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

During the first half of 2013 the Bank established as the sole shareholder the companies Turnaround Management EOOD, Creative Investment EOOD and Lega Solutions EOOD. Each company has the minimum required capital of BGN 2 and their principal activities include manufacturing and trade in goods and services in Bulgaria and abroad (Turnaround Management EOOD, Creative Investment EOOD), acquisition, management and sale of assets, information processing, financial consultations (Lega Solutions EOOD), etc.

(h) AMC Imoti EOOD

AMC Imoti EOOD was registered in September 2010 and was acquired by the Bank in 2013 through the purchase of MKB Unionbank EAD as its subsidiary. The scope of operations of the company includes activities related to acquisition of property rights and their subsequent transfer, as well as research and evaluation of real estate, property management, consulting and other services. As at 31 December 2019 the capital of the company is BGN 500 thousand, and the Bank is the sole owner.

Notes to the financial statements

37. Post balance sheet events

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

- On 29 January 2020 the Bank submitted to the Financial Supervision Commission a prospectus for the offering of new shares as a stage in the process initiated with the resolution for the Bank's capital increase which was publicly disclosed on 20 December 2019; said prospectus determines the maximum amount of revenues from the subscription at BGN 200 000 000, and states that the subscription will be considered successful if at least BGN 20 000 000 are subscribed.
- On 6 February 2020, by Resolution No 38/6 February 2020, the Governing Council of the Bulgarian National Bank granted permission to First Investment Bank to include in its additional tier 1 capital the amount of EUR 30,000 thousand attracted via the capital instrument issued by the Bank, an issue of perpetual, non-cumulative, non-convertible bonds registered on 20 December 2019 with the Central Depository under ISIN codeBG2100023196.
- On 7 February 2020 a new member of the Managing Board and Executive Director of First Investment Bank - Nikola Bakalov - was registered the Commercial Register with the Registry Agency.

INDEPENDENT AUDITORS REPORT

To the shareholders of
First Investment Bank AD

Report on the audit of the individual financial statements

Opinion

We have audited the individual financial statements of First Investment Bank AD ("the Bank") containing the individual statement of financial position as at 31 December 2019 and the individual statement of profit and loss and other comprehensive income, the individual statement of changes in equity and the individual statement of cash flows for the year ended on that date, as well as the notes to the individual financial statements that also contain a summary of significant accounting policies.

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU).

Basis for opinion

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

Key audit matters

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

Impairment of customer receivables

Findings of substance	Matters discussed with audit committee
<p>Impairment is a material judgment of management in respect of losses incurred within the Bank's loan portfolio. The Bank assesses the need for impairment of loans on an individual and portfolio basis.</p> <p>Loans represent 57 % of the Bank's assets. The Bank categorizes its receivables from customers in 4 business segments: retail banking, small and medium size enterprises, microlending and corporate clients. The share of receivables from corporate customers is the largest – 53 % of the total receivables from customers.</p> <p>Because of their materiality and uncertainty related to the process of identifying deteriorating loans, the assessment of objective evidence of impairment and the determination of recoverable value is defined as a key audit matter.</p> <p>The process includes various assumptions and factors, including the counterparty's financial condition, expected future cash flows, collateral value.</p> <p>As a result, the use of different modeling techniques and assumptions may lead to differences in the valuation of loan loss provisions.</p> <p>Exposures that give the greatest uncertainty to valuations are those where there is a risk of cash flow shortages or collateral insufficiency.</p>	<p>The issues discussed cover the positive results and good practices set out in the provisioning model. The Bank has complied with IFRS requirements when developing policy and provisioning rules.</p> <p>Improvements have been discussed in the procedures that the bank should introduce in order to:</p> <ul style="list-style-type: none"> – a clearer documenting of judgments about the future cash flows of borrowers and the expected development of future credit exposures, with particular attention being paid to bank lending for working capital. – systematically confirming the commitment of the borrowers' owners to provide ongoing support to the companies. <p>A recommendation was also discussed with The Audit Committee that the banks' risk management bodies monitor the changes in risk factors, the macroeconomic framework and other data used in the provisioning models, and the material changes to be timely reflected in the provisioning models.</p>
<p><i>How this key audit matter was addressed during the audit</i></p>	
<p>Procedures carried out in support of our conclusions and discussions:</p> <ul style="list-style-type: none"> - The internal rules of the bank have been reviewed, we have gained understanding of key controls in key business processes, and tests of effectiveness of controls are performed according to the audit strategy. 	

Findings of substance	Matters discussed with audit committee
<ul style="list-style-type: none"> - A sample of borrowers has been reviewed on a risk-based basis for which substantive procedures have been performed in relation to the assessment of the adequacy of the recognized impairment provision. - For individually accrued provisions, we tested assumptions about the identification and quantification of impairments, including future cash flow projections and credit collateral estimates. We examined a sample of credit exposures that continue to be, have become, or have been, at risk of impairment. - For collective impairment provisions, we reviewed the methodology used by the Bank to determine them, the reasonableness of the underlying assumptions and the sufficiency of the data used by the management. - For selected non-performing loans, we have evaluated the management forecasts for cash flow generation, collateral estimates and other repayment sources. In addition, we have tested a sample of performing loans for which we have assessed the financial performance indicators for weaknesses and other risks that could jeopardize the ability to repay exposures. 	
<p>References in the Annual Financial Statements</p> <ul style="list-style-type: none"> • Note 17 and 17a • Note 2 (j) • Note 3 C (iii) 	

Reposessed assets

Findings of substance	Matters discussed with audit committee
<p>The position in the financial statements amounting to BGN 708,428 thousand is disclosed in the respective subgroups. The Buildings group contains assets of varying degrees of completeness and are in line with their condition at the acquisition date.</p> <p>During the year there were sales of assets amounting to BGN 17,953 thousand, of which BGN 8,858 thousand - through leasing of assets under finance leases. The Bank has recognized in the group Other income/(expenses), net (Note 12) profit of BGN 1,500 thousand.</p> <p>The Bank, like any other banking institution, is exposed to a significant risk on the realization of assets acquired as collateral.</p>	<p>The actions and procedures that the bank should implement in order to enable the bank to track the changes in the portion of revenues and expenses by groups and subgroups by the time of realization of the respective assets were discussed. In addition, we have set out our recommendation to improve asset inventory processes that have been acquired as collateral in order to better and fully implement the national financial reporting framework.</p>

Findings of substance	Matters discussed with audit committee
<i>How this key audit matter was addressed during the audit</i>	
<p>Procedures carried out in support of our conclusions and discussions:</p> <ul style="list-style-type: none"> - The internal rules of the bank have been reviewed, we have gained understanding of key controls in key business processes, and tests of effectiveness of controls are performed according to the audit strategy. - For a sample of newly acquired collateral assets amounting to BGN 20 thousand, the acquisition documents were reviewed and the fair value reports were reviewed for a sample of BGN 468,220 thousand. - Supporting documents for our sample have been reviewed in connection with the largest object - a brokerage agreement, a rental agreement, a commission contract and the annexes to them. Substantive procedures have been carried out to confirm the completeness and accuracy of reclassification between the different groups. 	
<p>References in the Annual Financial Statements</p> <ul style="list-style-type: none"> • Note 12 • Note 21 	

Litigation and provisions

Findings of substance	Matters discussed with audit committee
<p>The Bank, like any other banking institution, is exposed to a significant risk of litigation and regulatory scrutiny. The magnitude of the impact cannot always be predicted but may result in provisions for contingent and other liabilities depending on the relevant facts and circumstances. The level of provisions is subject to management and judgment based on legal advice.</p> <p>The Bank has recognized provisions of BGN 962 thousand for litigation.</p> <p>In connection with issued bank guarantees, the Bank has blocked funds amounting to BGN 43,094 thousand, which are disclosed in Note 25 as in the financial statements included in the Other Assets sub-group.</p>	<p>Recognition and measurement of provisions has been discussed with the Audit Committee to ensure that the Bank has correctly applied its provisioning policies.</p> <p>Disputes have been discussed in which the Bank has not recognized provisions to ensure that there is no need for additional provision, in particular:</p> <p>the legal department of the bank reports to the Audit Committee on the current status of litigation. Considerable changes have been discussed, taking into account potential changes in provisions. The discussion is also done in order to identify all material litigation.</p>

Findings of substance	Matters discussed with audit committee
<p>Due to the uncertainties arising from the occurrence and bringing of claims related to lawsuits against the bank, there is a risk of incomplete or untimely recording in the financial statements of legal claims that are relevant to the respective reporting period.</p>	
<p><i>How this key audit matter was addressed during the audit</i></p>	
<p>Procedures carried out in support of our conclusions and discussions:</p> <ul style="list-style-type: none"> - The internal rules of the bank have been reviewed, we have gained understanding of key controls in key business processes, and audits have been tested for the effectiveness of controls. - A letter was received from the legal department of the bank, as well as from external legal advisors, on information about cases brought in foreign jurisdictions and subsequent proceedings in Bulgaria. Listed are the pending litigation cases in Bulgarian and Romanian courts, where no final decisions are in force. 	
<p>References in the Annual Financial Statements</p> <ul style="list-style-type: none"> • Note 25 • Note 30 	

Other matters

Pursuant to BNB (Bulgarian National Bank) resolution No. 81/15.03.2013 First Investment Bank was required to reclassify certain Loans to Customers as “Exposures in Default”. The Bank did not reclassify as “Exposures in Default” Loans to Customers amounting to BGN 295,473 thousand gross (BGN 270,279 thousand net). The Management has submitted to BNB explanations and justification for its decision thereof. IN determining the risk-weighted assets the Management has excluded Right-of-use Assets pursuant to IFRS 16 Leases in the amount of BGN 144,270 thousand

Information Other than the Financial Statements and Auditor’s Report Thereon

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because

the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Report on Other Legal and Regulatory Requirements

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

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

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

Based on the procedures performed, our opinion is that:

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

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

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

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

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

The information about related party transactions is disclosed in Note 34 to the financial statements. Based on the audit procedures performed by us on related party transactions as part of our audit of the financial statements as a whole, no facts, circumstances or other information have come to our attention based on which to conclude that the related party transactions have not been disclosed in the accompanying financial statements for the year ended 31 December 2019, in all material respects, in accordance with the requirements of IAS 24 Related Party Disclosures. The results of our audit procedures on related party transactions were addressed by us in the context of forming our opinion on the financial statements as a whole and not for the purpose of expressing a separate opinion on related party transactions.

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

Our responsibilities for the audit of the financial statements as a whole, described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report include an evaluation as to whether the financial statements present the significant transactions and events in a manner that achieves fair presentation. Based on the audit procedures performed by us on the significant transactions underlying the financial statements for the year ended 31 December 2019, no facts, circumstances or other information have come to our attention based on which to conclude that there are material misrepresentations and disclosures in accordance with the relevant requirements of IFRSs as adopted by the European Union. The results of our audit procedures on Group's transactions and events significant for the financial statements were addressed by us in the context of forming our opinion on the financial statements as a whole and not for the purpose of expressing a separate opinion on those significant transactions.

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

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

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

Sofia, 11 February 2019

For BDO Bulgaria Ltd:

Tsvetana Stefanina
Manager
Manager's Proxy

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

For MAZAR Ltd.:

Atanasios Petropoulos
Procurator

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



ACTIVITY REPORT

(ON A STANDALONE BASIS)

OF FIRST INVESTMENT BANK AD

FOR 2019

FEBRUARY 2020

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

SELECTED INDICATORS

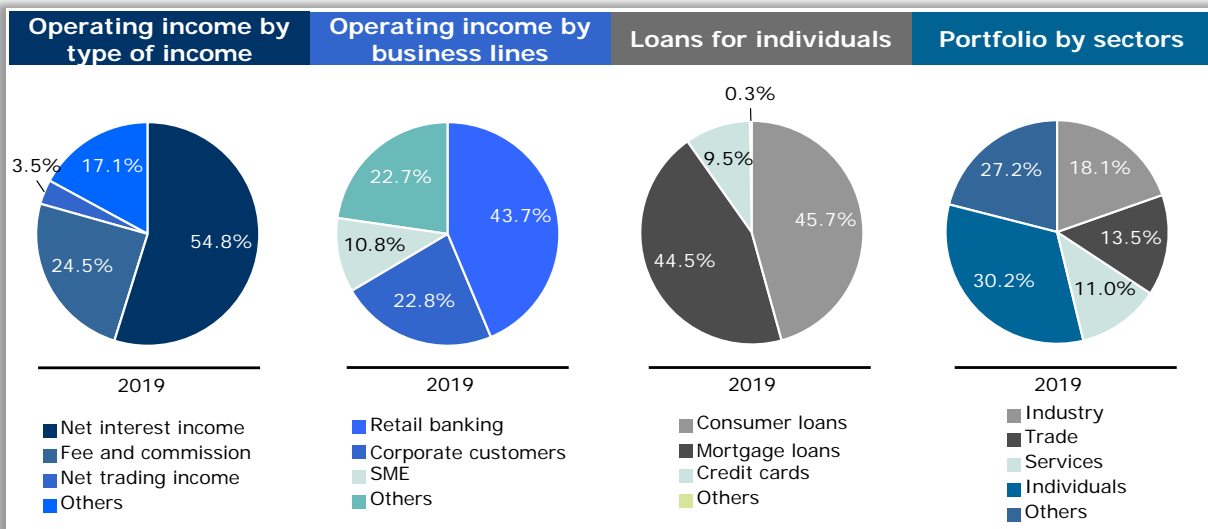
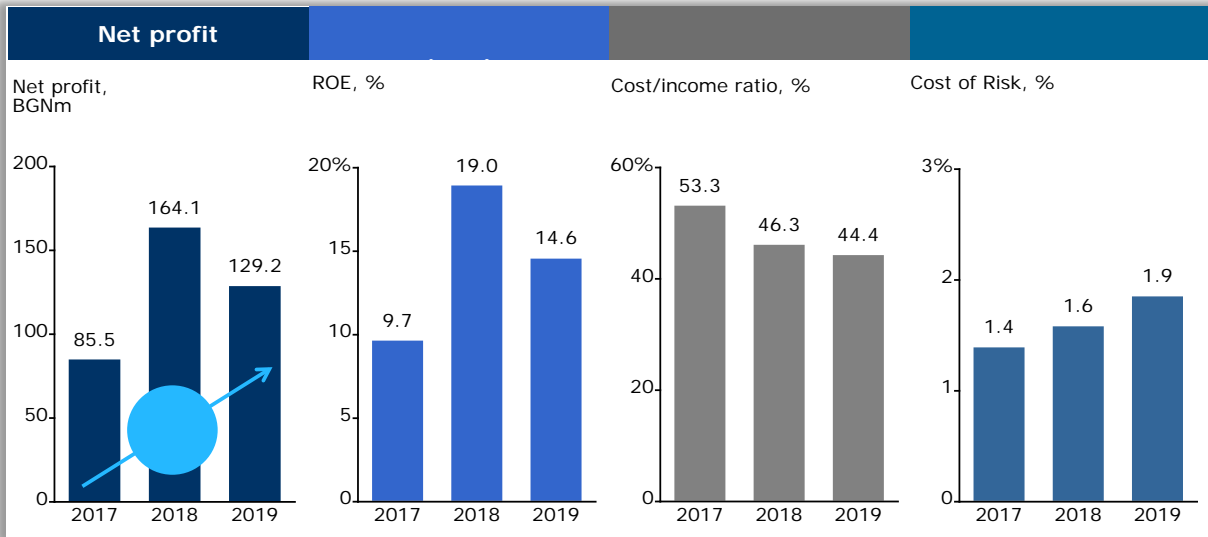
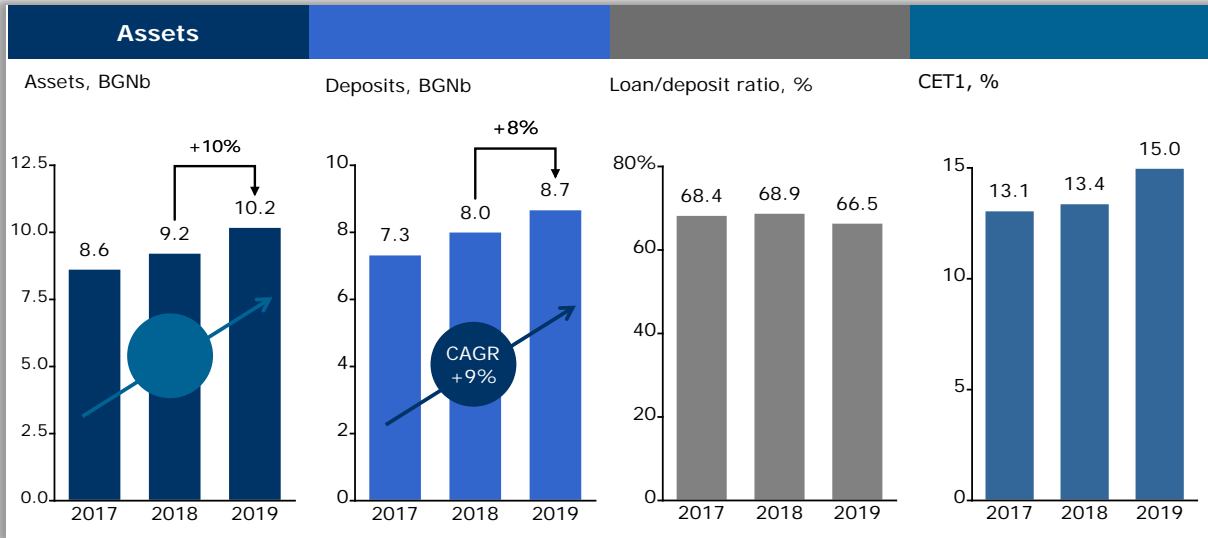
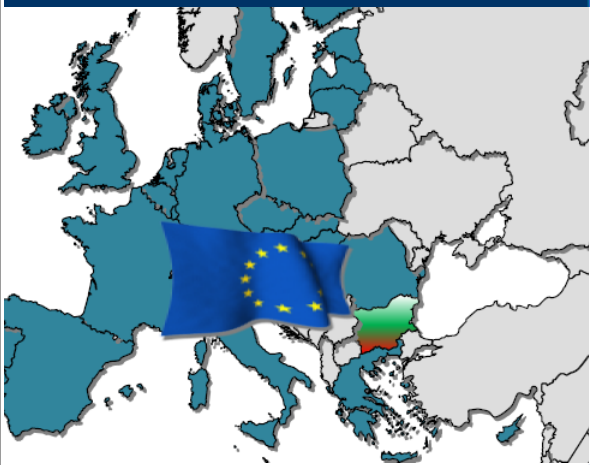


TABLE OF CONTENTS

MACROECONOMIC DEVELOPMENT.....	6	<i>Structure and internal organisation</i>	<i>49</i>
THE BANKING SYSTEM.....	11	<i>Collective risk management bodies</i>	<i>49</i>
MISSION	16	<i>System of limits.....</i>	<i>51</i>
DEVELOPMENT.....	17	<i>Recovery plan.....</i>	<i>51</i>
BANK PROFILE	19	Credit risk.....	52
Corporate status	19	<i>Loan process</i>	<i>52</i>
Participations and memberships	19	<i>Models for credit risk measurement.....</i>	<i>53</i>
Market position.....	19	<i>Credit risk mitigation methods</i>	<i>54</i>
Market share.....	20	<i>Problem exposures and impairment.....</i>	<i>55</i>
Correspondent relations	20	Market risk.....	56
Branch network.....	20	<i>Interest rate risk.....</i>	<i>57</i>
Subsidiaries	20	<i>Currency risk</i>	<i>58</i>
Awards 2019	21	Liquidity risk.....	58
FIRST INVESTMENT BANK: DATES AND FACTS	22	<i>ILAAP.....</i>	<i>60</i>
HIGHLIGHTS 2019	25	Operational risk	60
FINANCIAL REVIEW.....	29	<i>Information security</i>	<i>61</i>
Key indicators.....	29	<i>Personal data protection</i>	<i>61</i>
Credit rating	30	<i>Business continuity management.....</i>	<i>62</i>
Financial results.....	31	Risk exposures	62
Balance.....	34	Internal capital adequacy analysis.....	63
Loan portfolio.....	36	DISTRIBUTION CHANNELS.....	65
<i>Loans</i>	<i>36</i>	Branch network	65
<i>Related party transactions.....</i>	<i>38</i>	Contact center – *bank (*2265), 0800 11 011 ...	66
<i>Commitments and contingent liabilities</i>	<i>38</i>	Corporate website – www.fibank.bg.....	67
Attracted funds	40	Corporate blog.....	67
Capital	42	Sales.....	67
<i>Regulatory capital.....</i>	<i>42</i>	Digital banking	68
<i>Capital requirements.....</i>	<i>43</i>	<i>My fibank electronic banking</i>	<i>68</i>
<i>Capital buffers.....</i>	<i>44</i>	INFORMATION TECHNOLOGY	70
<i>Leverage.....</i>	<i>45</i>	CORPORATE GOVERNANCE.....	72
RISK MANAGEMENT.....	46	Corporate governance statement under the meaning of art.100m of LPOS and art.40 of Accounting act	72
Risk management strategy.....	46	Corporate governance framework	72
<i>Risk map</i>	<i>46</i>	Corporate governance code	73
<i>Risk appetite.....</i>	<i>47</i>	Management structure.....	74
<i>Risk culture</i>	<i>47</i>	Supervisory board.....	75
Risk management framework.....	48	<i>Structure and competences</i>	<i>75</i>
<i>Lines of defence.....</i>	<i>48</i>		

<i>Diversity policy and independence</i>	75	Policy for nomination and suitability assessment	91
<i>Equity share</i>	76	SOCIAL RESPONSIBILITY	92
<i>Functions and responsibilities</i>	76	Non-financial statement under the meaning of art.48 of the Accounting Act.....	95
<i>Assessment of the activity</i>	77	BUSINESS REVIEW	95
<i>Committees</i>	77	Retail banking	95
Managing board	79	<i>Deposits</i>	95
<i>Structure and competences</i>	79	<i>Loans</i>	96
<i>Equity share</i>	80	Corporate banking.....	98
<i>Functions and responsibilities</i>	80	<i>Deposits</i>	98
<i>Committees and councils to the MB</i>	80	<i>Loans</i>	98
General meeting of shareholders	81	Europrograms	103
Control environment and processes.....	82	Payment services	104
<i>Internal audit</i>	82	<i>Card payments</i>	104
<i>Registered auditors</i>	82	<i>International payments</i>	106
Protection of shareholders' rights	83	Gold and commemorative coins.....	107
<i>Convening of gms and information</i>	83	Private banking	107
<i>Main transfer rights and restrictions</i>	84	Capital markets.....	109
<i>Minority shareholders and institutional investors</i>	84	MEETING THE 2019 GOALS	111
Information disclosure	84	SUBSEQUENT EVENTS	114
<i>Investor relations director</i>	86	DEVELOPMENT GOALS FOR 2020	115
Stakeholders.....	86	OTHER INFORMATION	116
Shareholders' structure	86	Members of the Supervisory board.....	116
Share price and market capitalisation	87	Members of the Managing board.....	120
HUMAN CAPITAL	88		
Remuneration policy.....	90		

MACROECONOMIC DEVELOPMENT

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

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

	2019	2018	2017	2016	2015
Gross domestic product (BGN million)	115,729 ¹	109,695	102,308	95,092	89,333
Gross domestic product, real growth (%)	3.7 ²	3.1	3.5	3.8	4.0
- Private consumption, real growth (%)	6.1 ²	4.4	3.8	3.5	3.8
- Public consumption, real growth (%)	4.6 ²	5.3	4.3	2.2	1.8
- Investments, real growth (%)	0.8 ²	5.4	3.2	(6.6)	2.7
- Net exports, real growth (%)	1.1 ²	(4.0)	(1.6)	3.4	1.6
Inflation, at period-end (%)	3.8	2.7	2.8	0.1	(0.4)
Average annual inflation (%)	3.1	2.8	2.1	(0.8)	(0.1)
Unemployment, at period-end (%)	5.9	6.1	7.1	8.0	10.0
Current account (% of GDP)	9.6 ³	5.4	3.5	3.2	0.1
Trade balance (% of GDP)	0.3 ³	(3.3)	(1.5)	(2.0)	(5.7)
International reserves of BNB (BGN million)	48,574	49,039	46,279	46,742	39,675
FDI in Bulgaria (% of GDP)	1.6 ³	1.0	3.1	1.9	4.4
Gross external debt (% of GDP)	56.6 ³	59.1	65.4	71.3	74.1
Government and government guaranteed debt (% of GDP)	20.6 ³	21.8	25.0	28.8	26.1
Consolidated budget balance (% of GDP)	-1.0	0.1	0.8	1.5	(2.8)
USD exchange rate (BGN for USD 1)	1.74	1.71	1.63	1.86	1.79

Sources: NSI, BNB, MF, Employment agency

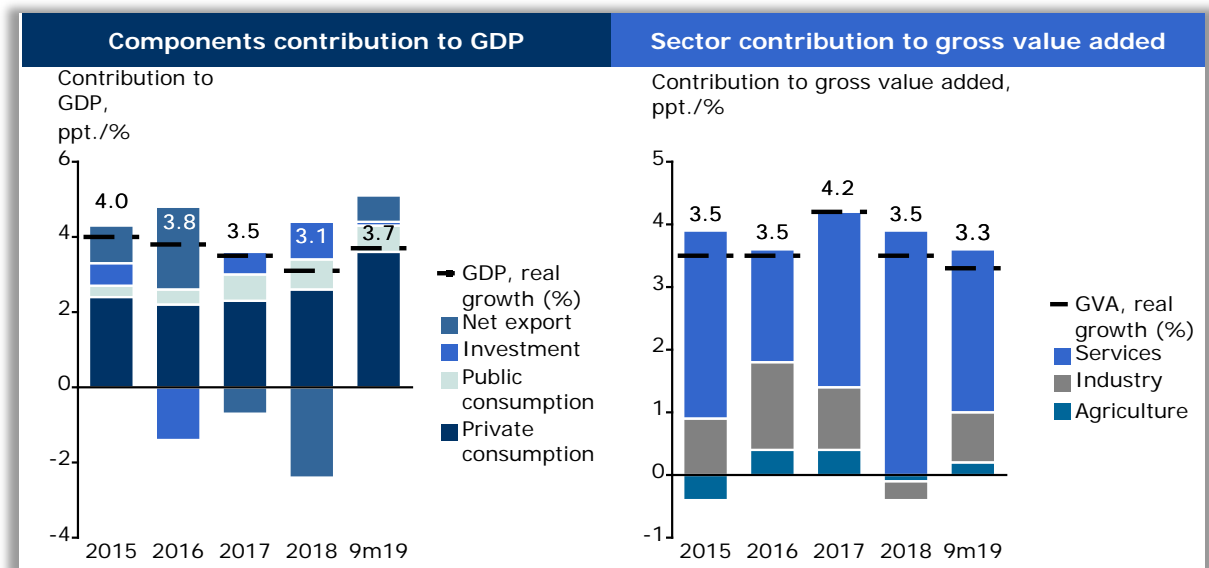
¹ estimated data for 2019 (based on BNB assessment)

² data for the first nine months of 2019

³ data as at November 2019

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

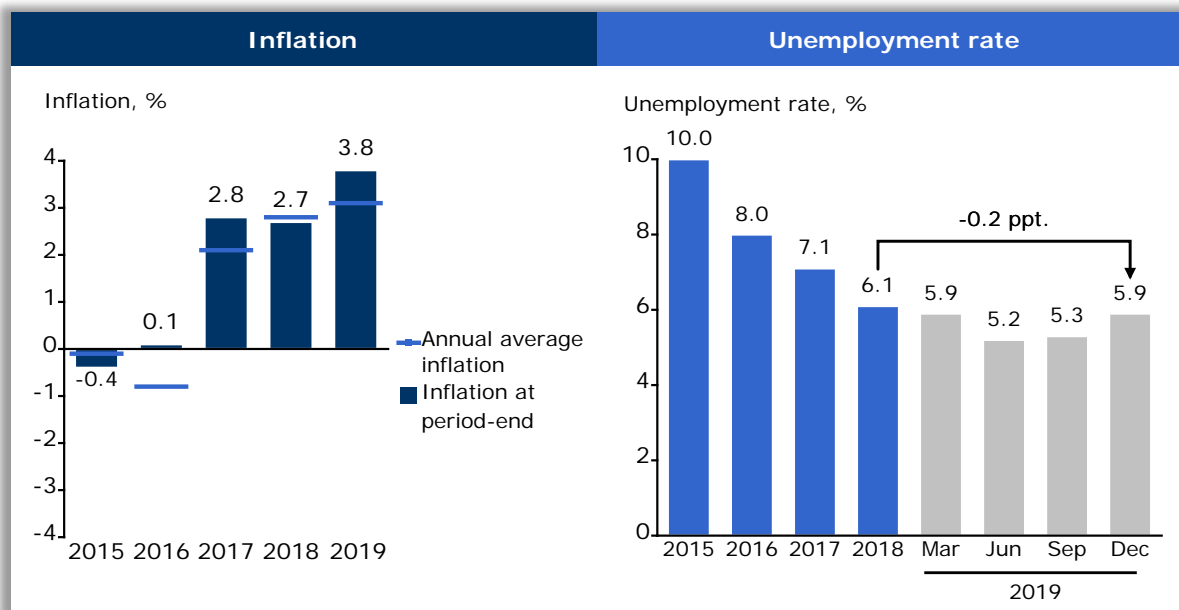
Net exports made further contribution to growth, increasing by 1.1% for the first nine months of 2019 (2018: -4.0%), driven by a greater decrease in imports (9M19: -0.6%) compared to exports (9M19: 0.5%). Fixed capital investment decelerated to 0.8% over the period (2018: 5.4%), mainly affecting private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



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

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

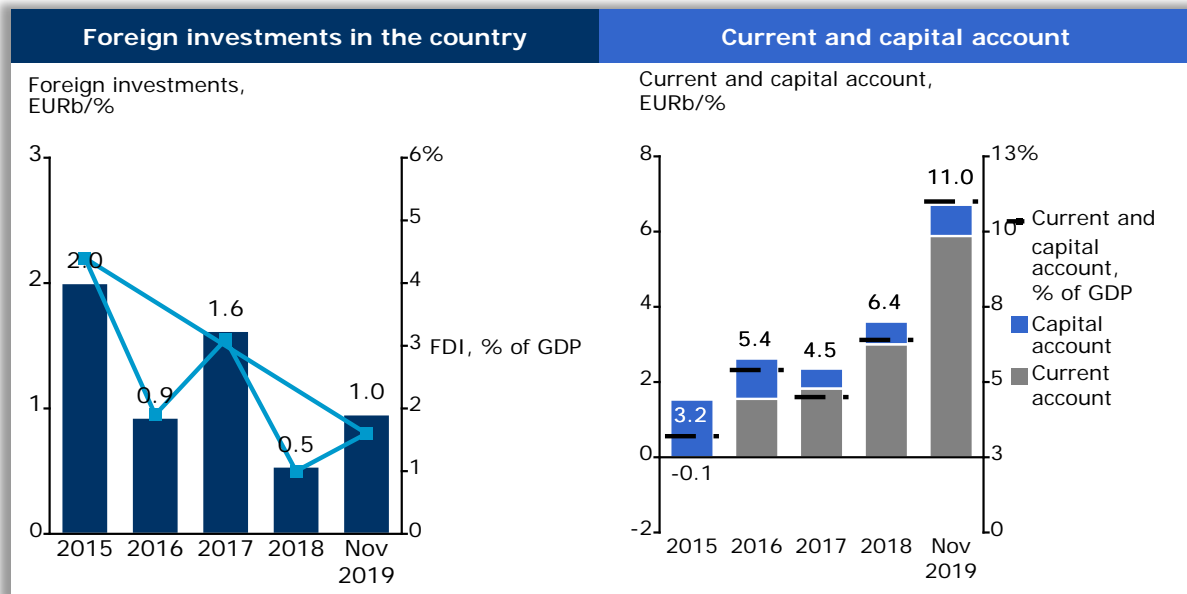
In 2019, the labor market continued to show positive indications, the unemployment rate decreasing to 5.9% at the end of 2019 (2018: 6.1%; 2017: 7.1%; 2016: 8.0%; 2015: 10.0%), in line with the growing expectations of companies regarding investments and costs. The number of employed persons reached 3,299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



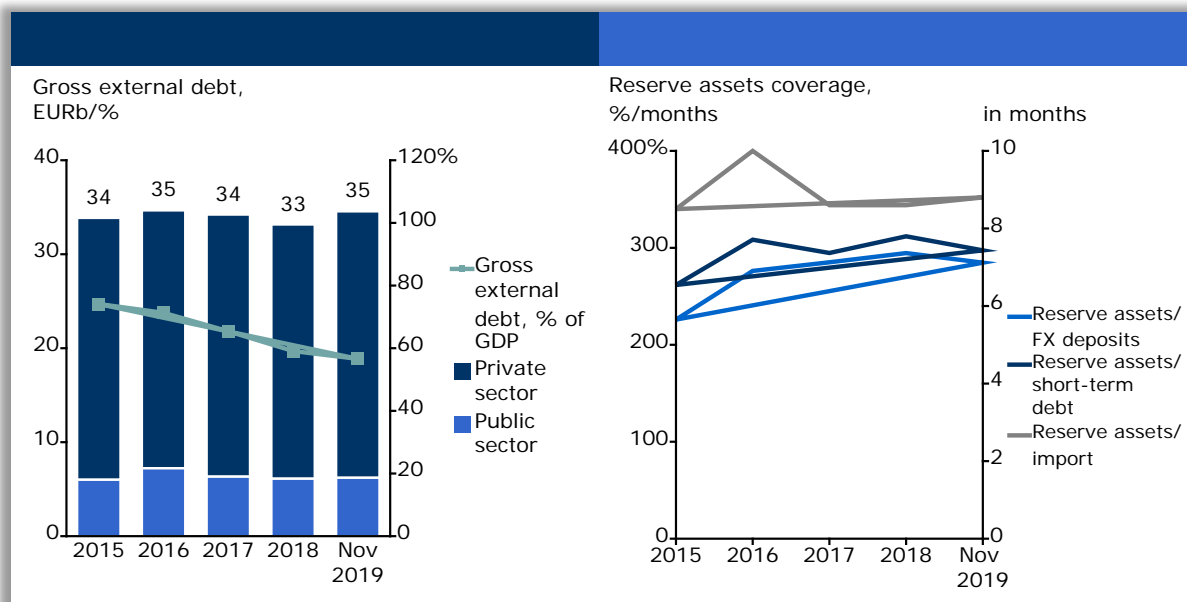
During the year, inflation in the country followed an upward trend, with average annual inflation in 2019 amounting to 3.1% (2018: 2.8%) and end-of-year inflation to 3.8% (2018: 2.7%). Such a trend was driven by price increases in almost all major subgroups following the increase in consumer demand,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

For the period January-November 2019, foreign direct investment in the country amounted to EUR 989 million or 1.6% of GDP (11M18: EUR 522 million or 0.9% of GDP). Such dynamics were mainly due to higher investment in debt instruments (bonds, financial and commercial loans) and retained earnings, rather than equity investment. By country, most investments were attracted from the Netherlands (EUR 432 million), followed by Germany (EUR 232 million) and the United Kingdom (EUR 193 million).

The growth in exports (4.6% yoy as of November 2019, to EUR 26,843 million) led to a surplus in the trade balance of EUR 165 million or 0.3% of GDP at the end of November 2019 (11M18: -1,641 million or -2.9% of GDP). As a result, the balance on the current and capital account on an annual base increased to EUR 6,711 million or 11.0% of GDP, additionally influenced by the higher income in services (tourism and travelling) and in capital transfers, including under EU programs.

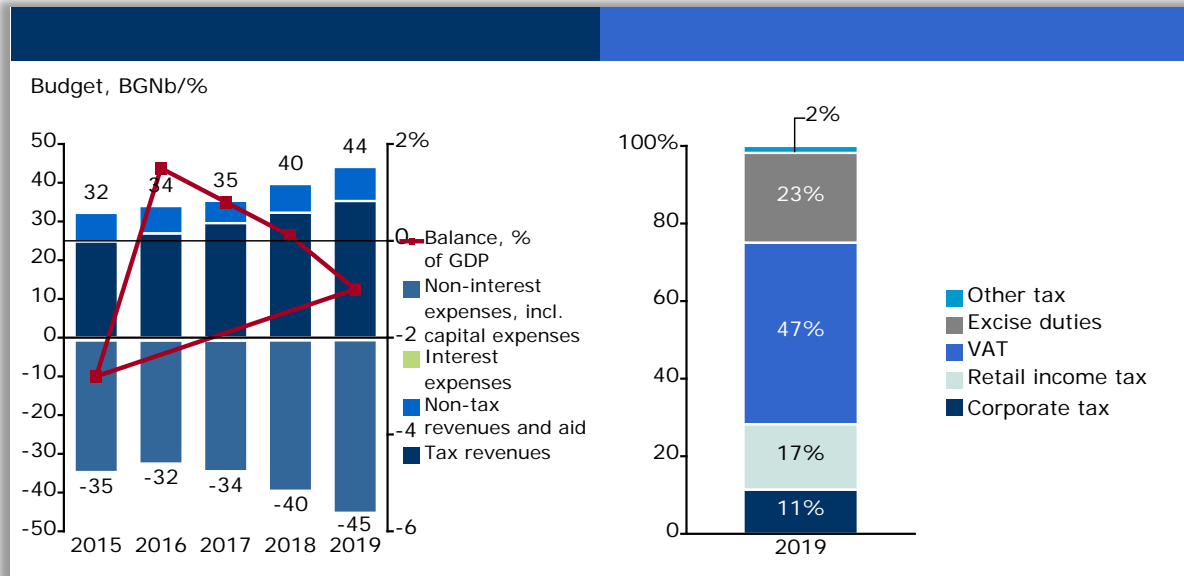


Bulgaria's gross external debt increased in absolute terms to EUR 34,552 million by the end of November 2019, but decreased as a percentage of GDP to 56.6% (2018: EUR 33,156 million or 59.1% of GDP), same dynamics being observed in both the private and public sectors. Public external debt continued its decrease to 10.2% of GDP by November 2019 (EUR 6,221 million), remaining among the lowest in the EU. Total government and government guaranteed debt, including debt issued in the internal market, amounted to 20.6% of GDP by November 2019 (2018: 21.8%), compared to an average of above 80% for the EU and euro area countries. BNB reserve assets covered 297.4% of short-term debt as of November 2019 (11M18: 289.1%) and 284.7% of foreign currency deposits (11M18: 284.0%) in the country.



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

security contributions also increased, amounting to BGN 10,546 million as of December 2019, of which BGN 7,622 million social security contributions and BGN 2,924 million health insurance contributions.



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

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

In 2019, in implementation of the stated intention of Bulgaria to accede to the European Monetary Mechanism 2 (ERM2) and the Single Supervisory Mechanism (SSM) through close cooperation with the European Central Bank, a comprehensive assessment of six Bulgarian banks was carried out, including asset quality review and stress test. These developments were yet another step towards Bulgaria's accession to the Eurozone.

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

THE BANKING SYSTEM

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

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

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

Source: Bulgarian National Bank

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

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

⁴ Data as of 30 September 2019.

⁵ Gross loans and advances (without central banks and credit institutions)/deposits (without credit institutions).

⁶ Non-performing loans and advances/gross loan and advances.

