

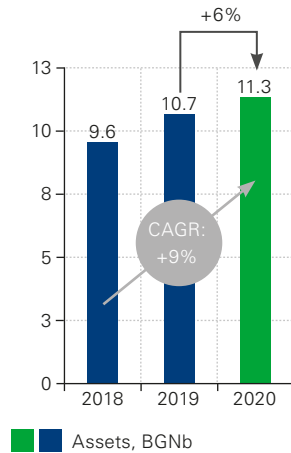
# ANNUAL REPORT 2020



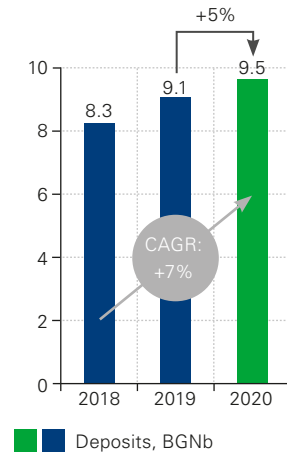
The present report is prepared on the grounds of and in compliance with the requirements of the Accounting Act, the Law on Public Offering of Securities, Ordinance №2 of the Financial Supervision Commission for the prospects of public offering and admittance for trade on a regulated market of securities 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

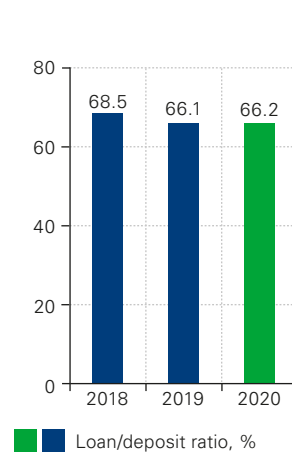
Assets



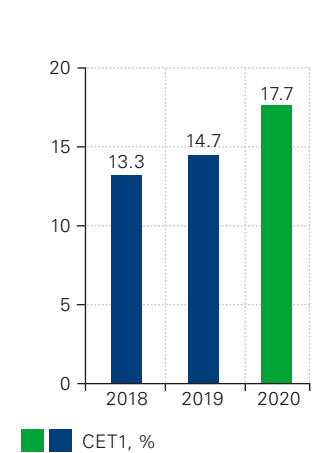
Deposits



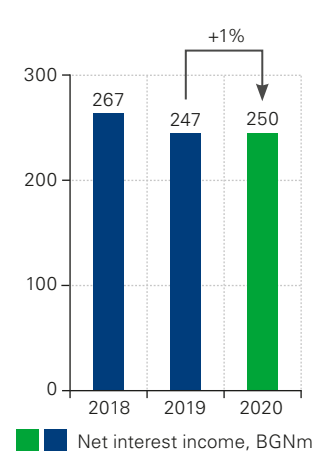
Loan/deposit ratio



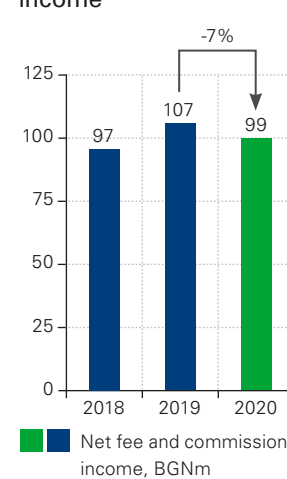
CET1 ratio



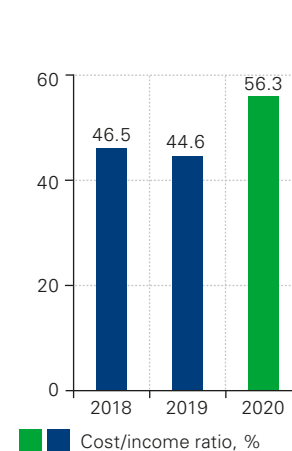
Net interest income



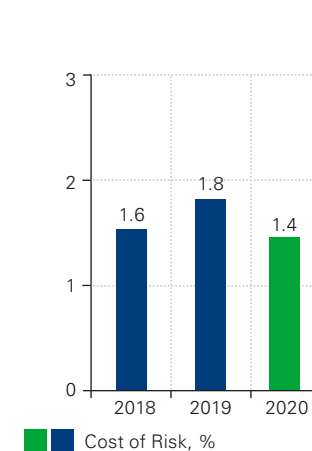
Net fee and commission income



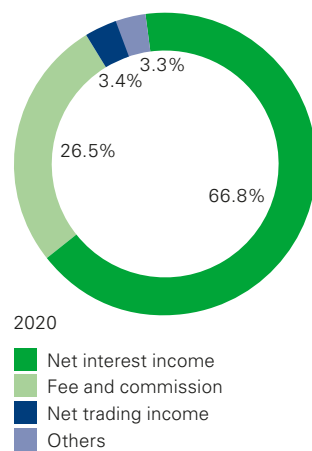
Cost/income ratio



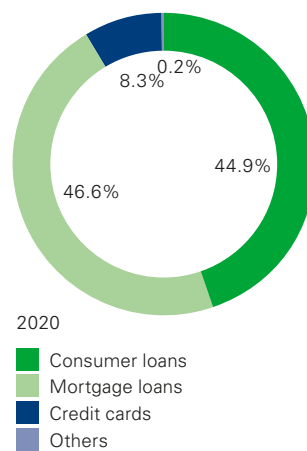
Cost of Risk



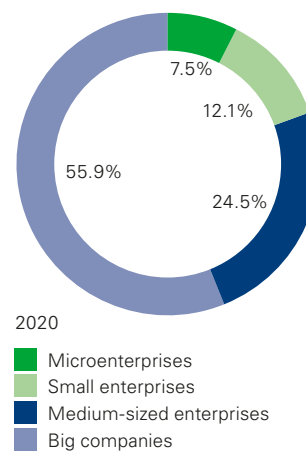
Operating income by type of income



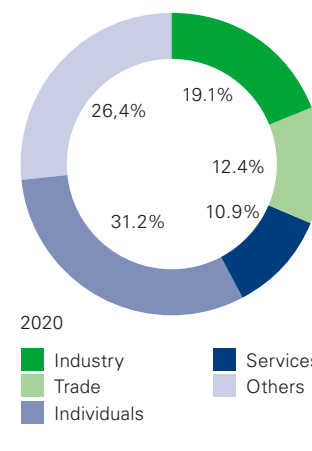
Loans for households



Loans for corporates



Portfolio by sectors



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# Message from the Managing board

## Dear Shareholders, Customers and Colleagues,

We will remember 2020 as a year dominated by the Covid-19 pandemic, and the resulting health, economic and social challenges on a global scale. We all switched to online mode, just a few clicks away, and quickly realized how interconnected the world is and how dependent we are on each other. Covid-19 affected all aspects of our life. Our flexibility and resilience were put to a real-time test.

Thanks to the stable corporate and financial positions of First Investment Bank AD (Fibank, the Bank), the trust built over the years with customers and partners, the consistent policy to invest in technology and infrastructure, and last but not least the experience gained, we successfully navigated the Bank through the turbulence of the external environment.

At the beginning of the pandemic, we quickly readjusted our processes to new and mobile work models, with a focus on customers and employees. As early as March, Fibank was the first bank in the country to provide customers experiencing financial difficulties with the opportunity to reschedule their payments. Immediately upon approval by the BNB of the Procedure for Deferral and Settlement of Liabilities (the so-called „private moratorium“), Fibank joined the initiative, allowing customers to take advantage of it. We quickly and decisively focused our main efforts on:

- adapting our services to the changing conditions;
- easing the lending process;
- increasing communication channels, launching video consultations;
- optimizing risk management to ensure continuity of operations;
- creating secure work environment by allowing a maximum number of employees to work remotely (up to 70% of employees at the Head Office worked from home), while maintaining a high level of security for data and operations;
- maintaining the quality and efficiency of customer service and interaction with partners.

Our efforts paid off. Despite the impact of the pandemic and the continuing trend of low interest rates, we managed to maintain good financial results and market positions. In 2020, the assets of the Group of First Investment Bank AD increased by 6% to BGN 11,335 million, with Fibank maintaining its fifth position by asset size among banks in Bulgaria, with a market share of 8.70%. The reported after tax profit amounted to BGN 45.5 million. Net interest income remained the main source of income at 66.8%, with fee and commission income coming second at 26.5% of total operating income. Operating costs decreased by 12% to BGN 194 million, as a result of the measures taken to optimize the efficiency of operations. The cost to income ratio was 56.34%, with the Bank's medium-term goal being to reach a sustainable level below 50%. Net loan to deposit ratio amounted to 66.16%, evidencing the conservative approach to risk exposures.

During the year the Bank successfully implemented its strategic project for capital increase in order to strengthen the maintained capital buffers, as well as to ensure accomplishment of its strategy for future growth and priority development in the retail and SME banking segments. By the end of 2020, the total capital adequacy reached 21.28%, and the Core Tier 1 Capital Ratio 17.72%, which is well above the requirements of the CRR/CRD IV banking package implementing the Basel III international regulatory framework.

The financial results of all market participants were affected by Covid-19 pandemic. Its negative effects were counteracted by rapid solutions and adequate measures taken by the entire community at all levels, including the regulatory authorities (ECB, EBA, BNB), aimed at further strengthening of the capital and liquidity of banks, maintaining their lending capacity (Regulation (EU) 2020/873, so-called CRR „quick fix“), moratoriums on loan payments, etc.

Fibank remained a preferred institution by individuals and businesses, as evidenced by the increase in borrowings from customers by 5% to BGN 9,542 million, as well as by its ranking third in retail deposits among banks in the country, with a market share of 10.98%. Our business structures adapted quickly to the changing conditions. Fibank offered a number of facilities to customers, including special packages of free digital services, remote solutions for online retail loan application and approval, new credit and card products with rescheduling options, and a program in support of farmers.

The pandemic accelerated the digitization processes and stimulated the development of online banking business models. Digital channels became more popular and the number of their users increased. The branch network was optimized (9 branches were closed), while maintaining its full ability to provide service to customers with a preference for physical locations.

As a socially responsible institution, Fibank joined the donation campaign against the spread of the coronavirus. It supported socially oriented initiatives aimed at people in need, as well as environmental protection initiatives. Its new electronic payment services subsidiary, MyFin EAD, started issuing cards made of 100% biodegradable plastic, and undertook to plant one tree for every 100 cards issued. Fibank is a long-term partner of the National Organization „Little People of Bulgaria“ supporting of people of short stature, and participates in projects aimed at the education and development of young people and talents in the fields of science, art and sports. Fibank will continue to support social and environmental initiatives, and to apply regulatory standards related to sustainable development.

None of the above would be possible without our motivated and dedicated employees, to whom we extend sincere thanks them for their efforts, responsibility and valuable contribution over the past year. Neither would it be possible without the support of our shareholders, customers and partners, whom we thank for their trust and for standing by us in good and hard times. We will also rely on their commitment in the future, in order to successfully cope with the current troubled environment and to ensure that Fibank continues to be a prosperous institution – digital, sustainable and profitable.

**The Management Board of First Investment Bank AD**

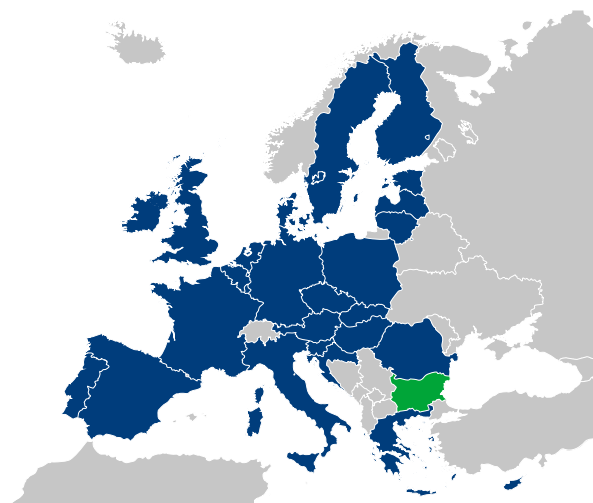


Sustainable development  
has various aspects but they  
are based on our decisions



# Macroeconomic development

## Republic of Bulgaria



## Indicators

Population	6,95 mln. people
Area	110,994 km <sup>2</sup>
Member of the European Union	2007
Member of NATO	2004
Memberships in the European exchange mechanism II and the Banking union	2020
Exchange rate EUR/BGN (fixed)	1.95583
Flat tax rate	10%
Moody's	Baa1, stable
Fitch Ratings	BBB, stable
S&P	BBB, stable

In 2020, the Bulgarian economy developed under conditions of uncertainty related to the global spread of COVID-19 and the withdrawal of the United Kingdom from the European Union (Brexit). The steps taken during the year towards integration into the European Exchange Rate Mechanism (ERM) II and the Banking Union, together with the current currency board system and the fiscal policy pursued in the country, contributed to maintaining macroeconomic stability.

	2020	2019	2018	2017	2016
Gross domestic product (BGN million)	118,605	119,772	109,743	102,345	95,131
Gross domestic product, real growth (%)	(4.2)	3.7	3.1	3.5	3.8
- Private consumption, real growth (%)	0.2	5.5	4.4	3.8	3.5
- Public consumption, real growth (%)	7.5	2.0	5.4	4.3	2.2
- Investments, real growth (%)	(5.1)	4.5	5.4	3.2	(6.6)
- Net exports, real growth (%)	(4.7)	(1.3)	(4.0)	(1.7)	3.4
Inflation, at period-end (%)	0.1	3.8	2.7	2.8	0.1
Average annual inflation (%)	1.7	3.1	2.8	2.1	(0.8)
Unemployment, at period-end (%)	6.7	5.9	6.1	7.1	8.0
Current account (% of GDP)	0.1	3.0	1.0	3.5	3.2
Trade balance (% of GDP)	(2.9)	(4.7)	(4.8)	(1.5)	(2.0)
International reserves of BNB (BGN million)	60,334	48,574	49,037	46,279	46,742
FDI in Bulgaria (% of GDP)	0.9	1.9	1.8	3.1	1.9
Gross external debt (% of GDP)	60.7	57.4	61.5	65.4	71.2
Government and government guaranteed debt (% of GDP)	24.6	19.8	21.8	24.9	28.8
Consolidated budget balance (% of GDP)	(3.0)	(1.0)	0.1	0.8	1.5
USD exchange rate (BGN for USD 1)	1.59	1.74	1.71	1.63	1.86

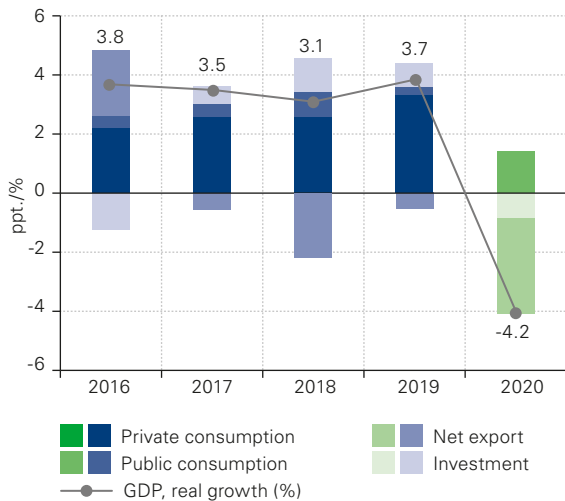
Sources: NSI, BNB, MF, Employment agency

Bulgaria entered the crisis with good macroeconomic indicators. The reported decline in economic activity in the country was lower than the average data on gross domestic product in the European Union (2020: -6.2%) and the Eurozone (2020: -6.6%). For 2020, the country's gross domestic product decreased by 4.2% YOY (2019: +3.7%), this decrease amounting to 8.5% in the second quarter, 4.2% in the third quarter and 4.7% in the fourth quarter, influenced by the COVID-19 pandemic and the declared

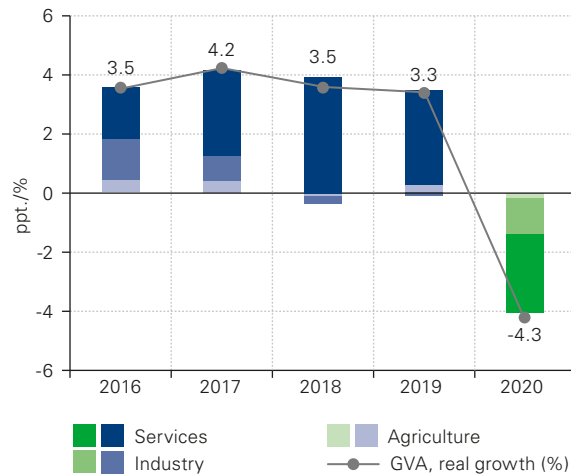
state of emergency in the country. The main negative drivers were net exports which decreased by 4.7% YOY (2019: -1.3%), and fixed capital investments where a decline of 5.1% for 2020 was reported (2019: + 4.5%). This was due to uncertainty about the duration and extent of the coronavirus crisis, including with regard to cross-border cooperation and trade, as well as the movement of people, goods and services.

A positive trend was observed in consumption, including mainly in public consumption at 7.5% YOY (2019: 2.0%), as a result of the fiscal measures taken at the state level to counteract the consequences of the pandemic, including higher national and EU co-financed government spending. Private household consumption fell to 0.2% for the year (2019: 5.5%).

### Components contribution to GDP



### Sector contribution to gross value added

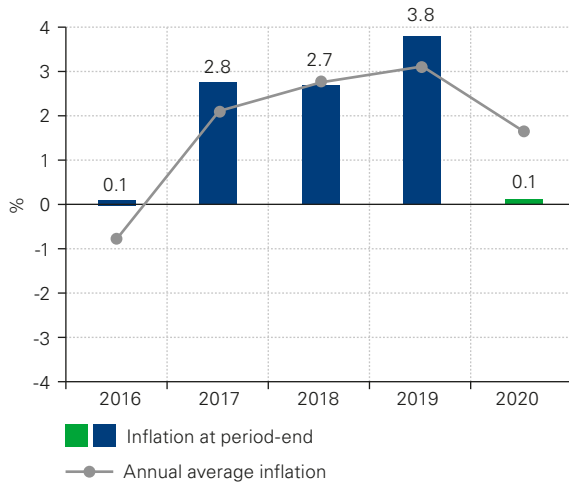


In 2020, gross value added in the economy decreased by 4.3% (2019: + 3.3%), with negative trends observed in all major areas of activity, including in services which decreased by 4.0% (2019: + 4.6%), and in particular in the trade, transport and tourism sectors (2020: -11.9%), as well as culture, sports and recreation (2020: -15.6%), which were among the hardest hit by the restrictions imposed. Real estate transactions also suffered a 3.5% decline for the year, whereas growth was reported in public administration and healthcare (2020: 5.9%), as well as in the finance and insurance sectors (2020: 2.5%).

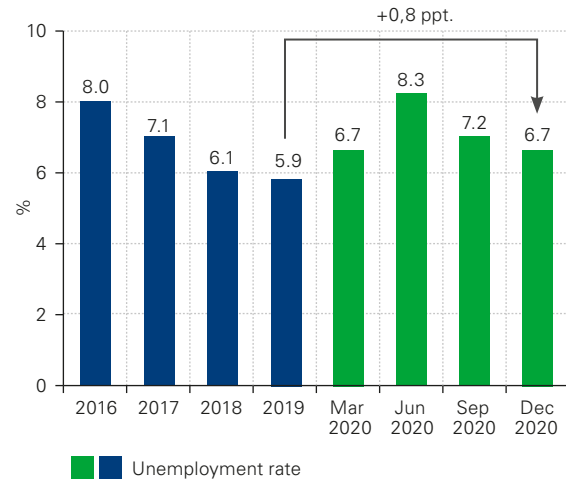
The value added in the economy was also negatively affected by the industrial sector, which decreased by 4.6% in total for the period (2019: -0.5%), including in the mining and processing industry (2020: -5.2%), the main export-oriented industries, as well as construction (2020: -1.0%). A decrease of 5.3% was reported in the agricultural sector (2019: + 4.1%), mainly influenced by horticulture, cereals and industrial crops.

In 2020, the labor market reported negative indications, with the unemployment rate rising to 6.7% at the end of the year (2019: 5.9%), reflecting the uncertainty and negative expectations of companies in terms of investment and costs. The total number of employed persons decreased to 3,127 thousand in the fourth quarter of 2020, with the employment rate (for persons aged 15-64) amounting to 68.8% or by 1.2 ppt. less than a year earlier. As of the end of December 2020, 63% of the workforce was employed in the services sector, 31% in industry and 6% in agriculture. In response to the consequences of COVID-19, a program for job retention in the country through subsidized employment (the so-called "60/40" measure) was launched during the year. It is envisaged that a larger share of the compensation would be borne by the state in the most affected sectors, such as transport and the hospitality industry.

### Inflation



### Unemployment rate

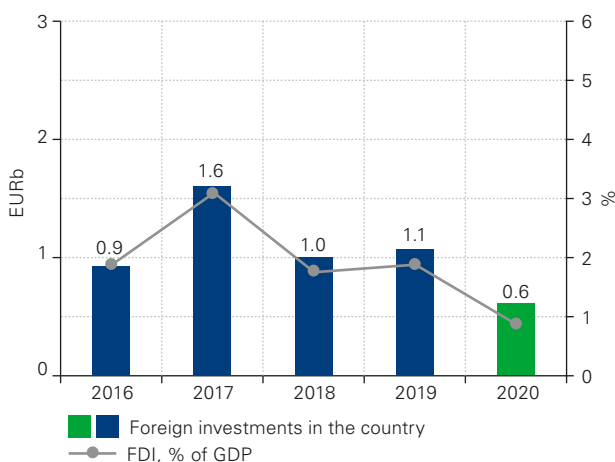


During the year, inflation in the country followed a downward trend. The average annual inflation in 2020 amounted to 1.7% (2019: 3.1%), and inflation at the end of the period was 0.1% (2019: 3.8%). This was due to a decrease in prices in the non-food sector (-3.1%), including transport and clothing, which have a major relative weight (35%) in the consumer basket. The prices of basic raw materials on international markets, such as oil, also have an impact on domestic prices. Growth was reported in food products (1.9%), services (1.4%) and catering (3.8%). Harmonized inflation, which is one of the price stability criteria for joining the Eurozone, was 0.0% at the end of 2020 (2019: 3.1%) and 1.2% on average for the period (2019: 2.5%).

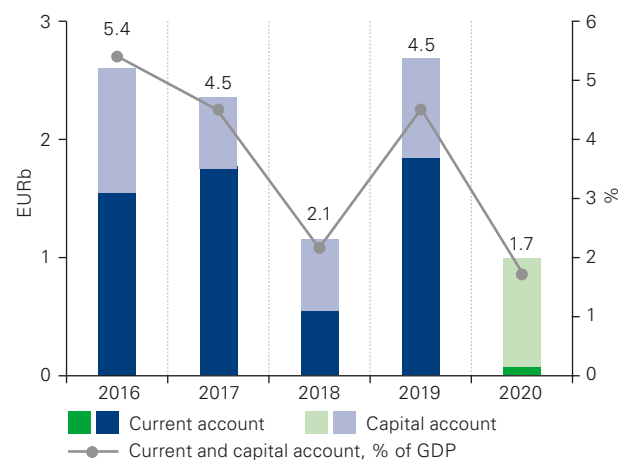
For 2020, direct investment in the country amounted to EUR 562 million or 0.9% of GDP (2019: EUR 1139 million or 1.9% of GDP). Such dynamics mainly reflect higher revenues from debt instruments (financial, bond and trade loans), at the expense of investments in equity and reinvested earnings. By country, most investments were attracted from Austria (EUR 303 million), followed by Germany (EUR 295 million) and Switzerland (EUR 207 million).

The accelerated decline in imports (-9.7% for 2020 YOY to EUR 28,892 million) compared to exports (-6.7% to EUR 27,164 million) led to a reduction in the trade deficit amounting to EUR -1729 million or -2.9% of GDP at the end of 2020 (2019: -2891 million EUR or -4.7% of GDP). As a result, the current and capital account balance decreased to EUR 1010 million or 1.7% of GDP YOY. Lower revenues in services (tourism and travel), as well as the increase in capital transfers, including fiscal expenditures, had an additional impact.

### Foreign investments in the country



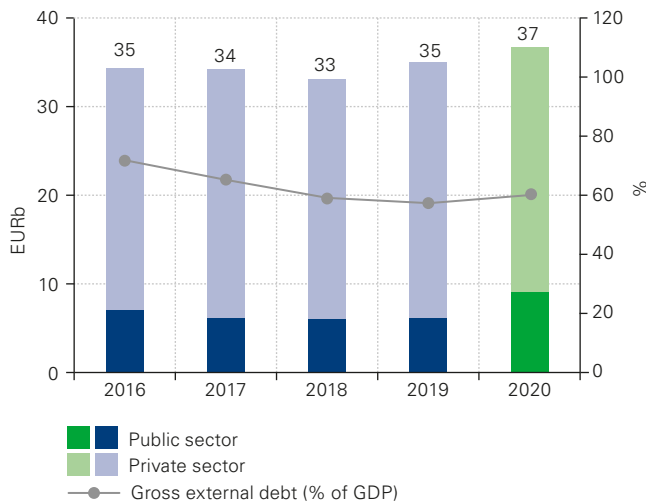
### Current and capital account



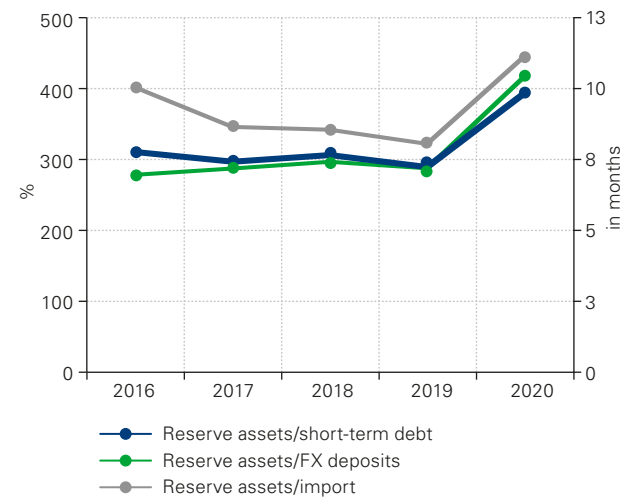
The country's gross external debt increased to EUR 36,825 million at the end of 2020, or 60.7% of GDP (2019: EUR 35,178 million or 57.4% of GDP), with more pronounced dynamics in the public sector as a result of the fiscal measures taken to counter the COVID-19 pandemic. Public external debt reached EUR 8,083 million or 13.3% of GDP by December 2020, remaining among the lowest in the EU. Total government and government-guaranteed debt, including debt issued on the domestic market, amounted

to 24.6% of GDP by the end of 2020 (2019: 19.8%), compared to average levels above 80% for the EU and euro area countries. The BNB reserve assets covered 391.7% of the short-term debt by the end of 2020 (2019: 287.1%) and 415.4% of the foreign currency deposits (2019: 285.4%) in the country.

**Gross external debt**

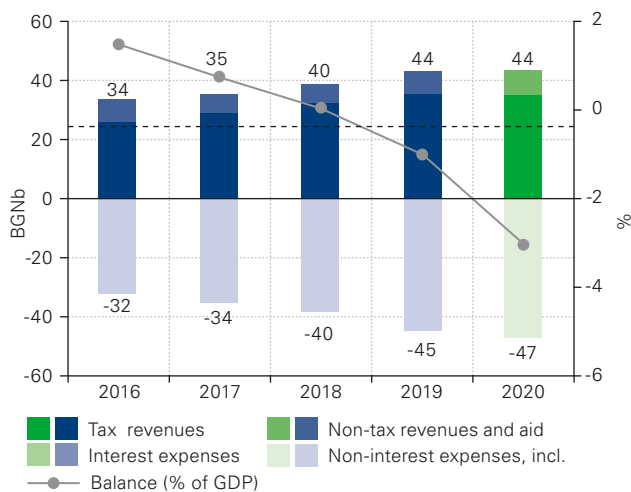


**Reserve assets coverage**

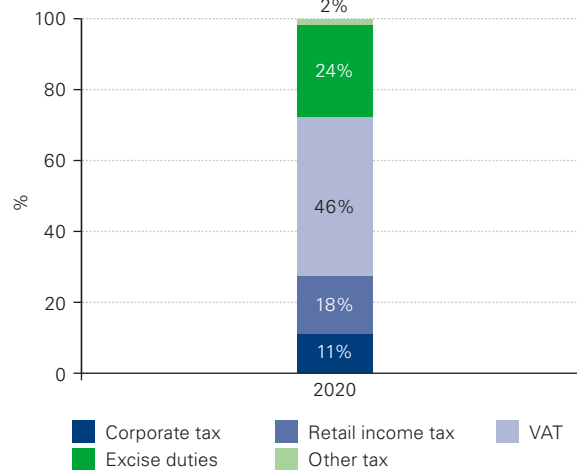


In 2020, the consolidated budget reached a deficit of BGN 3532 million or 3.0% of GDP at the end of the year (2019: BGN 1151 million or 1.0% of GDP), reflecting the higher growth of costs relative to revenues. Expenditures under the consolidated fiscal program increased to BGN 47,840 million (2019: BGN 45,201 million), mainly due to the increase in non-interest expenses as a result of the socio-economic measures taken to minimize the effects of the coronavirus crisis, including payments under the 60/40 subsidized employment measure, payments to front-line workers in the fight against the pandemic, expenditure on medicines and vaccines, monthly allowances for pensioners and payments to businesses and farmers.

**Consolidated budget**



**Structure of tax revenues**



Tax revenues also increased, albeit at a slower pace: 1.6% YOY to BGN 35,848 million as of December 2020. An increase was reported mainly in personal income tax (by 6.0% to BGN 3487 million), which was influenced by the increased minimum wage and insurance thresholds in 2020, as well as the fiscal employment measures taken at state level. Growth was reported in corporate tax (by 0.7% to BGN 2,715 million), while VAT revenues fell by 0.6% to BGN 11,021 million and excise revenues to BGN 5,444 million, as a result of reduced economic activity. Revenues from social security contributions increased, amounting to BGN 11,009 million as of December 2020, of which BGN 7,957 million were social security contributions and BGN 3,052 million health insurance contributions.

In 2020, Bulgaria officially joined the European Exchange Rate Mechanism (ERM) II and the Single Supervisory Mechanism (SSM), working in close cooperation with the European Central Bank. These actions were yet another step towards Bulgaria's accession to the Eurozone. Consequently, as well as in view of continuing macroeconomic stability and expectations for future development, in October 2020 the international rating agency Moody's Investors Service raised the country's long-term foreign and local currency credit ratings from Baa2 to Baa1, with a stable outlook. During the year, Standard & Poor's (BBB) and Fitch Ratings (BBB) confirmed Bulgaria's ratings, changing the outlook from positive to stable due to the effects and consequences of the COVID-19 pandemic on the country's economy. After the reporting period, in February 2021 Fitch Ratings changed the outlook on Bulgaria's ratings from stable to positive.

Expectations for 2021 include a recovery in economic growth, mainly driven by net exports and investment and to a lesser extent by private consumption, in line with the dynamics of domestic demand and investment activity, including with regard to absorption of funds under EU programs. The estimates of the Ministry of Finance (autumn macroeconomic forecast) are for real GDP growth of 2.5-3.2% for the period 2021-2023, and those of the Bulgarian National Bank are of 3.6-3.7% for the period 2021-2022. Uncertainties about such forecasts come from the duration and scope of measures against the spread of the coronavirus.

## The banking system

In 2020, the banking system in Bulgaria reported stable indicators and positive development, notwithstanding the uncertain external environment caused by the COVID-19 pandemic. The banking system faced the crisis with good baseline indicators, including high levels of liquidity and capital adequacy well above the regulatory requirements, which contributed to the continuation of lending in line with existing demand from businesses and households and maintaining confidence in the system. The processes of integration with the European Supervisory Framework and financial infrastructure continued to have an additional impact on the development of banking policies.

In order to further strengthen the system and ensure resilience against the negative effects arising from the pandemic, during the year the Bulgarian National Bank launched a package of measures aimed at increasing the capital and liquidity of banks, including through requirements for the capitalization of profits, cancellation of planned increases in countercyclical capital buffers, as well as an increase of liquidity by reducing foreign exposures of commercial banks. In April 2020, a precautionary currency agreement (swap line) was agreed with the European Central Bank to provide liquidity in euros if necessary.

In July 2020, in pursuance of the roadmap for Bulgaria's accession to the euro area, the Bulgarian lev was included in the European Exchange Rate Mechanism (ERM) II, while maintaining the current currency board system in the country. Close cooperation was established with the European Central Bank under the Single Supervisory Mechanism (SSM) and the Single Restructuring Mechanism (SRM). In this regard, significant credit institutions to be subject to direct supervision by the European Central Bank as of 1 October 2020 were identified. The ECB's responsibility was agreed with regard to less significant institutions remaining subject to direct supervision by the BNB, as well as to the general procedures for all supervised entities.

in % / change in p.p.	2020	2019	2018	20/19	19/18
CET 1 ratio	21.69	19.04	18.99	2.65	0.05
Tier 1 capital ratio	22.10	19.50	19.41	2.60	0.09
Capital adequacy ratio	22.74	20.16	20.38	2.58	(0.22)
Leverage ratio	11.48 <sup>1</sup>	10.55	10.11	0.93	0.44
Liquidity coverage ratio (LCR)	279.0	269.9	294.1	9.1	(24.2)
Loans/deposits <sup>2</sup>	69.04	72.17	72.02	(3.13)	0.15
Return-on-equity (ROE)	6.19 <sup>1</sup>	11.63	12.11	(5.44)	(0.48)
Return-on-assets (ROA)	0.78 <sup>1</sup>	1.47	1.59	(0.69)	(0.12)
Non-performing loans and advances <sup>3</sup>	5.65	6.48	7.63	(0.83)	(1.15)

Source: Bulgarian National Bank

The total capital ratio for the system increased to 22.74% by the end of 2020 (2019: 20.16%), and the Tier 1 capital adequacy (T1 ratio) to 22.10%, compared to 19.50% at the end of 2019, both indicators being significantly above the regulatory requirements. Such dynamics were mainly due to the increase in CET 1 capital, including paid-in capital, and the profit during the year, as well as the decrease 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 11.48% as of September 2020, compared to 10.55% as of 31.12.2019.

In connection with the COVID-19 pandemic, in March 2020 the BNB cancelled the planned increases in countercyclical capital buffers planned for 2020 and the first quarter of 2021, their level remaining at 0.5%. During the year the BNB announced its annual review of the buffer for Other Systemically Important Institutions (O-SIIs) and identified as such eight banks for which individual levels were set in the range of 0.50% to 1% for 2020 and 2021. In 2020, the systemic risk buffer remained unchanged at 3% of banks' risk exposures in Bulgaria.

During the year liquidity remained high, reflecting the consistent conservative risk management, the increased deposit base, as well as the package of measures undertaken by the BNB aimed at further strengthening of liquidity in connection with the consequences of COVID-19. The loan/deposit ratio decreased to 69.04%, compared to 72.17% a year earlier. The liquidity coverage ratio (LCR), correlating the liquidity buffers maintained by banks against net outflows over a period of 30 calendar days, increased to 279.0% at the end of 2020 (2019: 269.9%), which is well above the minimum requirement of 100%. The ratio of liquidity buffer to balance sheet assets for the system was 29.2% at the end of December 2020.

In 2020, the banking system realized a net profit of BGN 815 million, compared to BGN 1,675 million a year earlier. A decrease was reported in net interest income and net fee and commission income, while impairment charges increased reaching BGN 876 million for the period (2019: BGN 431 million).

BGN million/ change in %	2020	2019	2018	20/19	19/18
Net interest income	2,649	2,746	2,742	(3.5)	0.2
Net fee and commission income	1,039	1,106	1,066	(6.1)	3.8
Administrative expenses	1,677	1,664	1,717	0.1	(3.1)
Impairment	876	431	479	103.4	(10.0)
Net profit	815	1,675	1,678	(51.4)	(0.2)

Source: Bulgarian National Bank

Net interest income for 2020 decreased by 3.5% to BGN 2,649 million (2019: BGN 2,746 million) against a backdrop of continuing low interest rates. Net fee and commission income amounted to BGN 1,039 million (2019: BGN 1,106 million), providing a solid contribution to profit and forming 25.0% (30.2% on EU level) of the total operating revenues of the system (2019: 26.1%). The achieved financial results accounted for return on assets (ROA) of 0.78% for the first nine months of 2020 (2019: 1.47%) and return on equity (ROE) of 6.19% for the same period (2019: 11.63%), reflecting the potential of the banking sector to generate returns in line with current developments and the operating environment.

<sup>1</sup> Data as of 30 September 2020

<sup>2</sup> Gross loans and advances (without central banks and credit institutions)/deposits (without credit institutions).

<sup>3</sup> Non-performing loans and advances/gross loan and advances. (For comparability, a broad definition of loans and advances has been used, including cash balances with central banks and other demand deposits).

Total balance sheet assets increased by 8.6% YOY to BGN 124,006 million as of December 2020 (2019: BGN 114,201 million). Loans and advances had a predominant share in the balance sheet structure at 58.9% of total assets (2019: 65.7%), followed by cash and balances with central banks at 21.9% (2019: 15.9%) and investments in securities –at14.6% (2019: 13.1% ), including mainly debt securities.

Lending activity in 2020 was less dynamic for non-financial corporations than for households. The gross loan portfolio (excluding credit institutions and central banks) increased by 4.8% to BGN 69,500 million at the end of the period (2019: BGN 66,293 million). An increase was reported in all major segments, particularly in loans to households, whose share in the total portfolio rose to 37.2% (2019: 36.5%). Residential mortgage loans increased by 10.1% to BGN 13,752 million (2019: BGN 12,487 million), and consumer loans – by 3.7% to BGN 12,882 million at the end of December 2020 (2019: BGN 12,427 million). Loans to non-financial corporations retained their major share at 54.7% of total loans to customers, reaching BGN 38,042 million (2019: BGN 36,573 million), while those to other financial corporations grew to BGN 4,679 million (2019: BGN 4,594 million).

BGN million / change in %	2020	2019	2018	20/19	19/18
Assets	124,006	114,201	105,557	8.6	8.2
Loans to non-financial corporations	38,042	36,573	34,871	4.0	4.9
Loans to individuals, including:	25,882	24,193	22,075	7.0	9.6
- Mortgage loans	13,752	12,487	10,906	10.1	14.5
- Consumer loans	12,882	12,427	10,333	3.7	20.3
Deposits from non-financial corporations	31,701	28,150	25,278	12.6	11.4
Deposits from individuals	62,636	57,616	53,383	8.7	7.9

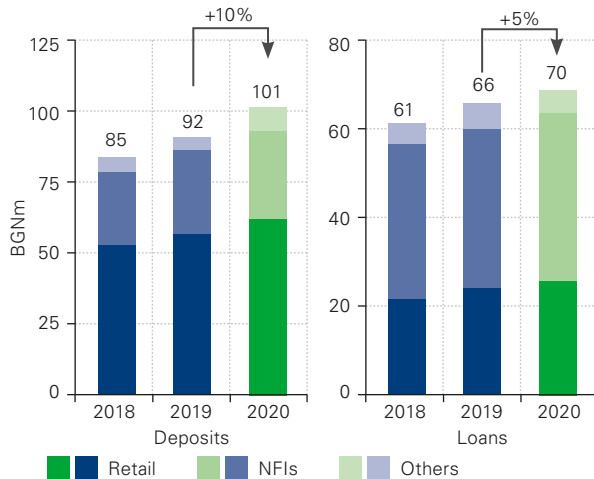
Source: Bulgarian National Bank

The share of non-performing loans and advances continued to decrease, reaching 5.65% of gross loans and advances as of December 2020 (2019: 6.48%). For comparability with previous periods the calculation is made using a broad definition of loans and advances, including cash balances with central banks and other demand deposits. Non-performing loans are adequately covered by impairment charges and buffers additionally accumulated in the system. Loans to non-financial corporations accounted for the largest share in the structure of non-performing loans (66.6%), followed by loans to households (31.2%) and to other financial corporations (2.1%).

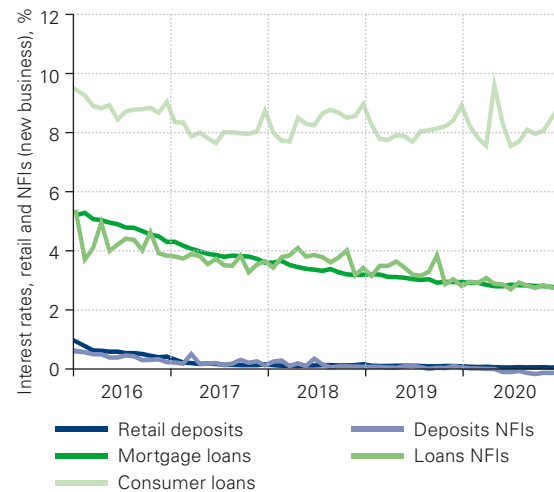
In April 2020, the Bulgarian National Bank approved the Procedure for deferral and settlement of payments due to banks and their financial institution subsidiaries in connection with the COVID-19 pandemic, prepared by the Association of Banks in Bulgaria (ABB). An extension of its term and other amendments were further approved in July and December 2020. The document constitutes a non-legislative moratorium within the meaning of the European Banking Authority (EBA) Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID 19 crisis (EBA/GL/2020/02), according to which the application of the general payment moratorium in itself should not lead to reclassification of the exposure as forborne (either performing or non-performing). As of December 31, 2020, the moratorium was applied to 89,478 borrowers with exposures totalling BGN 8,074 million, representing 11.6% of the system's gross loan portfolio. Of these, BGN 6,365 million were exposures to businesses and BGN 1,709 million to households.

In 2020, borrowed funds in the banking system (excluding credit institutions) continued their upward trend, growing by 9.6% to BGN 100,671 million as of December 2020 (2019: BGN 91,853 million) despite the low interest rate environment, reflecting confidence in the system. An increase was reported both in deposits of non-financial corporations (by 12.6% to BGN 31,701 million) and of households (by 8.7% to BGN 62,636 million), retaining a dominant share of 62.2% of all attracted funds. Deposits of other financial corporations reached BGN 3,300 million, and those of the government sector amounted to BGN 3,034 million. In the currency structure of borrowed funds, the share of BGN deposits decreased to 61.9% as of December 2020 (2019: 63.2%). Euro deposits increased to 31.0% (2019: 29.3%), and those in other currencies amounted to 7.1% (2019: 7.5%).

## Loans and deposits



## Interest rates on deposits and loans



During the year, the downward trend in interest rates continued in line with the dynamics in the EU and Eurozone countries. In 2020, interest rates on deposits (new business<sup>1</sup>) of households and non-financial corporations fell on average (volume weighted) to 0.09% and -0.04%, respectively (2019: 0.13% and 0.09%). A decrease was also reported in interest rates on loans (new business<sup>2</sup>): for non-financial corporations – down to 2.91% on average for the period (2019: 3.32%) and for mortgage loans to 2.88% (2019: 3.09%). In consumer loans, there was a slight increase to 8.20% (2019: 8.18%).

At the end of December 2020, there were 24 credit institutions operating in the country, including 6 branches of foreign banks. Subsidiaries of EU banks accounted for 71.4%<sup>3</sup> of the system's assets, local banks for 22.1%, while branches of EU and non-EU banks, as well as banks owned by non-EU persons, formed the remaining 6.5%. Significant banking institutions (according to the ECB criteria) in the country accounted for 65.6% of bank assets as of September 2020, and less significant banking institutions for 30.7%.

Challenges for the banking system will continue to be mainly associated with overcoming the consequences of the COVID-19 pandemic, the related slowdown in economic activity and instability internationally, as well as the ongoing consolidation processes, technological development and digitalization, the volume of regulations affecting the competitive advantages of banks, and increasing competition in the field of banking services caused by the entry of the so-called fintech companies.

## Regulatory framework developments

In 2020, much of the legislative initiative in the field of banking at both European and national level was aimed at structuring an appropriate framework and regulatory measures in response to the COVID-19 pandemic.

The Law on Measures and Actions during the State of Emergency declared by a decision of the National Assembly of 13 March 2020 and for overcoming its consequences, suspended the application of penalties for late payment of debts of private entities, including penalty interest, and introduced a temporary ban on seizures of bank accounts and other actions related to public sale and foreclosure for the period of validity of the law. This, together with the Procedure for deferral and settlement of payments due to banks and their financial institution subsidiaries in connection with the COVID-19 pandemic (a non legislative moratorium) approved in April 2020, realized the opportunities given with the EBA Guidelines on legislative and non legislative moratoria on loan repayments applied in the light of the COVID 19 crisis (EBA/GL/2020/02).

Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic (the so-called „quick fix“) was adopted during the year, aimed at further strengthening the capital and liquidity position of banks, and preserving their capacity to provide loans. In this connection, decisions were taken at national level to implement the requirements introduced by the Guidelines

<sup>1</sup> Term deposits in BGN up to 1 year

<sup>2</sup> Loans with original maturity in BGN

<sup>3</sup> Data as of the end of Q3, 2019.



on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07); the Guidelines on supervisory reporting and disclosure requirements in compliance with the CRR “quick fix” in response to the COVID-19 pandemic (EBA/GL/2020/11), as well as the Guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds (EBA/GL/2018/01) to ensure compliance with the CRR “quick fix” in response to the COVID-19 pandemic.

In connection with the inclusion of the country in the European Exchange Rate Mechanism (ERM) II and the establishment of close cooperation with the European Central Bank within the Single Supervisory Mechanism (SSM), amendments were made to the Law on the Bulgarian National Bank and the Law on Credit Institutions, refining texts on the official exchange rate of the Lev to the Euro within ERM II, and elaborating the requirements concerning relations between the supervisory authorities and allocation of responsibilities between the institutions within the Single Supervisory Mechanism.

The risk management framework was further developed with new EBA guidelines which the BNB has decided to apply as of June 2021: the Guidelines on loan origination and monitoring (EBA/GL/2020/06) further developing the requirements for the application of reliable rules, processes and mechanisms for internal governance and risk management in connection with the processes of the origination of loans and their effective monitoring and management throughout the life cycle of loan transactions. Also adopted for implementation in the country are the new Guidelines on information and communications technology (ICT) and security risk management (EBA/GL/2019/04), as well as the Guidelines on the treatment of structural FX under Article 352(2) of Regulation (EU) No 575/2013 (CRR) (EBA/GL/2020/09) and the Guidelines on credit risk mitigation techniques for institutions applying the IRB approach with own estimates of LGDs (EBA/GL/2020/05), applicable from 2022.

In the field of corporate governance, amendments to the Public Offering of Securities Act (POSA) were adopted during the year, implementing into the national legislation the EU requirements for promoting long-term commitment of shareholders, setting minimum requirements for shareholder identification and transmission of information, as well as facilitating the exercise of shareholders’ rights. During the period, in view of the COVID-19 pandemic, the application was postponed by one year of the requirements arising from Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format. According to this, the annual financial statements and activity reports for 2021 of public companies should be disclosed using the single electronic reporting format XHTML, and for certain markups in the consolidated financial statements the machine-readable XBRL language should be used.

The pandemic accelerated and stimulated the processes of digitalization, development of business models for online banking, and development of new distance services and solutions, which at the same time brought new challenges, both technological and regulatory. During the period, procedures were developed related to electronic payment security and Internet and mobile banking platforms. Efforts were focused on the development of new technologies and payment methods, including immediate payments.

During the year, amendments were made to Ordinance № 12 of the BNB on the Register of Bank Accounts and Safe Deposit Boxes and the BNB Instructions on its Implementation, elaborating the specifications for information submitted on budget accounts, actual account holders, and identification of foreign individuals. Changes were also made to Ordinance № 22 of the BNB of 16 July 2009 on the Central Credit Register, among others the possibility of obtaining information from the system on checks.

At the end of the year, a new Ordinance №40 of the BNB was adopted determining the amount of fees to cover administrative costs of the Bulgarian National Bank arising from supervisory and resolution functions. It regulates the collection of annual fees from supervised entities to cover the administrative costs arising from the functions of banking supervision, payment supervision and bank resolution.

With regard to the requirements for the activity of investment firms, a new Ordinance № 38 of the Financial Supervision Commission was adopted, specifying the requirements for assessing the knowledge and competence of brokers, investment advisers and the conditions for tied agents that the investment firm must ensure are in place when contracting the services of such persons. The requirements for cross-selling practices are detailed, as well as for signing agreements, daily reporting and procedures related to margin purchases and short sales.

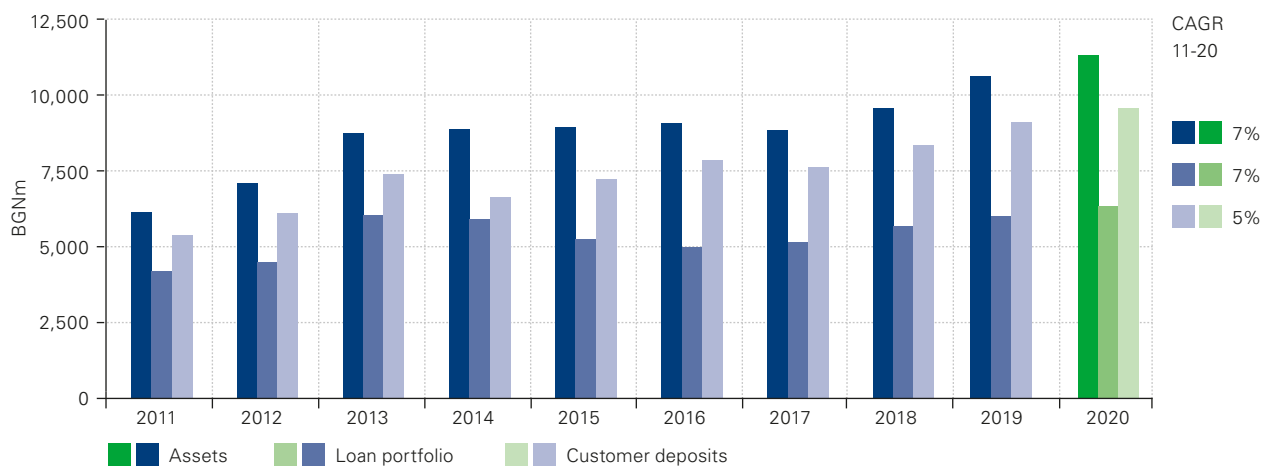
Among the challenges faced by banks remain the forthcoming implementation of the “packages” CRR2/CRD5 on bank capital and liquidity and BRRD2/SRMR2 on requirements for recovery and restructuring, including the minimum requirements for own funds and eligible liabilities (MREL) and reaching the set target levels by January 1, 2024.

