

## FIRST INVESTMENT BANK (5F4 BU)

### INDUSTRY: FINANCIAL SERVICES

#### HEADWINDS YET TO SUBSIDE

THIRD LARGEST BANK IN BULGARIA IN TERMS OF ASSETS, LOANS AND DEPOSITS. INNOVATIVE CREDIT INSTITUTION WITH FIRST-CLASS CUSTOMER SERVICE AND OVER 1 M CUSTOMERS. THE ENTIRE BANKING SECTOR HAS STRONG GROWTH POTENTIAL DUE TO BELOW THE EU AVERAGE PENETRATION - 100% OF GDP VS. OVER 300% IN THE EU. BUT 2014 BANKING SYSTEM TURMOIL, WHICH LED TO A CLOSURE OF ONE BANK, LIQUIDITY SUPPORT TO FIB AND A LOSS OF CONFIDENCE IN THE REGULATORY AUTHORITY MAKES THE BANK VULNERABLE TO RUMORS ABOUT ITS STABILITY AND LOAN PORTFOLIO QUALITY DUE TO ITS LOCAL OWNERSHIP.

#### ONE OF THE BEST BANKS IN BULGARIA IN TERMS OF CUSTOMER SERVICE

First investment bank (FIB) is an innovative, customer-oriented bank, offering outstanding products and services. Among the leading institutions in corporate and retail lending, card business and international payments. One of the strongest brands in Bulgaria.

#### WENT THROUGH A REAL STRESS-TEST IN MID-2014

The Bank was hit by withdrawal of deposits, based on rumors about its stability. FIB overcame the situation, partly due to an approved by the European Commission (EC) government liquidity support of BGN 1.2 bn. The Bank maintained its market shares and preserved its total capital adequacy (14.9%) and liquidity ratio (25.7%) well above the requirements. The support is bind to a restructuring plan, which limits Bank's business activity. According to the EC, FIB has no structural problems.

#### A SUCCESSFUL ACQUISITION IMPROVED SIGNIFICANTLY FIB'S OUTLOOK

The successful acquisition of the medium-sized Unionbank in 2014 led to a significant expansion of FIB's balance sheets and customers' database, which will support organic growth during the next years. The Bank has a wide-spread branch structure with 168 branches, covering the entire country.

#### WELL DIVERSIFIED LOAN PORTFOLIO

The Bank's portfolio corresponds to the country concentration of enterprises in different sectors. The acquisition diversified retail loan portfolio by increasing the share of the more secure mortgage loans to 50% of retail loans.

#### MAIN WEAKNESSES – IMPAIRMENTS AND RELATED PARTY LENDING

The Bank was among active lenders in the period of low economic growth and rising unemployment, which will lead to higher level of NPLs and impairments. This, together with the need to return the liquidity support until 2016 will suppress the bottom line. Related party lending could also be an issue.

#### VALUATION/RISKS

**VALUATION:** Our BGN 3.36 per share is based on residual income valuation model and it takes into account unconsolidated results. **RISKS:** Given the current low confidence in the ability of the Central bank to regulate the sector, the main risk to FIB is connected to a new deposit outflow, based on rumors about bank's stability and loan portfolio quality.

in k BGN, excl. ratios	2014	2015 (f)	2015(f)	2016(f)
Assets	8,645,835	8,818,752	9,171,502	9,813,507
Equity	728,283	752,663	778,732	823,167
Interest Income	503,731	461,238	453,989	464,306
Operating Income	784,314	590,645	592,864	610,449
Net provisioning for impairment losses	291,827	157,088	144,451	92,124
Operating Expenses	750,345	561,824	561,679	558,827
Net Income	30,455	25,938	28,067	46,460
ROAA	0.38%	0.30%	0.31%	0.49%
ROAE	4.81%	3.50%	3.67%	5.80%
Cost to Income	39.38%	52.71%	55.62%	64.40%
Net Interest Margin	4.26%	3.91%	3.70%	3.49%
Diluted EPS	0.28	0.24	0.26	0.42
P/E	10.11	10.18	9.41	5.68
P/B	0.42	0.35	0.34	0.32