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

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

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

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

Source: Bulgarian National Bank

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

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

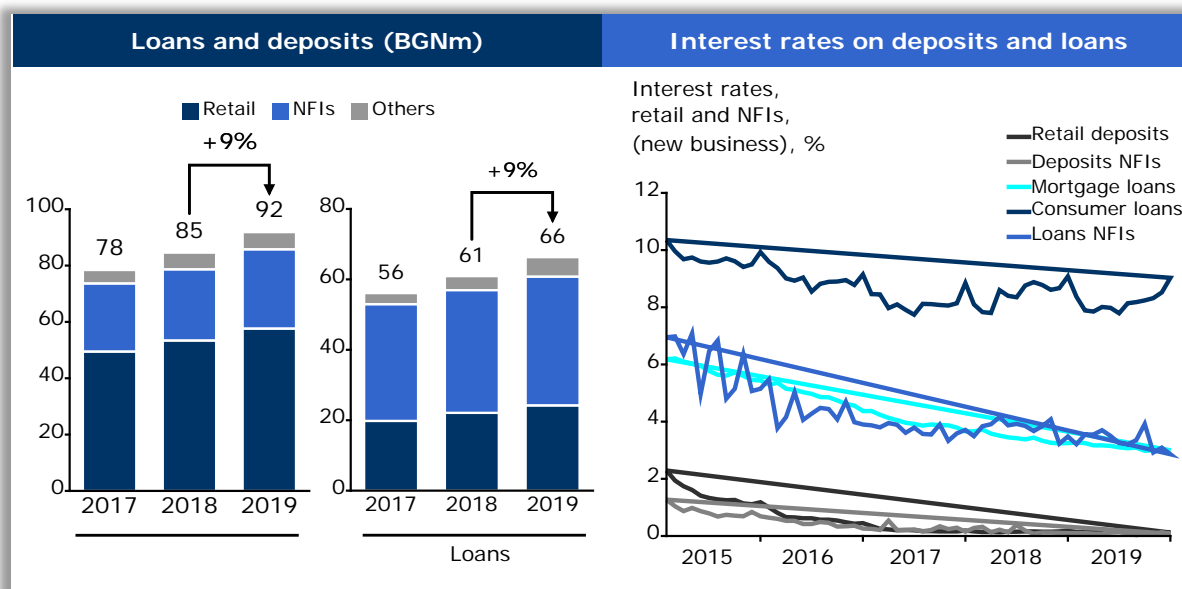
The gross loan portfolio (without credit institutions and central banks) during 2019 increased by 8.8% to BGN 66,293 million at the end of the period (2018: BGN 60,908 million). Increase involved all segments, and especially household loans which accounted for 36.5% of the total portfolio (2018: 36.2%).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

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

Source: Bulgarian National Bank

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

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



In the course of the year, the downward trend in interest rates remained in line with the dynamics in the Eurozone and the EU countries. The interest rates on deposits (new business⁷) of households and non-financial corporations fell on average for 2019 (weighted through the volumes) to 0.13% and 0.09% respectively (2018: 0.15% and 0.21% respectively). Decrease was also observed in interest rates

⁷ Term deposits in BGN up to 1 year.

on loans (new business⁸); for non-financial corporations – down to 3.32% on average for the period (2018: 3.75%) and for mortgage loans – down to 3.09% (2018: 3.42%), for consumer loans - to 8.18% (2018: 8.50%).

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

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

REGULATORY FRAMEWORK DEVELOPMENTS

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

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

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

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

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

⁸ Loans with original maturity in BGN.

⁹ Data as at end-Q3 2018.

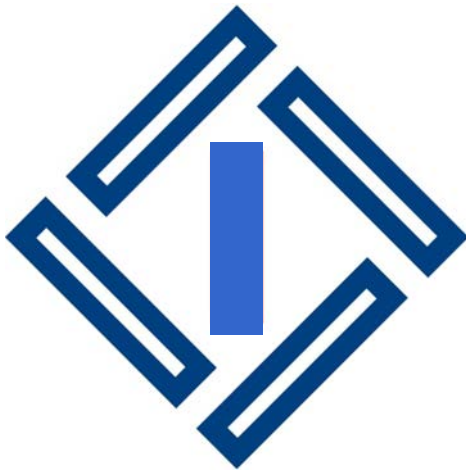
(EU) 2019/877 (SRMR2). With the banking packages, which are with pending implementation and application, mainly as of 2021, the existing legal framework in these areas is being developed, as introducing new requirements in relation to the leverage and net stable financing ratios, the requirements for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

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

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

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

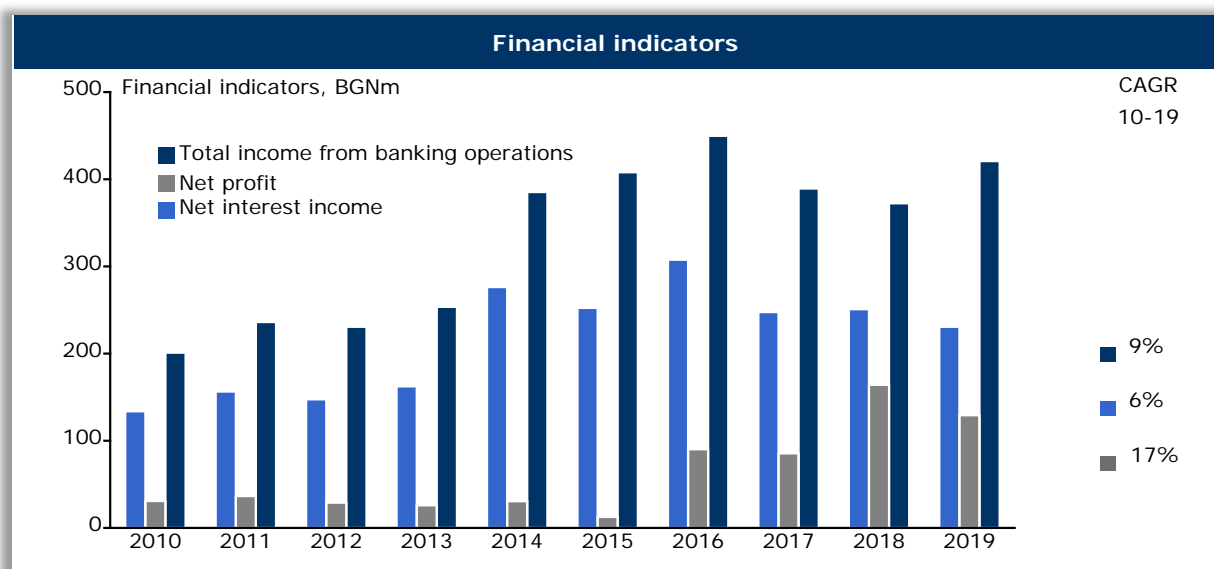
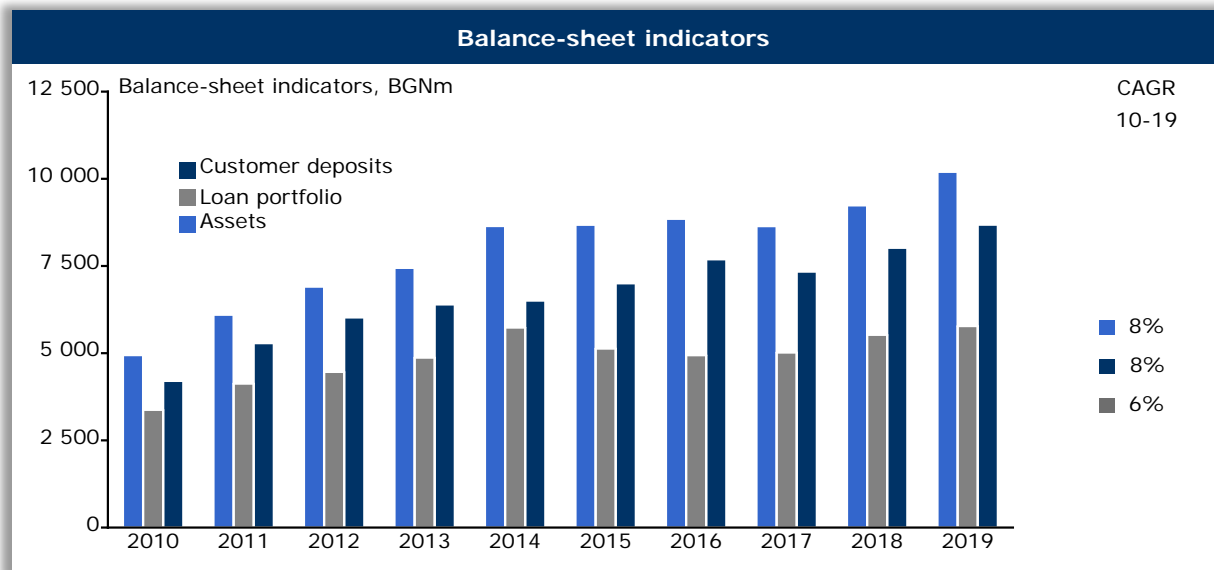
In the cash activity area, during the year a new Ordinance №39 of BNB on the Nominal value, coverage, form and design of banknotes and coins put into circulation, as well as a new Ordinance №18 of BNB on the Control over quality of banknotes and coins in circulation, were adopted.



MISSION

First Investment Bank AD aspires to continue to be one of the best banks in Bulgaria, recognized as a rapidly growing, innovative, customer-oriented bank, offering outstanding products and services to its customers, ensuring excellent careers for its employees, and contributing to the community. The Bank shall continue to develop high-technological solutions providing its customers with opportunities for banking from any place around the world at any time.

DEVELOPMENT



COMPREHENSIVE ASSESSMENT

In 2019, the European Central Bank (ECB) conducted a comprehensive assessment of six Bulgarian banks, incl. First Investment Bank, which comprised an asset quality review (AQR) and a stress test (ST). The assessment was conducted in the context of Bulgaria's request for establishing close cooperation between the ECB and the BNB, in connection with the intention to acceding the European Monetary Mechanism 2 (ERM2), as part of the roadmap for accession to the Eurozone.

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

During the second part of the year, with the aim for addressing the recommendations, First Investment Bank took a number of steps for realization of capital levers, including non-distribution of profits, de-

risking, accruing additional impairment, accelerating the process of disposal of portfolios and management of repossessed assets, as well as actions related with issuance of additional eligible capital through placement of new hybrid instrument and realization of public issuance of shares. First Investment Bank continues to follow its strategy for optimization of risk management and strengthening capital, as a base for future growth.

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

BANK PROFILE

CORPORATE STATUS

First Investment Bank is a joint-stock company registered with Sofia City Court pursuant to a ruling dated 8 October 1993. Since 28 February 2008 the Bank has been registered in the Commercial Register of the Registry Agency.

First Investment Bank is a public company registered in the Commercial Register of Sofia City Court by a decision dated 4 June 2007 and in the register of public companies and other issuers held by the Financial Supervision Commission by a decision dated 13 June 2007.

The Bank owns a universal banking license for domestic and international operations. First Investment Bank is a licensed primary dealer in government securities and it is a registered investment intermediary.

PARTICIPATIONS AND MEMBERSHIPS

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

MARKET POSITION ¹⁰

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

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

MARKET SHARE ¹¹

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

CORRESPONDENT RELATIONS

Fibank has a wide network built up of correspondent banks, through which it performs international payments and trade financing operations in almost all parts of the world. The Bank executes international transfers in foreign currency, and issues cheques and performs different documentary operations.

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

BRANCH NETWORK

As at 31 December 2019 First Investment Bank had a total of 144 branches and offices: 143 branches and offices, incl. Head Offices, throughout Bulgaria and a foreign branch in Cyprus.

SUBSIDIARIES

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

For further information regarding subsidiary companies see note 36 "Subsidiaries" of the Standalone Financial Statements as at 31 December 2019.

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

AWARDS 2019

- ◆ First Investment Bank was distinguished with the prestigious award for strongest brand in the 2019-2020 Superbrands international competition.
- ◆ For yet another year, First Investment Bank won the Favorite Brand award and the first place in the Financial Institutions category of the My Love Marks consumer rating.
- ◆ Fibank received two awards in the 2019 International Product of the Year competition: for its Smart Lady program supporting women entrepreneurs and for its innovative debit cards for children and teens.
- ◆ First Investment Bank was awarded in the Fast Developing Product category at the annual Business Lady Awards 2019 for the successful product positioning of its debit card for children and teens.
- ◆ Fibank ranked second in the Product Site 2019 category of the Website of the Year competition for its Smart Lady online platform for women in business.



FIRST INVESTMENT BANK: DATES AND FACTS

1993	<ul style="list-style-type: none"> ◆ First Investment Bank was established on 8 October 1993 in Sofia. ◆ Fibank was granted a full banking license for carrying out operations in Bulgaria and abroad.
1994-95	<ul style="list-style-type: none"> ◆ The Bank developed and specialized in servicing corporate clients.
1996	<ul style="list-style-type: none"> ◆ First Investment Bank was the first in Bulgaria to offer services enabling banking from home or from the office. ◆ Fibank was the first bank to receive a 5-year loan from the European Bank for Reconstruction and Development for financing small and medium-sized enterprises in Bulgaria.
1997	<ul style="list-style-type: none"> ◆ The Bank started issuing Cirrus/Maestro debit cards, Eurocard/Mastercard credit cards and the American Express card. Fibank was the first Bulgarian bank to offer debit cards with international access. ◆ Thompson Bankwatch awarded Fibank its first credit rating. ◆ The Bank opened its first branch abroad, in Cyprus.
1998	<ul style="list-style-type: none"> ◆ First Investment Bank obtained its first syndicated loan from foreign banks. The Bank negotiated financing for the import of investment goods from a number of EU countries, guaranteed by export insurance agencies.
1999	<ul style="list-style-type: none"> ◆ The Bank negotiated a syndicated loan organized by EBRD to the total amount of EUR 12.5 million. ◆ First Investment Bank received a medium-term loan for EUR 6.6 million from a German government organization for financing of Bulgarian companies. ◆ The Bank opened a foreign branch in Tirana, Albania offering banking services to Albanian companies and individuals.
2000	<ul style="list-style-type: none"> ◆ First Investment Bank started developing its business in the field of retail banking. Deposits from private individuals grew 2.3-fold.
2001	<ul style="list-style-type: none"> ◆ Fibank launched the first virtual bank branch in Bulgaria, allowing customers to bank via the Internet. ◆ The Bank was awarded the prize “Bank of the Year” by ‘Pari’ (‘Money’) daily. ◆ Maya Georgieva (Executive Director of First Investment Bank), received the prize “Banker of the Year” from ‘Banker’ Weekly.
2002	<ul style="list-style-type: none"> ◆ Fibank was named “Bank of the Client” in the annual rating of ‘Pari’ daily.
2003	<ul style="list-style-type: none"> ◆ Products and services to individuals became the focus of the Bank’s activities. Loans to individuals increased over five times during the year. ◆ Fibank was named “Bank of the Client” for the second time in the annual rating of ‘Pari’ daily.
2004	<ul style="list-style-type: none"> ◆ The Bank expanded its infrastructure. The branch network expanded by 27 new branches and offices, the ATM network more than doubled. ◆ First Investment Bank was awarded the prize “Financial Product of the Year” for its Mortgage Overdraft product.
2005	<ul style="list-style-type: none"> ◆ Fibank acquired 80% of the capital of Diners Club Bulgaria AD. ◆ The Bank issued Eurobonds to the amount of EUR 200 million on the Luxembourg Stock Exchange. Fibank was also the first Bulgarian bank to issue perpetual subordinated bonds. ◆ Matthew Mateev (Deputy Chief Executive Director of First Investment Bank) was awarded the prize “Banker of the Year” by ‘Banker’ weekly.
2006	<ul style="list-style-type: none"> ◆ Fibank was named “Bank of the Client” for the third time in the annual rating of ‘Pari’ daily. ◆ First Investment Bank received a syndicated loan, to the amount of EUR 185 million, organised by Bayerische Landesbank, in which 33 banks participated.

	<ul style="list-style-type: none"> ◆ The Bank's share capital was increased from BGN 20 million to BGN 100 million by transforming retained profits into new shares.
2007	<ul style="list-style-type: none"> ◆ First Investment Bank realized the biggest banking initial public offering of shares in Bulgaria and became a public company. ◆ „Fibank Mobile“ – the first banking mobile portal created by the Bank with useful financial information for its customers, started functioning. ◆ Fibank is among the first banks in Bulgaria to implement new chip technology by issuing debit and credit cards. ◆ First Investment Bank – Albania Sh.a. was issued a full banking license in Albania.
2008	<ul style="list-style-type: none"> ◆ Fibank implemented new centralized and integrated core banking information system FlexCube. ◆ First Investment Bank received a syndicated loan to the amount of EUR 65 million from 11 leading banks all over the world. ◆ Fibank became the first bank in Bulgaria with its own corporate blog. ◆ The Bank received the prestigious card business award OSCARDS of Publi-News in the Europe region for innovation in the card business.
2009	<ul style="list-style-type: none"> ◆ Fibank became the first and only bank in Bulgaria to start offering the sale and redemption of investment diamonds. ◆ First Investment Bank offered a new Internet service “My Fibank”, which provides e-statements on bank accounts and credit cards.
2010	<ul style="list-style-type: none"> ◆ Fibank welcomed its one millionth client. ◆ First Investment Bank signed an agreement with IFC for cooperation in the field of trade finance. ◆ Fibank was the first Bank in Bulgaria to offer contactless payments based on PayPass technology. ◆ Fibank acquired a controlling interest in Health Insurance Fund FI Health AD.
2011	<ul style="list-style-type: none"> ◆ First Investment Bank was recognized as the Best Bank in Bulgaria in 2011 by the financial magazine Euromoney. ◆ New Executive Directors of the Bank were appointed – Dimitar Kostov, Vassil Christov, Svetoslav Moldovansky. ◆ Maya Georgieva (Executive Director of First Investment Bank) received the Banker of the Year 2011 award from “Banker” Weekly for market sustainability achieved and customer confidence earned.
2012	<ul style="list-style-type: none"> ◆ Fibank was granted “Bank of the Year” award from “Bank of the Year” Association, with the best complex performance. ◆ The Bank signed an agreement with the European Investment Fund for the financing of SME under the JEREMIE initiative. ◆ Vassil Christov, Executive Director of First Investment Bank won the prestigious award “Banker of the Year” of the “Banker” Weekly.
2013	<ul style="list-style-type: none"> ◆ First Investment Bank AD signed an agreement with the Hungarian MKB Bank Zrt. for the acquisition of 100% of the shares of MKB Unionbank EAD. ◆ Fibank finalized the issuance of new hybrid debt (two bonds emissions) to the total amount of EUR 100 million, included in the Tier I capital. ◆ Clients were provided with the opportunity to purchase online products of investment gold and other precious metals. ◆ Maya Oyfalosh was elected Executive Director of First Investment Bank AD.
2014	<ul style="list-style-type: none"> ◆ The merger of Union Bank EAD into First Investment Bank AD was implemented, incl. entire integration of operational systems, procedures, infrastructure, human resources, products and services

	<ul style="list-style-type: none"> ◆ First Investment Bank successfully overcame the pressure on the banking system thanks to existing high liquidity, high professionalism, as well as to the liquidity support pursuant to EC Decision C(2014) 4554/29.06.2014 ◆ Fibank was awarded as best bank in the field of retail banking from the international portal Global Banking & Finance Review.
2015	<ul style="list-style-type: none"> ◆ First Investment Bank realized a joint project with the IFC for upgrading the systems for risk management and corporate governance in Fibank in accordance with the principles of the Basel Committee and recognized international standards. ◆ A new independent member of the Supervisory Board was elected: Mr. Jyrki Koskelo, an accomplished professional with extensive experience in the IFC. ◆ A new organizational structure of the Bank was adopted, further elaborating the control functions and introducing new positions, incl. CEO, CRO, CCO. ◆ In an effort to maintain an open line of communication with investors and enhance dialogue with minority shareholders, a Club of investors was created. ◆ First Investment Bank was distinguished as the favorite brand among financial institutions in Bulgaria by the global organization Superbrands.
2016	<ul style="list-style-type: none"> ◆ An innovative platform was launched for electronic payments via mobile devices with contactless (NFC) function and use of digital bank cards. ◆ The Bank repaid in full the liquidity support according to decision C(2014)8959 of 25.11.2014 of the EC. ◆ Fibank successfully passed the asset quality review and the stress test of the banking system conducted in the country. ◆ New contactless debit cards for children and teenagers were developed.
2017	<ul style="list-style-type: none"> ◆ Fibank created an integrated e-banking platform My Fibank, using a single customer service channel (Omnichannel). ◆ Changes were made to the Management Board in line with in line with the Bank's key growth and strategic development goals. ◆ First Investment Bank joined as direct participant the Pan-European Automated Clearing House STEP2 SEPA Credit Transfer (SCT). ◆ Fibank updated its core banking information system by migrating to Oracle Flexcube12. ◆ First Investment Bank developed its online consumer credit services at the Bank's internet address www.credit.fibank.bg.
2018	<ul style="list-style-type: none"> ◆ First Investment Bank celebrated the 25th anniversary of its founding. ◆ A new Smart Lady program was launched in support of women entrepreneurs, mainly targeting micro, small and medium enterprises run by women, as well as businesses with products and services designed for women. ◆ A new electronic deposit named My Deposit was offered, opened and managed entirely online through the My Fibank e-banking platform. ◆ A software Fibank Token was developed as a means of signature and authentication in the electronic banking system of the Bank. ◆ An innovative new-generation Evolve credit card was developed, combining three brands (Fibank, Diners Club and Mastercard) into one payment instrument. ◆ Fibank signed an agreement with the Bulgarian Development Bank for the financing of micro, small and medium-sized enterprises with the support of the European Strategic Investment Fund (COSME+).

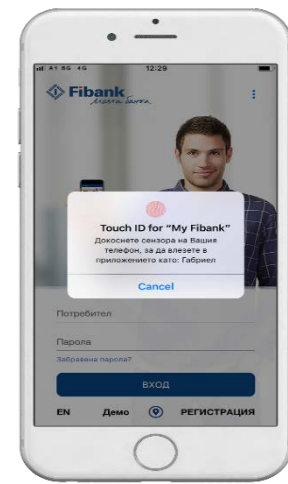
HIGHLIGHTS 2019

JANUARY

- ◆ First Investment Bank extended the functionality of its debit cards for children and teens by adding online payment options and card digitalization.
- ◆ Fibank started to actively offer financing for micro, small and medium-sized enterprises with the support of the European Strategic Investment Fund (COSME+).
- ◆ A promotional consumer lending campaign was organized featuring completely online loan application at www.credit.fibank.bg.

FEBRUARY

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

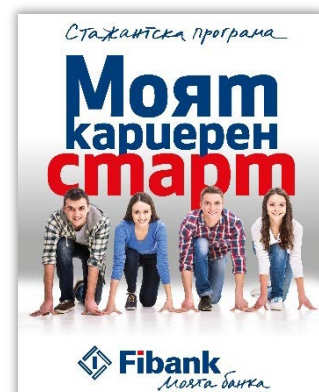


MARCH

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

APRIL

- ◆ An innovative service was launched for remote signing of consumer loans by using a software/hardware token, or qualified electronic signature through a mobile application of an external certification service provider.
- ◆ Fibank launched a new project: a long-term, comprehensive internship program named My Career Start, as part of its overall approach to designing and implementing integrated HR solutions in support of business.



MAY

- ◆ Fibank introduced a new web-based platform for its Smart Lady program. It enabled conducting remote training, providing practical advice and case studies, as well as publication of specialized materials in support of women entrepreneurs.
- ◆ The option to place orders for cash transactions through the My Fibank mobile application was enabled.
- ◆ The Cyprus branch of First Investment Bank became an indirect participant, through Fibank, in the TARGET2 and BISERA7-EUR payment systems, as well as in the STEP2 SEPA Credit Transfer system operated by EBA Clearing.

JUNE

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



JULY

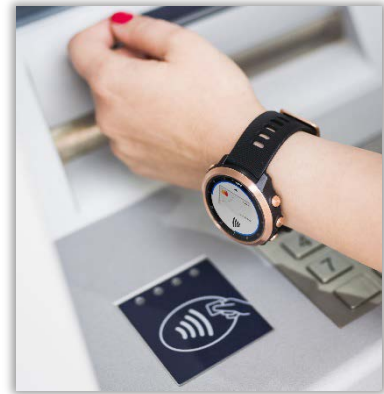
- ◆ First Investment Bank established partnership with E.I. Sturdza Strategic Management Limited (part of the swiss Eric Sturdza Group) for offering new mutual funds on the Bulgarian market.
- ◆ Fibank passed the comprehensive assessment (asset quality review – AQR and stress test), conducted by the ECB during the year.

AUGUST

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

SEPTEMBER

- ◆ An innovative project for making payments using Garmin smart watch with Garmin Pay functionality was successfully implemented in partnership between Fibank, Mastercard and Garmin.
- ◆ First Investment Bank was among the leading banks to join the global SWIFT gpi solution, which significantly improves the speed and traceability of cross-border transfers.



OCTOBER

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

NOVEMBER

- ◆ Fibank was the first among banks in the country to launch the Apple Pay service for making fast, convenient and secure mobile payments via digital card and smart devices supporting the Apple Wallet functionality.
- ◆ A new agreement was signed with the National Guarantee Fund for a BGN 20 million portfolio guarantee to provide financing for small and medium-sized enterprises in the country through a risk-sharing mechanism.
- ◆ First Investment Bank provided access, via the My Fibank mobile banking, to payment accounts of its customers kept with other payment service providers, including the provision of account information and payment initiation services.
- ◆ An extraordinary general meeting of the shareholders of Fibank was held at which Mazars OOD and BDO Bulgaria OOD were appointed as registered auditors to perform the independent financial audit of the Bank's financial statements for 2019.



DECEMBER

- ◆ First Investment Bank successfully placed, under the terms of a private placement, a debt-equity (hybrid) instrument (bond issue) worth a total of EUR 30 million.
- ◆ The Bank decided to increase its share capital from BGN 110 million to BGN 150 million by issuing up to 40 million new shares under the terms of public offering, each share with a nominal value of BGN 1, and an issue value of BGN 5.
- ◆ In implementing the requirements of Regulation (EU) 2019/518, Fibank equitized the fees for cross-border payments in EUR within EEA with those respective national payments in BGN.

- ◆ A centralized back-office started functioning with the aim to increase efficiency in servicing customers.
- ◆ An extension of the framework agreement with Taiwan's Eximbank was signed for financing deliveries of goods made by Taiwanese suppliers to customers of Fibank.
- ◆ Fibank presented its charity calendar for 2020, in support of the Bulgarian Rhythmic Gymnastics Federation and the homeless animal shelter Animal Rescue Sofia.



FINANCIAL REVIEW

KEY INDICATORS

	2019	2018	2017	2016	2015
Financial indicators (BGN thousand)					
Net interest income	230,696	250,885	247,578	307,623	252,380
Net fee and commission income	103,230	93,546	98,851	89,175	81,470
Net trading income	14,929	12,279	15,435	14,047	11,340
Total income from banking operations	420,785	372,363	389,314	456,545	407,975
Administrative expenses	(209,157)	(202,315)	(196,635)	(185,055)	(172,518)
Impairment	(117,490)	(82,500)	(77,511)	(154,776)	(327,422)
Net profit	129,221	164,138	85,466	90,185	12,543
Balance-sheet indicators (BGN thousand)					
Assets	10,200,031	9,237,837	8,642,571	8,852,470	8,681,387
Loans and advances to customers	5,776,915	5,525,957	5,018,298	4,941,062	5,131,731
Loans and advances to banks and fin. inst.	79,576	125,472	54,402	54,472	109,435
Due to other customers	8,684,001	8,021,439	7,338,375	7,691,256	7,002,880
Other borrowed funds	109,723	118,156	118,517	70,367	133,802
Hybrid debt	267,615	208,786	208,786	208,740	202,044
Shareholders' equity	943,065	812,913	929,284	841,751	745,382
Key ratios (in %)					
Capital adequacy ratio	18.80	16.31	16.18	15.41	15.04
Tier 1 capital ratio	18.80	16.31	16.16	15.38	14.53
CET 1 ratio	15.00	13.37	13.08	12.20	11.52
Leverage ratio	12.13	11.26	11.55	10.31	10.20
Liquid assets/deposits from customers	27.43	27.09	26.26	29.14	28.42
Liquidity coverage ratio (LCR)	198.25	251.43	320.22	313.88	330.97
Net stable financing ratio (NSFR)	130.44	134.23	136.52	137.63	132.23
Net loans/deposits ratio	66.52	68.89	68.38	64.24	73.28
Cost of risk	1.86	1.59	1.38	2.68	5.59
Net interest income/total income from banking operations	54.83	67.38	63.59	67.38	61.86
Cost/income ratio	44.43	46.28	53.31	42.04	33.55
Resources (in numbers)					
Branches and offices	144	155	156	158	163
Staff	2,572	2,651	3,045	2,991	3,063

CREDIT RATING

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

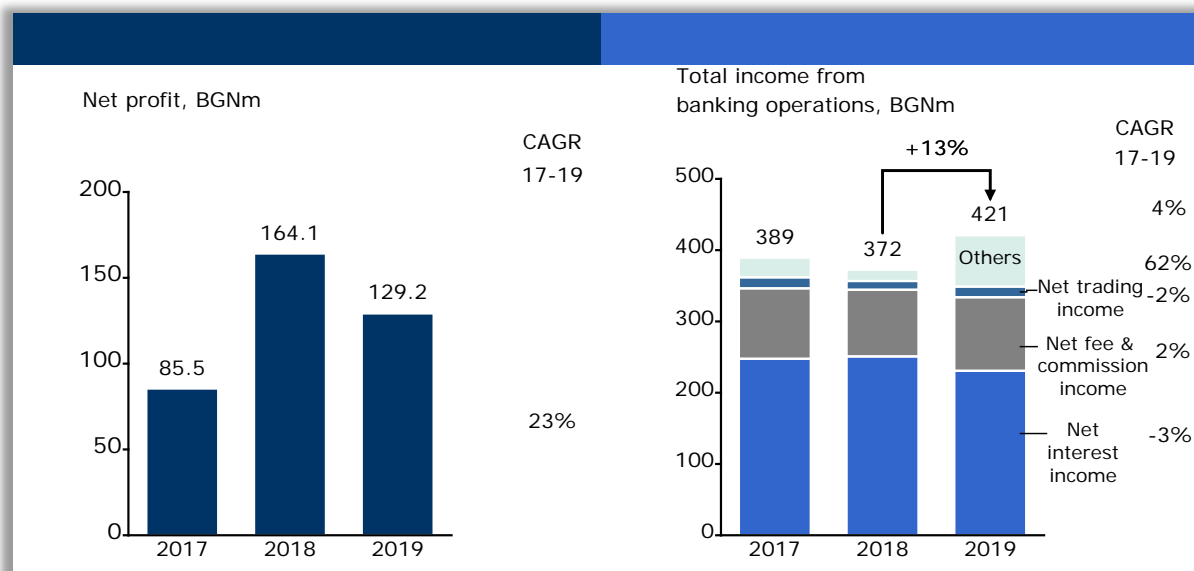
Fitch Ratings	13.08.2019	03.06.2019	2018
Long-term rating	B	B	B
Short-term rating	B	B	B
Viability rating	b	b	b
Support rating	5	5	5
Support rating floor	NF	NF	NF
Outlook	Stable	Stable	Stable

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

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

FINANCIAL RESULTS

In 2019 First Investment Bank reported solid financial results and steady development, as net profit amounting to BGN 129,221 thousand compared to BGN 164,138 thousand a year earlier. The results were mainly driven by the higher operating income, the realized income in connection with the sale of portfolios, as a result of the Bank's consistent actions to optimization of its balance-sheet positions, as well as the environment of low interest rates. The return on equity (after taxes) is 14.60%, and the return on assets (after taxes) is 1.35%.



During the year First Investment Bank performed its activity in compliance with the goals for development and the external environment and necessity for financing. The total income from banking operations amounted to BGN 420,785 thousand (2018: BGN 372,363 thousand), as the decrease registered in net interest income generated in an environment of continuing low interest rates is compensated by the growth in net income and commissions and other operating income.

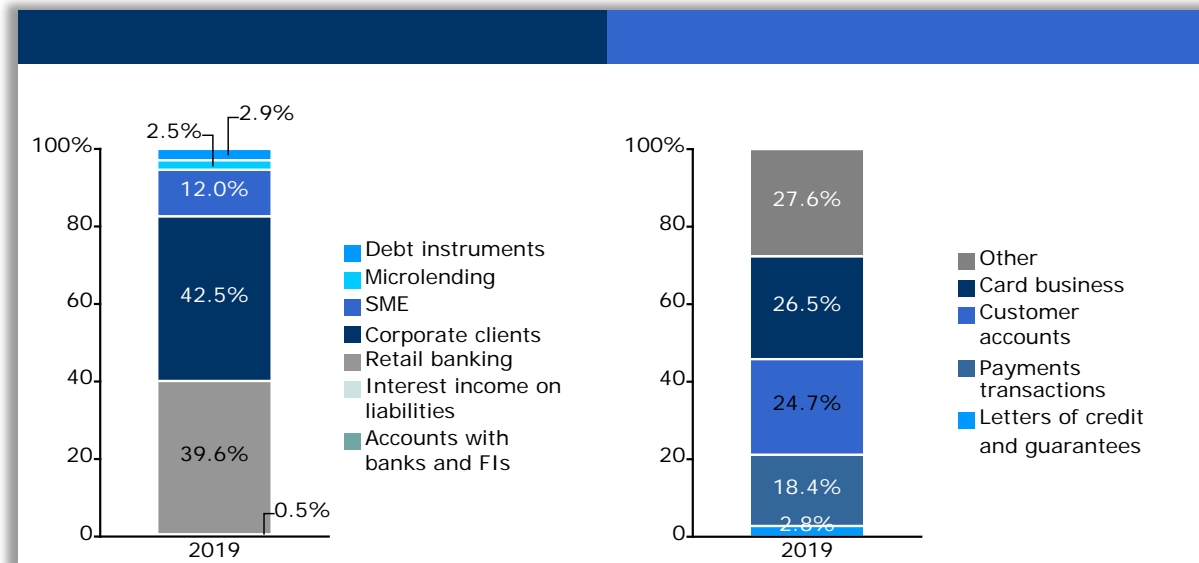
For 2019, net interest income amounted to BGN 230,696 thousand (2018: BGN 250,885 thousand), and remained a major source of income for the Bank, constituting 54.8% of total operating income (2018: 67.4%). Fibank's operations abroad (Cyprus Branch) had an insignificant share forming hardly 0.1% of the Bank's net interest income (2018: 0.3%).

For the reporting period, interest income decreased to BGN 289,867 thousand (2018: BGN 312,212 thousand), reflecting the market trend for reduction in interest rates, as well as the competitive conditions offered by the Bank. A decrease was recorded in all main business lines¹², including corporate customers (2019: BGN 123,142 thousand; 2018: BGN 146,291 thousand), as well as in the retail segment, including retail banking (2019: BGN 114,894 thousand; 2018: BGN 115,692 thousand) and microlending (2019: BGN 7,200 thousand; 2018: BGN 8,601 thousand). An increase was recorded in small and medium-sized enterprises (2019: BGN 34,759 thousand; 2018: BGN 31,213 thousand). Debt related income amounted to BGN 8,426 thousand (2018: BGN 8,853 thousand), which reflected the dynamics in the profitability and the conditions on the debt securities markets.

The last years trends in interest expenses remained, decreasing to BGN 59,171 thousand (2018: BGN 61,327 thousand), mainly due to a reduction in the expenses on customer deposits, which reached 31,666 thousand BGN compared to BGN 35,312 thousand a year earlier and formed 53.5% of total interest expense. During the year, First Investment Bank continued to adjust interest rates on deposit

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

products in accordance with market conditions and competitive environment, as well as regarding the levels of liquidity. The net interest margin of the Bank amounted to 3.40% for the period.



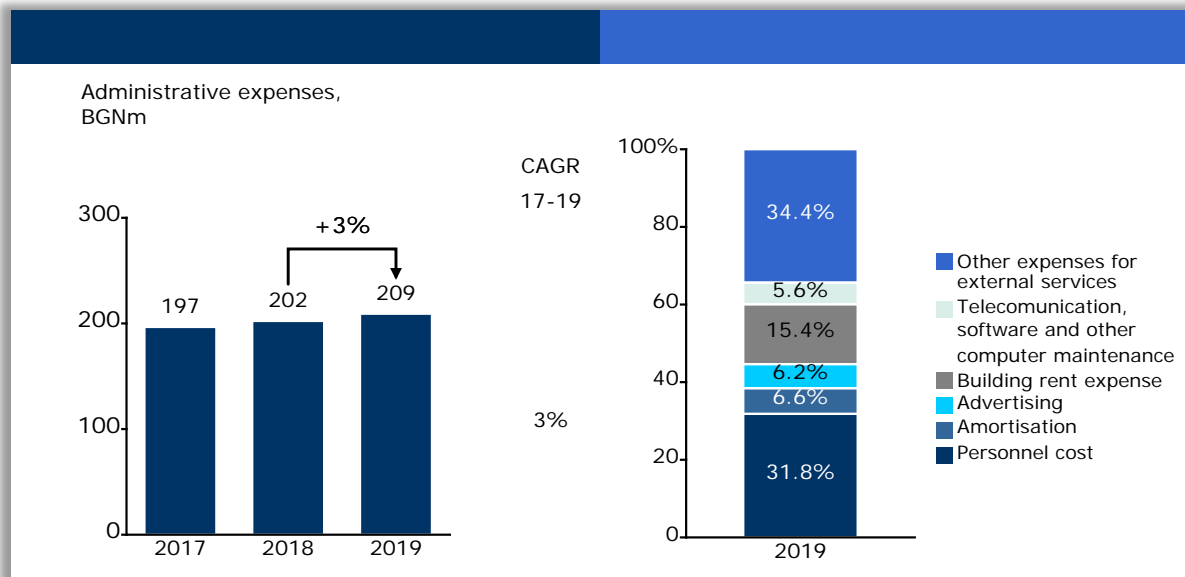
Net fee and commission income for 2019 amounted to BGN 103,230 thousand compared to BGN 93,546 thousand for the previous year, forming 24.5% of total income from banking operations (2018: 25.1%), thus providing solid input to the operating profit. Fibank's operations abroad (Cyprus Branch) formed 2.7% of net fee and commission income (2018: 2.1%). An increase was reported in all main services, including card services (2019: BGN 33,522 thousand; 2018: BGN 32,642 thousand), payment operations (2019: BGN 23,209 thousand; 2018: BGN 21,401 thousand), and customers accounts (2019: BGN 31,214 thousand; 2018: BGN 30,254 thousand), letters of credit and guarantees (2019: BGN 3,508 thousand; 2018: BGN 2,686 thousand) and other services (2019: BGN 34,936 thousand; 2018: BGN 28,389 thousand), including in these related to credit activity.

For 2019, net trading income increased to BGN 14,929 thousand (2018: BGN 12,279 thousand). The increase reflected mainly the higher income arising from foreign exchange operations, which amounted to BGN 14,981 thousand, compared to BGN 12,511 thousand a year earlier. Net expense was reported in the operations arising from debt and equity instruments, which amounted on total BGN 52 thousand for the period, compared to BGN 232 thousand for the previous year. The share of net trading income remained insignificant at 3.5% of total income from banking operations (2018: 3.3%).

Other operating income amounted to BGN 71,930 thousand, compared to BGN 15,653 thousand a year earlier, arising mainly from realized additional revenues from management of ceded receivables, incl. sale of portfolios amounting to BGN 54,643 thousand (2018: BGN 584 thousand). Other revenue, including income from debt instruments (2019: BGN 5,495 thousand; 2018: BGN 2,435 thousand), from equity instruments (2019: BGN 4,344 thousand; 2018: BGN 1,282 thousand), from leases (2019: BGN 5,542 thousand; 2018: BGN 8,862 thousand), as well as from the management of loans, acquired through business combination (2019: BGN 1,118 thousand; 2018: BGN 2,038 thousand).

For the year, the administrative expenses amounted to BGN 209,157 thousand against BGN 202,315 thousand a year earlier, mainly driven by higher costs on personnel (2019: BGN 66,553 thousand; 2018: BGN 66,061 thousand), as well as for external services (2019: BGN 71,858 thousand; 2018: BGN 61,612 thousand). Decrease was reported in the expenses for telecommunications, software and other computer maintenance (2019: BGN 11,663 thousand; 2018: BGN 11,737 thousand), for advertising expenses (2019: BGN 12,976 thousand; 2018: BGN 15,603 thousand), as well as the amortization expenses of properties, equipment and intangible fixed assets (2019: BGN 13,844 thousand; BGN

14,840 thousand). For 2019, amortization on right of use assets amounted to BGN 32,263 thousand. For the period, cost/income ratio amounted to 44.43% on a non-consolidated basis (2018: 46.28%).