# Mission

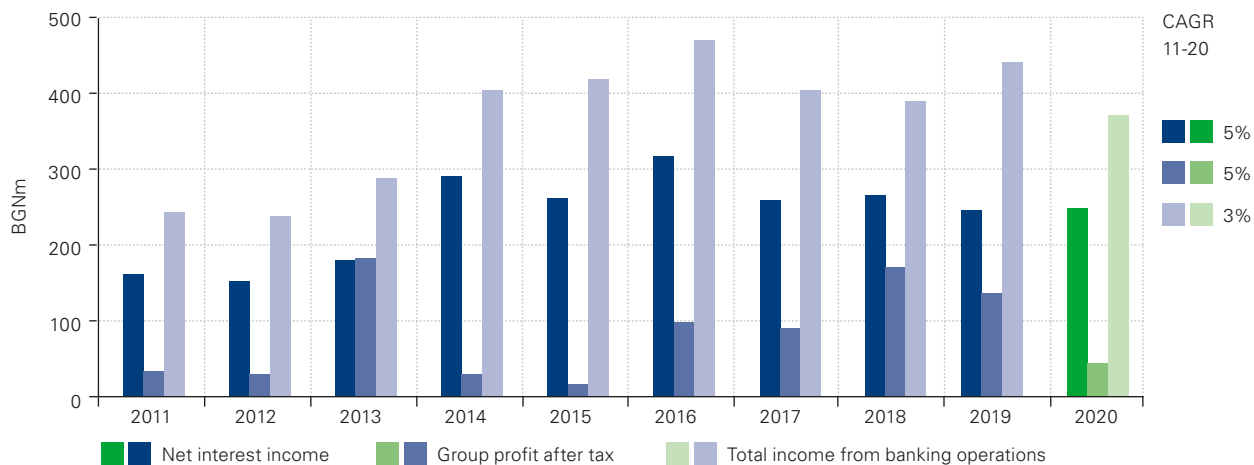
First Investment Bank AD aspires to continue to be one of the best banks in Bulgaria, recognized as a rapidly growing, innovative, customer-oriented bank, offering outstanding products and services to its customers, ensuring excellent careers for its employees, and contributing to the community. The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

# Sustainable development

## Balance-sheet indicators



## Financial indicators



## Capital increase

In 2020, First Investment Bank successfully implemented its strategic project for capital increase in order to boost and strengthen the maintained capital buffers, as well as to ensure the implementation of its strategy for future growth and priority development in the segments of SME and retail banking.

The most important moments in connection with the capital increase in 2020 were as follows:

- In January 2020, First Investment Bank submitted to the Financial Supervision Commission (FSC) a prospectus for a new share issue, setting the maximum subscription amount at BGN 200 million. The subscription would be considered successful if raising a minimum amount of BGN 20 million.
- In April 2020, the FSC confirmed the prospectus of First Investment Bank for public offering of up to 40 million new shares with an issue price of BGN 5.
- In May 2020, the subscription for the capital increase of First Investment Bank started in accordance with the requirements of the Public Offering of Securities Act (POSA).
- At the beginning of July 2020 the subscription was successfully completed and First Investment Bank increased its capital by BGN 195,424 thousand. New shareholders of the Bank were the Bulgarian Development Bank AD with 18.35% and the Valea Foundation of the Czech Republic entrepreneur Mr. Karel Komarek with 7.87%.
- At the end of July 2020 the capital increase was registered in the Commercial Register of the Registry Agency. In August 2020 the new share issue was registered in the FSC register according to Art. 30, para. 1, item 3 of the Financial Supervision Commission Act.

*For more information on the capital increase, see the sections Capital and Shareholding structure.*

## Actions related to the COVID-19 challenges

In 2020, First Investment Bank took a number of actions related to the spread of the coronavirus and the consequences of the COVID-19 pandemic, including:

- In March 2020, Fibank was the first bank in the country to provide its customers with the opportunity to reschedule their payments if experiencing difficulties due to the state of emergency and the COVID-19 pandemic.
- In April 2020, the Bank joined the Procedure for deferral and settlement of payments due to banks and their financial institution subsidiaries in connection with the COVID-19 pandemic (a non-legislative moratorium) prepared by the Association of Banks in Bulgaria (ABB) and approved by the BNB, as well as to its amendments and extension of validity, further approved in July and December 2020.
- During the year, First Investment Bank signed three agreements for participation in programs of the Bulgarian Development Bank and the Fund of Funds, aimed at supporting individuals and businesses in connection with the COVID-19 pandemic.
- Fibank offered a number of solutions and reliefs for customers, including: special packages of free digital services; fully online process of loan application and loan approval for individuals; new credit and card products with options for rescheduling of obligations and repayment in equal monthly installments; and a program to support farmers.
- The Bank took a number of steps related to the internal organization of its activity, including safety requirements, social distancing, remote workplaces, updated continuity and recovery plans, etc.
- As a socially responsible company, Fibank joined the donation campaign aimed at fighting the spread of the coronavirus and implemented a number of other socially oriented measures in support of people in need.

*For more information on actions taken related to the COVID-19 challenges, see sections Highlights 2020, Business overview, Social Responsibility, Human Capital and Business review of subsidiary companies.*

# 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.
- Factors Chain International

## Market position<sup>1</sup>

- Fifth in assets
- Fifth in lending
  - Fourth in corporate lending
  - Fifth in consumer loans
  - Sixth in mortgage loans
- Fifth 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 transactions

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<sup>1</sup> Market positions are determined based on an individual data from the BNB and BORICA AD.

## Market share<sup>1</sup>

- 8,70% of bank assets in Bulgaria
- 9,91% of loans in the country
  - 11,52% of corporate lending
  - 8,63% of consumer lending
  - 6,68% of mortgage lending
- 9,06% of deposits in the country
  - 10,98% 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

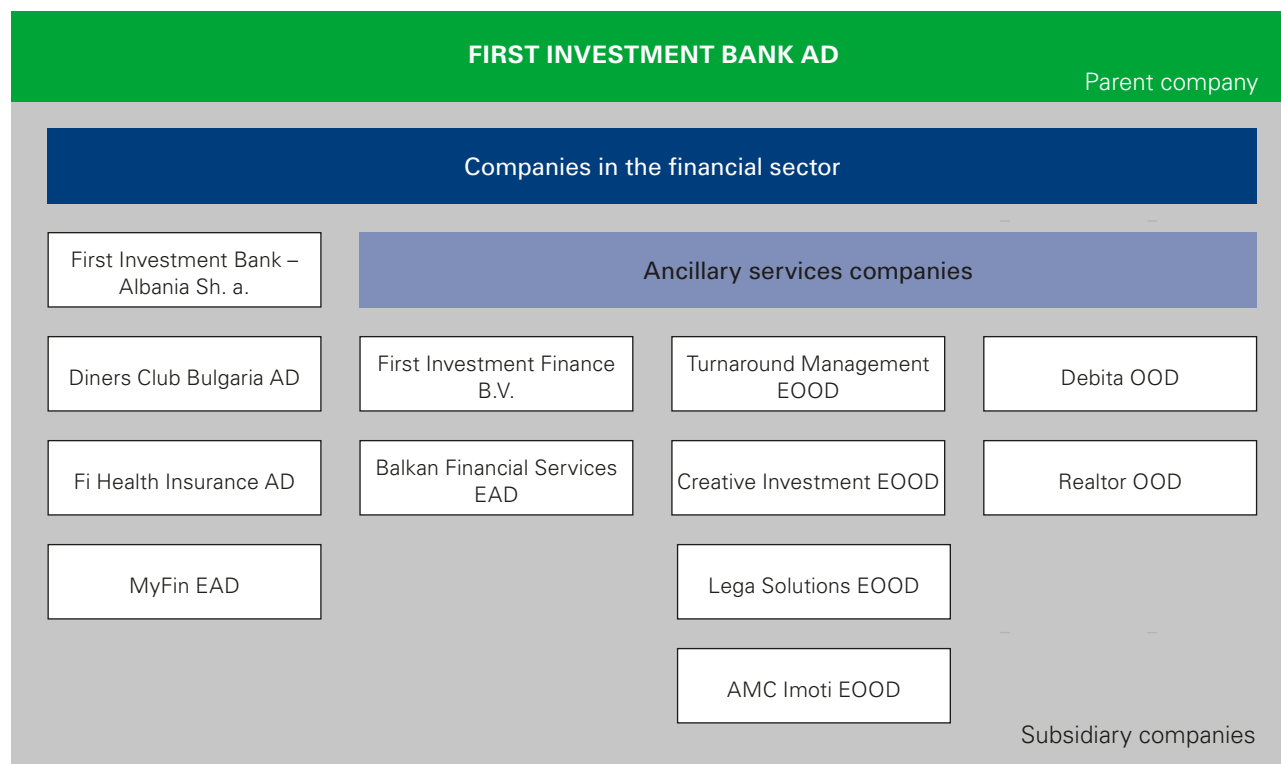
As at 31 December 2020 the Group of First Investment Bank had a total of 149 branches and offices: 134 branches and offices, including a Head Office, covering the territory of Bulgaria and a foreign branch in Cyprus, as well as a Head Office and 14 branches of the subsidiary bank First Investment Bank - Albania Sh.a. in Albania.

*For further information regarding the branch network, see section "Distribution channels", as well as section "Business review of subsidiary companies".*

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<sup>1</sup> Market shares are determined based on unconsolidated data from the BNB.

## Subsidiaries



As at 31 December 2020, First Investment Bank AD had twelve subsidiary companies: First Investment Bank - Albania Sh.a. (100%), Diners Club Bulgaria AD (94.79%), Fi Health Insurance AD (59.10%), MyFin EAD (100%), First Investment Finance B.V. (100%), Debita OOD (70%), Realtor OOD (51%), Balkan Financial Services EAD (100%), Creative Investment EOOD (100%), Turnaround Management EOOD (100%), Lega Solutions EOOD (100%), and AMC Imoti EAD (100%).

As of 31.12.2020, the following companies were included in the consolidated financial statements of the Group of First Investment Bank: First Investment Bank - Albania Sh.a., Diners Club Bulgaria AD, Fi Health Insurance AD, and First Investment Finance B.V. The remaining subsidiaries were not included in the consolidated financial statements, as they were considered immaterial to the financial position, financial results and cash flows of the Group for the year ended 31.12.2020. The assessment for consolidation of subsidiaries is reconsidered at each reporting date.

In 2020 First Investment Bank established a new subsidiary: MyFin EAD, entered in the Commercial Register of the Registry Agency in March 2020, its scope of activity being the issuance of electronic money and providing payment services within the meaning of the Law on Payment Services and Payment Systems and licensed by the Bulgarian National Bank.

In January 2021, First Investment Bank decided to close its subsidiary Turnaround Management EOOD.

*For further information regarding subsidiary companies, see section "Business review of subsidiary companies", as well as Note 36 "Subsidiaries" of the Consolidated Financial Statements for the year ended 31 December 2020.*

## Awards 2020

- First Investment Bank was recognised as the best credit institution in the Banks category of the Company of the Year 2020 competition, organized by Business Lady Magazine, based on its achievements during the year, good management practices and contribution to society.
- For a third year in a row, First Investment Bank won the Favorite Brand award and first place in the Financial Institutions category of the My Love Marks consumer rating.
- Fibank was awarded two prizes in the international competition Product of the Year 2020, in the Contactless Payment Accessories and Digital Cards categories respectively, for the newly introduced services: Garmin Pay contactless payment with a smart watch and Apple Pay mobile payment with a digitized card.
- First Investment Bank received an award from B2B Media in the Company with a Cause category for 2020, for its customer campaign in connection with COVID-19.
- Fibank received the Golden Heart Award of Business Lady Magazine for its overall corporate social responsibility and its 2019 charity calendar.



## First investment bank: dates and facts

1993	<p>First Investment Bank was established on 8 October 1993 in Sofia.</p> <p>Fibank was granted a full banking license for carrying out operations in Bulgaria and abroad.</p>
1994-95	<p>The Bank developed and specialized in servicing corporate clients.</p>
1996	<p>First Investment Bank was the first in Bulgaria to offer services enabling banking from home or from office.</p> <p>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.</p>
1997	<p>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.</p> <p>Thompson Bankwatch awarded Fibank its first credit rating.</p> <p>The Bank opened its first branch abroad, in Cyprus.</p>
1998	<p>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.</p>
1999	<p>The Bank negotiated a syndicated loan organized by EBRD to the total amount of EUR 12.5 million.</p> <p>First Investment Bank received a medium-term loan for EUR 6.6 million from a German government organization for financing of Bulgarian companies.</p> <p>The Bank opened a foreign branch in Tirana, Albania offering banking services to Albanian companies and individuals.</p>
2000	<p>First Investment Bank started developing its business in the field of retail banking. Deposits from private individuals grew 2.3-fold.</p>
2001	<p>Fibank launched the first virtual bank branch in Bulgaria, allowing customers to bank via the Internet.</p> <p>The Bank was awarded the prize "Bank of the Year" by 'Pari' ('Money') daily.</p> <p>Maya Georgieva (Executive Director of First Investment Bank), received the prize "Banker of the Year" from 'Banker' Weekly.</p>
2002	<p>Fibank was named "Bank of the Client" in the annual rating of 'Pari' daily.</p>
2003	<p>Products and services to individuals became the focus of the Bank's activities. Loans to individuals increased over five times during the year.</p> <p>Fibank was named "Bank of the Client" for the second time in the annual rating of 'Pari' daily.</p>
2004	<p>The Bank expanded its infrastructure. The branch network expanded by 27 new branches and offices, the ATM network more than doubled.</p> <p>First Investment Bank was awarded the prize "Financial Product of the Year" for its Mortgage Overdraft product.</p>
2005	<p>Fibank acquired 80% of the capital of Diners Club Bulgaria AD.</p> <p>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.</p> <p>Matthew Mateev (Deputy Chief Executive Director of First Investment Bank) was awarded the prize "Banker of the Year" by 'Banker' weekly.</p>
2006	<p>Fibank was named "Bank of the Client" for the third time in the annual rating of 'Pari' daily.</p> <p>First Investment Bank received a syndicated loan, to the amount of EUR 185 million, organised by Bayerische Landesbank, in which 33 banks participated.</p> <p>The Bank's share capital was increased from BGN 20 million to BGN 100 million by transforming retained profits into new shares.</p>



2007	<p>First Investment Bank realized the biggest banking initial public offering of shares in Bulgaria and became a public company.</p> <p>„Fibank Mobile“ – the first banking mobile portal created by the Bank with useful financial information for its customers, started functioning.</p> <p>Fibank is among the first banks in Bulgaria to implement new chip technology by issuing debit and credit cards.</p> <p>First Investment Bank – Albania Sh.a. was issued a full banking license in Albania.</p>
2008	<p>Fibank implemented a new centralized and integrated core banking information system FlexCube.</p> <p>Fibank received a syndicated loan in the amount of EUR 65 million from 11 leading international banks.</p> <p>Fibank became the first bank in Bulgaria to launch its own corporate blog.</p> <p>Fibank received the OSCARDS award for innovation in the card business.</p>
2009	<p>Fibank became the first and only bank in Bulgaria to start offering the sale and redemption of investment diamonds.</p> <p>First Investment Bank offered a new Internet service “My Fibank”, which provides e-statements on bank accounts and credit cards.</p>
2010	<p>Fibank welcomed its one millionth client.</p> <p>First Investment Bank signed an agreement with IFC for cooperation in the field of trade finance.</p> <p>Fibank was the first Bank in Bulgaria to offer contactless payments using the PayPass technology.</p> <p>Fibank acquired a controlling interest in FI Health AD health insurance fund.</p>
2011	<p>First Investment Bank was recognized as the Best Bank in Bulgaria in 2011 by the financial magazine Euromoney.</p> <p>New Executive Directors of the Bank were appointed – Dimitar Kostov, Vassil Christov, Svetoslav Moldovansky.</p> <p>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.</p>
2012	<p>Fibank was granted “Bank of the Year” award from “Bank of the Year” Association, with the best complex performance.</p> <p>The Bank signed an agreement with the European Investment Fund for the financing of SME under the JEREMIE initiative.</p> <p>Vassil Christov, Executive Director of First Investment Bank won the prestigious award “Banker of the Year” of the “Banker” Weekly.</p>
2013	<p>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.</p> <p>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.</p> <p>Clients were provided with the opportunity to purchase online products of investment gold and other precious metals.</p> <p>Maya Oyfalosh was elected Executive Director of First Investment Bank AD.</p>
2014	<p>The merger of Union Bank EAD into First Investment Bank AD was carried out, including integration of operational systems, procedures, infrastructure, human resources, products and services.</p> <p>Fibank successfully overcame the pressure on the banking system thanks to its sound liquidity, high professionalism, as well as to the liquidity support received pursuant to EC Decision C(2014) 4554/29.06.2014.</p> <p>Fibank was awarded as the best bank in the field of retail banking by the international portal Global Banking &amp; Finance Review.</p>

2015	<p>First Investment Bank realized a joint project with the IFC for upgrading Fibank's risk management and corporate governance systems in accordance with the principles of the Basel Committee and the recognized international standards.</p> <p>A new independent member of the Supervisory Board was elected: Mr. Jyrki Koskelo, an accomplished professional having extensive experience with the IFC.</p> <p>A new organizational structure of the Bank was adopted, further developing the control functions.</p> <p>With a view to maintaining an open line of communication with investors and enhancing dialogue with minority shareholders, a Club of investors was created.</p> <p>First Investment Bank was distinguished by the global organization Superbrands as the strongest brand among financial institutions in Bulgaria.</p>
2016	<p>An innovative platform was launched for electronic payments using NFC-enabled mobile devices and digital bank cards.</p> <p>The Bank repaid the liquidity support received pursuant to EC Decision C(2014) 8959/25.11.2014.</p> <p>Fibank successfully passed the asset quality review and the stress test of the banking system conducted in the country.</p> <p>New contactless debit cards for children and teenagers were developed.</p>
2017	<p>Fibank created its integrated e-banking platform My Fibank, using a single customer service channel (Omnichannel).</p> <p>First Investment Bank joined as direct participant the Pan-European Automated Clearing House STEP2 SEPA Credit Transfer (SCT).</p> <p>Fibank updated its core banking information system by migrating to Oracle Flexcube12.</p> <p>Fibank developed its online consumer credit services at <a href="http://www.credit.fibank.bg">www.credit.fibank.bg</a>.</p>
2018	<p>First Investment Bank celebrated the 25th anniversary of its founding.</p> <p>A new Smart Lady program was launched in support of women entrepreneurs, mainly targeting micro, small and medium enterprises.</p> <p>A software Fibank Token was developed as a means of signature and authentication in the electronic banking system of the Bank.</p> <p>An innovative new-generation Evolve credit card was developed, combining three brands (Fibank, Diners Club and Mastercard) into one payment instrument.</p> <p>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+).</p>
2019	<p>First Investment Bank successfully placed, under the terms of a private placement, a debt-equity (hybrid) instrument (bond issue) totalling EUR 30 million.</p> <p>Fibank was among the leading banks to join the global SWIFT gpi solution, which significantly improves the speed and traceability of cross-border transfers.</p> <p>Card services were further developed, with an emphasis on digital cards and payments using smart devices.</p> <p>First Investment Bank implemented regulatory requirements in the field of payment services and corporate governance.</p> <p>A centralized back office was initiated in the Bank's system, its main purpose being to optimize efficiency in servicing the Bank's customers.</p> <p>Fibank passed the comprehensive assessment (asset quality review and stress test) conducted by the ECB during the year.</p> <p>Initiatives were undertaken aimed at enhancing financial literacy, including among children and teens.</p>

# Highlights 2020

## January

- Fibank offered a new silver coin “Year of the Mouse - 2020” of the New Zealand Mint, as well as new gold and silver bullion bars of the Swiss refinery PAMP.
- Fibank received the Golden Heart Award of Business Lady Magazine for its overall corporate social responsibility and its 2019 charity calendar.
- A Supervisory Review and Evaluation Process (SREP) was started aimed at improving corporate governance and risk assessment processes.



## February

- Following permission by the BNB, First Investment Bank included in its Additional Tier 1 capital (AT1) the amount of EUR 30 million raised through a hybrid capital instrument issued by the Bank, representing perpetual, non-cumulative, non-convertible bonds.
- Fibank supported the founding of a startup company in the field of payment services: MyFin EAD, licensed as an electronic money company with a share capital of BGN 1 million.

## March

- First Investment Bank included the net annual profit of the Bank for 2019 in its Common Equity Tier 1 capital (CET1), after obtaining permission from the BNB.
- Fibank was the first bank in Bulgaria, which allowed rescheduling of payments to borrowers experiencing difficulties in connection with the state of emergency and the COVID-19 pandemic.
- The bank offered a special package of free digital services to counter the spread of coronavirus COVID-19.
- An option was provided for remote signing of documents related to retail loan transactions.



## April

- The prospectus of First Investment Bank for public offering of up to 40 million new shares with an issue price of BGN 5 was confirmed and a maximum subscription amount of BGN 200 million.
- First Investment Bank signed an agreement with the Bulgarian Development Bank (BDB) under a Program to guarantee interest-free loans for people deprived of employment due to the COVID-19 pandemic.
- The Bank joined the Procedure for deferral and settlement of payments due to banks and their financial institution subsidiaries in connection with the COVID-19 pandemic (a non-legislative moratorium) prepared by the Association of Banks in Bulgaria (ABB) and approved by the BNB.
- Mr. Nikola Bakalov was elected Chief Executive Officer and Chairman of the Management Board of First Investment Bank.

## May

- The subscription started for the capital increase of First Investment Bank, in accordance with the requirements of the Public Offering of Securities Act (POSA).
- Ms. Ralitsa Bogoeva was registered in the Commercial Register of the Registry Agency as a new Executive Director and member of the Management Board of First Investment Bank, responsible for the retail banking segment.
- The Bank further developed its internal policies on general information security.
- Fi Health Insurance AD developed an additional option to its “Peace of Mind with Fi Health” insurance product. It covers the “Unwanted Unemployment” risk and provides protection in case of dismissal from work or salary reduction.

## June

- Fibank continued to develop its open banking services, making them available to customers not only on Android, but also on iOS devices through My Fibank.
- Mr. Ianko Karakolev was elected Chief Financial Officer and registered in the Commercial Register of the Registry Agency as a new member of the Management Board of First Investment Bank.
- The design of the My Fibank mobile application was updated, allowing payment of several utility bills simultaneously.
- The Bank improved its corporate governance policies, including in the fields of conflicts of interest, fitness and propriety, outsourcing, and group level management.
- First Investment Bank - Albania Sh.a. issued subordinated term debt (long-term bonds) in the amount of EUR 2.9 million, as private placement.



## July

- First Investment Bank successfully increased its capital by BGN 195,424 thousand. There were new shareholders of the Bank, the Bulgarian Development Bank AD with 18.35% and the Valea Foundation of the Czech Republic entrepreneur Mr. Karel Komarek with 7.87%. The capital increase was registered in the Commercial Register of the Registry Agency.
- Fibank joined the initiative proposed by the Association of Banks in Bulgaria and approved by the BNB to extend the moratorium on payments.
- First Investment Bank signed an agreement with the Bulgarian Development Bank (BDB) under a Portfolio Guarantee Program to support the liquidity of micro, small and medium enterprises affected by the emergency situation and the COVID-19 epidemic.
- The Annual General Meeting of Shareholders of First Investment Bank was held. It was decided that the entire net profit of the Bank for 2019 would be retained, and that no dividends would be paid or any other deductions made from the 2020 profit with a view to its inclusion in the common equity Tier 1 capital.
- Mr. Jyrki Koskelo was re-elected for a new 5-year term as a member of the Supervisory Board of First Investment Bank, and Ms. Rositsa Asova for a new 3-year term as an independent member of the Audit Committee of the Bank.
- Fibank won the award as the best credit institution in the Banks category of the Company of the Year 2020 competition, and won the Favourite Brand 2020 award in the Financial Institutions category of the My Love Marks consumer rating.

## August

- First Investment Bank launched a promotional campaign for newly issued Mastercard and Visa credit cards for retail customers, featuring no maintenance fee for the first year, an interest-free period and a cashback program.
- As part of the annual review, the Bank updated its Risk Management Strategy with a 3-year horizon and adopted a new Risk Appetite Framework, aimed at maintaining a moderately low level of risk.
- First Investment Bank - Albania Sh.a. launched a new mobile banking platform with intuitive design and functionality, allowing customers to perform basic banking operations online.

## September

- Fibank offered its customers a bonus upon approval of a new consumer or mortgage loan: a debit card overdraft with a limit of up to 3 monthly salaries, interest-free for the first year.
- The Bank developed a mechanism for repayment of credit card purchases, including ones made on virtual POS, in equal installments (3, 6, 9, 12 months).

## October

- First Investment Bank signed an agreement with the Fund Manager of Financial Instruments in Bulgaria (Fund of Funds) for a capped Portfolio Guarantee in support of SMEs aimed at overcoming the consequences of COVID-19, funded by the Operational Programme Innovation and Competitiveness 2014 - 2020.
- A specialized Agropodkrepa loan product was developed for agricultural producers, featuring a revolving loan or overdraft financing up to BGN 80 per decare of arable land and a repayment period of up to 10 years.
- The hybrid capital instrument (bond issue) in the amount of EUR 30 million, issued by the Bank under the terms of private placement, was admitted to trading on a regulated market on the Luxembourg Stock Exchange (LuxSE).
- All cards issued by Diners Club Bulgaria AD feature two-factor authentication for online payments.

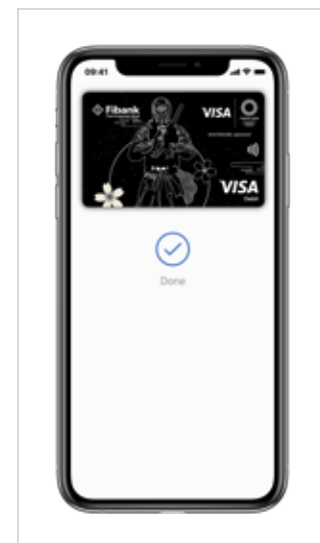


## November

- Fibank provided its customers the Apple Pay service, enabling holders of Visa debit or credit card to make payments with their iPhone and/or Apple Watch.
- The subsidiary MyFin EAD started its activity by offering a digital platform for fast money transfers and online payments, issuance of digital and virtual cards, as well as innovative payment services such as peer-to-peer payments between MyFin customers, and Pay by Link.
- First Investment Bank decided to join the Continuous Gross Settlement (CGS) system STEP2-T operated by EBA Clearing.

## December

- First Investment Bank enabled digitization of VISA debit and credit cards issued by the Bank for making payments with a smart phone using the My Fibank mobile application.
- Fibank joined the initiative proposed by the Association of Banks in Bulgaria and approved by the BNB to additionally extend the moratorium on payments in connection with the COVID-19 pandemic.
- A new Video Consultation service was launched, available through the corporate website [www.fibank.bg](http://www.fibank.bg), the My Fibank digital banking platform and the My Fibank mobile application offering advice to individuals on the credit products of the Bank.



We use every opportunity  
to increase efficiency



# Financial review

## Key indicators

	2020	2019	2018	2017	2016
<b>Financial indicators (BGN thousand)</b>					
Net interest income	249,678	246,714	267,088	260,926	319,179
Net fee and commission income	99,192	106,774	97,111	102,146	92,163
Net trading income	12,531	15,378	10,809	15,326	13,937
Total income from banking operations	373,709	443,484	391,329	406,589	471,570
Administrative expenses	(193,807)	(220,448)	(212,066)	(204,698)	(192,307)
Impairment	(98,707)	(119,730)	(83,378)	(78,850)	(156,120)
Group profit after tax	45,517	137,922	171,546	92,245	98,811
Earning per share (in BGN)	0.36	1.25	1.56	0.84	0.90
<b>Balance-sheet indicators (BGN thousand)</b>					
Assets	11,335,420	10,660,175	9,586,681	8,921,198	9,089,855
Loans and advances to customers	6,312,887	6,017,137	5,716,062	5,162,907	5,044,850
Loans and advances to banks and fin. inst.	106,111	79,618	125,483	54,402	51,863
Due to other customers	9,542,276	9,104,021	8,342,691	7,583,819	7,911,911
Other borrowed funds	103,649	109,348	121,120	127,493	70,367
Hybrid debt	267,579	267,615	208,786	208,786	208,740
Total Group equity	1,216,420	978,917	846,272	947,350	856,836
<b>Key ratios (in %)</b>					
Capital adequacy ratio	21.28	18.34	16.15	15.89	15.13
Tier 1 capital ratio	21.15	18.28	16.15	15.87	15.10
CET 1 ratio	17.72	14.65	13.30	12.87	12.01
Leverage ratio	13.45	11.84	11.08	11.28	10.11
Liquid assets/deposits from customers	30.90	28.61	26.50	25.91	29.12
Liquidity coverage ratio (LCR)	257.17	221.64	269.21	334.85	327.37
Net stable financing ratio (NSFR)	134.47	132.74	135.45	136.43	137.61
Net loans/deposits ratio	66.16	66.09	68.52	68.08	63.76
Return-on-equity (after tax)	4.22	15.12	19.24	10.24	12.17
Return-on-assets (after tax)	0.42	1.38	1.87	1.03	1.12
Cost of risk	1.44	1.83	1.55	1.37	2.66
Net interest income/total income from banking operations	66.81	55.63	68.25	64.17	67.68
Cost/income ratio	56.34	44.58	46.46	53.01	41.94
<b>Resources (in numbers)</b>					
Branches and offices	149	158	168	166	168
Staff	2,910	2,825	2,868	3,221	3,322



## Credit rating

In September 2020, First Investment Bank signed a new public rating contract with the rating agency Fitch Ratings.

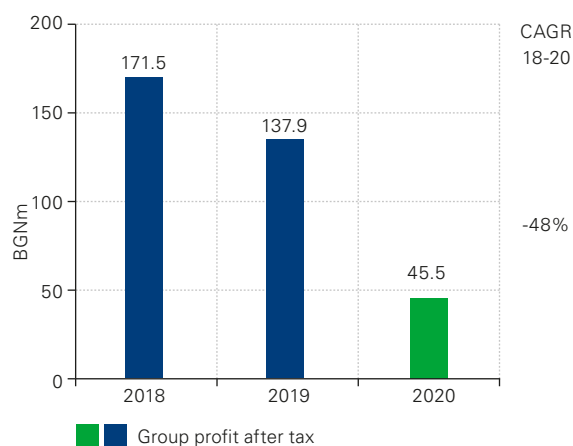
Fitch Ratings	09.11.2020	13.08.2019	03.06.2019
Long-term rating	B	B	B
Short-term rating	B	B	B
Viability rating	b	b	b
Support rating	5	5	5
Support rating floor	NF	NF	NF
Outlook	Negative	Stable	Stable

In November 2020, Fitch Ratings assigned public credit ratings to First Investment Bank as follows: long-term rating “B” with a negative outlook, short-term rating “B”, viability rating “b”, support rating “5” and support rating floor “NF” (No Floor).

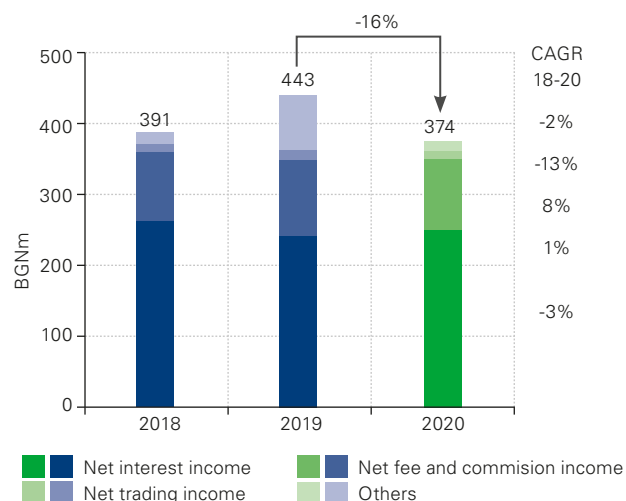
## Financial results

In 2020, the Group of First Investment Bank reported sound financial results and sustainable development notwithstanding the challenges of the external environment, mainly related to the COVID-19 pandemic. Group profit after tax amounted to BGN 45,517 thousand compared to BGN 137,922 thousand a year earlier, when higher revenues were reported due to the sale of portfolios and revaluation of investment property. Total operating income amounted to BGN 373,709 thousand (2019: BGN 443,484 thousand). Return on equity (after taxes) was 4.22%, and return on assets (after taxes) 0.42%.

### Group profit after tax



### Total income from banking operations



In 2020, net interest income increased to BGN 249,678 thousand (2019: BGN 246,714 thousand), remaining the main source of income for the Group and accounting for 66.8% of total operating income (2019: 55.6%). Fibank’s operations abroad formed 6,5% of the Group’s net interest income (2019: 6.1%, reflecting the development of the activity of the subsidiary Bank in Albania). For further information regarding First Investment Bank – Albania Sh.a., see section “Business review of subsidiary companies”.

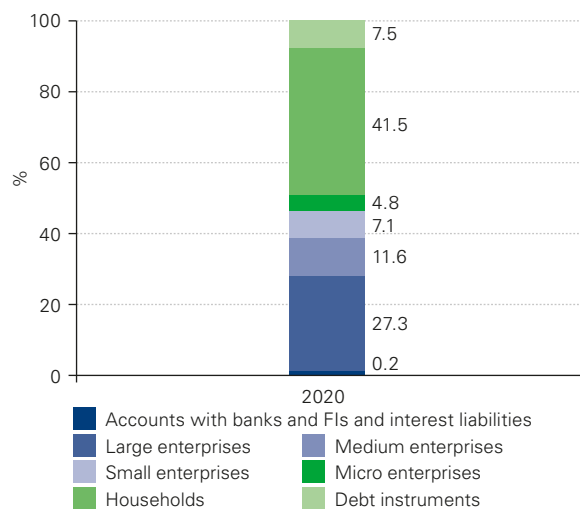
For the reporting period, interest income increased to BGN 313,863 thousand (2019: BGN 309,730 thousand), as a result mainly of an increase in the households segment (2020: BGN 130,289 thousand; 2019: BGN 124,657 thousand) and in debt instrument investments (2020: BGN 23,434 thousand; 2019: BGN 14,090 thousand), used as an additional source of interest income. A decrease was reported in the business segment,<sup>1</sup> including big companies (2020: BGN 85,815 thousand; 2019: BGN 87,465

<sup>1</sup> According to Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises determined on the basis of annual turnover as follows: microenterprises - up to BGN 3.9 million; small enterprises - up to BGN 19.5 million; medium-sized enterprises - up to BGN 97.5 million.

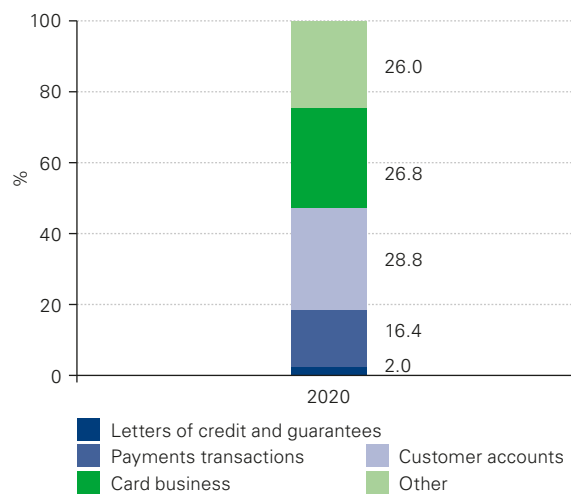
thousand), middle companies (2020: BGN 36,379 thousand; 2019: BGN 41,644 thousand), small companies (2020: BGN 22,232 thousand; 2019: BGN 24,709 thousand) and microenterprises (2020: BGN 15,086 thousand; 2019: BGN 15,413 thousand).

In interest expenses the trend from the last years was preserved, with a decrease reported in expenses on customer deposits: BGN 30,268 thousand compared to BGN 34,953 thousand a year earlier, forming 47,2% of total interest expenses. During the year First Investment Bank maintained interest rates on deposit products in line with market conditions and the competitive environment, as well as with liquidity levels. An increase was reported in interest expenses on hybrid debt (2020: BGN 27,541 thousand; 2019: BGN 23,038 thousand) as a result of the new hybrid bonds issued at the end of 2019. The net interest margin of the Group amounted to 3.23% for the period.

### Interest income



### Fee and commission income



Net fee and commission income for 2020 amounted to BGN 99,192 thousand compared to BGN 106,774 thousand for the previous year, forming 26,5% of total income from banking operations of the Group (2019: 24.1%) and providing a solid contribution to operating profit. Fibank's operations abroad formed 8.4% of net fee and commission income (2019: 6.2%). A decrease was reported in card services (2020: BGN 32,406 thousand; 2019: BGN 35,108 thousand) and payment transactions (2020: BGN 19,787 thousand; 2019: BGN 23,901 thousand). This was partly due to the decrease in fees and commissions of the Bank in execution of Regulation (EU) 2019/518 equalizing the value of fees for cross-border payments in Euro in the EEA with those of corresponding national payments in BGN. A decrease was also registered in letters of credit and guarantees (2020: BGN 2412 thousand; 2019: BGN 3553 thousand), as well as in other services (2020: BGN 31,436 thousand; 2019: BGN 35,737 thousand), including such related to credit activity. An increase was reported in customer accounts (2020: BGN 34,766 thousand; 2019: BGN 32,892 thousand), as a result of the expanded customer base and increased collection of fees.

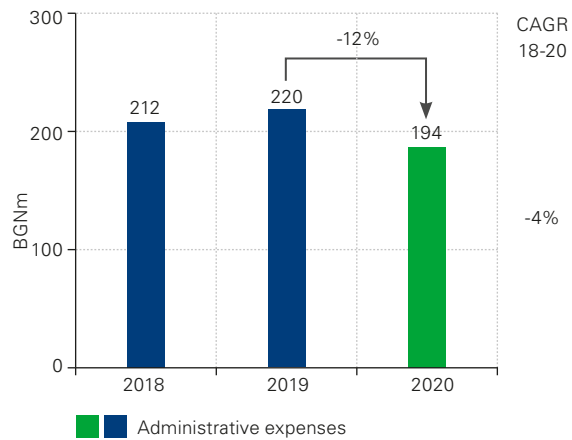
For 2020, net trading income amounted to BGN 12,531 thousand (2019: BGN 15,378 thousand), the decrease mainly due to lower income from foreign currency transactions, which amounted to BGN 12,719 thousand BGN, compared to BGN 15,416 thousand a year earlier. Net expense was reported in debt and equity instrument transactions, totalling BGN 188 thousand for the period compared to BGN 38 thousand for the previous year. The relative share of net trading income remained insignificant at 3.4% of the total income from banking operations of the Group (2019: 3.5%).

Other net operating income amounted to BGN 12,308 thousand, compared to BGN 74,618 thousand a year earlier, when higher additional income from the management of assigned receivables was realized, including the sale of portfolios. Other net operating income also includes income from debt and equity instruments (2020: BGN 5,705 thousand; 2019: BGN 12,526 thousand) and from leases (2020: BGN 5,740 thousand; 2019: BGN 5,542 thousand).

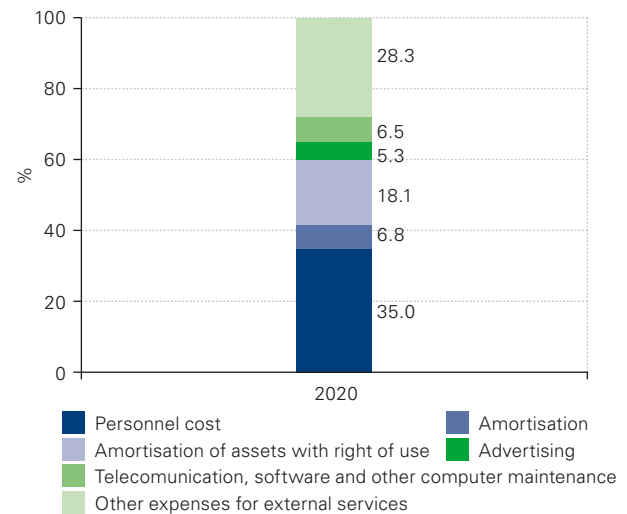
Over the year, administrative expenses decreased to BGN 193,807 thousand compared to BGN 220,448 thousand a year earlier, influenced mainly by lower personnel costs (2020: BGN 67,742 thousand; 2019: 71,842 thousand BGN), and costs for external services (2020: BGN 54,926 thousand; 2019: BGN 74,378 thousand), as a result of measures taken to optimize the efficiency of operations. A decrease was also reported in advertising expenses (2020: BGN 10,298 thousand; 2019: BGN 14,011 thousand) and in depreciation of property, plant and equipment (2020: BGN 13,165 thousand; 2019: BGN 14,392 thousand). Expenditures related to telecommunications, software and other computer support remained close to previous year levels (2020: BGN 12,665

thousand; 2019: BGN 12,401 thousand), while an increase was reported in the depreciation of right-of-use assets (2020: BGN 35,011 thousand; 2019: BGN 33,424 thousand). For the period, the cost/income ratio amounted to 56.34% on a consolidated basis (2019: 44.58%), the difference due mainly to higher additional income realized in 2019.

#### Administrative expenses



#### Structure of administrative expenses



During the year additional write-downs were made on loans, off-balance sheet commitments and other investments amounting to BGN 141,076 thousand, while BGN 42,369 thousand impairment losses were reversed. As a result, net impairment for 2020 amounted to BGN 98,707 thousand (2019: BGN 119,730 thousand). *For more information see the "Risk Management" section.*

For the period, the Group of First Investment Bank reported net other expense in the amount of BGN 29,696 thousand, compared to net other income of BGN 51,053 thousand a year earlier when additional income was recognized from the revaluation of investment property. Other net expense mainly included contributions made to guarantee schemes, including deposit insurance funds, for restructuring and investor compensation (2020: BGN 35,945 thousand; 2019: BGN 33,019 thousand).

*For more information see the Consolidated Financial Statements for the year ended December 31, 2020.*

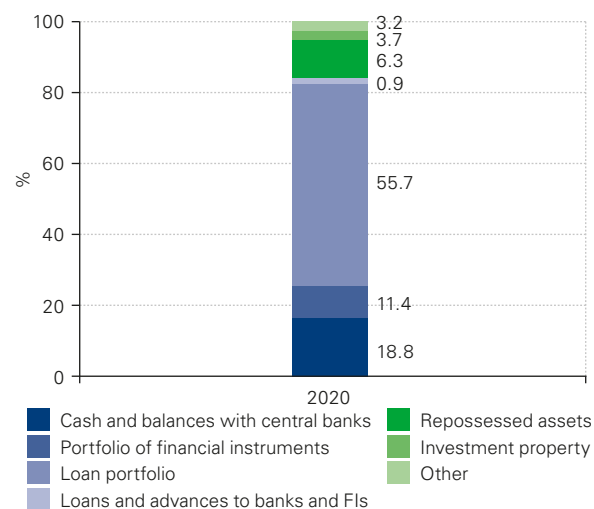
## Balance sheet

In 2020, the total assets of the Group of First Investment Bank increased by 6.3% to BGN 11,335,420 thousand, compared to BGN 10,660,175 thousand a year earlier. Such dynamics reflect the development of the lending portfolio, the optimization of balance sheet items and the increase of borrowed funds in line with the changes in the external environment and market conditions. Fibank maintained its leading position among banks in the country, ranking fifth in terms of assets (2019: fifth) as at the end of 2020, with a market share of 8.70% on an individual basis (2019: 8.81%).

### Group's assets



### Structure of assets



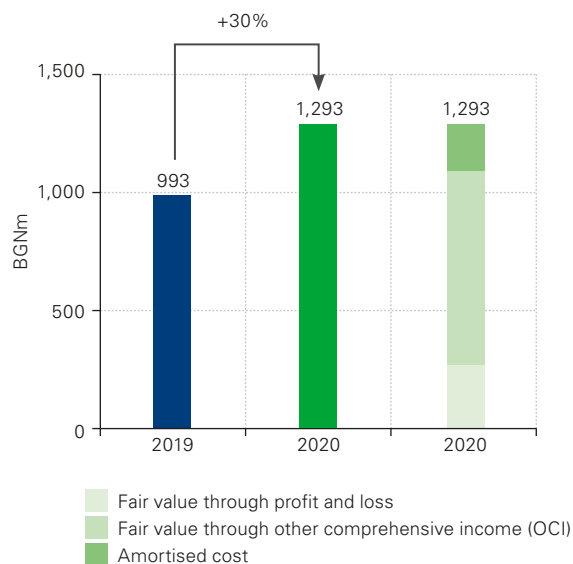
In the structure of the Group's assets, loans and advances to customers retained their major share at 55.7% of total assets (2019: 56.4%), followed by cash and receivables from central banks at 18.8% (2019: 19.4%) and investments in securities at 11.4% (2019: 9.3%). The share of assets acquired as collateral was down to 6.3% (2019: 6.7%) and of investment property to 3.7% (2019: 3.9%) of total assets. The loan/deposit ratio amounted to 66.2% compared to 66.1% for the previous year, in accordance with the conservative risk management policy.

Cash and receivables from central banks amounted to BGN 2,133,197 thousand, remaining close to previous year levels (2019: 2,072,046 thousand). Receivables from central banks decreased (2020: BGN 1,655,521 thousand; 2019: BGN 1,751,745 thousand) while current account balances with foreign banks increased to BGN 288,580 thousand at the end of the period (2019: BGN 114,191 thousand). First Investment Bank managed its cash according to customer needs and with a view to maintaining optimal returns. At the end of 2020, cash on hand amounted to BGN 189,096 thousand compared to BGN 206,110 thousand a year earlier.

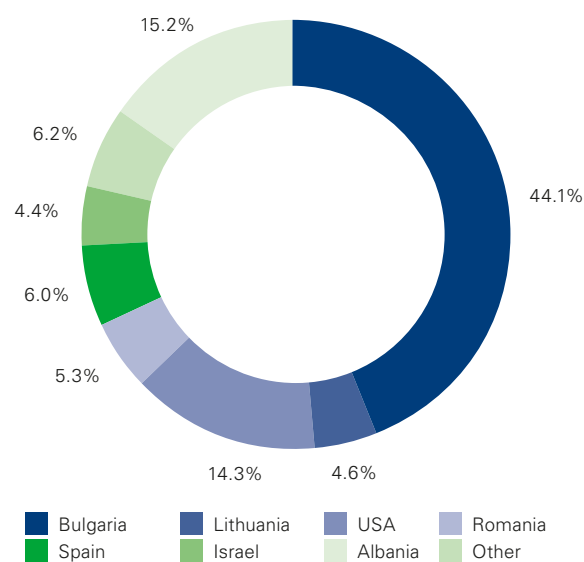
Loans and advances to banks and financial institutions amounted to BGN 106,111 thousand at the end of the period (2019: BGN 79,618 thousand). There was an increase in receivables from local banks and financial institutions (2020: BGN 39,596 thousand; 2019: BGN 13,655 thousand) and to a lesser degree in those from foreign banks and institutions (2020: BGN 66,515 thousand; 2019: BGN 65,963 thousand).

The securities investment portfolio of the Group increased to BGN 1,292,641 thousand at the end of the year (2019: BGN 993,022 thousand), managed according to market conditions and with a view to maintaining a proper balance between risk and return. An increase was reported mainly in bonds issued by foreign governments (2020: BGN 561,735 thousand; 2019: BGN 344,542 thousand), as well as in Bulgarian government securities (2020: BGN 442,529 thousand; 2019: BGN 358,660 thousand).

### Portfolio of financial instruments



### Portfolio of government debt by countries



In accordance with the requirements regarding business models and the IFRS 9 criteria for the classification and valuation of financial assets in separate portfolios, BGN 825,882 thousand of the securities portfolio are measured at fair value through other comprehensive income (2019: BGN 714,082 thousand), BGN 266,929 thousand – at fair value through profit or loss (2019: BGN 266,935 thousand), and BGN 199,830 thousand – and at amortized cost (2019: BGN 12,005 thousand).

As of 31 December 2020, Fibank's operations abroad formed 4.9% of the Bank's assets (2019: 4.7%) and 8.4% of the liabilities (2019: 7.5%) of the Group in compliance with the development of the activity of the subsidiary company in Albania and the priority was focused on the retail banking segment and small and medium enterprises. *For further information regarding First Investment Bank – Albania Sh.a., see section "Business review of subsidiary companies".*

A decrease in foreclosed assets was reported to BGN 713,619 thousand (2019: BGN 716,129 thousand), both in real estate and in machinery, equipment and vehicles. Investment property amounted to BGN 414,021 thousand (2019: BGN 410,511 thousand). During the year, foreclosed assets in the amount of BGN 2315 thousand were transferred, a revaluation upon transfer was made in the amount of BGN 2312 thousand and sold properties in the amount of BGN 1127 thousand were written off.

Other assets of the Group amounted to BGN 110,002 thousand (2019: BGN 116,622 thousand), including deferred expenses, gold and other receivables. The right-of-use assets amounted to BGN 154,080 thousand at the end of the year (2019: BGN 159,659 thousand).

*For more information see the Consolidated Financial Statements for the year ended December 31, 2020.*

## Loan portfolio

### Loans

In 2020, the net loan portfolio of the Group of First Investment Bank increased by 4.9% to BGN 6,312,887 thousand (2019: BGN 6,017,137 thousand), in line with the objectives for business development placing a priority on the households, micro and SME segments.

In BGN thousand / % of total	2020	%	2019	%
Households	2,167,277	31.7	2,036,721	31.2
Micro enterprises	350,200	5.1	324,700	5.0
Small enterprises	564,876	8.3	542,875	8.3
Medium enterprises	1,144,173	16.7	1,189,054	18.2
Large enterprises	2,610,673	38.2	2,434,081	37.3
<b>Gross loan portfolio</b>	<b>6,837,199</b>	<b>100</b>	<b>6,527,431</b>	<b>100</b>
Impairment	(524,312)		(510,294)	
<b>Net loan portfolio</b>	<b>6,312,887</b>		<b>6,017,137</b>	

Growth was reported in loans to households, which increased their share to 31.7% of the gross portfolio (2019: 31.2%). According to the EU criteria<sup>1</sup> for customer segmentation, micro, small and medium-sized enterprises formed respectively 5.1%, 8.3% and 16.7%, or in aggregate 30.1% of total loans at the end of the year. Loans to large enterprises accounted for 38.2% of the gross portfolio. As of December 31, 2020, First Investment Bank ranked fifth by loan portfolio size among banks in the country, with a market share of 9.91% (2019: 10.00%) on an individual basis.

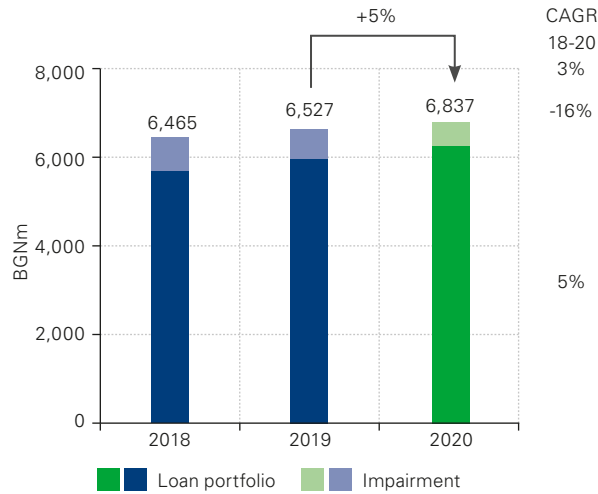
In BGN thousand / % of total	2020	%	2019	%
Loans in BGN	3,638,012	53.2	3,371,730	51.7
Loans in EUR	2,868,501	42.0	2,932,912	44.9
Loans in other currency	330,686	4.8	222,789	3.4
<b>Gross loan portfolio</b>	<b>6,837,199</b>	<b>100</b>	<b>6,527,431</b>	<b>100</b>
Impairment	(524,312)		(510,294)	
<b>Net loan portfolio</b>	<b>6,312,887</b>		<b>6,017,137</b>	

In the currency structure of the loan portfolio, loans in BGN increased to BGN 3,638,012 thousand (2019: BGN 3,371,730 thousand) or 53.2% of the total portfolio (2019: 51.7%). A decrease was reported in loans in Euro to BGN 2,868,501 thousand at the end of the period (2019: BGN 2,932,912 thousand), or a share of 42.0% (2019: 44.9%) of total loans. The country has a currency board system in place which minimizes the BGN/EUR currency risk. During the year, Bulgaria joined the European Exchange Rate Mechanism (ERM) II and the Single Supervisory Mechanism (SSM), which was a step towards the country's accession to the Eurozone. Loans in other currencies amounted to BGN 330,686 thousand (2019: BGN 222,789 thousand), forming 4.8% of total loans (2019: 3.4%).