**HOLD**
**ONE YEAR PRICE TARGET: BGN 3.36**
**CURRENT PRICE: BGN 2.40**

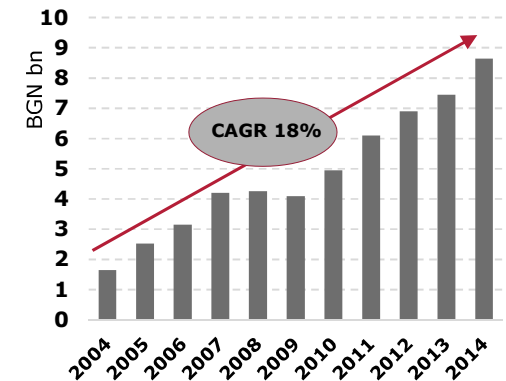
#### EXCHANGE RATES

**EUR/BGN (FIXED): 1.95583**
**USD/BGN: 1.72231**

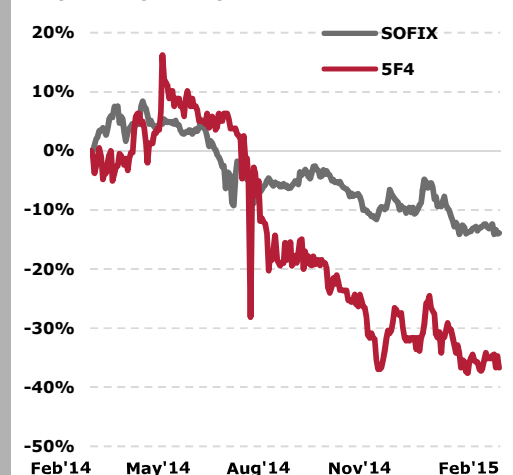
#### MARKET DATA

Shares Outstanding:	<b>111.0m</b>
Share Capital:	<b>BGN 111.0m</b>
Free-float:	<b>15.0%</b>
Treasury Shares:	<b>0%</b>
Market Cap.:	<b>BGN 264.1m</b>
Avg. Daily Vol.:	<b>BGN 71,255</b>
52 Weeks Range:	<b>BGN 2.37-4.60</b>

#### ASSETS GROWTH



#### PRICE PERFORMANCE



---

**EXECUTIVE SUMMARY**

**WE ASSIGN A HOLD RATING OF FIRST INVESTMENT BANK WITH ONE YEAR PRICE TARGET OF BGN 3.36 WHICH IS A 40% RETURN OVER THE NEXT 12 MONTHS.**

---

**THE COMPANY**

First Investment Bank (FIB, the Bank) is one of the largest banks on the Bulgarian market in terms of assets with systemic importance and the biggest bank with Bulgarian ownership. It continues to develop and strengthen its position as a financial group with main business in Bulgaria and regional presence through foreign operations in Cyprus and Albania. The Bank is also among the leading 100 banks in Southeastern Europe in the ranking of SeeNews TOP 100. In 2013 it moved up to 17<sup>th</sup> position.

FIB is present across all key business lines:

- Corporate and retail banking
- Bank cards
- Trade finance
- Payments
- Money markets and foreign exchange
- Investment gold

The Bank is among the most preferred by individuals for opening of deposits, due to its wide-spread branch network and good service. At the same time it is a trusted partner of the Bulgarian business. It is one of the few banks in Bulgaria, which has branches with extended working hours including during the weekends. FIB is among the most active in granting loans to the business and households and among the leading banks in the cards business, international settlements and trade financing. During the last years it gradually increased its market positions, reaching market share of 10.2% in terms of assets (3<sup>th</sup> position on the market), 11.9% in terms of corporate and retail loans and 11.6% in terms of corporate deposits and deposits of individuals.

FIB has a well-developed branch network with 168 branches in Bulgaria. The Bank has a wide network built up of over 600 correspondent banks, through which it performs international payments and trade finance operations in almost all parts of the world.

In the fourth quarter of 2013, FIB successfully acquired 100% of the capital of medium-sized Unionbank from the Hungarian MKB Bank Zrt, a subsidiary of the Bayerische Landesbank. This was the most important transaction of such a kind in the Bulgarian banking market in the last years. The integration and development of the best practices and know-how of the two institutions will make it possible FIB to offer even more competitive services for businesses and individuals.

In mid-2014, the Bank received a state liquidity support of BGN 1.2 bn in order to end the fund withdrawals. The panic among customers was triggered by rumors about FIB's stability and started right after the Central bank placed under conservatorship another bank with Bulgarian ownership.

FIB's shares are listed on the Bulgarian Stock Exchange (Premium shares segment). They are among the actively traded shares on the market and their performance usually dominates the local stock exchange main index – SOFIX. FIB is also a part of BGBX40, which tracks the 40 most liquid stocks on the market as well as the CGIX index (Corporate Governance Index), comprising the companies with best corporate governance admitted to trading on the exchange.

---

**THE COUNTRY AND THE MARKET**

The country is under a Currency board arrangement and the Bulgarian lev (BGN) is pegged to the Euro at 1.95583.

We expect a modest economic increase in 2015. In short-term and mid-term the major challenge for the Bulgarian banking system remains the relatively slow economic growth. The business continues to be reluctant to invest and consumers prefer to postpone major purchases of durable goods.

Nevertheless, the potential of the Bulgarian banking system remains high. The penetration of the sector in Bulgaria remains significantly below the EU average. The catch-up potential will be driven by decreasing unemployment rates, rising GDP per capita as well as growing investments and demand for consumer goods and housing. In upcoming years we expect gradual assets increase of 3% – 3.5% y-o-y, while the growth of corporate and retail loans will accelerate to around 2% y-o-y.

---

**THE VALUATION**

We use residual income model valuation with 10% long-term ROE and 3.5% long-term growth rate. We value the stock of FIB at BGN 3.36 per share or 40% above the current market prices. However, due to the current low confidence in the ability of the Central bank to regulate the sector and doubts about lending practices in banks with Bulgarian equity, which could trigger another bank run based on rumors, we issue a HOLD recommendation.