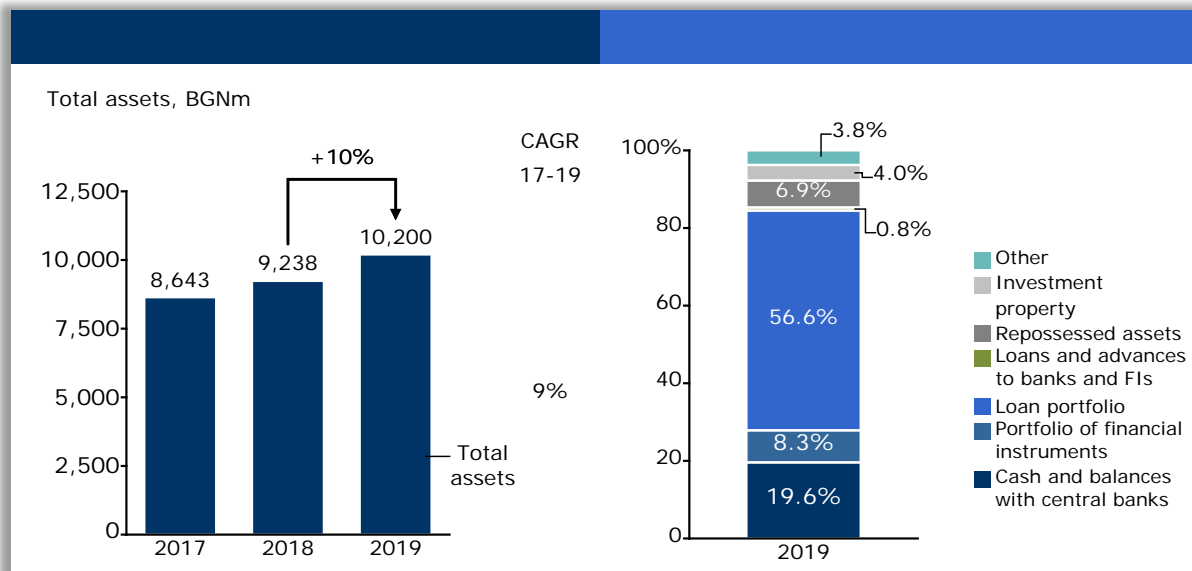
During the year an additional write-downs were made on loans, off-balance sheet commitments and other investments amounting to BGN 200,147 thousand while the reversal of write-downs were BGN 82,657 thousand, the actions being part of the measures taken by the Bank to address the recommendations from the comprehensive assessment conducted during the year. As a result of this the net impairment for 2019 amounts to BGN 117,490 thousand (2018: BGN 82,500 thousand). *For more information see section [Risk Management](#).*

For the period First Investment Bank reported other net income amounting to BGN 49,997 thousand, which included mainly income from revaluation of investment properties (2019: BGN 72,940 thousand), dividend income (2019: BGN 5,678 thousand) and income of sale of assets (2019: BGN 1,500 thousand), as well as expenses for contributions that the Bank made to the funds for deposit insurance, restructuring and investor compensation (2019: BGN 31,828 thousand).

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

BALANCE

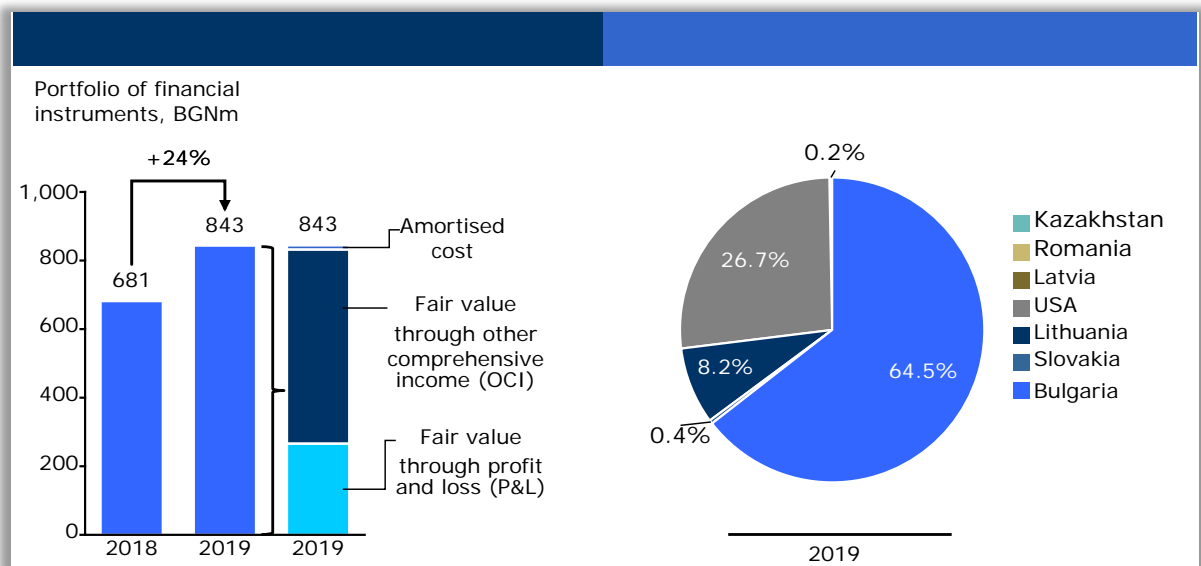
In 2019, total assets of First Investment Bank increased with 10.4% to BGN 10,200,031 thousand, compared to BGN 9,237,837 thousand a year earlier. The dynamics reflected the development of the credit services with a focus on retail and SME banking in line with the Bank's plans, optimization of balance sheet positions and the increase in attracted funds. Fibank retained its leading positions among the banks in the country, as it was ranked fifth in terms of assets among banks in the country (2018: fourth) as at the end of 2019, with market share of 8.81% on a standalone basis (2018: 8.82%).



In the structure of the Bank's assets, the loans and advances to customers remained structure-determining by 56.6% of total assets (2018: 59.8%), followed by cash and balances with central banks - 19.6% (2018: 17.5%) and investments in securities - 8.3% (2018: 7.4%). Repossessed assets decreased their share to 6.9% (2018: 8.7%) and investment property amounted to 4.0% of assets (2018: 2.6%) as a result of reclassification, done during the year. Loan/deposit ratio amounted to 66.5% compared to 68.9% the previous year, reflecting the conservative approach to credit risk management.

Cash and balances with central banks amounted to BGN 1,998,543 thousand or 23.7% more than the end of 2018 - BGN 1,615,646 thousand. An increase was reported in the receivables from central banks, which reached BGN 1,718,780 thousand at the end of the period (2018: BGN 1,035,796 thousand). First Investment Bank manages the cash funds in accordance with customer needs and maintaining optimal return. At the end of 2019, cash on hand amounted to BGN 194,843 thousand, compared to BGN 172,145 thousand a year earlier. Current accounts in foreign banks amounted to BGN 84,920 thousand (2018: BGN 407,705 thousand).

Loans and advances to banks and financial institutions amount to BGN 79,576 thousand at the end of the period (2018: BGN 125,472 thousand). The decrease was registered mainly in receivables from foreign banks and financial institutions (2019: BGN 65,963 thousand; 2018: BGN 96,571 thousand) as at less degree by these of local banks and institutions (2019: BGN 13,613 thousand; 2018: BGN 28,901 thousand).



The portfolio of investments in securities was BGN 843,378 thousand as of December 31, 2019 (2018: BGN 681,464 thousand), as the dynamics reflected an increase mainly in corporate investment in corporate bonds (2019: BGN 236,485 thousand; 2018: BGN 17,084 thousand) and bonds issued by the Bulgarian government (2019: BGN 357,281 thousand; 2018: BGN 322,889 thousand), at the expense of bonds issued by the foreign governments, including treasury bills (2019: BGN 147,695 thousand; 2018: BGN 247,145 thousand). Bonds and other securities issued by foreign banks leave almost unchanged - BGN 26,227 thousand (2018: BGN 26,480 thousand). Related to requirements on business models and the criteria on classification and evaluation of financial assets within the Bank's portfolios in compliance with IFRS 9, BGN 565,818 thousand of the securities portfolio was reported at fair value through other comprehensive income (2018: BGN 656,038 thousand), BGN 265,555 thousand - at fair value through profit or loss (2018: BGN 24,678 thousand) and BGN 12,005 thousand - at amortized cost (2018: BGN 748 thousand). Investments in subsidiaries increased during the period, amount to BGN 43,872 thousand at the end of the period, compared to BGN 36,179 thousand a year earlier, as a result of an increase in investments in subsidiaries of Balkan Financial Services EAD in connection with the development of activity.

As of 31 December 2019, Fibank's operations abroad (Cyprus branch) formed 0.2% of the Bank's assets and 3.0% of the liabilities, as the policy for development of the Cyprus branch's activities is focused toward the segments of micro, small business and retail banking.

Reposessed assets reported a decrease to BGN 708,428 thousand (2018: BGN 804,707 thousand), with a decrease in all major items, including lands, buildings and machines, facilities and vehicles. Investment property is increasing as a result of assets transferred during the year (2019: BGN 99,394 thousand) and revaluation made during the transfer (2019: BGN 72,940 thousand). As a result, the total amount of investment properties reached BGN 410,511 thousand, following write-offs on sold properties amounting to BGN 253 thousand and transferred to land and buildings at BGN 4,136 thousand.

Other assets of the Bank amounted to BGN 104,911 thousand (2018: BGN 110,378 thousand), including deferred expenses, gold and other receivables. The right of use assets amounted to BGN 144,270 thousand as at the end of the year.

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

LOAN PORTFOLIO

LOANS

In 2019, First Investment Bank's net loan portfolio increased by 4.5% to BGN 5,776,915 thousand (2018: BGN 5,525,957 thousand), following the goals on priority development in the business segments of retail banking and SMEs.

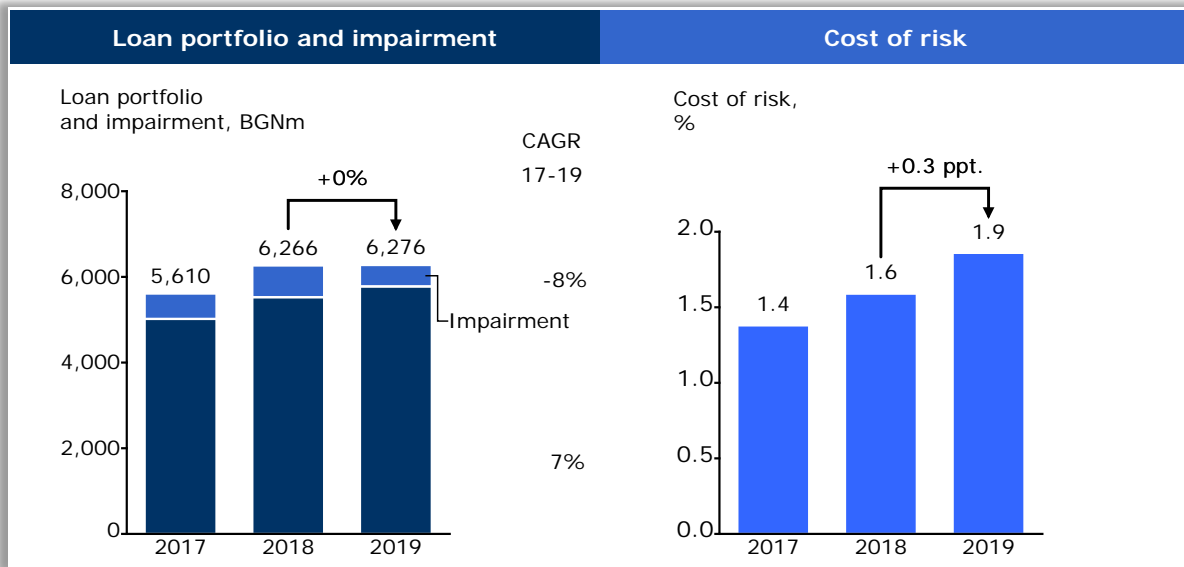
In BGN thousand / % of total	2019	%	2018	%	2017	%
Retail customers	1,849,951	29.5	1,629,047	26.0	1,454,273	25.9
Microlending	163,102	2.6	139,943	2.2	120,882	2.2
Small and medium enterprises	768,701	12.2	751,180	12.0	643,444	11.5
Corporate customers	3,494,654	55.7	3,745,434	59.8	3,391,558	60.4
Gross loan portfolio	6,276,408	100	6,265,604	100	5,610,157	100
Impairment	(499,493)		(739,647)		(591,859)	
Net loan portfolio	5,776,915		5,525,957		5,018,298	

An increase was registered in retail loans, which increased their share to 29.5% of the total portfolio (2018: 26.0%), microlending to 2.6% (2018: 2.2%) and SMEs to 12.2% (2018: 12.0%). A decrease was reported in loans to corporate customers, with their share falling to 55.7% of total loans (2018: 59.8%). As of December 31, 2019, First Investment Bank was fourth in terms of loans among banks in the country with a market share of 10.00% (2018: 10.69%).

In BGN thousand / % of total	2019	%	2018	%	2017	%
Loans in BGN	3,366,813	53.6	3,144,452	50.2	2,718,759	48.5
Loans in EUR	2,771,026	44.2	3,022,015	48.2	2,830,968	50.5
Loans in other currency	138,569	2.2	99,137	1.6	60,430	1.0
Gross loan portfolio	6,276,408	100	6,265,604	100	5,610,157	100
Impairment	(499,493)		(739,647)		(591,859)	
Net loan portfolio	5,776,915		5,525,957		5,018,298	

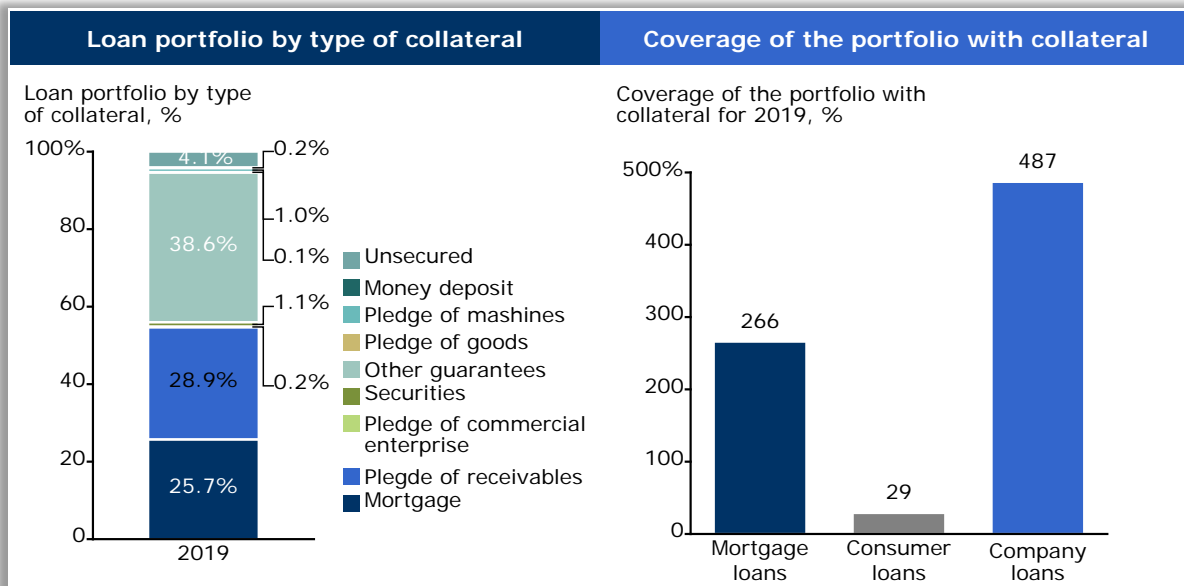
In the currency structure of the loan portfolio, the loans in BGN increased to BGN 3,366,813 thousand (2018: BGN 3,144,452 thousand) or 53.6% of the total portfolio (2018: 50.2%). A decrease was reported in the loans in EUR to BGN 2,771,026 thousand at the end of the period (2018: BGN 3,022,015 thousand), which decreased their share to 44.2% (2018: 48.2%) in total loans. There is a Currency Board Arrangement functioning in the country, which minimizes currency risk BGN/EUR. Bulgaria has formally declared its intention to join the Exchange rate mechanism II (ERM II) and the Single Supervisory Mechanism (SSM), which is a step towards joining the Euro Area. Loans in other currency amounted to BGN 138,569 thousand (2018: BGN 99,137 thousand), forming 2.2% of the total loan portfolio (2018: 1.6%).

Loans granted by the Cyprus branch of First Investment Bank constituted hardly 0.03% of the gross portfolio of the Bank (2018: 0.1%).



In 2019, Fibank managed the credit risk in accordance with the set targets in compliance with the regulatory requirements of the European and local legislation. At the end of the period the impairment for calculation of the potential losses on the loan portfolio amounted to BGN 499,493 thousand compared to BGN 739,647 thousand a year earlier. The main impact had the write-off of impaired exposures in the amount of BGN 358,350 thousand (2018: BGN 210,953 thousand). During the year, an additional allowances were accrued on the amount of BGN 198 674 thousand, reflecting mainly the more conservative approach to credit risk assessment after the Asset quality review (AQR). Impairment of BGN 81,652 thousand was reintegrated for the period.

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



At the end of 2019 collaterals with the largest share in the portfolio were other guarantees at 38.6%, followed by pledges of receivables at 28.9% and mortgages at 25.7%.

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

RELATED PARTY TRANSACTIONS

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

Type of related party	Parties that control or manage the Bank		Enterprises under common control		
	In BGN thousand	2019	2018	2019	2018
Loans		2,327	1,769	20,908	21,915
Deposits and loans received		11,718	12,862	118,118	111,018
Deposits placed		-	-	18,748	19,704
Other receivables		-	-	16,790	22,146
Other borrowings		-	-	100	100
Off-balance sheet commitments		975	1,283	4,235	3,469

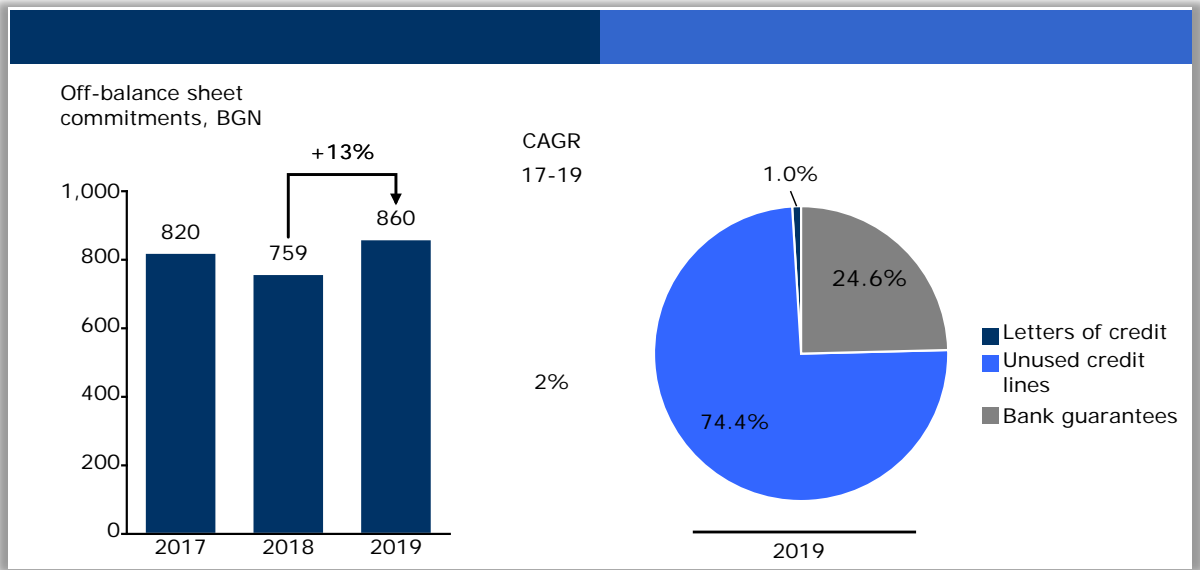
For more information regarding related party transactions, see Note 35 "Related party transactions" of the Standalone financial statements for the year ended December 31, 2019.

COMMITMENTS AND CONTINGENT LIABILITIES

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

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

At the end of the reporting period the total amount of off-balance sheet commitments amounted to BGN 859,990 thousand, compared to BGN 758 600 thousand. The increase was mainly the result of growth in unused lines of credit - up to BGN 639,956 thousand (2018: BGN 512,911 thousand). A decrease was reported for bank guarantees to BGN 211,649 thousand (2018: BGN 228,705 thousand), as well as for letters of credit to BGN 8,385 thousand (2018: BGN 16,984 thousand).



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

ATTRACTED FUNDS

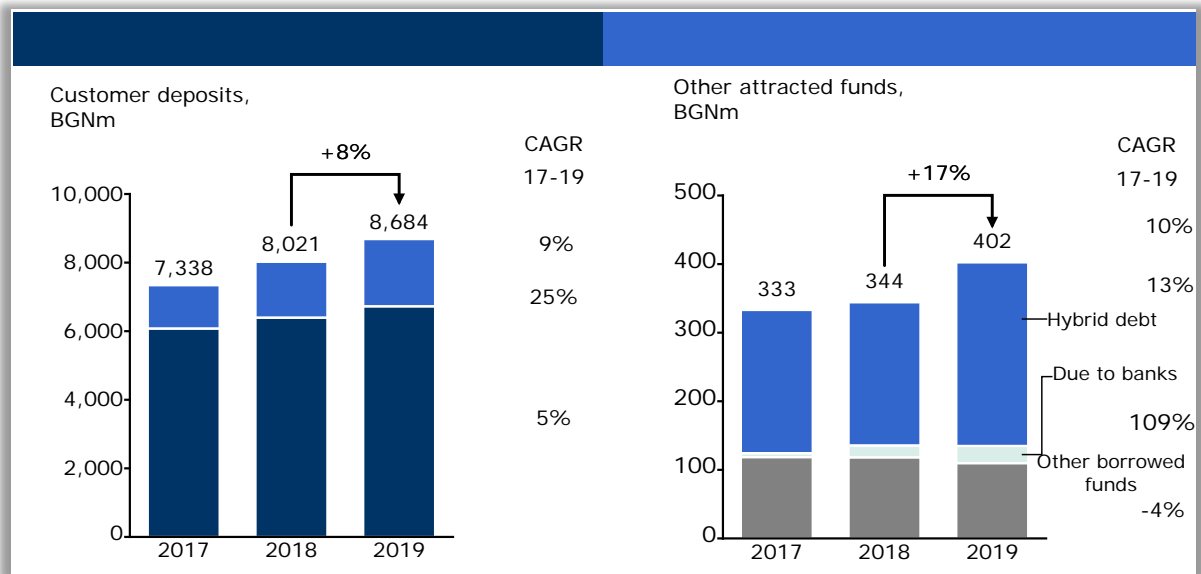
In 2019, attracted funds from customers increased by 8.3% (BGN 662,562 thousand) and reached BGN 8,684,001 thousand (2018: BGN 8,021,439 thousand), thus remaining the main source of funding for the Bank with 93.8% of total liabilities (2018: 95.2%). First Investment Bank offers various savings products, as well as package programs, in line with the market conditions and customers' needs. As at 31 December 2019, the Bank was fourth in terms of deposits among banks in Bulgaria (2018: fourth) with a market share of 9.53% on a standalone basis (2018: 9.57%).

The funds attracted from individuals grew by 5.2% to BGN 6,723,937 thousand at the end of the period compared to BGN 6,392,855 thousand a year earlier. They retained their structure-defining share in the total deposits due to customers at 77.4% (2018: 79.7%). In the currency structure of attracted funds from individuals, funds in BGN formed the majority at 46.4% of total deposits from customers (2018: 46.2%), followed by those in EUR at 25.2% (2018: 27.1%) and in other currencies at 5.8% (2018: 6.4%).

In BGN thousand / % of total	2019	%	2018	%	2017	%
Attracted funds from individuals	6,723,937	77.4	6,392,855	79.7	6,075,112	82.8
In BGN	4,032,395	46.4	3,709,363	46.2	3,467,565	47.3
In EUR	2,187,186	25.2	2,171,366	27.1	2,123,010	28.9
In other currency	504,356	5.8	512,126	6.4	484,537	6.6
Attracted funds from corporate, state-owned and public institutions	1,960,064	22.6	1,628,584	20.3	1,263,263	17.2
In BGN	1,296,304	14.9	961,766	12.0	771,439	10.5
In EUR	525,002	6.1	494,422	6.2	333,630	4.5
In other currency	138,758	1.6	172,396	2.1	158,194	2.2
Total attracted funds from customers	8,684,001	100	8,021,439	100	7,338,375	100

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

Attracted funds from corporates and institutions increased by 20.4% to BGN 1,960,064 thousand (2018: BGN 1,628,584 thousand) as a result of the consecutive Bank's policy of cross sales, development of transactional business in compliance with the new technologies and European payment infrastructure, as well as maintaining long-term relations with customers. At the end of 2019 their share increased to 22.6% of the total deposits from customers (2018: 20.3%). In the currency structure of attracted funds from corporates and public institutions, funds in BGN formed 14.9% of total deposits from customers (2018: 12.0%), those in EUR - 6.1% (2018: 6.2%), while those in other currencies at 1.6% (2018: 2.1%).



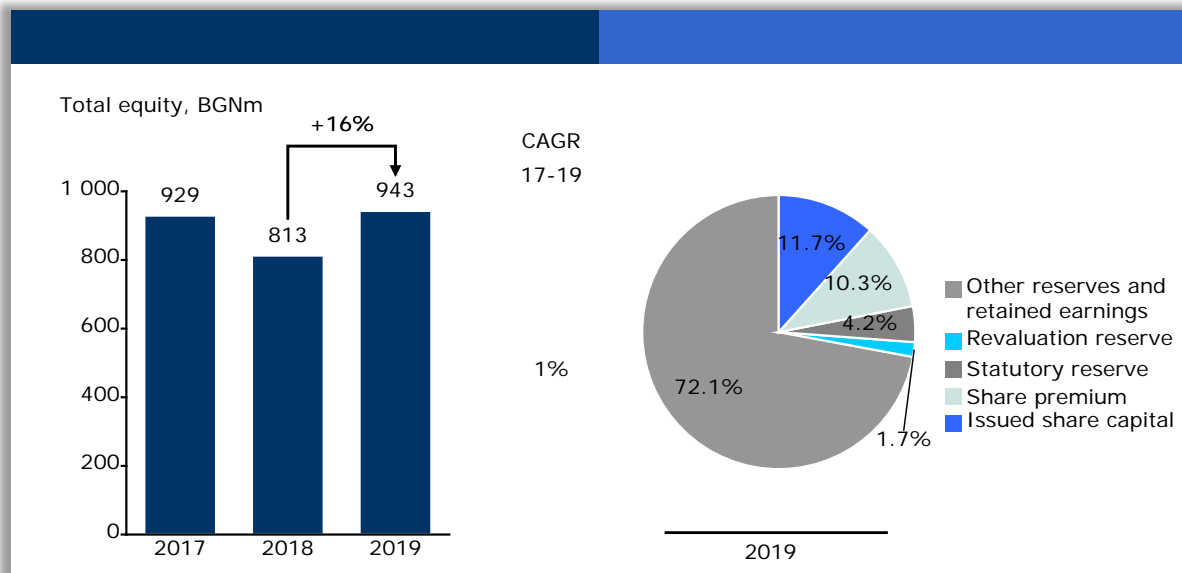
Other borrowed funds amounted to BGN 109,723 thousand as at 31 December 2019 compared to BGN 118,156 thousand a year earlier, as a decrease was reported in liabilities on the acceptances under letters of credit (2019: BGN 10,164 thousand; 2018: BGN 13,553 thousand) and in financings from financial institutions (2019: BGN 25,809 thousand; 2018: BGN 31,078 thousand). They included attracted funds mainly from the European Investment Fund under the JEREMIE 2 initiative at BGN 7,419 thousand (2018: BGN 13,674 thousand), from the Bulgarian Development Bank AD at BGN 16,137 thousand (2018: BGN 17,336 thousand), as well as a new attracted funds from the Fund Manager of Financial Instruments in Bulgaria (The Fund of Funds) at BGN 2,250 thousand. *For more information see section [Europrograms](#).* As at the end of the year the amortized cost of the debt related to agreements for full swap of profitability amounted to BGN 73,750 thousand (2018: BGN 73,525 thousand).

For 2019 the liabilities due to banks amounted to BGN 25,048 thousand, compared to BGN 17,243 thousand a year earlier, with the prevailing current accounts amount. The leasing liabilities amounted to BGN 144,270 thousand as at the end of the year.

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

CAPITAL

As at 31 December 2019, the issued share capital of First Investment Bank amounted to BGN 110,000 thousand, divided into 110,000,000 ordinary, registered, dematerialized, voting shares in the General Meeting of Shareholders, with a nominal value of BGN 1 each. The issued share capital is fully paid. The total equity of First Investment Bank increased by 16.0% to BGN 943,065 thousand (2018: BGN 812,913 thousand) as a result of the increase in other reserves and retained earnings, which reached BGN 679,892 thousand at the end of the period (2018: BGN 550,671 thousand).



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

REGULATORY CAPITAL

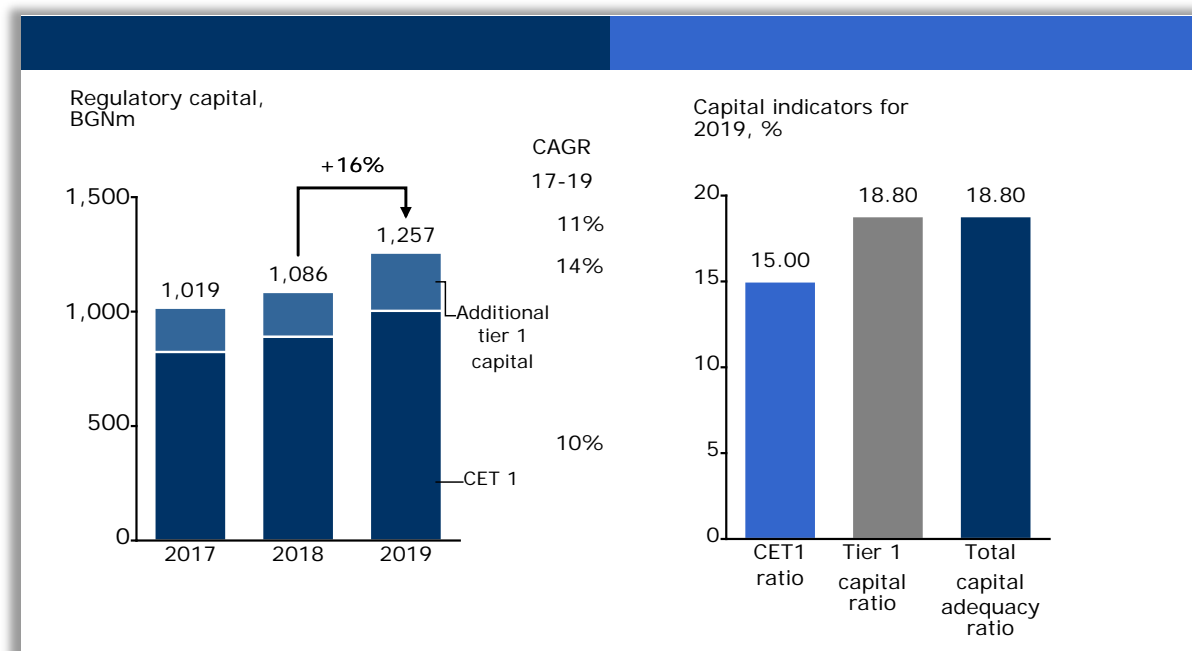
First Investment Bank maintains own funds for the purpose of capital adequacy under the form of common equity tier 1 and additional tier 1, following the requirements of Regulation (EU) No575/2013, incl. the EC implementing regulations, and Ordinance No7 of the BNB on the organization and management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

In 2019, First Investment Bank continued its consistent policy for capital development focusing on common equity tier 1 capital. At the end of the reporting period common equity tier 1 grew by 12.7% to BGN 1,003,004 thousand (2018: BGN 889,922 thousand). As a result of this, tier 1 capital also grew to reach BGN 1,257,262 thousand (2018: BGN 1,085,505 thousand) at the end of the period. The total own funds amounted to BGN 1,257,262 thousand compared to BGN 1,085,505 thousand a year earlier.

At the end of 2019, First Investment Bank successfully placed, under the terms of private offering, a new debt-equity (hybrid) instrument (bond issue) with a total face value and issue value of EUR 30

million. Bonds are registered, dematerialized, interest-bearing, perpetual, unsecured, freely transferable, non-convertible, deeply subordinated and without incentive to redeem, eligible for Tier 1 capital inclusion. As a result, the amortized cost of hybrid debt at the end of the period increased to BGN 267,615 thousand (2018: BGN 208,786 thousand). *For more information, see Note 29 "Hybrid debt" of the Standalone financial statements for the year ended December 31, 2019*

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



For the purpose of reporting large exposures and qualifying holdings outside the financial sector, First Investment Bank applies the definition of eligible capital, which includes tier 1 capital and tier 2 capital, which cannot exceed 1/3 of tier 1 capital. As at 31 December 2019, the eligible capital of First Investment Bank, calculated in accordance with Regulation (EU) No 575/2013 and Ordinance No7 of BNB for the organization and management of risks in banks amounted to BGN 1,257,262 thousand.

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

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

CAPITAL REQUIREMENTS

At end-2019 the capital indicators of First Investment Bank were as follows: the common equity tier 1 ratio was 15.00%, the tier 1 capital ratio was 18.80% and the total capital adequacy ratio was 18.80%,

exceeding the minimum regulatory capital requirements – respectively 4.5%, 6.0% and 8.0%, defined in Regulation (EU) № 575/2013.

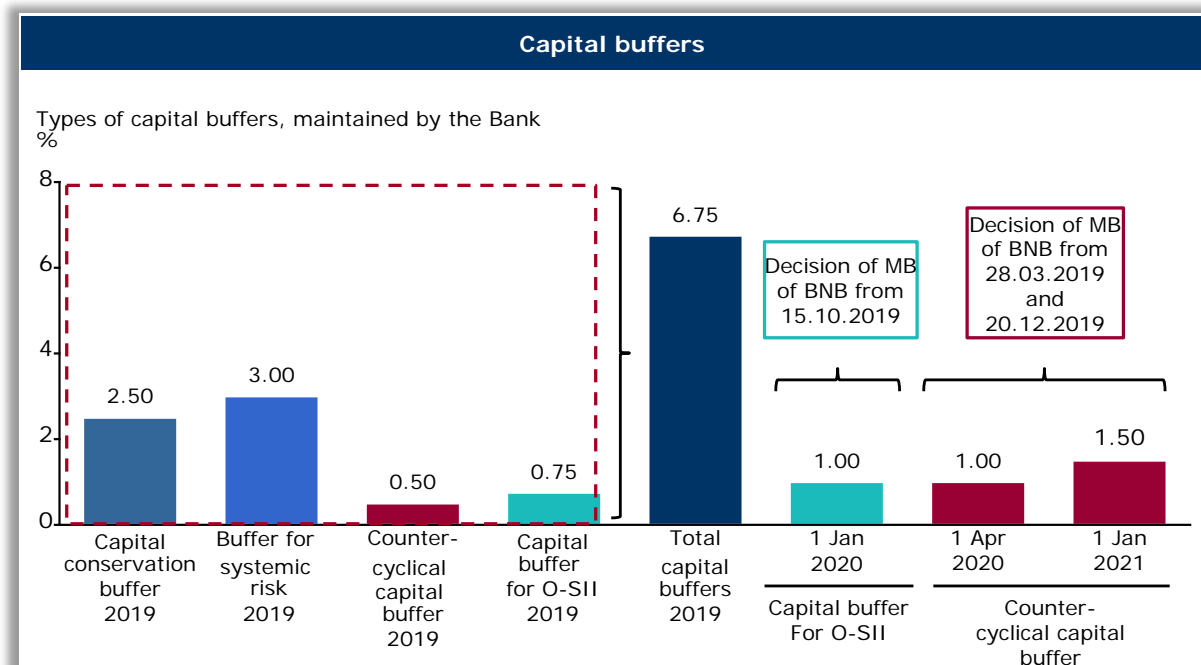
In BGNth/% of risk exposures	2019	%	2018	%	2017	%
CET 1 capital	1,003,004	15.00	889,922	13.37	823,575	13.08
Tier 1 capital	1,257,262	18.80	1,085,505	16.31	1,017,817	16.16
Own funds	1,257,262	18.80	1,085,505	16.31	1,018,717	16.18
Total risk exposures	6,686,583		6,656,398		6,296,788	

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

CAPITAL BUFFERS

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

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



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

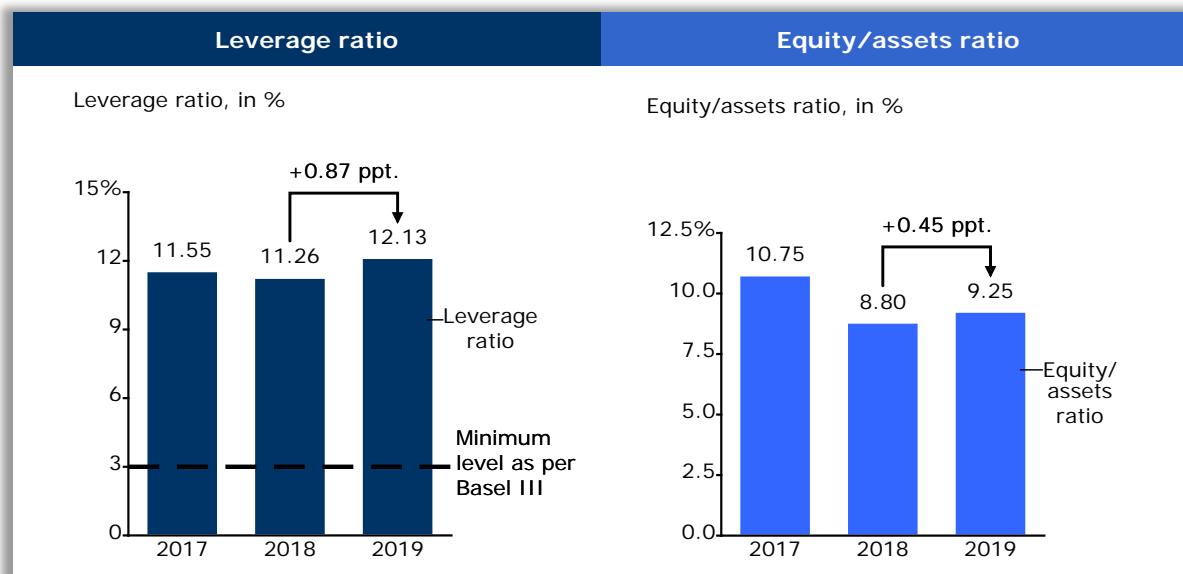
and following decisions increased its level up to 1% in force as of April 2020 and up to 1.5% in force as of January 2021.

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

LEVERAGE

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

First Investment Bank calculates the leverage ratio by matching its Tier 1 capital to the total exposure of the Bank (assets, off-balance sheet items, and other exposures to derivatives and securities financing transactions), subject to the requirements of Delegated Regulation (EU) 2015/62 of the Commission concerning the leverage ratios and the other applicable regulations. As at 31 December 2019, the leverage ratio amounted to 12.13% on a standalone basis compared to 11.26% for the previous period.



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

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

RISK MANAGEMENT

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

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

RISK MANAGEMENT STRATEGY

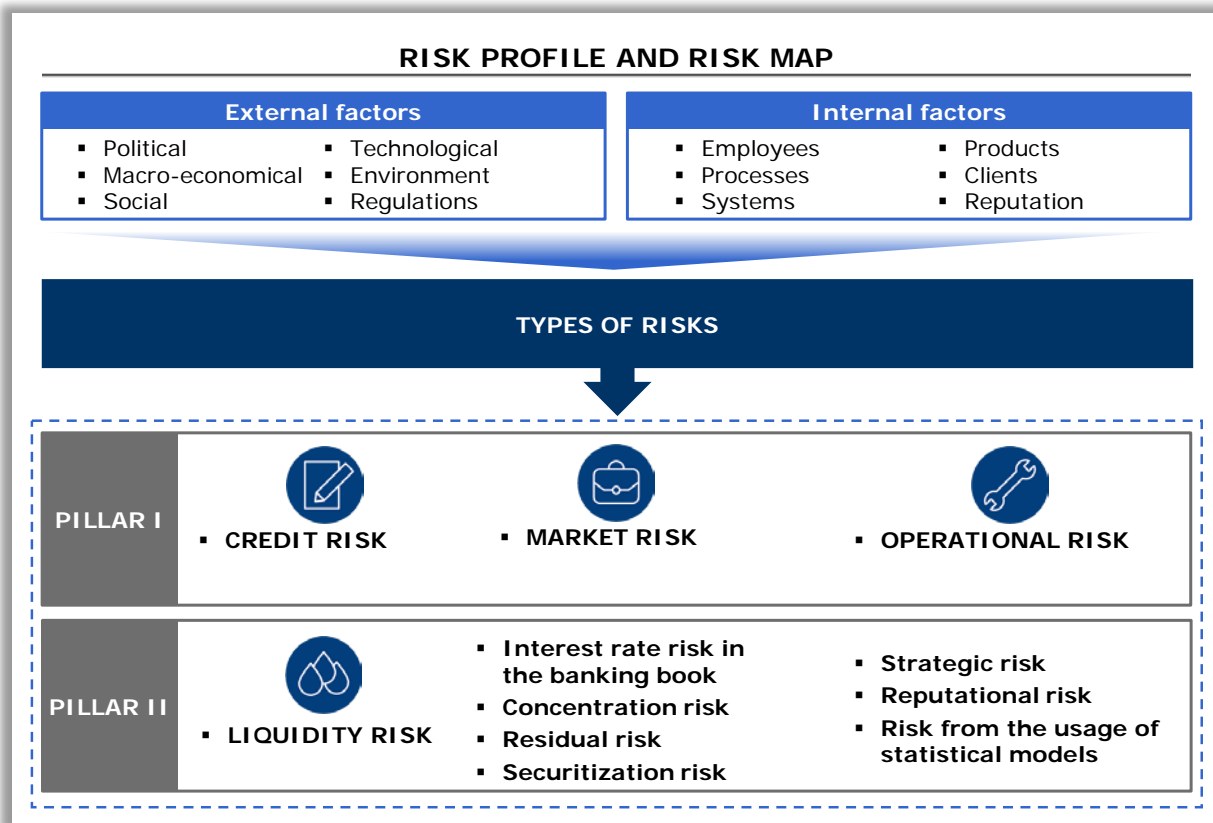
The risk management strategy of First Investment Bank is an integral part of its business strategy. The main objective in managing the overall risk profile of the Bank is to achieve a balance between risk, return and capital. The risk profile is relevant to the product policy of the Bank and is determined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



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

RISK MAP

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



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

RISK APPETITE

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

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

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

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

RISK CULTURE

Prudent and consistent risk culture is one of the key elements of effective risk management. In compliance with the best standards, the Bank seeks to develop a risk culture that will further enhance

visibility and prevention in terms of individual risk types, their identification, evaluation and monitoring, including by applying appropriate forms of training among the employees and senior management involved in risk management.