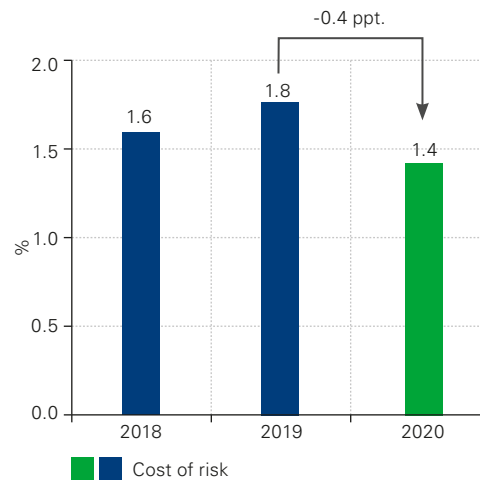
Loans granted by First Investment Bank abroad accounted for 4.2% of the Group's gross portfolio (2019: 3.8%), reflecting the increase in the loan portfolio of First Investment Bank – Albania Sh.a. to individuals and SME's. *For further information, see section "Business review of subsidiary companies".*

<sup>1</sup> According to Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises determined on the basis of annual turnover as follows: microenterprises - up to BGN 3.9 million; small enterprises - up to BGN 19.5 million; medium-sized enterprises - up to BGN 97.5 million.

**Loan portfolio and impairment**



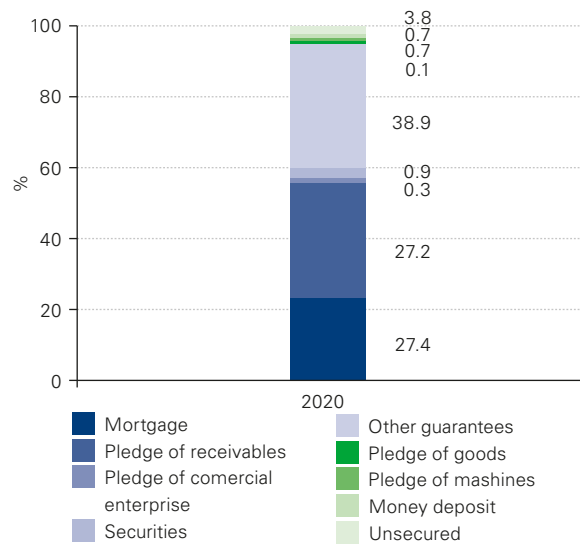
**Cost of risk**



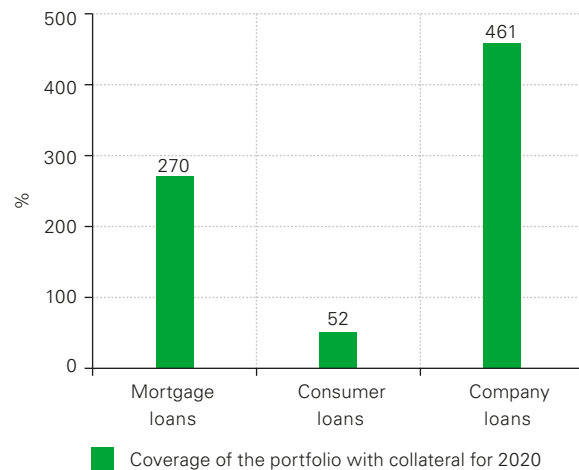
At the end of the period, impairment charges for potential losses on the loan portfolio amounted to BGN 524,312 thousand compared to BGN 510,294 thousand a year earlier. In 2020, additional impairment was recognized in the amount of BGN 140,463 thousand, impairment losses in the amount BGN 41,971 thousand were reversed, and BGN 82,796 thousand were written off. During the year, First Investment Bank joined the approved Procedure for deferral and settlement of payments due to banks applied in the light of the COVID-19 crisis, applying the provisional principle that the application of the general payment moratorium in itself should not lead to reclassification of the exposure as forborne (either performing or non-performing). *For more information see the Risk Management section.*

It is the policy of the Bank to require adequate collateral upon granting loans. All legally permissible types of collateral are accepted, and a discount rate is applied depending on their expected realizable value.

**Loan portfolio by type of collateral**



**Coverage of the portfolio with collateral**



As of the end of 2020, the type of collateral having the largest share in the Bank's portfolio were sureties and other guarantees – 38.9%, followed by mortgages – 27.4% and pledges of receivables – 27.2%.

*For more information on credit risk, see Note 3 "Risk Management" of the Consolidated Financial Statements for the year ended December 31, 2020.*

## Related party transactions

In the course of its ordinary activities, the Bank also enters into transactions with related parties. These transactions are carried out under market criteria and in accordance with applicable law.

Type of related party	Parties that control or manage the Bank		Enterprises under common control	
	2020	2019	2020	2019
In BGN thousand				
Loans	1,769	2,327	70,992	7,709
Deposits and loans received	13,275	11,718	15,194	9,459
Deposits placed	-	-	2,955	18,748
Other receivables	-	-	17,565	16,790
Off-balance sheet commitments	1,031	975	703	1,062

Type of related party	Parties that control or manage the Bank		Enterprises under common control	
	2020	2019	2020	2019
In BGN thousand				
Interest income	25	38	2,415	556
Interest expense	10	3	1	8
Fee and commission income	14	19	166	187
Fee and commission expense	3	2	293	562

For more information regarding related party transactions, see Note 35 "Related party transactions" of the Consolidated Financial Statements for the year ended December 31, 2020.

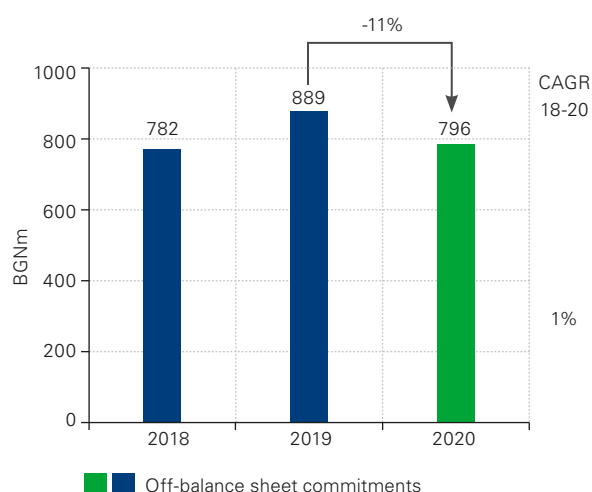
## Contingent liabilities

Contingent liabilities of First Investment Bank include bank guarantees, letters of credit, unused credit lines, promissory notes and others. These are provided in accordance with the general credit policy on risk assessment and collateral value. With regard to documentary transactions performed, the Bank is also guided by the unified international rules in the area, protecting the interests of parties to such transactions.

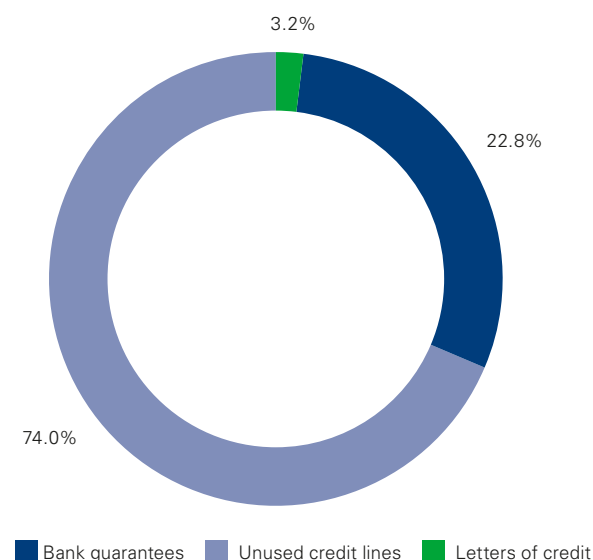
At the end of the reporting period the total amount of off-balance sheet commitments amounted to BGN 795,677 thousand compared to BGN 889,230 thousand a year earlier. The decrease was mainly due to unused credit lines, down to BGN 588,900 thousand (2019: BGN 668,866 thousand) and in bank guarantees, down to BGN 181,347 thousand (2019: BGN 212,534 thousand). An increase was reported in letters of credit which amounted to BGN 25,430 thousand (2019: BGN 7,830 thousand).



## Off-balance sheet commitments



## Structure of off-balance sheet commitments



For more information on off-balance sheet commitments, see Note 32 "Contingent liabilities" of the Consolidated Financial Statements for the year ended December 31, 2020.

## Attracted funds

In 2020, attracted funds from customers increased by 4.8% and reached BGN 9,542,276 thousand (2019: BGN 9,104,021 thousand), remaining the main source of funding for the Group and forming 94.3% of total liabilities (2019: 94.0%). First Investment Bank offers a variety of savings products and package programs tailored to market conditions and customer needs. As at 31 December 2020, the Bank ranked fifth by deposit size among banks in Bulgaria (2019: fourth) with a market share of 9.06% on an individual basis (2019: 9.53%).

Deposits of individuals increased by 2.6% to BGN 7,255,775 thousand at the end of the period compared to BGN 7,073,178 thousand a year earlier. They retained a major share of total borrowings at 76.0% (2019: 77.7%). The currency structure of retail deposits is dominated by BGN funds accounting for 43.3% of all borrowings (2019: 44.3%), followed by funds in Euros at 25.4% (2019: 25.8%) and in other currencies at 7.4% (2019: 7.6%).

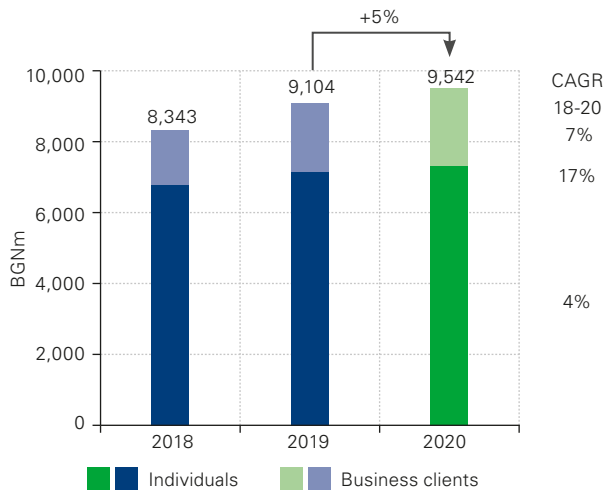
In BGN thousand / % of total	2020	%	2019	%	2018	%
<b>Attracted funds from individuals</b>	<b>7,255,775</b>	<b>76.0</b>	<b>7,073,178</b>	<b>77.7</b>	<b>6,685,678</b>	<b>80.1</b>
In BGN	4,128,051	43.3	4,032,471	44.3	3,709,545	44.5
In EUR	2,424,881	25.4	2,347,852	25.8	2,304,045	27.6
In other currency	702,843	7.4	692,855	7.6	672,088	8.1
<b>Attracted funds from corporate, state-owned and public institutions</b>	<b>2,286,501</b>	<b>24.0</b>	<b>2,030,843</b>	<b>22.3</b>	<b>1,657,013</b>	<b>19.9</b>
In BGN	1,343,397	14.1	1,293,489	14.2	959,992	11.5
In EUR	713,846	7.5	563,299	6.2	513,060	6.1
In other currency	229,258	2.4	174,055	1.9	183,961	2.2
<b>Total attracted funds from customers</b>	<b>9,542,276</b>	<b>100</b>	<b>9,104,021</b>	<b>100</b>	<b>8,342,691</b>	<b>100</b>

In accordance with regulatory requirements, First Investment Bank allocates annual contributions to the Deposit Insurance Fund. As provided by law, the Fund guarantees amounts to up to BGN 196,000 kept in a customer's accounts with the Bank.

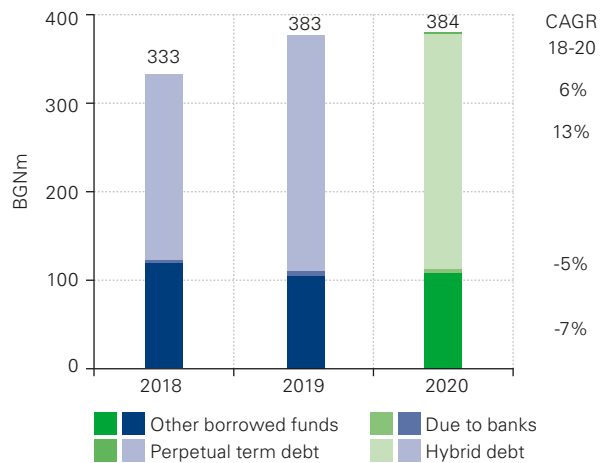
Attracted funds from corporates and institutions increased by 12.6% to BGN 2,286,501 thousand (2019: BGN 2,030,843 thousand) as a result of the Bank's consistent policy of cross-selling, development of transaction business in line with modern technologies

and the European payment infrastructure, and building lasting customer relationships. By the end of 2020 their relative share increased to 24.0% of total borrowings from customers (2019: 22.3%). As regards the currency structure, funds in BGN attracted from corporates and public institutions formed 14.1% of all borrowings (2019: 14.2%), followed by those in Euros at 7.5% (2019: 6.2%) and in other currencies at 2.4% (2019: 1.9%).

### Customer deposits



### Other attracted funds



Other borrowings amounted to BGN 103,649 thousand as of December 31, 2020 compared to BGN 109,348 thousand a year earlier. A decrease was mainly reported in liabilities under confirmed letters of credit (2020: BGN 6776 thousand; 2019: BGN 10,164 thousand) and under received financing (2020: BGN 23,633 thousand; 2019: BGN 25,809 thousand). The latter mainly include financing from the European Investment Fund under the JEREMIE 2 initiative: BGN 4,244 thousand (2019: BGN 7,419 thousand), from Bulgarian Development Bank AD: BGN 16,137 thousand (2019: BGN 16,137 thousand), as well as from the Fund Manager of Financial Instruments in Bulgaria (Fund of Funds): BGN 3252 thousand (2019: BGN 2250 thousand). *For more information, see the "Europrograms" section.* At the end of the year, the amortized value of debt related to total return swap agreements amounted to BGN 73,240 thousand (2019: BGN 73,375 thousand).

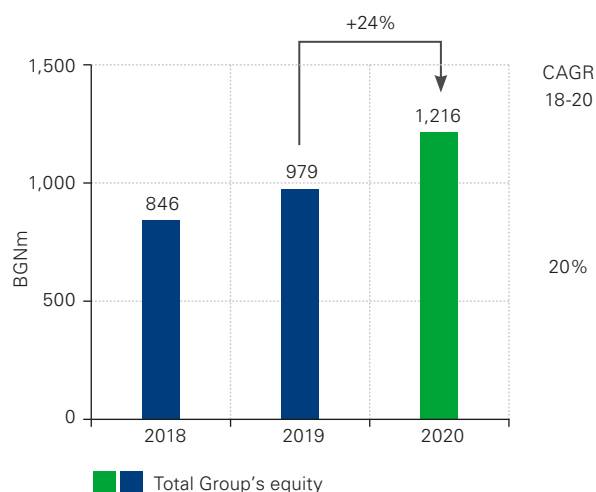
For 2020, liabilities due to banks amounted to BGN 2747 thousand, compared to BGN 2007 thousand a year earlier. Lease liabilities amounted to BGN 154,481 thousand at the end of the year.

*For more information on borrowings see the Consolidated Financial Statements for the year ended December 31, 2020.*

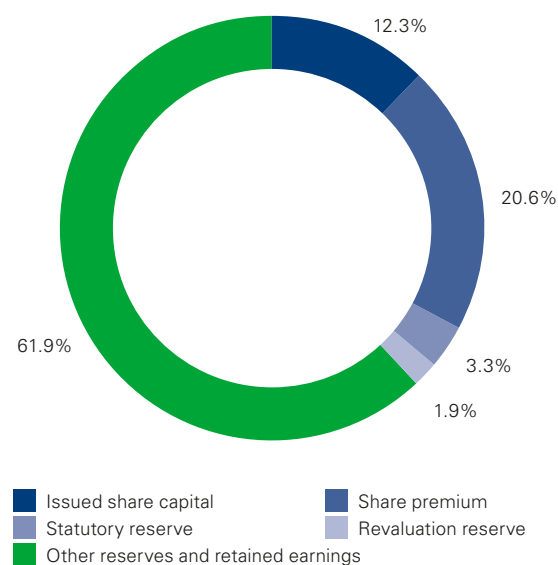
## Capital

In July 2020, First Investment Bank successfully increased its share capital by a public offering of 39,084,800 new ordinary dematerialized shares with a nominal value of BGN 1 each and an issue price of BGN 5. The total amount of subscribed and paid shares from the new issue amounted to BGN 195,424 thousand.

### Total Group's equity



### Structure of equity



As of December 31, 2020 the share capital of First Investment Bank amounted to BGN 149,085 thousand (2019: BGN 110,000 thousand), divided into 149,084,800 ordinary, registered, dematerialized shares with voting rights in the Total General Meeting of Shareholders and a nominal value of BGN 1 each. The share capital has been paid in full. The share premium in connection with the capital reached BGN 250,017 thousand (2019: BGN 97,000 thousand). As a result, the Group balance sheet equity of First Investment Bank increased by 24.3% to BGN 1,216,420 thousand (2019: BGN 978,917 thousand), also influenced by the increase in other reserves and retained earnings, which reached BGN 749,744 thousand at the end of the period (2019: BGN 704,770 thousand).

## Regulatory capital

First Investment Bank maintains own funds for the purpose of capital adequacy in the form of Common Equity Tier 1 and Additional Tier 1 capital, following the requirements of Regulation (EU) No575/2013 and the EC implementing regulations, as well as Ordinance No7 of the BNB on the Organization and Management of Risks in Banks.

In 2020, First Investment Bank continued its consistent policy of capital increase, with an emphasis on Common Equity Tier 1 capital. In March 2020, the Bank included in its CET1 capital the net annual profit for 2019, after obtaining permission to that effect from the BNB. In July the Bank successfully increased its share capital by a public offering. The amount raised from the subscription, including the share premium, amounted to BGN 195,424 thousand.

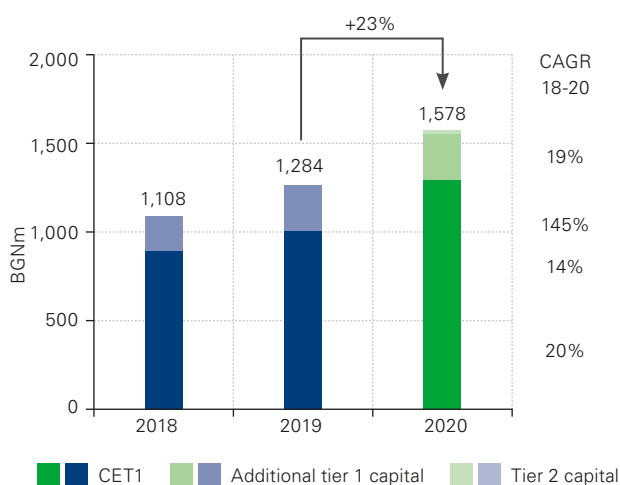
By the end of the reporting period the CET1 capital increased by 28.1% to BGN 1,313,839 thousand (2019: BGN 1,025,869 thousand). As a result, the Tier 1 capital also increased reaching BGN 1,568,097 thousand (2019: BGN 1,280,127 thousand). The total regulatory capital amounted to BGN 1,577,681 thousand compared to BGN 1,284,039 thousand a year earlier.

In February 2020, after obtaining permission from the BNB, included in its additional Tier 1 capital (AT1) of First Investment Bank was included the amount of EUR 30 million raised through a hybrid capital instrument representing perpetual, non-cumulative, non-convertible bonds issued as a private placement. In October 2020, the instrument was admitted to trading on a regulated market on the Luxembourg Stock Exchange (LuxSE).

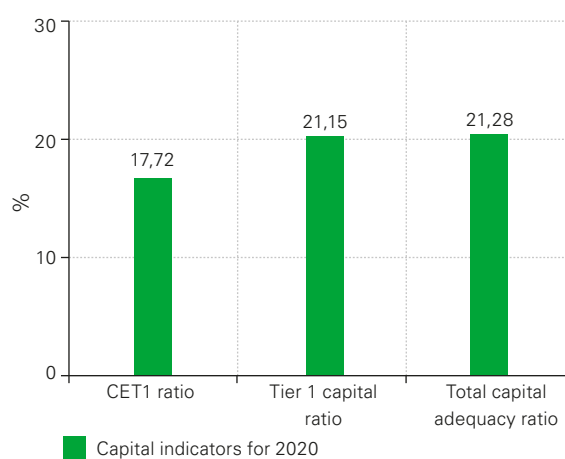
As of 31 December 2020, First Investment Bank also has two other hybrid instruments issued (bond issues) with original principal of EUR 40 million (ISIN: BG2100008114) and EUR 60 million (ISIN: BG2100022123) respectively, which are included in the additional Tier 1 capital of the Bank. Both issues are admitted to trading on a regulated market on the Luxembourg Stock Exchange (LuxSE). At the end of the reporting period, the amortized cost of hybrid debt amounted to BGN 267,579 thousand (2019: BGN 267,615 thousand). For more information, see Note 29 "Hybrid and Subordinated debt" of the Consolidated Financial Statements for the year ended 31 December 2020.

In June 2020, the Bank's subsidiary First Investment Bank - Albania Sh.a. issued subordinated term debt (long-term bonds) in the amount of EUR 2.9 million, as private placement and meeting the requirements for inclusion in the Tier 2 capital. The amortized subordinated term debt amounted to BGN 9,623 thousand as of December 31, 2020 (2019: BGN 3,943 thousand).

## Regulatory capital



## Capital adequacy in 2020



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 2020, 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 1,577,681 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, 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, for 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 the end of 2020, the Group of First Investment Bank reported improved capital ratios as follows: common equity Tier (CET1) ratio 17.72%, Tier 1 capital ratio 21.15% and total capital adequacy ratio 21.28%, exceeding the minimum regulatory capital requirements.

In BGN thousand / % of risk exposures	2020	%	2019	%	2018	%
CET 1 capital	1,313,839	17.72	1,025,869	14.65	912,088	13.30
Tier 1 capital	1,568,097	21.15	1,280,127	18.28	1,107,671	16.15
Own funds	1,577,681	21.28	1,284,039	18.34	1,107,671	16.15
<b>Total risk exposures</b>	<b>7,413,986</b>		<b>7,003,184</b>		<b>6,858,936</b>	

The 2020 improved capital ratios resulted from the application of comprehensive and targeted measures regarding the implementation of capital levers in key areas, including successful subscription of a new public issue of shares, retention of profit, inclusion of the issued debt-capital (hybrid) instrument in the Additional Tier 1 capital, as well as maintaining high discipline in risk management.

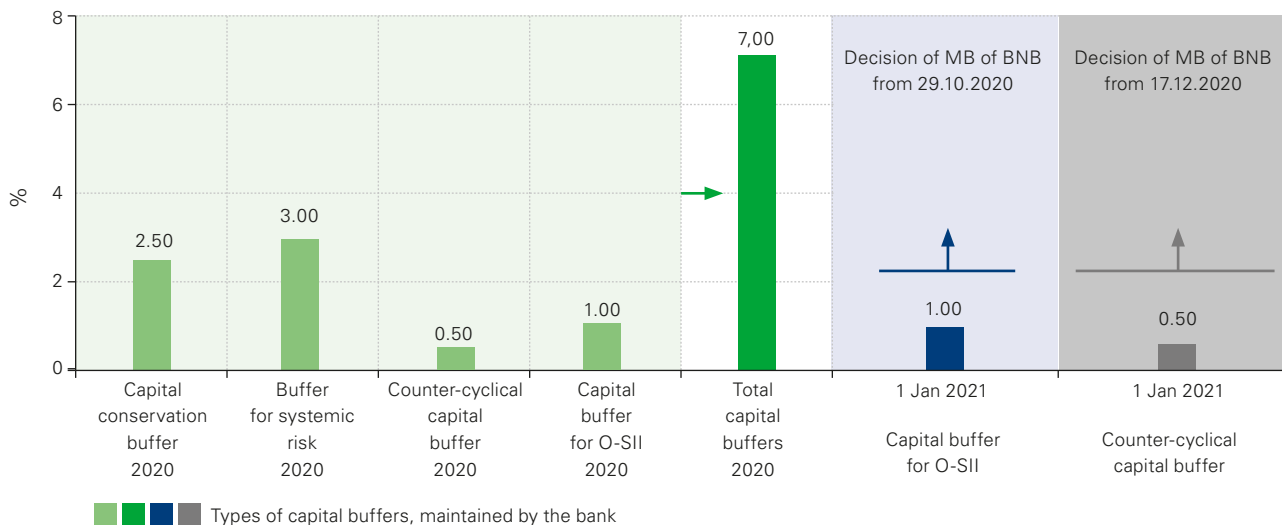
## Capital buffers

In addition to the capital requirements set out in Regulation (EU) № 575/2013, First Investment Bank maintains four capital buffers in accordance with the requirements of Ordinance №8 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 a buffer for systemic risk covered by common equity tier 1 capital with the aim of decreasing the effect of potential long-term non-cyclical system or macroprudential risks in the banking system in the country. In 2020 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 of protecting the banking system against potential losses arising from accumulated cyclical systemic risk in periods of excessive credit growth, the banks in Bulgaria, including Fibank maintain a 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%. In connection with the COVID-19 pandemic, in March 2020 the BNB adopted a package of measures including cancellation of the planned increases in countercyclical capital buffers planned for 2020 and the first quarter of 2021, their level remaining at 0.5%.

### Capital buffers

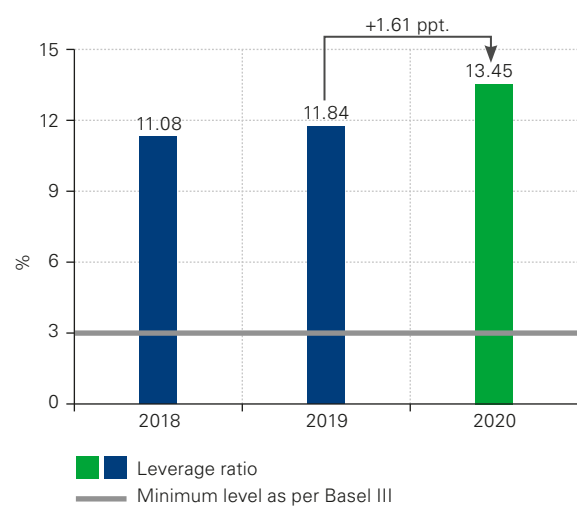


In addition, other systematically important institutions (O-SII) in the country as determined by BNB among which is First Investment Bank AD should maintain a buffer for O-SII with a view on their significance for the national economy and financial system. The buffer for O-SII on a consolidated basis applicable for Fibank, determined as a share of the total value of the risk exposures, is in the amount of 1.0% for 2020 and 2021.

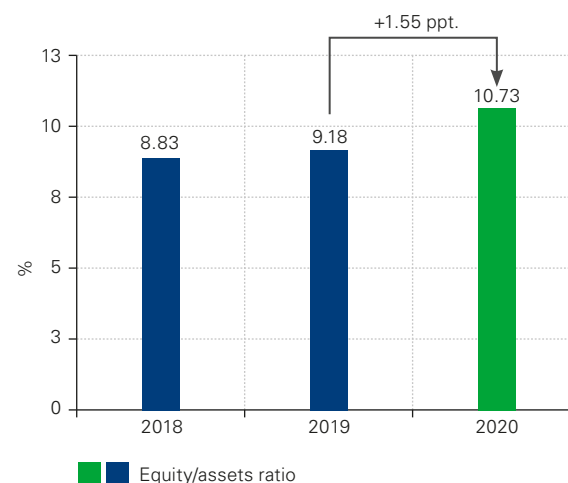
## Leverage

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.

## Leverage ratio



## Equity/assets ratio



In terms of the leverage ratio, on an EU level, 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 2020, the leverage ratio amounted to 13.45% on a consolidated basis compared to 11.84% 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 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 Consolidated Financial Statements as at 31 December 2020.*

## 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 2020 the Bank performed its activity in line with the updated risk strategy and in accordance with the goals for development and further enhancing the control mechanisms with respect to risks inherent to the banking activity, including taking into consideration the challenges of the external environment related to the COVID-19 pandemic and its consequences. The focus during the year was placed on execution of the strategic project for building and maintaining additional capital buffers, realized through the successful capital increase under the conditions of a public offering, as well as the structuring of a new risk appetite framework setting the maintenance of medium-low risk level and applying a conservative approach to managing inherent risks.

The Bank continued to follow its goals for reducing and management of non-performing exposures and the long-term priorities towards optimizing non-interest assets and ensuring their effective realization, taking into effect the difficulties of the environment and the investor appetite as a result of the spread of the coronavirus, as well as the insecure situation in globally resulting from the development and consequences of the COVID-19 pandemic. During the year a new Strategy for the reduction of non-performing exposures and repossessed assets during 2021-2023 was adopted, as well as an operating plan for its execution.

## 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.

### Key elements of risk strategy



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 regulatory requirements and best practices. The main goals on the basis of which the risk strategy is structured are defined as follows:

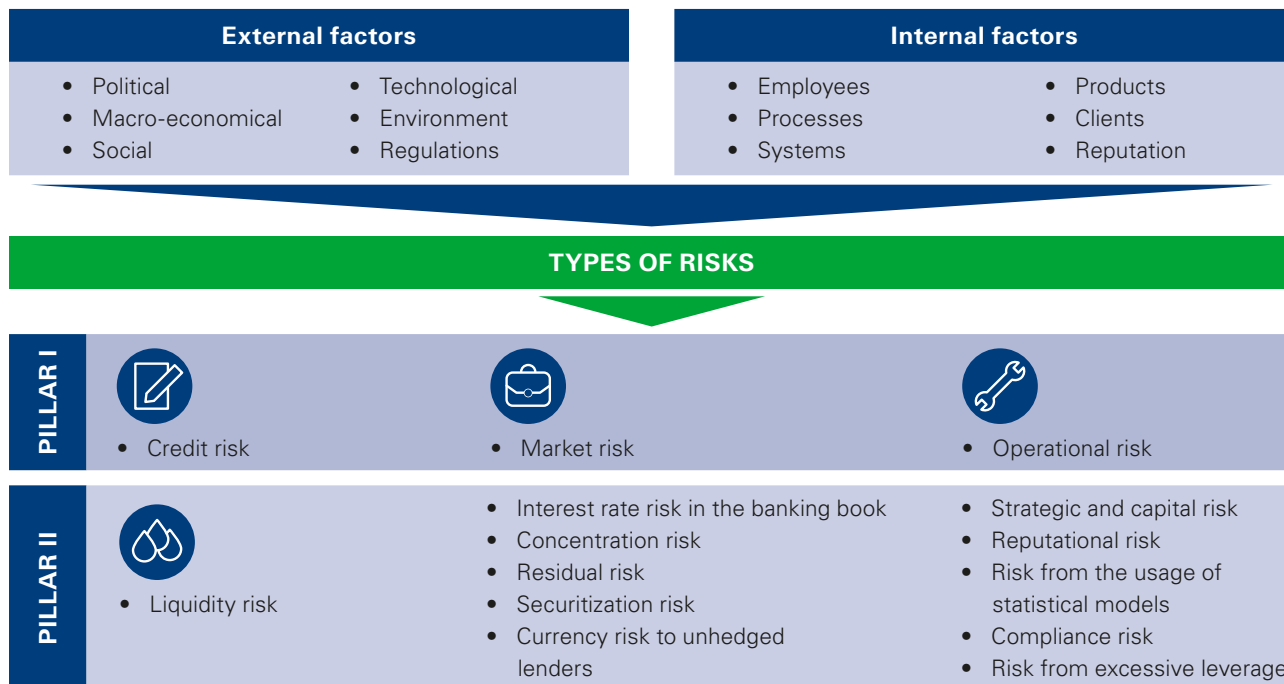
- achieving a sustainable level of capital to ensure good risk-taking capacity, as well as capacity to cover risks in the long term;
- maintaining good asset quality while providing for an efficient decision-making process;
- achieving a balanced risk/return ratio for all business activities of the Bank.

With respect to its risk profile, the strategy is focused on priority development in the retail and SME segments, as well as constantly 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.

## Risk map

First Investment Bank develops a risk map, which classifies 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.

### Risk profile and risk map



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 framework

During the year First Investment Bank developed and adopted a new **Risk appetite framework**, which is an integrated instrument for defining and limiting the overall risk level, which the Bank is willing and able to take to achieve its strategic and business goals. For 2020, a medium-low level of risk appetite is set to be maintained.

Defining and applying a risk appetite framework is based on assessment of the **risk profile** of the Bank on the basis of the material risks identified in the risk map, as the overall risk profile is expressed into a rating aggregated from the scores assigned to each of the specific risks throughout a 5-level scale with quantitative values and risk levels.

Within the risk appetite framework, the **risk capacity** of the Bank is defined, which represents the maximum level of risk the Bank can operate without breaking regulatory requirements and other limits with respect to capital and funding needs and liabilities to counterparties. The **risk tolerance** is defined as a precautionary measure while maintaining risk appetite, which as set on a strategic level is defined as a percentage lower than 100% of the overall risk capacity of the Bank. For calculating the risk appetite specific **risk indicators and limits** are defined, including early warning signals for each type of risk in accordance with a risk matrix with risk weights, which is structured for aggregation and defining the overall risk appetite and its alignment with the risk profile of the Bank.

The risk appetite framework 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 at 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 the 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, and 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 defence which is in compliance with the Basel Committee for Banking Supervision principles for corporate governance in banks:

- First line of defence: 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 defence: the Risk Management and Compliance functions which are independent of the first line of defence. 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 defence: an Internal Audit which is independent of the first and the second lines of defence. 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 2020 the Bank updated and further developed its policies on internal governance, including on a group level with respect to the internal control framework and the independent risk management, compliance and audit functions in accordance with the organizational structure and the applicable requirements in this sphere, including 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 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 the subordination to the Chief Executive Officer, with direct reporting to the Risk Committee and/or the Supervisory Board. The Chief Executive Officer ensures the organization for applying the compliance function within the Bank, as well as its integration in the established risk management framework across the Bank, by all business units and at all levels.

First Investment 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.

**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 senior management. As at 31 December 2020, 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 being 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 the written structure and 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 other members include: representatives from Credit Risk Management, Monitoring and Provisioning; Intensive Loan Management; Corporate Banking; SME Banking; and the Retail Banking and Legal departments. In the meetings of the Restructuring Committee employees of the Bank who were directly involved in taking lending decisions do not participate.

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 the 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. Additional members can participate: representatives from the Security, Legal and Human Capital Management departments.

Apart from the collective management bodies, the following functions are structured in First Investment Bank – Risk management (the departments Risk Analysis and Control; Credit Risk Management, Monitoring and Provisioning and a specialized unit for Strategic Risk Management) and Compliance (the departments Compliance – Regulations and Standards; Compliance – Specialized Monitoring and Control; specialized unit Compliance – investment services and activities and Data protection officer) which are independent (separate from the business units) structural units in the organizational structure of the Bank.

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 the 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 specialized unit for Strategic Risk Management aims at identifying and assessing strategic risk, including the main risks in the Bank's strategic projects, as well as analyzing the realistics of the assumptions embedded in the strategies of the Bank with respect to changes in the external environment and the markets it operates in.

The Compliance – Regulations and Standards department carries out the activities of identifying, assessing and managing the risk of non-compliance, ensures an 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. It also manages and analyses customer satisfaction in the Bank in relation to customer complaints.

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. During the year, the Bank brought its activity in line with the requirements of the LMAML, including with regards to applying the new Rules for application of the Law on Measures against Money Laundering (RALMAML).

The specialized unit Compliance – Investment Services and Activities executes ongoing control over the execution of the regulatory requirements with respect to the Bank's activity as an investment intermediary and one market abuse with financial instruments. As part of the compliance function there is a designated Data Protection Officer – *for further information see section „Personal Data Protection“.*



## 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 Individual Financial Statements for the year ended 31 December 2020.*

## 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.

During 2020 First Investment Bank updated its recovery plan, as the information on governance was developed and structured according to the separate phases of the process, including updating the escalation procedure and decision-making process. The recovery indicators were reviewed, as the levels were calibrated in line with the regulatory requirements, as well as with the current macroeconomic environment, the reporting and effectiveness in risk management and financial resources of the Bank. The applied stress scenarios were also updated, including detailed and further developed general assumptions, aiming to adequately reflect the challenges and consequences related to the COVID-19 pandemic. Descriptive texts were added with respect to the anticipated recovery options/measures in case of potential realization of each one of them, as well as presenting the general recovery capacity in quantitative terms.

The Recovery plan includes the 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 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 the 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.

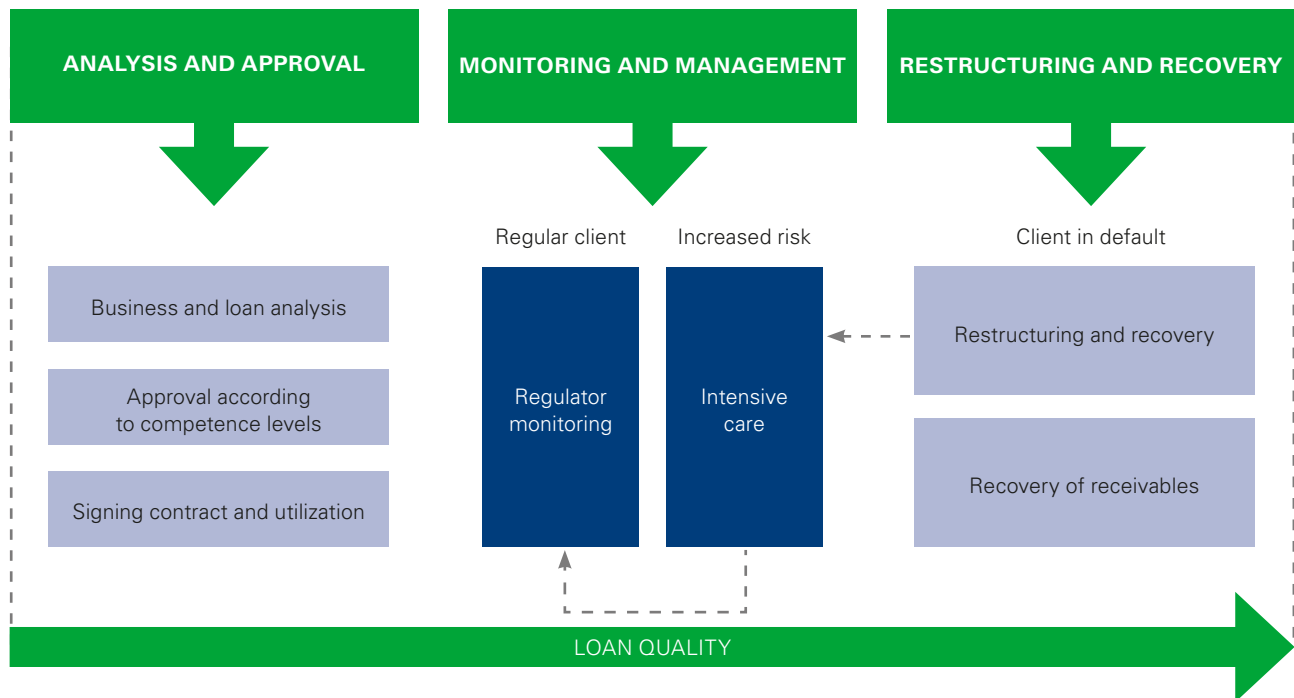
First Investment Bank manages credit risk by applying internal limits on exposures, on customers/counterparties, types of instruments, industry sectors, markets, by written rules and procedures, by internal rating and scoring models, as well as by procedural requirements in the originating and managing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

## Loan life-cycle



In 2020 changes were made in the levels of competence on credit deals, mainly aiming to optimize the internal processes on decision-making for granting loans, write offs, as well as on repayments on credit exposures with increased credit risk subject to intensive care. During the year amendments were made in the guidance for accepting and processing documents in lending to individuals and micro companies with the aim of further enhancement. In relation to the extraordinary situation and subsequent actions resulting from the COVID-19 pandemic, changes were made to the systems within the Bank for stopping the accrual of penalty interest (for the period of action of the respective measures), as well as developing a methodology for making renegotiations on credit deals in line with the requirements of the private moratorium approved by BNB.

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. The monitoring system of the Bank as well as the internal procedures for monitoring of credit exposures are subject to regular review and update, including with respect to the early warning signals. During the period a new software tool was implemented for organizing and maintaining electronic credit files.

In the Bank a separate department functions 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. During the year efforts were allocated for enhancement of the internal rules for transfer of credit exposures, aiming at more effective allocation of the responsibilities and structuring an efficient process for managing exposures in the different phases of the life-cycle of the loan.

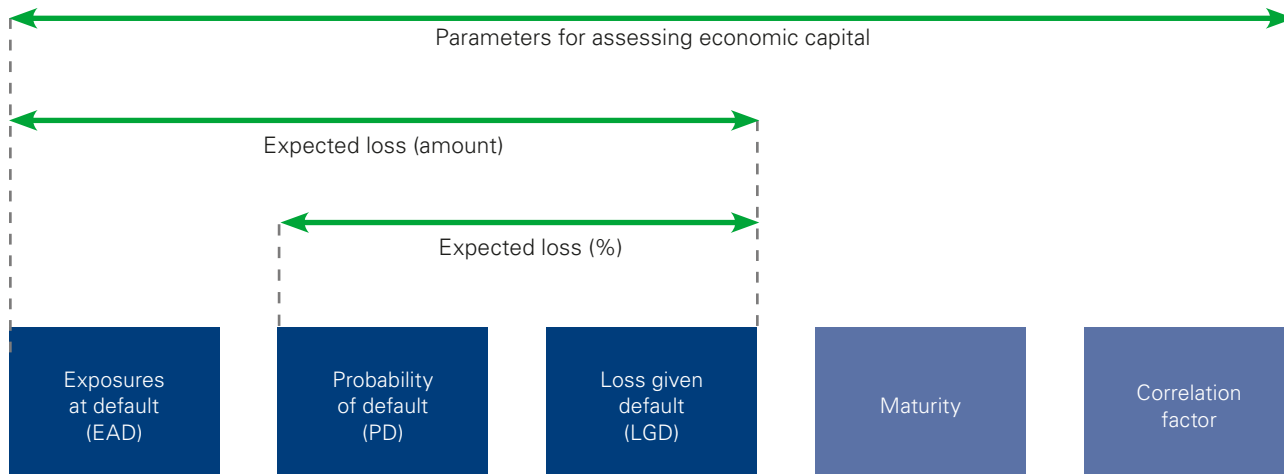
## Models for credit risk measurement

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 protecting and covering of unexpected losses arising from market conditions or events.

#### Risk parameters for assessing expected and unexpected losses



For further information regarding economic capital see subsection „Internal Capital Adequacy Analysis“.

The Bank uses internal models for the 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. Business clients are assigned a credit rating, while individuals are based on scoring. An additional assessment for 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 of their automation while applying a centralized approach, in 2020 their implementation in the information systems of the Bank was finalized.

All risk assessment models are adopted by the Managing Board, proposed for review after prior approval from the Chief Risk Officer.

There is a structured process within the Bank for the 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. At the beginning of 2020, the rules for validation and assessment of models were updated with regards to more precise reflection of the time frame for preparing and reporting of the regular validation reports.

## 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 at further development and enhancement of the rules and processes existing in the Bank with respect to the acceptance, evaluation and management of collateral, including with regards to the methods for evaluation.

## Problem exposures and strategy for their reduction

First Investment Bank has internal rules and written procedures for managing problem credit exposures, which include all the main actions related to the management of problem loans, including the 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 the 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 non-performing exposures, and in this regard actions were taken for their effective management aiming at achieving sustainable levels and good asset quality. In relation to this during 2020 a new **Strategy for the reduction of non-performing exposures and repossessed assets** for the period 2021-2023 was developed and adopted, as well as an operating plan for its implementation, in which measures adequate to the business model and risk profile were identified aligned with the EBA Guidelines on management of non-performing and forboren exposures (EBA/GL/2018/06). The main goals, on the basis of which the strategy is structured, include:

- Regular write-off of fully impaired and uncollectible credit exposures and sale of portfolios of non-performing exposures, in such volume and time horizon as the market dynamics allow and the prices offered;
- Achieving stable recovery, covering the entire life cycle of credit exposures and perfecting the practices and processes in order to achieve higher recovery rates;
- Improving the ways and methods for restructuring, aimed at increasing collections from non-performing exposures;
- Reduction of the risk profile of the loan portfolio and applying a conservative approach in collateral valuation;
- Reduction of the relative weight of the portfolio of foreclosed assets in the Bank's balance sheet in order to free up cash resources and reduce risk.

### MEASURES/OPTIONS TO REDUCE NON-PERFORMING EXPOSURES



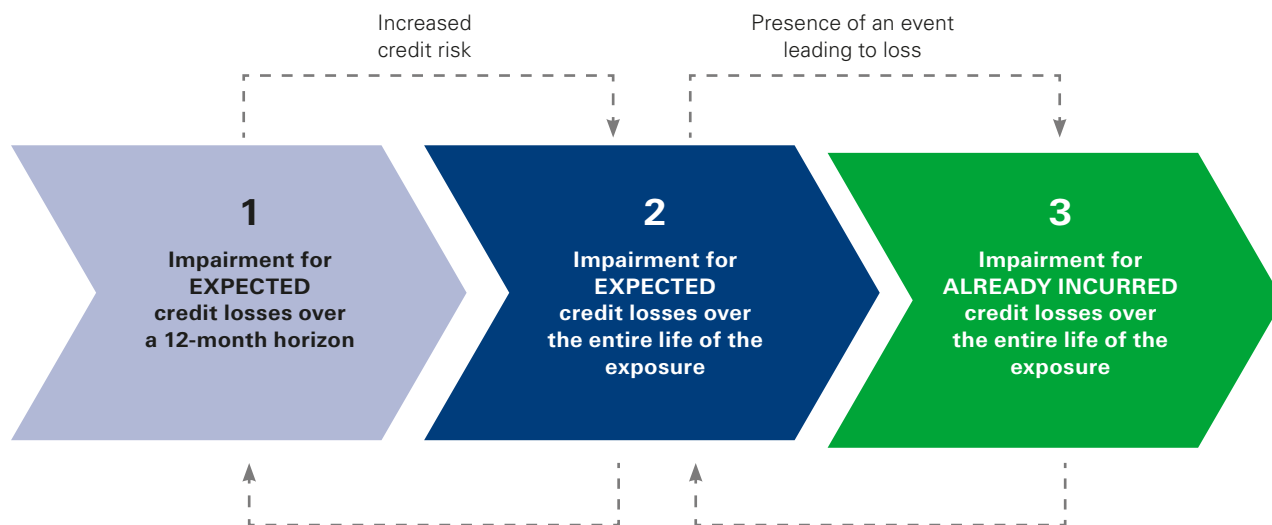
In 2020, First Investment Bank joined the Procedure for deferral and settlement of liabilities payable to banks and their financial institution subsidiaries in connection with the COVID-19 pandemic, prepared by the Association of Banks in Bulgaria and approved by the BNB, as well as its extension of terms and amendments additionally adopted in July and December 2020. The document represents a private moratorium under the meaning of EBA Guidelines on legislative and non-legislative (private) moratoria on loan repayments applied in the light of COVID-19 crisis (EBA/GL/2020/02), according to which in managing loan exposures, including their qualification as nonperforming, the Bank applies the temporary principle stating that deferral on such exposures shall not lead to their re-classification under the form of restructuring or default.

As at 31 December 2020, the ratio of non-performing exposures under the FinREP framework decreased by 1.4 percentage points to 15.0% of gross loans and advances and debt instruments, other than held for trading, while the ratio of exposures over 90 days past due decreased by 0.3 percentage points to 7.9%.

## Impairment and provisioning of risk exposures

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 non-performing specific impairment is determined, calculated on the basis of individual cash flows for individually significant exposures, or on portfolio basis for the others. Regarding exposures reported as performing, the Bank applies impairment on a portfolio basis (taking into account potential losses), grouping exposures with similar credit risk characteristics. 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.

### Impairment of risk exposures



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

For more information on credit risk, see note 3 "Risk Management" from the Consolidated Financial Statements for the year ended 31 December 2020.

## 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, and 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 of 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.



In 2020 the Bank reviewed and updated its limits with respect to investments in debt securities of governments and financial institutions in line with market condition developments and the opportunities for generating profitability and return.

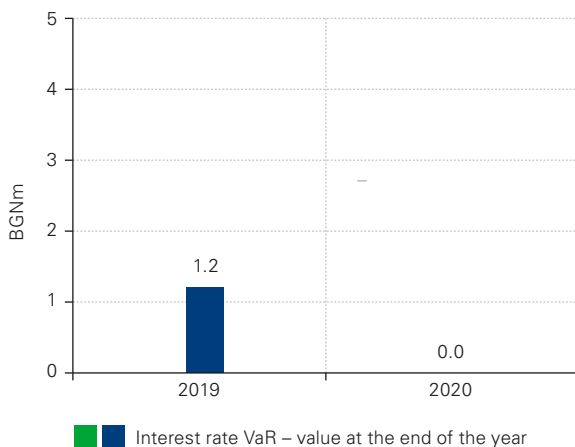
## Interest rate risk

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.

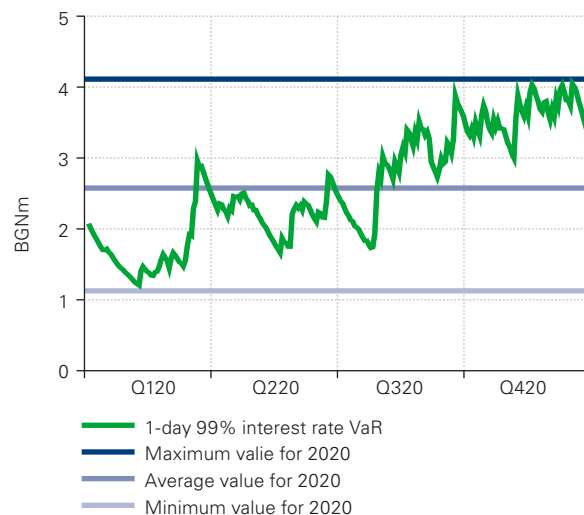
It is the policy of the Bank to maintain an insignificant trading portfolio in accordance with the criteria of Regulation (EU) № 575/2013. Therefore, it does not calculate capital requirements for interest rate and pricing risk in this portfolio. For quantifying measurement of the interest rate and position 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 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 in the international financial markets.