---

**SOME RISKS**

Despite FIB managed to go through mid-2014 bank run maintaining its normal business operations, another deposits outflow, based on negative news and rumors about stability and loan portfolio quality of FIB still possible. Currently, the confidence in the Central bank and its ability to regulate the sector effectively is rather low and will not be enough to stop such concerns, if they appear.

Customer uncertainty and withdrawal of deposits could also rise due to the potentially higher than the banking system average related-party and relationship lending. The audit of the first hit by deposits withdrawals bank – Corporate Commercial Bank, identified significant supervisory shortcomings in the detection of related-party risk. This increases the doubts about lending practices in other banks with Bulgarian ownership.

Slow domestic economic recovery, which leads to slower lending growth, is another relevant risk, as well as the deteriorated Ukrainian and Russian markets, which are responsible for 4.5% of the Bulgarian export.

**COMPANY OVERVIEW**

First Investment Bank is the third largest bank on the Bulgarian financial market in terms of assets and the biggest bank with Bulgarian equity. It was established in 1993 and has a full banking license for carrying out operations in Bulgaria and abroad. It has significant experience in corporate banking and broad presence in the market of retail banking, which positions the bank among the leading institutions in the country in card business and international payments. It is also a licensed primary dealer in government securities and is a registered investment intermediary. During the last years the Bank strengthened its positions as an innovative and customer-oriented credit institution that offers a diverse range of products and services for individual and corporate clients. The main business of the Bank is in Bulgaria, but it has also regional presence through foreign operations in Cyprus and Albania.

Due to its strong customer-oriented policy, FIB is preferred both by individuals and corporate clients. Since end-2010 FIB started gradually to increase its market shares, reaching 10.2% market share in terms of assets in 2014. The bank ranks second in terms of deposits of individuals with market share of 13.5% and second in terms of corporate deposits with 8.2% market share. It has also top positions in corporate lending (14.5% market share) and is among the leaders in card payments and cross-border transactions and payment services.

The Bank has a large branch network with 168 branches and offices throughout Bulgaria, one foreign branch in Cyprus and 10 branches of the subsidiary bank First Investment Bank – Albania. FIB has successfully offered electronic banking since 2001 and is among the pioneers in this field.

FIB has also a wide network built up of over 600 correspondent banks, through which it performs international payments and trade finance operations in almost all parts of the world. FIB executes international transfers in over 140 foreign currencies, and issues cheques and performs different documentary operations.

First Investment Bank constantly strives to improve its products and services. The Bank was one of the first banks in Bulgaria to implement the new chip technology when issuing debit and credit cards, as well as contactless payments based on PayPass technology – an innovative service of a new bank card generation. It was the first in Bulgaria which started offering the sale and redemption of investment diamonds.

Over the years the bank was honored by different awards, including “Bank of the Year”, “Best Bank in Bulgaria”, “Bank of the Client”, „Mystery Client”.

The Bank actively participates in projects related to EU funds. FIB has an agreement with the European Investment Fund for the financing of small and medium enterprises under the JEREMIE initiative. It also has an agreement to offer products, guaranteed by the National Guarantee Fund or based on Single Area Payment Scheme (SAPS) subsidies, connected to agricultural land.

At the end of 2013, FIB successfully finalized the transaction for acquiring 100% of the capital of Unionbank from the Hungarian MKB Bank, a subsidiary of the Germany Bayerische Landesbank. This was the most important transaction of such a kind in the Bulgarian banking market in the last years. The integration and development of the best practices and know-how of the two institutions will make it possible FIB to offer even more competitive services for businesses and individuals.

*First Investment Bank – innovative and customer-oriented company, among Top 3 banks in terms of assets, loans and deposits*

*The Bank has widespread branch network, covering the entire country*

*Acquisition of Unionbank – further growth opportunities*

**2014 GOVERNMENT LIQUIDITY SUPPORT**

In 2014, Corporate Commercial Bank (Corpbank) and FIB were put under pressure as a result of a significant withdrawal of attracted funds, based on a negative news flow and rumors about both banks’ stability. The government provided to FIB temporary liquidity support of BGN 1.2 bn in the form of a state deposit. The support was approved by the European Commission (EC), which confirmed that it is in line with all EU rules on state aid. The Commission confirmed that the support for FIB was linked to the on-going market consequences of the liquidity crisis that occurred in Bulgaria in June and July 2014, and were not due to a structural problem of the Bank. This action ended the temporary dynamics of fund withdrawals and FIB resumed its normal business operations.

Initially, due to the state budget restrictions the state deposit was with a short period maturing on November 2014. But the Bulgarian government decided that its full repayment in November could destabilize both the Bank and the Bulgarian financial system. So, it applied for an extension of the state deposit of BGN 900 m (until February 2015 FIB repaid another BGN 100 m, so the current amount of the state deposit is BGN 800 m) by a maximum of 18 months or until May 2016. Part of the deposit will be repaid within 12 months. The EC has concluded that this is in line with its Communication on State aid for banks as well as with the tightened requirements of the 2013 Banking Communication.