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

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



RISK MANAGEMENT FRAMEWORK

The risk management framework of First Investment Bank includes automated systems, written policies, rules and procedures, mechanisms for identification, assessment, monitoring and control of risks, and measures to reduce them. Its main underlying principles are: objectivity, dual control of any operation, centralized management, separation of duties, independence, clearly defined levels of competencies and authority, adequacy of the intrabank requirements to the nature and volume of activity, effective mechanisms for internal audit and control. The Bank meets the requirements of current legislation to credit institutions for the preparation and maintenance of current recovery plans in case of potential occurrence of financial difficulties and for the continuity of processes and activities, including with regard to recovery of all critical functions and resources.



LINES OF DEFENCE

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

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

In 2019 the Bank allocated efforts and resources for further developing its policies on internal governance with respect to internal control framework and the independent risk management, compliance and audit functions in accordance with the new requirements in this sphere, incl. the

changes in Ordinance No 10 of the BNB on the Organisation, Governance and Internal Control of Banks, Ordinance No 7 of the BNB on Organisation and Risk Management of Banks and the EBA Guidelines on internal governance (EBA/GL/2017/11).

STRUCTURE AND INTERNAL ORGANISATION

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

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

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

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

The Bank maintains an information system allowing for the measurement and control of risks through the use of internal rating models for assessment of the quality of the borrower, assigning of credit rating to exposure, and obtaining quantitative assessment of risk. The information system ensures maintenance of a database and subsequent processing of data for the purposes of risk management, including for preparation of the regular reports necessary for monitoring the risk profile of the Bank.

COLLECTIVE RISK MANAGEMENT BODIES

The overall process of risk management is carried out under the guidance of the Managing Board of First Investment Bank. The Supervisory Board exercises control over the activities of the Managing Board on risk management, liquidity and capital adequacy, directly and/or through the Risk Committee which functions as an auxiliary body to the Supervisory Board in accordance with existing internal bank rules and procedures.

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

For supporting the activity of the Managing Board in managing the various types of risks, the following **collective management bodies** operate at the Head Office of First Investment Bank: a Credit Council, an Asset, liability and Liquidity management Council (ALCO), a Restructuring Committee and an Operational Risk Committee, which carry out their activities on the basis of written structure, scope of activities and functions.

The **Credit Council** supports the management of the credit risk undertaken by the Bank by issuing opinions on loan transactions in accordance with the authority level assigned thereto, including with regards to proposals from the operational/business units in the Head Office, as well as from the branches of the Bank in the country and abroad. The Chairman of the Credit Council is the Chief Risk Officer (CRO), while the other members include the Chief Corporate Banking Officer (CCBO), the Director and Member of the Managing Board regarding SME Banking, as well as the Director of the Credit Risk Management, Monitoring and Provisioning department.

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

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

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

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

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

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

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

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

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



SYSTEM OF LIMITS

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

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

RECOVERY PLAN

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

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

The Recovery plan includes detailed process of escalation and decision-making, as well as the units and bodies within the Bank responsible for its updating and implementation. It includes quantitative and qualitative early warning and recovery indicators, based on a wide range of capital, liquidity, profitability, asset quality, market-based and macroeconomic indicators, upon the occurrence of which

a phased process is initiated, involving analysis and identification of the best way to overcome the crisis situation, as well as taking of decisions to trigger the appropriate actions according to the procedures for reporting and escalation.

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

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

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



CREDIT RISK

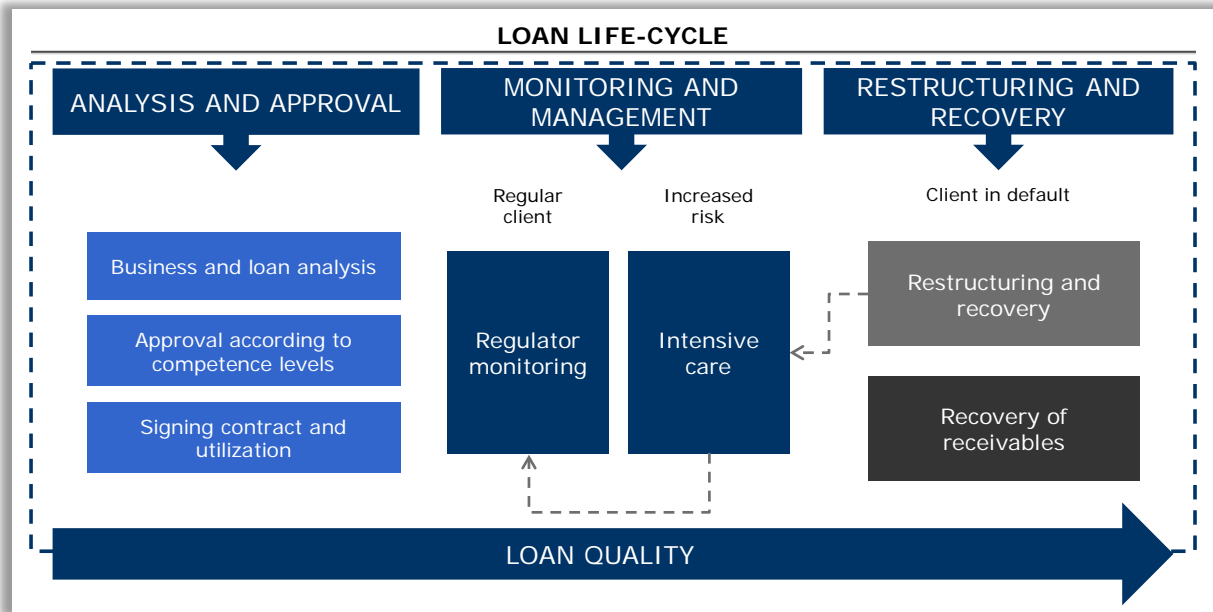
Credit risk is the risk arising from the debtor's inability to meet the requirements of a contract with the bank or inability to act in accordance with the agreed terms. The different types of credit risk include concentration risk, residual risk, dilution risk, counterparty risk, and settlement risk. Credit risk is the major source of risk to the banking business and its effective assessment and management are crucial for the long-term success of credit institutions.

First Investment Bank manages credit risk by applying internal limits on exposures, on customers/counterparties, types of instruments, industry sectors, markets, by written rules and procedures, by internal rating and scoring models, as well as by procedural requirements in originating and managing of loan exposures (administration).

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

LOAN PROCESS

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



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

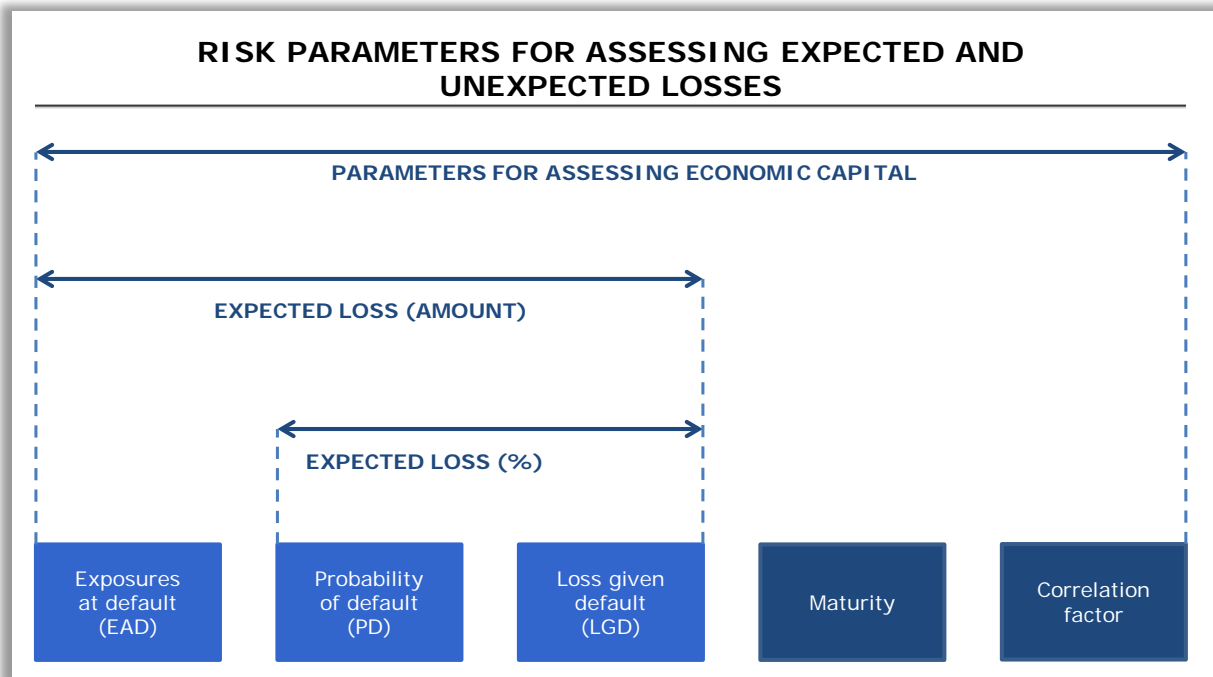
First Investment Bank maintains systems for the ongoing administering and monitoring of different portfolios and exposures to credit risk, including aiming at recognizing and managing exposures in default and performing adequate value adjustments for credit risk. Considering the impact of the economic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

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

MODELS FOR CREDIT RISK MEASUREMENT

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

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



For further information regarding economic capital see subsection „[Internal Capital Adequacy Analysis](#)“.

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

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

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

CREDIT RISK MITIGATION METHODS

Credit risk is managed also by acceptance of guarantees and collateral of types and in amounts according to the current regulations and the Bank’s internal rules and requirements. First Investment Bank requires collateral for credit risk exposures, including for contingent liabilities which bear credit risk. For reduction of the credit risk the Bank applies established techniques, procedures and rules, ensuring effective credit protection, including through the monitoring and control of residual risk. Secured protection is ensured by assets which are liquid enough and have relatively unchanging value

in time. The Bank applies internal written rules regulating eligible collaterals by type and amount, in compliance with the regulatory requirements for their recognition, as well as the legal requirements for supporting documentation. For reduction of credit risk, First Investment Bank applies the financial collateral simple method under the requirements of Regulation (EU) No 575/2013.

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

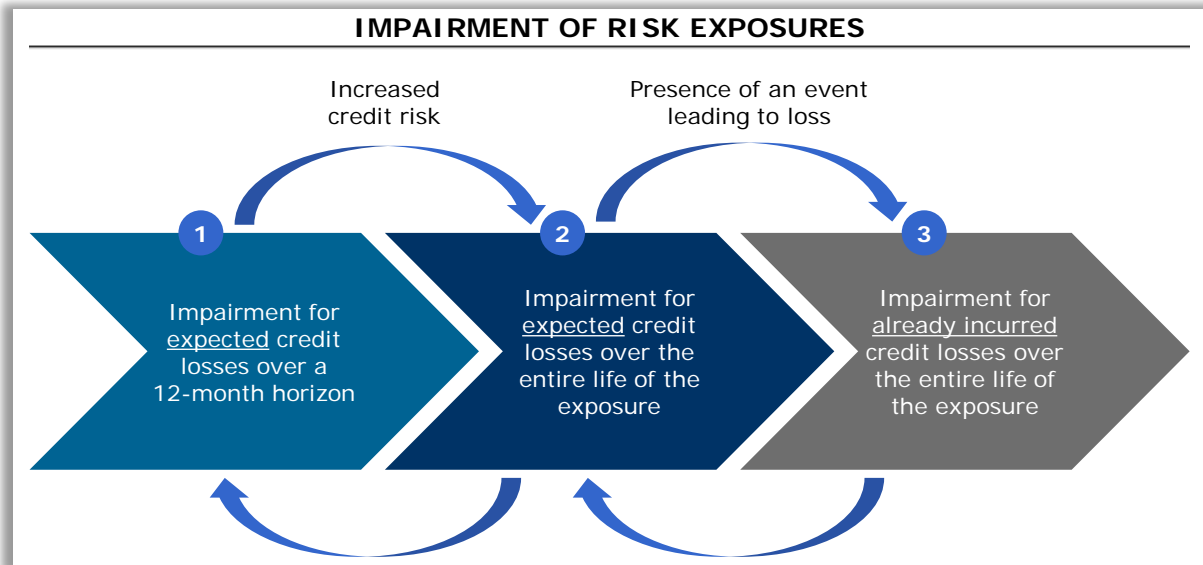
PROBLEM EXPOSURES AND IMPAIRMENT

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

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

In fulfilling the measures for management of nonperforming exposures in December 2019 First Investment Bank signed contracts for sale of loan portfolios of exposures to retail and business clients with a total amount of BGN 538 million. As a result of the aggregate actions for managing asset quality as at 31 December 2019, the ratio of exposures over 90 days past due under the FinREP framework decreased by 1.2 percentage points to 9.2% of gross loans and advances.

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



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

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

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



MARKET RISK

Market risk is the risk of losses due to changes in the price of financial instruments resulting from general risk factors inherent in the markets and not related to the specific characteristics of individual instruments, such as changes in interest rates, exchange rates and/or specific risk factors relating to the issuer.

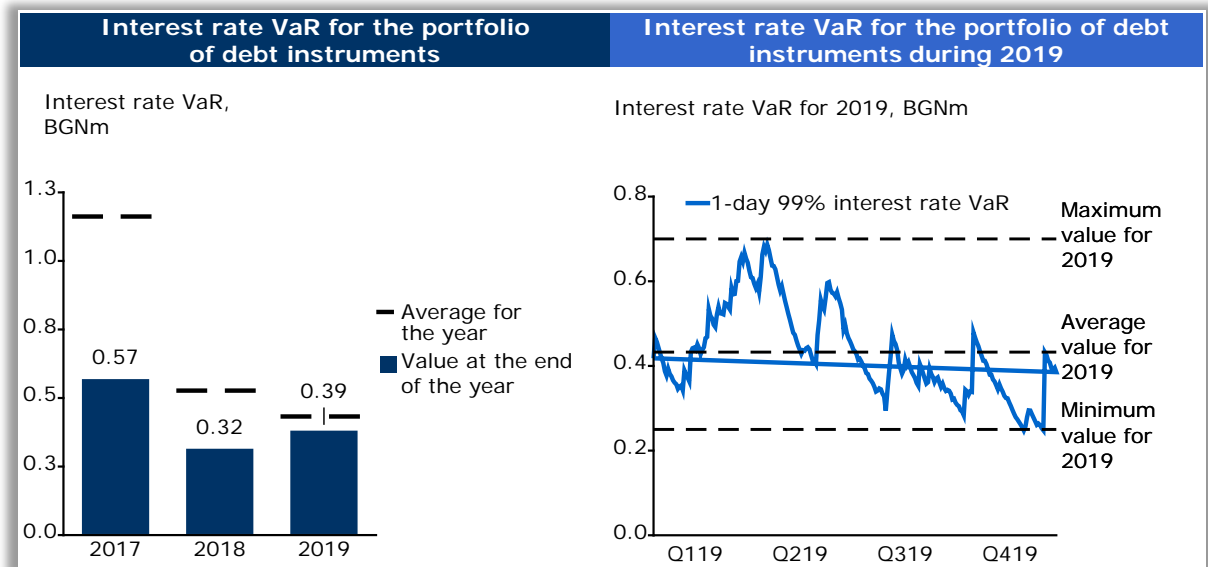
The management of market risk is based on applying internal limits and written rules and procedures with respect to the processes and control environment. For the purpose of assessing and minimizing market risk the Bank applies internal models for assessment, which are based on the “Value at Risk” (VaR)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

INTEREST RATE RISK

Interest rate risk is the current or potential risk of change in the income of the Bank as a result of adverse changes in interest rates. First Investment Bank is exposed to interest rate risk from the trading and the banking portfolios.

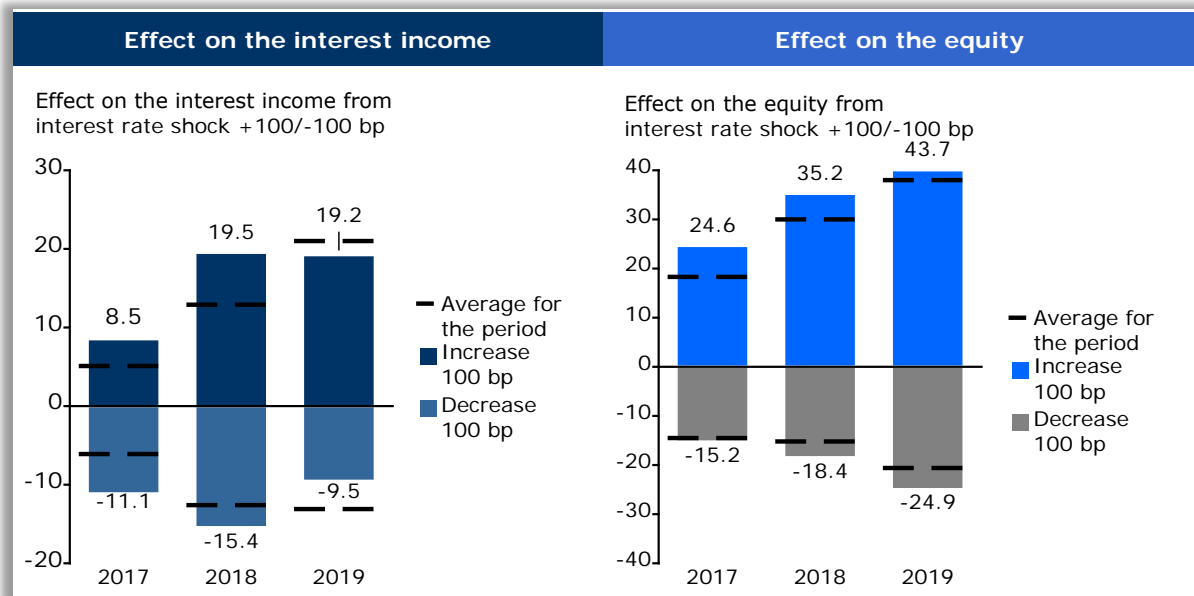
It is the policy of the Bank to maintain an insignificant trading portfolio in accordance with the criteria of Regulation (EU) № 575/2013. Therefore, it does not calculate capital requirements for interest rate and pricing risk in this portfolio. For quantifying measurement of the interest rate and position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

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



With regards to the interest rate risk in the banking book, First Investment Bank manages this type of risk through written rules, limits and procedures aimed at reducing the mismatch between interest rate sensitivity of assets and liabilities. In compliance with the EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02) interest rate risk in the banking book is measured using models that assess the impact of interest rate scenarios on the economic value of the Bank and on the net interest income. Evaluation of the impact on the economic value of the Bank is based on models of the duration of interest-bearing assets and liabilities. The evaluation of the impact on net interest income is based on a maturity table of interest-bearing assets and liabilities and the estimated change in interest rates by classes of instruments following a change in market interest rates.

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



CURRENCY RISK

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

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

The Bank is also exposed to currency risk as a result of proprietary trading transactions. The volume of such transactions is very limited and controlled through limits on open foreign currency positions, and stop-loss limits on open positions.

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



LIQUIDITY RISK

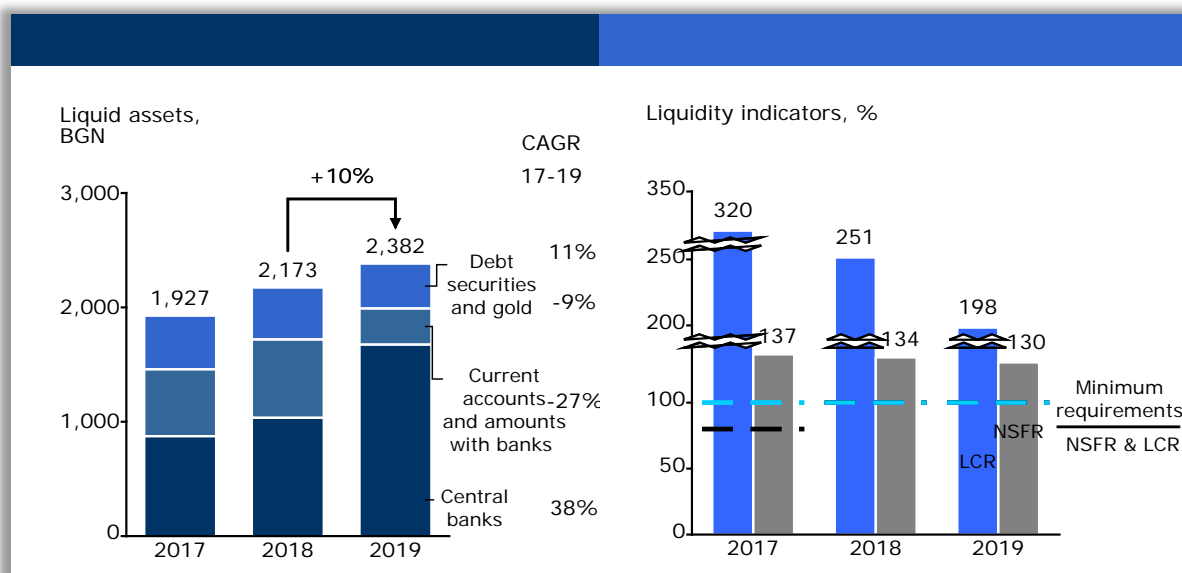
Liquidity risk originates from the funding of the banking business and in positions management. It includes the risk of failure to meet a payment when due, or failure to sell certain assets at a fair price and in the short term to meet an obligation.

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

In order to maintain a moderate risk profile, Fibank has established an adequate framework for liquidity risk management. The Bank's policy on liquidity management is designed so as to ensure meeting all obligations even under stress originating from the external environment or from the specifics of banking activity, as well as to maintain an adequate level and structure of liquid buffers

and apply appropriate mechanisms for the distribution of costs, profits and risks related to liquidity. The Bank applies a combination of methods, financial models and instruments for assessment and management of liquidity, including the requirements for reporting and monitoring of the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) in compliance with Regulation (EU) No 575/2013 and the applicable delegated regulations of the European Commission. In order to reduce the liquidity risk, preventive measures have been taken aimed to extend the maturity of borrowings from customers, to encourage long-term relationships with clients and to increase customer satisfaction. In order to adequately manage liquidity risk, the Bank monitors cash flows on a daily basis, as well as maintains a maturity ladder, which is part of the additional liquidity monitoring indicators and a tool for detailed monitoring of cash inflows and outflows by maturity interval.

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



During the reporting year Fibank maintained an adequate amount of liquid assets, as at 31 December 2019 the ratio of liquid assets covering the attracted funds due to other customers amounted to 27.43%, which was significantly above the BNB recommended level of 20%. According to the regulatory requirements the Bank should maintain a buffer of liquid assets to ensure liquidity coverage of net liquidity outflows over a 30-calendar day stress period with a minimum amount of 100%. At the end of the reporting period, the liquidity coverage ratio (LCR) amounted to 198.25% on a standalone basis (2018: 251.43%).

First Investment Bank also calculates a net stable funding ratio (NSFR), which is an instrument introduced to ensure that long-term liabilities are adequately covered by stable financing tools both under normal circumstances and in stress conditions. At year-end, the net stable funding ratio amounted to 130.44% on a standalone basis (2018: 134.23%) and was above the reference value of 100% before its introduction as a binding requirement in 2021 in accordance with Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds

and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012.

INTERNAL LIQUIDITY ADEQUACY ASSESSMENT PROCESS

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

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

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

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

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



OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed processes, people or systems, or from external events. In order to mitigate the risks arising from operational events, First Investment Bank applies written policies, rules and procedures that are based on the requirements laid down in Bulgarian and EU legislation and good banking practices.

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

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

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

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

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

INFORMATION SECURITY

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

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

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

PERSONAL DATA PROTECTION

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

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

BUSINESS CONTINUITY MANAGEMENT

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

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

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

RISK EXPOSURES

As at 31 December 2019 First Investment Bank applied the standardized approach for the calculation of risk exposures for credit risk, in accordance with Regulation (EU) No 575/2013. Due to the limited volume of financial instruments in the trading book (bonds and other securities) capital requirements are calculated in accordance with the requirements of Regulation (EU) No 575/2013 as applied to the banking portfolio. At the end of the year the Bank informed BNB on change in the applied approach for calculating capital requirements for operational risk – from the basic indicator approach to standardized approach.

In BGN thousand/ % of total	2019	%	2018	%	2017	%
For credit risk	6,092,908	91.1	6,019,548	90.4	5,654,425	89.8
For market risk	4,750	0.1	5,300	0.1	6,000	0.1
For operational risk	588,925	8.8	631,550	9.5	636,363	10.1
Total risk exposures	6,686,583	100	6,656,398	100	6,296,788	100

In 2019 the structure of risk-weighted assets comprised predominantly of those to credit risk at 91.1% of total exposures (2018: 90.4%), following by those for operational risk at 8.8% (2018: 9.5%) and to market risk at 0.1% (2018: 0.1%), as the Bank continued to maintain a conservative approach in the risk assessment and risk management.

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

INTERNAL CAPITAL ADEQUACY ANALYSIS

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

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

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



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

As part of the overall assessment of the exposure to credit risk, for the purposes of ICAAP, First Investment Bank assesses the concentration risk, which is due to the uneven distribution of credit exposures by client, or by a group of related persons, from the perspective of its financial stability and ability to carry out its core business. For the quantitative evaluation of the needed economic capital for this risk, the Bank matches the results of the portfolio VaR model between the real and a hypothetical portfolio, in which the amount of exposures is one and the same at all customers at equally all other conditions.



The Bank's exposure to **market risk** is limited and involves the assessment of capital adequacy in relation to position risk, foreign exchange risk, and commodity risk. For calculation of the economic capital for market risk, internal value-at-risk (VaR) models are used, with a time horizon of 1 year and a confidence level of 98%.

For the purposes of the internal analysis of capital adequacy, Fibank manages the **interest rate risk in its banking book** by managing the structure of investments, controlling the costs and terms of financial liabilities, as well as controlling the interest rate structure of the loan portfolio and the other interest-bearing assets. The approaches of evaluating the effect of interest rates on the net interest income at a one-year horizon, and the effect on the economic value of the Bank are used. For calculating the sufficiency of the economic capital with respect to interest rate risk in the banking book the largest decrease in the economic value of the Bank is defined resulting in a parallel shift of the yield curves by up to ± 200 bps.



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

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

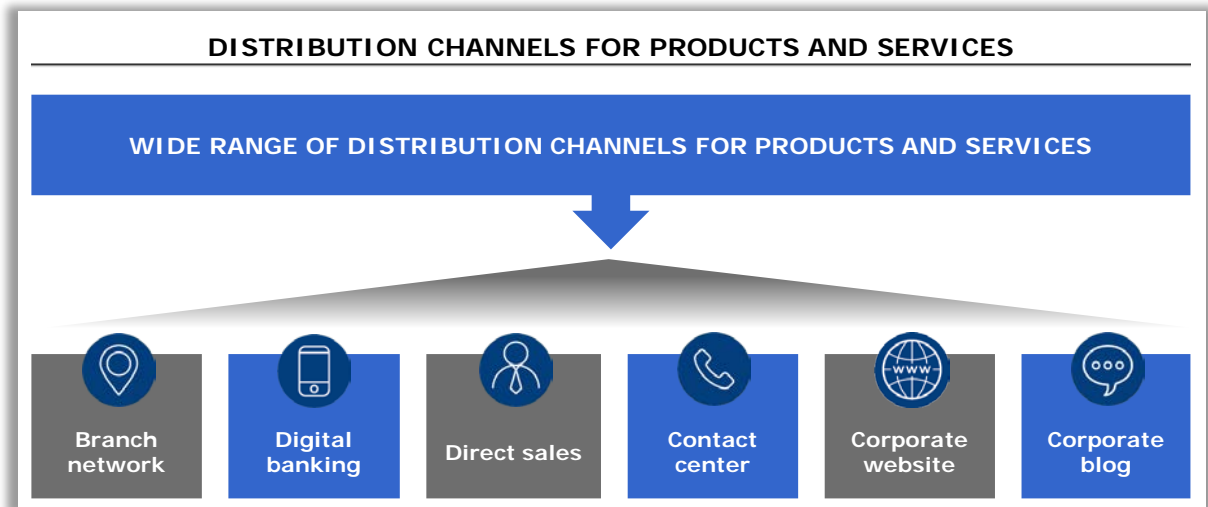


To assess **liquidity risk**, the Bank differentiates the analysis in two directions regarding the risk of insolvency and the risk of providing liquidity. The risk of insolvency is managed and covered by maintaining an appropriate buffer of unencumbered, highly liquid assets, while the risk of providing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

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

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

DISTRIBUTION CHANNELS



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

BRANCH NETWORK

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

During the year the Bank continued to optimize its branch network, taking into account the market environment, the workload of individual locations and the volumes of activity. Twelve offices were closed during the year, three of them in Sofia and nine in the rest of the country, and one new office was opened in Sofia. As at 31 December 2019, the branch network of First Investment Bank comprised a total of 144 branches and offices on a standalone basis (2018: 155), located in 60 cities in Bulgaria: 51 locations in the city of Sofia, 92 branches and offices in the rest of the country and one foreign branch in Nicosia, Cyprus.

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

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

At the end of the year, a centralized back office was initiated in the Bank's system, its main purpose being to optimize the efficiency in servicing the Bank's customers. The centralized back office performs activities related to directing, distributing, processing and archiving customer and payment

documents, as well as preparing bank documents using a specially developed back office platform connected to the core banking information system.

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

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

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

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



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

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

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

Throughout the year, over 50 outgoing campaigns of different nature and topics were conducted through the Contact Center, including information campaigns, direct marketing of products and

services, consumer opinion surveys, as well as campaigns in support of loan collection (soft collection). Over 123,000 outgoing calls were made, with a high response rate achieved.

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



CORPORATE WEBSITE – www.fibank.bg

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

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



CORPORATE BLOG

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

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

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



SALES

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

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

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

DIGITAL BANKING

MY FIBANK ELECTRONIC BANKING

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

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

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

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

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

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

MY FIBANK MOBILE APPLICATION

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

With the mobile application, retail customers to use the same active and passive banking they are registered for in the electronic platform, subject to limits predetermined by the Bank, or by the customer. Business customers may only use passive banking. In addition, the innovative Digital Payments service developed by Fibank allows customers to use a digital bank card through the mobile

application and thus to make digital payments with their NFC enabled mobile device at POS terminals supporting contactless payments.

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

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

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

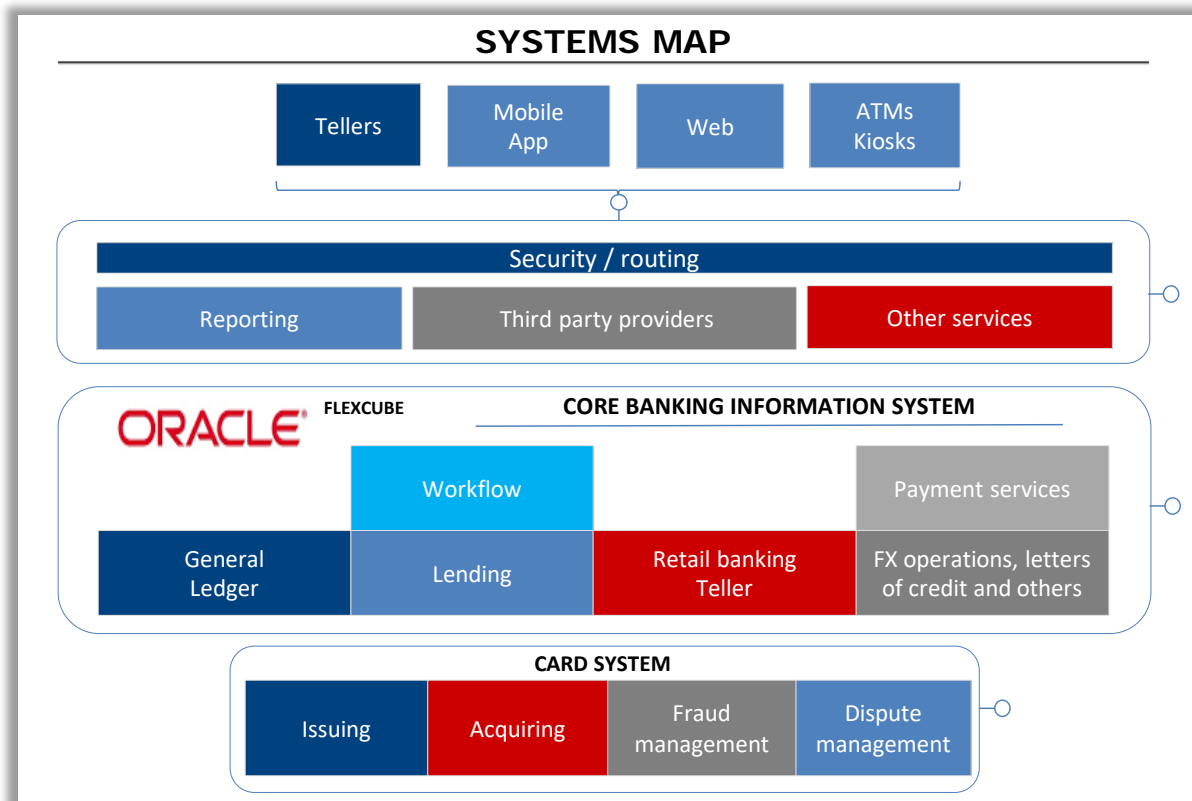


INFORMATION TECHNOLOGY

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

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

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



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

as to maintain reliable databases, networks and systems ensuring continuity of service and key processes within the Bank.

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

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

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

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

CORPORATE GOVERNANCE

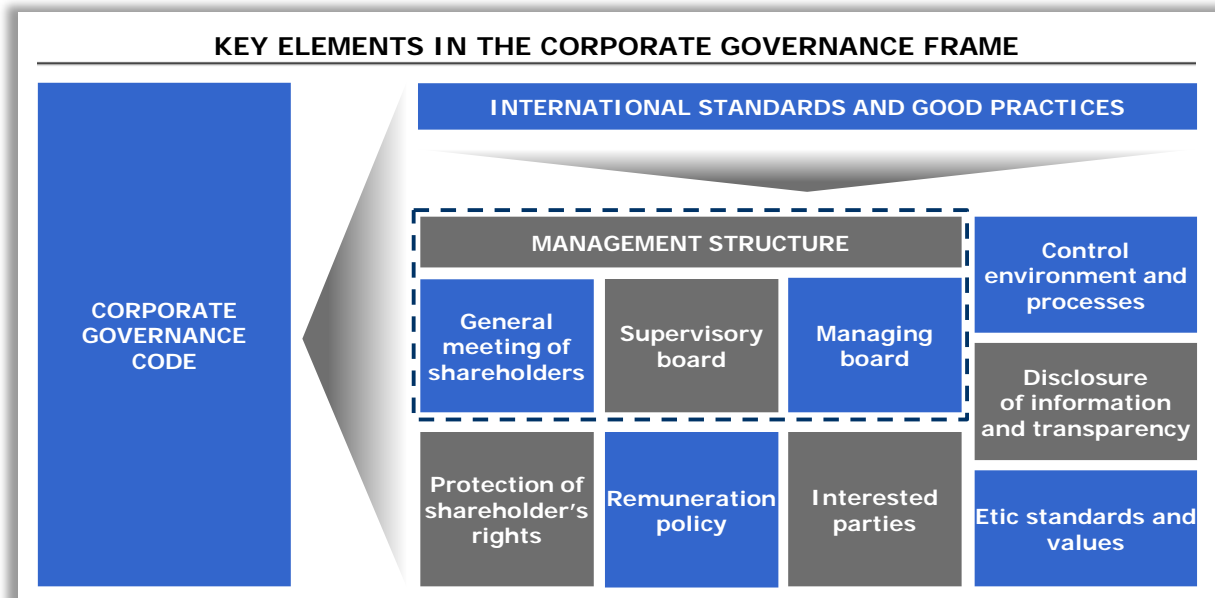
As a public company and public interest entity, First Investment Bank discloses information about its corporate governance practices. This section of the Annual Report represents a

Corporate Governance Statement

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

CORPORATE GOVERNANCE FRAMEWORK

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



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

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

CORPORATE GOVERNANCE CODE

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

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

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

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

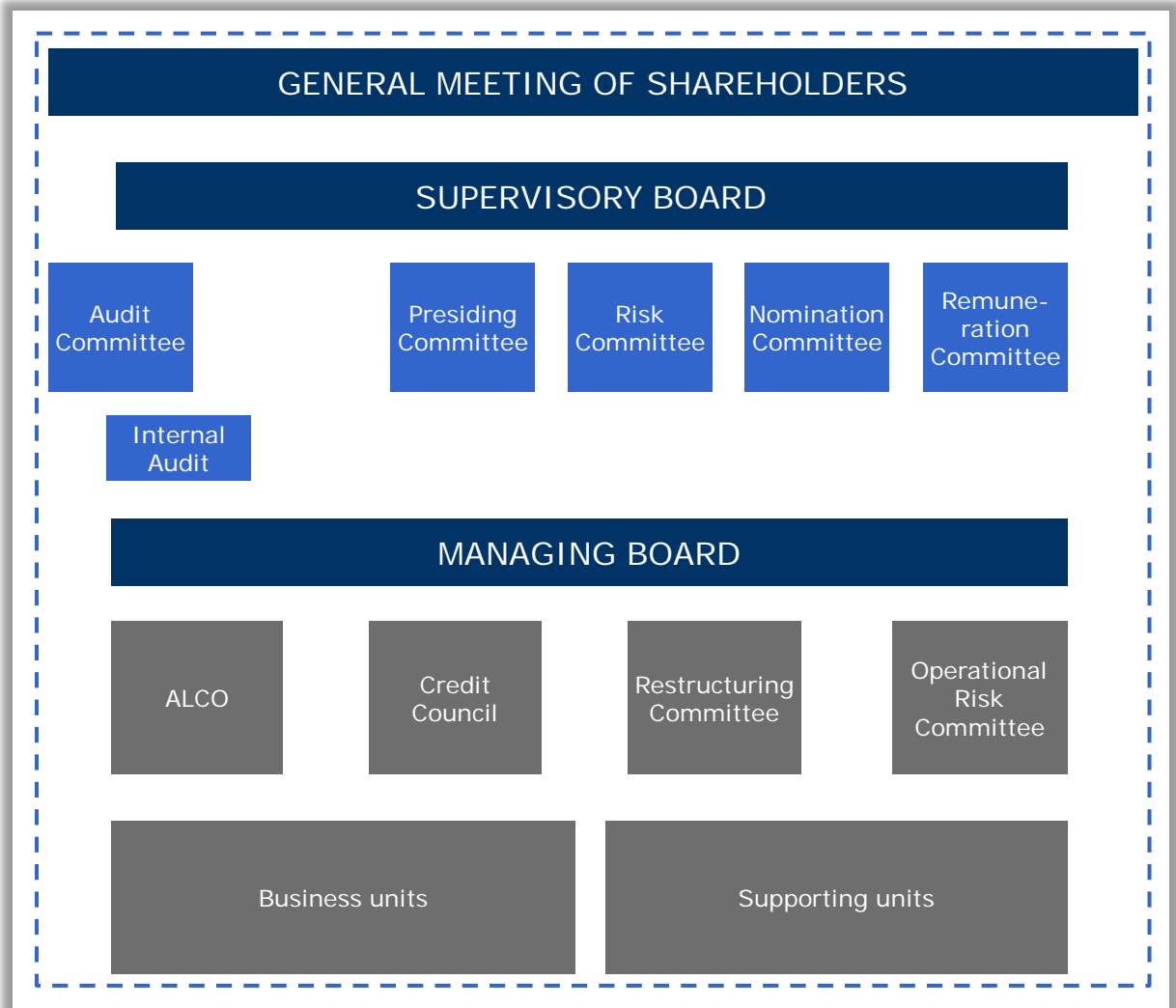
In addition to the Corporate Governance Code, First Investment Bank applies a Disclosure Policy, as both documents are publicly available at the corporate website of the Bank (<https://www.fibank.bg/bg/za-nas/korporativno-upravlennie/kodeks-na-korporativno-upravlennie>). In 2019, the requirements specified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

CODE OF CONDUCT AND WHISTLEBLOWING POLICY

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

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

MANAGEMENT STRUCTURE



SUPERVISORY BOARD

STRUCTURE AND COMPETENCES

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

Name	Position
Evgeni Krastev Lukanov	Chairman of the Supervisory Board
Maya Lubenova Georgieva	Deputy Chair of the Supervisory Board
Georgi Dimitrov Mutafchiev	Member of the Supervisory Board
Radka Vesselinova Mineva	Member of the Supervisory Board
Jordan Velichkov Skortchev	Member of the Supervisory Board
Jyrki Ilmari Koskelo	Member of the Supervisory Board

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

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

DIVERSITY POLICY AND INDEPENDENCE

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

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

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

EQUITY SHARE

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

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

FUNCTIONS AND RESPONSIBILITIES

The Supervisory Board of First Investment Bank supervises and, where necessary, advises the Managing Board and monitors the overall activities of the Bank. It adopts and oversees the implementation of the strategic objectives, the corporate governance framework, and the corporate culture of the Bank. When exercising supervision over the Managing Board, the Supervisory Board takes into account the achievement of objectives, the strategy and risks in the activity of the Bank, as well as the structure and operation of the internal systems for risk management and control.