### Interest rate VaR for the trading book of debt instruments



### Interest rate VaR for the trading and banking book of debt instruments

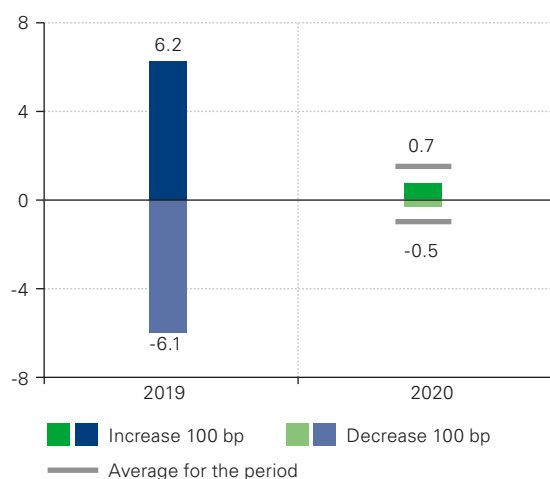


With regards to the interest rate risk in the banking book, First Investment Bank manages this type of risk through written rules, limits and procedures aimed at reducing the mismatch between the interest rate sensitivity of assets and liabilities in compliance with the EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02) and the requirements of Ordinance No 7 of the BNB on Organisation and Risk Management of Banks. 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 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.

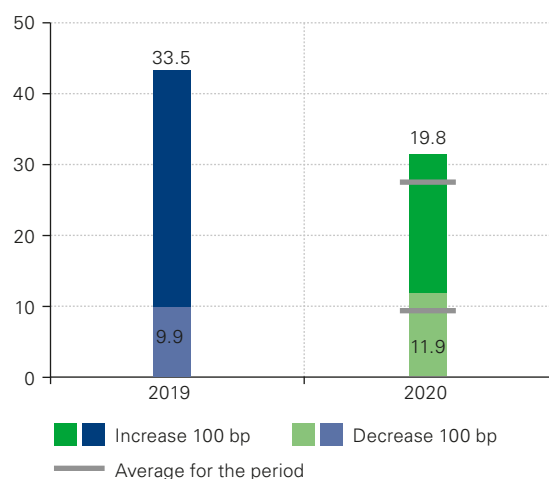
In 2020 the Bank updated and developed its risk framework for assessing interest rate risk in the banking book (IRRBB), taking into consideration the material sources of IRRBB for the Bank, including risk of non-compliance and optional risk, as well as the risk from change in the credit spread of financial instruments (CSRBB). The stress scenarios were expanded, taking into account also non-parallel change in the interest rate curve. Various behavioral particularities in cash flows were also reflected in the context of different scenarios, and the limits for this type of risk were also updated.

As at 31 December 2020 the interest rate risk on the economic value of the Bank (IRRBB) following a standardized shock of +100/-100 bp was BGN +19.8/+11.9 million, while on the net interest income one year forward was BGN +0.7/-0.5 million.

### Effect on the interest income from interest rate shock +100/-100 br



### Effect on the equity from interest rate shock +100/-100 br



## 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 Consolidated Financial Statements as at 31 December 2020.*



## 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.

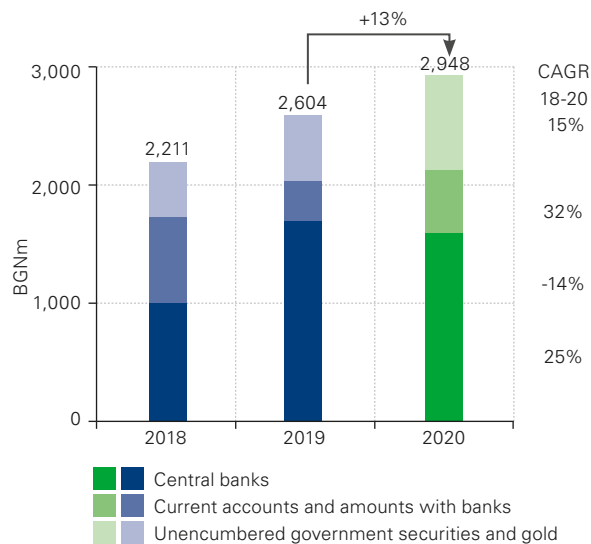
In order to maintain a medium-low risk profile, Fibank has established an adequate framework for liquidity risk management. The Bank's policy on liquidity management is designed so as to ensure meeting all obligations even under stress originating from the external environment or from the specifics of 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, and also 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) a business model whose purpose is the assets to be held to collect contractual cash flows (hold to collect); 2) a business model whose purpose is both to collect contractual cash flows as well as sale of financial assets (hold to collect and sell); 3) another business model when the purpose is different from the previous two business models, and which includes assets held for trading.

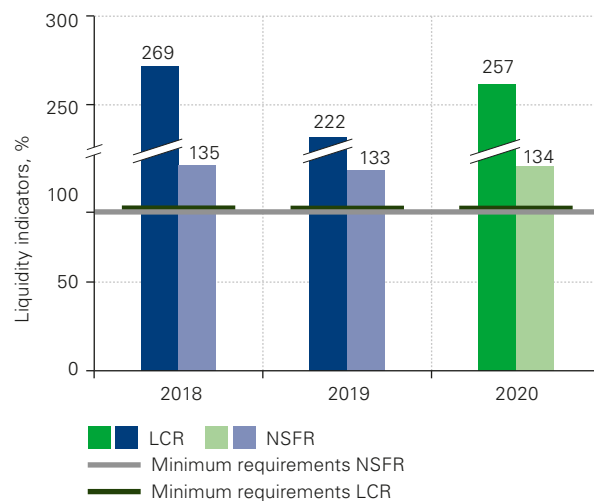
During the reporting year Fibank maintained an adequate volume of liquid assets, as at 31 December 2020 the ratio of liquid assets covering the attracted funds due to other customers amounted to 30.90%, which was significantly above the BNB recommended level of 20%. According to regulatory requirements 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 257.17% on a consolidated basis (2019: 221.64%).

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.

### Liquid assets



### LCR and NSFR



At year-end, the net stable funding ratio amounted to 134.47% on a consolidated basis (2019: 132.74%) 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 2020, 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. With respect to the internal processes and organization on ILAAP the CFO has general responsibility for controlling the process for updating, for making proposals for amendments on the document, as well as ensuring 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. In 2020, the methodology for the assumptions for stress tests was further developed, including usage of the correcting coefficients of the ECB and FED.

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 Consolidated Financial Statements as at 31 December 2020.*



## 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. With respect to capital requirements for operational risk, the Bank applies the standardized approach as per requirements of Regulation (EU) 575/2013, including methodology for allocation of the indicators as per group activities.

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, and information security.

With the aim of 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 signalling 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 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 to the analysis of the effectiveness of existing controls for its mitigation.

During 2020, First Investment Bank further developed the policies for managing operational risk, including updating the rules for registering and reporting of operational events and assessment of their impact, the rules for self-assessment of operational risk, as well as the procedures for gathering statistical data for payment operations, monitoring and reporting of fraud data.

## 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.

An “Information security” department 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 2020, the Bank updated its internal policies on information security, with the aim of applying a more sophisticated approach, including with respect to the requirements on remote access to information resources, password management, as well as monitoring, assessment and testing the security of information systems, networks and databases, taking into account the requirements specified in the EBA Guidelines on ICT risk and security management (EBA/GL/2019/04).

## 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 the effective management of 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 the 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 the timely elimination of any negative consequences.

During the year, as a result of the COVID-19 pandemic, the business continuity plan was triggered as well as an extraordinary update made, as a number of measures were taken with respect to continuity of processes, including safety requirements, social distancing, remote working, change in working hours and work shifts, i.e. for the branch network and customer service.

## Risk exposures

As at 31 December 2020 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. With respect to capital requirements for operational risk, the Bank applies the standardized approach as per requirements of Regulation (EU) 575/2013, including methodology for allocation of the indicators as per group activities.

In BGN thousand/ % of total	2020	%	2019	%	2018	%
For credit risk	6,834,786	92.2	6,385,596	91.2	6,194,711	90.3
For market risk	5,525	0.1	4,750	0.1	5,300	0.1
For operational risk	573,675	7.7	612,838	8.8	658,925	9.6
<b>Total risk exposures</b>	<b>7,413,986</b>	<b>100</b>	<b>7,003,184</b>	<b>100</b>	<b>6,858,936</b>	<b>100</b>

In 2020 the structure of risk-weighted assets comprised predominantly of those to credit risk at 92.2% of total exposures (2019: 91.2%), followed by those for operational risk at 7.7% (2019: 8.8%) and to market risk at 0.1% (2019: 0.1%) The Bank continued to maintain a conservative approach in 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 carried out.

## Internal capital adequacy analysis

First Investment Bank AD performs regular internal capital adequacy analysis (ICAAP) in the context 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 external environment scenarios.

In 2020, the ICAAP report was updated in line with the risk strategy and the business goals set for development, as well as with the operating environment and external conditions. There was further development and enhancement of the assessment of interest rate risk in the banking book (IRRBB) in line with the EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02). Additions were made to the assessment of concentration risk at industry sectors level in line with guidance used from leading central banks in EU and applying a Herfindahl-Hirschman Index (HHI). The methodology for assessment of operational risk was updated to fully reflect the control environment within the Bank, including based on the annual self-assessment exercise on risk and controls, which units in the Bank go through, and on identifying potential scenarios for rare but plausible operational events. When preparing the analysis, a business model assessment is made, as well as internal control framework, including independent risk, compliance and internal audit functions are taken into consideration.

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 standardised 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 a more realistic and more enhanced approach for measuring the risk the Bank is exposed to, at the same time as 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, 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 confidence interval corresponding to the risk appetite of the Bank. 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, as well as by economic sectors, 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. For calculating the concentration risk as per economic sectors, a Herfindahl-Hirschman Index (HHI) is used.



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 corresponding to the risk appetite of the Bank.

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 or the net interest income is defined resulting in a shift of the yield curves in the following scenarios: Parallel shock – parallel increase/decrease of interest rate levels; Short rates shock – increase/decrease in the interest rate levels in the short part of the curve; Steepener – the short part of the yield curve registers decrease, while the long part – increase; Flattener – the short part of the yield curve registers increase, while the long part – decrease.



For the purposes of ICAAP, First Investment Bank calculates the required economic capital for **operational risk** on the basis of the results from the applied stress tests and the annual self-assessment exercise on risk and controls, which units in the Bank go through, and on identifying potential scenarios for rare but plausible operational events. The stress tests used by the Bank are for extraordinary but probable events, including different scenarios based on their financial impact and probability of occurrence. The economic capital for operational risk is calculated as the overall financial effect in a one-year horizon based on all analyzed stress scenarios.



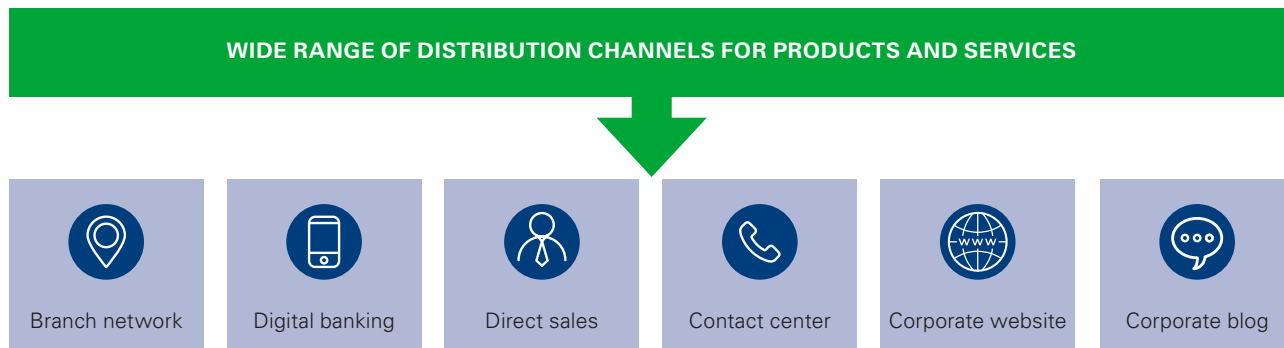
To assess **liquidity risk**, the Bank differentiates the analysis in two directions regarding the risk of insolvency and the risk of providing liquidity. The risk of insolvency is managed and covered by maintaining an appropriate buffer of unencumbered, highly liquid assets, while the risk of providing liquidity is covered and mitigated by 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 the quantification of 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.

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

## Distribution channels for products and services



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

First Investment 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 digital transformation in the banking sector.

In 2020, the Bank optimized its branch network, taking into account the external environment and market conditions, the workload of individual locations and the volumes of activity. Nine offices were closed during the year, four of them in Sofia and five in the rest of the country. As at 31 December 2020, the branch network of First Investment Bank comprised a total of 149 branches and offices on a consolidated basis (2019: 158), located in 60 cities in Bulgaria: 47 locations in the city of Sofia (2019: 51), 87 branches and offices in the rest of the country (2019: 92), one foreign branch in Nicosia, Cyprus, as well as a Head Office and 14 branches of the subsidiary bank First Investment Bank - Albania Sh.a. in Albania. *For further information regarding First Investment Bank – Albania Sh.a., see section “Business review of subsidiary companies”.*

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.

In 2020, as a result of the COVID-19 pandemic, a number of actions and measures were taken regarding the internal organization of the branch network, in order to ensure the continuity of processes and at the same time maintain high quality customer service, including safety requirements being introduced such as installed protective panels, social distance, remote workplaces, change in working hours and work schedule, and safety equipment provided for the Bank’s employees and customers.

As part of the ongoing improvement and optimization of processes, work on the branch digitization project continue, aimed at modernization and installing new devices for digital services in the Bank’s offices. A centralized back office is operating in the Bank, which performs activities related to directing, distributing, processing and archiving customer and payment documents.





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.

In addition to its well-developed branch network, Fibank also uses other channels for the 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, and digital banking.

### Full scope of products and services

	<b>Retail clients</b>	<b>Business clients</b>
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	•	•



### Contact center – \*bank (\*2265), 0800 11 011

In 2020, Fibank's Contact Center functioned 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 pursuance 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. Through the Contact Center, customers may also apply for debit card overdrafts or apply for consumer loans. In connection with the state of emergency and the measures related to the spread of the coronavirus in the country, a process was launched to accept requests for deferral of installments on loans and credit cards of individuals and business customers. 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, about 30 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 62,000 outgoing calls were made, with a high response rate achieved.

For the reporting period, the Contact Center received over 110,000 incoming calls, more than 10,000 emails and conducted over 620 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](http://www.fibank.bg)

In 2020, First Investment Bank continued to develop its corporate website in order to transform it into an active channel for product communication and cross-selling. During the year the offering of a new service started - "Video Consultation" for individuals regarding credit products of the Bank, available through [www.fibank.bg](http://www.fibank.bg). Through the site customers could submit online applications for credit cards, overdrafts and consumer loans, as well as communicate directly with an expert from the Bank.

The corporate website has a number of features, including visualization elements in line with current digital trends and features for intuitive design and personalized content. They provide an easy way to compare products and services offered by the Bank, 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 in the development of its corporate website.



## Corporate blog

In 2020, because of the events related to the pandemic of COVID-19, the corporate blog of First Investment Bank, together with other online communication channels, including social networks, had a key role in communicating with customers, as an important part of the key messages, news, initiatives were disseminated through these online channels.

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. 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. In addition to the new topics related to products and services of the Bank, including in support of individuals and legal entities affected by the situation with COVID-19, the corporate blog presents the diverse range of social and corporate initiatives of the Bank, financial analyses 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 provides an open dialogue and feedback with customers, thus providing an opportunity to study the usability of the Bank's products and services and 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 2020, 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 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 core banking IT environment, providing a high level of system security, optimization and greater workflow efficiency, as well as increased productivity.

Through My Fibank electronic banking, customers use both active and passive banking according to their needs and depending on their access rights to the system. As part of 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, and 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 line with current trends, in 2020 the process of remote signing of documents was further developed, including the option to apply for credit products (consumer loans, credit cards, etc.) and sign agreements entirely online through the My Fibank platform, without visiting an office of the Bank. A functionality was also added to allow electronic submission of debit card applications and signing of agreements. In connection with the measures to counteract the spread of COVID-19, in March 2020 a special package of free digital services was launched. The Bank took part in the annual conference organized by the Banker newspaper, entitled „Adaptation and management of digital portfolios, digital banking services and customer contacts in a pandemic crisis.“

In compliance with 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.

During the year, the Bank added SMS confirmation for transfers made using a hardware token, providing dynamic linking of transactions with specific amounts and recipients.

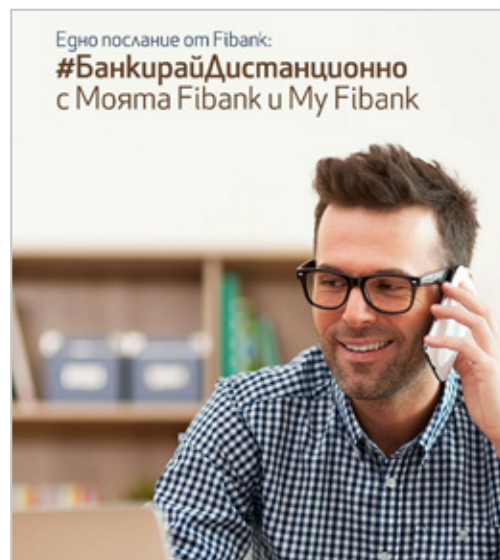
In implementation of the requirements of the Law on Payment Services and Payment Systems transposing Directive (EU) 2015/2366 of the European Parliament and of the Council on payment services in the internal market (PSD 2) and Commission Delegated Regulation (EU) 2018/389 supplementing Directive (EU) 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, via the My Fibank mobile banking platform. In 2020, Fibank continued to develop its open banking services, making them available to customers not only on Android, but also on iOS devices through My Fibank. *For more information on open banking, see section Payment services.*

During the period, the integrated e-banking platform My Fibank continued to establish itself as a channel generating a predominant share of the total transfers of the Bank. Growth was reported both in transactions and in the number of customers using the platform.

### 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), and since 2020 from one of the biggest software online stores - Huawei AppGallery.

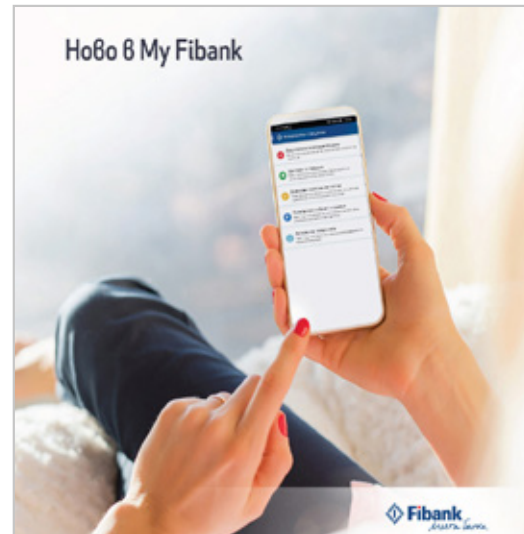
With the mobile application, customers use the same active and passive banking they are registered for in the electronic platform, subject to limits predetermined by the Bank, or by the customer, as a key innovation made in 2020 enabled business customers to use active banking through the mobile application. 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 addition to SMS confirmation for transfers made using a hardware token, an option was provided for customers of the mobile application to authenticate their online card transactions with biometric data (fingerprint/facial recognition).

During the period, in connection with the digitization of the Bank's cards, including through third-party applications, the range of cards that can be digitized was expanded to include MasterCard and VISA. The option was provided to cardholders, depending on the functionality supported by third-party application (e.g. Apple Pay), to access it through the My Fibank mobile application.

*For more information on digitizing cards through external providers see the Card Payments section.*

During the year so-called push notifications were further developed to provide a variety of information to customers, including on transfers ordered via e-banking, debiting and crediting of accounts, card authorizations, credit card payments due, utility payments, account opening, as well as changes to the Tariff or the General Terms and Conditions of the Bank, providing customers with fast and timely access to amendments that may concern the terms of their agreements.





We encourage  
a balance between  
innovation and stability

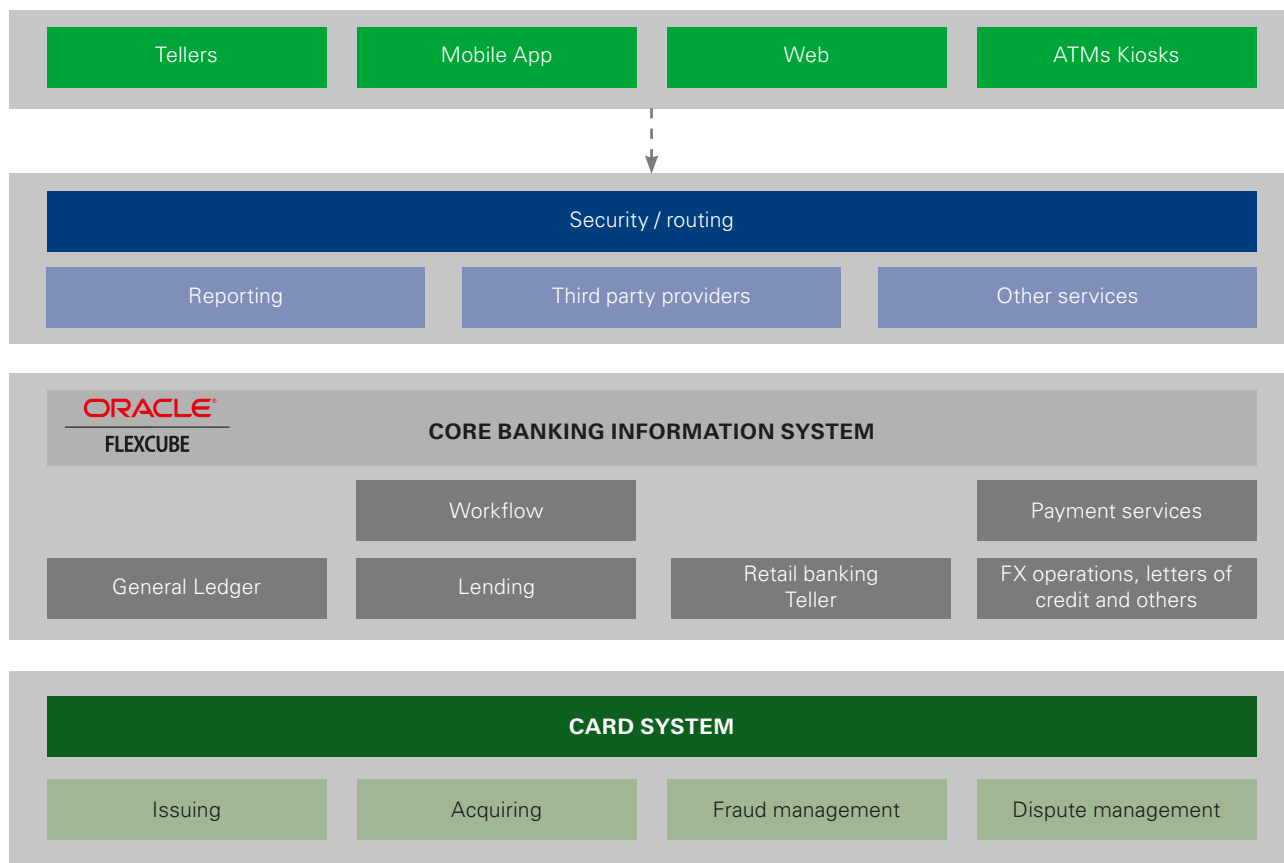
# Information technology

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 2020, 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 developed further the functionalities of its API portal, e.g. the services offered through open banking which are accessible for the Bank’s clients not only on Android based devices but also on iOS devices through My Fibank. New projects have been started like “Instant payments in BGN” through the BISERA 6 system, operated by BORICA AD, as well as a project for participation in the new payments organization – real time settlement Continuous Gross Settlement (CGS) in STEP2-T system, operated by EBA Clearing.

Network-wise, the Bank carried out activities during the period related to the 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.

## Systems map



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 a 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.

In connection with the spread of coronavirus and social distancing measures that have been taken, the Bank managed in a very short period of time to provide successfully remote work (home office) for a great number of its employees, maintaining at the same time a high security level of data and operations.

With regard to system and information security, Fibank worked in several directions as the system for centralized storage and events analysis (SIEM) was the main focus. During the period the internal policies for general information security were revised and further developed aiming to apply more elaborated approach, including in connection with the remote access to information resources requirements, password management, as well as monitoring, evaluation and testing of the safety of the information systems, network and databases.

During the year, technical support was provided for the realization of projects for the updating and implementation of innovative services and new functionalities – providing an option for digitalization of debit and credit cards VISA, issued by the Bank; implementation of functionality for payment of equal installments for purchases made with credit card; video consultations for individuals on the Bank's credit products; new developments aiming to comply with strong customer authentication (SCA) requirements; implementation of a system for the management of electronic records, documents and other.

First Investment Bank as parent company, provided technical support and know-how for the realization of the digital wallet and platform which started working in 2020 for fast money transfers and online payments, offered by the subsidiary company "MyFin" EAD, e.g. with regard to innovative payment services between the clients of the platform (peer-to-peer), payment via link, digitalization of cards, etc.

At the end of November 2020 Fibank participated in the international conference "Dell Technology Forum" for Central and Eastern Europe (CEE DTF), where innovative technological solutions, business facilitations and new ideas and projects in the sphere of digital transformation were presented.

During the year Mrs. Mariana Sadjaklieva was appointed as a Chief Information Technology and Operations Officer, who as a proven professional in the field with long standing experience in First Investment Bank is responsible for the general organization and management of information technologies in the Bank, as well as for the more effective execution and application of the IT strategy and development objectives in this area.

The IT Committee also functions in the Bank which observes the execution of the IT strategic programme, as well as manages and controls the IT project portfolio, the purposeful use of the resources and the approved budget in this area. The Chairman of the Committee is the Chief Executive Officer, and the other members are the Chief Financial Officer, the Chief Retail Banking Officer, Chief Information Technology and Operations Officer, as well as the directors of the departments "Information Technologies", "Information Security" and "Digital Banking".

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

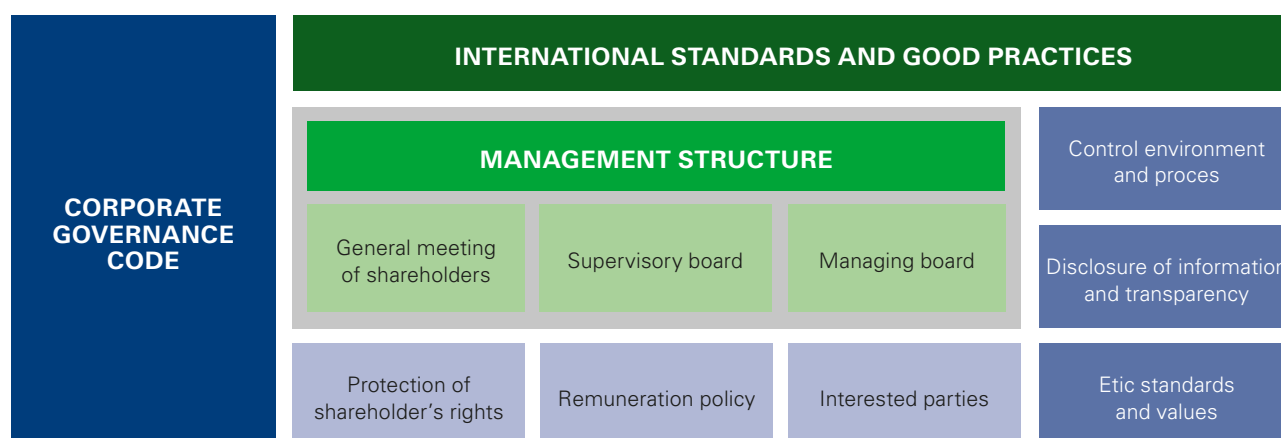
## Corporate Governance Statement

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 a successful business model. The corporate policy of the Bank is based on professional and transparent governance in accordance with internationally recognized standards and principles of good corporate governance, taking into account changes in the regulatory and economic environment as well as the financial markets in the country and abroad.

### Key elements in the corporate governance frame



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.

First Investment Bank applies written policies for corporate governance on a group level, which defines the main principles on internal governance and control over the subsidiaries, as well as the procedures and mechanisms facilitating the consistent and integrated development of the companies in line with group strategy and in compliance with regulatory and supervisory bodies' requirements.

In 2020, the Bank enhanced its policies on internal governance, including on managing of conflicts of interest, on suitability assessment of the members of the managing and supervisory bodies and the key function holders, on outsourcing activities, on internal organization and reporting of the independent functions of compliance and internal audit, as well as the policies on internal governance on a group level. The amendments were aligned with the requirements of 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, and the 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 also discloses to the public 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. Both documents are publicly available at the corporate website of the Bank (<https://www.fibank.bg/bg/za-nas/korporativno-upravlenie/kodeks-na-korporativno-upravlenie>).

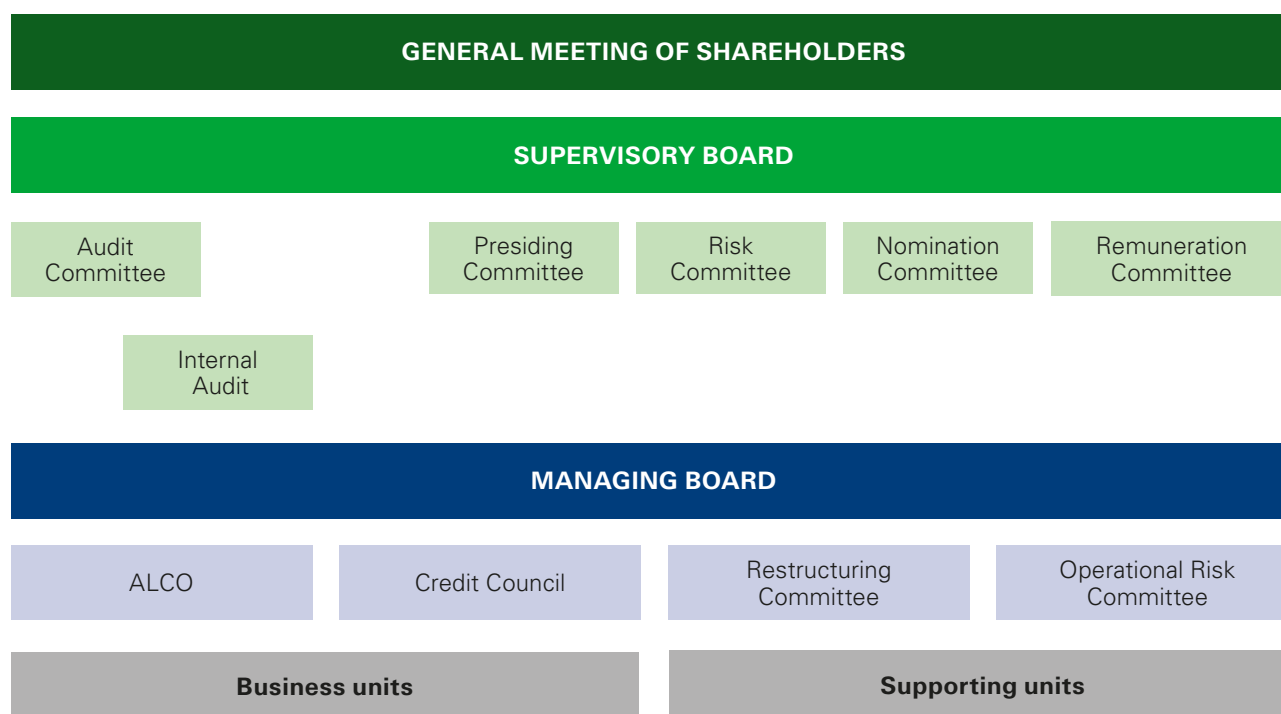
In 2020, the requirements specified in these were met, including the requirements for disclosure of regulated information and information under the financial calendar of the Bank for 2020.

## 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, thereby ensuring 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 2020 there were no changes in the composition of the Supervisory Board of First Investment Bank. In July 2020, at the General meeting of shareholders, Mr. Jyrki Koskelo was re-elected for a new 5-year term as member of the Supervisory Board of First Investment Bank.

Name	Position
<b>Evgeni Krastev Lukanov</b>	Chairman of the Supervisory Board
<b>Maya Lubenova Georgieva</b>	Deputy Chair of the Supervisory Board
<b>Georgi Dimitrov Mutafchiev</b>	Member of the Supervisory Board
<b>Radka Vesselinova Mineva</b>	Member of the Supervisory Board
<b>Jordan Velichkov Skortchev</b>	Member of the Supervisory Board
<b>Jyrki Ilmari Koskelo</b>	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 order to maintain a diverse group of board members and to provide diverse views and experience to facilitate independent opinions/decisions and sound governance, the Bank seeks to maintain a target level of 30% of the members of the Supervisory Board to be from the under-represented gender (rounding down to an integer if necessary). As of 31 December 2020, 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 research 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, for 1/3 of the members of the Supervisory Board to be independent.

## Equity share

As at 31 December 2020 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	2020	%
Evgeni Krastev Lukanov	337,139	0.23
Maya Lubenova Georgieva	11,388	0.01
Georgi Dimitrov Mutafchiev	9,454	0.01
Radka Vesselinova Mineva	-	-
Jordan Velichkov Skortchev	19,125	0.01
Jyrki Ilmari Koskelo	-	-
<b>Total</b>	<b>377,106</b>	<b>0.26</b>

## 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 of the risk management framework, including risk appetite, internal governance and the control system of all types of risks by requiring a 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 2020 the Supervisory Board addressed issues of its competence at 39 meetings. Focus in the activity throughout the year was set on the exercise of regular oversight on the execution of the risk management strategy and approval of the updated strategy with a 3-year horizon and the new risk appetite framework of the Bank, in this respect receiving active assistance from the Risk Committee. A regular review during the first seven months of 2020 was performed on the realization of the strategic project for capital increase of the Bank under the conditions of a public offering. Reviewed and discussed regularly were also topics on Bank’s development in the COVID-19 pandemic situation, including measures for minimizing the consequences and at the end of the year approval of

the budget framework for 2021. During the year the Supervisory Board performed oversight on the execution of the business development strategy, the reliability of financial information and accountability, as well as the internal control framework, receiving active assistance to that effect from the Audit Committee. A regular review was performed on the financial results, market shares and competitive position of the Bank, the effectiveness of the branch network, as well as potential spheres for development. The members of the Supervisory Board were also regularly informed about the development and alignment of the activity with new regulatory requirements.

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 for 2020 was accomplished at the end of the last quarter of the year.

## 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 compliance with the applicable regulatory requirements.

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 2020, the Presiding Committee held 6 meetings addressing issues of its competence, including with regards to the organization of the line responsibilities between the members of the Managing Board, recommendations and coordination on the Bank's budget for 2021, including expectations and development with regards to the COVID-19 pandemic, as well as consultations on attracting potential investors with regards to the capital increase procedure through offering of new shares.

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 of its execution by senior management. The Chairman of the Committee is Mr. Jyrki Koskelo. The Bank fulfills the requirement towards significant banks for 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 held 13 meetings, as reviewed updated plans and regular reports on risk, including the Recovery plan aiming at coordinated execution and consistent application. During the year the committee coordinated and gave recommendations on updated Risk management strategy with a 3-year horizon, as well as the new risk appetite framework of the Bank. It was regularly informed on and reviewed the execution of the risk strategy, as well as effectiveness of the internal systems for management and control of risk, including the compliance function. During the year the Risk committee gave recommendations with respect to loan deals subject to prior approval by the Supervisory Board, as well as discussing the expected effect on the loan portfolio of the COVID-19 pandemic.

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. The 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 2020, the Remuneration Committee held 4 meetings, addressing issues of its competences with regards to remunerations, as well as coordinated proposals for the updated Remuneration policy of First Investment Bank and the related Methodology for assessment and defining the categories of identified staff.

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. The 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 held 12 meetings addressing issues of its competence, including giving 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 senior management personnel effected during the year, including the election of a new Chief Executive Offer, Chief Retail Banking Offer and Chief Financial Offer. The committee discussed topics related to diversity policies, as well as on the planned and budgeted trainings within the institution. At the end of the year, as part of an annual review, an assessment was made (finalized in January 2021) on the individual and collective suitability of the members of MB and SB.

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 that the majority of the members, including 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. In July 2020 at the General meeting of shareholders Mrs. Rositsa Asova was re-elected for a new 3-year term as an independent member of the Audit Committee of the Bank.

During the year, the Audit Committee held 15 meetings, addressing various matters of its competence, including developing 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, including through regular meetings 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 2020 changes were made in the composition of the Managing Board of First Investment Bank. In February 2020 Mr. Nikola Bakalov was elected as new executive director and member of the Managing Board, who subsequently was elected as Chief executive offer and Chairman of the Managing Board of the Bank. In May 2020, Mrs. Ralitsa Bogoeva was elected as new executive director and member of the Managing Board with responsibilities for the retail banking segment, while in June 2020, Mr. Ianko Karakolev was registered as a new member of the Managing Board functioning as Chief Financial Officer. The new members of the Managing Board are long-term employees, taking various managerial positions within the Bank and/or its subsidiary companies, with large professional experience in the banking and financial sector and with high professional qualifications.

During the period, released from their functions in the Managing Board were Mr. Nedelcho Nedelchev and Mr. Jivko Todorov to which the management of Fibank gave its gratitude for their contribution for the development of the institution and respected their choice for new professional realization.

## Structure and competences

At the end of 2020 the Managing Board of First Investment Bank AD consisted of six 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.

<b>Name</b>	<b>Position</b>
<b>Nikola Hristov Bakalov</b>	Chief Executive Officer (CEO), Chairman of the Managing Board
<b>Svetozar Alexandrov Popov</b>	Chief Risk Officer (CRO), Member of the Managing Board and Executive Director
<b>Ralitsa Ivanova Bogoeva</b>	Chief Retail Banking Officer (CRBO), Member of the Managing Board and Executive Director
<b>Chavdar Georgiev Zlatev</b>	Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director
<b>Ianko Angelov Karakolev</b>	Chief Financial Officer (CFO) and Member of the Managing Board
<b>Nadia Vasileva Koshinska</b>	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 a period of up to 5 years and can be re-elected for further mandates without limitation.

The members of the Managing Board are established professionals with high reputation and proven leadership qualities and capacity to translate their 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, if necessary rounding down to an integer. As of 31 December 2020, the Bank fulfilled the set target level as two of the Managing Board members were women. The reported levels exceeded the average levels in EU related to management board in its management function (15%) according to reported data in research 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. 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 facilitating communication between them.

## Equity share

As at 31 December 2020 the members of the Managing Board held a total of 21,943 shares of Fibank and none of them owned more than 1% of the issued share capital.

Number of shares / % of issued share capital	2020	%
Nikola Hristov Bakalov	374	0.00
Svetozar Alexandrov Popov	-	-
Ralitsa Ivanova Bogoeva	-	-
Chavdar Georgiev Zlatev	21,323	0.01
Ianko Angelov Karakolev	12	0.00
Nadia Vasileva Koshinska	234	0.00
<b>Total</b>	<b>21,943</b>	<b>0.01</b>

## 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 the Credit Council, Assets, Liabilities and Liquidity management Council (ALCO), Restructuring Committee, and the 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. an IT Committee, which as an auxiliary body to the MB, is responsible for monitoring the implementation of the Bank's IT strategic program, and to manage and control the IT project portfolio, the targeted use of resources and the approved budget in this area – *for more information see section „Information technology“*.

In line with the long-term priorities aimed at reducing non-interest-bearing assets and ensuring their effective realization, a Commission for the 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.

As an auxiliary body a Commission on cash operations also operates in the Bank, chaired by the Chief Retail Banking Officer, while the rest of the members include directors of the following departments: Vault, Accounting, Branch Network and Analysis and Control of Risk, and the deputy director of the Security 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 July 2020, an Annual General Meeting of Shareholders was held, which represented 86.29% of the share capital and voting rights, at which a decision was taken that the entire net profit of the Bank for 2019 shall be capitalized, and no dividends shall be paid or other deductions made from the profit for 2020, with the aim of its inclusion in the common equity tier 1 capital of the Bank. The General Meeting of Shareholders elected registered auditors for performing an independent financial audit of the Bank for 2020 – BDO Bulgaria OOD and Mazars OOD. The companies were elected after prior approval of the Bulgarian National Bank and recommendation from the Audit Committee of the Bank based on criteria for coordination of the selection, approved by the BNB together with the Commission for Public Oversight of Statutory Auditors. Decision were taken at the GMS for the re-election of members of the Supervisory Board and of the Audit Committee – *for further information see section „Supervisory Board“*.

With a view to greater efficiency and facilitating the implementation of certain decisions, the General Meeting of Shareholders with its previous decisions of 19.06.2019, 29.05.2017 and 16.05.2016 authorized the Management Board, with the prior approval of the Supervisory Board, to adopt resolutions for: issuance of mortgage bonds under the Law on mortgage bonds with a general nominal amount of BGN 400,000,000 with maturity up to 10 years from date of issuance and other conditions, defined by the Managing Board (within a period of 5 years as from 23.07.2019); 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 2020, First Investment Bank continued to further develop its internal policies on internal control framework in compliance with the requirements in this sphere, including 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). During the period, the Policy for compliance of the activity with the regulatory requirements and standards (compliance) was updated, as well as the Rules for applying the compliance function within the Bank, including changes made in the internal organization in compliance function, as well as enhancing the reporting requirements and managing the risk of non-compliance.

First Investment Bank applies written policies and rules regarding the disclosure of conflicts of interest, as in 2020 a new Policy for managing of conflict of interest was adopted, which consolidates the requirements in the applicable internal banking documents and further develops the necessary organization for timely identification, management, avoidance and minimizing present and potential conflicts of interest. In this regard, the Whistleblowing policy was also updated, which aims at systematizing 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 2020 General Meeting of Shareholders of First Investment Bank approved the 2019 annual report of the Internal Audit which informs shareholders of the main results of the control activities of internal auditors, the measures taken, and their implementation. During the period the rules related to the audit function were updated 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](http://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 2020 are:

- BDO Bulgaria OOD, UIC: 831255576, entered in the register of registered auditors, maintained by the Commission for Public Oversight of Statutory Auditors under registration № 016; and
- Mazars OOD, UIC: 204638408, entered in the register of registered auditors, maintained by the Commission for Public Oversight of Statutory Auditors 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](http://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-upravljenie/prava-na-akcionerite>).

In 2020, as part of the process for increasing the Bank's capital through the issuance of new shares, rights were issued 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 was issued against each one existing share, and every 2.75 rights allowed one new share to be subscribed. Rights could be acquired from third parties as well, in the same proportion and subsequent new shares to be subscribed from the capital increase.

## 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 aims to organize and hold 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, shall be publicly disclosed through [www.x3news.com](http://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 a 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](http://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, which have more detailed content than that of 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 its Annual Report in Bulgarian and English. It 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, non-financial information (Non-financial statement within the meaning of the Accountancy Act) and remuneration policy and its implementation (Report on the implementation of the remuneration policy under the meaning of the Public Offering of Securities 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](http://www.fibank.bg), Investors section.

Since 2016, First Investment Bank has participated in the EU-wide transparency exercise conducted by the 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 2020, 129 banks and banking groups from 26 countries from the EU and EEA, as well as 6 banks from the United Kingdom, 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 the 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.

A challenge to public companies, including First Investment Bank, came during 2021 with respect to disclosure of information under the requirements of Delegated Regulation (EU 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format, whose coming into force was delayed by one year as a result of the COVID-19 pandemic. According to this the annual financial reports and activity reports for 2021 shall be disclosed in line with the single electronic format – in XHTML format, while specific parts of the consolidated financial statements shall be marked by using the in-line XBRL format, which is a machine readable format.

## 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 July 2020 the Investor Relations director of the Bank reported her activity during 2019 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. These 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 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” and “Business review of subsidiary companies”.*

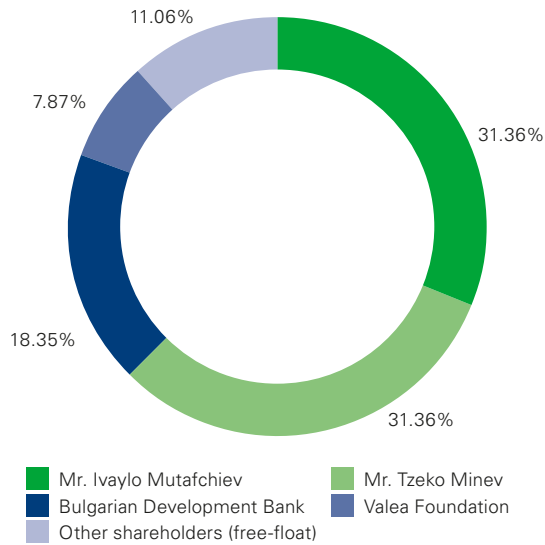
For twelve years now, First Investment Bank has maintained and developed a corporate blog which functions as a channel of communication aimed at open dialogue in accessible language with customers, partners and other stakeholders.

## Shareholders' structure

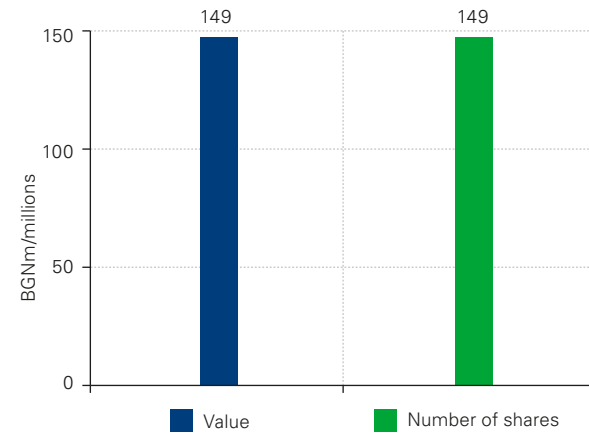
In 2020, as a result of the successfully realized strategic project for the capital increase of First Investment Bank changes took place in the shareholder structure of the Bank, as new shareholders are the Bulgarian Development Bank AD, owned by the Bulgarian State – with a 18.35% shareholding and Valea Foundation, a foundation of the Czech Republic entrepreneur Mr. Karel Komarek – with a 7.87% shareholding in the Bank's capital. For the change, all required by law and applicable regulations notifications and approvals were received, and at the end of July 2020, the capital increase was registered in the Commercial register at the Registry agency, while in August 2020 the new issue was entered in the register maintained by the FSC under art.30, par.1, p.3 of the Law on Financial Supervision Commission.

As at 31 December 2020 the shareholders' structure of First Investment Bank included the following shareholders: Mr. Tzeko Minev (31.36%), Mr. Ivailo Mutafchiev (31.36%), Bulgarian Development Bank AD (18.35%) and Valea Foundation (7.87%). The remaining 11.06% 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 was over 1,900 which includes both individuals and legal entities, including institutional investors.

Shareholders' structure at end-2020



Issued share capital at end-2020



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.

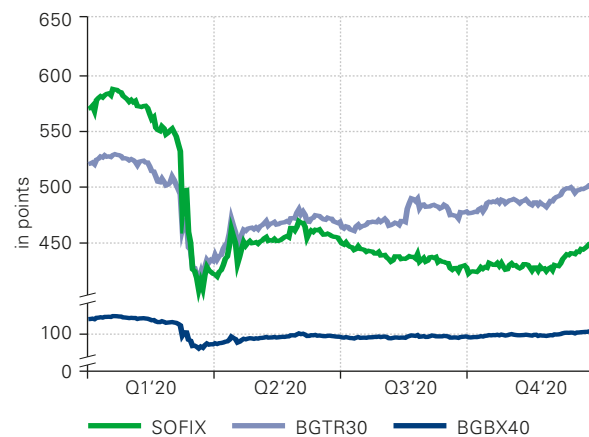
## Share price and market capitalisation

In 2020, the share price of the Bank fluctuated in the range between BGN 1.45 to BGN 3.58. The last price of the shares of First Investment Bank for the reporting period was BGN 1,84 (2019: BGN 3,56) and the market capitalization of the Bank, calculated on this basis, amounted to BGN 274,316 thousand. (2019: BGN 391,600 thousand). A total of 4,219 transactions were concluded with the shares of the Bank on the regulated market BSE, amounting to a turnover of BGN 8,322 thousand, compared to 1,291 transactions and BGN 1,947 thousand turnover a year earlier.


Share price of the Bank during 2020



Main stock-exchange indices on BSE-Sofia



As at 31 December 2020, 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.



We value every individual quality



# Human capital

In 2020, the main focus of human resources management activities in First Investment Bank included adequate response and successful management with the challenges posed by the COVID-19 pandemic. In terms of the dynamically developing epidemic situation, among the main priorities addressed in the HR activity are:

- Care for the health, peace and security of employees and their relatives, by creating conditions for a maximally protected working environment, with the maximum possible number of employees working remotely from home or by applying a shift mode to teams that are not fully possible as a remote operation;
- Structuring and introduction of daily monitoring process, reporting and analysis of data related to the development of the epidemic situation in The Bank with a view to making timely informed decisions on actions and situation management;
- More efficient and optimal management of continuity risks at work, according to the specifics of the changing situation;
- Taking timely action and implementing initiatives related to the organization / reorganization of the work process and intensive management of internal communication, adequate to the current epidemic situation;
- Ensuring the efficiency and effectiveness of the work process and preservation the quality and efficiency of customer service and the interaction with partners in the emergency situation.

An important element of the human capital management activity during the year was coordinating the implementation of the Bank's protocol for action in the conditions of the pandemic of COVID-19 and initiating its update in sync with the changing situation. In support of employees and for the purpose of reliable and complete information in the context of a pandemic, various initiatives have been taken, including:

- Systematic, regular and timely communication to all employees with guidelines and rules for the implementation of the introduced anti-epidemic measures to maintain efficiency;
- Compilation of a Guide with a summary, comprehensive and regular updated information gathered in one place for the introduced anti-epidemic measures and necessary actions in case of COVID-19;
- Opening a Hotline for questions, opinions, alerts and recommendations to which employees can contact by phone or e-mail;
- Creation on the internal website of the Bank of a new section "Information on COVID-19" and the "Questions and Answers for COVID-19" section.

Within the activities for protection of the health of the employees, active communication and assistance with local health authorities was maintained. If necessary, employees were assisted with an organization to use medical services and research.

At the same time, in 2020, projects and initiatives were implemented in other important areas of human capital management. The implementation of a project for introduction of a new HR system was started during the year. The aim of the project was to help achieve higher efficiency of basic processes and activities on human capital management related to remuneration management and benefits, selection, performance management and training.

The focus was also on the initiation and implementation of programs for inspiring and encouraging positive examples of productive work behavior and achieving maximum results in the work of employees. In 2020, two new corporate motivational programs with a significant prize fund were launched, enabling employees and teams to be distinguished by ambition, proactivity and the ability to achieve maximum results and usefulness in the work during the second half of 2020 - FiSales Pro Program and the Most Valuable Team (MVT) Program.