*Liquidity support, granted to FIB, was not due to a structural problem of the bank, according to the European Commission*

In line with the conditions to benefit from the liquidity scheme, FIB notified a restructuring plan with obligations to improve its corporate governance structure (based on IFC review and recommendations) and risk management policies. Additionally, during the restructuring period FIB will not pay out dividends, will not engage in aggressive commercial practices nor undertake any acquisitions. An independent trustee will monitor the implementation of the restructuring plan and provide regular reports to the Commission.

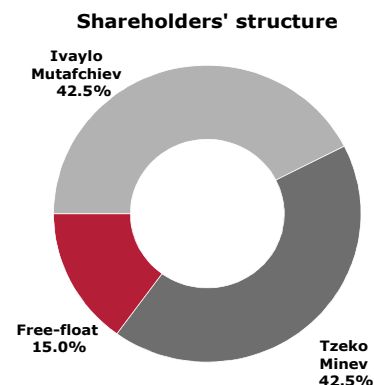
*FIB notified a restructuring plan, which will be monitored by independent trustee*

## SHAREHOLDERS' STRUCTURE

The majority stake in First investment Bank is held by two large shareholders - Mr. Tzeko Minev (42.5%) and Mr. Ivaylo Mutafchiev (42.5%). Each of the above mentioned shareholders owns 46,750,000 registered dematerialized shares of the Bank's share capital, i.e. the two of them own a total of 93,500,000 shares constituting 85% of the Bank's share capital.

The remaining 15% of the Bank's issued share capital (16,500,000 shares) is owned by other shareholders and is subject to free trade on the Bulgarian Stock Exchange – Sofia. The free-float size remains unchanged during the last several years and there are no expectations to undergo any dramatic change in mid-term.

FIB is among the most liquid assets on BSE-Sofia. The Bank does not pay dividends, but the company is preferred due to the free-float size and liquidity of the stock.



## GROUPS' SUBSIDIARIES SUMMARY

The First Investment Bank group has eleven subsidiaries. But most of them are small and cover some specific needs of FIB. They represent only 2% of the group's total assets.

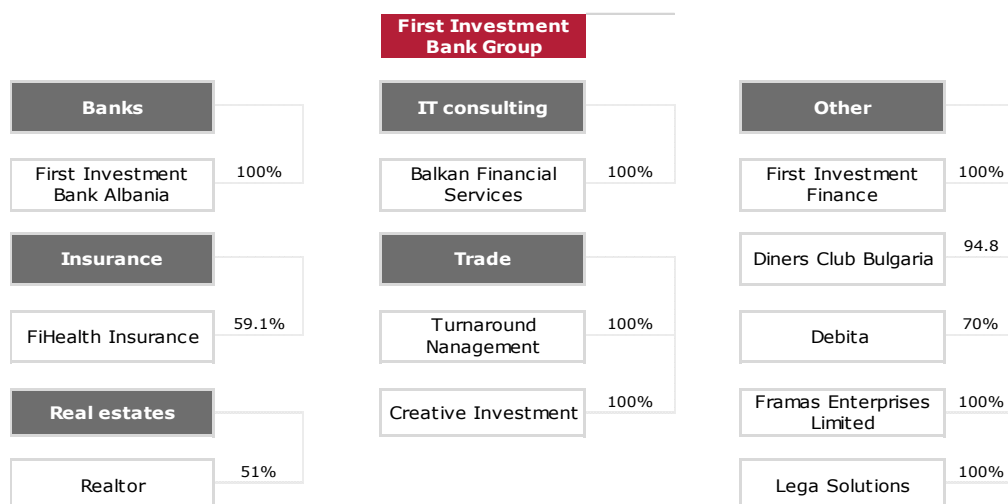
**First Investment Bank – Albania**, was incorporated in April 2006 and granted a full banking license in June 2007. It is relatively small bank, with around 1.5% assets market share.

**Diners Club Bulgaria** is a joint-stock company registered in November 1996 as an issuer of Diners Club credit cards and a processor of payments.

**FiHealth Insurance** - acquired in 2010. The first among voluntary health insurance funds in the country, which ensures financial security of expenses related to medical care in the sphere of non-hospital medical services, hospital treatment, expenses for medical goods and dental services.

First Investment Bank has **other subsidiaries**, as follows: First Investment Finance B.V., Debita, Realtor, Framas Enterprises Limited, Balkan Financial Services, Creative Investment, Turnaround Management, Lega Solutions.

Exhibit 1: Major business lines with their key subsidiaries



## POTENTIAL CATALYSTS

**IMPROVEMENT OF THE LABOUR MARKET:** The employment rate ceased the negative trend in 2014 and started to increase. If we see further improvement of the labour market in 2015, this will lead to higher demand of consumer and corporate loans. It will also lead to significant decline of impairments and will turn some "bad" loans back to "good". This will increase the positive banking system financial result. This will benefit mostly the largest banks, including FIB, which holds the third position on the market in terms of assets, loans and deposits. Higher profit will support the market price of the Bank's shares.