The Supervisory Board ensures supervision on the risk management framework, including risk appetite, internal governance and the control system of all types of risks by requiring high risk culture among employees. It carries out its activity effectively exchanging information with the Managing Board subject to specifics, and by implementation of high ethical standards and the corporate values of business conduct sets the tone for high corporate culture and business ethics: "Tone of the Top".

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

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

ASSESSMENT OF THE ACTIVITY

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

COMMITTEES

The Supervisory Board is supported in its activity by a Presiding Committee, a Risk Committee, a Remuneration Committee, and a Nomination Committee which function according to written competencies, rights and responsibilities. In 2019, changes were made in the composition of the committees aiming at optimizing and enhancing their activity and compliance with the applicable regulatory requirements on internal governance.

The **Presiding Committee** is responsible for overseeing the activities of the Managing Board on important strategic decisions, including the issue of new shares, bonds, hybrid instruments, the adoption of programs and budgets relating to the activity of the Bank, as well as the line responsibilities of the members of the Managing Board. Chair of the Presiding Committee is Ms. Maya Georgieva.

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

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

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

The **Remuneration Committee** assists the Supervisory Board in the implementation of the Remuneration policy of the Bank and its subsequent amendments, as well as in any other matters concerning remuneration, in accordance with the regulatory requirements and best practices in the area. Chair of the Remuneration Committee is Mr. Evgeni Lukanov. The Bank fulfills the requirement towards significant banks (pursuant to Ordinance No 4 of the BNB on the Requirements for Remunerations in Banks) the majority of the members of the committee to be independent under the meaning of art.10a, par.2 of LCI.

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

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

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

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

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

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

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

MANAGING BOARD

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

STRUCTURE AND COMPETENCES

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

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

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

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

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

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

For further information regarding the professional experience and competences of the Supervisory Board members see section „Other information“.

The composition of the Managing Board is structured so as to ensure effective management of operations, subject to the generally accepted principles of managerial and professional competence

and clear separation of duties and responsibilities. The Bank is represented together with each two of the executive members of the Board (executive directors).

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

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

EQUITY SHARE

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

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

FUNCTIONS AND RESPONSIBILITIES

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

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

COMMITTEES AND COUNCILS TO THE MANAGING BOARD

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

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

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

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

GENERAL MEETING OF SHAREHOLDERS

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

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

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

With a view to greater efficiency and facilitating the implementation of certain decisions, the General Meeting of Shareholders with its previous decisions of 29.05.2017 and 16.05.2016 has authorized the Management Board, with the prior approval of the Supervisory Board, to adopt resolutions for increase, through issuance of new shares, of the Bank's capital until it reaches an aggregate nominal

amount of BGN 210,000,000.00 (within a period of 5 years as from 23.06.2017), as well as for the issuance of debt instruments, including subordinated term debt and debt/equity (hybrid) instruments, up to the aggregate amount of BGN 2 billion or its equivalence in another currency (within a period of 5 years as from 16.06.2016).

CONTROL ENVIRONMENT AND PROCESSES

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

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

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

First Investment Bank applies written policies and rules regarding the disclosure of conflicts of interest, and organization of the processes in the Bank is established in such a way as to avoid the possibility of conflict of interest. A Whistleblowing policy is also in place, aimed to systematize the means and procedures for internal sharing of information where there are suspicions of unlawful actions, or problems related to the work process, whereby to ensure their transparent and fair consideration and resolution.

INTERNAL AUDIT

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

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

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

REGISTERED AUDITORS

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

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

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

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

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

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

PROTECTION OF SHAREHOLDERS' RIGHTS

The corporate governance of First Investment Bank protects the rights of shareholders, depositors and other customers of the Bank, treating all shareholders of the Bank equally, including minority and foreign shareholders. The governing bodies of First Investment Bank provide shareholders and investors with regular and timely disclosure of information about major corporate events related to the operation and condition of the Bank, ensuring informed exercising of shareholders' rights, and informed investment decision-making by investors.

CONVENING OF GMS AND INFORMATION

The convening of the General Meeting of Shareholders is made by written notice to shareholders in accordance with the Statute of the Bank in order to encourage their participation in the General Meeting, and in such a way as not to impede the voting or make it unnecessarily expensive. The Bank provides shareholders with timely and adequate information for decision-making, taking into account the scope of competence of the General Meeting. The invitation, together with the written materials related to the agenda of the General Meeting, are announced in the Commercial Register to the Registry Agency, submitted to the Financial Supervision Commission, and made available to the public through www.x3news.com at least 30 days before holding the General Meeting. They are also published on the website of the Bank in Bulgarian and English from the time of the announcement until the conclusion of the General Meeting. Upon request, the materials are provided to each shareholder free of charge. As part of the invitation written rules for voting with proxy are included, also requirements related to documents prepared in a foreign language, as well as information on receiving and accepting notifications, warrants of attorney and other documents through electronic means of communication were also laid down.

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

MAIN TRANSFER RIGHTS AND RESTRICTIONS

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

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

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

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

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

MINORITY SHAREHOLDERS AND INSTITUTIONAL INVESTORS

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

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

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

INFORMATION DISCLOSURE

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

First Investment Bank has Disclosure policy adopted by the Managing Board and approved by the Supervisory Board that outlines the framework for provision of information to stakeholders, shareholders and investors in accordance with modern practices of good corporate governance and

provides an opportunity for making objective and informed decisions and assessments. In disclosing information, the Bank is guided by the principles of accuracy, accessibility, equality, timeliness, integrity and regularity.

In its capacity as a public company and issuer, Fibank discloses to the public (through www.x3news.com) periodic information, including annual financial reports audited jointly by two registered auditors, as well as interim financial and activity reports. The scope of periodic information disclosed by First Investment Bank exceeds the requirements of national legislation, as the Bank has decided to publicly disclose quarterly financial activity reports in compliance with Art. 100n¹, par.7 of LPOS and Art.33a², par.2 of Ordinance №2 of the FSC, that are with more detailed content as the one in its half-year reports, instead of the more concise public notifications for financial condition for the first, third and fourth quarter.

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

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

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

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

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

INVESTOR RELATIONS DIRECTOR

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

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

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

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

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

STAKEHOLDERS

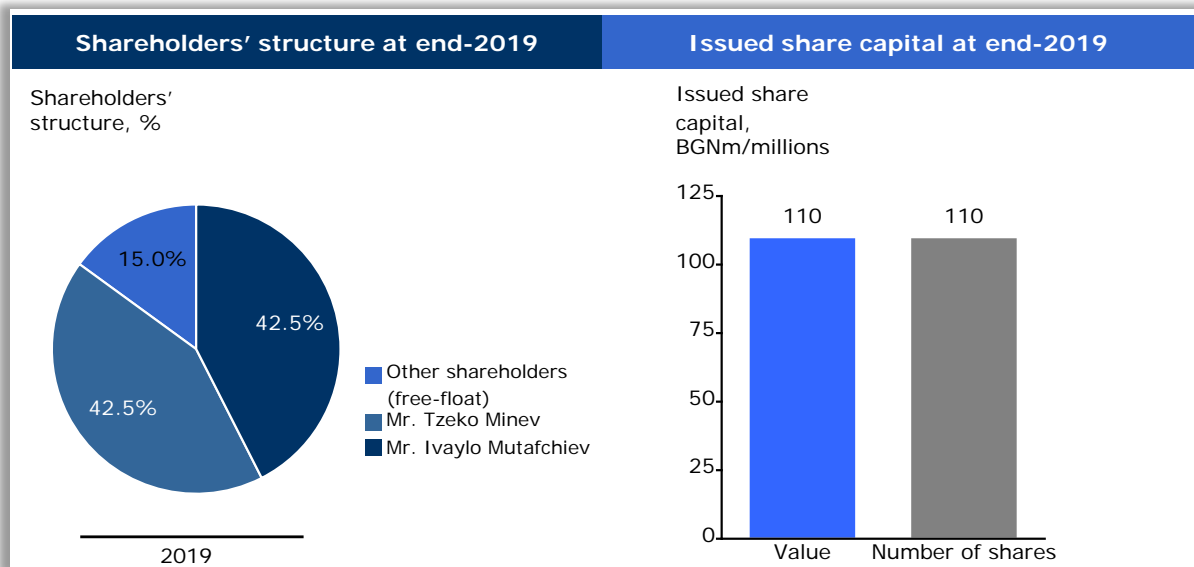
First Investment Bank applies a policy of providing information to stakeholders about its activity. Those include persons who are not shareholders but are interested in the economic development of the company, such as creditors, bondholders, customers, employees, the general public, and others.

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

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

SHAREHOLDERS' STRUCTURE

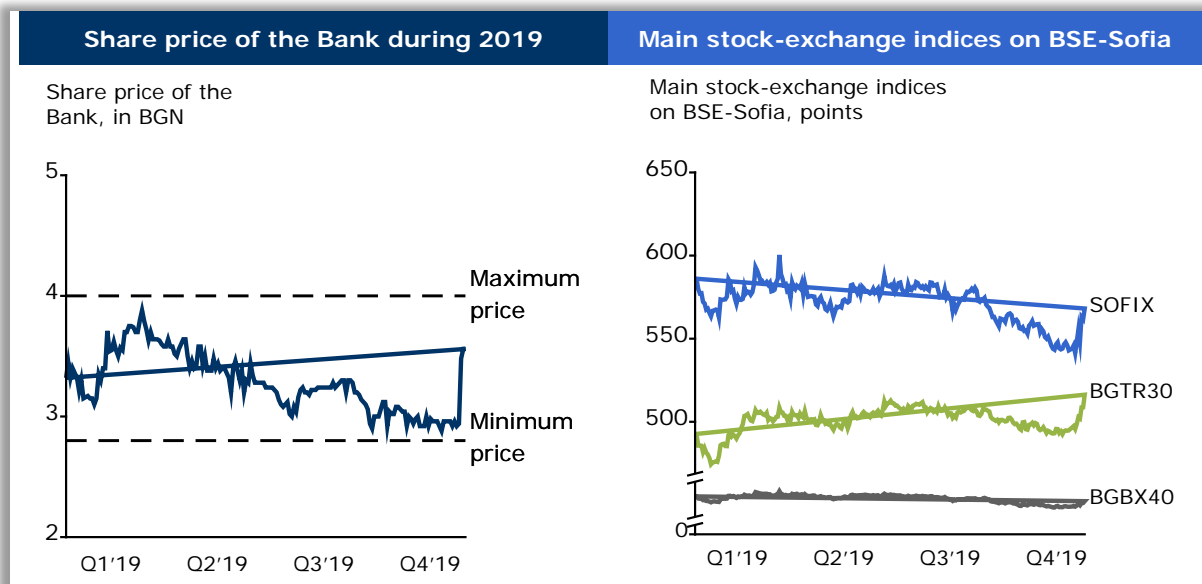
As at 31 December 2019 the major shareholders of First Investment Bank were Mr. Tzeko Minev (42.5%) and Mr. Ivailo Mutafchiev (42.5%). The remaining 15% of the Bank's issued share capital (BGN 16.5 million) was owned by other shareholders, holding shares subject to free trade on the Bulgarian Stock Exchange (free-float). At the end of the year the total number of shareholders is over 1,700 which include both individuals and legal entities, incl. institutional investors.



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

SHARE PRICE AND MARKET CAPITALISATION

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



As at 31 December 2019, the shares of the Bank were traded on the Main Market BSE, Premium Equities Segment of the Bulgarian Stock Exchange and were included in three stock exchange indices – SOFIX, BGBX40 and BGTR30, which bring together the largest, most traded and most liquid companies on the stock exchange in Bulgaria.

 **HUMAN CAPITAL**

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

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

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

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

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

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

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

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



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



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

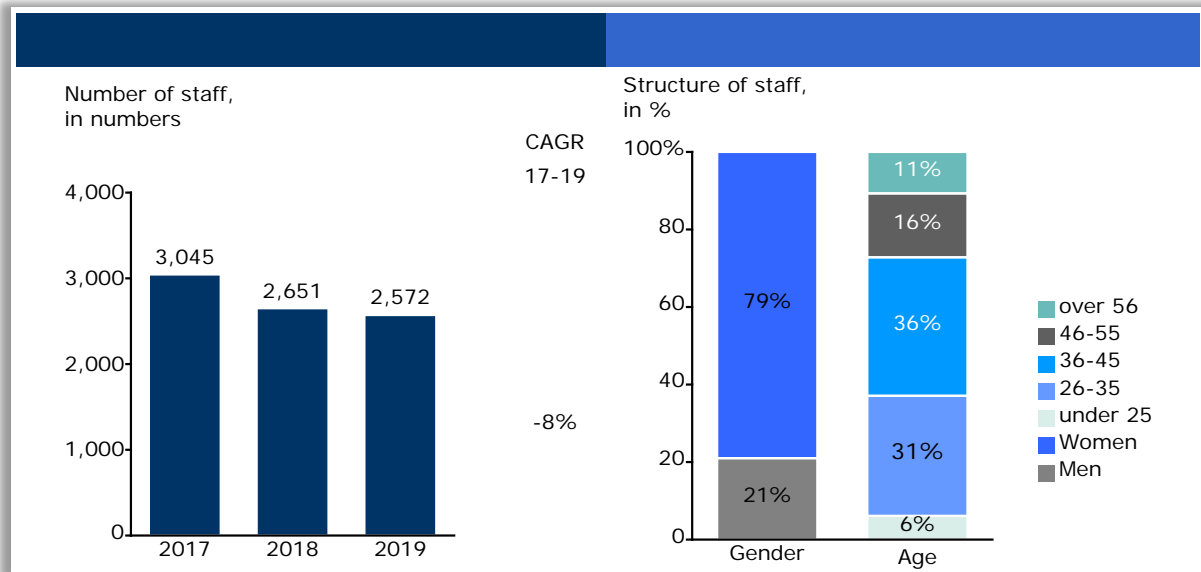


In 2019, Fibank continued to invest in the development of qualifications and motivation of its employees by enrolling in two Master's Programs. The Bank finances the education of high-potential development employees in the Master's Program „**Finance, Banking & Real Estate**” of SDA Bocconi School of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

Nine employees of the Bank successfully graduated during the year in the Master's Program „**Banking Management and Investment**”, which is developed jointly with the University of Finance, Business and Entrepreneurship and is aimed at building partnerships and lasting integration of

business with education. For the academic year 2019-2020, new 15 employees who have undergone a special nomination and selection procedure have been enrolled to participate in the Master's Program.

As at 31 December 2019, the number of staff of First Investment Bank on a standalone basis amounted to 2,572 employees compared to 2,651 a year earlier. As at the end of the year, 37% of the Bank's staff are employees at the age of up to 35 years, and the share of those up to 45 years is 73% of the total staff. According to the general trends, the majority of the Bank's employees are women.



REMUNERATION POLICY

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

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

The policy sets out the general principles in forming remunerations. There are fixed and variable remunerations, the purpose of the Bank being to adhere to an optimal ratio between both, with a sufficiently high proportion of fixed remuneration so that, depending on the category of staff, greater flexibility of the variable part can be ensured, including the possibility of non-payment thereof. In determining the remuneration, not only the financial results are taken into account, but also the ethical norms and corporate values underlying the Code of Conduct of the Bank, as well as sound and effective risk management.

The policy includes the categories of staff (identified staff), including senior management, employees with control functions and those whose activities are related to risk-taking, as well as defined the specific requirements for them with regard to the structure of the variable remuneration, as well as a mechanism for deferment in line with the effective legislation and specifics of the environment.

A Remuneration Committee functions at First Investment Bank, its role being to assist the Supervisory Board in its work on monitoring the implementation of the Remuneration policy, taking into account the risk impact and the long-term interests of shareholders, investors and other stakeholders. *For more information regarding its functions and responsibilities see section „[Supervisory Board](#)“.*

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

POLICY FOR NOMINATION AND SUITABILITY ASSESSMENT

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

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

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

SOCIAL RESPONSIBILITY

Non-financial statement

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

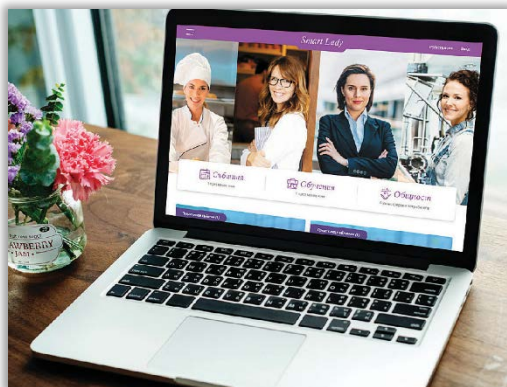
In 2019, First Investment Bank maintained its image as a socially responsible institution implementing various projects in the spheres of education, culture and sport as part of its corporate social responsibility program.

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

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



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



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

and business cooperation among women in business.

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



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

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



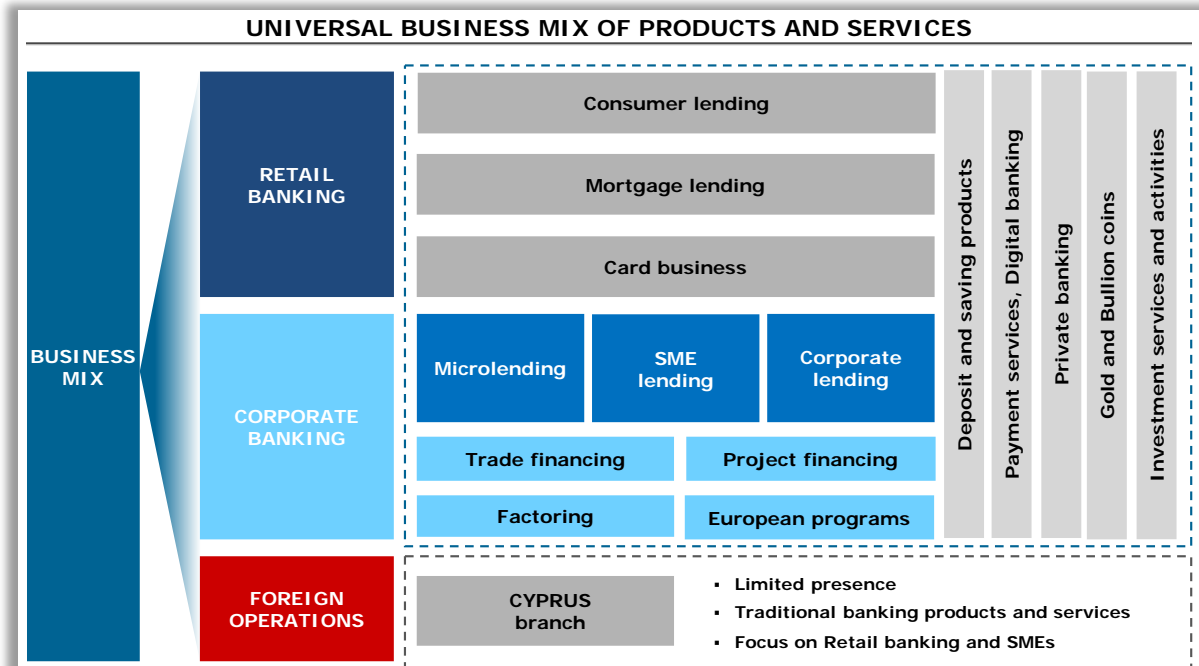
At the end of 2019, First Investment Bank presented its charity calendar for 2020 which is part of a social project aimed at young and talented Bulgarian athletes, supporting the Bulgarian Rhythmic Gymnastics Federation (BRGF) and as well as, the shelter for homeless animals Animal Rescue Sofia. The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

For another year, Fibank organized the competition Best Bulgarian Firm of the Year, aimed at supporting Bulgarian companies and creating increased confidence among them, as well as at drawing attention to positive and successful business examples and models of entrepreneurship in the country that may become a source of inspiration to others.

In accordance with legal regulations and good practices, First Investment Bank discloses in its Annual Reports non-financial information that represents a *Non-financial statement* within the meaning of Art. 48 of the Accountancy Act, including with regard to the corporate social responsibility policies of the Bank and its participation in the public life of the country, as well as matters related to employees, diversity policies in place, description of business development and products, corporate governance

practices and development objectives. *For more information, apart from the Social Responsibility section, see also sections [Mission](#), [Bank profile](#), [Highlights 2019](#), [Distribution channels](#), [Information technology](#), [Corporate governance](#), [Human capital](#), [Business overview](#), [Goals for development during 2020](#).*

BUSINESS REVIEW



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

RETAIL BANKING

DEPOSITS

In 2019, attracted funds from individuals increased and reached BGN 6,723,937 thousand compared to BGN 6,392,855 thousand a year earlier, mainly driven by the 20.3% increase in current accounts which reached BGN 1,448,789 thousand (2018: BGN 1,204,229 thousand). Such results were determined by the consistent policy of the Bank for establishing long-term customer relationships, while developing cross-selling and transaction business.

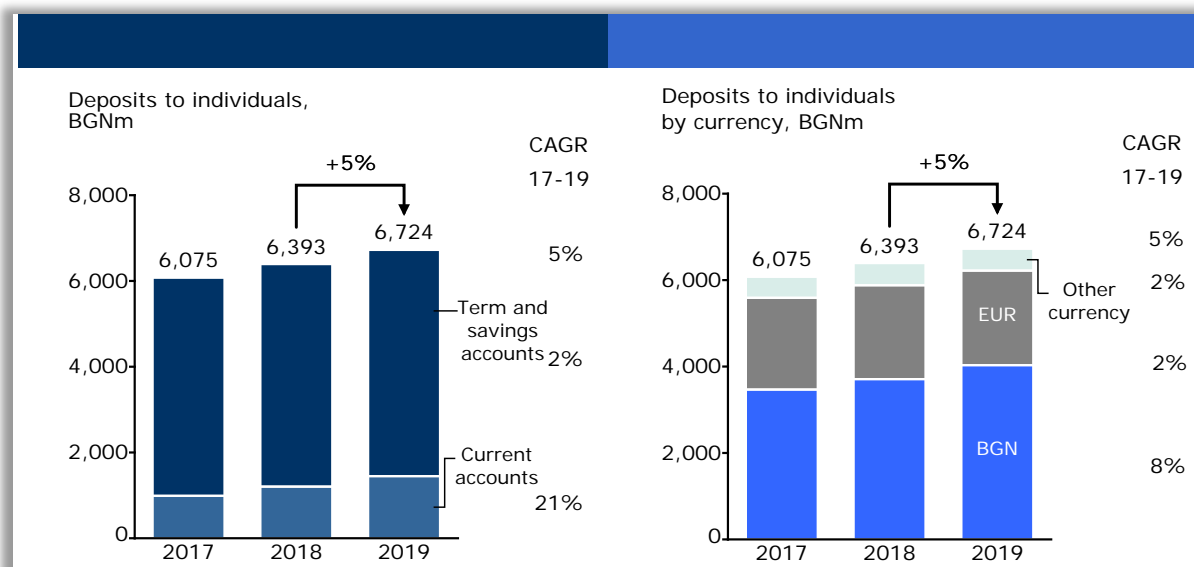
During the year, a new retail product Saving account for teenagers “Smart teen” was developed, that allows transfer of amounts ordered through the My Fibank Mobile application from and to the Current account with issued debit card Debit Mastercard Pay Pass teen. In April 2019 a campaign for promoting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

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

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

By the end of the year, term deposits and savings accounts increased to BGN 5,275,148 thousand (2018: BGN 5,188,626 thousand), with borrowings from individuals retaining a major share at 78.5%

(2018: 81.2%). With a view to diversifying its sources of funds, the Bank participates in the international platform WeltSparen by Raisin aimed at attracting deposits from foreign persons.



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

LOANS

The gross loan portfolio of individuals increased with 13.6% to BGN 1,849,951 thousand compared to BGN 1,629,047 thousand for the previous year, as a result of an increase in consumer and mortgage product lines.

In BGN thousand/ % of total	2019	%	2018	%	2017	%
Consumer loans	845,305	45.7	734,928	45.1	612,970	42.2
Mortgage loans	823,239	44.5	700,311	43.0	591,830	40.7
Credit cards	176,309	9.5	187,577	11.5	246,291	16.9
Other programs and secured financing	5,098	0.3	6,231	0.4	3,182	0.2
Total retail loans	1,849,951	100	1,629,047	100	1,454,273	100

CONSUMER LOANS

Consumer loans increased by 15.0% to BGN 845,305 thousand (2018: BGN 734,928 thousand), contributors being the competitive terms offered by the Bank, the easy loan application procedure and the development of new products and programs, including seasonal offerings, in line with customer needs and market necessities.

During the year a new innovative service for distance signing of consumer loans is started by using specialized coding Token device (Software/ Hardware) or qualified electronic signature through a Third-party mobile application. The new possibility is part of Fibank's program for growth and digitalization of services, developed in order for additional ease of its customers as well as helping the ecological growth. First Investment Bank continued to promote the opportunity for fully online

application for consumer loans and overdrafts on its website at www.credit.fibank.bg. The process is integrated into the automated Workflow system of the Bank.

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

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

CREDIT CARDS

The utilized limits on credit cards were in the amount of BGN 176,309 thousand at the end of the period (2018: BGN 187,577 thousand). Fibank develops various and innovative card products and services, including thematic campaigns to promote and attract new customers, which were organized in implementation of the Bank's consistent and long-term policy for stimulating these non-cash payments. The relative share of loans utilized through credit cards in the total loan portfolio to individuals amounted to 9.5% (2018: 11.5%).

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

MORTGAGE LOANS

As at the end of December 2019, mortgage loans increased by 17.6% to BGN 823,239 thousand compared to BGN 700,311 thousand a year earlier, forming a 44.5% share in the portfolio of loans to individuals (2018: 43.0%). As at 31 December 2019, the market share of the Bank in this segment increased to 6.91% (2018: 6.68%), as Fibank was placed sixth among banks in the country on a standalone basis (2018: sixth).

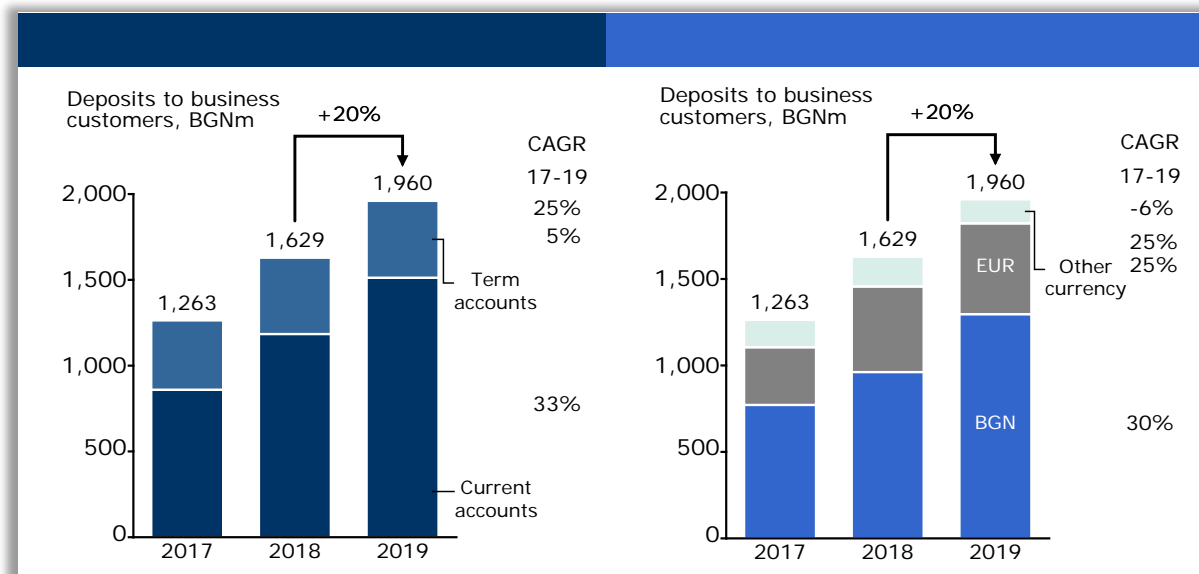
Throughout the year in implementation of its strategy for development of the retail banking segment, Fibank continued to offer mortgage loans under competitive conditions as well as to organize promotional campaigns, aiming to stimulate sales, including the campaign New home with Fibank. During the period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

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

CORPORATE BANKING

DEPOSITS

Attracted funds from corporates and institutions in 2019 increased with 20.4% (BGN 331,480 thousand) to BGN 1,960,064 thousand (2018: BGN 1,628,584 thousand). The increase in volume reflected mainly in the current accounts reaching BGN 1,511,780 thousand at the end of 2019 (2018: BGN 1,184,170 thousand) and forming 77.1% of the attracted funds from business customers and institutions (2018: 72.7%).



Term accounts increased as well and reached BGN 448,284 thousand (2018: 444,414 thousand) at the end of the period, forming 22.9% of the attracted funds from corporates and institutions (2018: 27.3%). First Investment Bank offers a variety of deposit and savings accounts, and package programs for business customers which constantly adapt to market conditions and specific company requirements.

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

As at 31 December 2019, funds attracted by the thirty biggest non-banking clients represented 7.42% of the total amount due to other customers (2018: 4.93%).

LOANS

CORPORATE LENDING

The portfolio of loans to corporates amounted to BGN 4,426,457 thousand at the end of 2019, compared to BGN 4,636,557 thousand a year earlier as result of decreasing their share in the corporate portfolio to 78.9% at the end of the year (2018: 80.8%). The loans to other business lines – small and medium enterprises and microlending, grew, as they increased their share in the structure of loans to companies to 17.4%, (2018: 16.2%) and to 3.7% (2018: 3.0%) respectively, as part of the policy for portfolio diversification and priority development in these segments.

In BGN thousand/ % of total	2019	%	2018	%	2017	%
Corporate customers	3,494,654	78.9	3,745,434	80.8	3,391,558	81.6
Small and medium enterprises	768,701	17.4	751,180	16.2	643,444	15.5
Microlending	163,102	3.7	139,943	3.0	120,882	2.9
Total loans to corporates	4,426,457	100	4,636,557	100	4,155,884	100

* Business lines based on internal Bank criteria for segmentation of customers

First Investment Bank provides various financing for business clients, including under the form of working capital loans, investment loans, guarantees, financing under the programs and funds of the EU, under the National Guaranteed Fund, factoring services and others.

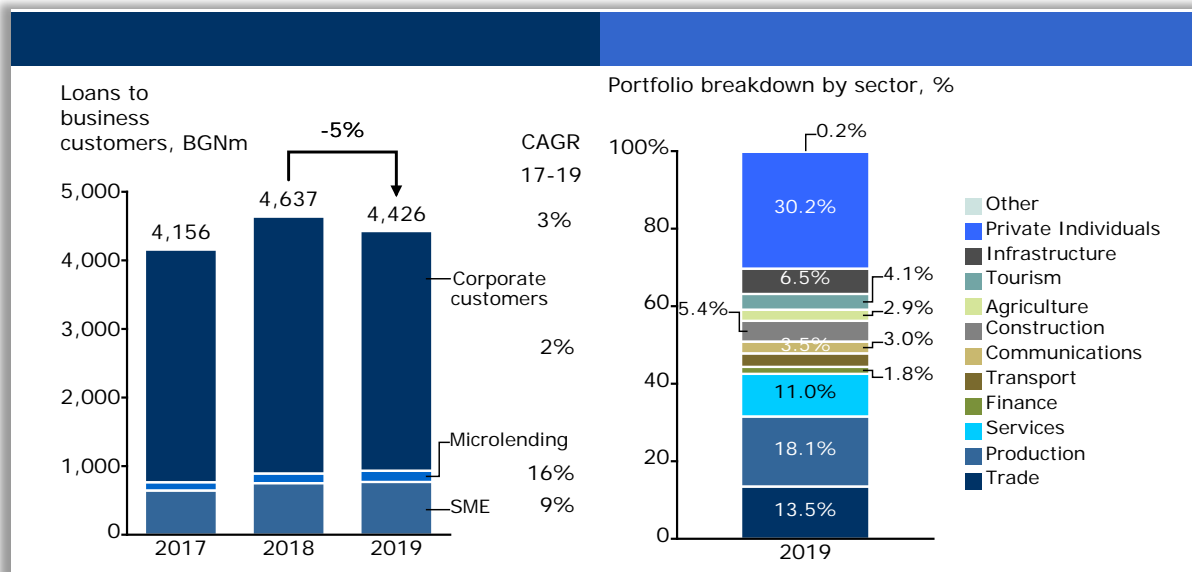
During the year, a campaign was launched to present the factoring services offered by the Bank to existing and potential business customers, including companies delivering of goods or providing services with deferred payment in the country or abroad. First Investment Bank is a member of Factors Chain International (FCI), a global network of leading commercial finance companies and can provide export factoring without recourse, as well as import factoring. The Bank also maintains co-operation with leading factoring insurance companies.

The Bank continued to be among the leading institutions in the country in the area of commercial finance. At the end of the year, in accordance with the renewal option, an extension was signed to the framework agreement with the Taiwan export insurance agency Eximbank Taiwan for financing deliveries of goods from Taiwanese suppliers to customers of First Investment Bank in Bulgaria or abroad.

The market share of Fibank at the end of December 2019 amounted to 11.60% of loans to corporates in the banking system (2018, 12.82%), Fibank retained its second place (2018: second) among banks in the country on a standalone basis.

As at 31.12.2019, loans to the manufacturing sector had a leading share in the portfolio structure (2019: BGN 1,133,840 thousand, 2018: BGN 1,179,765 thousand), followed by the trade sector (2019: BGN 844,380 thousand, 2018: BGN 992,286 thousand) and the services sector (2019: BGN 691,080 thousand; 2018: BGN 655,577 thousand), forming respectively 18.1%, 13.5% и 11.0% % of total loans (2018: 18.8%, 15.8% и 10.5%). Such dynamics reflect the positive trends of economic activity in the country, in line with the Bank's development goals. An increase was also reported in the sectors of construction – up to BGN 336,886 thousand (2018: BGN 258,219 thousand) as a result of the recovery of these sectors and their contribution to value added in the economy over the period. Positive indications and data in the tourism sector contributed to the development of loans in this segment, which reached BGN 255,881 thousand at the end of the period against BGN 244,533 thousand a year earlier. An increase was also reported in the sectors of finance (2019: BGN 112,944 thousand; 2018: BGN 107,517 thousand). Loans in communications increased to BGN 190,441 thousand (2018: BGN 106,858 thousand), driven by the Bank's focus and specialized credit products offered, as well as by the sector's contribution to the growth of the services industry in the country.

During the year decrease was registered in loans in the sphere of agriculture (2019: BGN 180,014 thousand; 2018: BGN 194,749 thousand), in transport sector (2019: BGN 217,938 thousand; 2018: BGN 316,628 thousand) and infrastructure (2019: BGN 408,558 thousand; 2018: BGN 500,735 thousand).



During the period, the Bank affirmed its cooperation with the Bulgarian Export Insurance Agency (BAEZ), by continuing its activity on the agreement for portfolio insurance with the agency, used as part of the techniques for mitigating credit risk.

SME BANKING

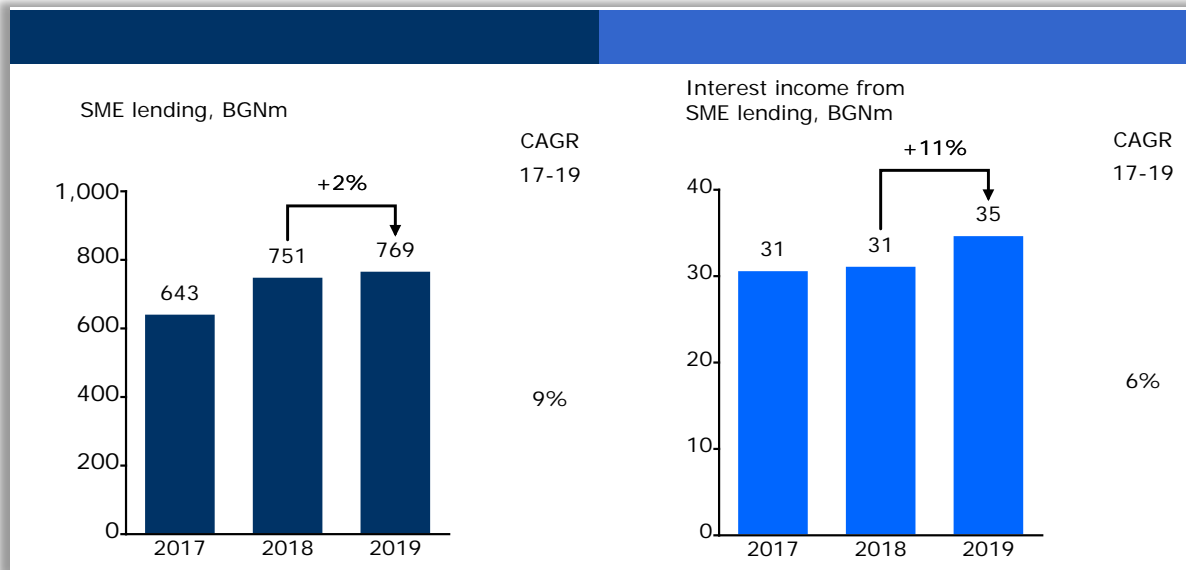
In 2019, loans to small and medium enterprises¹³ increased with 2.3% to BGN 768,701 thousand compared to BGN 751,180 thousand a year earlier in implementation of the Bank's plans for development of this business segment. The increase was influenced also by the competitive terms offered in the products for SME clients, as well as the various solutions related to the programs and funds of the EU and the other guarantee schemes and financing.

In the beginning of the year, based on an agreement with the National Guarantee Fund (NGF) for financing under the COSME+ guarantee scheme, Fibank started providing investment and working capital loans to small and medium-sized enterprises in the amount of up to EUR 150,000 for a term of up to 120 months. Under the program a possibility for issuing a bank guarantee is provided, and revolving credit lines for a term of up to 60 months, as well.

In the end of 2019, First Investment Bank started preparation for new credit decisions aimed at supporting the small and medium-sized enterprises in the country under a program with NGF using mechanism of shared risk. The maximum amount of the limit is BGN 20 million. By the end of 2023 the loan portfolio is possible to reach the amount between BGN 40 and BGN 200 million. *For more information see section „Europrograms“.*

For SME financing, the Bank maintains cooperation with other institutions, including the National Agricultural Fund and the Bulgarian Export Insurance Agency. Through various financing schemes, Fibank also actively supports beneficiary companies under programs for the utilization of funds from European structural and cohesion funds.