**The FiSales Pro program** is a commercial tournament for professionals who also sell banking products and services and interact with the Bank's customers. Within the program champions in different categories are announced and awarded, the winners being determined by the highest sales result of the main product groups. The trade tournament takes place in 2 divisions:

- FiSales Pro Team Division - to determine the bank office - team champion in the sales of retail products;
- FiSales Pro Individual Division - to determine individual champions in 7 different categories - according to sales results of different product groups.



**The Most Valuable Team (MVT)** program allows you to define a team Directorate, which is the most useful and cooperative for the other teams in the Bank. Through a structured survey among the teams of all directorates and branches in Fibank selected the most useful team was selected that best met the standard of The Bank for effective interaction and achieved the highest overall results from the survey.

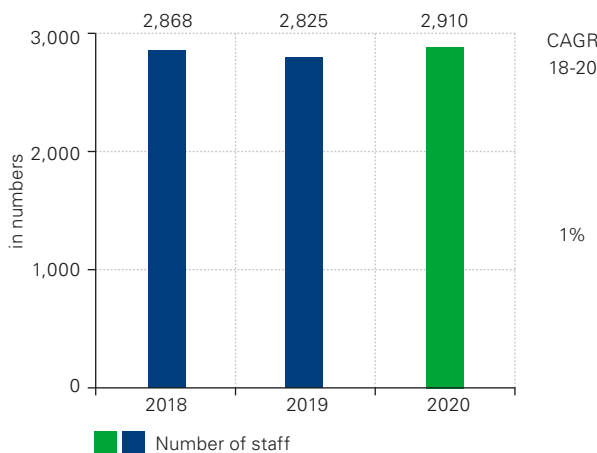
In 2020, the **Recognition Program „Together we can do more“** celebrated 5 years since its launch and continued to give an inspiring and motivating boost to employees of the Bank. At the end of the year, the total number of employees awarded throughout the existence of the program were 127 people, and the moments of award were occasions for joy and pride for the winners and their leaders.

In 2020, significant training initiatives and projects with long - term impact on the working environment and the results of the activity of the employees and teams in the Bank were as follows:

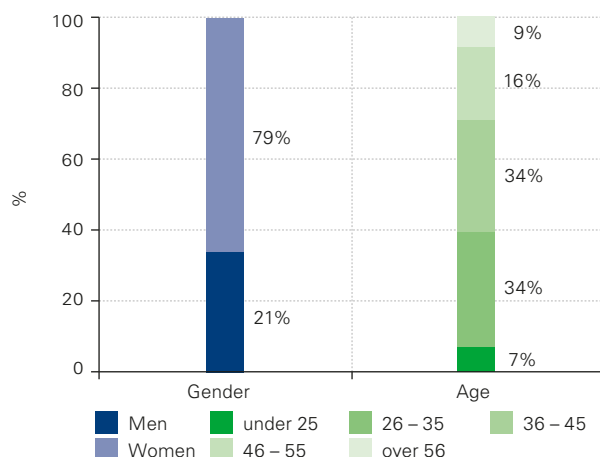
- Implementation of the Program for development of internal trainers – within the Program, through various activities to increase knowledge 45 in-house trainers went through the development of training skills, leading group trainings and 90 mentors trained their colleagues in the work place. The program was implemented in the cities of Sofia, Plovdiv, Varna and Veliko Tarnovo with the assistance of a consulting company with proven successful experience in the implementation of similar training projects.
- Complete reorganization of the learning process with a focus on conducting of e-learning, given the anti-epidemic measures introduced. During the year over 1200 employees underwent e-training for development of knowledge and skills in various fields such as lending to legal entities and individuals, foreign currency payments, changes in internal regulations and development of the organization of work and interaction between different units in the Bank.
- Continuation of the practice of investing in the development of the qualification and motivation of the employees through participation in a master’s degree programs - funding the training of employees with high potential for development in the master’s program „Finance, Banking & Real Estate“ of the SDA Bocconi School of Management and the American University in Bulgaria. Also, during the year 12 employees of the Bank successfully graduated in the master’s program „Banking Management and Investment Activity“, which is being developed jointly with the Higher School of Insurance and Finance and is aimed at building partnerships and lasting integration between business and education.



Number of staff



Structure of staff



As of 31.12.2020 the number of staff of First Investment Bank on a consolidated basis amounted to 2910 employees compared to 2825 a year earlier. At the end of the year, 30% of the Bank’s staff were employees at the age of up to 35 years, and the proportion of those up to 45 years was 66% of the total staff. According to general trends the majority of the Bank’s employees are women.



## Remuneration policy

In its capacity as a credit institution and a public company, First Investment Bank discloses information regarding the remuneration policy and its implementation, and this section of this activity report represents

### Report on the implementation of the Remuneration Policy within the meaning of Art. 100n of the Public Offering of Securities Act.

#### Main principles and objectives

The remuneration principles of First Investment Bank are structured in such a way as to contribute to sound corporate governance and risk management. The Bank implements a Remuneration Policy in accordance with the regulatory requirements, which is consistent with the business and risk strategy, goals, values and long-term interests of the Bank, promoting reliable and effective risk management and does not stimulate risk-taking beyond the level acceptable to the Bank.

The main goal of the Policy is to attract and retain highly qualified staff, motivate them to achieve high results at a moderate level of risk and in accordance with the long-term interests of the Bank and its shareholders. It is based on the principles of avoiding conflicts of interest and equal treatment of all employees, documentation, objectivity, reliable risk management.

#### Enforcement and control authorities

The Managing Board of the Bank is responsible for the organization of the implementation and application of the Remuneration Policy in First Investment Bank AD.

The Supervisory Board shall approve the Remuneration Policy on the proposal of the Managing Board and after coordination with the **Remuneration Committee**, which as a body functioning within the Supervisory Board, supports its activities in this area. *For more information on the composition, functions and activities of the Remuneration Committee, see the section "Supervisory Board".*

The Remuneration Policy is a subject to review at least once a year and updated as necessary. This Policy, as well as the other internal bank documents concerning the remuneration are published on the internal intranet site of the Bank for the purpose of acquaintance and use by the employees.

#### Identified staff

The Remuneration Policy determines the categories of staff, including identified staff, whose professional activities have a significant impact on the risk profile of the Bank, including members of the Supervisory Board and senior management staff, including members of the Managing and executive directors; employees with managerial responsibility for independent control functions and those whose activities involve risk-taking.

For 2020 the number of identified staff of First Investment Bank on a consolidated basis amounted to 87 employees, which include members of the Supervisory Board and the Managing Board, as well as other persons, whose activities are related to risk-taking, including in the field of lending and the main business lines, as well as those related to independent control and other corporate functions. They are defined in accordance with the internal methodology for evaluation and determination of the categories of employees by the identified staff, developed according to the qualitative and quantitative criteria of Delegated Regulation (EU) No 604/2014 to identify the categories of staff whose professional activities have a significant impact on the risk profile of the Bank.

#### Fixed remuneration

Individual permanent remuneration of identified staff is determined and developed by defining remuneration levels for the specific position. A starting level is determined at which employees are generally appointed, taking into account their expertise and relevant and proven managerial experience, as well as a remuneration level after successfully passing the probationary period, defined as a percentage increase over the starting level.

Permanent remuneration of employees within the category of identified staff is subject to annual review, which is carried out as part of the process of planning and budgeting staff numbers and staff expenses for the next year. The review of permanent remuneration and change decisions are based on assessment of employees' performance using a number of elements. They include performance against specific pre-defined key indicators/targets reflecting the specific contribution of the position and consistent with the targets and key priorities of the unit; indicators measuring the personal productivity and efficiency of employees; current priorities of the Bank by individual business line; general trends in the development of the labor market and/or data on current remuneration levels for similar positions; approved levels for the specific position and levels and individual remuneration of employees at similarly graduated positions; and staff costs budgeted for the period.

## Ratio between fixed and variable remuneration

The Remuneration Policy establishes the basic principles in determining of remuneration - fixed and variable, and the aim is to provide an opportunity for an optimal ratio between fixed and variable remuneration in accordance with the applicable provisions.

The amount of the variable remuneration may not exceed the amount of the permanent remuneration, except in the cases when by a decision of the General Meeting of Shareholders of the Bank a higher amount is determined, but not more than twice the amount of the permanent remuneration.

## Criteria for evaluation and implementation of the activity

The variable remuneration shall be based on the results of the activity and the achieved goals, taking into account the level and time horizon of the assumed risks, the price of the capital and the necessary liquidity. The assessment shall be based on an appropriate combination of financial (quantitative) and non-financial (qualitative) criteria, including a combination of the assessments of the employee's performance, the structural unit in which the employee works and the Bank as a whole.

The quantitative criteria shall include indicators such as budget execution, achievement of target levels of earning, capital adequacy and effectiveness, as well as other risk-adjusted indicators (e.g. economic/ internal capital), through which there is ex ante risk adjustment.

The quality criteria shall include achieving strategic goals, adherence to the Bank's policies and strategy for risk management, customer satisfaction, compliance with internal rules, ethical norms and corporate values, initiative, motivation, leadership, teamwork, cooperation with the other structural units, etc.

## Specific requirements for deferral, payment in instruments and retention of variable remuneration

In accordance with the current legislation and policy for introduction of at least 50% of the variable remuneration of employees from identified staff, a set of shares and other instruments should be found, contact with shares, as well as instruments within the meaning of Art. 52 or Art. 63 of Regulation (EU) № 575/2013 or other instruments which can be fully converted into Common Equity Tier 1 instruments or written down, as far as such instruments adequately reflect the credit quality of the Bank as a going concern and are appropriate to be used for the purpose of the variable remuneration in line with Delegated Regulation (EU) № 527/2014.

The requirements regarding the instruments to determine an appropriate retention period are included in order to comply with the incentives with the long-term interests of the Bank.

The remuneration policy shall provide a mechanism for a deferred payment of at least 40% of the variable remuneration of the identified staff for a period of at least three to five years, depending on the economic cycle, the nature of the activity and the associated risks, as well as by the position of the respective employee. The deferral mechanism shall involve proportionate allocation of the deferred variable remuneration or its gradual increase over the period of deferral.

## Leave benefits

According to the concluded contracts for management and control in case of unilateral termination by the Bank, without notice, the members of the Managing Board are entitled to compensation in the amount of up to 6 monthly remunerations under the contract, and branch managers 2 months. According to the concluded agreements between the Bank and the members of the

Supervisory Board, upon termination of the contract the members of the Supervisory Board are due compensation up to 12 monthly remunerations, and in special cases the compensation is up to 24 monthly remunerations. The employment contracts of the Bank's employees comply with the applicable provisions of the Labor Code and do not contain clauses that differ from the provisions of the law and the usual practice.

In 2020 severance pay was paid to the identified staff, according to the agreements concluded between the Bank and the resigned members of the Managing Board in the amount describe above.

## Summary of quantitative information

in 2020, the remuneration paid to senior management amounted to BGN 10,087 thousand (2019: BGN 10,069 thousand).

The credit exposure of the persons controlling or managing the Bank at the end of the period amounts to BGN 1769 thousand (2019: BGN 2327 thousand) on a consolidated basis.

*For more information on Related party transactions and remuneration paid, see Note 35 "Related Party Transactions" of the Consolidated Financial Statements for the year ended 31 December 2020.*

## Policy for nomination and suitability assessment

In 2020, First Investment Bank further developed its Policy for the nomination and assessment of the suitability of members of the managing and supervisory bodies and persons holding other positions, mainly in terms of its practical implementation, including developing internal tools, questionnaires and matrices for individual and collective suitability assessment, as well as in the initial suitability assessment (in case of appointment of new members / persons) and in the subsequent suitability assessment, which is carried out regularly, not less than once a year. The changes are in line with the requirements and good practices in this area, including 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 (including 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 the 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, and 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 under-represented gender, if necessary rounding off (down) to an integer. As of 31 December 2020, 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 2020, 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.

During the year marked by the COVID-19 pandemic, the Bank joined the donation campaign to combat the spread of the coronavirus in the country, as well as other supporting measures. Fibank was also actively involved in other measures aimed at mutual assistance to people deprived of employment due to the COVID-19 pandemic or to micro, small and medium-sized enterprises affected by the emergency situation and the coronavirus epidemic.

In July 2020, First Investment Bank received an award from B2B Media for its campaign for clients in connection with COVID-19 in the category "Company with a Cause" for 2020.

In implementation of Fibank's long-term program to support children deprived of parental care and children and youth at risk, a charity event during the World Winter Sports Championships in Bansko was organized in partnership with Mastercard and Diners Club International, in support of the Bulgarian Federation for Children Deprived of Parental Care (BFCDPC), which raised funds of over BGN 65,000 for the social cause.



The continuation of the charitable initiative in support of children and youth at risk, which the Bank has been developing since 2018, provides an opportunity to develop a network of sports clubs to support the activities of the Bulgarian Federation for Children and Youth at Risk in social benefit under the auspices of the State Agency for Child Protection.

During the year, First Investment Bank supported other projects with educational and scientific orientation, including providing diplomas, cash prizes and special gifts for the excellent students from the class of 2020 of the Profiled High School of Natural Sciences and Mathematics in Lovech, as well as

support for the initiative - Student Media Forum for Southwestern Bulgaria, addressing important public issues and realization for young people, which was organized in the campus of the American University in Bulgaria.

First Investment Bank continued to support topics and causes significant to the public. For the second year in a row, Fibank and Mastercard supported the global World Food Program (WFP), aiming to combat against hunger at global level. As part of the program, at local level in the country, an electronic school feeding system "Healthy school" was created, which has been used in a number of schools in Bulgaria. The Bank participated in the cause, through which for every lunch paid with a Mastercard through the platform, a part of the transaction amount is donated to humanitarian aid to families with children at preschool and school age.

As a Bulgarian bank, making efforts to preserve and develop Bulgarian traditions and culture, a number of initiatives in the film, theater and music spheres were supported, including The International Jazz Festival in the town of Bansko, as well as the premieres of films by famous Bulgarian directors released during the year. Fibank supported the social program of the Union of Artists in Bulgaria (UAB) and the fund specially created by UAB through annual donations and social initiatives aiming to raising funds, as well as granting scholarships to talented disadvantaged students in the field of theater.

As part of the initiatives for less harmful emissions and environmental protection, First Investment Bank joined during the period through its subsidiary MyFin, which officially started its activities in November 2020.

In addition to the main focus on payments with digital and virtual cards issued by the company, the physical plastics offered to customers are developed from an innovative material made of 100% biodegradable plastic, which is produced in partnership with the company Austriacard. A commitment has been made to plant one tree for every 100 MyFin cards issued, thus increasing the number of trees planted by the company as MyFin users grow.



The development of Bulgarian sports and the support of young talents is among the important causes that First Investment Bank strives to maintain in the implementation of its social responsibility program. During the year, the Bank continued to support initiatives in its capacity as general sponsor of the Bulgarian Olympic Committee (BOC) and sponsor of the Bulgarian Athletics Federation (BAF), the Bulgarian Rhythmic Gymnastics Federation (BRGF) and others.

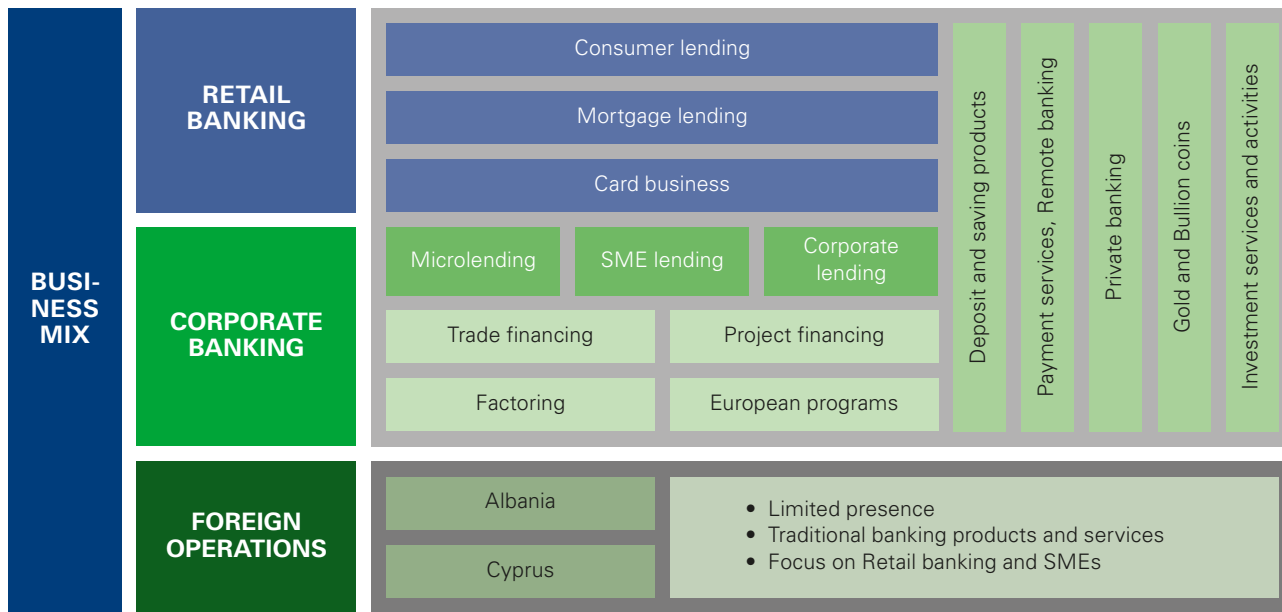
In 2020, Fibank received the Golden Heart Award from Business Lady magazine for its overall corporate social responsibility and charity calendar, part of a social project with a sports focus on young and talented Bulgarian athletes - in support of the Bulgarian Rhythmic Gymnastics Federation (BRGF), as well as in support of the shelter for homeless animals - Animal Rescue Sofia.

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 2020, Distribution channels, Information technology, Corporate governance, Human capital, Business overview, Business review of subsidiary companies, Goals for development during 2021.*

# Business review

## Universal business mix of products and services



First Investment Bank offers a universal mix of products and services to individuals, as well as to business clients, including strategic focus for development in the spheres of retail banking, micro, small and medium enterprises.

## Retail banking

### Deposits

In 2020, attracted funds from individuals increased and reached BGN 7,255,775 thousand compared to BGN 7,073,178 thousand a year earlier, mainly driven by the 25.4% increase in current accounts which reached BGN 1,967,574 thousand (2019: BGN 1,569,092 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.

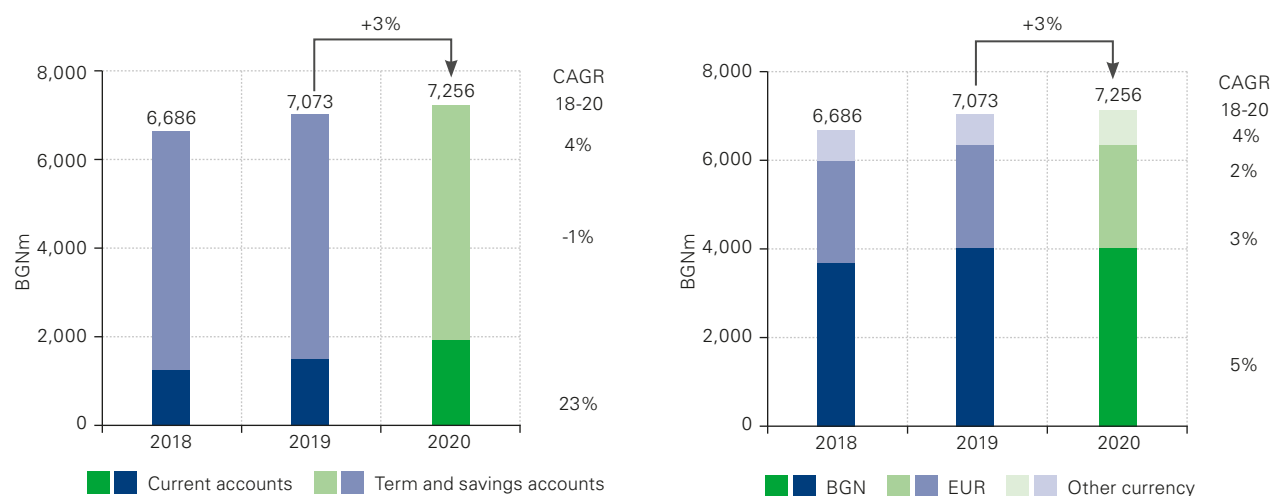
Fibank offers a wide range of current accounts, including the IQ current account, as well as accounts tailored to the specific needs of certain customer groups such as condominiums, notaries, insurance brokers and agents, private enforcement agents, etc.

The Bank's policy is aimed at building a stable deposit base by offering a variety of flexible deposit products, while maintaining high standards of customer service. In 2020, Fibank optimized the terms of its deposit products in line with the market environment and the downward trend in interest rates. It also worked actively to build and maintain lasting customer relationships.

By the end of the year, term deposits and savings accounts were in the amount of BGN 5,288,201 thousand (2019: BGN 5,504,086 thousand), with borrowings from individuals retaining a major share at 72.9% (2019: 77.8%). 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.

Deposits from individuals

Deposits from individuals by currency



In terms of attracted funds from individuals First Investment Bank was placed third among banks in the country as at the end of December 2020 (2019: third). As at the same date the market share of the Bank amounted to 10.98% on an individual basis (2019: 11.67%).

## Loans

The gross loan portfolio of households increased by 6.4% to BGN 2,167,277 thousand compared to BGN 2,036,721 thousand for the previous year, as a result of an increase in consumer and mortgage product lines.

In BGN thousand/ % of total	2020	%	2019	%
Consumer loans	972,496	44.9	901,057	44.2
Mortgage loans	1,009,903	46.6	936,102	46.0
Credit cards	179,780	8.3	194,464	9.5
Other programs and secured financing	5,098	0.2	5,098	0.3
<b>Total retail loans</b>	<b>2,167,277</b>	<b>100</b>	<b>2,036,721</b>	<b>100</b>

As from May 2020 a new Executive Director and Member of the Managing Board of First Investment Bank AD and a Chief Retail Banking Officer (CRBO) was appointed - Mrs. Ralitsa Bogoeva. She is long-term bank employee with extensive professional bank experience and qualifications.

### Consumer loans

Consumer loans increased by 7.9% to BGN 972,496 thousand (2019: BGN 901,057 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. Their share in the portfolio of loans to households of the Group increased to 44.9% as at the end of the period (2019: 44.2%).

During the year, First Investment Bank was among the most active banks in providing loans under the Program of the Bulgarian Development Bank (BDB) to guarantee interest-free loans for people deprived of employment due to the COVID-19 pandemic. Fibank was also among the first banks in the country to allow rescheduling of payments to borrowers experiencing difficulties in connection with the state of emergency and the COVID-19 pandemic.

To ensure additional security and convenience for customers, Fibank has provided the option to submit and sign applications and other documents for interest-free loans, as well as annexes for rescheduling of payments, fully online. The innovative service for remote signing of consumer loans has already been in place for two years. It uses a specialized software/hardware token or a qualified electronic signature through the mobile application of a third party provider. The service is part of the Bank's strategy for the development and digitalization of services, aimed at further facilitating customers and promoting sustainable environment.

A new Video Consultation service was launched at the end of the year, available through the corporate website [www.fibank.bg](http://www.fibank.bg), the My Fibank digital banking platform and the My Fibank mobile application offering advice to individuals on the credit products of the Bank.

First Investment Bank's market share in this segment amount to 8.63% (2019: 8.51%) at the end of December 2020, and Fibank was fifth (2019: sixth) in terms of consumer loans among banks in the country on an individual basis.

### Credit cards

The utilized limits on credit cards were in the amount of BGN 179,780 thousand at the end of the period (2019: BGN 194,464 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 households of the Group amounted to 8.3% (2019: 9.5%).

A number of promotional offers were launched during the year, including new issued credit cards- Mastercard and Visa for individuals without annual maintenance fee for the first year, no interest promotional period and cashback program.

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 *Card payments*.

### Mortgage loans

As at the end of December 2020, mortgage loans increased by 7.9% to BGN 1,009,903 thousand compared to BGN 936,102 thousand a year earlier, forming a 46.6% share in the portfolio of loans to households of the Group (2019: 46.0%). As at 31 December 2020, the market share of the Bank in this segment was 6.68% (2019: 6.91%), and Fibank was placed sixth among banks in the country on an individual basis (2019: 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 offering a bonus upon approval of a new loan – in the form of debit card overdraft in the amount of up to three month salaries and with no interest for the first year. For all applications submitted by the end of 31.03.2021 an opportunity to postpone payment of the up to the first three months installments is provided.

In 2020, the Bank will put efforts for additional development of its distributional channels into its credit products and will continue to develop and offer flexible credit products for individuals with the aim of attracting new clients and offering supplementary products and services.

**Промоционална кредитна карта от Fibank**

- Без такса годишна подгръжка за първите 12 месеца\*
- Безлихвен промоционален период\*\*

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\*Промоционалните услуги са валидни за новоиздадени основни кредитни карти Visa и Mastercard\*\* на физически лица, издадени от Fibank, за всички IP периоди от 10.08 до 30.09.2020 г. Включително.  
 \*\*Без лихва при плащания при търговия и плащане в брой до 19.01.2021 г. Включително.  
 Научете повече на [fibank.bg](http://fibank.bg)

**Жилищен кредит**  
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- Без такси за разглеждане, управление и правно обслужване
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- Неограничен размер на кредита
- Финансиране до 90% от пазарната стойност на имота
- Бонус: предварително одобрен овердрафт по зададени параметри

**Fibank** МЛСХА БАНКА  
 \*bank (12265)

С повече услуги и продукти можете да се запознаете на [www.fibank.bg](http://www.fibank.bg) или във Вашия кабинет Fibank.

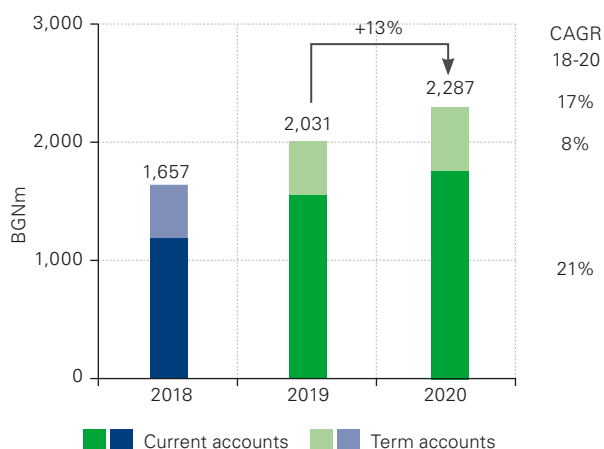


## Corporate banking

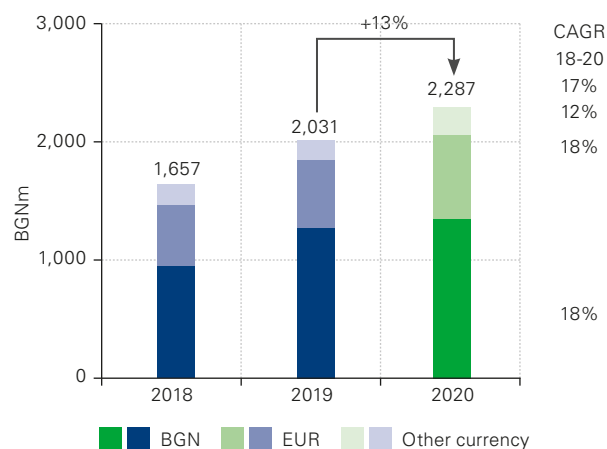
### Deposits

Attracted funds from corporates and institutions in 2020 increased by 12.6% (BGN 2,286,501 thousand) (2019: BGN 2,030,843 thousand). The increase in volume was mainly in current accounts reaching BGN 1,757,737 thousand at the end of 2020 (2019: BGN 1,560,147 thousand) and forming 76.9% of the attracted funds of the Group from business customers and institutions (2019: 76.8%).

#### Deposits from business customers



#### Deposits from business customers by currency



Term accounts increased as well and reached BGN 528,764 thousand (2019: 470,696 thousand) at the end of the period, forming 23.1% of the attracted funds from corporates and institutions (2019: 23.2%). 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.

As at 31 December 2020, funds attracted by the thirty biggest non-banking clients represented 5.88% of the total amount due to other customers (2019: 7.32%).

### Loans

#### Corporate lending

The portfolio of loans to corporates increased by 4.0% to BGN 4,669,922 thousand at the end of 2020, compared to BGN 4,490,710 thousand a year earlier as result of increasing the share of micro, small and large corporate portfolios. Based on EU criteria<sup>1</sup> for segmentation of customers, the micro enterprises formed 7.5% (2019: 7.2%) of all business lines, small enterprises 12.1% (2019: 12.1%), medium 24.5% (2019: 26.5%) and the large enterprises 55.9% (2019: 54.2%).

In BGN thousand/ % of total	2020	%	2019	%
Micro enterprises	350,200	7.5	324,700	7.2
Small enterprises	564,876	12.1	542,875	12.1
Medium enterprises	1,144,173	24.5	1,189,054	26.5
Large enterprises	2,610,673	55.9	2,434,081	54.2
<b>Total loans to corporates</b>	<b>4,669,922</b>	<b>100</b>	<b>4,490,710</b>	<b>100</b>

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.

<sup>1</sup> According to Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises determined on the basis of annual turnover as follows: microenterprises - up to BGN 3.9 million; small enterprises - up to BGN 19.5 million; medium-sized enterprises - up to BGN 97.5 million.

In april 2020 the Bank joined the order prepared by Association of Banks in Bulgaria (ABB) and approved by BNB - the Order for deferral and arrangement of due receivables from banks and subsidiaries - financial institutions, applied in the light of the COVID-19 crisis (legislative moratoria), as well as to prolonging the terms of its action and its changes additionally approved in July and December 2020.

In the end of the year the Bank signed an Annex to the agreement with the Bulgarian Development Bank (BDB) for granting loans under the Program supporting enterprises affected by the emergency situation and COVID-19 epidemic which expands the scope of the Program and extends its validity period.

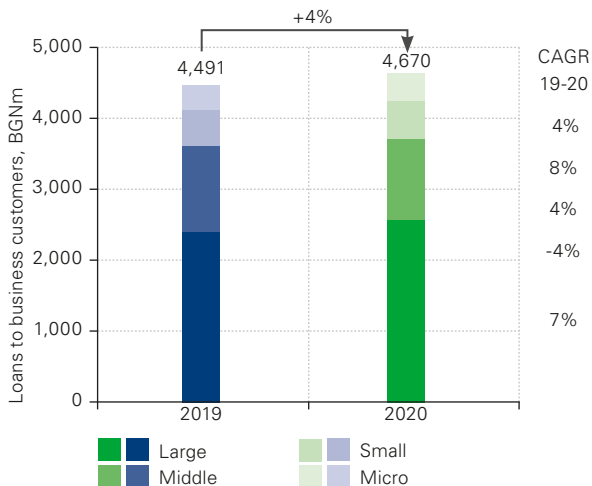
During the year, the Bank continued to offer factoring services to existing and potential business customers, including companies delivering of goods or providing services with deferred payment in the country or abroad. First Investment Bank is a member of Factors Chain International (FCI), a global 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 in the area of commercial finance. First Investment Bank has signed 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.

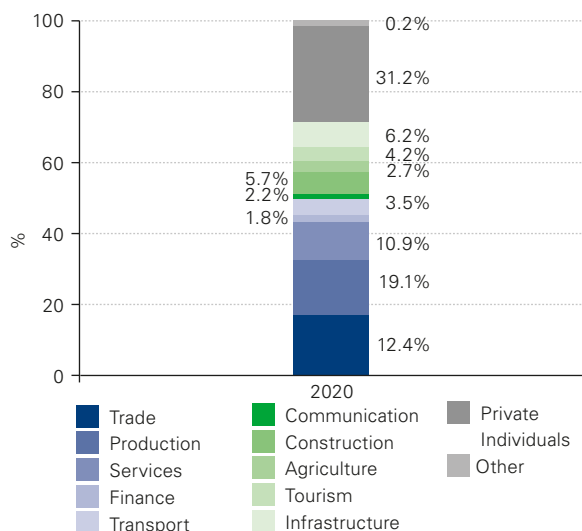
The market share of Fibank at the end of December 2020 amounted to 11.52% of loans to corporates in the banking system (2019: 11.60%), Fibank retained its fourth place (2019: second) among banks in the country on an individual basis.

As at 31.12.2020, loans of the Group to the manufacturing sector had a leading share in the portfolio structure (2020: BGN 1,308,787 thousand, 2019: BGN 1,162,856 thousand), followed by the trade sector (2020: BGN 847,347 thousand, 2019: BGN 891,509 thousand,) and the services sector (2020: BGN 745,050 thousand; 2019: BGN 722,291 thousand), forming respectively 19.1%, 12.4% and 10.9% of total loans (2019: 17.8%, 13.7% and 11.1%). Such dynamics reflect the positive trends of economic activity in the country and the consequences of the COVID-19 crises in different areas, mainly in line with the Bank’s development goals and diversification of activity. An increase was also reported in the sectors of construction – up to BGN 387,563 thousand (2019: BGN 353,245 thousand) tourism, which reached 2020: BGN 285,411 thousand (2019: BGN 262,560 thousand), transport (2020: BGN 236,908 thousand; 2019: BGN 227,205 thousand), infrastructure (2020: BGN 425,845 thousand; 2019: BGN 408,935 thousand), finance (2020: 122,506; 2019: 108,742) and agriculture (2020: BGN 185,157 thousand; 2019: BGN 184,433 thousand). Loans to communications decreased to BGN 148,277 thousand (2019: BGN 190,717 thousand).

**Business loan portfolio**



**Portfolio breakdown by sector**

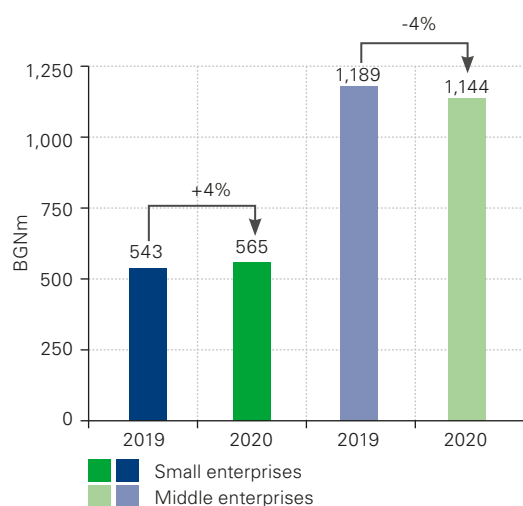


During the period, the Bank affirmed its cooperation with the Bulgarian Export Insurance Agency (BAEZ), by continuing its activity on the agreement for portfolio insurance with the agency, used as part of the techniques for mitigating credit risk.

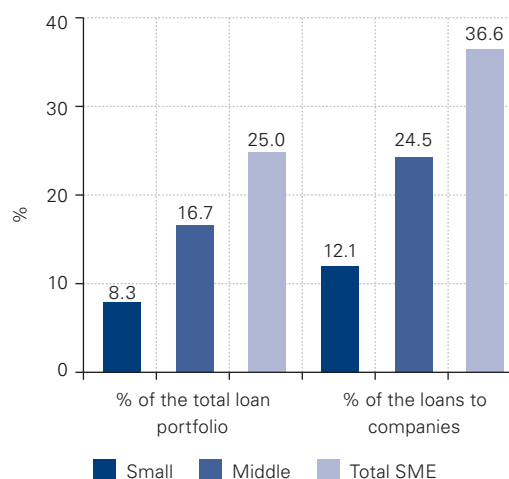
## Sme banking

In 2020, loans to small and medium enterprises<sup>1</sup> of the Group amounted to BGN 1,709,049 thousand (2019: BGN 1,731,929 thousand) or 36.6% of the business loans, from which to small enterprises were BGN 564,876 thousand (2019: BGN 542,875 thousand), and loans to middle enterprises – BGN 1,144,173 thousand (2019: BGN 1,189,054 thousand). Developed loan products and the competitive terms offered in the products for SME clients contributed to the Bank's performance in this segment, as well as the various solutions related to the programs and funds of the EU and the other guarantee schemes and financing.

### Loans to small and middle enterprises



### Share of loans to SME in the loan portfolio in 2020



In 2020 Fibank began granting loans under the Bulgarian Development Bank program for portfolio guarantees and liquidity support to SMEs affected by the emergency situation and COVID-19 epidemic. The instrument mainly includes working capital loans to pay salaries, rents and other liquidity needs, directly related to the business of SMEs, with maximum amount of 300,000 thousand for a period of 5 years.

During the year started the activity under the signed agreement with Fund Manager of financial instruments in Bulgaria (FMFIB) for the instrument "Portfolio guarantee with limit of loss for overcoming the consequences of the COVID-19 pandemic, financed by FMFIB and implemented under operational program "Innovations and competitiveness" 2014-2020, funded by the European Fund for Regional Development and National Budget. The financial instrument aims to create conditions and premises for relief in financing of Micro and SMEs. In addition to guaranteeing coverage on loans, the instrument provides an interest subsidy to the final customer under certain conditions. The enterprises can rely on support in two areas – for investment and working capital loans, with the possibility of a grace period up to 2 years respectively up to 1 year, and a term of up to 10 years and up to 5 years, with a limitless amount of the loan. *For more information see section "Europrograms".*

During the period a specific credit product for agricultural producers was developed – credit "Agrosupport" – in the form of revolving credit or overdraft, with financing of up to BGN 80 per decare for arable land and repayment period of up to 10 years.

For SME financing, First Investment Bank maintains cooperation with other institutions, including the National Agricultural Fund and the Bulgarian Export Insurance Agency. Throughout the year, the Bank increased its efforts in offering factoring services to Bulgarian companies as an alternative to working capital loans.

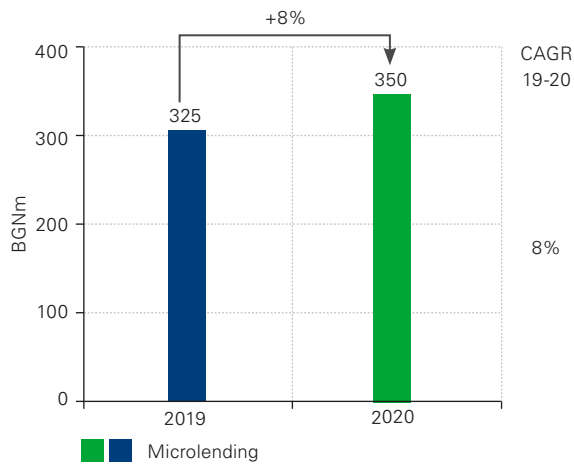
*For more information regarding the loan portfolio to SME of First Investment Bank – Albania Sh.a., see section "Business review of subsidiary companies".*

## Microlending

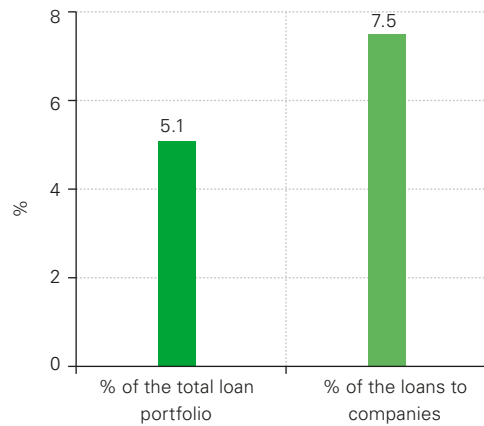
In 2020, the microlending portfolio of the Group grew by 7.9% reaching BGN 350,200 thousand compared to BGN 324,700 thousand a year earlier. The Bank continued its targeted efforts for development with priority in this segment.

<sup>1</sup> Enterprises with annual income of sales regarding the EU criteria are as follows: small enterprises (between BGN 3.9-19.5 million) and small enterprises (between BGN 19.5-97.5 million).

## Microlending



## Share of micro companies in the loan portfolio in 2020



The Microlending Program<sup>1</sup> of First Investment Bank covers a wide range of retailers, manufacturers, farmers, freelancers, including start-ups and companies with less market experience. The Bank offers specialized products for microenterprises including investment loans, working capital loans, business credit cards and overdraft facilities at competitive terms.

In 2020, an emphasis on microlending activity came with the proposal of loans under the program of the Bulgarian Development Bank and Fund Manager in Bulgaria to support enterprises affected by the COVID-19 pandemic.

The Bank continued its activity 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 the European Social Fund and Youth Employment Initiative, as well as succeeding in negotiating a relaxing conditions under the on-landing program. The instrument supports starting-up companies and businesses focused on social activities and generates a positive social impact.

First Investment bank has its Smart lady program and constantly develops it. The program mainly targets companies managed or owned by women, as well as businesses producing goods or providing services for women. During the period, the Bank continued to support agricultural producers, offered tailored financing solutions to individual sectors or business areas with high development potential, including IT companies, and 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 on project development, as well as comprehensive servicing of the implementation phase following approval.

In 2020 with regard to external programs First Investment Bank directed its efforts towards participation in different guarantee schemes and programs, organized to support individuals and companies affected by the COVID-19 pandemic.

In April 2020 an agreement with the Bulgarian Development Bank AD to guarantee the credit portfolio under the Program for the guarantee of interest-free loans to protect people unable to work due to the COVID – 19 pandemic was signed. Under this Program Fibank was among the most active banks and succeeded in granting the full amounts of the loans and even twice negotiated raising the limit through annexing the contract.

At the beginning of July 2020 an agreement with Bulgarian Development Bank AD was signed for granting loans under the Program for portfolio guarantees supporting the liquidity of micro, small and medium enterprises that have suffered from the

<sup>1</sup> Enterprises with annual turnover/income of sales up to BGN 3.9 million regarding the EU criteria for segmentation of customers.

emergency situation and the COVID-19 pandemic. At the end of the year an annex was signed to prolong the term of the program and to extend its scope with the inclusion of large enterprises.

In October 2020 an agreement was signed with the Fund Manager of Financial Instruments in Bulgaria EAD (the Fund of Funds) for the financial instrument "Portfolio guarantee with limit of losses for overcoming the consequences of COVID-19 pandemic", financed by the Fund of Funds, structured and executed within the Operational Programme "Innovations and Competitiveness" 2014-2020, financed by the European Regional Development Fund and the national budget. This financial instrument aims to create conditions for providing facilities (in terms of requirements for collateral and/or from the loan price) when financing micro, small and medium enterprises. In addition to loan guarantee coverage, the instrument also includes the provision of interest subsidy towards the customer under certain conditions.

During the year Fibank negotiated easing the admissibility conditions when lending under the on-lending program for financing of starting and social enterprises - Microlending with shared risk, financed with funds under Operational Programme "Human Resources Development 2014-2020".



## Payment services

In 2020 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 secured access as indirect participant to its subsidiary electronic money company – Myfin EAD in the payment systems BISERA, TARGET 2 and STEP2 SEPA Credit Transfer, operated by EBA Clearing.

## Open Banking

In 2020 First Investment Bank continued to develop its "Open Banking" related services deriving from the Law on Payment Services and Payment Systems (LPSPS) and Ordinance No 3 of BNB, implementing the requirements of Directive (EU) 2015/2366 for payment services within the internal market (PSD2).

The focus was on providing wider awareness for customers and description of these type of services, e.g. through creating new Terms for Access and Use of First Investment Bank's API Portal as well as updating the current applicable General Terms and Conditions – where both securing access for Third Party Providers to accounts of customers held in Fibank and Payment Initiation and Account Access Information services provided by Fibank were described. In 2020 the Bank expanded its scope of activities and successfully realized an integration process with several of the biggest banks participating in the Bulgarian market.

Moreover, the services offered through the Open Banking became accessible in the Mobile Application MyFibank not only through Android but also through iOS devices.

## Card payments

In 2020, First Investment Bank continued to develop its card business in line with customer needs and modern technologies and digitization processes as well as in compliance with the regulatory requirements and the policy of increasing security when performing card-based operations.

During the year focus in the activity was put on implementing the requirements of Strong Customer Authentication (SCA) when performing payment operations with cards online, made in compliance with the applicable regulatory requirements and migration plans, thus increasing security when executing online payments. To the existing method for online card payment confirmation through the Fibank Token App, the Bank added two new methods for confirmation which comply with the regulatory requirements and necessary elements:

- Confirmation through a combination of dynamic password, sent on SMS and static password;
- Confirmation through biometric data – fingerprint/face ID, performed on a registered mobile device.

In this way Fibank ensured not only a high security level but also provided choice for its customers among different confirmation options depending on individual preferences. In addition, the Bank implemented the latest version of the secure online card-payment protocol – EMV 3DS2.

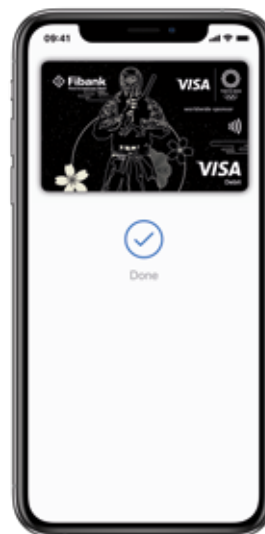
During the year First Investment Bank continued to develop digitization services, extending the scope of the cards that could be digitized – Mastercard and VISA. Thus, the options for the customers to make digital payments grew. Customers having VISA debit or credit card may also use the Apple Pay service through iPhone and/or Apple Watch.

With regard to the revolving credit cards a new opportunity was introduced allowing repayment by equal monthly installments (deferred repayment) of the used credit limit for payments made on POS, e.g. virtual POS. Rescheduling of the installments of the used credit limit may be performed by request of the customers for a period chosen by them of 3, 6, 9 or 12 months as in this way customers receive an additional option regarding the way the credit limit may be repaid.

During the year a new option was developed allowing request for a debit card for individuals through the electronic banking My Fibank and/or through the Mobile Application. This option is available also for teen and kids cards – Debit MasterCard Paypass kids/teen. The options for concluding the contract online were further developed.

The Bank continued to develop the functionalities and the quality of its ATM network, including through implementation of new contactless functions.

In 2020 the Bank's ATM network counted 649 units at the end of the year (2019: 649 units) while the Bank's POS terminals network consisted of 8,694 units (2019: 9,550). Apart from that, Fibank's subsidiary in Albania maintains its own network of ATMs. *For more information regarding the card business of First Investment Bank – Albania Sh.a., see section "Business review of subsidiary companies"*



## 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 2020, the Bank reported an increase of 6% in incoming and 18% 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 which it carries out international payments and trade financing operations in almost all parts of the world. The Bank executes cross-border currency transfers through SWIFT,

and since September 2019 also through the platform SWIFT gpi (Global payment initiative) which improves the speed and the traceability of cross-border transfers. Fibank executes transfers through the following payment systems as well: TARGET2 and BISERA7-EUR and since April 2017 the Bank executes credit transfers as a direct participant in the system STEP2 operated by EBA Clearing. Fibank operates in receiving and issuing of checks and performing various documentary transactions.

During the year First Investment Bank took a decision and started working for inclusion in the new payments organization – real time settlement Continuous Gross Settlement (CGS) in the STEP-2-T system, operated by EBA Clearing. A new working project for the new consolidated platform TARGET 2 was started as well.

During the period the Bank had a 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 the 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, including 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 Group to guarantee the performance of its customers to third parties amounted to BGN 73,590 thousand (2019: BGN 70,934 thousand), forming 9,2% of the off-balance sheet commitments of the Group (2019: 8.0%).

## Gold and commemorative coins

In 2020, First Investment Bank retained its leading positions in Bulgaria in terms of transactions 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 2007 thousand compared to BGN 769 thousand a year earlier, reflecting the higher demand and the deals carried out for the period in terms of the insecure external environment and challenges coming from the COVID-19 pandemic, as well as reflecting dynamics in the price of precious metals, especially the increase in the gold price in the international markets.

First Investment Bank has offered 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 Ox, as well as new gold and silver bars, exclusively offered in Fibank's offices.



Jointly with the Swiss refinery PAMP, a new gold coin "St. George the Victorious" and a new silver coin – icon with massive gilt and selective painting "St. Nicholas the Wonderworker" were created. The new gold and silver bars series "Heart in Heart" and "Heart-Waves" were successfully distributed during the year.

Fibank, by agreement with the Bulgarian National Bank, successfully 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 has offered private banking to individuals since 2003, and to 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 2020, the Bank developed its private banking activities, 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 for 2020 was the offering of a service "Personal banking", which 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 products with personalized service. The service included the use of package offers ("Premium" and "Premium Plus"), containing specialized terms and conditions for traditional banking products and services. The service was offered in certain locations where the customers may count on constant contact and individual service by the personal banker, who provides prompt and competent assistance in carrying out of all banking operations. For the year, Fibank reported a 23% increase in the number of customers served on an annual basis.

In the conditions of low interest rates and in order to provide greater choice to customers in diversifying their investments, there is successful cooperation with E.I. Sturdza Strategic Management Limited and with Erste Asset Management, part of Erste Bank, Austria regarding the distribution of their mutual funds in Bulgaria, as an alternative to standard forms of savings. In 2020, the total sales volume of the mutual funds offered by Fibank AD increased by nearly 21%.

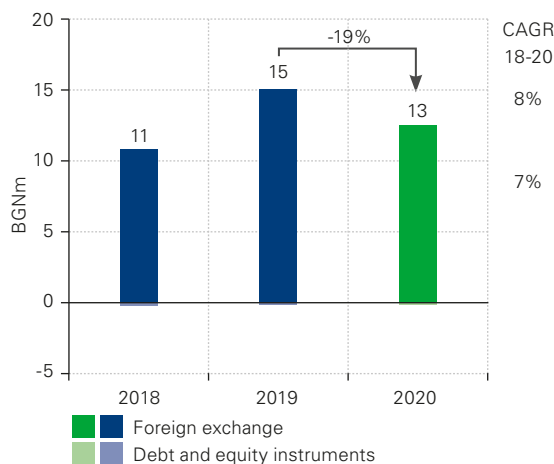
Private banking customers also have the opportunity to take advantage of the trusted financial assets management service - a personalized financial strategy managed by professional portfolio managers with experience in international financial markets and a proven approach that can be adapted to the customer's financial condition and personal preferences.

## Capital markets

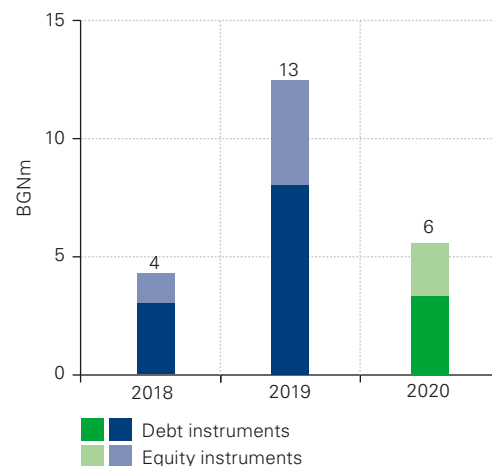
In 2020 net trading income amounted to BGN 12,531 thousand (2019: BGN 15,378 thousand), mainly as a result of higher income from trade operations related to exchange rates. Other net operating incomes, arising from debt and capital instruments, amounted to BGN 5,705 thousand compared to BGN 12,526 thousand a year earlier.