**REAL ESTATE MARKET IMPROVEMENT:** After five years of real estate price decline, in 2014 there is a first sign of market recovery. This could lead to an increase in the purchase of property for investment purposes. Rental property can provide a stable source of income and giving the downward trend in interest rates on deposits it could be a good investment and saving alternative. Rising real estate prices will be also a signal to buyers who are looking for their first home. This will increase demand of mortgage loans and loans for the construction of new properties.

**LIQUIDITY SUPPORT RETURN BEFORE 2016:** According to the current restructuring plan, FIB should not engage in aggressive commercial practices nor undertake any acquisitions. This somewhat reduces the growth opportunities of the Bank. As FIB relies mostly on local deposit market to attract funds, returning earlier the granted liquidity support will be a solid step towards regaining customers' confidence. Given the current level of cache (BGN 983 m), which is higher than the remaining amount of the government liquidity support (BGN 800 m), we consider this a likely scenario. It will also increase the ability of the Bank to grant loans. We also do not exclude the possibility some of the smaller banks on the market to be put up for sale, which will be another chance FIB to increase its loan and deposit base.

## SECTOR OVERVIEW

### 2014 BANK RUN

Bulgarian banking system went through a real stress test in mid-2014. Two of the largest banks on the market, with Bulgarian ownership, were put under pressure as a result of a significant withdrawal of attracted funds. The first "attacked" bank – Corporate Commercial Bank, repaid BGN 0.9 bn for one week, but due to a lack of support from the Bulgarian National Bank (BNB, the Central bank) and the government, the bank faced liquidity problem and was placed under conservatorship. After an external audit, conducted by three audit companies (Ernst & Young, AFA and Deloitte), the license of the bank was revoked in November 2014. According to the audit report, the total amount of equity (approx. BGN 620.0 m) was not enough to cover the amount of impairments (estimated by the auditors (BGN 4.2 bn), so the bank faced the problem of negative equity. By law BNB is required to revoke a bank's license, if the bank's equity goes negative. The audit also showed significant related-party lending.

The second "attacked" bank – First Investment Bank, repaid BGN 1.4 bn within a few days, but in contrast to Corpbank, government provided a liquidity support of BGN 1.2 bn to FIB. This action ended the temporary dynamics of fund withdrawals and within the next few days FIB managed to resume its normal business operations.

Both bank runs were based on negative media news and rumors about financial stability of the two banks. Although the banking sector in general preserved its stability, these events certainly had a negative effect on confidence in the banking system and the ability of the Central bank to regulate the sector. The result was a temporary outflow of deposits and a transfer of deposits to banks with foreign equity. Nevertheless, in the next few months the confidence in the banking system started to recover and almost the entire amount of the withdrawn deposits was returned to the banking system.

We do not expect recent events with Corpbank and FIB to have contagion effect on other banks. The banking sector is primarily owned by foreign banks (over 75% of assets belong to foreign groups) which helps insulate them from possible malpractices. Foreign banks are assumed to have better risk management practices and stronger corporate governance structures than banks with local equity.

But remaining doubts about the ability of the Central bank to regulate the sector make the system vulnerable to media attacks or rumors about stability of any bank. Joining the European Single Supervisory Mechanism (SSM) certainly will reduce this uncertainty. The first step in this direction is already made. The Central bank has initiated contact with the European Central Bank (ECB) as part of the preparation for talks between the head of state and the ECB president to start a procedure to apply for membership in the single supervisory mechanism of the EU. But it will be a long process and will not happen in the next one year.

*The banking system went through a real stress test in mid-2014, when negative news caused two bank runs*

*Although the authorities managed to put the situation under control, this reduce the confidence that the Central bank can regulate the sector effectively*

*Joining the European Single Supervisory Mechanism (SSM) will reduce this uncertainty*

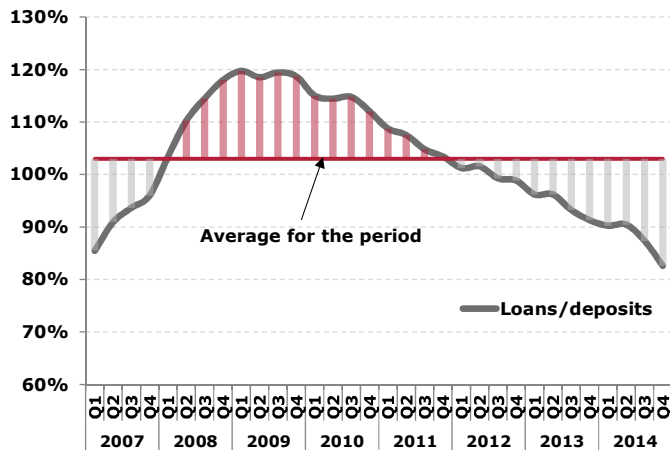
**BULGARIAN BANKING SYSTEM**

Due to the global economic crisis the Bulgaria's banking system growth rate slowed significantly from around 30% y-o-y for the period 2005 – 2008 to below 5% after that. Nevertheless, the country remains among the EU member with above average increase both in assets and corporate loans during the last years. The growth is partly driven by EU funds absorption and involvement of banks in the process. In the new program period 2014-2020 Bulgaria will have a chance to absorb EUR 15.8 bn, which shows that the market still has growth potential. Another loan growth driver is higher foreign demand of goods and services, which is becoming a driver for technological modernization of local enterprises.