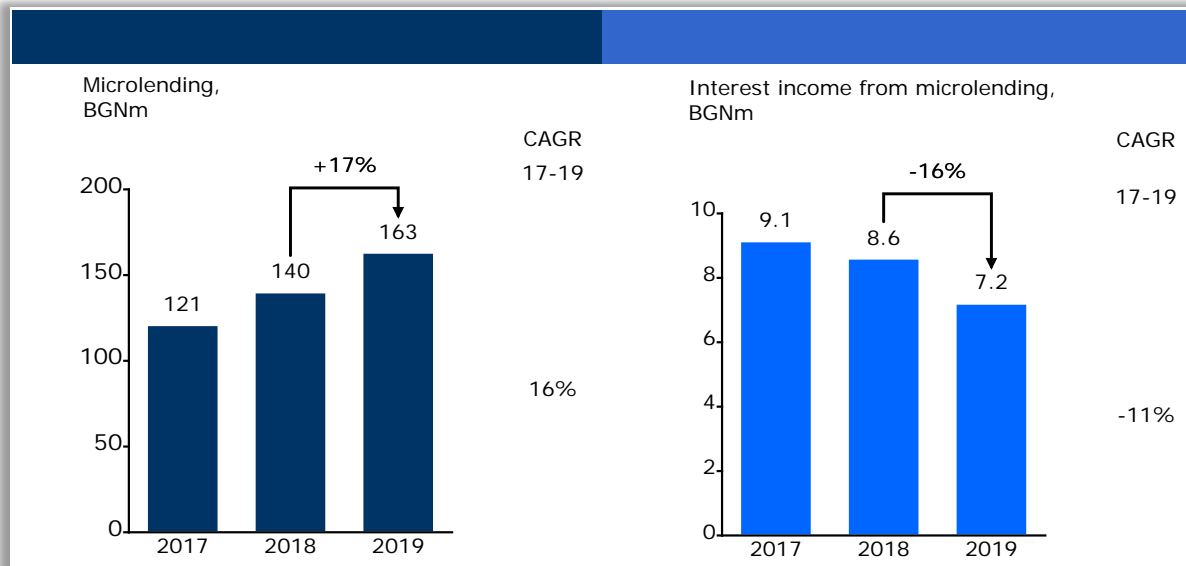
¹³ Enterprises with annual income of sales up to BGN 15 mln. regarding the internal criteria for segmentation of customers.



Throughout the year, Fibank continued to promote its credit products tailored to specific sectors or areas of business, such as office purchase/repair, or working capital for small and medium-sized companies operating in the field of information technology. A new campaign was launched for business credit cards, with pre-approved limits for SME customers of the Bank. The Bank also increased its efforts in offering factoring services to Bulgarian companies as an alternative to working capital loans.

MICROLENDING

In 2019, the microlending portfolio grew by 16.5% reaching BGN 163,102 thousand compared to BGN 139,943 thousand a year earlier. The Bank continued its targeted efforts for development and growth in this segment.



The Microlending¹⁴ Program of First Investment Bank covers a wide range of retailers, manufacturers, farmers, freelancers, including start-ups and companies with less market experience. The Bank offers

¹⁴ Enterprises with annual income of sales up to BGN 0.5 mln. regarding the internal criteria for segmentation of customers.

specialized products for microenterprises including investment loans, working capital loans, business credit cards and overdraft facilities at competitive terms.

In 2019, an emphasis in microlending activity was offering investment and working capital loans under the program “Shared risk microlending”, financed by Human Resource Development Operational Program 2014-2020 and co-financed by European Social Fund and Youth Employment Initiative. The program supports starting-up companies and businesses focused on social activities and generate positive social impact.

During the period, the Bank continued to support and develop its Smart lady program using the built platform for distance learning and providing information directed at female entrepreneurs. The program mainly targets companies managed or owned by women, as well as businesses producing goods or providing services for women. Financing solutions include investment and working capital loans, bundled offers with Diners Club First Lady credit cards, medical insurance from FiHealth Insurance AD, child savings accounts, as well as debit cards for children and teens.

During the period, the Bank continued to support agricultural producers, including by providing loans secured with pledge of subsidies under schemes and measures of EU's common agricultural policy. Up to a 100% of the expected subsidy payments are financed under this program. As part of its efforts to offer tailored financing solutions to individual sectors or business areas with high development potential, the Banks has credit products in place especially designed for financing projects under EU programs, IT companies, as well as for medical and dental practices.

EUROPROGRAMS

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

In order to provide integrated customer assistance in the absorption of EU funds, the Bank offers support in the preliminary study of the administrative and financial eligibility of the project idea, expert advice in project development, as well as comprehensive servicing of the implementation phase following approval.

In June 2019 First Investment Bank signed three Operational agreements with the Fund manager of investment instruments in Bulgaria/Fund of the Funds/ for assigning the execution of the instrument "Shared risk microlending ", financed by Human Resource Development Operational Program 2014-2020, co-financed by European Social Fund and Youth Employment Initiative. The Instrument is focused on supporting entrepreneurs and social services by financing starting-up companies, including persons from vulnerable social groups, as

well and social enterprises. The maximum amount of the loan resource is BGN 15 million. By the end of 2023 the microlending loan portfolio is aimed to reach the amount of BGN 19 million.

In November 2019 is signed new agreement with the National Guarantee Fund for provision of financing in support of small and medium enterprises under mechanism of Shared risk. Under the program, the National Guarantee Fund issues a guarantee supplementing collateral on investment and working capital loans to small and medium-sized enterprises, which targets the internal Bank requirements for granting loan, excluding the collateral. The total amount of the guaranteed limit is distributed into three sub-portfolios and is in maximum amount of BGN 20 million. Depending on applied percentage for respective loans, total loan portfolio may reach between BGN 40 million and BGN 200 million by the end of 2023.



PAYMENT SERVICES

In 2019 First Investment Bank was a member and participant in payment systems and agent of other payment service providers, as follows:

- ◆ Bank Integrated System for Electronic Transactions (BISERA);
- ◆ Real-Time Gross Settlement System (RINGS);
- ◆ System for Servicing of Clients Transfers in Euro (BISERA7-EUR);
- ◆ Trans-European Automated Real-Time Gross Settlement Express Transfer system (TARGET2);
- ◆ Pan-European system for payments in Euro (STEP2 SEPA Credit Transfer), as a direct participant through EBA Clearing;
- ◆ Bank Organisation for Payments Initiated by Cards (BORICA);
- ◆ Agent of Western Union;
- ◆ Agent of Easy pay.

During the year First Investment Bank Cyprus Branch became indirect participant through First Investment Bank AD in the payment systems TARGET 2, BISERA7-EUR, as well as in the STEP2 SEPA Credit Transfer system, operated by EBA Clearing.

OPEN BANKING

Accent in the activity related to payment services in 2019 was put on the implementing of the new regulatory requirements deriving from the Law on Payment Services and Payment Systems /LPSPS/ and Ordinance № 3 of BNB which implement the Directive (EU) 2015/2366 for the payment services in the internal market (PSD 2), including with regard to the so called “Open Banking”.

In connection with the abovementioned as well as the necessity for providing an online access for Third Party Providers (TPPs) to payment accounts, serviced in the Bank for performing the Payment initiation, Account information and Fund confirmation services, First Investment Bank provided:

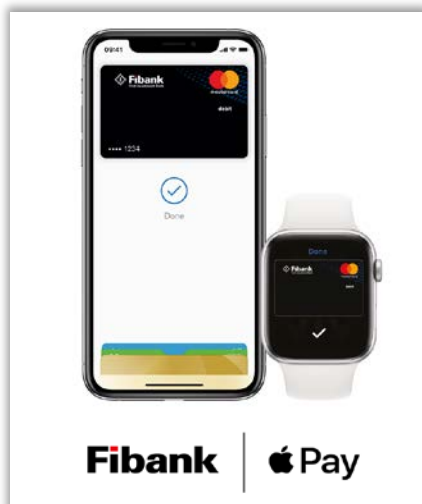
- ◆ A testing facility based on BISTRA national standard and available for developers and Third Party Providers (TPPs) to test API /dedicated interface/ access from March, 14th 2019 on the following address: <https://psd2dev.fibank.bg/fibank-sb/psd2/>;
- ◆ A production facility based on BISTRA national standard enabling Third Party Providers to provide PSD2 services from June, 14th 2019 on the following address: <https://psd2dev.fibank.bg/fibank/psd2/>.

In addition, taking advantage of the regulatory opportunities related to Open Banking and aiming to expand and integrate the services offered to the clients, First Investment Bank provided the usage of the new PSD2 services account information and payment initiation through the Mobile Application *MyFibank*. This option secures quickness and convenience for the clients when they want to have access to consolidated information for their account, serviced at other payment service provider or when they want to initiate payment from such account.

CARD PAYMENTS

In 2019, First Investment Bank continued to develop its card business in line with customer needs and modern technologies, including through offering innovative card products and services on the Bulgarian market, relevant to the context of the increasing digitization in banking.

During the year accent in the activity was put on providing the opportunity for card digitization (debit/credit card) and for contactless payments through third party applications. In fulfillment of this opportunity an innovative project for payments through Garmin smartwatch, supporting Garmin Pay functionality was successfully realized in partnership with Fibank, Mastercard and Garmin. Thanks to the new service clients with Mastercard cards issued by Fibank may perform payments on contactless POS terminals and ATM devices as the security is provided through the MDES (Mastercard Digital Enablement Service) technology whereas the registration of the card is provided through the mobile application Garmin Connect Mobile (GCM).



Another innovation following the same direction was the start of the Apple Pay service offered for the first time among the banks in Bulgaria by First Investment Bank. Using this service any Bank's client having debit or credit card Mastercard can add it/digitize it to Apple Wallet and perform quick, convenient and secure mobile payments, including through the Touch ID/Face ID functionalities maintained by the relevant device as each transaction is to be additionally authorized with one-time unique dynamic security code.

During the year First Investment Bank developed new service for contactless withdrawal from ATM devices, serviced by the Bank with debit and credit cards VISA and Mastercard which aims to provide additional convenience for the clients when performing this kind of operations.

Important new changes were introduced for compliance with and execution of Strong Customer Authentication (SCA) requirements in cases of online payments with cards, as well as with the requirements for dynamic linking of the transaction with specific amount and payee. Cards issued by the Bank were included by default in the *MasterCard SecureCode* and *Verified by VISA* programs, ensuring a safer online payment environment, and provided with 3-D Secure password for each particular online transaction which password constitutes of unique, one-time password serving for certifying the identity of the client and for confirmation of the payment transaction. The 3-D password is secured to the client through Fibank Token and scanning of QR code or through sending of SMS message to the authorized user. In 2020 the Bank shall continue to develop its online card based payment methods in compliance with SCA requirements as the Bank initiated a project for implementing the last version of the protocol for secured payments with cards online EMV 3DS2.

During the year, the Bank continued to promote its innovative micro-cards, issued as an additional debit cards to the Debit MasterCard Pay Pass kids/teen. Built into a bracelet or keychain, they feature contactless payment functionality. New option for digitizing of debit card by minors /teens/ and

performing of payments online was introduced which is part of the Bank's program for early financial education which it actively developed during the last years.

In addition, in relation to the micro-cards a new project was realized which ensured the option this type of cards to be offered to adults as well, together with payment accessory – silicone bracelet. In this way, the Bank aimed to ensure accessible for wider range of customers innovative way for card payments through micro-cards, built in convenient accessory for contactless payment.

In 2019 the Bank's ATM network counts 649 units in the end of the year (2018: 648 units) while the Bank's POS terminals network consists of 9,550 units (2018: 10,210).

INTERNATIONAL PAYMENTS

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

In 2019, the Bank reported an increase of 4% in incoming and 5% in outgoing foreign currency transfers due to the increased customer base, the competitive conditions offered by the Bank and the high quality of customer service.

First Investment Bank has a wide network of correspondent banks through it which carries out international payments and trade finance operations in almost all parts of the world. The Bank executes cross-border currency transfers through SWIFT, as well as the TARGET2 and BISERA7-EUR payment systems and since April 2017 the Bank executes credit transfers as a direct participant in the system STEP2 operated by EBA Clearing. Fibank operates in issuing checks and performing various documentary transactions.

During the year First Investment Bank joined SWIFT gpi (Global payment initiative) – global solution providing fast and transparent international transfers. Since September 2019 the Bank performs international payments through the new platform (gpi payments) which improves the speed and the traceability of the cross-border transfers. In this way Fibank was put among the leading banks which joined SWIFT gpi.

In execution of the regulatory requirements deriving from Regulation (EU) 2019/518 of the European Parliament and of the Council of 19 March 2019 amending Regulation (EU) No 924/2009 as regards certain charges on cross-border payments in the Union and currency conversion charges, Fibank made changes to its Tariff for fees and commissions resulting in equalizing the value of the fees for cross-border payments in Euro in EEA with the respective national payments in BGN.

At the end of the period an extension was negotiated to the framework agreement with the Taiwan export insurance agency Eximbank Taiwan for financing deliveries of goods to clients of First Investment Bank in Bulgaria or other countries where the Bank has branches or subsidiaries. Under the agreement, Fibank can provide financing under amount of every individual credit - up to 100% of the value of the contract but not exceeding USD 2 million, with a period of utilization up to 6 months after the first shipment and a repayment term of 6 months to 5 years irrespective of the type of the goods (consumer or non-consumer).

In support of its clients with international business First Investment Bank continued to cooperate in issuing internationally acknowledged guarantees and letters of credit, incl. through a wide network of partner banks and institutions. During the reporting period, the letters of credit and bank guarantees in foreign currency issued by the Bank to guarantee the performance of its customers to third parties amounted to BGN 70,604 thousand (2018: BGN 88,515 thousand), forming 8,2% of the off-balance sheet commitments of the Bank (2018: 11.7%).

GOLD AND COMMEMORATIVE COINS

In 2019, First Investment Bank retained its leading positions in Bulgaria in terms of transactions and advice related to investment gold and other precious metal products. Fibank continued to develop its Gold & Silver online selling platform by constantly updating individual sections and adding new products.

For the reporting period, revenues from sales of gold and precious metal products amounted to BGN 769 thousand compared to BGN 643 thousand a year earlier, reflecting the higher demand and the deals carried out for the period, as well as the dynamics of precious metals prices.

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

Along the lines of traditional cooperation with the New Zealand Mint, a new silver coin was designed dedicated to the Year of the Rat, exclusively offered in Fibank's offices.

Jointly with the Swiss refinery PAMP, was created a new series of gold and silver bars "Heart", which will be distributed in 2020.



In pursuance of its long-standing policy of support for Bulgarian production, Fibank by agreement with the Bulgarian National Bank, distributed Bulgarian commemorative coins and coin sets issued by the central bank.

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

PRIVATE BANKING

First Investment Bank offers private banking for individuals since 2003, and for corporate clients since 2005. Private banking features servicing by a designated personal officer, who is responsible for the overall banking solutions provided to a customer.



In 2019, the Bank developed its private banking activities, including through expanding the range of banking products and services, with a view to attract more customers from this segment, as well as increasing the amount of the attracted funds and the operating income. A highlight in private banking was the offering of a new service "Personal banking", that is targeted to a single customer segment, meeting certain minimum financial criteria and was carried out through the branch network of First Investment Bank. With this service, the customers of the Bank have the opportunity to benefit from a number of product preferences and personalized service. The service included the use of package offers ("Premium" and "Premium plus"), containing preferential terms and conditions for traditional banking products and services. The service was offered in certain locations, where the customers may

count on a constant contact and individual service by the personal banker, who provided prompt and competent assistance in carrying out of all banking operations.

During the year continued the introduction of new investment products, allowing customers under the conditions of a low-interest rate market to diversify their portfolios at various levels of risk. Along these lines, in July 2019 First Investment Bank established a partnership with E.I. Sturdza Strategic Management Limited aimed at offering on the Bulgarian market new mutual funds. Based on the signed agreement, Fibank offered four euro and US dollar - denominated mutual funds as follows:

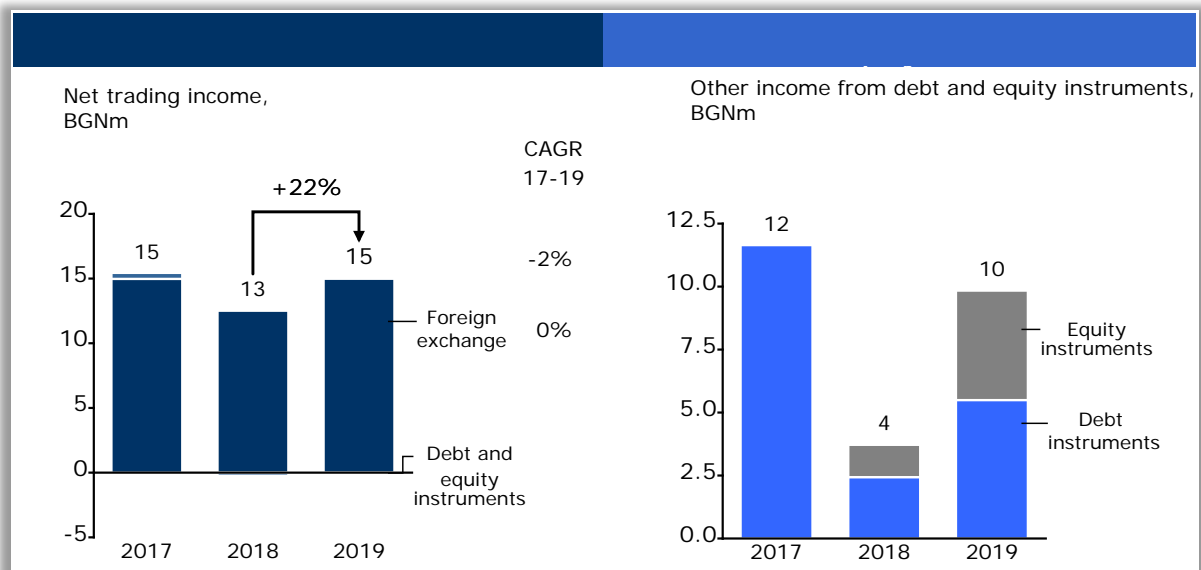
- ◆ Strategic Europe Quality Fund – a mutual fund, investing in European companies for retail investors (Retail class)
- ◆ Strategic Global Quality Fund – a mutual fund, investing in international companies for retail investors (Retail class).
- ◆ Via Smart-Equity US Fund – a mutual fund, investing mainly in shares of American companies for private investors (Private class).
- ◆ Via Smart-Equity World Fund – a mutual fund, investing mainly in shares of international companies for private investors (Private class).

The Bank continues to develop the successful partnership also with Erste Asset Management, part of Erste Bank, Austria in terms of distribution of their mutual funds in Bulgaria to customers and potential customers of the Bank at specially designated locations in Sofia and the country.

CAPITAL MARKETS

In 2019 net trading income amounted to BGN 14,929 thousand (2018: BGN 12,279 thousand), mainly as a result of the higher income from trade operations related to exchange rates. Other net operating incomes, arising from debt and capital instruments, amounted to BGN 9,839 thousand compared to BGN 3,717 thousand a year earlier.

The securities portfolio at the end of the year amounted to BGN 843,378 thousand, compared to BGN 681,464 thousand a year earlier, of which BGN 565,818 thousand measured at fair value through other comprehensive income (2018: BGN 656,038), BGN 265,555 thousand measured at fair value through profit or loss (2018: BGN 24,678 thousand) and BGN 12,005 thousand measured at amortized cost (2018: BGN 748 thousand).



First Investment Bank applies the business model requirements and criteria for classifying financial assets in the Bank's portfolios according to IFRS 9. Depending on the purpose of financial asset management, those include: 1) a business model whose objective is to hold assets in order to collect the contractual cash flows (hold to collect); 2) a business model whose objective is to both collect contractual cash flows and sell of financial assets (hold to collect and sell); 3) another business model, where the purpose is different from the two above business models (other business model), where assets held for trading are also included.

The Bank's activity is organized in compliance with the regulatory requirements arising from the European legal framework in the field of financial markets – Directive 2014/65/EU of the European Parliament and of the Council and Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments (MiFID II/MiFIR package), as well as in line with the Markets in Financial Instruments Act, the regulations within the scope of market abuses in financial instruments and the other applicable law.

In pursuance of the requirements arising from Regulation (EC) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories (EMIR), the Bank has a Legal Entity Identifier (LEI) code 549300UY81ESCZJ0GR95, issued by the Global Markets Entity Identifier (GMEI) Utility.

In 2019 Fibank started a project for implementation of new technological solutions in order to provide for its clients a real time remote access to trading platforms on regulated markets. The new system's functionalities include the opportunity for submission of orders for purchase or sale of financial

instruments, as well as the possibility for generation of different types of reports and direct communication between the client and his broker.

In its capacity as an investment intermediary and a primary dealer of government securities, First Investment Bank carries out transactions with financial instruments in the country and abroad including transactions in government securities, shares, corporate and municipal bonds, compensatory instruments as well as money market instruments. The Bank also offers trust portfolio management, investment consultation, as well as depositary and custodian services to private individuals and corporates, including maintaining registers of investment intermediaries, of accounts of securities, income payments and servicing payments under transactions in financial instruments. As part of the Compliance function, the Bank has a specialized unit “Compliance – Investment Services and Activities” which controls and ensures observance of the requirements related to Fibank’s activity as an investment intermediary.

Orders for the subscription/redemption of units in four mutual funds (FIB Garant Mutual Fund, FIB Classic Mutual Fund, FIB Avangard Mutual Fund and FFBH Vostok Mutual Fund, managed by the Management company FFBH Asset Management AD) can be accepted in Fibank’s offices which are registered with the Financial Supervision Commission. At certain locations, distribution is also carried out of four mutual funds managed by Erste Asset Management (ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H): ERSTE Bond Euro Corporate, YOU INVEST Portfolio 30, ERSTE Stock Europe и ERSTE Stock Global.

MEETING THE 2019 GOALS

N	Goals	Achievement
1	To continue to develop as a universal, customer-oriented bank with a focus on retail and SME banking	<ul style="list-style-type: none"> ◆ Retail, micro and SME loans increased their share in the Bank's total loan portfolio to respectively 29.5%, 2.6% and 12.2% at the end of 2019, compared to 26.0%, 2.2% and 12.0% a year earlier. ◆ Retail, micro and SME portfolios also increased in absolute amount, up to BGN 1,850 million, BGN 163 million and BGN 769 million. ◆ Offering of updated lending products and programs was started in these segments, as well as competitive conditions offered in line with market environment, incl. consumer loan “Super credit”, mortgage loan “Right of choice”, new financing under COSME+ for SME and under Microlending risk sharing instrument. ◆ The market shares of the Bank in the strategic segments are 8.51% for consumer loans and 6.91% for mortgage loans. <p><i>For more information see section Financial review</i></p>
2	To introduce new market-oriented services that will contribute to long-term customer relationships	<ul style="list-style-type: none"> ◆ A new product for individuals was developed – Smart teen savings account for teenagers. ◆ Development of the digital services in all spheres of banking activity, in lending and savings products as well as in payment services. ◆ A new personal banking service through the Bank's branch network was launched, featuring package offers to segments of customers meeting certain minimum financial criteria. ◆ Micro-cards for adults built in a special payment accessory: a silicone bracelet was launched, thus aiming to reach a wider range of users. ◆ The option to place orders for cash transactions through the My Fibank mobile application was enabled. ◆ Acknowledgement for high quality of customer service were the awards received for strongest brand in the 2019-2020 Superbrands international competition and Favorite Brand in the My Love Marks consumer rating. <p><i>For more information see section Awards 2019</i></p>
3	To further develop its distribution channels with a view to providing full banking service both through the branch network and the remote banking platform	<ul style="list-style-type: none"> ◆ An innovative service was launched for remote signing of consumer loans by using a software/hardware token, or qualified electronic signature through a mobile application of an external certification service provider. ◆ Fibank developed a new service for contactless withdrawals from ATMs of the Bank, providing additional speed and convenience for customers. ◆ The functionalities of the My Fibank mobile application were further developed, including fingerprint/faceID as additional means of access and identification. <p><i>For more information see section Distribution channels</i></p>

4	To implement new solutions for optimizing the performance of operations in line with the changing environment and future development trends	<ul style="list-style-type: none"> ❖ A centralized back-office started functioning with the system of the Bank with the aim to optimize efficiency and quality of customer service. ❖ Innovations were introduced to meet the requirements for Strong Customer Authentication (SCA) in online card payments, as well as the requirements to dynamically link transactions to a specific amount and payee. ❖ First Investment Bank launched a production environment based on the BISTRA national standard, enabling third-party providers (TPPs) to access the application programming interface (API) provided by the Bank in relation to account information and payment initiation services. <p><i>For more information see section Business review</i></p>
5	To introduce the new technologies aiming at outpacing development of digital services	<ul style="list-style-type: none"> ❖ The innovative project for payment with Garmin smart watch and supported Garmin Pay functionality was successfully realized with the partnership between Fibank, Mastercard and Garmin. ❖ Fibank first among banks in the country started the service Apple Pay for performing fast, convenient and secure mobile payments through a digitized card and smart devices supporting Apple Wallet functionalities. ❖ Fibank provided its customers with the new services implemented by PSD 2 for account information and payment initiation via the mobile application My Fibank. <p><i>For more information see section Card Payments</i></p>
6	To maintain a sustainable business model and sound capital ratios in line with regulatory requirements	<ul style="list-style-type: none"> ❖ At end-2019 the capital indicators of the Bank were: CET1 ratio at 15.00%, T1 ratio at 18.80% and total capital ratio at 18.80%, with minimum requirements of 4.5%, 6% and 8% pursuant to Regulation (EU) No 575/2013. ❖ First Investment Bank successfully placed, under the terms of a private placement, a debt-equity (hybrid) instrument (bond issue) worth a total of EUR 30 million, complying to the requirements for inclusion in the additional tier 1 capital. ❖ The Bank decided to increase its share capital from BGN 110 million to BGN 150 million by issuing up to 40 million new shares under the terms of public offering, each share with a nominal value of BGN 1, and an issue value of BGN 5. <p><i>For more information see section Capital</i></p>
7	To develop its ethical values and corporate governance standards in line with applicable European guidelines and international practices	<ul style="list-style-type: none"> ❖ In 2019, the Bank further developed its policies on internal governance in compliance with new requirements in this sphere, incl. with regards to structure and composition of committees, as well as to key function holders. ❖ First Investment Bank enhanced its Policy for nomination and assessment of the suitability of members of the managing and supervisory bodies and persons holding other positions, in compliance with the amendments in LCI, Ordinance No 20 of the BNB and the joint EBA and ESMA Guidelines (EBA/GL/2017/12).

		<ul style="list-style-type: none"> ◆ Efforts and resources were allocated for refining policies on internal control framework in compliance with the changes in Ordinance No10 of the BNB and the EBA Guidelines on internal governance (EBA/GL/2017/11). <p><i>For more information see section Corporate Governance</i></p>
8	To maintain a conservative approach and effective control environment in risk management	<ul style="list-style-type: none"> ◆ In 2019, Fibank carried out its activities in line with the adopted risk strategy and business objectives, with the aim of further enhancing the safeguards against inherent risks. incl. regarding building up additional capital buffers. ◆ A new specialized unit for Strategic Risk Management was established, with the aim to identify and assess strategic risk, incl. main risks on the strategic projects of the Bank. ◆ Refined were policies on calculating capital requirements for operational risk, with a view to moving from basic indicator approach to standardized approach. <p><i>For more information see section Risk Management</i></p>
9	To implement new initiatives in human capital management aimed at upgrading the skills and enhancing the career development of employees, at creating positive working environment and corporate values	<ul style="list-style-type: none"> ◆ Knowledge Development for Future Management project was successfully completed. 450 employees of the Bank participated, receiving software training and improving language competencies. ◆ In 2019, the Program for development of internal trainers was launched. Its full deployment to cover 45 in-house trainers to be ready to conduct group trainings, and 90 mentors to train their colleagues at the workplace. ◆ The Recognition Program Together We Can Do More got 4 years since its launch and is increasingly becoming an inspiring and motivating element for the Bank's employees. ◆ The Bank finances the education of high-potential development employees in the Master's Program „Finance, Banking & Real Estate” of SDA Bocconi School of Management and American University in Bulgaria. The Master's Program „Banking Management and Investment” continued, developed jointly with the University of Finance, Insurance, Business and Entrepreneurship. <p><i>For more information see section Human Capital</i></p>
10	To continue its socially responsible policy supporting significant social projects and initiatives	<ul style="list-style-type: none"> ◆ First Investment Bank took part in European money week – a joint initiative of the European bank federation and Association of Banks in Bulgaria, which aim to increase the general perception on topics for financial education and financial literacy. ◆ The Bank developed the social side of the Smart Lady program through developed new web-based platform for creating conditions for remote education, ensuring practical advice, as well as publication of specialized materials in support of women entrepreneurs. ◆ Fibank developed a charity calendar for 2020, which is part of the social project with focus on sport and the young talented Bulgarian sportsmen – in support of the Bulgarian Rhythmic Gymnastics Federation (BRGF), as well as supporting the asylum for homeless animals Animal Rescue Sofia. <p><i>For more information see section Social Responsibility</i></p>

SUBSEQUENT EVENTS

- ◆ In January 2020, Mr. Nikola Bakalov was elected for Chief Retail Banking Officer (CRBO), Member of the Managing Board and Executive Director of First Investment Bank AD with responsibilities in the Bank related to retail banking. Mr. Nikola Bakalov has proven professional and managerial skills, as well as long-term experience in the banking and insurance sectors in Bulgaria. He is a long-term employee of Fibank, where he had held managerial positions in the card payments and later on – managerial positions in the subsidiary company of the Bank Fi Health Insurance AD. The circumstance was entered in the Commercial register and register of NPLE on 07.02.2020.
- ◆ In January 2020, in connection to the decision for a capital increase, as a next step from the process, First Investment Bank submitted to the Financial Supervision Commission a prospectus for the offering of new shares with a maximum amount of revenues from the subscription of BGN 200 million and a minimum amount for successful subscription of BGN 20 million.
- ◆ In February 2020, with a decision №38, dated 06 February 2020, the Management Board of the Bulgarian National Bank granted permission to the Bank to include in the additional tier 1 capital the amount of EUR 30,000 thousand, attracted through issuance by the Bank of a capital instrument, in the form of an issue of perpetual, non-cumulative, non-convertible bonds, registered at Central Depository AD on 20 December 2019 with a ISIN: BG2100023196.

 **DEVELOPMENT GOALS FOR 2020*****STABILITY AND RETURN***

- ◆ To maintain sustainable business model and return to shareholders.
- ◆ To realise capital levers aiming at maintaining stable capital ratios and conservative approach in managing risks.
- ◆ To optimize balance-sheet positions, incl. through enhancing asset quality and decrease in non-interest earning assets.

BUSINESS MIX AND PRODUCTS

- ◆ To continue to develop its activity with priority focus on retail and SME sectors.
- ◆ To implement new products with focus on transactional business and cross-selling.
- ◆ To develop personalized services and maintain high quality of customer service.

DIGITALISATION AND TECHNOLOGY

- ◆ To introduce new high-tech solutions in accordance with development of new technologies and digital services.
- ◆ To further develop its distribution channels with priority focus on remote banking, incl. through applying an innovative approach and partnership with fintech companies.
- ◆ To implement new solutions for optimizing the performance of operations in line with the changing environment and future development trends.

HIGH STANDARDS AND RESPONSIBILITY

- ◆ To develop corporate and internal governance standards in line with applicable European guidelines and international practices.
- ◆ To develop human capital management through realizing projects aimed at upgrading the skills and career development of employees, improving effectiveness of processes and recognition of the Bank as a preferred employer.
- ◆ To continue its socially responsible policy supporting significant social projects and initiatives.

OTHER INFORMATION

MEMBERS OF THE SUPERVISORY BOARD

Evgeni Lukanov - Chairman of the Supervisory Board

Mr. Lukanov joined First Investment Bank AD in 1998 as Deputy Director, and later as Director and General Manager of the Tirana Branch, Albania. From 2001 to 2003 he was Director of the Bank's Vitosha Branch (Sofia).

Mr. Lukanov has occupied a number of senior positions with First Investment Bank AD. From 2003 to 2007 he was Director of the Risk Management Department and Member of the Managing Board. From 2004 to 2012 - Executive Director and Member of the Managing Board of First Investment Bank AD.

During his years of work in First Investment Bank AD, Mr. Lukanov has been Chairman of the Credit Council and the Liquidity Council of the Bank. He has been in charge of the following departments: Risk Management, Impaired Assets and Provisioning, Loan Administration, Specialized Monitoring and Control, Retail Banking, Methodology, and Liquidity.

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

At the beginning of February 2012, Mr. Lukanov was elected as Chairman of the Supervisory Board of First Investment Bank AD. For the period 2012-2019 he was Chairman of the Risk Committee to the Supervisory Board of the Bank and since May 2019 was elected as Chairman of the Remuneration Committee to the Supervisory Board of the Bank.

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

Besides his position on the Supervisory Board of the Bank, Mr. Lukanov is also Chairman of the Board of Directors of Fi Health Insurance AD. He is owner of ET Imeksa-Evgeni Lukanov and holds more than 10% of the capital of Avea OOD.

Maya Georgieva - Deputy Chair of the Supervisory Board

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

Ms. Maya Georgieva joined First Investment Bank AD in 1995 as Director of the International Department. From 1998 to 2012 she served as Executive Director of First Investment Bank and Member of the Managing Board. During her years of work in the Bank she has been responsible of the following departments: International Payments, Letters of Credit and Guarantees, SME Lending, Human Capital Management, Administrative Department, Sales Department, Retail Banking, Marketing, Advertising and PR, Branch Network, Private Banking and the Vault.

Alongside her responsibilities at the Bank, Ms. Georgieva has also occupied a number of other senior executive positions. From 2003 to 2011 she chaired the Supervisory Board of CaSys International - a Macedonia-based card processing company servicing card payments in Bulgaria, Macedonia and Albania.

From 2009 to 2011 she was Chair of the Board of Directors of Diners Club Bulgaria AD - a franchise company of Diners Club International, owned by First Investment Bank. In this capacity, she inspired the launch of a number of products, including the first female-oriented credit card. From 2006 to 2011

she was also member of the Managing Board of First Investment Bank - Albania Sh.a., a subsidiary of First Investment Bank.

In the beginning of February 2012, Ms. Georgieva was elected as Deputy Chair of the Supervisory Board of First Investment Bank AD and Chair of the Presiding Committee to the Supervisory Board of First Investment Bank AD.

Ms. Georgieva holds a Master's Degree in Macroeconomics from the University of National and World Economy in Sofia and has post-graduate specializations in International Payments with the International Monetary Fund and Banking from Specialized postgraduate course of BNB joint with the Bulgarian Union of Science and Technology.

She was granted several times with the "Banker of the Year" award of the Bulgarian financial weekly "Banker" - in 2001 and 2011, as well as in 2018 for overall contribution to the development of the banking system.

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

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

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

From 1998 to 2011 he was Executive Director of Flavia AD and Flavin AD.

Along with its responsibilities in Flavia, in 2000 Mr. Mutafchiev was elected as Member of the Supervisory Board of First Investment Bank. For the period 2014-2019, he was Chairman of the Nomination Committee to the Supervisory Board of First Investment Bank. Since May 2019, Mr. Mutafchiev was elected as Member of the Presiding Committee to the Supervisory Board of First Investment Bank.

Mr. Mutafchiev graduated in law at the Sofia University St. Kliment Ohridski in 1982. From 1982 to 1984 he studied at the Sorbonne in Paris, where he received a PhD degree in Business Law. The same year Mr. Mutafchiev also acquired an MBA degree from the Schiller University, Paris.

Mr. Mutafchiev is not an owner and does not own controlling share in companies.

Radka Mineva - Member of the Supervisory Board

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

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

Since 2000, Ms. Mineva has been a Member of the Supervisory Board of First Investment Bank AD. Since May 2019, she was elected as Member of the Presiding Committee to the Supervisory Board of First Investment Bank.

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

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

Jordan Skortchev - Member of the Supervisory Board

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

Mr. Skortchev joined First Investment Bank in 1996 as Chief Dealer, FX Markets. From 2001 to 2012 Mr. Skortchev was Member of the Managing Board and Executive Director of the Bank. During his years of work in the Bank, Mr. Skortchev has been responsible for the following departments: Card Payments, Operations, Gold and Numismatics, Internet Banking, Dealing, Security and Office Network-Sofia.

Alongside his responsibilities at the Bank, Mr. Skortchev has also occupied other senior executive positions. Mr. Skortchev has been Chairman of the Supervisory Board of UNIBank, Republic of Macedonia, member of the Supervisory Board of CaSys International, Republic of Macedonia, member of the Board of Directors of Diners Club Bulgaria AD, member of the Board of Directors of Bankservice AD, member of the Board of Directors of Medical center FiHealth AD, and Manager of FiHealth OOD.

In the beginning of February 2012, Mr. Skortchev was elected as a Member of the Supervisory Board of the Bank. For the period 2012-2019, he was Chairman of the Remuneration Committee to the Supervisory Board of First Investment Bank AD. Since May 2019, Mr. Skortchev was elected as Chairman of the Nomination Committee to the Supervisory Board of First Investment Bank AD.

Mr. Skortchev holds a Master's Degree in International Economic Relations from the Higher Institute of Economics (now the University of National and World Economy) in Sofia. He has specialized in banking in Luxembourg, in swap deals at Euromoney, and in futures and options at the Chicago Stock Exchange.

Mr. Skortchev holds more than 10% of the capital of Investment intermediary Delta Stock AD.

Jyrki Koskelo – Member of the Supervisory Board

Mr. Jyrki Koskelo was elected as member of the Supervisory Board of First Investment Bank AD in June 2015. In his capacity as an independent member Mr. Koskelo supports the Supervisory Board in setting up the business objectives and the strategy of the Bank, the corporate culture and values, as well as in overseeing good corporate governance practices and effective risk management. As at 31 December 2019, he is Chairman of the Risk Committee to the Supervisory Board of First Investment Bank AD. Mr. Koskelo has long-term experience in banking and global financial markets, as well as wide professional practice in different geographical regions.

Mr. Koskelo worked in the International Finance Corporation (IFC - a member of the World Bank Group) for 24 years, from 1987 to late 2011. The first 13 years he worked as an Investment Officer covering the Central and Eastern Europe and Africa regions. In 2000, he was appointed as Director Work-out Loans and in 2004 he became Director Global Financial Markets. In 2007, he was appointed as Vice

President (reporting to the CEO) and a member of the IFC's Management Committee. Mr. Koskelo led the formulation and implementation of the IFC's investment strategy, policies, and practices across industries and regions, including in Central and Eastern Europe, Latin America and Africa. His major legacies include IFC's entry to Global Trade Finance Programs, decentralization of the organization with significant staffing across emerging markets, IFC's leading role in private sector side of Vienna Initiative to support Central Europe banks after Lehman Crisis and establishment of IFC's Asset Management subsidiary's first \$3 billion fund for capitalization of weak banks in poor countries.

Prior to joining the IFC, he spent close to 10 years in senior management positions in the private sector in the Middle East and in USA.

Mr. Koskelo currently holds a number of senior and advisory positions in European and African organizations and financial institutions including:

- AATIF (a KfW & EU sponsored Africa Agriculture and Trade Investment Fund), Luxemburg – Member of the Board of Directors, Chairman of the Investment Committee;
- EXPO Bank, Czech Republic – Member of the Supervisory Board;
- Invest Solar Africa, Botswana – Chairman of the Board of Directors.

During the period 2012 – up to 2019 Mr. Koskelo acted in multiple Supervisory Board and advisory positions including in the Africa Development Corporation, Germany; African Banking Corporation, Botswana; RSwitch, Rwanda; EXPO Bank, Latvia, AtlasMara Co-Nvest LLC, UK, and in Al Jaber Group, UAE.

Mr. Koskelo holds a Master of Science (M.Sc.) degree in Civil Engineering from the Technical University of Helsinki, Finland and a Master of Business Administration (MBA) in International Finance from the Massachusetts Institute of Technology (MIT), Sloan School of Management in Boston, USA.

MEMBERS OF THE MANAGING BOARD



Nedelcho Nedelchev – Chief Executive Officer (CEO) and Chairman of the Managing Board

Mr. Nedelcho Nedelchev was appointed Chief Executive Officer (CEO) and Chairman of the Management Board of First Investment Bank AD in May 2017. During the 2007-2012 period Mr. Nedelchev was member of the Supervisory Board of First Investment Bank AD, and in 2013 he managed the project of acquisition of Unionbank EAD, and was member of its Supervisory Board until its merger into Fibank.

Mr. Nedelchev started his career in the Aval In brokerage house. In 1997 he was financial analyst in First Financial Brokerage House OOD, was soon thereafter promoted to Head of Analysis, and in 2001 became one of its managers. In 2003 he was appointed Deputy Minister of Transport and Communications of the Republic of Bulgaria, and in the 2003-2005 period was also Deputy Chairman and Chairman of the Board of Directors of Bulgarian Telecommunications Company AD. From September 2005 to March 2006, Mr. Nedelchev was an adviser to the Minister of State Administration. During his professional career he has been involved in the management of a number of companies operating in the energy and telecommunications sector in Bulgaria, as well as in the field of financial consulting.