The securities portfolio of the Group at the end of the year amounted to BGN 1,292,641 thousand, compared to BGN 993,022 thousand a year earlier, of which BGN 825,882 thousand measured at fair value through other comprehensive income (2019: BGN 714,082), BGN 266,929 thousand measured at fair value through profit or loss (2019: BGN 266,935 thousand) and BGN 199,830 thousand measured at amortized cost (2019: BGN 12,005 thousand).

### Net trading income



### Other income from debt and equity instruments





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 – Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments, 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 (EU) № 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 2020 Fibank continued the activities under the project for implementation of new technological solutions in order to provide to 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 connection with the automation of the processes related to concluding transactions and performing operations with financial instruments on foreign markets, during the year were implemented the activities for integration between the main banking information system of the Bank and the used system for automation of the specific activity as an investment intermediary, connectivity to electronic trading platforms, communication with trading venues and securities depositories and other external institutions.

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 these 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 and ERSTE Stock Global.

# Business review of subsidiary companies

## First Investment Bank – Albania Sh.a.

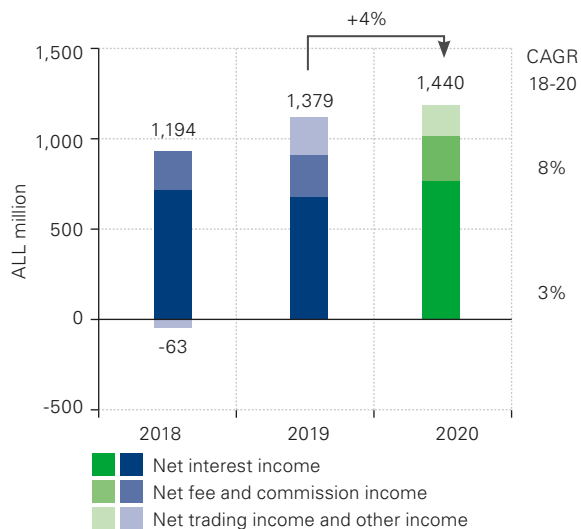


First Investment Bank – Albania Sh.a. (Fibank Albania) was granted a full banking license by the Bank of Albania in June 2007, and in September 2007 effectively took over the activities of the former Tirana branch of Fibank which had operated in the Albanian market since 1999, by assuming all its rights and obligations, assets and liabilities. Fibank Albania has also been licensed by the Albanian Financial Supervisory Authority for carrying out investment services and activities, including depository and custodian services.

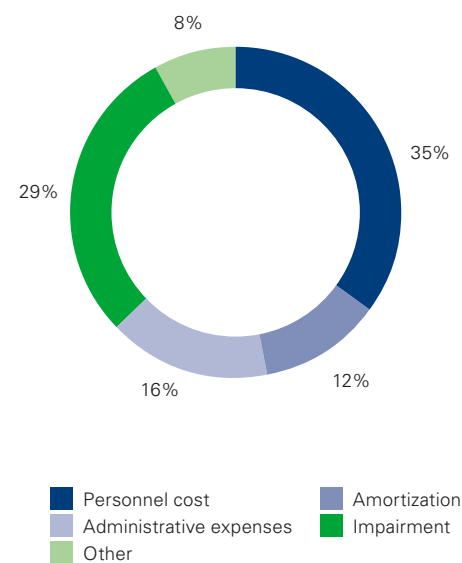
In line with its mission, First Investment Bank – Albania Sh.a. aims to be among the fastest growing banks in Albania, recognized as an innovative credit institution which offers first class service and exceptional products and services, provides excellent career opportunities to employees, and is socially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

In 2020, First Investment Bank - Albania Sh.a. reported good financial results and sustainable development, notwithstanding the difficult business environment related to the COVID-19 pandemic. The Bank maintained sound liquidity and capital positions, reporting an 18.92% capital adequacy ratio at year-end (2019: 14.26%), the minimum required level being 12% according to the applicable regulatory requirements in the country.

### Total income from banking operations



### Operating expense

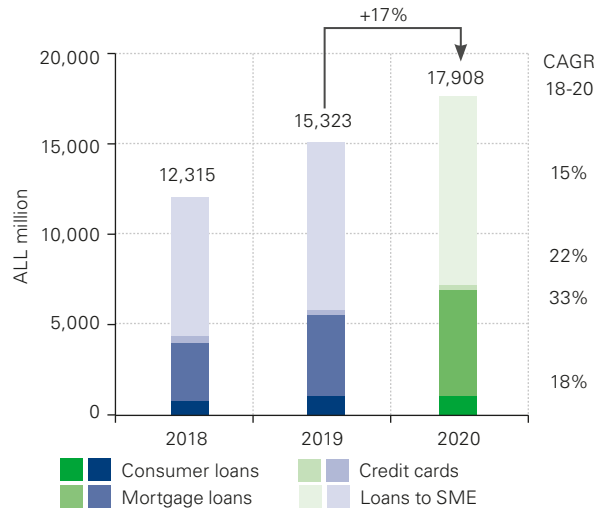


For 2020, First Investment Bank - Albania Sh.a. reported a net profit of ALL<sup>1</sup> 375,204 thousand, compared to 482,481 thousand ALL a year earlier, the change being mainly due to the higher impairment charges for the year amounting to ALL 285,006 thousand (2019: ALL 129,295 thousand). Operating income grew by 4.4% to ALL 1,439,728 thousand (2019: ALL 1,379,012 thousand), with an increase reported in all major sources of income, including net interest income up to ALL 1,027,936 thousand (71.4% of total income), net fee and commission income up to ALL 251,201 thousand (17.4% of total) and net trading income up to ALL 35,168 thousand (2.4% of total). Other net operating income amounted to ALL 125,423 thousand for the year.

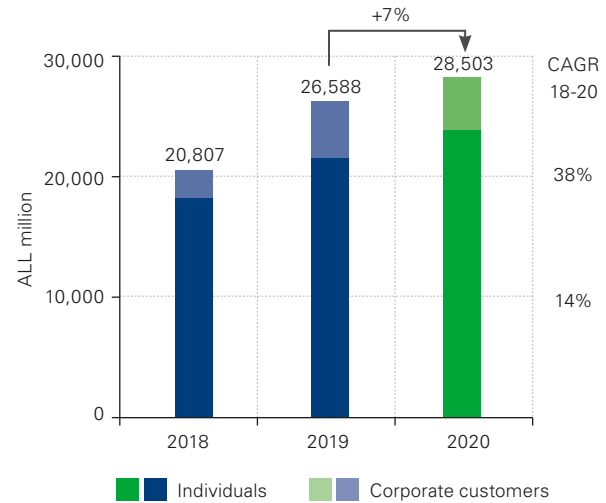
During the year, staff costs amounted to ALL 347,525 thousand compared to ALL 310,448 thousand for the previous year, reflecting the increased number of employees of the bank, which by the end of 2020 reached 351 people (2019: 218). General administrative costs amounted to ALL 162,103 thousand (2019: ALL 157,592 thousand), and depreciation costs to ALL 116,845 thousand (2019: ALL 104,632 thousand).

<sup>1</sup> The official exchange rate of the Albanian Lek against the Euro at the end of 2020 was ALL 123.70 per Euro, and the average for the year was ALL 125.69 per Euro.

## Loan portfolio



## Deposits

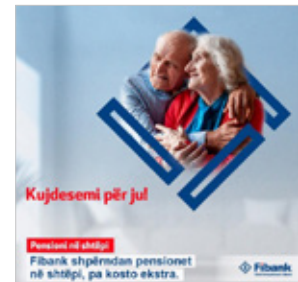


During the year, the assets of Fibank Albania increased by 7.9% reaching ALL 34,243,838 thousand (2019: ALL 31,722,865 thousand), mainly as a result of the growth in loans and advances to customers and investments in securities. Gross loans to customers increased by 16.9% to ALL 17,908,218 thousand (2019: ALL 15,322,577 thousand), mainly due to growth in retail loans, mortgages and loans to small and medium enterprises. In 2020, the bank continued to offer competitive lending terms both to individuals and business customers. In support of farmers, First Investment Bank - Albania Sh.a. has entered into a partnership agreement with the Albanian Rural Credit Guarantee Foundation to facilitate the financing of micro, small and medium-sized enterprises in Albania, based on KfW policies and support.

Investments in securities reported at fair value through other comprehensive income (FVOCI) increased to ALL 9,961,169 thousand (2019: ALL 9,230,939 thousand), including mainly government bonds (96.4%) of Albania and EU countries. Loans and advances to banks and financial institutions, including current accounts and placements with local and foreign banks and financial institutions, decreased to ALL 2,422,790 thousand as of December 31, 2020 (2019: ALL 3,279,997 thousand).

Borrowings from customers increased by 7.2% to ALL 28,503,007 thousand at the end of the period (2019: ALL 26,588,459 thousand), with growth reported in retail deposits as a result of the flexible and competitive savings products, promotional campaigns and bundled services offered by the bank.

With a view to supporting customers in a pandemic situation, an arrangement was made for elderly customers of the bank to receive their pensions via the Albanian postal services, without visiting a bank office. Special current accounts were also launched for individuals receiving state aid in connection with the coronavirus crisis.



In June 2020, First Investment Bank - Albania Sh.a. issued subordinated term debt (long-term bonds) in the amount of EUR 2.9 million as a private placement. As of December 31, 2020, the amortized value of the debt amounted to ALL 608,631 thousand (2019: ALL 245,495 thousand).

The equity of First Investment Bank - Albania increased and reached ALL 3,646,590 thousand, compared to ALL 3,457,903 thousand at the end of 2019, mainly as a result of the increase in retained earnings and other reserves.



During the year, Fibank Albania continued to invest in new technologies and innovative services. In this regard, a new mobile banking platform was launched during the period which features a user friendly and intuitive design and allows customers to perform basic banking transactions online. In October 2020, the bank, jointly with the second largest mobile operator in the country, offered an innovative product combining a mobile device and a telecommunications service paid in monthly installments.

In the field of card business, the installation started during the year of new high-tech ATM terminals with cash-in function. Innovations were made in terms of security in card payments, including the introduction of 3-D Secure protocol. The bank continued to organize promotional campaigns, including for its contactless debit and credit cards, resulting in an increase in both the number of cards issued and the volume of card transactions. During the period, a 16.1% increase was reported in credit card use, with outstanding balances reaching ALL 297,241 thousand at the end of the year (2019: ALL 256,116 thousand). The bank is Visa certified and offers debit and credit cards to individual and corporate customers. It also has its own center for chip card personalization. In connection with the COVID-19 pandemic, express issuance of contactless debit/credit cards was launched allowing customers to minimize their daily use of cash.

In 2020, First Investment Bank - Albania Sh.a. focused its efforts on modernizing its branch network which at the end of the year comprised 14 branches. The bank has a Head Office and 4 branches in Tirana, as well as branches in the other larger cities of Durres, Vlora, Elbasan, Fier, Shkoder, Korca, Berat, Lezhë, Saranda and Lushnjë. Through its branch network, the bank offers investment gold and other precious metals to the Albanian market. In connection with the COVID-19 pandemic, the necessary safety measures were implemented during the year according to the recommendations of the country's authorities, covering both employees and customers of the bank.

First Investment Bank - Albania Sh.a. continued to develop its corporate social responsibility and commitment to society by supporting a number of initiatives in Albania, focusing in four main areas: philanthropy, ethical work practices, environmental protection and volunteering.

In March 2020, the bank joined the humanitarian campaign "Down Syndrome - Albania", assisting 60 needy families in the Mat region of the country with food and sanitation packages, as an additional means to minimize and overcome the effects of the coronavirus pandemic.

During the lockdown measures, the bank launched a social media initiative encouraging people to post photos of their relatives during the period and to participate in a prize competition aimed at providing support to families and promoting compliance with social distancing requirements.

During the period, the bank took part in the annual initiative to support the fight against breast cancer, including by raising funds and increasing public engagement and awareness on this topic.

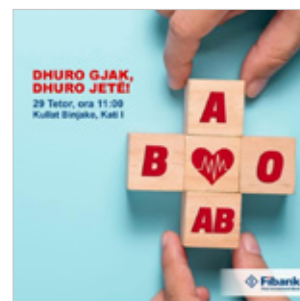
In October 2020, First Investment Bank – Albania, jointly with the Albanian Red Cross, participated in a campaign for free and voluntary blood donation entitled "Donate blood - save lives!". Employees of the bank and other volunteers took part in the campaign, whose main goal was to promote voluntary blood donation in Albania as an act of vital importance for saving thousands of lives, especially under conditions of a health crisis and a pandemic.

Cooperation continued with the Mother and Child Hospital Foundation (FSNF) in support of mothers and children in need. At the end of the year, Fibank Albania branded its seasonal greeting cards in support of the foundation and of its cause to provide care to disadvantaged families with young children and newborns.

Initiatives aimed at promoting ethical work practices were also organized during the year, including training seminars for employees and initiatives to improve social relationships and to define roles and interactions between teams.

First Investment Bank –Albania Sh.a. has a corporate governance structure consisting of Executive Management (Directorate), Management Board, and an Audit Committee. Chief Executive Officer of First Investment Bank – Albania Sh.a. is Mr. Bozhidar Todorov who has extensive experience in banking, having held senior positions at First Investment Bank AD related to management of corporate assets.

The financial statements of the bank are prepared in accordance with International Financial Reporting Standards, and audited by a registered auditor. For 2020, the registered auditor of the bank was Grant Thornton Sh.p.k.



## Diners Club Bulgaria AD

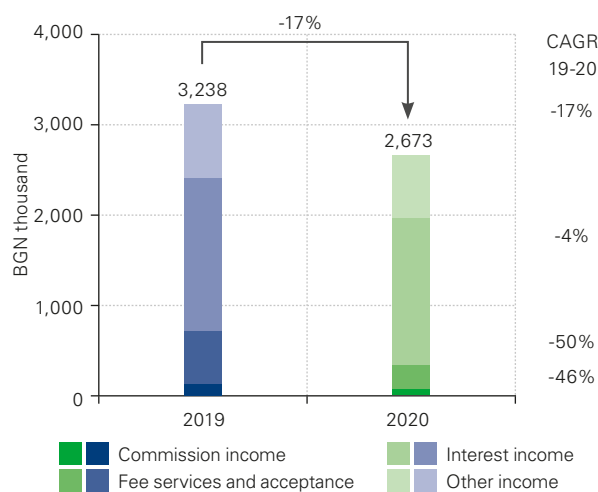


Diners Club Bulgaria AD is a joint stock company incorporated in November 1996, its main business activity being the issuance of Diners Club credit cards and processing of payments with them. In 2005, First Investment Bank acquired 80% of the company's capital. Diners Club Bulgaria is licensed by the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

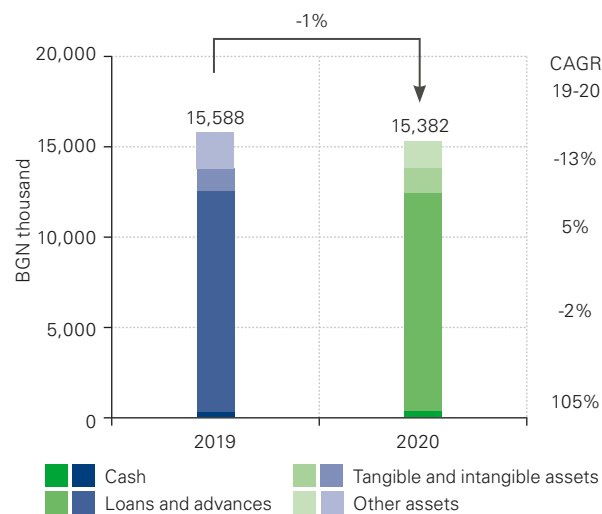
Over the years, Diners Club Bulgaria AD has consistently worked towards increasing the penetration of the Diners Club brand in the local market by offering new services for cardholders, and expanding the network of POS terminals accepting payments with Diners Club cards. The company has entered into partnerships with a number of financial institutions in Bulgaria, thus facilitating the constant increase of locations for carrying out payments with Diners Club cards. In order to stimulate payments and issuance of new Diners Club cards, promotional campaigns are regularly carried out, including with various retail chains and outlets.

In 2020, Diners Club Bulgaria continued to develop its integrated system for secure online payments "ProtectBuy" (3-D Secure internet payments) for cardholders and merchants, in accordance with the regulatory requirements and security standards for online transactions. Starting from October 2020, all cards issued by the company use two-factor authentication for online payments. With a view to the increased convenience of customers and providing them with additional services, the company offers the MyDinersClub service (<https://my.diners.bg/>). The service features electronic card statements, reports for authorizations and transactions made, and also allows payment of utility bills, municipal taxes and fees, as well as amounts due on Diners Club cards.

### Operating income



### Structure of assets



In 2020, the company reported a decrease in the volume of card transactions, especially related to payments abroad, as a result of the COVID-19 pandemic. Diners Club Bulgaria reported a net loss of BGN 583 thousand, compared to BGN 41 thousand profit the year before. This was mainly due to decreased commission income from merchants abroad, as well as to increased costs and investments made by the company to meet the highest security standards in card payments.

Net operating income amounted to BGN 2586 thousand, compared to BGN 3132 thousand for the previous year due to decreased income from interest, commissions and other services, as well as to lower funding from DFS to promote the brand in the country. The operating expenses of the company amounted to BGN 2067 thousand (2019: BGN 2066 thousand).

The company reported BGN 15,382 thousand in assets (2019: BGN 15,588 thousand), mainly as a result of the decrease in loans and advances to customers which reached BGN 12,150 thousand compared to BGN 12,430 thousand the year before. Loans and advances to individuals formed 98.3% of all receivables from customers (2019: 99.0%).

Borrowings increased, drawn bank overdraft amounts reaching BGN 13,588 thousand compared to BGN 13,198 thousand a year earlier. The equity of the company amounted to BGN 1604 thousand at the end of the period (2019: BGN 2187 thousand). For 2020, the average number of staff was 13 employees (2019: 17 employees).

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

## Fi Health Insurance AD



Fi Health Insurance AD is an insurance company licensed by the Financial Supervision Commission in June 2013, when it became the first voluntary health insurance fund in the country to obtain a license for insurance of the risks of accident and illness, covering financial costs related to outpatient medical care, hospital treatment, expenses for medical goods and dental services, as well as indemnity in case of insurance events arising as a result of accident or illness. Since 2018, the company's insurance license has been expanded to cover another type of risk: miscellaneous financial losses.

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

Fi Health Insurance AD has a one-tier management system, comprising a Board of Directors and Executive management (Executive Director). Executive Director of Fi Health Insurance AD is Ms. Milena Kasapova, who has extensive professional experience in insurance. Since 2016, the company has been represented jointly by its Executive Director and a Procurator, with Ms. Tsvetomira Karapchanska, a longtime Sales Manager of the company, being appointed as Procurator. The company has established compliance, internal control, and risk management functions.

In 2020, Fi Health Insurance further developed its business and launched successful campaigns to promote new insurance products, including additional coverage to the "Peace of Mind with Fi Health" product against the risk of unemployment. It provides protection to insured persons both in case of dismissal and in case of reduction of the salary by the employer.

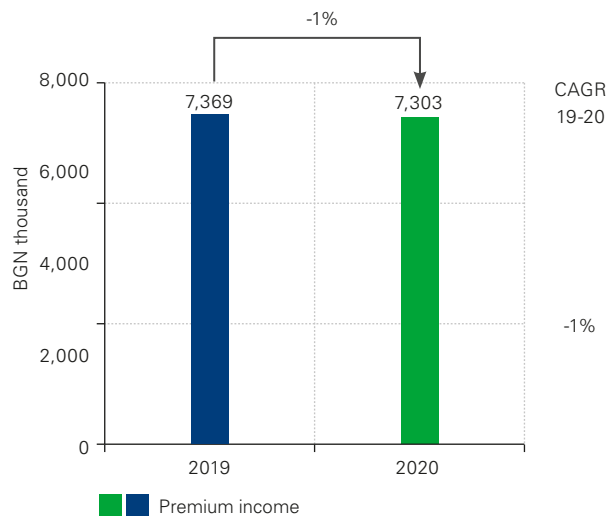
The product range of the company offers insurance coverage for both retail and business customers, primarily from the micro and SME segments. It includes the "Peace of Mind with Fi Health" and "Occupational Accident" insurance products, the "FiHealth Protect" insurance offered with credit cards, the "FiHealth Partner" insurance designed for individuals, as well as group insurance policies suitable for employees of corporate clients. During the period, the company developed new products for users of retail overdrafts from First Investment Bank, as well as the new "Fi Health Hospital Stay" policy offered online through an insurance broker.



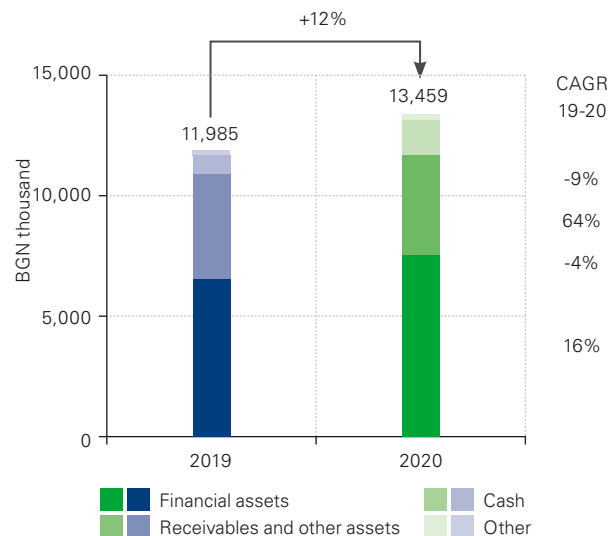
Throughout the year, the company continued to focus on offering group sickness insurance to corporate clients and signed new agreements to that effect. Such insurance, taken out by the employer, guarantees comprehensive and high-quality medical care, as well as easier access to reputable medical establishments and qualified health specialists on the territory of the country. This easy and well-organized access to quality medical service promotes additional health insurance, expands the market niche and creates sophisticated health service users.

For 2020, the premium income of Fi Health Insurance amounted to BGN 7,303 thousand, compared to BGN 7,369 thousand for 2019, and the reported net profit for the period was BGN 1,401 thousand (2019: BGN 832 thousand). The company manages insurance risk through established limits, procedures for approval of submitted claims, and various methods for assessment and control.

### Premium income



### Structure of assets



The company's assets increased by 12.3% to BGN 13,459 thousand at year-end (2019: BGN 11,985 thousand). An increase was reported in financial assets (2020: BGN 7,198 thousand; 2019: BGN 6,140 thousand), which mainly include bank deposits and Bulgarian government securities. There was a decrease in receivables and other assets (2020: BGN 4,240 thousand; 2019: BGN 4,409 thousand), including receivables under insurance contracts. As at December 31, 2020, the equity of Fi Health Insurance amounted to BGN 8,391 thousand, compared to BGN 6,990 thousand a year earlier. The company allocates the relevant technical reserves according to legal requirements and standards.

In order to continue safeguarding its financial stability while progressively increasing the product portfolio, in 2020 Fi Health Insurance renewed its agreement with a reinsurance company having a credit rating of A+ (S&P).

## MyFin EAD



In 2020 First Investment Bank established a new subsidiary: MyFin EAD. MyFin was entered in the Commercial Register of the Registry Agency in March 2020, its main business being issuance of electronic money and provision of payment services within the meaning of the Law on Payment Services and Payment Systems, for which it was licensed by the Bulgarian National Bank.

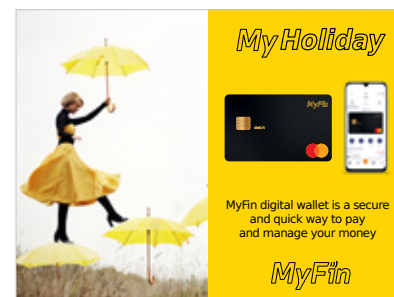
The company started its activity in November 2020, offering customers a digital platform for fast money transfers and online payments, issuance of digital and virtual cards, as well as innovative payment services such as peer-to-peer transfers between MyFin customers, Pay by Link and others.

MyFin customers can receive real-time information about their account balances and transactions performed, as well as use 24/7 consultation with qualified live operators.

The vision of the company is focused on facilitating the user experience in financial management, as well as on developing and upgrading its digital services platform with new functionalities and options for customers.

As of December 31, 2020, the paid-in share capital of the company was BGN 1 million.

Right from the start of its activity, the company became involved in initiatives for corporate social responsibility and commitment to society, supporting projects to reduce harmful emissions and protect the environment. In addition to the company's main focus on the issuance of digital and virtual payment cards and promoting payments with them, its plastic cards offered to customers are made of innovative 100% biodegradable material, developed in partnership with the company Austriacard. MyFin made a commitment to plant one tree for every 100 cards issued, thus increasing the number of trees as its customer base grows.



MyFin EAD has a one-tier management system, comprising the Board of Directors and the Executive management (Executive Director). The Executive Director representing the company, Mr. Lachezar Venkov, has extensive professional experience in financial and digital services.

As at 31 December 2020 First Investment Bank AD also had other subsidiary companies, as follows: First Investment Finance B.V., Debita OOD, Realtor OOD, Balkan Financial Services EAD, Creative Investment EOOD, Turnaround Management EOOD, Lega Solutions EOOD and AMC Imoti EAD.

In January 2021, First Investment Bank decided to close its subsidiary Turnaround Management EOOD.

*For further information on subsidiary companies, including on those subject to consolidation, see the section "Bank Profile", as well as note 36 „Subsidiary undertakings“ of the Consolidated financial statements for the year ended 31 December 2020.*





We analyze and  
compare all factors

# Consolidated financial statements

for the year ended 31 December 2020  
with independent auditors' report thereon



# Independent auditors report

To the shareholders of First Investment Bank AD

## Report on the audit of the consolidated financial statements

### Opinion

We have audited the consolidated financial statements of First Investment Bank AD and its subsidiaries ("the Group") containing the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, as well as the notes to the consolidated financial statements that also contain a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of First Investment Bank AD and its subsidiaries as at 31 December 2020 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 Group in accordance with the International Code of Ethics for Professional Accountants (IESBA Code), along with the ethical requirements of the Independent Financial Audit Act (IFAA) applicable to our audit of the consolidated 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 consolidated financial statements. These issues are considered as part of our audit of the consolidated financial statements 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

Key audit matter - Findings of substance	Matters discussed with audit committee
<p>Impairment is a material judgment of management in respect of losses incurred within the First Investment Bank AD's loan portfolio. First Investment Bank AD assesses the need for impairment of loans on an individual and portfolio basis. Loans represent 55.69% of the assets of First Investment Bank AD. First Investment Bank AD categorizes its receivables from customers in 4 business segments: retail banking, small and medium enterprises, microcredit and corporate clients. The share of receivables from corporate customers is the largest - 50.92% 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 issue.</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. First Investment Bank AD has complied with IFRS requirements when developing policy and provisioning rules. Improvements have been discussed in the procedures that First Investment Bank AD should introduce in order to:</p> <ul style="list-style-type: none"> <li>• 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 lending for working capital by First Investment Bank AD.</li> <li>• systematically confirming the commitment of the borrowers' owners to provide ongoing support to the companies.</li> </ul> <p>A recommendation was also discussed with The Audit Committee that the risk management bodies of First Investment Bank AD 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>Procedures carried out in support of our conclusions and discussions:</p> <ul style="list-style-type: none"> <li>• The internal rules of First Investment Bank AD 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• For collective impairment provisions, we reviewed the methodology used by First Investment Bank AD to determine them, the reasonableness of the underlying assumptions and the sufficiency of the data used by the management.</li> <li>• 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.</li> </ul>	
<p>References in the Annual Financial Statements</p> <ul style="list-style-type: none"> <li>• Notes 18 and 18a</li> <li>• Note 2 (j)</li> <li>• Note 3 C (iii)</li> <li>• Note 4</li> </ul>	



## Assets acquired as collateral

Key audit matter - Findings of substance	Matters discussed with audit committee
<p>The position in the consolidated financial statements amounting to BGN 713,619 thousand is disclosed in the respective subgroups.</p> <p>The Buildings group contains assets of varying degrees of completeness and are in line with their condition at the acquisition date.</p> <p>First Investment Bank AD has recognized in the group Other expenses, net (Note 12) income of BGN 1,591 thousand.</p> <p>First Investment Bank AD, 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 First Investment Bank AD should implement in order to enable First Investment Bank AD 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>
<p>Procedures carried out in support of our conclusions and discussions:</p> <ul style="list-style-type: none"> <li>• The internal rules of First Investment Bank AD 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.</li> <li>• For a sample of newly acquired collateral assets amounting to BGN 9,600 thousand, the acquisition documents were reviewed and the fair value reports were reviewed for a sample of BGN 464,689 thousand.</li> <li>• 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.</li> </ul>	
<p>References in the Annual Consolidated Financial Statements</p> <ul style="list-style-type: none"> <li>• Note 12</li> <li>• Note 22</li> </ul>	



## Litigation and provisions

Key audit matter - Findings of substance	Matters discussed with audit committee
<p>First Investment Bank AD, 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>First Investment Bank AD has recognized provisions of BGN 1,031 thousand for litigation.</p> <p>In connection with issued bank guarantees, First Investment Bank AD has blocked funds amounting to BGN 44,137 thousand, which are disclosed in Note 25 as in the consolidated financial statements included in the Other Assets sub-group.</p> <p>Due to the uncertainties arising from the occurrence and bringing of claims related to lawsuits against First Investment Bank AD, there is a risk of incomplete or untimely recording in the consolidated financial statements of legal claims that are relevant to the respective reporting period.</p>	<p>Recognition and measurement of provisions has been discussed with the Audit Committee to ensure that First Investment Bank AD has correctly applied its provisioning policies. Disputes have been discussed in which First Investment Bank AD has not recognized provisions to ensure that there is no need for additional provision, in particular:</p> <p>the legal department of First Investment Bank AD 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>
<p>Procedures carried out in support of our conclusions and discussions:</p> <ul style="list-style-type: none"> <li>• The internal rules of First Investment Bank AD and its subsidiaries have been reviewed, we have gained understanding of key controls in key business processes, and audits have been tested for the effectiveness of controls in accordance with the audit strategy.</li> <li>• A letter was received from the legal department of First Investment Bank AD, 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.</li> </ul>	
<p>References in the Annual Consolidated Financial Statements</p> <ul style="list-style-type: none"> <li>• Note 25</li> <li>• Note 30</li> </ul>	

## Other matters

Pursuant to Decision 81/15 March 2019 of the Bulgarian National Bank (BNB), First Investment Bank AD should have reclassified certain Receivables from customers as "Non-performing exposures". The Bank did not reclassify as "Non-performing exposures" Receivables from clients amounting to BGN 368,631 thousand gross (BGN 331,837 thousand net), for which the management provided BNB with explanations and reasons for its decision.

In determining risk-weighted assets, management has excluded Assets with right-to-use under IFRS 16 Leasing in the amount of BGN 154,080 thousand.



## Information Other than the Consolidated 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 consolidated management report, including the corporate governance statement, consolidated non-financial declaration and report on the implementation of the remuneration policy, prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 Group'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 Group'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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 IFAA 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 "Information Other than the Consolidated Financial Statements and Auditor's Report Thereon" section, in relation to the management report, the corporate governance statement and the non-financial declaration, we have also performed the procedures added to those required under ISAs in accordance with the "Guidelines for new and extended audit reports and communication from the auditor" of the professional organization 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 consolidated 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 consolidated financial statements have been prepared has been provided and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.
- e) The report on the implementation of the remuneration policy for the financial year for which the financial statement has been prepared has been submitted and meets the requirements set out in the ordinance under Art. 116c, para. 1 of the Public Offering of Securities 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 Consolidated 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 35 to the consolidated financial statements. Based on the audit procedures performed by us on related party transactions as part of our audit of the consolidated 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 consolidated financial statements for the year ended 31 December 2017, 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 consolidated 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 consolidated financial statements as a whole, described in the Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated financial statements for the year ended 31 December 2017, 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 consolidated financial



statements were addressed by us in the context of forming our opinion on the consolidated 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 2020 of the First Investment Bank (the "Bank") at the General Meeting of Shareholders held on 15 July 2019 for a period of one year.
- The audit of the financial statements for the year ending 31 December 2020 of the Bank is the fourth full continuous engagement to a statutory audit of this enterprise by Mazars OOD and a sixth 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.
- For the period to which our statutory audit refers, Mazars OOD and BDO Bulgaria OOD, the following services which have not been disclosed in Bank's annual consolidated management report or consolidated financial statements:
  - Agreed-upon procedures related to the application of BNB Ordinance 14 for the period 01 December 2020 – 31 December 2020 – observation of current performance of the internal control systems of the Bank, prepared by the Bank, in accordance with the requirements of International Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures regarding Financial Information";
  - Agreed-upon procedures related to the confirmation of financial information as at 31 December 2017, 31 December 2018 and 31 December 2019, included in the Base Prospectus for Initial public Offering (IPO) of ordinary registered shares of the Bank, for agreeing certain consolidated financial information included in the Prospect with the underlying financial information in the consolidated financial statements of the Bank as at 31 December 2017, 31 December 2018 and 31 December 2019, in accordance with the requirements of International Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures regarding Financial Information";
- For the period to which our statutory audit refers, BDO Bulgaria OOD, the following services which have not been disclosed in Bank's annual consolidated management report or consolidated financial statements:
  - Agreed-upon procedures related to the confirmation of financial information as at 31 December 2016, included in the Base Prospectus for Initial public Offering (IPO) of ordinary registered shares of the Bank, for agreeing certain consolidated financial information included in the Prospect with the underlying financial information in the consolidated financial statements of the Bank as at 31 December 2016,
  - Audit as at 31 December 2020 of the annual financial statements of FI Health Insurance AD (subsidiary), prepared in accordance with IFRS, in accordance with ISA;
  - Audit as at 31 December 2020 of the annual financial statements of Diners Club Bulgaria AD (subsidiary), prepared in accordance with IFRS, in accordance with ISA.



Sofia, 26 April 2021

For BDO Bulgaria Ltd:

Nedyalko Apostolov  
Manager

Tsvetana Stefanina  
Manager  
Registered auditor responsible for the audit  
Sofia, Bulgaria Boulevard, 51 b, fl. 4



For MAZAR Ltd.:

Atanasios Petropoulos  
Procurator

Milena Mladenova  
Registered auditor responsible for the audit

Sofia, Bul. Tsar Osvoboditel 2



## Individual statement of profit or loss and of other comprehensive income for the year ended 31 December 2020

In thousand BGN

	Note	2020	2019
Interest income		313,863	309,730
Interest expense		(64,185)	(63,016)
<b>Net interest income</b>	<b>6</b>	<b>249,678</b>	<b>246,714</b>
Fee and commission income		120,807	131,191
Fee and commission expense		(21,615)	(24,417)
<b>Net fee and commission income</b>	<b>7</b>	<b>99,192</b>	<b>106,774</b>
Net trading income	8	12,531	15,378
Other net operating income	9	12,308	74,618
<b>TOTAL INCOME FROM BANKING OPERATIONS</b>		<b>373,709</b>	<b>443,484</b>
Administrative expenses	10	(193,807)	(220,448)
Allowance for impairment	11	(98,707)	(119,730)
Other income, net	12	(29,696)	51,053
<b>PROFIT BEFORE TAX</b>		<b>51,499</b>	<b>154,359</b>
Income tax expense	13	(5,982)	(16,437)
<b>GROUP PROFIT AFTER TAX</b>		<b>45,517</b>	<b>137,922</b>
<b>Other comprehensive income</b>			
<b>Items which should or may be reclassified as profit or loss</b>			
Exchange rate differences from translation of foreign operations		(774)	638
Revaluation reserve of investments in securities		658	(19)
<b>Total other comprehensive income</b>		<b>(116)</b>	<b>619</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>45,401</b>	<b>138,541</b>
Net profit attributable to:			
Ordinary equity holders		44,974	137,579
Non-controlling interest		543	343
Total comprehensive income attributable to:			
Ordinary equity holders		44,858	138,198
Non-controlling interest		543	343
<b>Basic and diluted earnings per share (BGN)</b>	<b>14</b>	<b>0.36</b>	<b>1.25</b>

The statement of profit or loss and of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 126 to 184.

The financial statements have been approved by the Managing Board on 23 April 2021 and signed on its behalf by:

**Nikola Bakalov**  
Chief Executive Officer

**Svetozar Popov**  
Executive Director

**Yanko Karakolev**  
Chief Financial Officer

**Audited as per the auditors' report dated 26/04/2021:**

**BDO Bulgaria OOD**  
**Nedyalko Apostolov**  
Manager

**Mazars OOD**

**Atanasios Petropoulos**  
Procurator

**Tsvetana Stefanina**  
Manager  
Registered auditor responsible for the audit

**Milena Mladenova-Nikolova**  
Registered auditor responsible for the audit



## Consolidated statement of the financial position as at 31 December 2020

in thousand BGN

	Note	2020	2019
<b>ASSETS</b>			
Cash and balances with Central Banks	15	2,133,197	2,072,046
Investments in securities	16	1,292,641	993,022
Loans and advances to banks and other financial institutions	17	106,111	79,618
Loans and advances to customers	18	6,312,887	6,017,137
Property and equipment	19	77,026	81,738
Intangible assets	20	16,443	12,626
Derivatives held for risk management		5,110	814
Current tax assets		283	253
Repossessed assets	22	713,619	716,129
Investment Property	23	414,021	410,511
Rights of use assets	24	154,080	159,659
Other assets	25	110,002	116,622
<b>TOTAL ASSETS</b>		<b>11,335,420</b>	<b>10,660,175</b>
<b>LIABILITIES AND CAPITAL</b>			
Due to banks	26	2,747	2,007
Due to other customers	27	9,542,276	9,104,021
Liabilities evidenced by paper	28	103,649	109,348
Subordinated term debt	29	9,623	3,943
Hybrid debt	29	267,579	267,615
Derivatives held for risk management		410	361
Deferred tax liabilities	21	21,644	17,428
Current tax liabilities		12	71
Lease liabilities	24	154,481	159,633
Other liabilities	30	16,579	16,831
<b>TOTAL LIABILITIES</b>		<b>10,119,000</b>	<b>9,681,258</b>
Issued share capital	31	149,085	110,000
Share premium	31	250,017	97,000
Statutory reserve	31	39,865	39,865
Revaluation reserve of investments in securities		18,434	17,776
Revaluation reserve on property		4,500	4,500
Reserve from translation of foreign operations		1,259	2,033
Other reserves and retained earnings	31	749,744	704,770
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,212,904</b>	<b>975,944</b>
Non-controlling interest		3,516	2,973
<b>TOTAL GROUP EQUITY</b>		<b>1,216,420</b>	<b>978,917</b>
<b>TOTAL LIABILITIES AND GROUP EQUITY</b>		<b>11,335,420</b>	<b>10,660,175</b>

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 126 to 184.

The financial statements have been approved by the Managing Board on 23 April 2021 and signed on its behalf by:

**Nikola Bakalov**  
Chief Executive Officer

**Svetozar Popov**  
Executive Director

**Yanko Karakolev**  
Chief Financial Officer

**Audited as per the auditors' report dated 26/04/2021:**

**BDO Bulgaria OOD**  
**Nedyalko Apostolov**  
Manager

**Mazars OOD**

**Atanasios Petropoulos**  
Procurator

**Tsvetana Stefanina**  
Manager  
Registered auditor responsible for the audit

**Milena Mladenova-Nikolova**  
Registered auditor responsible for the audit



## Consolidated statement of cash flows for the year ended 31 December 2020

in thousand BGN

	2020	2019
<b>Net cash flow from operating activities</b>		
Net profit	45,517	137,922
<b>Adjustment for non-cash items</b>		
Allowance for impairment	54,680	119,730
Net interest income	(249,678)	(246,714)
Depreciation and amortization	13,165	14,392
Tax expense	5,982	16,437
(Profit)/loss from sale and write-off of tangible and intangible fixed assets, net	44	(361)
(Profit) from sale of other assets, net	(999)	(1,167)
(Positive) revaluation of investment property	(2,312)	(72,940)
	<b>(133,601)</b>	<b>(32,701)</b>
<b>Change in operating assets</b>		
(Increase) in financial assets at fair value through profit or loss	(329)	(246,103)
(Increase)/decrease in financial assets at fair value in other comprehensive income	(110,506)	60,476
(Increase)/decrease in loans and advances to banks and financial institutions	1,055	(25,371)
(Increase) in loans to customers	(338,605)	(450,695)
Net (increase)/decrease in other liabilities	8,134	(32,915)
	<b>(440,251)</b>	<b>(694,608)</b>
<b>Change in operating liabilities</b>		
Increase/(decrease) in deposits from banks	745	(958)
Increase in amounts owed to other depositors	447,090	761,266
Net (decrease) in other liabilities	(5,554)	(12,824)
	<b>442,281</b>	<b>747,484</b>
Interest received	287,855	323,814
Interest paid	(72,963)	(62,748)
Dividends received	430	5,724
Paid profit tax, net	(1,672)	(1,554)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>82,079</b>	<b>285,411</b>
<b>Cash flow from investing activities</b>		
(Purchase) of tangible and intangible fixed assets	(12,408)	(13,391)
Sale of tangible and intangible fixed assets	32	820
Sale of other assets	13,651	14,635
(Increase) of investments	(186,581)	(12,093)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(185,306)</b>	<b>(10,029)</b>
<b>Financing activities</b>		
(Decrease) in borrowings	(5,805)	(11,849)
Increase in subordinated liabilities	5,688	62,587
Capital increase through newly issued shares	39,085	-
Increase of share premium reserve of newly issued shares	153,017	-
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>191,985</b>	<b>50,738</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>88,758</b>	<b>326,120</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD</b>	<b>2,114,013</b>	<b>1,787,893</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (See Note 33)</b>	<b>2,202,771</b>	<b>2,114,013</b>

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 126 to 184.

The financial statements have been approved by the Managing Board on 23 April 2021 and signed on its behalf by:

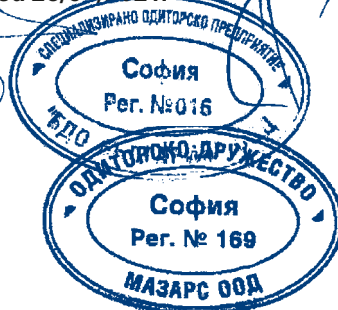
**Nikola Bakalov**  
Chief Executive Officer

**Svetozar Popov**  
Executive Director

**Yanko Karakolev**  
Chief Financial Officer

Audited as per the auditors' report dated 26/04/2021.

**BDO Bulgaria OOD**  
**Nedyalko Apostolov**  
Manager



**Tsvetana Stefanina**  
Manager  
Registered auditor responsible for the audit

**Mazars OOD**  
**Atanasios Petropoulos**  
Procurator

**Milena Mladenova-Nikolova**  
Registered auditor responsible for the audit

## Consolidated statement of shareholders' equity for the year ended 31 December 2020

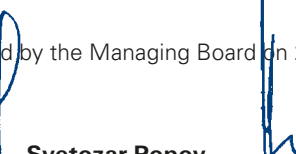
in thousands of BGN

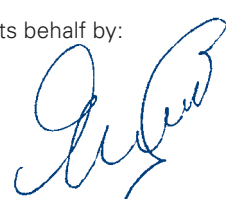
	Issued share capital	Share premium	Other reserves and retained earnings	Revaluation reserve of investments in securities	Revaluation reserve on property	Reserve from translation of foreign operations	Statutory reserve	Non-controlling interest	Total
<b>Balance at 01 January 2019</b>	110,000	97,000	573,087	17,795	4,500	1,395	39,865	2,630	<b>846,272</b>
<b>Total comprehensive income for the period</b>									
Net profit for the year ended 31 December 2019	-	-	137,579	-	-	-	-	343	137,922
<b>Other comprehensive income for the period</b>									
Revaluation reserve of investments in securities	-	-	-	(19)	-	-	-	-	(19)
Reserve from translation of foreign operations	-	-	-	-	-	638	-	-	638
Dividend paid by subsidiary	-	-	(5,896)	-	-	-	-	-	(5,896)
<b>Balance as at 31 December 2019</b>	110,000	97,000	704,770	17,776	4,500	2,033	39,865	2,973	<b>978,917</b>
<b>Total comprehensive income for the period</b>									
Net profit for the year ended 31 December 2020	-	-	44,974	-	-	-	-	543	45,517
<b>Other comprehensive income for the period</b>									
Revaluation reserve of investments in securities	-	-	-	658	-	-	-	-	658
Reserve from translation of foreign operations	-	-	-	-	-	(774)	-	-	(774)
<b>Share capital increase</b>									
Capital increase through newly issued shares	39,085	-	-	-	-	-	-	-	39,085
Share premium reserve of newly issued shares	-	156,339	-	-	-	-	-	-	156,339
Decrease of premium reserve related to capital issue expenses	-	(3,322)	-	-	-	-	-	-	(3,322)
<b>Balance as at 31 December 2020</b>	149,085	250,017	749,744	18,434	4,500	1,259	39,865	3,516	<b>1,216,420</b>

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 126 to 184.


The financial statements have been approved by the Managing Board on 23 April 2021 and signed on its behalf by:

  
**Nikola Bakafov**  
 Chief Executive Officer


  
**Svetozar Popov**  
 Executive Director

  
**Yanko Karakolev**  
 Chief Financial Officer

**Audited as per the auditors' report dated 26/04/2021:**

  
**BDO Bulgaria OOD**  
**Nedyalko Apostolov**  
 Manager

  
**София**  
**Per. №016**  
**БДО БЪЛГАРИЯ ООД**

  
**Tsvetana Stefanina**  
 Manager  
 Registered auditor responsible for the audit

**Mazars OOD**

  
**Atanasios Petropoulos**  
 Procurator

  
**София**  
**Per. № 169**  
**МАЗАРС ООД**

  
**Milena Mladenova-Nikolova**  
 Registered auditor responsible for the audit

# 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.

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

The Bank's management has a dual board structure, with the Managing Board and the Supervisory Board having the following members:

### Managing Board

- Mr Nikola Bakalov – Chief Executive Officer
- Mr Svetozar Popov – Executive Director
- Mr Chavdar Zlatev – Executive Director
- Ms Ralitsa Bogoeva – Executive Director
- Mr Ianko Karakolev – Managing Board member
- Ms Nadya Koshinska – Managing Board member

In 2020, the composition of the Managing Board changed, as follows:

- Mr Nikola Bakalov (currently Chief Executive Officer) was appointed as member of the Bank's Managing Board and Executive Director after approval from the Bulgarian National Bank; he has been performing these functions since this circumstance was listed in the Commercial Register and Register of NPLE with the Registry Agency on 7 February 2020. On 25 March 2020 he was appointed as Chief Executive Officer.
- The circumstance that Mr Nedelcho Nedelchev was no longer member of the Bank's Managing Board and Chief Financial Officer was registered in the Commercial Register and Register of NPLE on 14 April 2020 after approval from the Bulgarian National Bank.
- The circumstance that Mr Jivko Todorov was no longer member of the Bank's Managing Board was registered in the Commercial Register and Register of NPLE on 22 April 2020 after approval from the Bulgarian National Bank.
- Ms Ralitsa Bogoeva (Executive Director) was appointed as member of the Bank's Managing Board and Executive Director after approval from the Bulgarian National Bank; she has been performing these functions since this circumstance was listed in the Commercial Register and Register of NPLE with the Registry Agency on 29 May 2020.
- Mr Ianko Karakolev (Managing Board member) was appointed as member of the Bank's Managing Board after approval from the Bulgarian National Bank; he has been performing this function since this circumstance was listed in the Commercial Register and Register of NPLE with the Registry Agency on 25 June 2020.

### Supervisory Board

- Mr Evgeni Lukanov – Supervisory Board chairperson
- Mr Jordan Skortchev – Supervisory Board member
- Mr Georgi Mutafchiev – Supervisory Board member
- Ms Radka Mineva – Supervisory Board member



- Ms Maya Georgieva – Supervisory Board member
- Mr Jyrki Koskelo – Supervisory Board member

At 31 December 2020 the total number of employees was 2,542 (31 December 2019: 2,572).

The Bank's beneficial owners are disclosed in Note 31 below.

The consolidated financial statements of the Bank as at and for the year ended 31 December 2020 comprise the Bank and its subsidiaries (see note 36), together referred to as the "Group".

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

## (b) Statement of compliance

The 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 Group'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, investment properties, as well as assets recognised at fair value in other comprehensive income. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost convention.

## (d) New standards, amendments and interpretations effective as of 01 January 2020

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

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020)
- Definition of Material – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020)
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020)
- Definition of a Business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions that occur on after the beginning of the annual reporting period beginning on or after 1 January 2020).
- Amendment to IFRS 16 Leases – Covid-19-Related Rent Concessions (issued on 28 May 2020 and effective for annual periods beginning on or after 1 January 2020)

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

## (e) New standards, interpretations and amendments not yet adopted by the Group

Certain new accounting standards and clarifications have been published which are not mandatory for application in the reporting period ending on 31 December 2020 and which were not adopted by the Group in advance. The Group's assessment of the impact of these new standards and clarifications is stated below.

- Amendment to IFRS 4 Insurance Contracts – deferral of effective date of IFRS 9 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2021)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021)

The Management does not expect that the adoption of these new standards and clarifications would lead to changes to the Group's accounting policy.

There are no other standards that are not yet adopted and that are expected to have significant impact on the Group during the current or future reporting periods, as well as on transactions in the foreseeable future.

#### (f) New standards, interpretations and amendments not yet adopted by the EU:

- IFRS 17 Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023), including Amendment to IFRS 17 (issued on 25 June 2020).
- Amendment to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current — Deferral of Effective Date (issued respectively on 23 January 2020 and on 15 July 2020, and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements to IFRSs 2018-2020 Cycle (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022)

The Management does not expect that the adoption of these new standards and clarifications would lead to changes to the Group's accounting policy.

## 2. Significant accounting policies

### (a) Income recognition

#### (i) Interest income and expense

Interest income and expense is recognised in the profit or loss as it accrues, taking into account the effective yield of the asset (liability) or an applicable floating rate. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument 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.

#### (ii) Fees and Commissions

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

**(iii) Net trading income**

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

**(iv) Dividend income**

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

**(b) Basis of consolidation****(i) Business Combinations**

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

**(ii) Non-controlling interest**

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

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

**(iii) Subsidiaries**

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group classifies financial assets in the following categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, or financial assets measured at fair value through profit or loss.

Management determines the classification of investments at initial recognition according to the business model for management of the specific class of financial assets and the contractual features of the cash flows associated with that financial asset.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently,

that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

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

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

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

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

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

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

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

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

#### **(e) Cash and cash equivalents**

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

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

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

Investments lent under securities lending arrangements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy for assets held for trading or available-for-sale as appropriate. Cash collateral received in respect of securities lent is recognised as liabilities to either banks or customers. Investments borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised

under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense.

#### (ii) Repurchase agreements

The Group enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised.

The amounts paid are recognised in loans to either banks or customers. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy for either assets held for trading or available-for-sale as appropriate. The proceeds from the sale are reported as liabilities to either banks or other customers.