Despite the recent turbulence in Bulgaria's banking system, it remains a favorite place for savings. The current loans-to-deposits (LTD) ratio is around 83% - significantly below the long-term average, which is a sign that banks have enough liquidity to support a pick up in credit demand. Such demand may come from export oriented companies and the recovery of Bulgaria's housing market. The process is still weak, but improving economy and downward trend of deposits interest rates will support property transactions and mortgage loans demand. The record level of deposits will force banks to take more proactive measures to lend, which will reduce additionally the loans interest rates. This will make loans more affordable.

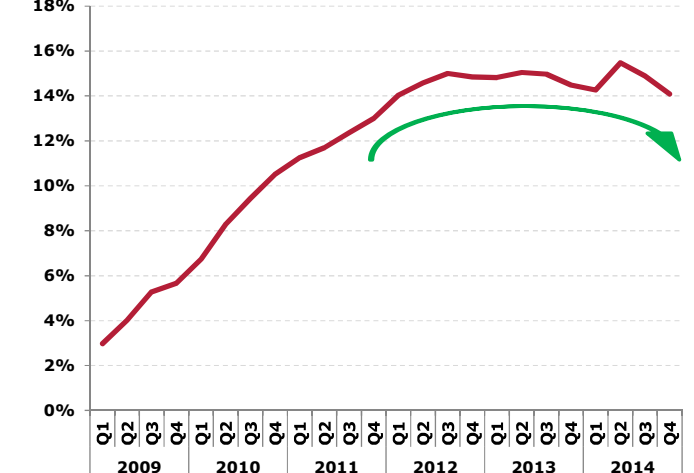
*Below the long-term average loans-to-deposits ratio – sign that the bank has liquidity to support an increase in loan demand*

Exhibit 2: Loans-to-deposits level underlines the positive growth prospects for a future increase in lending



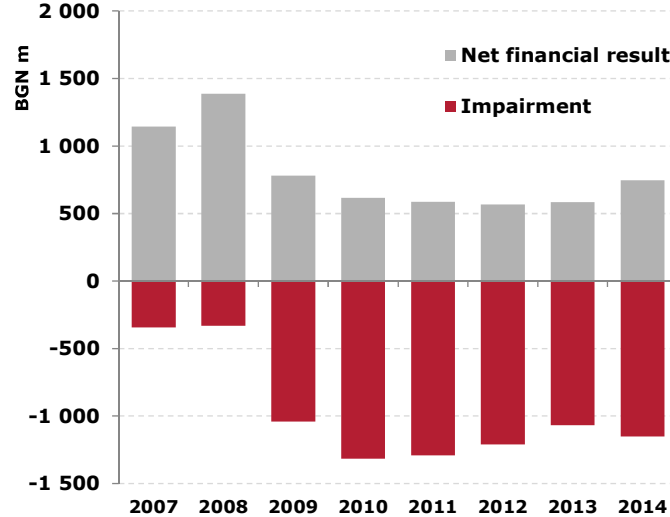
Source: BNB

Exhibit 3: Bad loans (loans past due over 90 days) are expected to start to decline during the next years



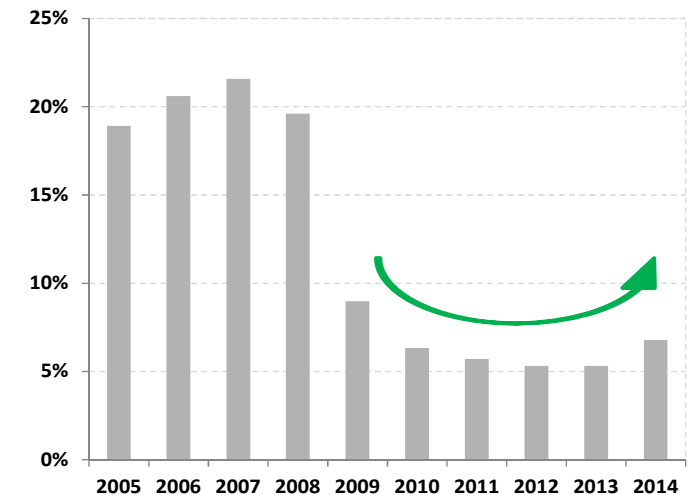
Source: BNB

Exhibit 4: The relatively constant pre-provision financial result shows the profit potential of the banking system



Source: BNB

Exhibit 5: ROE shows gradual improvement



Source: BNB

The capital buffers of the banks remains strong. The capital adequacy of the banking system (22%) is significantly above the minimum requirements of 8% in EU. Tier 1 Capital Ratio is 20%. The liquid assets ratio is 31% and both indicators register gradual increase during the past years. NPL have already reached their peak and we expect in 2015 - 2016 bad loans to record gradual improvement as the economy strengthens. Provisions-to-NPL ratio increased from 48% to around 58% last year and is expected to rise further, partly driven by the asset quality review. This means, that over 1/2 of NPLs are already provisioned. Provision coverage ratio picked up to over 8.2%, increasing the ability of the banking system to bear losses.