Mr. Nedelchev holds a Master's degree in International Economic Relations from the University of National and World Economy in Sofia and has professional licenses and certifications in the field of international financial and commodity markets, investment services and activities, management, business planning, issued by internationally recognized institutions such as the World Bank, the Wholesale Markets Brokers' Association (London) and others.

In the Bank he is responsible for the Compliance function, the Corporate Communication Department, the Marketing and Advertising Department, the Human Capital Management Department, the Administration Department, the Strategic Planning and Development Department, the Asset Management Department, the Information Technology Department and the Protocol and Secretariat Department.

Besides his position in the Bank, Mr. Nedelchev is a Chairman of the Managing Board of First Investment Bank – Albania Sh.a. He owns more than 25% of the capital of Project Synergy OOD.



Svetozar Popov – Chief Risk Officer (CRO), Member of the Managing Board and Executive Director

Mr. Svetozar Popov joined First Investment Bank AD in 2004 as part of the Risk Management Department, and was shortly thereafter promoted to Head of the Credit Risk Division. From 2006 to 2008 he was Deputy Director of Risk Management, during which period he also chaired the Bank's Credit Council. From 2016 to 2017, Mr. Popov held the office of Chief Compliance Officer (CCO), and in May 2017 he was appointed as Chief Risk Officer (CRO), Member of the Management Board and Executive Director of First Investment Bank AD.

From 2008 to 2015, Mr. Popov was member of the Managing Board and Executive Director of Universal Investment Bank AD, Macedonia, where he gained significant management experience and was responsible for the areas of risk management, credit administration, and finance. Prior to joining First Investment Bank AD, Mr. Popov worked at Raiffeisenbank (Bulgaria) EAD as an SME loan officer.

Mr. Popov holds a Master's degree in Finance from the University of National and World Economy in Sofia, and has obtained additional qualifications in the field of financial analysis from the European Bank for Reconstruction and Development (EBRD) and other internationally recognized institutions, as well as practical experience in foreign banks.

In the Bank he is responsible for the Risk Analysis and Control Department, the Credit Risk Management, Monitoring and Provisioning Department, the Impaired Assets Department, the Loan Administration Department, Security Department, the specialized unit Strategic Risk Management and the specialized unit Information Security.

Besides his position in the Bank, Mr. Popov is a Chairman of the Supervisory Board of UNIBank, Republic of Northern Macedonia and a Manager of Debita OOD.



Chavdar Zlatev - Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director

Mr. Chavdar Zlatev joined the team of First Investment Bank AD in 2004 as Chief specialist in the SME Lending Department. Soon afterwards he was promoted to Deputy Director of the Department. From 2006 to 2009 he was manager of the Vitosha branch of First Investment Bank AD. He was subsequently appointed Deputy Director of the Branch Network Department, and in 2010 promoted to Director of the Department. In early 2011, he was appointed Director of the Corporate Banking Department, and has participated in the development and implementation of a number of banking products. In November 2014 Mr. Zlatev was elected member of the Managing Board of First Investment Bank AD, and from February 2018 was appointed as Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director.

Prior to joining First Investment Bank AD, Mr. Zlatev worked in CB Unionbank AD as a senior bank officer, Corporate clients. He holds a Master's degree in Macroeconomics from the University of National and World Economy in Sofia. He has specialized loan products and practices in Bank of Ireland, as well as contemporary banking practices in Banco Popolare di Verona.

Responsibilities in the Bank – Corporate Banking Department, Corporate Sales and Public Procurements Department.

Besides his position with the Bank, Mr. Zlatev is a member of the Management Board of First Investment Bank – Albania Sh.a. and a member of the Board of Directors of FiHealth Insurance AD. He is manager and sole owner of Elea Property EOOD.



Jivko Todorov – Chief Financial Officer (CFO) and Member of the Managing Board

Mr. Jivko Todorov joined First Investment Bank AD in June 2014 as Chief Financial Officer. At the end of 2015, Mr. Todorov was elected Member of the Managing Board of the Bank.

Prior to joining First Investment Bank AD, Mr. Todorov worked as Chief Financial Officer (CFO) for Alpha Bank Bulgaria (2012-2014) and for ING Bank NV – Sofia Branch (2004-2012), where he started his banking career in 1997.

Mr. Jivko Todorov holds a Master's degree in Accounting and Control from the University for National and World Economy in Sofia and is an Executive MBA at HULT International Business School, London UK.

In the Bank he is responsible for the Finance Department, the Accounting Department, the Treasury Department, the Investor Relations Department and the Financial Institutions, Correspondent Banking Department and Intensive Loans Management Department.

Mr. Todorov is a member of the CFO Club in Bulgaria. In 2018, he was awarded in the competition "CFO of the Year 2018", organized by EY Bulgaria with first award in the category "Strategy for development of the financial function".

Besides his position in the Bank, Mr. Todorov is a Member of the Board of Directors of Balkan Financial Services EAD.



Nadia Koshinska – Member of the Managing Board and Director of SME Banking Department

Ms. Nadia Koshinska joined Fibank in 1997 as a corporate loan expert. In 2002, she was appointed Deputy Director Loan Administration and held this position until 2004. In 2004 Nadia Koshinska was appointed Director SME Lending Department responsible for increasing the market share of the Bank through implementing special programs and dedicated products for SMEs. Also in 2004, she was appointed as a member of the Credit Council. At the end of 2015, Ms. Koshinska was elected as Chief Retail Banking Officer (CRBO) and Member of the Managing Board, while since September 2017 is a Member of the Managing Board and Director of SME Banking Department.

Prior to joining First Investment Bank she worked in the balance of payments and foreign debt division in Bulgarian National Bank.

Ms. Nadia Koshinska holds a Master's degree in Accounting and Control from the University of National and World Economy.

In the Bank she is responsible for the SME Banking Department.

Ms. Koshinska does not hold outside professional positions.

The present Activity report (on a standalone basis) for 2019 was approved by the Managing Board of First Investment Bank AD in accordance with the Bank's internal regulations at a meeting dated 07 February 2020.

Signed

Nedelcho Nedelchev
*Chief Executive Officer,
Chairman of the Managing Board*

Signed

Chavdar Zlatev
*Executive Director,
Chief Corporate Banking Officer,
Member of the Managing Board*

Signed

Jivko Todorov
*Chief Financial Officer,
Member of the Managing Board*

DECLARATION

under Art. 100o, para. 4(4) of the Public Offering of Securities Act (POSA) and Art. 32, para. 1(6) of Ordinance No 2 of the Financial Supervision Commission on the prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market and on disclosure of information

The undersigned Nedelcho Vassilev Nedelchev, Chief Executive Officer and Chairman of the Managing Board of First Investment Bank AD, Chavdar Georgiev Zlatev, Executive Director and Member of the Managing Board of First Investment Bank AD and Jivko Ivanov Todorov, Chief Financial Officer and Member of the Managing Board at First Investment Bank AD, hereby declare that to the best of our knowledge:

- The financial statements of First Investment Bank AD as at 31 December 2019, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets and liabilities, financial position and profit of First Investment Bank AD.
- The annual report of First Investment Bank AD as at 31 December 2019 contains a fair review of the development and results from the activities of First Investment Bank AD.

Signed

Nedelcho Nedelchev
Chief Executive Officer
Chairman of MB

Signed

Chavdar Zlatev
Executive Director
Member of MB

Signed

Jivko Todorov
Chief Financial Officer
Member of MB

07 February 2020
Sofia

**DISCLOSURE POLICY
OF FIRST INVESTMENT BANK AD**

I. GENERAL PROVISIONS

- 1.1. This Policy defines the scope of information subject to disclosure by First Investment Bank (Fibank, the Bank) in its capacity as a credit institution, a public company and an investment intermediary.
- 1.2. The Bank discloses and provides easy access to all relevant information, including financial condition, achievement of objectives, shareholding and management structure.
- 1.3. The Policy on disclosure of information complies with, and is applied in accordance with the current regulatory requirements in the Republic of Bulgaria, including with the Law on Credit Institutions (LCI), the Public Offering of Securities Act (POSA), the Markets in Financial Instruments Act (MFIA), the Law on Applying the Measures against Market Abuse with Financial Instruments (LAMMAFI), the Accountancy Act, the Independent Financial Audit Act (IFAA), the Commerce Act and the regulations for their implementation, with Regulation (EU) № 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (Regulation (EU) № 575/2013), Regulation (EU) № 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Regulation (EU) № 596/2014), the National Corporate Governance Code (NCGC) as of April 2016, as well as with the Principles of Corporate Governance of the Organization for Economic Cooperation and Development (OECD Principles) the Principles of Corporate Governance for banks by the Basel Committee on Banking Supervision (the Basel Committee principles), the Code of Corporate Governance of First Investment Bank AD, and with the relevant internal bank documents.

II. PURPOSE AND PRINCIPLES

- 2.1. The purpose of this Policy is to outline the framework for provision of information to stakeholders, shareholders and investors, with a view to enable making objective and informed decisions and evaluations.
- 2.2. In disclosing information, the Bank shall be guided by the principles of:
 - 2.2.1. Accuracy;
 - 2.2.2. Accessibility;
 - 2.2.3. Equitability;
 - 2.2.4. Timeliness;
 - 2.2.5. Integrity;
 - 2.2.6. Regularity.
- 2.3. First Investment Bank shall disclose any relevant information regardless of its nature, subject to the principle of equal treatment of recipients.
- 2.4. In certain cases, under the current legislation or the rules of the regulated markets of financial instruments, the disclosure of certain information is not allowed. Such cases are:
 - 2.4.1. when disclosure leads to violation of a law or regulation;
 - 2.4.2. when information is confidential or relates to unfinished negotiations;
 - 2.4.3. when information constitutes official, bank or trade secret (confidential information).

III. INFORMATION CHANNELS

- 3.1.** For the purposes of disclosure First Investment Bank uses the following information channels:
- 3.1.1. Electronic system for disclosure of information X3News (www.x3news.com), through which effective dissemination of information is ensured to the widest possible audience, simultaneously and in a non-discriminatory manner;
 - 3.1.2. Corporate website (www.fibank.bg) with validated content, scope and periodicity of disclosed information;
 - 3.1.3. Other channels, including media; the websites of the Financial Supervision Commission (FSC) and the Bulgarian Stock Exchange (BSE), on which the latter publish relevant information.

IV. INVESTOR RELATIONS

- 4.1.** In order to achieve effective liaison between First Investment Bank, its shareholders and the persons interested in investing in financial instruments issued by the Bank, First Investment Bank has an appointed Investor Relations Director.
- 4.2.** The Investor Relations Director exercises functions of maintaining and provision of information on the current financial position of the Bank, as well as of any other information that the shareholders and persons interested in investing in financial instruments of the Bank wish and are entitled to receive in their capacity as shareholders or investors.
- 4.3.** The Investor Relations Director submits an annual activity report before the General Meeting of Shareholders.
- 4.4.** Information regarding the Investor Relations Director of First Investment Bank AD, including contact information, is available on the website of the Bank (www.fibank.bg).

V. PERIODIC INFORMATION

- 5.1.** The periodic information disclosed by First Investment Bank includes but is not limited to:
 - 5.1.1. Annual financial statements on an unconsolidated and consolidated basis certified by registered auditor/s;
 - 5.1.2. Financial statements for the first half of the year, as well as for the first, third and fourth quarter on an unconsolidated and consolidated basis;
 - 5.1.3. Annual activity report on an unconsolidated and consolidated basis;
 - 5.1.4. Annual disclosure of information pursuant to Regulation (EU) № 575/2013;
 - 5.1.5. Interim activity report for the first half of the year, as well as for the first, third and fourth quarter on an unconsolidated and consolidated basis.
- 5.2.** The financial statements of the Bank are prepared applying the International Accounting Standards as required by applicable law. Audited financial statements are published in Bulgarian and English languages on the website of the Bank (www.fibank.bg).
- 5.3.** First Investment Bank prepares an Annual activity report in Bulgarian and English languages, which is subject to verification by registered auditor/s and contains detailed information about:

- 5.3.1. the development and competitive position of the Bank;
 - 5.3.2. an analysis of the financial results and financial condition of the Bank;
 - 5.3.3. a business overview by main type of activity;
 - 5.3.4. the development objectives of the Bank, as well as information on their implementation;
 - 5.3.5. information on the members of the management and supervisory bodies of the Bank, as well as on the applied diversity policy;
 - 5.3.6. information on the corporate governance framework, including shareholding and management structure, remuneration policy of the Bank and compliance with the Bank's Corporate Governance Code;
 - 5.3.7. information on risk management, including on all material risks to the Bank;
 - 5.3.8. information on corporate social responsibility and other non-financial information;
 - 5.3.9. an analysis of macroeconomic developments and the condition of the banking system the Republic of Bulgaria.
- 5.4. The Annual activity report, along with the audited by register auditor/s financial statements, is published in a special edition of the Bank: "Annual Report", which is also published on the website of the Bank.

VI. INSIDE INFORMATION

- 6.1. First Investment Bank shall publicly disclose as soon as possible inside information in accordance with Regulation (EU) № 596/2014.
- 6.2. The inside information disclosed by the Bank shall include but not be limited to:
 - 6.2.1. Data on members of the management and supervisory bodies of the Bank;
 - 6.2.2. Persons who hold 5 or more percent of the votes at the General Meeting of Shareholders of the Bank, or are able to control it;
 - 6.2.3. Changes in the Statutes of the Bank;
 - 6.2.4. Changes in the management and supervisory bodies;
 - 6.2.5. Increase or decrease of the issued share capital;
 - 6.2.6. Decisions for transformation of the company;
 - 6.2.7. Assigning a credit rating to the Bank, or change thereof;
 - 6.2.8. Any other material circumstances.

VII. OTHER INFORMATION

- 7.1. In connection with holding a General Meeting of Shareholders, First Investment Bank shall provide timely information on convening and decision-making.
- 7.2. The invitation together with the written materials related to the agenda of the General Meeting shall be announced and provided in the statutory manner, and made available to the public through the information channels used by the Bank. Upon request, the materials shall be provided to each shareholder free of charge.
- 7.3. The results of the conducted General Meeting shall be disclosed to the public in the statutory manner and timeframe, including via the corporate website of the Bank.

- 7.4.** In its capacity as an issuer of financial instruments and in order to enable stakeholders, shareholders and investors to familiarize themselves with the financial instruments issued, First Investment Bank shall prepare and submit prospectuses (or other documents) to the regulated market on which such instruments are traded.
- 7.5.** The prospectuses shall contain all the required information, including but not limited to:
- 7.5.1. The purpose and motives for issuance of securities;
 - 7.5.2. Information on the dividend policy;
 - 7.5.3. Information on the financial position, performance results, and trends for development;
 - 7.5.4. Information on the corporate governance, the structure and membership of the governing bodies of the Bank.
- 7.6.** Upon conclusion outside the regulated market or multilateral trading system of transactions in shares admitted to trading on a regulated market the Bank, in its capacity of an investment intermediary, shall publicly disclose information on the type, issue, number, and unit price of the financial instruments subject to the transaction, on the currency of the transaction and the date and time of its conclusion. Such information shall be published on the corporate website of the Bank, in the "Investment services and activities" section.
- 7.7.** The scope of information disclosed by First Investment Bank shall exceed the requirements of national legislation. In addition, the Bank shall:
- 7.7.1. Publish information on the Bank in the form of presentations and interviews with senior management;
 - 7.7.2. Publish press releases;
 - 7.7.3. Publish specialized editions (e.g. Fibank News);
 - 7.7.4. Disclose detailed information on the products and services of the Bank, the applicable general terms and conditions and tariff, as well as amendments in them;
 - 7.7.5. Disclose information about events and initiatives as part of the policy for corporate social responsibility of the Bank.
- 7.8.** The internal organization in the Bank, as well as the units responsible with regard to the scope and procedure for disclosure of information, are regulated by the Rules of First Investment Bank for implementation of the disclosure requirements.

VIII. CORPORATE WEBSITE

- 8.1.** As part of the framework for disclosure of information, First Investment Bank maintains a corporate website (www.fibank.bg) with validated content, scope and periodicity of the information disclosed, in accordance with the regulatory requirements and best corporate practices.
- 8.2.** The Bank also maintains an English-language version of the corporate website with identical content.
- 8.3.** The information on the corporate website is constantly reviewed, updated and archived. Historical information is also maintained with a view to ensuring transparency and familiarizing all stakeholders, shareholders and investors with the performance of the Bank.

- 8.4.** The website of First Investment Bank (www.fibank.bg) supports a special, easily accessible “Investors” section with detailed and up-to-date information about the Bank in Bulgarian and English, including:
- 8.4.1. Corporate governance, including information on shareholders’ rights;
 - 8.4.2. Stock exchange information;
 - 8.4.3. Financial information;
 - 8.4.4. News for investors;
 - 8.4.5. General Meetings of Shareholders.
- 8.5.** With a view to maintaining constant communication with shareholders and investors, a Club of investors of First Investment Bank has been created. By registering in it, members can receive electronic updates on notifications published by the Bank through its information channels.
- 8.6.** Information disclosed through the Bank’s corporate website shall include at least:
- 8.6.1. Basic commercial and corporate information identifying the Bank;
 - 8.6.2. Updated information on the shareholding structure;
 - 8.6.3. The Statutes of the Bank and documents relating to its activities and functioning, including the Corporate Governance Code of First Investment Bank and this Policy on Disclosure of Information;
 - 8.6.4. Information on the structure and composition of the management bodies of the Bank, as well as information about their members, including information about the auxiliary bodies operating to them;
 - 8.6.5. Annual and semi-annual financial statements for at least the last ten years, as well as quarterly financial statements for at least the last five years;
 - 8.6.6. Materials for upcoming General Meetings of Shareholders of the Bank, as well as additional materials submitted following the legal procedures. Information on the resolutions of the General Meetings of Shareholders for at least the last three years;
 - 8.6.7. Information on upcoming events;
 - 8.6.8. Information on shares and other financial instruments issued;
 - 8.6.9. Inside information and notifications pursuant to Regulation (EU) № 596/2014, as well as other important information related to the activities of the Bank;
 - 8.6.10. Information on shareholders’ rights;
 - 8.6.11. Contact information for the Investor Relations Director of the Bank.

IX. FINANCIAL CALENDAR OF FIRST INVESTMENT BANK FOR 2020

- 9.1.** In 2020, pursuant to the Accountancy Act, the Public Offering of Securities Act, and Ordinance №2 of the Financial Supervision Commission, First Investment Bank shall prepare and present to the Financial Supervision Commission and to the public the following reports:
- 9.1.1. Quarterly non-consolidated financial report for the fourth quarter of 2019, also including interim activity report – until 30.01.2020;
 - 9.1.2. Quarterly consolidated financial report for the fourth quarter of 2019, also including interim activity report – until 28.02.2020;

- 9.1.3. Annual non-consolidated financial report for 2019, certified by registered auditor/s, also including an annual activity report – until 01.04.2020;
 - 9.1.4. Annual consolidated financial report for 2019, certified by registered auditor/s, also including a consolidated annual activity report – until 29.04.2020;
 - 9.1.5. Quarterly non-consolidated financial report for the first quarter of 2020, also including interim activity report – until 30.04.2020;
 - 9.1.6. Quarterly consolidated financial report for the first quarter of 2020, also including interim activity report – until 29.05.2020;
 - 9.1.7. Semi-annual non-consolidated financial report for the first half of 2020, also including interim activity report – until 30.07.2020;
 - 9.1.8. Semi-annual consolidated financial report for the first half of 2020, also including interim activity report – until 31.08.2020;
 - 9.1.9. Quarterly non-consolidated financial report for the third quarter of 2020, also including interim activity report – until 30.10.2020;
 - 9.1.10. Quarterly consolidated financial report for the third quarter of 2020, also including interim activity report – until 30.11.2020;
 - 9.1.11. Other reports submitted to the Financial Supervision Commission, the Bulgarian National Bank, and other authorities.
- 9.2. The regular annual General Meetings of Shareholders of First Investment Bank shall be held by the end of the first half of the year following the reporting year.
- 9.3. The dates and information concerning other events and reports that First Investment Bank is obliged to publicly disclose shall be announced within the legally prescribed timeframes.

X. ADDITIONAL PROVISIONS

§1. For the purposes of this Policy:

Inside information	Information of a precise nature, which has not been made public, relating directly or indirectly to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments, pursuant to Regulation (EU) № 596/2014.
Material information	Information whose omission or misrepresentation could change or influence the assessment or decision of a user relying on that information for making economic decisions.
Bank secret	Facts and circumstances concerning the balances and transactions on accounts and deposits of the bank's clients.
Trade secret	Information whose disclosure would compromise the competitive position of the institution. It may include information on products or systems whose sharing with competitors would reduce the value of investments of the institution in them.
Confidential information	Information concerning obligations to customers or other counterparty relationships, under which obligations the institution

must maintain the confidentiality of such information.

Stakeholders

Persons who are not shareholders but have an interest in the economic development of the company, such as creditors, bondholders, customers, employees, the public, and others.

XI. FINAL PROVISIONS

§2. This Policy is publicly available on the corporate website of the Bank at: www.fibank.bg.

§3. This Policy shall be reviewed once a year or more frequently if circumstances require it.

§4. This Policy was adopted by the Managing Board of First Investment Bank by resolution of 13.10.2015, approved by resolution of the Supervisory Board of 21.10.2015, amended and supplemented by a resolution of MB of 19.01.2016 and approval by SB of 28.01.2016, by a resolution of MB of 17.01.2017 and approval of SB of 24.01.2017, by a resolution of MB of 16.01.2018 and approval of SB of 25.01.2018, by a resolution of MB of 22.01.2019 and approval of SB of 30.01.2019, as well as by a resolution of MB of 07.02.2020 and approval of SB of 11.02.2020.

Scorecard / Evaluation form for Corporate governance in Bulgaria

Evaluation's method for the companies with two tier governance structure

Based on the Methodology, developed by Christian Strenger

Notes about the methodology

Based on the National code for corporate governance in its' version from April 2016

The detached criterias refer to the corresponding chapters of the code

The execution's degree of every point is determined by marking in the field column (1)

Weight of the questions: Standart evaluation is checked in column (2)

The summarized results are described as a value of different criteria with common result in (3)

In case of need the source of information should be noticed in column "Source of information"

The astonishing before every criteria disappear, when it is marked the corresponding field in column (1)

The card is developed in 2 types depending on the governance system, as the company fulfills the type, which corresponds to its governance system

The card has to be signed by personality with representing authority in the company

Name of the issuer:

Date of completion

Chose the governance system of the company [One tier system](#) [Two tier system](#)

Scorecard / Evaluation form for Corporate governance in Bulgaria

Evaluation's method for the companies with two tier governance structure

Execution (1)			Standart note (2)	Number of points (3) = (1) × (2) Standart note
1	0.5	0		
yes	partial	no		

Criteria

Source of information

Please, point the way of the requirement's execution
When the execution is not in full compliance, please point the reasons

I. Management board

10%

Criteria	Description	Execution (1)	Standart note (2)	Number of points (3) = (1) × (2)	Standart note	Source of information
I.1	Do the structure and the distribution of the tasks to the members on the Management Board guarantee the effective performance of the company?	1		10%	10.0%	The members and functions of MB are structured according to the statutes and Corporate governance code. First investment bank functions with an organizational structure, built in accordance with the good international standards in the area of corporate governance and the principles of Basel committee in this area.
I.2	Do the compliance principles observed for competence level of the candidates, by offer of choice of new members of the Management Board, with the character of the company' s activity?	1		15%	15.0%	First investment bank has a Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions, which is in compliance with the regulatory requirements, activities of the bank and development plans. In the bank works a Nomination Committee, which assists the Supervisory Board in assessing the individual and collective suitability of members of the Supervisory Board and Managing Board, as well as assesses the suitability of the key function holders in the Bank, in compliance with the applicable legal provisions in this sphere.
I.3	In the contracts for assignment of the management, concluded with the members of the Management board are determined their obligations and tasks, the criteria of the size of their remuneration, their obligations for loyalty to the company and the reasons for release?	1		15%	15.0%	In the contracts are included the total obligations, stipulated is the fixed remuneration, as well as the payed expense in connection with the activity, incl. such as health insurance, insurance, compensations and with respect to the additional remunerations they are referred to the internal policies and rules of the Bank. There are stipulated also the principles of loyalty, as well as the reasons for termination of the contract.
I.4	Does the remuneration of the members of the Management Board consist of basic salary and variable incentives?	1		15%	15.0%	First investment bank applies a Remuneration policy in compliance with the regulating requirements, where the main principles in formation of remunerations are regulated, as the goal of the Bank is the optimal structuring in accordance with the functions and depending on the staff categories.
I.5	Are the additional incentives for the members of Management board concrete appointed / appointable?	1		15%	15.0%	The principles for formation of remunerations in the Bank are structured so, that they contribute to resonable and prudent corporate governance and reliable and effective risk management.
I.6	Are the additional incentives for the members of Management board bound by clear and concrete criteria and indicators for the results of the company and / or by the achievement of preliminary determinated by the Supervisory board goals? Describe the connection between the additional incentives for the members of the Management board and the achieved results of the company or other criteria and/or aims determined by the Supervisory board.	1		15%	15.0%	In compliance with the Remuneration policy the variable remuneration, if such is payed, is based on the results of the activity and achieved goals, having in mind the economic cycle, the level of time horizon of the undertaken risks, the price of capital and the necessary liquidity. It is given on the base of evaluation criteria for the execution of the activity, which includes the appropriate combination of financial (quantitative) and non-financial (qualitative) criteria, incl. execution of the budget, achievement of purpose levels of profit, capital adequacy and effectiveness, achievement of strategic goals, hold up to the Bank risk management policy, customers satisfaction, observing of internal rules, initiative, motivation and others.

I.7	Is provided to the share holders approach to the information for deals between the company and the members of Management board and connected with it persons? Indicate the concrete place and the order, eventual - the web page of the company, on which it can obtain the above described information.	1			15%	15.0%
					100%	100%

Information for deals with connected persons, incl. persons that control or manage the Bank is published in the financial reports, which are published on the corporate webpage of the Bank: www.fibank.bg

II. Supervisory board

10%

II.1	Is regulated in the organization acts the number of independent members and the tasks' distribution between them?	1			10%	10.0%
II.2	Are there appointed requirements for suitable knowledge and experience for the members of Supervisory board, corresponding to the position, which they hold? Indicate the specific place and order, possibly - the webpage of the company, in which are determined the requirements for suitable knowledge and experience to the members of Management board.	1			10%	10.0%
II.3	Do exist any determined requirements for observing the principles of continuity and stability of work of Supervisory board by the elections of its members?	1			5%	5.0%
II.4	Is limited the number of consecutive mandates of the independent members?			1	5%	0.0%
II.5	Is there at least one member of the Supervisory board, who has financial competence? Point the webpage of the company, where could be found information for the competency of every member of the supervisory board.	1			10%	10.0%
II.6	Is there established praxis the new members of the Supervisory board to be introduced with the basic legal and financial questions, connected with the activity of the company?	1			10%	10.0%
II.7	Does the education of the members of Supervisory board encouraged? Indicate the actions, connected with increasing qualification of someone or every members of the Supervisory board during the last year?	1			10%	10.0%

The requirements for independent members of Supervisory board are regulated in the Statute, Corporate governance code and Rules for the activity of Supervisory board, as the requirement for 1/3 of the members of the Supervisory Board to be independent members, which is applicable to significant banks and public companies is met.

The requirements for suitable knowledge and experience, reliability and suitability to the members of Supervisory board are regulated in the Statute, Corporate governance code, Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions and Rules for the activity of Supervisory board in compliance with the regulatory requirements. The Statute and Corporate governance code are published on the corporate webpage of the Bank: www.fibank.bg

The requirements for continuity and stability in the elections of members of SB are regulated in the Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions and the Rules for the activity of SB. In succession planning the Bank takes into account the principles for avoiding simultaneous replacement of too many members, applying phasing out practices, compliance with temporary appointment requirements and taking into account the diversity policy.

Pursuant to the Bank's Statute, the members of SB could be re-elected for next mandates without restrictions.

The SB members have high professional, incl. financial competences. Information for the professional experience and competences of the members of Supervisory board is included in the Annual activity report, as well as on the corporate webpage of the Bank: www.fibank.bg

Pursuant to the Rules for activity of Supervisory board when elected, every member of the Supervisory Board participates in introducing program, which includes the common financial and legal questions, the financial reporting on behalf of the Bank, concrete specifics for the Bank and its economic activity, as well as the responsibilities of every member of Supervisory Board. Requirements in respect of introductory and training policies to the members of the bodies are specified in the Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions.

In accordance with the Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions, based on suitability assessment (individual and collective) the areas with need of training shall be targeted, as well as taken into account the changes in management, strategic changes, new products and technologies, changes in applicable regulations and market development. During 2019 presentations have been organized related to changes in regulatory requirements, incl. in corporate governance, as well as participations in conferences and internal events on product development and new trends on the financial services markets.

II.8	Is in the organizational acts of the company regulated the number of companies in which the members of Supervisory board could hold management positions? Point the document and the specific text, in which are determined the requirements for the number of companies, in which the members of the Supervisory board hold management positions.	1			10%	10.0%	As per the Rules for the activity of SB, the members of Supervisory Board shall limit the holding of other positions, so to guarantee, that they can fulfill their obligations as members of the Supervisory Board. Without the approval of the Supervisory Board they shall not have the right to have more than a specific number of memberships in boards in other companies. Pursuant to the Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions, limitations are included on the number of directorship positions as specified in the Ordinance No 20 of the BNB of 24 April 2019 on Issuance of Approvals to Members of the Management Board (Board of Directors) and Supervisory Board of a Credit Institution and Performance Requirements for Their Duties.
II.9	Do the independent members of Supervisory board receive only basic remuneration without additional incentives?	1			5%	5.0%	Pursuant to the Remuneration policy, the members of Supervisory board receive predominantly fixed remuneration.
II.10	Does the remuneration of the independent members of Supervisory board influence their participation in meetings, the fulfillment of their tasks to control the actions of executive management and their effective participation in the activity of the company? Indicate the specific place and order, possibly the webpage of the company, describing the connection between the remuneration of independent directors and the functions executed by them.	1			5%	5.0%	The remuneration of the members of Supervisory Board is defined by the General meeting of the shareholders in compliance with the Remuneration policy of the Bank, as the participation in committees and the execution of the duties is taken into account when determining of individual remunerations.
II.11	Does the company follows the principle of non-compensation of the members of Supervisory board with shares and options?	1			5%	5.0%	The remuneration of the members of Supervisory Board is structured in compliance with the applicable regulations for credit institutions and the Remuneration policy of the Bank, with the members of the Supervisory Board receiving predominantly fixed remuneration.
II.12	Is ensured access for the shareholders to information for deals between the company and the members of Supervisory board and connected persons with it? Describe the procedure and the place, possibly the webpage of the company, where could be obtained information for the deals between the company and the members of Supervisory board and the connected with it persons.	1			10%	10.0%	The information for deals with connected persons, incl. the persons that control or manage the Bank, is published in the financial reports, which are published on the corporate webpage: www.fibank.bg
II.13	Does the procedures for elections of new members report the requirements for continuity and stability of functioning of Supervisory board?	1			5%	5.0%	The requirements for continuity and stability in the elections of members of SB are regulated in the Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions and the Rules for the activity of SB. In succession planning the Bank takes into account the principles for avoiding simultaneous replacement of too many members, applying phasing out practices, compliance with temporary appointment requirements and taking into account the diversity policy.
					100%	95%	

III. Collaboration between the Management and Supervisory board 10%

III.1	Are there any incidents for the company rules, regulating the regular, timely and comprehensive exchange of information between the Management and Supervisory board?	1			20%	20.0%	In compliance with the principles for good corporate governance, an opened dialogue is maintained between SB and MB. Except for the regular reporting on the execution of the assigned goals, general meetings are carried out. The members of Supervisory Board have the right to direct contact with the management and the Bank employees. The secretary has a key role for the entire support of this process. The interaction between the SB and MB is regulated in the Corporate governance code and the Rules for the activity of the MB and SB.
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III.2	Did the Corporate governances establish policy of the company regarding the disclosure of information and the connections with the investors? Indicate the specific place and order, possibly the webpage of the company, where could be an access to the above described information. Indicate the date on which last are inspected and / or updated the accepted policy.	1			20%	20.0%	First investment bank applies a Disclosure policy as a document, which is publicly available on the corporate webpage www.fibank.bg . The Disclosure policy was last updated with a decision of MB of 07.02.2020, approved by a decision of SB of 11.02.2020.
III.3	Are the procedures of run away or disclose of conflict of interests regulated in the regulation acts of the company? Indicate the specific place and order, possibly the webpage of the company, where could be an access to the above described information. Indicate the date on which last are inspected and / or updated the accepted procedures.	1			20%	20.0%	The requirements for avoiding and disclose of conflict of interests are regulated in the Corporate governance code, the Code of conduct, the Statute of the Bank, the Rules on the requirements for administrators of Fibank in connection with the disclosure of conflicts of interest. The Statute and the Corporate governance code are published on the corporate webpage: www.fibank.bg
III.4	Are there definite requirements for observing the principles of continuity and stability in the work of Management board, when nominating and dismissing its members?	1			20%	20.0%	The requirements for continuity and stability in the elections of members of MB are regulated in the Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions and the Rules for the activity of SB. In succession planing the Bank takes into account the principles for avoiding simultaneous replacement of too many members, applying phasing out practices, compliance with temporary appointment requirements and taking into account the diversity policy.
III.5	Did the corporate directions accepted and observe the Ethic code? Indicate the specific place and order, possibly the webpage of the company, where could be an access to the above described information. Indicate the date on which last are inspected and / or updated the accepted the code and describe if there are cases in the last year, requiring the execution of the principles, set in the code.	1			20%	20.0%	Aiming at recognition of professional and ethic standards, applicable and executable towards the Bank as a company, working environment and credit institution, Fibank has a Code of Conduct, which defines the main principles, ethic norms and corporate values, on which are build the policies and business plans, rules, procedures and daily operative work. The Code of conduct is last updated with a decision of MB of 12.09.2017, approved with a decision of SB on 28.09.2017.
					100%	100%	

IV. Audit and internal control

20%

IV.1	Has the company build up a system for internal control, which including to identify the risks, concomitant the activity of the company and to support their effective management?	1			25%	25.0%	First Investment Bank builds up and develops a sound and comprehensive internal control framework, which includes independent control functions (the functions of risk management, compliance and internal audit) structured in line with the principle of "three lines of defence". The requirements in this area are regulated in the Corporate governance code, the Policy of internal audit, the Rules for internal audit and the Ethical code of the internal auditor in Fibank, the Policy for risk management and capital adequacy, the Rules for applying risk management function, the Compliance policy, the Charter for implementing the compliance function.
IV.2	Does the system for internal control guarantee the effective functioning of the systems for book-keeping and disclosure of information?	1			25%	25.0%	The system for internal control includes control functions with the necessary rights and access for independend execution of obligations, as well as control bodies, incl. Audit committee, which observes the financial reporting and the independent financial audit. The control functions and bodies contribute to the effective management of the Bank, as they give reasonable confidence, that the normative regulations, rules and procedures are strictly adhered to and there are appropriate and timely correcting actions undertaken, as in this way it helps for minimizing risk of losses and achieving the business goals of the Bank.

IV.3	Is the corporate management supported for its activity by the audit committee?	1			25%	25.0%
IV.4	Does the principle for rotation implies by the proposals and the election of external auditor? Point the external auditors of the company in the last three years.	1			25%	25.0%
					100%	100%

In its capacity of a company of public interest, pursuant to the Law on the independent financial audit, an Audit committee functions within the Bank, which is responsible for the observing of the financial reporting and independent financial audit, as well as the effectiveness of the internal audit function and the systems for control and risk management in the Bank. The committee recommends the selection of the external registered auditor, which is to execute an independent financial audit of the Bank and observes its independence in compliance with the requirements of the law, Regulation 537/2014 and the Ethical code of the professional accountants.

First investment bank applies the requirements for rotation of the registered auditors, applicable to the companies of public interest pursuant to the Law on the independent financial audit. The registered auditors of the Bank in the last three years are as follows: for 2017, 2018 and 2019 joint audit by two audit companies - BDO Bulgaria OOD and Mazars OOD.

V. Protection of shareholders' rights

20%

V.1	Are all shareholders treated equally, incl. the minority shareholders and foreign?	1			10%	10.0%
V.3	Has the corporate bodies developed rules for the organizing and the conducting of regular and extraordinary General meetings of the shareholders of the company, which guarantee the equal treatment of all shareholders and the right of every shareholder to express his opinion on the items of the agenda of the General meeting? Indicate the specific place and order, possibly the webpage of the company, where the above described information could be accessed. Indicate the date on which are inspected and updated the accepted rules.	1			15%	15.0%
V.4	Do the corporate bodies organize procedures and order for conduct of General meeting of shareholders in a way, which does not encumber or make more expensive and unnecessary the voting?	1			10%	10.0%
V.5	Do the corporate bodies undertake actions for encouragement the participation of the shareholders in the General meeting of the shareholders and what?	1			10%	10.0%
V.6	Are there presented in the materials of General meetings of the shareholders all proposals about the basic corporate events as separate points in the agenda of the General meeting (incl. the proposals for distribution of the profit)? Indicate the address of the section on the webpage of the company, where the above described information and documents represented to the shareholders on the last General meeting of the company could be found.	1			10%	10.0%
V.7	Does the company maintains on its corporate website a special section on shareholders' rights and their participation in the General meeting of shareholders? Please, specify the address of the section of this information is presented.	1			10%	10.0%

The requirements for equal treatment of the shareholders, incl. minority and foreign are regulated in the Corporate governance code of Fibank and Statute of FIBank.

The requirements for calling and conducting General meetings of the shareholders are regulated in the Statute of the Bank and in the Corporate governance code of Fibank. The documents are published on the corporate webpage www.fibank.bg. The Statute is last updated by the General meeting of the shareholders on 19.06.2019. The corporate governance code is last updated with a decision of MB of 18.04.2019 and is approved by SB with a decision of 24.04.2019.

The place of conducting the General meeting is easy accessible for the majority of shareholders. The registration procedures are convenient and enable fast and easy approach. The Bank makes the necessary efforts to ensure easier participation in the voting of the items in the agenda of the General meeting of the shareholders.

The Bank has undertaken a number of initiatives for additional engagement of the shareholders, incl. maintenance of an Investors' club, with registration in which all interested persons could receive notification on their e-mail about every disclosed information by the Bank to the public, concerning the investors, as well as regular meetings with minority shareholders. A mobile IR Fibank application is developed for investors.

Each proposal is structured in a separate point. The information on the General meeting of shareholders is in section Investors / General meetings of the shareholders on the corporate webpage www.fibank.bg

The section on shareholders' rights is in section Investors/ Corporate governance/ Shareholders' rights at the corporate website www.fibank.bg

V.8	Is there a mechanism ensured for supporting shareholders with rights in accordance with the effective legislation to include additional questions and propose decisions on already included questions in the agenda of the General meeting? Please describe the mechanism.	1			10%	10.0%	The shareholders are provided with an information on their rights, incl. to propose additional questions in the agenda of the GMS. The information is structured in the section Investors/ Corporate governance/ Shareholders' rights at the corporate website www.fibank.bg . Information on shareholders' rights is included also in the Invitation for convening of GMS.
V.9	Are shareholders informed on the results from the general meeting of shareholders through internet in the specified term? Please, indicate the section in which the relevant information is present at the website of the company.	1			15%	15.0%	The results from the general meeting of shareholders are in section Investors/ General meeting of shareholders at the corporate website www.fibank.bg
V.10	Are all members of the corporate bodies present at the General meeting of shareholders of the company? Specify how many members were present at the last GMS of the company.	1			10%	10.0%	An opportunity is ensured for the members of the Managing Board and the Supervisory Board to be present at the General meeting of shareholders (unless important reasons require their absence). At the last Regular GMS all members of the Managing Board and two members of the Supervisory Board were present, incl. the chair and deputy chair.
					100%	100%	

VI. Disclosure of information

20%

VI.1	Does the corporate bodies have adopted internal rules which ensure timely disclosure of each material periodic and ad-hoc information for the company, its management, corporate bodies, operating activity and shareholders' structure?	1			10%	10.0%	First Investment Bank applies a Disclosure policy that outlines the framework for provision of information to stakeholders, shareholders and investors and provides an opportunity for making objective and informed decisions and assessments, while complying with the principle of equal treatment of addressees.
VI.2	Does the information disclosure system ensures equally treatment of addressees (shareholders, stakeholders, investment community) and avoids inside information abuse? Describe the main characteristics of the maintained information disclosure system and the way it guarantees equal treatment of addressees.	1			10%	10.0%	In compliance with the Disclosure Policy of Fibank, the Bank discloses information to the public through the electronic X3News system (www.x3news.com), which ensures effective dissemination of information to the widest possible audience, simultaneously and in a non-discriminatory manner. The information is also published at the corporate website of the Bank www.fibank.bg
VI.3	Does the information disclosure system ensures full, timely, fair and understandable information for taking objective and well informed decisions and assessments?	1			5%	5.0%	Fibank discloses information in its capacity of a credit institution, public company and investment intermediary in compliance with its Information Disclosure Policy and its Corporate Governance Code, the applicable regulatory requirements and good practices in this sphere. The Bank maintains also a financial calendar included in the Disclosure Policy of Fibank, which is publicly accessible at the Corporate governance section of the website of the Bank www.fibank.bg
VI.4	Does the corporate bodies adopted and control the compliance of internal rules for preparing the annual and interim reports and way of disclosing information?	1			10%	10.0%	The requirements are regulated in the Disclosure Policy and the Corporate Governance Code of the Bank, as in addition the Bank has adopted internal Rules on the requirements for disclosure of information that regulate the internal organisation on information disclosure within the Bank.
VI.5	Does the company has an updated corporate website? Please, give the address.	1			10%	10.0%	First Investment Bank has a corporate website www.fibank.bg , with established content, scope and periodicity of the information disclosed therein in compliance with the regulatory requirements and good corporate practices .
VI.6	Does the company discloses on its corporate website the whole information pursuant to Chapter 4, p. 34 of the Code? In case the company does not comply with any of the recommendations please describe the reasons.	1			15%	15.0%	The requested information is publicly accessible through the corporate website www.fibank.bg
VI.7	Does the company has english version of its website with content pursuant to Chapter 4, т. 34 from the Code?	1			15%	15.0%	First Investment Bank has an English version of its corporate website www.fibank.bg , with established content and scope of the information disclosed therein.