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

#### (h) Borrowings

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

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

#### (i) Offsetting

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

#### (j) Impairment of financial assets

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

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

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

#### (k) Property and equipment

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

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

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

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

### (l) Intangible assets

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

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

<b>Assets</b>	<b>%</b>
• Licenses and trademarks	14 – 20
• Software and licences	8 – 50

### (m) Investment Property

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

### (n) Provisions

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



## (p) Off-balance sheet commitments

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

## (q) Taxation

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

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

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

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

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

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information on the valuations and the valuation uncertainty, for which there is a significant risk of change as of 31 December 2020 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, 19 - determining of the fair value of the financial instruments, land and buildings through valuation techniques, in which the input data for the financial assets and liabilities are not based on the available market information. The Management uses valuation techniques for the fair value of financial instruments (when there is no quoted price in an active market) and non-financial assets. In applying the valuation techniques, the Management uses to a maximum degree market data and assumptions which market participants would take into account in pricing an instrument. When there is no available market data, the Management uses its best judgement of the assumptions that market participants would make. These judgements may differ from the actual prices that may be determined in a fair market transaction between informed and willing parties at the end of the reporting period.
- Notes 11, 16, 18 – measuring the expected credit loss – credit losses constitute the difference between all contractual cash flows payable to the Bank and all cash flows which the Bank expects to receive. Expected credit loss is the probability-weighted estimate of credit losses which require the Group's judgement. Expected credit loss is discounted with the initial effective interest rate (or with the loan-adjusted effective interest rate for purchased or initially created financial assets with credit impairment).
- Notes 16, 18 – debt instruments at amortised cost – the analysis and intentions of the Management are confirmed by the business model of holding debt instruments that meet the requirements for receiving only principal and interest payments and holding assets until collecting the contractual cash flows from the bonds which are classified as debt instruments at amortised cost.
- Note 24 – Lease contract term – in determining the lease contract term the Management takes into consideration all facts and circumstances that create economic incentives for exercising the option to extend the lease, or not to exercise the option to terminate the lease. Extension options (or the periods after termination options) are included in the lease contract term only if it is reasonably certain that the lease contract has been extended (or has not been terminated).

- Note 30 – in accordance with IAS 37 — Provisions, Contingent Liabilities and Contingent Assets and the internal rules for setting aside provisions for pending court cases the Group has recognised provisions for pending court cases. The Group is a defendant in pending cases and the outcome of those cases may lead to liabilities in an amount different from the amount of provisions recognized in the financial statement.

#### (i) 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).

#### (ii) Income taxes

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

#### (s) Earnings per share

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

#### (t) Employee benefits

##### Defined contribution plans

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

##### Defined benefit plans

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

The Bank has an obligation to pay certain amounts to each employee who retires with the Bank in accordance with Art. 222, § 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 Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the 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 Group 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 Group recognises as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange for the employee's service for the period completed.

**(u) Insurance Contracts****Classification of insurance contracts**

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

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

**Written premiums**

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

**Reversed premiums**

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

**Unearned-premium reserve**

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

**Unexpired risk reserve**

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

**Claims incurred**

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

**Outstanding claims reserve**

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

**Acquisition costs**

Acquisition costs include accrued commission expense from agents and brokers.

**(v) Leases****(i) The Company as lessee**

For new contracts concluded on or after 1 January 2019 the Bank assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an asset (the identified asset) for a period of time in exchange for consideration. In order to apply this definition, the Bank assesses three key elements:

- Whether the contract refers to an identified asset which is either explicitly specified in a contract, or implicitly specified at the time that the asset is made available for use;
- The Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, within the scope of its right of use defined in the contract;
- The Bank has the right to direct the use of the identified asset throughout the period of use.

The Bank assesses whether it has the right to direct how and for what purpose the asset will be used throughout the period of use.

**Assessment and recognition of leases by the Bank as lessee**

On the commencement date of the lease contract the Bank recognises the right-of-use asset and the lease liability in the statement of financial position. The right-of-use asset is assessed at cost which comprises the amount of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset at the end of the lease contract, and any lease payments made at or before the commencement date (less any lease incentives received).

The Bank depreciates the right-of-use asset using the linear method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also reviews the right-of-use assets for impairment, where such indicators exist.

On the commencement date of the lease contract the Bank measures the lease liability at the present value of the remaining lease payments at that date, discounted using the borrowing rate stipulated in the lease contract, if that rate can be readily determined, or the company's incremental borrowing rate.

In order to determine the incremental borrowing rate, the Bank uses an interest rate consisting of the risk-free interest rate and a surcharge reflecting the credit risk related to the Bank and additionally adjusted for the specific conditions of the lease contract, including term, country, currency, and collateral.

Lease payments included in measuring the lease liability comprise fixed payments (including in-substance fixed payments), variable lease payments that depend on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, and the exercise price of a purchase option if the Bank is reasonably certain to exercise that option.

After the commencement date, the lease liability shall be decreased with the amount of payments made and shall be increased with the amount of the interest. The lease liability is remeasured to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

When the lease liability is remeasured, the amount of the remeasurement is recognised in the right-of-use asset or in profit or loss, if the carrying amount of the right-of-use asset is already reduced to zero.

The Bank has chosen to report short-term leases and leases of low-value assets by using practical expedients envisaged in the standard. Instead of recognising right-of-use assets and lease liabilities, the Bank recognizes the payments related to them as an expense in profit or loss using the linear method during the lease term.

In the statement of financial position, right-of-use assets are presented on a separate row "Right-of-use assets", and the liabilities under lease contracts are also presented on a separate row - "Lease liabilities".

Extension options or termination options are included in a number of the Bank's property rentals. They are used to increase the operative flexibility in the management of assets used in its operations.

#### **(ii) The company as lessor**

As lessor, the Group classifies each of its lease contracts as either an operating lease or a finance lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

## **3. Risk management disclosures**

### **A. Trading activities**

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

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

#### **(i) Credit risk**

The risk that counterparts to financial instruments might default on their obligations. Default risk is monitored on an ongoing basis subject to Bank'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 set by senior management and the adopted risk strategy.

The Value at Risk is calculated and monitored on a daily basis as part of the Bank's ongoing risk management. 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.

The following table summarises the range of interest VaR for all positions in the Bank's trading portfolio carried at fair value:

in thousands of BGN	31 December 2020	2020			31 December 2019
		average	low	high	
VaR	0.0	2.2	0.0	11.3	1.2

## B. Non-trading activities

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

### (i) Liquidity risk

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

Funds are raised using a broad range of instruments including deposits, 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 Group makes its best efforts to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturity. The Group continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall 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, 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.

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 Group keeps available liquid assets. They consist of cash, cash equivalents and government securities, which could be sold immediately in order to provide liquidity:

<b>Liquid assets</b>	<b>2020</b>	<b>2019</b>
in thousands of BGN		
Balances with BNB	1,611,383	1,707,610
Current accounts and amounts with other banks	536,182	356,807
Unencumbered government securities	797,949	534,411
Gold	2,661	5,592
<b>Total liquid assets</b>	<b>2,948,175</b>	<b>2,604,420</b>

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 2020 the thirty largest non-bank unguaranteed depositors represent 5.88% of total deposits from other customers (31 December 2019: 7.32%).

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
Ratio of liquid assets to total borrowings from other clients	30.90%	28.61%

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

#### Maturity table as at 31 December 2020

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
<b>Assets</b>						
Cash and balances with Central Banks	2,133,197	-	-	-	-	<b>2,133,197</b>
Financial assets at fair value through profit or loss	243,846	-	-	-	23,083	<b>266,929</b>
Financial assets at fair value through other comprehensive income	825,882	-	-	-	-	<b>825,882</b>
Financial assets at amortised cost	-	-	-	199,830	-	<b>199,830</b>
Loans and advances to banks and other financial institutions	85,849	4,387	755	15,120	-	<b>106,111</b>
Loans and advances to customers	819,458	218,111	776,001	4,499,317	-	<b>6,312,887</b>
Other trading assets	724	-	-	4,386	-	<b>5,110</b>
<b>Total financial assets</b>	<b>4,108,956</b>	<b>222,498</b>	<b>776,756</b>	<b>4,718,653</b>	<b>23,083</b>	<b>9,849,946</b>
<b>Liabilities</b>						
Due to banks	2,747	-	-	-	-	<b>2,747</b>
Due to other customers	5,148,701	1,136,114	2,574,551	682,910	-	<b>9,542,276</b>
Liabilities evidenced by paper	8	20	3,857	99,764	-	<b>103,649</b>
Subordinated term debt	-	-	-	9,623	-	<b>9,623</b>
Hybrid debt	-	-	-	-	267,579	<b>267,579</b>
Other financial liabilities, net	104	306	-	-	-	<b>410</b>
<b>Total financial liabilities</b>	<b>5,151,560</b>	<b>1,136,440</b>	<b>2,578,408</b>	<b>792,297</b>	<b>267,579</b>	<b>9,926,284</b>
<b>Net liquidity gap</b>	<b>(1,042,604)</b>	<b>(913,942)</b>	<b>(1,801,652)</b>	<b>3,926,356</b>	<b>(244,496)</b>	<b>(76,338)</b>

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.

The Group does not recognize as liquidity risk the current undrawn amounts of loans extended 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.



## 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
<b>Assets</b>						
Cash and balances with Central Banks	2,072,046	-	-	-	-	<b>2,072,046</b>
Financial assets at fair value through profit or loss	244,805	-	-	-	22,130	<b>266,935</b>
Financial assets at fair value through other comprehensive income	714,082	-	-	-	-	<b>714,082</b>
Financial assets at amortised cost	-	-	-	12,005	-	<b>12,005</b>
Loans and advances to banks and other financial institutions	53,065	9,029	2,161	15,363	-	<b>79,618</b>
Loans and advances to customers	353,819	236,927	852,087	4,574,304	-	<b>6,017,137</b>
Other trading assets	814	-	-	-	-	<b>814</b>
<b>Total financial assets</b>	<b>3,438,631</b>	<b>245,956</b>	<b>854,248</b>	<b>4,601,672</b>	<b>22,130</b>	<b>9,162,637</b>
<b>Liabilities</b>						
Due to banks	2,007	-	-	-	-	<b>2,007</b>
Due to other customers	4,340,341	1,014,163	2,816,309	933,208	-	<b>9,104,021</b>
Liabilities evidenced by paper	13	26	3,309	106,000	-	<b>109,348</b>
Subordinated term debt	-	-	-	3,943	-	<b>3,943</b>
Hybrid debt	-	-	-	-	267,615	<b>267,615</b>
Other financial liabilities, net	1,243	(600)	(159)	(123)	-	<b>361</b>
<b>Total financial liabilities</b>	<b>4,343,604</b>	<b>1,013,589</b>	<b>2,819,459</b>	<b>1,043,028</b>	<b>267,615</b>	<b>9,487,295</b>
<b>Net liquidity gap</b>	<b>(904,973)</b>	<b>(767,633)</b>	<b>(1,965,211)</b>	<b>3,558,644</b>	<b>(245,485)</b>	<b>(324,658)</b>

The following table provides a remaining maturities analysis of the financial assets and liabilities of the Group as at 31 December 2020 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
<b>Financial assets</b>					
Cash and balances with Central Banks	2,133,197	-	-	-	<b>2,133,197</b>
Financial assets at fair value through profit or loss	266,929	-	-	-	<b>266,929</b>
Financial assets at fair value through other comprehensive income	825,882	-	-	-	<b>825,882</b>
Financial assets at amortised cost	-	-	39,150	166,008	<b>205,158</b>
Loans and advances to banks and other financial institutions	85,849	4,387	755	15,120	<b>106,111</b>
Loans and advances to customers	800,971	216,457	773,023	5,393,518	<b>7,183,969</b>
<b>Total financial assets</b>	<b>4,112,828</b>	<b>220,844</b>	<b>812,928</b>	<b>5,574,646</b>	<b>10,721,246</b>
<b>Financial liabilities</b>					
Due to banks	2,747	-	-	-	<b>2,747</b>
Due to other customers	5,148,965	1,136,589	2,578,545	688,085	<b>9,552,184</b>
Liabilities evidenced by paper	8	20	3,875	103,030	<b>106,933</b>
Subordinated term debt	-	-	376	11,518	<b>11,894</b>
Hybrid debt	-	-	27,577	291,236	<b>318,813</b>
<b>Total financial liabilities</b>	<b>5,151,720</b>	<b>1,136,609</b>	<b>2,610,373</b>	<b>1,093,869</b>	<b>9,992,571</b>
<b>Derivatives held for risk management</b>					
Outgoing cash flow	2,587	308	-	46,923	<b>49,818</b>
Incoming cash flow	733	1	-	48,896	<b>49,630</b>
<b>Cash flow from derivatives, net</b>	<b>(1,854)</b>	<b>(307)</b>	<b>-</b>	<b>1,973</b>	<b>(188)</b>

The following table provides a remaining maturities analysis of the financial assets and liabilities of the Group 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
<b>Financial assets</b>					
Cash and balances with Central Banks	2,072,046	-	-	-	<b>2,072,046</b>
Financial assets at fair value through profit or loss	244,805	-	-	22,130	<b>266,935</b>
Financial assets at fair value through other comprehensive income	714,082	-	-	-	<b>714,082</b>
Financial assets at amortised cost	-	-	-	13,468	<b>13,468</b>
Loans and advances to banks and other financial institutions	53,065	9,029	2,161	15,363	<b>79,618</b>
Loans and advances to customers	354,139	238,810	876,178	5,517,627	<b>6,986,754</b>
<b>Total financial assets</b>	<b>3,438,137</b>	<b>247,839</b>	<b>878,339</b>	<b>5,568,588</b>	<b>10,132,903</b>
<b>Financial liabilities</b>					
Due to banks	2,007	-	-	-	<b>2,007</b>
Due to other customers	4,340,652	1,014,763	2,822,577	943,207	<b>9,121,199</b>
Liabilities evidenced by paper	13	26	3,323	110,131	<b>113,493</b>
Subordinated term debt	-	-	176	4,880	<b>5,056</b>
Hybrid debt	-	-	27,577	318,800	<b>346,377</b>
<b>Total financial liabilities</b>	<b>4,342,672</b>	<b>1,014,789</b>	<b>2,853,653</b>	<b>1,377,018</b>	<b>9,588,132</b>
<b>Derivatives held for risk management</b>					
Outgoing cash flow	1,933	-	478	-	<b>2,411</b>
Incoming cash flow	1,504	600	637	123	<b>2,864</b>
<b>Cash flow from derivatives, net</b>	<b>(429)</b>	<b>600</b>	<b>159</b>	<b>123</b>	<b>453</b>

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 18 years on average, but the expected average effective maturity is 12 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 Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts.

### *Interest rate risk in the banking book (IRRBB)*

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 Group following a standardised shock of +100bp/-100bp as at 31 December 2020 is BGN +18 847/+11 397 thousands

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 2020 is BGN +745/-474 thousands.

Effect in millions of BGN	Net interest income		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 December 2020</b>				
as at 31 December	745	(474)	19,761	11,949
Average for the period	1,435	(1,281)	27,342	9,532
Maximum for the period	5,400	631	39,262	18,533
Minimum for the period	(1,044)	(3,936)	11,834	4,277
<b>31 December 2019<sup>1</sup></b>				
as at 31 December	6,245	(6,128)	33,466	9,939

#### *Credit Spread Risk in the Banking Book (CSRBB)*

The risk arising from changes in market perception regarding the price of credit risk, the liquidity premium and other potential components of credit risk instruments that cause fluctuations in the price of credit risk, the liquidity premium and other potential components, which is not explained by IRRBB or by the expected credit / (jump to-) default risk. Only those instruments in the bank's book which are reported at market value are subject to credit spread risk.

Similar to the interest rate risk arising from non-trading book activities, for credit spread risk the Bank calculates the risk arising from potential changes in two aspects: how it affects net interest income and how it affects the Bank's economic value.

The applicable stress test scenarios were calibrated with 99% confidence level compared to the historically observed changes. Shocks vary depending on the maturity of cash flows and the issuer's credit rating.

The effect on the Group's economic value as at 31 December 2020 amounted to BGN (30,281) thousand, and the effect on the net interest income amounted to BGN 294 thousand.

Effect in thousands of BGN	Net interest income	Equity
<b>31 December 2020</b>		
as at 31 December	294	(30,281)
Average for the period	352	(26,123)
Maximum for the period	441	(21,646)
Minimum for the period	294	(30,281)
<b>31 December 2019</b>		
as at 31 December	397	(19,113)

<sup>1</sup> The values at the end of 2019 are recalculated according to the new framework for evaluation of interest rate risk in the banking portfolio (IRRBB).

The following table indicates the effective interest rates at 31 December 2020 and the periods in which financial liabilities and assets repriced.

in thousands of BGN	Total	Floating rate Instruments	Fixed rate instruments			
			Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	More than 1 year
<b>Assets</b>						
Cash and balances with Central Banks	578,072	561,491	16,581	-	-	-
Financial assets at fair value through profit or loss	239,537	-	239,537	-	-	-
Financial assets at fair value through other comprehensive income	825,882	24,011	801,871	-	-	-
Financial assets at amortised cost	199,830	-	-	-	39,150	160,680
Loans and advances to banks and other financial institutions	30,030	16,198	10,877	-	2,955	-
Loans and advances to customers	5,597,939	5,264,311	17,068	19,315	101,495	195,750
<b>Total interest-bearing assets</b>	<b>7,471,290</b>	<b>5,866,011</b>	<b>1,085,934</b>	<b>19,315</b>	<b>143,600</b>	<b>356,430</b>
<b>Liabilities</b>						
Due to banks	2,747	945	1,802	-	-	-
Due to other customers	9,518,132	3,505,275	1,619,284	1,136,114	2,574,551	682,908
Liabilities evidenced by paper	103,649	100,397	-	-	-	3,252
Subordinated term debt	9,623	-	-	-	-	9,623
Hybrid debt	267,579	-	-	-	-	267,579
<b>Total interest-bearing liabilities</b>	<b>9,901,730</b>	<b>3,606,617</b>	<b>1,621,086</b>	<b>1,136,114</b>	<b>2,574,551</b>	<b>963,362</b>

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

in thousands of BGN	Total	Floating rate Instruments	Fixed rate instruments			
			Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	More than 1 year
<b>Assets</b>						
Cash and balances with Central Banks	658,699	622,562	36,137	-	-	-
Financial assets at fair value through profit or loss	240,317	-	240,317	-	-	-
Financial assets at fair value through other comprehensive income	714,082	26,227	687,855	-	-	-
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	5,257,547	4,838,389	6,676	23,267	115,282	273,933
<b>Total interest-bearing assets</b>	<b>6,917,790</b>	<b>5,498,154</b>	<b>976,401</b>	<b>23,267</b>	<b>134,030</b>	<b>285,938</b>
<b>Liabilities</b>						
Due to banks	2,007	1,617	390	-	-	-
Due to other customers	9,087,253	2,946,561	1,377,010	1,014,163	2,816,309	933,210
Liabilities evidenced by paper	109,348	98,104	-	7	-	11,237
Subordinated term debt	3,943	-	-	-	-	3,943
Hybrid debt	267,615	-	-	-	-	267,615
<b>Total interest-bearing liabilities</b>	<b>9,470,166</b>	<b>3,046,282</b>	<b>1,377,400</b>	<b>1,014,170</b>	<b>2,816,309</b>	<b>1,216,005</b>

### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk 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 Group's financial statements are affected by movements in the exchange rates between the Bulgarian lev and currencies other than the Euro.

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

in thousands of BGN	2020	2019
<b>Monetary assets</b>		
Euro	4,548,854	3,940,493
US dollar	579,050	591,945
Other	420,912	430,194
Gold	2,661	5,592
<b>Monetary liabilities</b>		
Euro	3,740,051	3,806,777
US dollar	575,854	586,114
Other	378,172	391,165
Gold	2,172	1,628
<b>Net position</b>		
Euro	808,803	133,716
US dollar	3,196	5,831
Other	42,740	39,029
Gold	489	3,964

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

### (iii) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group is subject to credit risk through its lending activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues 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.

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

in thousands of BGN	Loans and advances to other customers		Loans and advances to banks and balances with central banks		Investment in debt securities		Off balance sheet commitments	
	2020	2019	2020	2019	2020	2019	2020	2019
Carrying amount	6,312,887	6,017,137	2,050,211	1,940,138	1,265,249	966,404	-	-
Amount committed/ guaranteed	-	-	-	-	-	-	794,833	886,993

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

<b>31 December 2020</b>			
			in thousands of BGN
<b>Class of exposure</b>	<b>Gross amount of loans and advances to customers</b>	<b>Allowance for impairment</b>	<b>Carrying amount of loans and advances to customers</b>
Performing			
Collectively impaired	5,320,585	(77,627)	5,242,958
Non-performing			
Collectively impaired	252,313	(108,415)	143,898
Individually impaired	1,264,301	(338,270)	926,031
<b>Total</b>	<b>6,837,199</b>	<b>(524,312)</b>	<b>6,312,887</b>
<b>31 December 2019</b>			
			in thousands of BGN
<b>Class of exposure</b>	<b>Gross amount of loans and advances to customers</b>	<b>Allowance for impairment</b>	<b>Carrying amount of loans and advances to customers</b>
Performing			
Collectively impaired	4,984,695	(72,868)	4,911,827
Non-performing			
Collectively impaired	219,082	(73,577)	145,505
Individually impaired	1,323,654	(363,849)	959,805
<b>Total</b>	<b>6,527,431</b>	<b>(510,294)</b>	<b>6,017,137</b>

Distribution of trade receivables and impairment as adjustment for financial assets (receivables from customers) according to the requirements of IFRS9:

	<b>31/12/2020</b>		<b>31/12/2019</b>	
	<b>Gross amount of loans and advances to customers</b>	<b>Allowance for impairment</b>	<b>Gross amount of loans and advances to customers</b>	<b>Allowance for impairment</b>
Exposures without increase of credit risk after the initial recognition (phase 1)	4,299,116	14,739	3,871,343	13,555
Exposures with significant increase of credit risk after the initial recognition (phase 2)	1,021,469	62,888	1,113,352	59,313
Non-performing (impaired) exposures (phase 3)	1,516,614	446,685	1,542,736	437,426
<b>Total</b>	<b>6,837,199</b>	<b>524,312</b>	<b>6,527,431</b>	<b>510,294</b>

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

As at 31 December 2020 the gross amount of overdue loans and advances to customers measured as exposures 90+ days overdue is BGN 799,167 thousand (31 December 2019: BGN 774,362 thousand).

In addition, the Group 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 Bank's investments, loans and advances and off-balance sheet commitments.

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

in thousands of BGN	2020	2019
Trade	847,347	891,509
Industry	1,308,787	1,162,856
Services	745,050	722,291
Finance	122,506	108,742
Transport, logistics	236,908	227,205
Communications	148,277	190,717
Construction	387,563	353,245
Agriculture	185,157	184,433
Tourist services	285,411	262,560
Infrastructure	425,845	408,935
Private individuals	2,132,631	2,002,090
Other	11,717	12,848
Allowance for impairment	(524,312)	(510,294)
<b>Total</b>	<b>6,312,887</b>	<b>6,017,137</b>

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 Group has extended loans to enterprises involved in different types of activities but within the same economic sector - industry. As such the exposures share a similar industry risk. There are three such groups of enterprises at 31 December 2020 with total exposures outstanding amounting to BGN 198,704 thousand (2019: BGN 162,118 thousand) - ferrous and non-ferrous metallurgy, BGN 85,452 thousand (2019: BGN 85,791 thousand) – mining industry and BGN 94,303 thousand (2019: BGN 94,191 thousand) - power engineering.

The Group has extended loans, confirmed letters of credit and granted guarantees to 6 individual clients or groups (2019: 8) with each individual exposure exceeding 10% of the capital base of the Group, 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 930,420 thousand, which is 58.97% of the capital base (2019: BGN 937,247 thousand, representing 72.99% of the capital base).

Loans extended by the branch in Cyprus amount to BGN 1,018 thousand (gross carrying amount before any allowances) (2019: BGN 2,040 thousand), in Albania amount to BGN 283,148 thousand (2019: BGN 246,106 thousand) gross carrying amount before any allowances).

The Group'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	
		2020	2019
Repurchase agreements	Tradable securities	97%	101%
Loans and advances to banks	None	-	-
Mortgage loans	Real estate	270%	264%
Consumer lending	Mortgage, warrant, financial and other collateral	52%	32%
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	461%	481%



The table below shows a breakdown of total gross loans and advances (gross balance sheet value) extended to customers by the Group by type of collateral to the amount of the collateral, excluding credit cards in the amount of BGN 179,780 thousand (2019: 194,464 thousand BGN).

in thousands of BGN	2020	2019 <sup>1</sup>
Mortgage	1,826,307	1,748,980
Pledge of receivables	1,808,484	1,760,098
Pledge of commercial enterprise	17,385	10,968
Securities	61,434	79,396
Bank guarantees	-	-
Other guaranties	2,587,594	2,355,390
Pledge of goods	7,410	18,382
Pledge of machines	49,888	72,070
Money deposit	48,330	25,808
Stake in capital	-	-
Gold	-	-
Other collateral	-	-
Unsecured	250,587	261,875
<b>Total</b>	<b>6,657,419</b>	<b>6,332,967</b>

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 household 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.

The table below represents a separation of the gross amount of housing mortgages granted to households according to the LTV ratio.

in thousands of BGN	2020	2019
<b>Loan to value (LTV) ratio</b>		
Less than 50%	199,775	186,751
51% to 70%	277,854	250,592
71% to 90%	417,209	385,153
91% to 100%	31,671	42,509
More than 100%	83,394	71,097
<b>Total</b>	<b>1,009,903</b>	<b>936,102</b>

### Loans to corporate customers

Individually significant loans to corporate customers 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 Group requests corporate borrowers to provide it. The Group takes collateral in the form of a first charge over real estate, floating charges over all corporate assets, and other liens and guarantees.

<sup>1</sup> The values at the end of 2019 are recalculated according to customer segmentation according to the EU definition of SMEs

The Group 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 Group requires provision of additional collateral within a certain timeframe.

As at 31 December 2020 the net carrying amount of individually impaired loans to corporate customers amounts to BGN 970,113 thousand (2019: BGN 1,002,145 thousand) and the value of collateral held against those loans amounts to BGN 920,046 thousand (2019: BGN 951,838 thousand).

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

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

### Renegotiated Loans

in thousands of BGN  <b>Type of renegotiation</b>	<b>2020</b>		<b>2019</b>	
	<b>Gross amount of loans and advances to customers</b>	<b>Allowance for impairment</b>	<b>Gross amount of loans and advances to customers</b>	<b>Allowance for impairment</b>
<b>Loans to individuals</b>	<b>397,971</b>	<b>10,898</b>	<b>172,392</b>	<b>5,598</b>
Change of maturity	123,189	5,562	121,338	4,243
Change of amount of instalment	18,319	548	212	2
Change of interest rate	5,839	17	11,898	40
Change due to customers request	32,993	30	23,900	49
Other reasons	217,631	4,741	15,044	1,264
<b>Loans to corporate clients</b>	<b>2,684,400</b>	<b>218,920</b>	<b>2,416,947</b>	<b>292,889</b>
Change of maturity	150,620	1,617	159,060	10,951
Change of amount of instalment	385,940	3,138	600,890	23,976
Change of interest rate	15,843	24	216,336	1,386
Change due to customers request	587,254	24,421	1,169,760	183,330
Other reasons	1,544,743	189,720	270,901	73,246
<b>Total:</b>	<b>3,082,371</b>	<b>229,818</b>	<b>2,589,339</b>	<b>298,487</b>

### 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 Group 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.

<b>31 December 2020</b>																	in thousands of BGN
<b>Portfolio</b>	<b>Bulgaria</b>	<b>Albania</b>	<b>Slovakia</b>	<b>Latvia</b>	<b>Lithuania</b>	<b>USA</b>	<b>Romania</b>	<b>EFSF*</b>	<b>Belgium</b>	<b>Italy</b>	<b>Spain</b>	<b>Portugal</b>	<b>Hungary</b>	<b>Croatia</b>	<b>Israel</b>	<b>European Union</b>	
Financial assets at fair value through profit or loss	3,053	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Financial assets at fair value through other comprehensive income	323,285	152,364	2,216	66	45,950	143,432	53,029	2,063	2,579	10,478	21,535	20,433	15,520	7,835	-	596	
Financial assets at amortised cost	116,192	-	-	-	-	-	-	-	-	-	39,150	-	-	-	44,488	-	
<b>Total</b>	<b>442,530</b>	<b>152,364</b>	<b>2,216</b>	<b>66</b>	<b>45,950</b>	<b>143,432</b>	<b>53,029</b>	<b>2,063</b>	<b>2,579</b>	<b>10,478</b>	<b>60,685</b>	<b>20,433</b>	<b>15,520</b>	<b>7,835</b>	<b>44,488</b>	<b>596</b>	

<b>31 December 2019</b>												in thousands of BGN
<b>Portfolio</b>	<b>Bulgaria</b>	<b>Albania</b>	<b>Slovakia</b>	<b>Latvia</b>	<b>Lithuania</b>	<b>USA</b>	<b>Romania</b>	<b>Kazakhstan</b>	<b>EFSF*</b>	<b>Belgium</b>		
Financial assets at fair value through profit or loss	3,832	-	-	-	-	-	-	-	-	-		
Financial assets at fair value through other comprehensive income	342,823	143,114	2,160	68	45,269	147,695	201	1,374	2,028	2,633		
Financial assets at amortised cost	12,005	-	-	-	-	-	-	-	-	-		
<b>Total</b>	<b>358,660</b>	<b>143,114</b>	<b>2,160</b>	<b>68</b>	<b>45,269</b>	<b>147,695</b>	<b>201</b>	<b>1,374</b>	<b>2,028</b>	<b>2,633</b>		

\*European Financial Stability Facility

## Maturity table of government debt securities by country issuer as at 31 December 2020

in thousands of BGN

Country issuer	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
Bulgaria	-	8,383	-	229,196	204,951	<b>442,530</b>
Albania	93	9,616	13,193	95,402	34,060	<b>152,364</b>
Slovakia	-	-	-	-	2,216	<b>2,216</b>
Latvia	-	-	-	66	-	<b>66</b>
Lithuania	-	-	-	-	45,950	<b>45,950</b>
USA	39,846	103,586	-	-	-	<b>143,432</b>
Romania	-	-	-	-	53,029	<b>53,029</b>
EFSF	-	-	-	-	2,063	<b>2,063</b>
Belgium	-	-	-	2,579	-	<b>2,579</b>
Italy	-	-	-	-	10,478	<b>10,478</b>
Spain	-	-	39,150	-	21,535	<b>60,685</b>
Portugal	-	-	-	-	20,433	<b>20,433</b>
Hungary	-	-	-	-	15,520	<b>15,520</b>
Croatia	-	-	-	7,835	-	<b>7,835</b>
Israel	-	-	-	44,488	-	<b>44,488</b>
European Union	-	-	-	-	596	<b>596</b>
<b>Total</b>	<b>39,939</b>	<b>121,585</b>	<b>52,343</b>	<b>379,566</b>	<b>410,831</b>	<b>1,004,264</b>

## 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	Over 5 years	Total
Bulgaria	28,396	37,300	7,453	175,278	110,233	<b>358,660</b>
Albania	1,749	1,495	29,888	87,533	22,449	<b>143,114</b>
Slovakia	-	-	-	-	2,160	<b>2,160</b>
Latvia	-	-	-	68	-	<b>68</b>
Lithuania	-	-	-	-	45,269	<b>45,269</b>
USA	52,162	95,533	-	-	-	<b>147,695</b>
Romania	-	-	-	-	201	<b>201</b>
Kazakhstan	-	-	-	-	1,374	<b>1,374</b>
EFSF	-	-	-	-	2,028	<b>2,028</b>
Belgium	-	-	-	2,633	-	<b>2,633</b>
<b>Total</b>	<b>82,307</b>	<b>134,328</b>	<b>37,341</b>	<b>265,512</b>	<b>183,714</b>	<b>703,202</b>

## C. Capital adequacy

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

### Regulatory capital

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

#### Common Equity Tier 1 capital

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

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.

In 2020, as disclosed in Note 31, the Bank completed successfully its capital increase by issue of new shares which led to an increase of share capital by BGN 39,085 thousand and of premium reserve by BGN 153,017 thousand, net of issue costs.

#### 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 (equivalent 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 code BG2100023196

#### Tier 2 Capital

Tier 2 capital includes subordinated term debt in the amount of EUR 4,900 thousand (equivalent to BGN 9,584 thousand), issued in 2019 (EUR 2,000 thousand) and in 2020 (EUR 2,900 thousand) in the form of subordinated bonds of the subsidiary First Investment Bank - Albania Sh.a. (See Note 29).

**Total own funds**

In thousands of BGN	2020	2019
<b>Common Equity Tier 1 capital</b>		
Paid up capital instruments	149,085	110,000
(-) Indirect shareholding in Common Equity Tier 1 capital instruments	(40)	(72)
Premium reserves	250,017	97,000
Other reserves	743,386	606,298
Accumulated other comprehensive income	24,193	24,309
<b>Adjustments of Common Equity Tier 1 capital</b>		
(-) Intangible assets	(16,018)	(12,183)
Transitional adjustments of Common Equity Tier 1 capital	179,270	211,742
(-) Other deductions	(16,054)	(11,225)
<b>Common Equity Tier 1 capital</b>	<b>1,313,839</b>	<b>1,025,869</b>
<b>Additional Tier 1 capital instruments</b>		
Hybrid debt	254,258	254,258
<b>Tier 1 Capital</b>	<b>1,568,097</b>	<b>1,280,127</b>
<b>Tier 2 Capital instruments</b>		
Subordinated term debt	9,584	3,912
<b>Tier 2 Capital</b>	<b>9,584</b>	<b>3,912</b>
<b>Total own funds</b>	<b>1,577,681</b>	<b>1,284,039</b>

The Group calculates the following ratios:

- 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;
- the Tier 1 capital ratio is the Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount;
- 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 assets for credit, market and operational risk.

The Group calculates the requirements for credit risk for its exposures in banking and trading portfolios based on the 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 Group calculates also capital requirements for market risk for foreign currency and commodity instruments in trading book and banking book.

The Group calculates capital requirements for operational risk by application of the standardized approach. In this approach the Group 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 Group 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 Group has complied with the regulatory capital requirements throughout the period.

Capital adequacy level is as follows:

In thousands of BGN	Balance sheet/notional amount		Risk exposures	
	2020	2019	2020	2019
<b>Risk weighted exposures for credit risk</b>				
<b>Balance sheet assets</b>				
Exposure class				
Central governments or central banks	2,657,149	2,458,660	196,160	223,161
Multilateral development banks	57	89	-	-
Institutions	418,974	219,944	114,078	71,382
Corporates	2,246,575	1,871,585	2,159,321	1,809,067
Retail	1,488,854	1,455,016	970,252	907,695
Secured by mortgages on immovable property	1,739,834	1,848,664	676,718	729,768
Exposures in default	1,069,585	1,226,650	1,123,685	1,220,168
Collective investments undertakings	2,694	2,739	2,694	2,739
Equity	36,719	34,868	54,811	51,460
Other items	1,659,820	1,504,335	1,471,456	1,293,923
<b>Total</b>	<b>11,320,261</b>	<b>10,622,550</b>	<b>6,769,175</b>	<b>6,309,363</b>
<b>Off balance sheet items</b>				
Exposure class				
Institutions	-	-	343	3,932
Corporates	281,554	381,380	49,367	54,033
Retail	479,350	478,929	5,340	7,880
Secured by mortgages on immovable property	33,929	28,426	7,317	5,302
Other items	-	-	9	-
<b>Total</b>	<b>794,833</b>	<b>888,735</b>	<b>62,376</b>	<b>71,147</b>
<b>Derivatives</b>				
Exposure class				
Central governments or central banks	-	5,867	-	1,467
Institutions	4,722	3,937	2,333	787
Corporates	156	2,002	156	2,002
Other items	746	830	746	830
<b>Total</b>	<b>5,624</b>	<b>12,636</b>	<b>3,235</b>	<b>5,086</b>
<b>Total risk-weighted exposures for credit risk</b>			<b>6,834,786</b>	<b>6,385,596</b>
<b>Total amount of exposures to market risk</b>			<b>5,525</b>	<b>4,750</b>
<b>Amount of exposures for deferred risk</b>			<b>573,675</b>	<b>612,838</b>
<b>Total amount of risk exposures</b>			<b>7,413,986</b>	<b>7,003,184</b>

Capital adequacy ratios	Equity		Capital ratios %	
	2020	2019	2020	2019
<b>Common Equity Tier 1 capital</b>	<b>1,313,839</b>	<b>1,025,869</b>	<b>17.72%</b>	<b>14.65%</b>
<b>Tier 1 Capital</b>	<b>1,568,097</b>	<b>1,280,127</b>	<b>21.15%</b>	<b>18.28%</b>
<b>Total own funds</b>	<b>1,577,681</b>	<b>1,284,039</b>	<b>21.28%</b>	<b>18.34%</b>

## D. Other risks - Covid-19

### (i) General information on Covid-19 and impact on the economy

With relation to the pandemic of Covid-19 (coronavirus) which reached a global scale at the end of February and the beginning of March 2020 and then continued in various stages of different intensity throughout 2020 leading to a significant plunge in financial activity worldwide, the Group analysed, based on the currently available data, the potential impact on its financial position and in particular on the models used in accordance with IFRS 9.

This disclosure is in compliance with the requirements of IFRS 7 and IFRS 9, as well as with the recommendations issued by the European Securities and Markets Authority (ESMA).

It should be noted that as at the date of preparation of these individual financial statements the economic activity is not yet fully recovered and there is no sufficiently stable statistical information available - neither on the real impact on the Bulgarian and the global economy, nor on significant forecasts for their recovery in the following months.

### (ii) Development of the Covid-19 pandemic (coronavirus)

On 13 March 2020 the National Assembly of the Republic of Bulgaria issued a resolution introducing a state of emergency which lasted until 13 May 2020. Similar measures were introduced by all EU member states, and by Bulgaria's main trade partners (outside the EU). Subsequently, after the state of emergency was ended, the government of the Republic of Bulgaria introduced a state of epidemics which has lasted until the end of the financial year and continues to the date of issue of these individual financial statements.

As a result of the measures imposed by governments worldwide, a significant part of the economic activity in various countries was stayed, and in addition, much of the international trade was impeded.

Despite the fact that lockdown measures were eased and then re-introduced, the international financial institutions and the international credit agencies are foreseeing significant economic impact in the shorter term, with expectation that the overall growth levels of the economy would recover in 2021-2022.

The Group's management has analysed the expected impact both on economic growth, and on the credit quality of countries to which it has exposures, and the analysis is shown below.

#### *Impact on economic growth*

The table below shows information on the expected economic growth in the Republic of Bulgaria, as per data published by the International Monetary Fund, including forecasts made after the start of the Covid-19 pandemic.

	Historical data			Forecast			
	2017	2018	2019	2020 (Pre Covid-19)	2020 (Covid-19)	Average 2021-24 (Pre Covid-19)	2021 (Covid-19)
Economic GDP growth	3.5%	3.1%	3.4%	3.2%	(4.0)%	2.8%	6.0%

The table below shows information on the expected economic growth in the Eurozone countries (which are Bulgaria's main external market), as per data published by the International Monetary Fund, including forecasts made after the start of the Covid-19 pandemic.

	Historical data			Forecast			
	2017	2018	2019	2020 (Pre Covid-19)	2020 (Covid-19)	Average 2021-24 (Pre Covid-19)	2021 (Covid-19)
Economic GDP growth	1.9%	2.5%	1.9%	1.4%	(7.5)%	1.3%	4.7%

As seen from the figures above, the Management takes into account the possible short-term risks for the overall development of the economy of the Republic of Bulgaria and its major trade partners, noting that in some markets the expected drop in GDP would be significant; however, the Management also takes into account the general expectations for recovery in the 2021-2022 period, with expectations for return to the average forecasted growth pre-Covid-19 growth levels, as a result of the measures taken by the governments for vaccination and for stimulating economic activities.



### Impact on credit ratings

As a result of the expected economic consequences of the slower overall activities, some rating agencies downgraded the outlook on long-term debt positions, both with regard to sovereign debt, and with regard to corporate debt positions. The table below shows information on the change in credit ratings (including Outlook) awarded to the Republic of Bulgaria by Fitch Ratings.

	Pre Covid-19		Post Covid-19	
	Rating	Outlook	Rating	Outlook
Republic of Bulgaria	BBB	Positive	BBB	Positive

At present, despite the overall downgrading of outlooks and the limited number of credit rating downgrading of a number of countries, the Management is of the opinion that it is not possible to make a sufficiently sustainable and reliable assessment of the impact which the Covid-19 situation may have before a longer period of time has elapsed, during which symptoms of overall credit quality impairment may occur – both for investments, and for the general environment in which the Group operates.

### (iii) Analysis of the impact on the IFRS 9 model

The Group's management has analysed the expected impact on the overall IFRS 9 model; detailed results from the analysis are presented below. It should be noted that the analysis was focused on:

- Assessment of impairment of the credit quality of counterparties
- Assessment of the potential impact on expected credit loss from exposures to counterparties

The overall conclusion of the Group's Management is that as at the time of issue of these statements, in the shorter term a significant impairment of counterparties' credit quality is not expected due to:

- The measures taken by the government of the Republic of Bulgaria, the governments of other countries, including with respect to the existing private moratoria, which currently do not lead to additional indications of significantly impaired credit quality of counterparties. The Management continues to monitor strictly for the occurrence of long-term impairment indications, and the general temporary potential liquidity problems of counterparties caused directly by Covid-19 (coronavirus) are not considered as indications for impaired credit quality.
- At present, despite the overall downgrading of outlooks and the limited number of credit rating downgrading of a number of countries, the Management is of the opinion that it is not possible to make a sufficiently sustainable and reliable assessment of the impact which the Covid-19 situation may have before a longer period of time has elapsed, during which symptoms of overall credit quality impairment may occur – both for investments, and for the general environment in which the Group operates.

As regards the model for calculating expected credit loss, the Management considers that it is not possible to make a significant change of the overall model because of the lack of stable data. Nevertheless, the Management takes into account the possible short-term risks for the overall development of Bulgaria's economy, and the fact that the expected drop in GDP might significantly affect some industries, but also takes into account the general expectations for speedy recovery in the 2021-2022 period and return to the average forecasted pre- Covid-19 growth levels.

### (iv) Moratorium on loans

In April 2020 the Bulgarian National Bank approved the "Procedure for Deferral and Settlement of Liabilities Payable to Banks and their Subsidiaries – Financial Institutions in relation to the state of emergency enforced by the National Assembly on 13 March 2020 as a result of the COVID-19 pandemic" prepared by the Association of Banks in Bulgaria (ABB); later, in July and in December 2020, BNB approved the extension of the validity of this documents and amendments to it. The document is a private (non-legislative) moratorium within the meaning of the Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02) adopted by the European Banking Authority (EBA); pursuant to it the deferral of such exposures does not automatically lead to their reclassification due to restructuring or default.

Faced with the consequences of the Covid-19 pandemic which far outreach the impact on public health, both the Albanian government and the Central Bank of Albania have prepared and implemented immediate measures to mitigate the social and economic impact. The government announced a sovereign guarantee for the entire business sector that is struggling with liquidity problems and is seeking financing. The Central Bank of Albania announced that customers that are suffering from liquidity problems can ask for postponement of their liabilities to banks until 31.12.2020.

Some of the Group's borrowers also used this moratorium in Bulgaria and the measures taken in Albania, and the total amount of renegotiated exposures was BGN 1,377,438 thousand, gross of impairment (BGN 1,344,725 thousand net of impairment), and as at 31 December 2020 the total amount of renegotiated exposures still covered by the moratorium on loan payments was BGN.

The table below shows information on exposures renegotiated within the moratorium which at 31 December 2020 were still benefitting from it based on borrower type:

In thousands of BGN	Total value of the loan portfolio			Renegotiated within the moratorium		
	Gross value	Allowance for impairment	Amortised cost	Gross value	Allowance for impairment	Amortised cost
Large enterprise	2,610,673	(215,481)	2,395,192	217,791	(202)	217,589
Medium enterprise	1,144,173	(141,592)	1,002,581	37,082	(288)	36,794
Small business	564,876	(44,851)	520,025	19,257	(102)	19,155
Micro enterprise	350,200	(11,340)	338,860	21,932	(227)	21,705
Households						
- Consumer loans	972,496	(67,693)	904,803	14,802	(158)	14,644
- Mortgage loans	1,009,903	(17,395)	992,508	23,462	-	23,462
- Credit cards	179,780	(25,960)	153,820	3,216	(468)	2,748
- Other programmes and collateralised financing	5,098	-	5,098	-	-	-
<b>Total</b>	<b>6,837,199</b>	<b>(524,312)</b>	<b>6,312,887</b>	<b>337,542</b>	<b>(1,445)</b>	<b>336,097</b>

The table below shows information on exposures renegotiated within the moratorium which at 31 December 2020 were still benefitting from it based on the IFRS 9 phase in which the exposure is classified:

	Total value of the loan portfolio			Renegotiated within the moratorium		
	Gross value	Allowance for impairment	Amortised cost	Gross value	Allowance for impairment	Amortised cost
Exposures without increase of credit risk after the initial recognition (phase 1)	4,299,116	(14,739)	4,284,377	301,180	(451)	300,729
Exposures with significant increase of credit risk after the initial recognition (phase 2)	1,021,469	(62,888)	958,581	34,820	(570)	34,250
<b>Total</b>	<b>5,320,585</b>	<b>(77,627)</b>	<b>5,242,958</b>	<b>336,000</b>	<b>(1,021)</b>	<b>334,979</b>

## 4. Segment Reporting

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

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

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

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

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

In thousands of BGN	Bulgarian operations		Foreign operations		Total	
	2020	2019	2020	2019	2020	2019
Interest income	292,862	290,613	21,001	19,117	313,863	309,730
Interest expense	(59,343)	(58,942)	(4,842)	(4,074)	(64,185)	(63,016)
<b>Net interest income</b>	<b>233,519</b>	<b>231,671</b>	<b>16,159</b>	<b>15,043</b>	<b>249,678</b>	<b>246,714</b>
Fee and commission income	111,592	123,678	9,215	7,513	120,807	131,191
Fee and commission expense	(20,752)	(23,566)	(863)	(851)	(21,615)	(24,417)
<b>Net fee and commission income</b>	<b>90,840</b>	<b>100,112</b>	<b>8,352</b>	<b>6,662</b>	<b>99,192</b>	<b>106,774</b>
<b>Net trading income</b>	<b>10,458</b>	<b>13,596</b>	<b>2,073</b>	<b>1,782</b>	<b>12,531</b>	<b>15,378</b>
<b>Administrative expenses</b>	<b>(181,339)</b>	<b>(209,575)</b>	<b>(12,468)</b>	<b>(10,873)</b>	<b>(193,807)</b>	<b>(220,448)</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Assets</b>	<b>10,780,146</b>	<b>10,155,956</b>	<b>555,274</b>	<b>504,219</b>	<b>11,335,420</b>	<b>10,660,175</b>
<b>Liabilities</b>	<b>9,268,356</b>	<b>8,951,185</b>	<b>850,644</b>	<b>730,073</b>	<b>10,119,000</b>	<b>9,681,258</b>

The table below shows assets and liabilities and income and expense by business segments as at 31 December 2020.

in thousands of BGN

Business	Assets	Liabilities	Net interest income	Net fee and commission income	Net trading income	Other net operating income
Corporate Banking	3,214,490	1,066,313	77,272	22,710	-	162
Small and medium enterprises	956,891	674,983	37,336	18,371	-	8
Retail Banking	2,141,506	7,800,980	140,041	56,686	-	89
Treasury	3,537,058	76,398	6,956	942	12,531	5,705
Other	1,485,475	500,326	(11,927)	483	-	6,344
<b>Total</b>	<b>11,335,420</b>	<b>10,119,000</b>	<b>249,678</b>	<b>99,192</b>	<b>12,531</b>	<b>12,308</b>

## 5. Financial assets and liabilities

### Accounting classification and fair values

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

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

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

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

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

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

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

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

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

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

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

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

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

- verification of observable pricing;
- a review and approval process for new models and changes to models involving the Risk Analysis and Control Division and the Group's 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 Analysis and Control division assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

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

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

in thousands of BGN

<b>31 December 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss	7,358	259,557	14	266,929
Financial assets at fair value through other comprehensive income	649,016	176,376	490	825,882
Derivatives held for risk management	724	3,976	-	4,700
<b>Total</b>	<b>657,098</b>	<b>439,909</b>	504	<b>1,097,511</b>

in thousands of BGN

<b>31 December 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit or loss	8,316	258,605	14	266,935
Financial assets at fair value through other comprehensive income	544,251	169,341	490	714,082
Derivatives held for risk management	814	(361)	-	453
<b>Total</b>	<b>553,381</b>	<b>427,585</b>	504	<b>981,470</b>

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

in thousands of BGN

<b>31 December 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total fair values</b>	<b>Total balance sheet value</b>
<b>Assets</b>					
Cash and balances with Central Banks	-	2,133,197	-	2,133,197	2,133,197
Financial assets at amortised cost	207,740	-	-	207,740	199,830
Loans and advances to banks and other financial institutions	-	106,111	-	106,111	106,111
Loans and advances to customers	-	1,069,929	5,374,522	6,444,451	6,312,887
<b>Total</b>	<b>207,740</b>	<b>3,309,237</b>	<b>5,374,522</b>	<b>8,891,499</b>	<b>8,752,025</b>
<b>Liabilities</b>					
Due to banks	-	2,747	-	2,747	2,747
Due to other customers	-	5,148,701	4,401,305	9,550,006	9,542,276
Liabilities evidenced by paper	-	103,662	-	103,662	103,649
Subordinated term debt	-	9,623	-	9,623	9,623
Hybrid debt	-	267,579	-	267,579	267,579
<b>Total</b>	-	<b>5,532,312</b>	<b>4,401,305</b>	<b>9,933,617</b>	<b>9,925,874</b>

in thousands of BGN

<b>31 December 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total fair values</b>	<b>Total balance sheet value</b>
<b>Assets</b>					
Cash and balances with Central Banks	-	2,072,046	-	2,072,046	2,072,046
Financial assets at amortised cost	12,121	-	-	12,121	12,005
Loans and advances to banks and other financial institutions	-	79,618	-	79,618	79,618
Loans and advances to customers	-	1,105,310	5,049,025	6,154,335	6,017,137
<b>Total</b>	<b>12,121</b>	<b>3,256,974</b>	<b>5,049,025</b>	<b>8,318,120</b>	<b>8,180,806</b>
<b>Liabilities</b>					
Due to banks	-	2,007	-	2,007	2,007
Due to other customers	-	4,340,341	4,770,611	9,110,952	9,104,021
Liabilities evidenced by paper	-	109,339	-	109,339	109,348
Subordinated term debt	-	3,943	-	3,943	3,943
Hybrid debt	-	267,615	-	267,615	267,615
<b>Total</b>	<b>-</b>	<b>4,723,245</b>	<b>4,770,611</b>	<b>9,493,856</b>	<b>9,486,934</b>

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

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

## 6. Net interest income

in thousands of BGN	2020	2019
<b>Interest income</b>		
Accounts with and placements to banks and financial institutions	628	1,743
Revenue from interest on liabilities	-	9
Large enterprise	85,815	87,465
Medium enterprise	36,379	41,644
Small business	22,232	24,709
Micro enterprise	15,086	15,413
Households	130,289	124,657
Debt instruments	23,434	14,090
	<b>313,863</b>	<b>309,730</b>
<b>Interest expense</b>		
Deposits from banks	(5)	(12)
Deposits from other customers	(30,268)	(34,953)
Liabilities evidenced by paper	(660)	(707)
Subordinated term debt	(281)	(119)
Hybrid debt	(27,541)	(23,038)
Interest on assets cost	(5,026)	(3,791)
Lease agreements and other	(404)	(396)
	<b>(64,185)</b>	<b>(63,016)</b>
<b>Net interest income</b>	<b>249,678</b>	<b>246,714</b>

For 2020 the recognized interest income from individually impaired financial assets (loans to customers) amounted to BGN 32,252 thousand (2019: BGN 25,043 thousand).