*The capital and liquidity buffers of the banks remain strong*

The banking sector ROE (6.8% in 2014) remains above CEE levels (around 3%) and is expected to continue to improve in the next years. The banks in the sector will improve their profitability, supported by the recovering economy and falling unemployment. This will affect positively the level of impairments and will reduce the cost of risk. Although we do not expect significant improvement in impairments in 2015, pre-provision financial results show the profit potential of the entire system and without impairments the potential profit of the Bulgarian banking system could be twice as high.

**INDUSTRY OUTLOOK**

In short- and mid-term the major challenge for the Bulgarian banking system remains the relatively slow economic growth, both in the country and the EU. This is a sign that the business is still reluctant to invest and consumers prefer to postpone major purchases of durable goods. As a result, the demand of corporate and consumer loans continues to be significantly below its 2007-2008 levels.

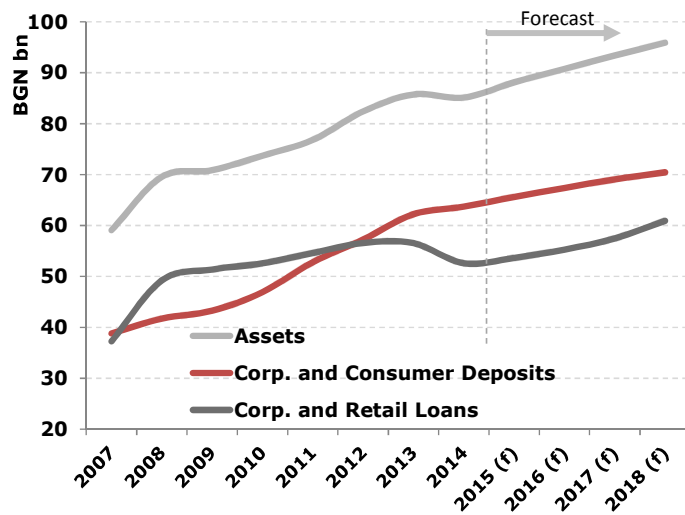
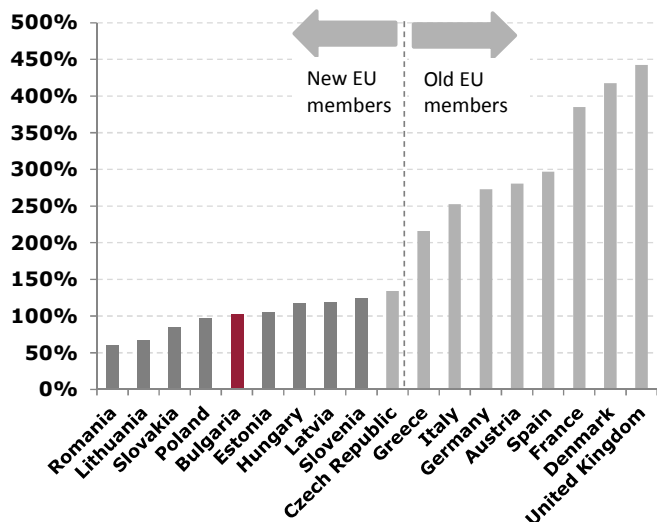
*The major challenge for the banking system - the relatively slow economic growth*

Nevertheless, the potential of the Bulgarian banking sector remains high. The penetration of the banking system in Bulgaria is slightly above 100% of GDP in terms of assets and remains significantly below the EU average (over 300% of GDP) and around the average level for the CEE region. The catch-up potential will be driven by decreasing unemployment rates, rising GDP per capita as well as growing investments and demand for consumer goods and housing. Ongoing gradual decrease of both deposits and loans interest rates will also stimulate the lending activity.

*Potential for further growth remains high, as the penetration of the banking system is significantly below the EU average level*

Exhibit 6: With Assets to GDP ratio around 100% of GDP, further banking system penetration potential remains strong

Exhibit 7: Corporate and retail loans growth to outpace that of deposits



Source: Eurostat, ECB

Source: BNB, Elana Trading forecast

**FIRST INVESTMENT BANK'S MARKET PRESENCE**

Despite the challenging economic environment and the significant initial withdrawal of attracted funds, the Bank maintained its market positions. The successful acquisition of Unionbank - the most significant transaction of such kind on the Bulgarian financial market for the recent years, supported significantly the deposit base of FIB, increasing it by around BGN 1 bn. This helped the bank to retain and even to increase its market share, despite the withdrawal of nearly BGN 0.8 bn in the middle of the last year.