VI.8	Does the company informs regularly in accordance with regulatory norms and good international practices information of non-financial character, for economical, social, ecological questions related to stakeholders (e.g.: fight with corruption, work with employees, clients, suppliers, social responsibility, environment protection?)	1			10%	10.0%
VI.9	Is there an easy access for shareholders to the company's remuneration policy and information on the Board's annual remunerations and additional stimuluses?	1			10%	10.0%
VI.10	Does the corporate bodies disclose in a timely manner the structure of capital and agreements that lead to exccercise of control in accordance with its rules for disclosure of information?	1			5%	5.0%
					100%	100%

Fibank has special sections in the Annual activity report on disclosing information of non-financial character (non-financial declaration under the meaning of art.48 of the Accountancy Act), incl. social initiatives undertaken by the Bank, human capital management, ect.
Information on the Bank's Remuneration Policy is disclosed in the Annual activity reports, as well as quantitative information on the remuneration of the key management personnel received during the year - in the Annual Financial Statements, which are publicly available i.a. through the corporate website www.fibank.bg
The requested information is disclosed in a timely manner and regularly in accordance with the Bank's Disclosure policy and applicable regulatory requirements. The information is disclosed through X3News system as well as on the corporate website www.fibank.bg

VII. Corporate governance - engagement (incl. stakeholders) 10%

VII.1	Does the company has identified who are the stakeholders with relation to its activity based on their spheres of influence, role and attitute to its sustainable development?	1			20%	20.0%
VII.2	Does the corporate bodies ensure effective cooperation with stakeholders?	1			20%	20.0%
VII.3	Does the compnay has specific rules for taking into consideration the interests of the stakehodlers, which to ensure their attraction for deciding on certain questions that require their position?	1			20%	20.0%
VII.4	Does the corporate bodies ensure enough information to all stakeholders on their legal rights and if yes, how?	1			20%	20.0%
VII.5	Does the corporate bodies guarantee the right of regular and timely access to relevant, sufficient and reliable information on the company when the stakeholders take part in the process of corproate governance and if yes, how?	1			20%	20.0%
					100%	100%

The requirement is regulated in the Corporate Governance Code and the Disclosure Policy of Fibank.
First Investment Bank applies a policy of providing information to stakeholders about its activity. Those include persons who are not shareholders but are interested in the economic development of the company, such as creditors, bondholders, customers, employees, the general public, and others. Periodically, in accordance with the legal requirements and best practices, First Investment Bank discloses information of a non-financial nature, as well as maintains and develops a corporate blog which functions for ten years now as a channel of communication aimed at open dialogue in accessible language with customers, partners and other stakeholders.
The rules for cooperation with stakeholders are regulated in the Corporate Governance Code of Fibank, the Disclosure Policy and the Code of Conduct of the Bank.
Fibank applies a policy of providing information to stakeholders in compliance with applicable regulations as well as the Bank publishes additional information in the form of presentations and interviews with senior management, press releases, specialised journals (e.g. Fibank News), and detailed information on the products and services of the Bank.
The requirements are met with adopted by the Bank written policies which application is monitored in accordance with the applicable regulatory and internal requirements.

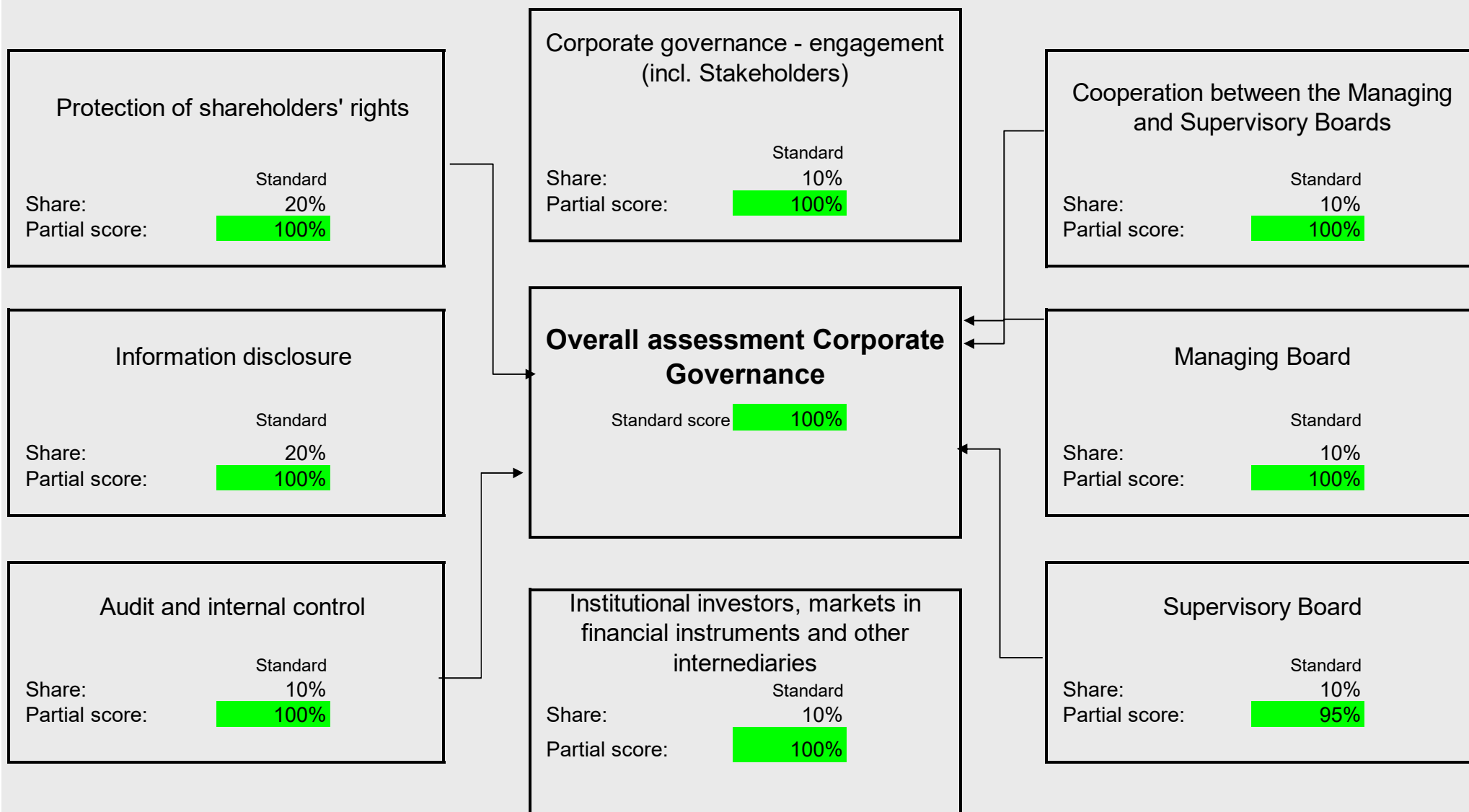
VIII. Institutional investors, markets in financial instruments and other intermediaries **10%**

VIII. 1	Does the corporate bodies ensure effective cooperation between the company and its shareholders - institutional investors, as well as with the regulated markets in financial instruments and the investment intermediaries on those markets and if yes, in what way?	1			20%	20.0%	With a view to creating an effective relation between First Investment Bank and its shareholders and the persons interested in investing in financial instruments issued by the Bank, First Investment Bank has appointed Investor Relation Director. In compliance with best corporate governance practices, the Bank develops initiatives for further engaging with minority shareholders and institutional investors. In addition, in an effort to maintain an open line of communication with shareholders and investors, First Investment Bank maintains an Investors Club as well as organizes and holds regular meetings with minority shareholders, with a view to furthering transparency and creating an opportunity for open dialogue and feedback between them and the senior management of the Bank, as well as their opportunity to contribute and work actively for the successful development of First Investment Bank AD. The Bank has in place a mobile application for investor relations ensuring fast access to financial information and the financial calendar of the Bank, as well as to other data and news related to investors.
VIII. 2	When choosing investment intermediaries and respectively operators of markets on which the financial instruments are traded, does the corporate bodies take into consideration to what extent the actions of these entities are based on market information and principles?	1			20%	20.0%	The Bank acts in relation to these requirements in a way that is compliant with regulatory requirements and good practices.
VIII. 3	Does the corporate bodies coordinate with its investment intermediaries and institutional investors the company's corporate governance policy and practices?	1			20%	20.0%	The reporting on corporate governance policies and procedures are regularly disclosed, incl. the goals for development for the next year and their execution.
VIII. 4	Does the company requires disclosure and limiting conflict of interest from advisors, analysers, brokers, rating agencies and other persons that provide consultations?	1			20%	20.0%	The Bank's policies on avoiding and disclosure of conflicts of interest is in compliance with the regulatory requirements, applicable to the Bank in its capacity of a credit institution, public company and investment intermediary.
VIII. 5	If the company is admitted to trade in a jurisdiction, different from the one it is incorporated in, does it disclose the applicable for this jurisdiction corporate governance rules?	1			20%	20.0%	Fibank conforms its information disclose with the requirements, applicable to the place at which the Bank and its financial instruments are admitted for trade.
					100%	100%	

Corporate Governance Self-evaluation Scorecard[®]

Scorecard/Evaluation form for Corporate governance in Bulgaria

General results for companies with two-tier governance system





INFORMATION

ON

FIRST INVESTMENT BANK AD

FOR 2019

The present information is prepared pursuant to Art.32, par. 1, p. 4 from Ordinance No.2 of the Financial Supervision Commission on the prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market and on disclosure of information.

1. Structure of the company's capital including the securities that have not been admitted to trading on a regulated market in the Republic of Bulgaria or another Member State, with indication of the different classes of shares, the rights and liabilities attaching to any of the classes of shares and the portion of the total capital which each individual class constitutes.

The share capital of First Investment Bank is BGN 110,000,000 /one hundred and ten million Bulgarian levs/, divided into 110 000 000 /one hundred and ten million/ dematerialized, ordinary voting shares with a par value of BGN 1.00 /one lev/ each. Each share gives one voting right at the General Meeting of Shareholders, a right to a dividend and to a liquidation quota, pro rata the share's par value. The shareholders also have other rights as provided for by the Bank's By-laws and the effective legislation.

The structure of the shareholders' capital of First Investment Bank AD as at 31 December 2019 on an unconsolidated basis is as follows:

BGN thousand	2019
Issued share capital	110,000
Share premium	97,000
Statutory reserves	39,861
Revaluation reserve on investments in securities	11,812
Revaluation reserve on property	4,500
Other reserves and retained earnings	679,892
Total shareholders' equity	943,065

2. Restrictions on the transfer of securities, such as restrictions on the possession of securities or need to obtain approval from the company or another shareholder.

The Bank's shares are freely transferrable in compliance with the provisions of current legislation. The transfer of dematerialised registered shares becomes effective as of the registration of the transactions in the records of the Central Depository.

Natural or legal persons, or persons acting in agreement, may not without prior approval of the BNB acquire directly or indirectly shares or voting rights if as a result their shareholding becomes qualified or exceeds 20, 33 or 50 per cent of the shares or voting rights, as well as when the Bank becomes a subsidiary. Where the shares under the previous sentence are acquired without prior permission of BNB on public offering of shares on the stock exchange or any other regulated securities market, the transferees may not exercise the voting rights on these shares until receipt of BNB's written permission, for the issuance of which they shall submit an application within one month of occurrence of the relevant fact requiring obtaining of such permission.

3. Information on the direct and indirect holding of 5 per cent or more of the voting rights in the general meeting of the company, including information on the shareholders and the number of shares held.

The shareholders holding 5% or more of the share capital of First Investment Bank as at 31 December 2019 are, as follows:

number / % of total	Number of shares	% held
Mr. Ivailo Dimitrov Mutafchiev	46,750,000	42.50%
Mr. Tzeko Todorov Minev	46,750,000	42.50%

At 31 December 2019 16,500,000 shares (15.00% of share capital) were offered in an initial public offering in May 2007 are traded freely at the Bulgarian Stock Exchange AD.

4. Information on shareholders with special controlling rights and description of such rights.

No shareholders have special controlling rights.

5. System for control on exercising the voting right in cases where the company's employees are also shareholders and control is not exercised directly by them.

The Bank does not have a special system for control on exercising the voting right in cases where the company's employees are also shareholders and control is not exercised directly by them.

6. Restrictions on the voting rights, such as restrictions on the voting rights of shareholders holding a specific percentage or number of votes, deadline for exercising the voting rights or systems in which in cooperation with the company the financial rights related to the shares are separated from the shareholding.

No such restrictions exist.

7. Agreements between shareholders which are known to the company and may lead to restrictions in the transfer of shares or voting rights.

No such agreements are known to the company.

8. Provisions regarding the appointment and dismissal of members of the managing bodies of the company and the amendments of the Company's By-Laws.

Pursuant to the Bank's By-Laws, the Managing Board of First Investment Bank consists of three to nine legally capable physical persons, elected by the Supervisory Board to hold office for up to 5 years. Legal persons or members of the Bank's Supervisory Board may not be elected as members of the Managing Board.

The members of the Managing Board must meet the following requirements:

1. hold Master's degree or higher;
2. have a qualification and professional experience in banking;
3. have not been convicted of a premeditated crime of general nature or for any crime under Article 116a of the Public Offering of Securities Act;
4. in the last two years preceding the insolvency date were not members of governing or controlling bodies or general partners in a company terminated for bankruptcy which has unsatisfied creditors, regardless of whether they have later been reinstated or not;
5. were not, during the last 2 years preceding the date of a court decree for declaring a bank bankrupt, members of its governing or control bodies;
6. have not been deprived of the right to occupy a financially responsible position;
7. are not spouses or relatives up to the third degree, including by direct or collateral line of descent, or in civil partnership with another member of a governing or controlling body of the Bank;
8. are not bankrupt debtors whose rights have not been reinstated;
9. based on data collected about them, no doubts arise regarding their reliability and suitability, or potential conflict of interest, in accordance with the requirements of the Bulgarian National Bank and the Bank's nomination policy for senior management.

Only persons who have been granted preliminary approval by the Bulgarian National Bank may be elected members of the Managing Board.

The members of the Managing Board are dismissed by the Supervisory Board on grounds provided for in the legislation or the Bank's By-Laws, as well as in case it is found that the concerned member of the Managing Board does not meet any of the requirements listed in 3 to 9 above.

The members of the Managing Board may be re-elected for subsequent mandates without limitation.

In accordance with the law First Investment Bank has a Nomination Committee which assists the Supervisory Board in assessing the individual and collective suitability of members of the Supervisory Board and Managing Board, as well as assesses the suitability of the key function holders in the Bank, in compliance with the applicable legal provisions in this sphere.

First Investment Bank has a Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions, which is in compliance with the regulatory requirements. The Policy lays down the main requirements, principles, guidelines and criteria in the process of selection and assessment of the individual and collective suitability of

the members of the governing and supervising bodies of First Investment Bank, as well as of the key function holders in the Bank. The policy also structures and defines the fit and proper requirements and criteria (incl. the needed knowledge, skills and experience; reputation, honesty and integrity; independence and allocation of enough time for performing the duties, as well as the practices for encouraging diversity, continuity and education), ensuring that they correspond to the highest standards applied by the Bank, thus contributing to the achievement of its goals and strategy.

The By-Laws of the company may be amended with a resolution of the General Meeting of Shareholders.

9. Powers of the company's managing bodies, including the right to make decisions regarding the issue or buy-back of shares.

The Managing Board manages and represents First Investment Bank AD by resolving any matters which concern the Bank and are within its scope of business, with the exception of those which are in the exclusive competency of the General Meeting of Shareholders or of the Supervisory Board, which are resolved in compliance with the law and the By-Laws.

More specifically, the Managing Board:

1. ensures implementation of the decisions issued by the General Meeting of Shareholders and the Supervisory Board;
2. adopts programmes and budgets in relation to the activity of the Bank;
3. opens and closes branches and representation offices of the Bank;
4. takes decisions regarding shareholding participation of the Bank in other companies in Bulgaria or abroad;
5. resolves any matters regarding the acquisition and disposal of real properties and real rights thereto;
6. prepares the annual financial statements of the Bank and put them forward for approval by the General Meeting of Shareholders;
7. carries out any other functions assigned to it by the General Meeting or the Supervisory Board or by law.

The resolutions of the Managing Board referred to in 2, 4 and 6 above, and in the other cases as provided for by law and the By-Laws, shall have legal force with respect to the Bank after their approval by the Supervisory Board. The decisions referred to in 5 above shall require the approval of the Supervisory Board, where the transaction is for an amount above BGN 5 million or its equivalent in foreign currency, unless the transaction relates to acquisition of real properties and real rights thereto for repaying debt due on a credit deal or to the disposal of such real properties or real rights thereto, and/or unless for the entering into the transaction an express authorisation by the General Meeting of Shareholders pursuant to the Law on Public Offering of Securities is also required.

The decisions to increase or decrease the capital are within the powers of the General Meeting of Shareholders. For a period of 5 years, as from 23 June 2017, as decided by the General Meeting of Shareholders on 29 May 2017, the Managing Board, with the approval of the Supervisory Board, may decide to increase the Bank's capital to a total nominal value of BGN 210 000 000 by issue of new

shares. The Managing Board, with the approval of the Supervisory Board, may decide on all other terms and conditions for effecting the increase of capital and to carry out all necessary legal and other steps to this end, including, but not only, to determine the issue value of the shares, appoint an investment intermediary, and reflect the change in capital and number of shares in the By-Laws, all in compliance with the applicable legislation.

Decisions to issue bonds are within the powers of the General Meeting of Shareholders. For a period of 5 years, as from 16.06.2016, as decided by the General Meeting of Shareholders on the General Meeting of Shareholders on 16.05.2016, the Managing Board, with the approval of the Supervisory Board, may decide to issue other types of bonds and other debt securities, including subordinated term debt and hybrid instruments in a total amount of up to BGN 2,000,000,000 or the equivalent in a foreign currency. The terms and conditions of the bond or other debt securities shall be determined by of the Managing Board in compliance with the applicable legislation and the By-Laws.

For a period of 5 years, as from 23.07.2019, as decided by the General Meeting of Shareholders on the General Meeting of Shareholders on 19.06.2019, the Managing Board, with the approval of the Supervisory Board, may decide to issue mortgage bonds pursuant to the Law on mortgage bonds with a total nominal amount up to BGN 400,000,000, maturity up to 10 years from the date of issuance and other conditions defined by the Managing Board.

10. Significant contracts signed by the company which require action or which are amended or terminated due to a change in control of the company when carrying out a mandatory tender offer, and the consequences thereof, except where the disclosure of such information may cause serious damage to the company; this exception shall not apply where the company is obliged to disclose such information by law.

No such contracts exist.

11. Agreements between the company and its managing bodies or employees for payment of compensation in case of leaving, or dismissal without legal grounds, or termination of employment relations due to a tender offer.

Pursuant to the signed management and control agreements, in case of unilateral termination by the Bank without prior notice, the members of the Managing Board shall be entitled to compensation amounting up to 6 monthly remunerations under the agreement, while the branch managers – to 2 monthly remunerations. Pursuant to the signed agreements between the Bank and the members of the Supervisory Board in case of termination of the agreement a compensation is due up to 12 monthly remunerations, as in extraordinary circumstances the compensation due is up to 24 monthly remunerations. The employment contracts of the Bank's employees are in compliance with the Labour Code and do not contain clauses differing from the provisions of the law and the usual practice.

FIRST
INVESTMENT
BANK AD

Bank **FINV9150** First Investment Bank AD

Reporting date **31.12.2019**

Basis for application **individual**

Accounting standard IFRS

Reporting currency in BGN '000

sheet
statement of

1.1 Assets

		References	Breakdown in table	Carrying amount
				part 1, paragraph 27 of Appendix V 010
010	Cash and cash balances with central banks and other deposits payable on demand	Para. 54 (i) of IAS 1		2 016 302
020	Cash	part 2, paragraph 1 of Appendix V		194 843
030	Cash balances with central banks	part 2, paragraph 1 of Appendix V		1 718 780
040	Other deposits payable on demand	part 2, paragraph 1 of Appendix V	5	102 679
050	Financial assets held for trading	Supplement A to IFRS 9		6 940
060	Derivatives	Supplement A to IFRS 9	10	0
070	Equity	Para. 11 of IAS 32	4	4 488
080	Debt securities	part 1, paragraph 31 of Appendix V	4	2 452
090	Loans and advances	part 1, paragraph 32 of Appendix V	4	0
096	Non-tradable financial assets mandatorily reported at fair value through profit or loss	Para. 8 (a)(ii) of IFRS 7; IFRS 9.4.1.4	4	258 615
097	Equity	Para. 11 of IAS 32	4	22 130
098	Debt securities	part 1, paragraph 31 of Appendix V	4	236 485
099	Loans and advances	part 1, paragraph 32 of Appendix V	4	0
100	Financial assets at fair value through profit or loss	Para. 8 (a)(i) of IFRS 7; IFRS 9.4.1.5	4	0
120	Debt securities	part 1, paragraph 31 of Appendix V	4	0
130	Loans and advances	part 1, paragraph 32 of Appendix V	4	0
141	Financial assets at fair value through other comprehensive income	Para. 8 (h) of IFRS 7; IFRS 9.4.1.2A	4	565 818
142	Equity	Para. 11 of IAS 32	4	0
143	Debt securities	part 1, paragraph 31 of Appendix V	4	565 818
144	Loans and advances	part 1, paragraph 32 of Appendix V	4	0
181	Financial assets at amortised cost	Para. 8 (f) of IFRS 7; IFRS 9.4.1.2	4	5 850 737
182	Debt securities	part 1, paragraph 31 of Appendix V	4	12 005
183	Loans and advances	part 1, paragraph 32 of Appendix V	4	5 838 732
240	Derivatives - hedge accounting	IFRS 9.6.2.1, part 1, paragraph 22 of Appendix V	11	0
250	Changes in the fair value of hedged positions when hedging a portfolio for interest rate risk	Para. 89A (a) of IAS 39, IFRS 9.6.5.8		0
260	Investments in a subsidiary, jointly-controlled entity or associate	Para. 54 (e) of IAS 1; part 1, paragraph 21 and part 2, paragraph 4 of Appendix V	40	43 872
270	Tangible assets			487 918
280	Property, Plant and Equipment	Para. 6 of IAS 16; Para. 54 (a) of IAS 1	21, 42	77 407
290	Investment Property	Para. 5 of IAS 40; Para. 54 (b) of IAS 1	21, 42	410 511
300	Intangible assets	Para. 54(c) of IAS 1; Art. 4, Para. 1, item 115 of Reg 575		11 406
310	Goodwill	Para. B67, (d) of IFRS 3; Art. 4, Para. 1, item 113 of Reg 575		0
320	Other intangible assets	Paras. 8, 118 of IAS 38	21, 42	11 406
330	Tax assets	Para. 54 (n)-(o) of IAS 1		0
340	Current tax assets	Para. 54(n) of IAS 1; Para. 5 of IAS 12		0

BG
ANNEX III

		<i>References</i>	<i>Breakdown in table</i>	Carrying amount
				<i>part 1, paragraph 27 of Appendix V</i> 010
350	Deferred tax assets	<i>Para. 54, (o) of IAS 1; Para. 5 of IAS 12; Art. 4, Para. 1, item 106 of Reg 575</i>		0
360	Other assets	<i>part 2, paragraph 5 of Appendix V</i>		958 423
370	Non-current assets and disposal groups classified as held for sale	<i>Para. 54, (j) of IAS 1; Para. 38 of IFRS 5; part 2, item 7 of Appendix V</i>		0
380	TOTAL ASSETS	<i>Para. 9, (a), IN 6 of IAS 1</i>		10 200 031

Bank	FINV9150	First Investment Bank AD
Reporting date	31.12.2019	
Basis for application	individual	
Accounting standard	IFRS	
		Reporting currency '000 BGN

Balance sheet
Statement of

1.2 Liabilities

		References	Breakdown in table	Carrying amount
				part 1, paragraph 27 of Appendix V 010
010	Financial liabilities held for trading	Para. 8, (e)(ii) of IFRIC 7; BA Para. 6 of IFRS 9	8	0
020	Derivatives	supplement A to IFRS 9, IFRS 9.4.2.1(a), BA, paragraph 7(a) of IFRS 9	10	0
030	Short positions	BA, Paragraph 7(b) of IFRS 9	8	0
040	Deposits	Part 2, item 9 of Appendix 2 to ECB/2013/33; Part 1, item 36 of Appendix V	8	0
050	Issued debt securities	part 1, paragraph 37 of Appendix V	8	0
060	Other financial liabilities	part 1, paragraph 38-41 of Appendix V	8	0
070	Financial liabilities at fair value through profit or loss	Para. 8 (e)(i) of IFRIC 7; IFRS 9.4.2.2	8	0
080	Deposits	Part 2, item 9 of Appendix 2 to ECB/2013/33; Part 1, item 36 of Appendix V	8	0
090	Issued debt securities	part 1, paragraph 37 of Appendix V	8	0
100	Other financial liabilities	part 1, paragraph 38-41 of Appendix V	8	0
110	Financial liabilities at amortised cost	Para. 8 (g) of IFRIC 7; IFRS 9.4.2.1	8	9 086 387
120	Deposits	Part 2, item 9 of Appendix 2 to ECB/2013/33; Part 1, item 36 of Appendix V	8	8 782 798
130	Issued debt securities	part 1, paragraph 37 of Appendix V	8	267 615
140	Other financial liabilities	part 1, paragraph 38-41 of Appendix V	8	35 974
150	Derivatives - hedge accounting	IFRS 9.6.2.1, part 1, paragraph 26 of Appendix V	11	0
160	Changes in the fair value of hedged positions when hedging a portfolio for interest rate risk	Para. 89A (b) of IAS 39, IFRS 9.6.5.8		0
170	Provisions	Para. 10 of IAS 37; Para. 54 (l) of IAS 1	43	1 663
180	Pensions and other obligations to pay defined post-employment benefits	Para. 63 of IFRIC 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 IFRIC 19; Para. 78(d) of IAS 1; part 2, item 10 of Appendix V	43	0
200	Restructuring	Para. 71 and 84(a) of IAS 37	43	0
210	Pending legal matters and tax-related court cases	IAS 37, addendum B, examples 6 and 10	43	962
220	Commitments and guarantees	IFRS 9.4.2.1(c), (d); 9.5.5; 9.C2.5; IAS 37; IFRS 4; part 2, para. 11 of Appendix V	9 12 43	701
230	Other provisions	Para. 14 of IAS 37	43	0
240	Tax liabilities	Para. 54 (n)-(o) of IAS 1		16 514
250	Current tax liabilities	Para. 54(n) of IAS 1; Para. 5 of IAS 12		26
260	Deferred tax liabilities	Para. 54, (o) of IAS 1; Para. 5 of IAS 12; Art. 4, Para. 1, item 108 of Reg 575		16 488
270	Share capital payable upon request	IAS 32, illustrative example 33; IFRIC 2; part 2, paragraph 12 of Appendix V		0
280	Other liabilities	part 2, paragraph 13 of Appendix V		152 402

		References	Breakdown in table	Carrying amount
				part 1, paragraph 27 of Appendix V
				010
290	Liabilities in disposal groups classified as held for sale	Para. 54, (p) of IAS 1; Para. 38 of IFRIC 5; part 2, paragraph 14 of Appendix V		0
300	TOTAL LIABILITIES	Para. 9, (b), IN 6 of IAS 1		9 256 966

Bank	FINV9150	First Investment Bank AD
Reporting date	31.12.2019	
Basis for application	individual	
Accounting standard	IFRS	
		Reporting currency '000 BGN

1.1 Balance sheet

Statement of

1.3 Total own funds

		References	Breakdown in table	Carrying amount
				010
010	Equity	Para. 54(s) of IAS 1; Para. 22 of DOB	46	110 000
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	Premium reserves	Para. 78(e) of IAS 1; Art. 4, Para. 1, item 124 of Reg 575	46	97 000
050	Issued capital instruments other than share capital	part 2, paragraphs 18-19 of Appendix V	46	0
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	Other own funds	Para. 10 of IFRS 2; part 2, paragraph 20 of Appendix V		0
090	Accumulated other comprehensive income	Art. 4, para. 1, item 100 of Reg 575	46	16 313
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 IAS 1, 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 IFRIC 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		11 813
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 IFRIC 21; Paras. 32, 38-49 of IAS 21		0
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		11 813
165	Hedging instruments [unreported elements]	Paragraph 7, (g) and (h) of IAS 1, IFRS 9.6.5.13 and 9.6.5.14; paragraph 24E of IFRS 7; part 2, paragraph 25 of Appendix V		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 IAS 1, paragraph 10 of IAS 28		0
190	Retained earnings	Art. 4, para. 1, item 123 of Reg 575		0
200	Revaluation reserve	Para. 30, D5-D8 of IFRS 1; part 2, item 28 of Appendix V		0
210	Other reserves	Para. 54 of IAS 1; Para. 78 (e) of IAS 1		590 531
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		590 531
240	(-) Repurchased own shares	Para. 79 (a)(vi) of IAS 1; Paras. 33-34, IE14, IE36 of IAS 32; part 2, paragraph 30 of Appendix V	46	0
250	Profit or loss attributable to the owners of the parent company	Para. 81B (b)(ii) of IAS 1	2	129 221
260	(-) Interim dividends	Para. 11 of IAS 32		0
270	Minority interests [Non-controlling interests]	Para. 54 (r) of IAS 1		0
280	Accumulated other comprehensive income	Art. 4, para. 1, item 100 of Reg 575	46	0
290	Other items		46	0
300	TOTAL SHAREHOLDERS' EQUITY	Para. 9 (c), IN 6 of IAS 1	46	943 065
310	TOTAL SHAREHOLDERS' EQUITY AND TOTAL LIABILITIES	IN 6 of IAS 1		10 200 031

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Chief Executive Officer

CHAVDAR ZLATEV
Executive Director

JIVKO TODOROV
Chief Financial Officer

FIRST
INVESTMENT
BANK AD

Bank **FINV9150** First Investment Bank AD

Reporting date **31.12.2019**

Basis for application **individual**

Accounting standard IFRS

Reporting currency '000 BGN

2. Profit and Loss Account

		References	Breakdown in table	Current period
				010
010	Interest income	<i>Para. 97 of IAS 1; part 2, paragraph 31 of Appendix V</i>	16	289 868
020	Financial assets held for trading	<i>Para. 20, (a)(i), Para. B5, (e) of IFRC 7; part 2, paragraphs 33, 34 of Appendix V</i>		64
025	Non-tradable financial assets mandatorily reported at fair value through profit or loss	<i>Para. 20, (a)(i), Para. B5, (e) of IFRC 7, IFRS 9.5.7.1</i>		485
030	Financial assets at fair value through profit or loss	<i>Para. 20, (a)(i), Para. B5, (e) of IFRC 7</i>		0
041	Financial assets at fair value through other comprehensive income	<i>Para. 20(b) of IFRC 7; IFRS 9.5.7.10-11, IFRS 9.4.1.2A</i>		7 891
051	Financial assets at amortised cost	<i>Para. 20(b) of IFRC 7; IFRS 9.4.1.2, IFRS 9.5.7.2</i>		281 419
070	Derivatives — hedge accounting, interest rate risk	<i>supplement A to IFRS 9, C.6.6.16, part 2, paragraph 35 of Appendix V</i>		0
080	Other assets	<i>part 2, paragraph 36 of Appendix V</i>		0
085	Revenue from interest on liabilities	<i>IFRS 9.5.7.1, part 2, paragraph 37 of Appendix V</i>		9
090	(Interest expense)	<i>Para. 97 of IAS 1; part 2, paragraph 31 of Appendix V</i>	16	59 171
100	(Financial liabilities held for trading)	<i>Para. 20, (a)(i), Para. B5, (e) of IFRC 7; part 2, paragraphs 33, 34 of Appendix V</i>		0
110	(Financial liabilities at fair value through profit or loss)	<i>Para. 20, (a)(i), Para. B5, (e) of IFRC 7</i>		0
120	(Financial liabilities at amortised cost)	<i>Para. 20(b) of IFRC 7; IFRS 9.5.7.2</i>		55 603
130	(Derivatives — hedge accounting, interest rate risk)	<i>Para. 9 of IAS 39; part 2, paragraph 35 of Appendix V</i>		0
140	(Other liabilities)	<i>part 2, paragraph 38 of Appendix V</i>		17
145	(Interest expense on assets)	<i>IFRS 9.5.7.1, part 2, paragraph 39 of Appendix V</i>		3 551
150	(Expense for share capital payable upon request)	<i>IFRIC 2, item 11</i>		0
160	Dividend income	<i>part 2, paragraph 40 of Appendix V</i>	31	5 678
170	Financial assets held for trading	<i>Para. 20, (a)(i), Para. B5, (e) of IFRC 7; part 2, paragraphs 40 of Appendix V</i>		47
175	Non-tradable financial assets mandatorily reported at fair value through profit or loss	<i>Para. 20, (a)(i), Para. B5, (e) of IFRC 7; IFRS 9.5.7.1A, part 2, paragraphs 40 of Appendix V</i>		57
191	Financial assets at fair value through other comprehensive income	<i>Para. 20, (a)(ii) of IFRC 7; IFRS 9.4.1.2A, IFRS 9.5.7.1A, part 2, paragraph 41 of Appendix V</i>		0
192	Investments in a subsidiary, jointly-controlled entity or associate reported via the equity method	<i>part 2, paragraph 42 of Appendix V</i>		5 574
200	Fee and commission income	<i>Para. 20 (c) of IFRS 7</i>	22	126 388
210	(Fee and commission expense)	<i>Para. 20 (c) of IFRS 7</i>	22	23 159
220	Net profits or (-) losses from write-off of financial assets and liabilities which are not accounted at fair value through profit or loss	<i>part 2, paragraph 45 of Appendix V</i>	16	61 142
231	Financial assets at fair value through other comprehensive income	<i>IFRS 9.4.12A; IFRS 9.5.7.10-11</i>		5 381
241	Financial assets at amortised cost	<i>Para. 20(B)(v) of IFRC 7; IFRS 9.4.1.2, IFRS 9.5.7.2</i>		55 761
260	Financial liabilities at amortised cost	<i>Para. 8 (a)(v) of IFRC 7; IFRS 9.5.7.2</i>		0
270	Other			0
280	Net profits or (-) losses from financial assets and liabilities held for trading	<i>Para. 20, (a)(i) of IFRC 7; IFRS 9.5.7.1, part 2, items 43, 46 of Appendix V</i>	16	-52
287	Net profits or (-) losses from non-tradable financial assets and liabilities mandatorily reported at fair value through profit or loss	<i>Para. 20, (a)(i) of IFRC 7; IFRS 9.5.7.1, part 2, items 46 of Appendix V</i>		4 458
290	Net profits or (-) losses from financial assets and liabilities at fair value through profit or loss	<i>Para. 20, (a)(i) of IFRC 7; IFRS 9.5.7.1, part 2, items 44 of Appendix V</i>	16, 45	0
300	Net profits or (-) losses from hedge accounting	<i>part 2, paragraph 47 of Appendix V</i>	16	0
310	Net profits or (-) losses from exchange rate differences	<i>Para. 28 and Para 52 (a) of IAS 21</i>		14 981
330	Net profits or (-) losses from write-off of non-financial assets	<i>Para. 34 of IAS 1; part 2, paragraph 48 of Appendix V</i>	45	1 532
340	Other operating income	<i>part 2, paragraphs 314-316 of Appendix V</i>	45	82 570
350	(Other operating expense)	<i>part 2, paragraphs 314-316 of Appendix V</i>	45	33 225
355	TOTAL NET OPERATING INCOME			471 010
360	(Administrative expenses)			195 313
370	(Personnel costs)	<i>Para. 7 of IAS 19; Para. 102, IN 6 of IAS 1</i>	44	66 553
380	(Other administrative expenses)			128 760
390	(Amortisation)	<i>Paras. 102, 104 of IAS 1</i>		13 844

		References	Breakdown in table	Current period
				010
400	(Property, Plant and Equipment)	Para. 104 of IAS 1; Para. 73, (e), (vii) of IAS 16		10 678
410	(Investment Property)	Para. 104 of IAS 1; Para. 79, (d), (iv) of IAS 40		0
420	(Other intangible assets)	Para. 104 of IAS 1; Para. 118, (e), (vi) of IAS 38		3 166
425	Net profits or (-) losses from modification	IFRS 9.5.4.3, supplement A to IFRS 9, part 2, paragraph 49 of Appendix V		0
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	(Provisions or (-) reversed provisions)	Para. 59, 84 of IAS 37; Para. 98, (b), (f), (g) of IAS 1	9 12 43	-83
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		-311
450	(Other provisions)			228
460	(Impairment or (-) impairment adjustment of financial assets which are not accounted at fair value through profit or loss)	Para. 20, (a)(viii) of IFRC 7; IFRS 9.5.4.4, part 2, items 51, 53 of Appendix V	12	117 801
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	0
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	117 801
510	(Impairment or (-) reversed impairment of investments in a subsidiary, jointly-controlled entity or associate)	Paras. 40-43 of IAS 28	16	0
520	(Impairment or (-) reversed impairment of non-financial assets)	Para. 126(a)-(b) of IAS 36	16	0
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 IFRC 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	Negative goodwill in profit or loss	B64, (n)(i) to IFRC 3		0
590	Share of profit or (-) loss from investments in a subsidiary, jointly-controlled entity or associate reported via the equity method	part 2, paragraph 54 of Appendix V		0
600	Profit or (-) loss from non-current assets and disposal groups classified as held for sale, which do not meet the requirements for discontinued operations	Para. 37 of IFRS 5, part 2, paragraph 55 of Appendix V		0
610	PROFIT OR (-) LOSS BEFORE TAX FROM CURRENT OPERATIONS	Para. 102, IN 6 of IAS 1; Para. 33 A of IFRC 5		144 135
620	(Tax expense or (-) income relating to the profit or loss from current operations)	Para. 8, (d) of IAS 1; Para. 77 of IAS 12		14 914
630	PROFIT OR (-) LOSS AFTER TAX FROM CURRENT OPERATIONS	IN 6 of IAS 1		129 221
640	Profit or (-) loss after tax from discontinued operations	Para. 82, (e) of IAS 1; Para. 33(a) and paragraph 33A of IFRC 5; part 2, paragraph 56 of Appendix V		0
650	Profit or (-) loss before tax from discontinued operations	Para. 33, (b)(i) of IFRC 5		0
660	(Tax expense or (-) income related to discontinued operations)	Para. 33, (b)(i) and (iv) of IFRC 5		0
670	PROFIT OR (-) LOSS FOR THE YEAR	Para. 81A (a) of IAS 1		129 221
680	Relating to minority interests [non-controlling interests]	Para. 81B (b)(i) of IAS 1		0
690	Attributable to the owners of the parent company	Para. 81B (b)(ii) of IAS 1		129 221

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