## 7. Net fee and commission income

in thousands of BGN	2020	2019
<b>Fee and commission income</b>		
Letters of credit and guarantees	2,412	3,553
Payment operations	19,787	23,901
Customer accounts	34,766	32,892
Card services	32,406	35,108
Other	31,436	35,737
	<b>120,807</b>	<b>131,191</b>
<b>Fee and commission expense</b>		
Letters of credit and guarantees	(484)	(661)
Payment systems	(2,353)	(2,992)
Card services	(14,809)	(16,348)
Other	(3,969)	(4,416)
	<b>(21,615)</b>	<b>(24,417)</b>
<b>Net fee and commission income</b>	<b>99,192</b>	<b>106,774</b>

## 8. Net trading income

in thousands of BGN	2020	2019
Net trading income arises from:		
- Debt instruments	(68)	(68)
- Equities	(120)	30
- Foreign exchange rate fluctuations	12,719	15,416
<b>Net trading income</b>	<b>12,531</b>	<b>15,378</b>

## 9. Other net operating income

in thousands of BGN	2020	2019
Other net operating income arising from:		
- Net income from transactions and revaluation of gold and precious metals	604	789
- Rental income	5,740	5,542
- Debt instruments	3,517	8,182
- Equities	2,188	4,344
- Income from management of assigned receivables	162	54,643
- Gain on administration of loans acquired through business combination	97	1,118
<b>Other net operating income</b>	<b>12,308</b>	<b>74,618</b>

## 10. Administrative expenses

in thousands of BGN	2020	2019
General and administrative expenses comprise:		
- Personnel cost	67,742	71,842
- Amortization of equipment and tangible fixed assets	13,165	14,392
Rights of use assets	35,011	33,424
- Advertising	10,298	14,011
- Telecommunication, software and other computer maintenance	12,665	12,401
- Other expenses for external services	54,926	74,378
<b>Administrative expenses</b>	<b>193,807</b>	<b>220,448</b>

Personnel costs include salaries, social and health security contributions under the provisions of the local legislation. At 31 December 2020 the total number of employees was 2,910 (31 December 2019: 2,825).

The amounts accrued in 2020 for services provided by the registered auditors for independent financial audit amounted to BGN 394 thousand. The amounts accrued in 2019 for services provided by the registered auditors for independent financial audit amounted to BGN 1,107 thousand. The amounts accrued in 2020 for other services unrelated to audit and provided by the registered auditors amounted to BGN 153 thousand. In 2019 no amounts were accrued for other services unrelated to audit and provided by the registered auditors.



## 11. Allowance for impairment

in thousands of BGN	2020	2019
<b>Write-downs</b>		
Loans and advances to customers	(140,462)	(204,265)
Investments in non-consolidated subsidiaries	-	-
(v) Capital instruments at fair value through other comprehensive income	(124)	-
Securities at amortised cost	-	(779)
Off balance sheet commitments	(490)	(701)
<b>Reversal of write-downs</b>		
Loans and advances to customers	41,971	84,990
(v) Capital instruments at fair value through other comprehensive income	42	19
Off balance sheet commitments	356	1,006
<b>Impairment, net</b>	<b>(98,707)</b>	<b>(119,730)</b>

The expense for impairment in 2020 and 2019 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 Group in recognising the risk of loss for certain individually impaired exposures.

## 12. Other income/(expenses), net

	2020	2019
Income from sale of assets	1,591	1,354
Revaluation of investment property	2,312	72,940
Income from sale of investment property	(368)	31
Dividend income	430	5,724
Net earned insurance premiums	6,281	5,242
Cost of guarantee schemes	(35,945)	(33,019)
Claims incurred	(3,459)	(3,385)
(Expense)/reversal of expense for provisions for pending court cases	(69)	(228)
Other income, net	(469)	2,394
<b>Total</b>	<b>(29,696)</b>	<b>51,053</b>

## 13. Income tax expense

	2020	2019
Current taxes	(1,213)	(1,616)
Deferred taxes (See Note 21)	(4,769)	(14,821)
<b>Income tax expense</b>	<b>(5,982)</b>	<b>(16,437)</b>

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

in thousands of BGN	2020	2019
<b>Accounting profit before taxation</b>	<b>51,499</b>	<b>154,359</b>
Corporate tax at applicable tax rate (10% for 2020 and 10% for 2019)	5,150	15,436
Effect from tax rates of foreign subsidiaries and branches	739	742
Tax effect of permanent tax differences	23	269
Other	70	(10)
<b>Income tax expense</b>	<b>5,982</b>	<b>16,437</b>
Effective tax rate	11.62%	10.65%

## 14. Earnings per share

	2020	2019
Net profit attributable to shareholders (in thousands of BGN)	44,974	137,579
Average weighted number of ordinary shares held (in thousands)	126,339	110,000
<b>Earnings per share (BGN)</b>	<b>0.36</b>	<b>1.25</b>

The basic earnings per share, calculated in accordance with IAS 33, are based on the profit attributable to ordinary equity holders of the Group. In 2020 as in the previous year, no conversion or option rights were outstanding. The diluted earnings per share, therefore, correspond to the basic earnings per share.

## 15. Cash and balances with Central Banks

in thousands of BGN	2020	2019
Cash on hand		
- in BGN	135,251	149,517
- in foreign currency	53,845	56,593
Balances with Central Banks	1,655,521	1,751,745
Current accounts and amounts with foreign banks	288,580	114,191
<b>Total</b>	<b>2,133,197</b>	<b>2,072,046</b>

## 16. Investments in securities

In thousands of BGN	2020	2019
Bonds and notes issued by:		
Bulgarian Government		
- denominated in BGN	260,139	195,460
- denominated in foreign currencies	182,390	163,200
Foreign governments	561,735	344,542
Corporates	236,974	236,975
Foreign banks	24,011	26,227
Other issuers – equity instruments	27,392	26,618
<b>Total</b>	<b>1,292,641</b>	<b>993,022</b>
Of which financial assets:		
at fair value through other comprehensive income	825,882	714,082
at amortised cost	199,830	12,005
at fair value through profit and loss	266,929	266,935
<b>Total</b>	<b>1,292,641</b>	<b>993,022</b>

A portion of the reported bonds of the Bulgarian and of foreign governments amounting to BGN 86,103 thousand (BGN 86,219 thousand in 2019) are subject to a Total Return Swap Agreement.

At the end of 2020, as at the end of 2019, no securities were subject to repurchase agreements.

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

### (a) Analysis by type

in thousands of BGN	2020	2019
Placements with banks	34,094	45,313
Receivables under resale agreements	-	5,416
Other	72,017	28,889
<b>Total</b>	<b>106,111</b>	<b>79,618</b>

### (b) Geographical analysis

in thousands of BGN	2020	2019
Domestic banks and financial institutions	39,596	13,655
Foreign banks and other financial institutions	66,515	65,963
<b>Total</b>	<b>106,111</b>	<b>79,618</b>

## 18. Loans and advances to customers

31/12/2020

in thousands of BGN	Gross value	Allowance for impairment	Amortised cost
Large enterprise	2,610,673	(215,481)	2,395,192
Medium enterprise	1,144,173	(141,592)	1,002,581
Small business	564,876	(44,851)	520,025
Micro enterprise	350,200	(11,340)	338,860
Households			
- Consumer loans	972,496	(67,693)	904,803
- Mortgage loans	1,009,903	(17,395)	992,508
- Credit cards	179,780	(25,960)	153,820
- Other programmes and collateralised financing	5,098	-	5,098
<b>Total</b>	<b>6,837,199</b>	<b>(524,312)</b>	<b>6,312,887</b>

31/12/2019

in thousands of BGN	Gross value	Allowance for impairment	Amortised cost
Large enterprise	2,434,081	(238,189)	2,195,892
Medium enterprise	1,189,054	(143,549)	1,045,505
Small business	542,875	(43,989)	498,886
Micro enterprise	324,700	(8,478)	316,222
Households			
- Consumer loans	901,057	(41,523)	859,534
- Mortgage loans	936,102	(16,121)	919,981
- Credit cards	194,464	(18,445)	176,019
- Other programmes and collateralised financing	5,098	-	5,098
<b>Total</b>	<b>6,527,431</b>	<b>(510,294)</b>	<b>6,017,137</b>

### (a) Movement in impairment allowances

in thousands of BGN

<b>Balance as at 01 January 2020</b>	<b>510,294</b>
Additional allowances	140,463
Amounts released	(41,971)
Write-offs	(82,796)
Other	(1,678)
<b>Balance as at 31 December 2020</b>	<b>524,312</b>

## 19. Property and equipment

in thousands of BGN	Land and Buildings	Fixtures and fittings	Motor vehicles	Assets under Construction	Leasehold Improvements	Total
<b>Cost</b>						
<b>At 01 January 2019</b>	<b>17,651</b>	<b>146,265</b>	<b>6,936</b>	<b>20,153</b>	<b>68,661</b>	<b>259,666</b>
Additions	-	925	-	11,945	254	13,124
Transferred from investment property	4,136	-	-	-	-	4,136
Transferred from repossessed assets	999	-	-	-	-	999
Exchange rate differences	-	68	4	4	29	105
Write-offs	(578)	(7,969)	(48)	(6,796)	(2,587)	(17,978)
Transfers	-	5,980	-	(9,436)	1,472	(1,984)
<b>At 31 December 2019</b>	<b>22,208</b>	<b>145,269</b>	<b>6,892</b>	<b>15,870</b>	<b>67,829</b>	<b>258,068</b>
Additions	-	433	-	10,938	138	11,509
Exchange rate differences	-	(105)	(5)	(4)	(37)	(151)
Write-offs	-	(3,203)	-	(56)	(1,484)	(4,743)
Transfers	-	3,577	84	(9,122)	125	(5,336)
<b>At 31 December 2020</b>	<b>22,208</b>	<b>145,971</b>	<b>6,971</b>	<b>17,626</b>	<b>66,571</b>	<b>259,347</b>
<b>Amortisation</b>						
<b>At 01 January 2019</b>	<b>4,765</b>	<b>122,315</b>	<b>6,305</b>	-	<b>42,330</b>	<b>175,715</b>
Exchange rate differences	-	51	3	-	25	79
Accrued during the year	645	7,643	256	-	2,504	11,048
For write-offs	(132)	(7,750)	(48)	-	(2,582)	(10,512)
<b>At 31 December 2019</b>	<b>5,278</b>	<b>122,259</b>	<b>6,516</b>	-	<b>42,277</b>	<b>176,330</b>
Exchange rate differences	-	(66)	(3)	-	(29)	(98)
Accrued during the year	807	7,069	141	-	2,739	10,756
For write-offs	-	(3,183)	-	-	(1,484)	(4,667)
<b>At 31 December 2020</b>	<b>6,085</b>	<b>126,079</b>	<b>6,654</b>	-	<b>43,503</b>	<b>182,321</b>
<b>Carrying amount</b>						
<b>At 01 January 2019</b>	<b>12,886</b>	<b>23,950</b>	<b>631</b>	<b>20,153</b>	<b>26,331</b>	<b>83,951</b>
<b>At 31 December 2019</b>	<b>16,930</b>	<b>23,010</b>	<b>376</b>	<b>15,870</b>	<b>25,552</b>	<b>81,738</b>
<b>At 31 December 2020</b>	<b>16,123</b>	<b>19,892</b>	<b>317</b>	<b>17,626</b>	<b>23,068</b>	<b>77,026</b>

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 Group'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 2020 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.

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>	<ol style="list-style-type: none"> <li>1. Expected market growth of rent (4.5-6.8%, weighted average 5.6%).</li> <li>2. Period for cancellation (6 months on average after each rental agreement).</li> <li>3. Occupancy (90-95%, weighted average 92.5%).</li> <li>4. Periods when no rent is paid (1 year for new rental agreement).</li> <li>5. Risk adjusted discount rate (4-9%, weighted average 6.5%).</li> </ol>	<p>The fair value will increase (decrease) where:</p> <ul style="list-style-type: none"> <li>• the expected market growth of rent is higher (lower);</li> <li>• periods for cancellation are shorter (longer);</li> <li>• Occupancy is higher (lower);</li> <li>• the periods when no rent is paid are shorter (longer); or</li> <li>• the risk adjusted discount rate is lower (higher).</li> </ul>
<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>	<ol style="list-style-type: none"> <li>1. Expected market growth of property (5-10%, weighted average 7.5%).</li> <li>2. Time required to affect the sale (6 months on average after the offer is placed).</li> <li>3. Transaction success rate (90-95%, weighted average 92.5%).</li> <li>4. Location (1.0-1.05, weighted average 1.025).</li> <li>5. Property status (1.0-1.1, weighted average 1.05).</li> </ol>	<p>The fair value will increase (decrease) where:</p> <ul style="list-style-type: none"> <li>• the expected market growth of property is higher (lower);</li> <li>• the period of time required for the sale is shorter (longer);</li> <li>• there is a change in the technical condition of the property</li> </ul>

## 20. Intangible assets

in thousands of BGN	Software and licences	Goodwill	Total
<b>Cost</b>			
<b>At 01 January 2019</b>	<b>42,258</b>	<b>540</b>	<b>42,798</b>
Additions	267	-	267
Exchange rate differences	19	-	19
Write-offs	(2184)	-	(2184)
Transfers	1,984	-	1,984
<b>At 31 December 2019</b>	<b>42,344</b>	<b>540</b>	<b>42,884</b>
Additions	899	-	899
Exchange rate differences	26.	-	26.
Write-offs	(1)	-	(1)
Transfers	5,336	-	5,336
<b>At 31 December 2020</b>	<b>48,552</b>	<b>540</b>	<b>49,092</b>
<b>Amortisation</b>			
<b>At 01 January 2019</b>	<b>28,396</b>	-	<b>28,396</b>
Exchange rate differences	16	-	16
Accrued during the year	3344	-	3344
For write-offs	(1,498)	-	(1,498)
<b>At 31 December 2019</b>	<b>30,258</b>	-	<b>30,258</b>
Exchange rate differences	(17)	-	(17)
Accrued during the year	2,409	-	2,409
For write-offs	(1)	-	(1)
<b>At 31 December 2020</b>	<b>32,649</b>	-	<b>32,649</b>
<b>Carrying amount</b>			
<b>At 01 January 2019</b>	<b>13,862</b>	<b>540</b>	<b>14,402</b>
<b>At 31 December 2019</b>	<b>12,086</b>	<b>540</b>	<b>12,626</b>
<b>At 31 December 2020</b>	<b>15,903</b>	<b>540</b>	<b>16,443</b>

## 21. Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 10% for Bulgaria and of 15% for Albania.

The deferred tax as at 31 December 2020 refers to the following items of the statement of financial position:

In thousands of BGN	Assets	Liabilities	Net
Property, equipment and intangibles	(74)	2,677	2,603
Investment Property	-	20,617	20,617
Tax loss	(2,089)	-	(2,089)
Other	(2,445)	2,958	513
<b>Net tax (assets)/liabilities</b>	<b>(4,608)</b>	<b>26,252</b>	<b>21,644</b>

The deferred tax as at 31 December 2019 refers to the following items of the statement of financial position:

In thousands of BGN	Assets	Liabilities	Net
Property, equipment and intangibles	(101)	2,337	2,236
Investment Property	-	20,385	20,385
Tax loss	(6,093)	-	(6,093)
Other	(2,780)	3,680	900
<b>Net tax (assets)/liabilities</b>	<b>(8,974)</b>	<b>26,402</b>	<b>17,428</b>

The movements of temporary differences in 2020 are recognised as follows:

in thousands of BGN	31 December 2019	Recognised during the period (in profit) or loss	Recognised during the period in equity	Other movements	31 December 2020
	Net liabilities				Net liabilities
Property, equipment and intangibles	2,236	366	-	1	2,603
Investment Property	20,385	232	-	-	20,617
Tax loss	(6,093)	4,004	-	-	(2,089)
Other	900	163	(530)	(20)	513
<b>Net tax (assets)/liabilities</b>	<b>17,428</b>	<b>4,765</b>	<b>(530)</b>	<b>(19)</b>	<b>21,644</b>

## 22. Repossessed assets

in thousands of BGN	2020	2019
Land	473,315	470,774
Buildings	205,905	209,088
Machines, plant and vehicles	33,594	35,467
Fixtures and fittings	805	800
<b>Total</b>	<b>713,619</b>	<b>716,129</b>

Repossessed assets acquired as collateral are measured at the lower of cost and net realisable value. The net realizable value of the lands and buildings is approximately equal to their fair value. The assessment methodology for land and buildings is given in note 19.



## 23. Investment Property

in thousands of BGN

<b>Balance as at 01 January 2020</b>	<b>410,511</b>
Additions	10
Transferred from repossessed assets	2,315
Revaluation of investment property to the fair value recognised at transfer	2,312
Write-offs upon sale	(1,127)
<b>Balance as at 31 December 2020</b>	<b>414,021</b>

## 24. Rights of use assets

in thousands of BGN

<b>At 01 January 2020</b>	<b>159,659</b>
Additions	253
Amortisation	(35,023)
Effect of modification to lease terms and expectations on lease term	29,432
Exchange rate differences	(241)
<b>At 31 December 2020</b>	<b>154,080</b>
<b>Lease liabilities</b>	
<b>At 01 January 2020</b>	<b>159,633</b>
Additions	253
Lease payments	(34,859)
Effect of modification to lease terms and expectations on lease term	29,463
Exchange rate differences	(9)
<b>At 31 December 2020</b>	<b>154,481</b>

Right-of-use assets recognised by the Group are the branches and offices in various towns in Bulgaria Cyprus and Albania, as well as the buildings in which the Bank's headquarters are located - lines Upon completing the initial recognition, the Group analysed and took into account information on the expected duration of the period in which the Group will be using the assets. In 2020 some of these expectations changed and as a result the Group reviewed its initial assessment and recognized an increase in the right-of-use assets in the amount of BGN 29,462 thousand, and in lease liabilities in the amount of BGN 29,463 thousand.

In the assessment of right-of-use assets and lease liabilities, the Group 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 thousands of BGN	Maturity analysis of lease liabilities		
	To 1 year	More than 1 year	Total
At 01 January 2020	32,564	127,069	159,633
At 31 December 2020	32,046	122,435	154,481

## 25. Other assets

in thousands of BGN	2020	2019
Deferred expense	11,474	11,397
Gold	2,661	5,592
Investments in non-consolidated subsidiaries	9,247	8,247
Other assets	86,620	91,386
<b>Total</b>	<b>110,002</b>	<b>116,622</b>

## 26. Due to banks

in thousands of BGN	2020	2019
Payable on demand	2,747	2,007
<b>Total</b>	<b>2,747</b>	<b>2,007</b>

## 27. Due to other customers

in thousands of BGN	2020	2019
Retail customers		
- current accounts	1,967,574	1,569,092
- term and savings deposits	5,288,201	5,504,086
Businesses and public institutions		
- current accounts	1,757,737	1,560,147
- term deposits	528,764	470,696
<b>Total</b>	<b>9,542,276</b>	<b>9,104,021</b>

## 28. Liabilities evidenced by paper

in thousands of BGN	2020	2019
Acceptances under letters of credit	6,776	10,164
Debt related to agreements for full swap of profitability	73,240	73,375
Financing from financial institutions	23,633	25,809
<b>Total</b>	<b>103,649</b>	<b>109,348</b>

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 31/12/2020
European Investment Fund – JEREMIE 2	0 % - 1.136%	30/09/2025	4,244
Bulgarian Bank for Development AD	1% - 1.583%	15.03.2027 - 30.11.2028	16,137
Manager of financial instruments in Bulgaria fund	0%	31/12/2033	3,252
<b>Total</b>			<b>23,633</b>

in thousands of BGN

Lender	Interest rate	Maturity	Amortised cost as at 31/12/2019
State Fund Agriculture	2%	13.01.2020 - 15.02.2020	3
European Investment Fund – JEREMIE 2	0 % - 1.218%	30/09/2025	7,419
Bulgarian Bank for Development AD	1% - 1.583%	15.03.2027 - 30.11.2028	16,137
Manager of financial instruments in Bulgaria fund	0%	31/12/2033	2,250
<b>Total</b>			<b>25,809</b>

## 29. Hybrid and subordinated debt

in thousands of BGN	Principal amount	Amortised cost as at 31 December 2019
Hybrid debt with principal EUR 40 mio	78,233	84,910
Hybrid debt with principal EUR 60 mio	117,350	123,840
Hybrid debt with principal EUR 30 mio	58,675	58,829
<b>Total</b>	<b>254,258</b>	<b>267,579</b>

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
<b>Total</b>	<b>254,258</b>	<b>267,615</b>

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

The third hybrid instruments fully comply with the requirements of Regulation 575/2013 and are included 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 the Group to include in its additional tier 1 capital the amount of EUR 30,000 thousand (equivalent to BGN 58,675 thousand), attracted via the capital instrument issued by the Group, an issue of perpetual, non-cumulative, non-convertible bonds registered on 20 December 2019 with the Central Depository under ISIN code BG2100023196.

On 25 April 2019, the Group (through its subsidiary bank in Albania) issued subordinated term debt. The maturity date of the subordinated term debt is 25 April 2026, and it is denominated in Euro with total amount of EUR 2,000 thousand. The subordinated term debt instrument fully complies with the requirements of Regulation 575/2013 for inclusion in the tier 2 capital.

On 18 June 2020, the Group (through its subsidiary bank in Albania) issued subordinated term debt. The maturity date of the subordinated term debt is 25 April 2026, and it is denominated in Euro with total amount of EUR 2,000 thousand. The subordinated term debt instrument fully complies with the requirements of Regulation 575/2013 for inclusion in the tier 2 capital.

in thousands of BGN	Amortised cost as at 31 December 2020	Amortised cost as at 31 December 2019
Subordinated term debt with principal of EUR 2 million	3,943	3,943
Subordinated term debt with principal of EUR 2.9 million	5,680	-
<b>Total</b>	<b>9,623</b>	<b>3,943</b>

The two subordinated term debt instruments fully comply with the requirements of Regulation 575/2013 and are included in the additional tier 2 capital.

## 30. Other liabilities

in thousands of BGN	2020	2019
Liabilities to personnel	1,878	3,171
Insurance contract provisions	4,711	4,609
Provisions for pending court cases	1,031	962
Impairment on off balance sheet commitments	843	709
Other payables	8,116	7,380
<b>Total</b>	<b>16,579</b>	<b>16,831</b>

## 31. Capital and reserves

### (a) Number and face value of registered shares as at 31 December 2020

The subscription for the public offering of shares of First Investment Bank AD was completed successfully on 3 July 2020. Out of the 40 000 000 ordinary dematerialized shares with nominal value of BGN 1, and issue value of BGN 5.00 each, a total of 39 084 800 shares were subscribed and paid up.

On 31 July 2020 First Investment Bank's capital increase was registered in the Commercial Register and Register of Non-for-profit Legal Entities. This registration was carried out after the subscription for shares was successfully completed on 03 July 2020 based on the prospectus confirmed by the Financial Supervision Commission.

Thus, the Bank's capital was increased to BGN 149 084 800 by issue of 39 084 800 new ordinary, registered, dematerialized shares, each with one voting right in the general meeting, with nominal value of BGN 1 and issue value of BGN 5. The amount of the capital after the increase was reflected in the By-Laws of First Investment Bank AD after approval granted by the Bulgarian National Bank.

With relation to this issue, the Bank's premium reserve increased by BGN 153,017 thousand, net of the issue costs, reaching a total amount of BGN 250,017 thousand (as at 31 December 2019: BGN 97,000 thousand).

### (b) Shareholders

The table below shows those shareholders of the Bank holding shares as at 31 December 2020 together with the number and percentage of total issued shares.

	Number of shares	% of issued share capital
Mr. Ivailo Dimitrov Mutafchiev	46,750,000	31.36
Mr. Tzeko Todorov Minev	46,750,000	31.36
Bulgarian Bank for Development AD	27,350,000	18.35
Valea Foundation	11,734,800	7.87
Other shareholders (shareholders holding shares subject to free trade on the Bulgarian Stock Exchange – Sofia)	16,500,000	11.06
<b>Total</b>	<b>149,084,800</b>	<b>100.00</b>

### (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 2020, as in the previous year, the Bank did not distribute dividends.

## 32. Commitments and contingent liabilities

### (a) Contingent liabilities

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

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

in thousands of BGN	2020	2019
Bank guarantees	181,347	212,534
Unused credit lines	588,900	668,866
Letters of credit	25,430	7,830
<b>Total</b>	<b>795,677</b>	<b>889,230</b>
Impairment on off balance sheet commitments	843	709

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 Group to extend specific financial instruments. The negotiation of a specific loan transaction with the Group 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 Group.

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:

in thousands of BGN	2020	2019
Cash and balances with Central Banks	2,133,197	2,072,046
Loans and advances to banks and financial institutions with original maturity less than 3 months	69,574	41,967
<b>Total</b>	<b>2,202,771</b>	<b>2,114,013</b>

## 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.

in thousands of BGN	2020	2019
<b>FINANCIAL ASSETS</b>		
Cash and balances with Central Banks	1,898,055	1,812,197
Investments in securities	1,142,514	798,145
Loans and advances to banks and other financial institutions	80,748	85,497
Loans and advances to customers	6,203,222	5,955,105
<b>FINANCIAL LIABILITIES</b>		
Due to banks	1,565	3,488
Due to other customers	9,164,760	8,676,531
Liabilities evidenced by paper	106,255	113,402
Subordinated term debt	7,378	2,374
Hybrid debt	269,268	212,611

## 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	Parties that control or manage the Group		Enterprises under common control	
	2020	2019	2020	2019
in thousands of BGN				
<b>Loans</b>				
Loans outstanding at beginning of the period	2,327	1,769	7,709	11,179
Loans issued/(repaid) during the period	(558)	558	63,283	(3,470)
<b>Loans outstanding at end of the period</b>	<b>1,769</b>	<b>2,327</b>	<b>70,992</b>	<b>7,709</b>
<b>Deposits and loans received:</b>				
At beginning of the period	11,718	12,862	9,459	12,928
Received/(paid) during the period	1,557	(1,144)	5,735	(3,469)
<b>At the end of the period</b>	<b>13,275</b>	<b>11,718</b>	<b>15,194</b>	<b>9,459</b>
<b>Deposits placed</b>				
Deposits at beginning of the period	-	-	18,748	19,704
Deposits placed/(matured) during the year	-	-	(15,793)	(956)
<b>Deposits at end of the period</b>	<b>-</b>	<b>-</b>	<b>2,955</b>	<b>18,748</b>
<b>Other receivables</b>				
At beginning of the period	-	-	16,790	22,118
Received/(paid) during the period	-	-	775	(5,328)
<b>At the end of the period</b>	<b>-</b>	<b>-</b>	<b>17,565</b>	<b>16,790</b>
<b>Off-balance sheet commitments</b>				
At beginning of the period	975	1,283	1,062	351
Issued/(expired) during the period	56	(308)	(359)	711
<b>At the end of the period</b>	<b>1,031</b>	<b>975</b>	<b>703</b>	<b>1,062</b>

Type of related party	Parties that control or manage the Group		Enterprises under common control	
	2020	2019	2020	2019
in thousands of BGN				
Interest income	25	38	2,415	556
Interest expense	10	3	1	8
Fee and commission income	14	19	166	187
Fee and commission expense	3	2	293	562

The key management personnel received remuneration of BGN 10,087 thousand for 2020 (2019: BGN 10,069 thousand), and other related parties received BGN 1,985 thousand (2019: BGN 2,054 thousand).

## 36. Subsidiaries

### (a) First Investment Finance B.V.

In April 2003 the Group created a special purpose entity, incorporated in the Netherlands, First Investment Finance B.V. The company is owned by the Group. 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 Group. 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. The Group consolidates its investment in the enterprise.

### (b) Diners Club Bulgaria AD

In May 2005 the Group 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 2020 the share capital of the company is BGN 610 thousand, and the Group's shareholding is 94.79%. The Group consolidates its investment in the enterprise.

### (c) First Investment Bank - Albania Sh.a.

In April 2006 the Group 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 2020 the share capital of First Investment Bank – Albania Sh.a. was EUR 11,975 thousand, fully paid up, and the Group's shareholding is 100%. The Group consolidates its investment in the enterprise.

### (d) Debita OOD and Realtor OOD

Acting jointly the Group 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. Debita OOD - 70%, i.e. 1,050 shares for the Group and 30%, i.e. 450 shares for FFBH OOD.
2. Realtor OOD - 51%, i.e. 765 shares for the Group 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. These companies are not included in the consolidated financial statements of the Group for the year ended 31 December 2020, as they are considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiaries is reconsidered at each reporting date.

### (e) Fi Health Insurance AD

In the second half of 2010 the Group 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 2020 the share capital of the company is BGN 5,000 thousand, and the Group's shareholding is 59.10%. The Group consolidates its investment in the enterprise.

### (f) Balkan Financial Services EAD

In February 2011 the Group 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 Group's shareholding is 100%. The company is not included in the consolidated financial statements of the Group for the year ended 31 December 2020, as it is considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiary is reconsidered at each reporting date.

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

During the first half of 2013 the Group 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. These companies are not included in the consolidated financial statements of the Group for the year ended 31 December 2020, as they are considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiaries is reconsidered at each reporting date.

### (h) AMC Imoti EOOD

AMC Imoti EOOD was registered in September 2010 and was acquired by the Group 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 2020 the capital of the company is BGN 500 thousand, and the Group is the sole owner. The company is not included in the consolidated financial statements of the Group for the year ended 31 December 2020, as it is considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiary is reconsidered at each reporting date.

### (l) Other

The Group indirectly holds the subsidiary Fi Health EOOD. The company is not included in the consolidated financial statements of the Group for the year ended 31 December 2020, as it is considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiary is reconsidered at each reporting date.

### (j) MyFin EAD

At its meeting held on 21 March 2019 the Group'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 Group's Managing Board decision was approved by the Supervisory Board on 27 March 2019. On 19 April 2019 the Group paid up the company's capital, amounting to BGN 1,000 thousand, as per the decisions of the competent bodies. The company holds a license to operate as an electronic money institution, and also has the right to carry out the activities listed in the payment services license, as stated in the company's scope of operation by Resolution No. 71 of 27.02.2020 issued by the BNB Governor, under No. BNB-26660/02.03.2020. After the company obtained its license, it was listed in the Commercial Register and Register of Non-Profit Legal Entities on 25.03.2020 under listing No. 20200325093135. The company is not included in the consolidated financial statements of the Group for the year ended 31 December 2020, as it is considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiary is reconsidered at each reporting date.

## 37. Post balance sheet events

No adjusting and significant non-adjusting events have occurred after the end of the reporting period, other than those disclosed below:

- On 7 January 2021 the Management Board issued a resolution to terminate its subsidiary Turnaround Management EOOD; a procedure for liquidation was launched in accordance with Article 266 and subsequent of the Commerce Act. The resolution is subject to approval by the Supervisory Board and such approval was granted in 2021.

We focus on what  
is really important



# Meeting the 2020 goals

N	Goals	Achievement
<b>STABILITY AND RETURN</b>		
1	To maintain a sustainable business model and return for shareholders	<ul style="list-style-type: none"> <li>• The Group of First Investment Bank reported a steady growth of assets, which reached BGN 11,335,420 thousand at the end of 2020 (2019: BGN 10,660,175 thousand), according to the challenges of the environment and the COVID-19 pandemic. Return on equity (ROE) after taxes amounted to 4.22% on a consolidated basis.</li> <li>• During the year, a new framework for risk appetite was structured, aiming at maintaining a moderately low level of risk and applying a conservative approach to managing the inherent risks. The Bank continued to develop its activities primarily in the segments of retail banking and SMEs.</li> <li>• The deposit base of the Group increased to BGN 9,542,276 thousand at the end of the period (2019: BGN 9,104,021 thousand), which reflected the trust of the clients and the high quality of customer service. The total loan portfolio increased and reached BGN 6,312,887 thousand (2019: BGN 6,017,137 thousand).</li> </ul> <p><i>For more information, see the section "Financial Review"</i></p>
2	To implement capital levers in order to maintain stable capital ratios and a conservative approach to risk management	<ul style="list-style-type: none"> <li>• First Investment Bank successfully increased its capital by BGN 195,424 thousand. New shareholders are Bulgarian Development Bank AD with 18.35% share and the Valea Foundation with 7.87%.</li> <li>• Following permission from the BNB, First Investment Bank included in its Additional Tier 1 capital (AT1) the amount of EUR 30 million raised through a capital-hybrid instrument (bond issue) issued by the Bank.</li> <li>• The Bank's net annual profit for 2019 was included in the Common Equity Tier 1 (CET1), after obtaining permission from the BNB in March 2020.</li> <li>• At the end of 2020, the capital indicators of the Group increased to: Common Equity Tier 1 capital – 17.72%, tier 1 capital - 21.15% and total capital adequacy - 21.28%</li> </ul> <p><i>For more information, see the section "Capital"</i></p>
3	To optimize balance sheet items, including by improving asset quality and reducing non-interest-bearing assets	<ul style="list-style-type: none"> <li>• The Bank continued to pursue its objectives of reducing non-performing exposures and acquired assets, taking into account the difficulties of the environment and investors' interest as a result of the COVID-19 pandemic.</li> <li>• At the end of the year the acquired assets decreased to BGN 713,619 thousand, including as a percentage of total assets of the Group - up to 6.3%. Non-performing exposures also decreased relative to the total loan portfolio.</li> <li>• During the year the Bank joined the approved a Procedure for deferral and settlement of due liabilities to banks in connection with COVID-19 (private moratorium).</li> <li>• During the year a new Strategy for reduction of non-performing exposures and acquired assets for the period 2021-2023 and an operational plan for its implementation were adopted.</li> </ul> <p><i>For more information, see the section "Risk Management"</i>.</p>

BUSINESS MIX AND PRODUCTS		
4	To continue to develop its activity with a priority focus on the segments of retail banking and services for small and medium business	<ul style="list-style-type: none"> <li>The portfolios to households, micro and small enterprises registered an increase - up to BGN 2,167 million, BGN 350 million, and BGN 565 million, and the medium ones reached BGN 1,144 million by the end of 2020, occupying 31.7%, 5.1%, 8.3% and 16.7% in the total portfolio of the Group.</li> <li>During the year, First Investment Bank provided loans under the BDB Program to guarantee interest-free loans in protection of people deprived of the opportunity to work due to the COVID-19 pandemic.</li> <li>The Bank managed to negotiate easing of the eligibility conditions under the Microcredit with Shared Risk program, in support of start-ups and businesses developing social activities.</li> <li>The granting of loans under the programs of BDB and Fund Manager of Financial Instruments in Bulgaria for portfolio guarantees in support of micro, small and medium enterprises affected by the emergency situation and the epidemic of COVID-19 has started.</li> </ul> <p><i>For more information, see the section "Business Overview".</i></p>
5	Introduce new products with a focus on the transaction business and cross-selling	<ul style="list-style-type: none"> <li>Fibank offered a bonus upon approval of a new consumer or mortgage loan - in the form of an overdraft on a debit card in the amount of up to 3 salaries and without interest for the first year.</li> <li>A specialized loan product was developed for agricultural producers – "Agropodkrepa" loan, in the form of a revolving loan or overdraft with financing of up to BGN 80 per decare for arable land and a repayment period of up to 10 years.</li> <li>Development of digital services in all areas of banking, both in credit services and savings products, and payment services.</li> </ul> <p><i>For more information, see the section "Business Overview".</i></p>
6	To develop personalized services and maintain high quality customer service	<ul style="list-style-type: none"> <li>The offering of a new service - "Video Consultation" for individuals on credit products, available through the corporate website, digital and mobile banking, started.</li> <li>The personal banking service, aimed at a certain segment of customers and minimum financial criteria, contributed to a 23% growth in the serviced customers of private banking.</li> <li>Recognition for the maintained high quality of customer service were the awards for the best credit institution in the competition "Company of the Year 2020", organized by Business Lady magazine, as well as "Favourite Brand 2020" of the Bulgarian consumer among the financial institutions of the consumer ranking "My Love Marks".</li> </ul> <p><i>For more information, see the section "Awards 2020"</i></p>
DIGITALISATION AND TECHNOLOGY		
7	To introduce high-tech solutions in accordance with the development of new technologies and digital services	<ul style="list-style-type: none"> <li>During the year First Investment Bank expanded the range of cards that can be digitized - Mastercard and VISA.</li> <li>Customers with an issued VISA debit or credit card were provided with the opportunity to use the Apple Pay service for payment with iPhone and / or Apple Watch.</li> <li>In 2020, the services for providing account information and initiating payment were available on iOS devices through My Fibank mobile banking.</li> <li>The issuance of an innovative card product with the possibility of paying equal installments, as well as participation in a loyalty program started.</li> </ul> <p><i>For more information, see the section „Card Payments“</i></p>

8	To improve distribution channels with priority development of remote banking, including by applying an innovative approach and collaborating with fintech companies	<ul style="list-style-type: none"> <li>• A new subsidiary was established - MyFin EAD, which started its activity by offering a digital platform for fast money transfers and online payments, issuing digital cards, as well as innovative services, including ordering transfers (peer-to-peer), payment by link, etc.</li> <li>• From 2020, the My Fibank mobile application was available from another major online store - Huawei AppGallery.</li> <li>• The opportunity was provided to the clients - legal entities to perform active operations through the mobile application My Fibank. The action of so-called Push notifications was expanded.</li> <li>• Efforts were made to further develop distribution channels, including through the use of intermediaries.</li> </ul> <p><i>For more information, see the section "Distribution Channels"</i></p>
9	Implement new solutions to optimize the efficiency of operations in accordance with the changing environment and future developments	<ul style="list-style-type: none"> <li>• The methods were further developed for in-depth identification of the customer (SCA) for card payments on the Internet, including new confirmation methods: by a combination of a dynamic password sent by SMS and a static password, as well as by biometric data.</li> <li>• A new option was introduced for rescheduling in equal monthly installments, the repayment of the utilized credit limit for payments made with credit cards at a POS terminal, including virtual.</li> <li>• The implementation of a software solution for organizing and storing electronic credit files was implemented.</li> <li>• The works on the projects - Branch digitalization and for improvement of the workflow systems of the Bank continued.</li> </ul> <p><i>For more information, see the section "Information Technology"</i></p>
<b>HIGH STANDARDS AND RESPONSIBILITY</b>		
10	To develop standards for corporate and internal governance in accordance with applicable European guidelines and international practices	<ul style="list-style-type: none"> <li>• In 2020, the Bank improved its corporate governance policies, including on the management of conflicts of interest, the assessment of suitability, the outsourcing of activities, the internal organization and accountability of independent compliance and internal audit functions, and internal management policies at group level. The changes were in line with national requirements as well as EBA guidelines in these areas.</li> <li>• The internal information security policies were updated in order to apply an improved approach, including with regard to the requirements for remote access to information resources, password management, as well as monitoring, evaluation and testing of the security of information systems, networks and databases.</li> </ul> <p><i>For more information, see the section "Corporate Governance"</i></p>
11	To develop human capital management through the implementation of projects aimed at upgrading the skills and professional development of employees, increasing the efficiency of processes and establishing the Bank as a preferred employer	<ul style="list-style-type: none"> <li>• Implementation of the Program for development of internal trainers, within which, through various activities for increasing the knowledge and development of training skills, 45 in house trainers, leading group trainings and 90 mentors, training their colleagues at the workplace.</li> <li>• During the year over 1200 employees underwent e-training for the development of knowledge and skills in various fields such as lending, foreign exchange payments, changes in internal regulations and more.</li> <li>• In 2020, two new corporate motivational programs (FiSales Pro and Most Valuable Team) were initiated and launched, enabling employees and teams to excel with ambition, proactivity and ability to achieve maximum results and usefulness in work.</li> <li>• Funding for the training of employees with high potential for development in the master's programs of the SDA Bocconi School of Management and the American University in Bulgaria, as well as the Higher School of Insurance and Finance, continued.</li> </ul> <p><i>For more information, see the section "Human Capital"</i></p>

12	To continue its socially responsible policy, supporting socially significant projects and initiatives	<ul style="list-style-type: none"> <li>• First Investment Bank organized a charity event in support of the Bulgarian Federation for Children Deprived of Parental Care (BFDLRG), which raised funds of over BGN 65,000 for the social cause.</li> <li>• For the second year in a row, Fibank and Mastercard supported the global World Food Program (WFP), through which part of the transaction amount was donated for humanitarian aid to families with children of preschool and school age.</li> <li>• The Bank was involved in the donation campaign in the fight against the spread of coronavirus in the country, donating 1,000 tests for free testing of COVID-19.</li> <li>• First Investment Bank also supported initiatives for less harmful emissions and environmental protection through its subsidiary MyFin, and the cards it issues are of an innovative material made of 100% biodegradable plastic.</li> </ul> <p><i>For more information, see the section "Social responsibility"</i></p>
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## Subsequent events

- In January 2021, First Investment Bank decided to close its subsidiary Turnaround Management EOOD.

*For further information, see the Consolidated Financial Statements for the year ended December 31, 2020.*



## Development goals in 2021

- To be among the leading banks in the country, with a priority focus development of the segments of retail banking and services for small and medium businesses.
- To continue its development as a customer-oriented bank, with high quality service, preferred by the population and business customers.
- To invest in the creation of new, creative products and in the development of digital services, providing its customers with competitive advantages.
- To develop a sustainable business model.
- Achieving good financial results, including in terms of return on capital and cost / income ratio.

# 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 Northern Macedonia-based card processing company servicing card payments in Bulgaria, Northern 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 and Balance of Payments with the International Monetary Fund and Banking from a specialized postgraduate course of BNB jointly with the Bulgarian Union of Science and Technology.



She was recognised 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. Up to 2015 he was member of the Board of Directors of Flavia AD.

Along with his 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” and of the non-profit organization “Union of investors in 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 AD, Republic of Northern 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



### Nikola Bakalov – Chief Executive Officer (CEO) and Chairman of the Managing Board

Mr. Nikola Bakalov has extensive experience in the banking and insurance sector in Bulgaria, combined with proven professional and managerial skills. From December 2000 to September 2011, he worked at First Investment Bank AD, taking increasing responsibilities from Card Services Specialist to Director of the Card Payments Department, which position he held for almost 6 years. During this period he was also elected as member of the executive committees of Mastercard Bulgaria and VISA Bulgaria.

In the period December 2011 - August 2012, Mr. Bakalov was member of the Managing Board of Allianz Bank Bulgaria AD, where he served as Executive Director, and subsequently as Chief Executive Officer.

From 2013 to August 2020, Mr. Bakalov was Executive Director of FiHealth Insurance AD, where he acquired significant experience in the field of insurance.

At the beginning of 2020, he was elected as Chief Retail Banking Officer (CRBO), Member of the Managing Board and Executive Director of First Investment Bank AD, responsible for the retail banking business lines within the Bank.

Since April 2020 Mr. Bakalov has been Chief Executive Officer (CEO) and Chairman of the Managing Board of First Investment Bank AD.

Responsibilities in the Bank – Compliance function, Legal Department, Corporate Communications Department, Marketing and Advertising Department, Human Capital Management Department, Administrative Department, Asset Management Department, Information Technologies Department and Protocol and Secretariat Department.

Mr. Bakalov holds a Master's degree in International Economic Relations from the University of National and World Economy in Sofia, and has additional specializations in card payments, finance retail services and corporate governance.

Apart from his position at the Bank, Mr. Bakalov is Deputy chairman of the Board of Directors of FiHealth Insurance AD and a member of the Board of Directors of Balkan Financial Services EAD.



### 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 UNIBank AD, Northern 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, Information Security Department and the specialized unit Strategic Risk Management.

Besides his position in the Bank, Mr. Popov is a Chairman of the Supervisory Board of UNIBank, Republic of Northern Macedonia, Chairman of the Board of Directors of MyFin EAD 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.

Alongside his responsibilities in the Bank for the period during 2011-August 2020 he was member of the Board of Directors of FiHealth Insurance AD.

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. He is manager and sole owner of Elea Property EOOD.



### Ralitsa Bogoeva – Chief Retail Banking Officer (CRBO), Member of the Managing Board and Executive Director

Ms. Ralitsa Bogoeva has been Chief Retail Banking Officer, Member of the Managing Board and Executive Director of First Investment Bank AD since May 2020. She has extensive professional experience in various fields of banking.

Ms. Ralitsa Bogoeva joined the team of First Investment Bank AD in 2002 as a Retail Loan Officer and a year later was promoted to Deputy Director of the Retail Banking Department, a position she held for eight years. From 2011 to 2018 she was Director, Internal Audit of Fibank. From June 2018 to 2020, Ms. Bogoeva held the position of Chief IT and Operations Officer at the Bank. During her professional career, Ms. Bogoeva has managed various projects in the fields of finance, the development and administration of products for individuals and businesses, as well as innovative projects in the field of information technology and digitalization of banking.

Ms. Bogoeva has a Master's degree in Accounting and Control from the University of National and World Economy in Sofia, as well as a number of additional qualifications in the areas of banking, international auditing standards, planning and project management.

Responsibilities in the Bank – Retail Banking Department, Private Banking Department, Digital Banking Department, Card Payments Department, Branch Network Department, Organisation and Control of Customer Service Department, Gold and Commemorative Coins Department, the Vault.

In addition to her position in the Bank, Ms. Bogoeva is a member of the Board of Directors of Diners Club Bulgaria AD, a member of the Board of Directors of MyFin EAD and a member of the Supervisory Board of UNIBanka AD, Northern Macedonia. She owns 25% of the capital of Raya Homes OOD.



## Ianko Karakolev – Chief Financial Officer (CFO) and Member of the Managing Board

Mr. Ianko Karakolev was elected Chief Financial Officer (CFO) and Member of the Managing Board of First Investment Bank AD in June 2020. He is a longtime financial analyst and staff member of First Investment Bank AD.

Mr. Karakolev joined the Bank's team in 1999 as an accountant-controller in the Financial and Accounting Department and soon became Director of the Internet Branch. In the period 2002-2007 he was promoted from Head of the Financial Statements, Analyzes and Budgeting unit to Deputy Chief Accountant. After that, until 2011, he held the position of Deputy Director of the Finance and Accounting Department. From 2011 to 2014 he was Chief Financial Officer and Director of the Finance and Accounting Department, and in the period 2014-2020 was Director of the Finance Department. During his professional career, Mr. Karakolev has participated in the management of many innovative projects contributing to the implementation of international standards and the development of banking, as well as in corporate actions such as the acquisition of MKB Unionbank and its subsequent merger with First Investment Bank AD.

Prior to joining the team of First Investment Bank AD, Mr. Karakolev worked at Bulgarian Commercial and Industrial Bank AD as an accountant. He holds a Master's degree in Finance from the University of National and World Economy in Sofia and has professional certificates and qualifications in the fields of international financial and accounting standards, the European regulatory framework on banking and reporting, management and business planning.

Responsibilities in the Bank – Finance Department, Accounting Department, Treasury Department, Investor Relations Department, Financial Institutions and Corresponding Banking Department and Intensive Loan Management Department.

In addition to his position in the Bank, Mr. Karakolev is a member of the Audit Committee of First Investment Bank - Albania Sh.a., member of the Board of Directors of Balkan Financial Services EAD and member of the Supervisory Board of UNIBanka AD, Northern Macedonia.



## 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 AD 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 Sofia.

In the Bank she is responsible for the SME Banking Department.

Ms. Koshinska does not hold outside professional positions.

The present Consolidated Activity report for 2020 was approved by the Managing Board of First Investment Bank AD in accordance with the Bank's internal regulations at a meeting dated 23 April 2021.



**Nikola Bakalov**

Chief Executive Officer,  
Chairman of the Managing Board



**Svetozar Popov**

Executive Director,  
Chief Risk Officer,  
Member of the Managing Board



**Ianko Karakolev**

Chief Financial Officer,  
Member of the Managing Board

# Contacts

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### SME Banking

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### Gold and Commemorative Coins

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### Customer service organization and control

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### Private Banking

phone: (+ 359 2) 942 6607

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Tirana, Albania, Dëshmorët e kombit Blvd.  
Twin Towers, Tower II, 15th floor  
phone: (+355 4) 2276 702, fax: (+355 4) 2280 210

### Diners Club Bulgaria AD

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### MyFin EAD

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## Branches outside Bulgaria

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## Branches in Sofia

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### Bulgaria

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### Business Park Sofia

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### Diners Club Bulgaria

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### Dragan Tsankov

Sofia 1797, 37, Dragan Tsankov Blvd.  
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### Evropa

Sofia 1528, 7, Iskarsko shose Blvd.  
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### Flavia

Sofia 1303, 125, Aleksandar Stamboliyski Blvd.  
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### Generali

Sofia 1000, 79-81, Dondukov Blvd.  
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Sofia 1606, 4, Georgi Sofiyski St.  
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### Hristo Botev

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### Iliyantsi

Sofia 1268, 31, Rozhen Blvd.  
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### Ivan Vazov

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### Journalist

Sofia 1164, 44, Hristo Smirnenski Blvd.  
phone: (+359 2) 800 2939

### Krasna Polyana

Sofia 1330, Nikola Mushanov Blvd., bl. 31A, floor 1  
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### Krasno selo

Sofia 1612, 107 A, Tsar Boris III Blvd.  
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### Lyulin

Sofia 1324, 70, Tsaritsa Yoanna Blvd.  
phone: (+359 2) 817 1483

### Mall – Sofia

Sofia 1303, 101, Aleksandar Stamboliyski Blvd.  
phone: (+359 2) 817 1672

### Maria Luisa

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phone: (+359 2) 817 1463

### Mladost

Sofia 1784, 11, Andrey Saharov Blvd.  
phone: (+359 2) 817 1641

### Mall – Serdika

Sofia 1505, 48, Sitnyakovo Blvd.  
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### Nadezhda 2

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**Narodno sabranie 2**

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**National Theatre**

Sofia 1000, 7, Dyakon Ignatij St.  
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**NDK (National Palace of Culture)**

Sofia 1000, 110, Vitosha Blvd.  
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**Nevski**

Sofia 1504, 1, Yanko Sakazov Blvd  
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**Obelya**

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**Park Center**

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**Sofia Ring Mall**

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**Sofia Theatre**

Sofia 1527, Yanko Sakazov Blvd.  
phone: (+359 2) 800 2825

**The Mall**

Sofia 1784, 115, Tsarigradsko Chaussee Blvd.  
„Z“  
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**Tsentralni Hali**

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**Vitosha**

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**Yuzhen park (South Park)**

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**Zaharna Fabrika**

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**Botevgrad**

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**Dupnitsa**

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**Gotse Delchev**

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**FC Harmanli**

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**Haskovo**

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**Montana**

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