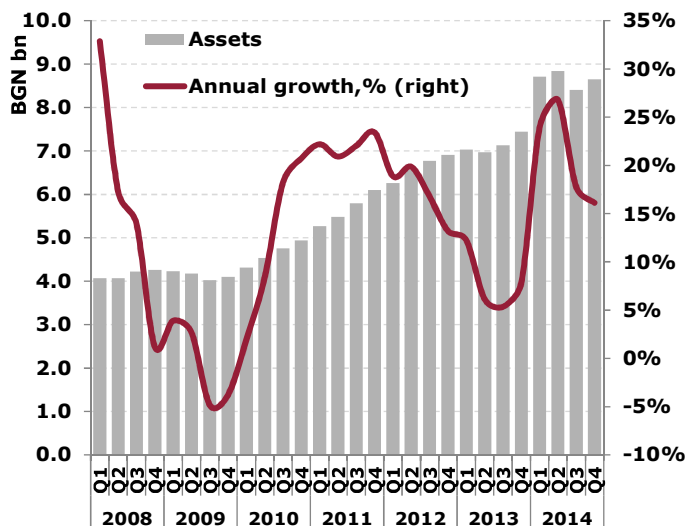
*Despite market turmoil, FIB maintained its market positions*

The challenging situation did not affect significantly the customers' confidence in FIB. After taking some measures by the management to regain it, the total amount of deposits from enterprises and households increased significantly in Q4 compared to Q3 to BGN 7.4 bn. Compared to a year earlier they are by 15.8% higher and by only 1.3% below the 2014 peak level. This is a sign, that the measures were adequate and that the customer confidence is recovering.

*Customer confidence started to recover and FIB could repay earlier its obligations*

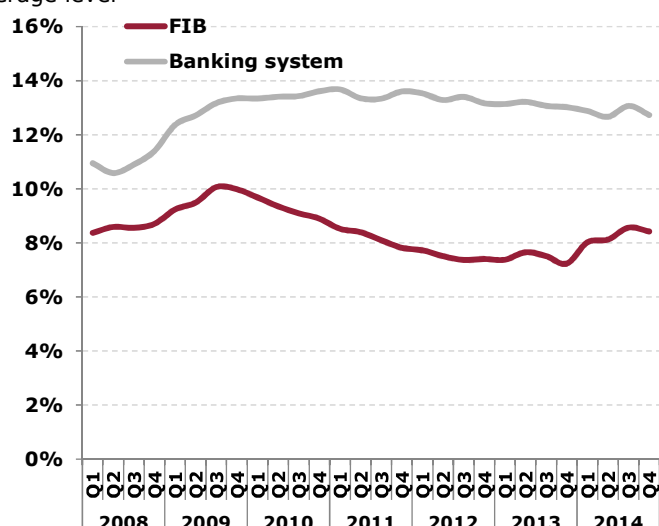
FIB retained its third position in terms of assets in 2014. There is a solid growth compare to both last year and third quarter. Even if we do not take into account the government deposit of BGN 900 m, the amount of assets is by 4% higher than end-2013. The cash, which was among the most affected segment during the mid-2014 crisis, started again to recover and in Q4 it amounts to BGN 983 m. The amount is higher than the remaining amount of the government liquidity support, which the Bank should return by May 2016. Given this level of cash, there is a high possibility the Bank to repay earlier it obligations in order to show finance stability and further to strengthen customer confidence.

Exhibit 8: FIB benefited from more conservative policy of competitors to gain market share after 2009



Source: BNB

Exhibit 9: But the ratio capital to total assets lagged behind the overall growth of the Bank and the banking system average level



Source: BNB

Similar trend is also observed in terms of loans, where the Bank maintained its market position, continuing its business development in accordance with the economic environment. FIB is mainly focused on corporate clients. 71% of loans are corporate loans. Business loan portfolio is relatively well diversified. Nearly half of the loans are concentrated in trade and industry, but this is in line with the specifics of the local economy, where 46% of the companies operate in this two sectors.

*FIB is mainly focused on corporate clients, as business loan portfolio is relatively well diversified*

FIB's average income of loans was 7.9% in 2014. Compared to the previous year there is a moderate decline of 0.7 p.p. in line with the current market trend of loan interest rate reduction. Nevertheless, FIB average income of loans remains higher than the banking system average. It is also the highest one among banks with a similar amount of assets.

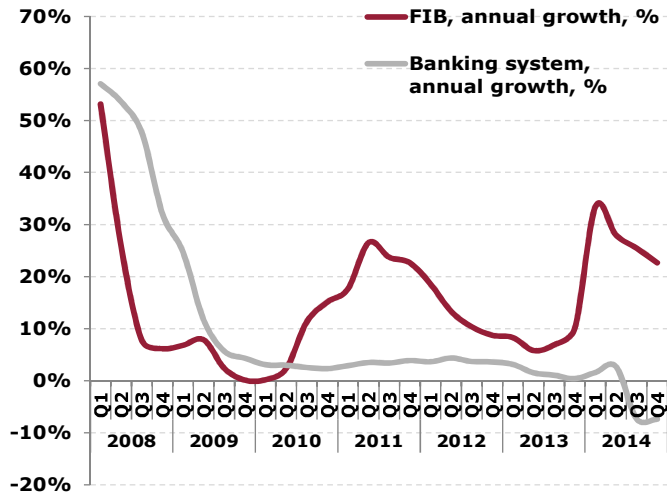
Higher lending rates are partly due to higher than the banking system average interest rates on deposits. The average cost of deposits of the Bank was 3% in 2014. Compared to the last year, there is a decline of 0.9 p.p. We expect FIB cost of deposits to decrease further, but to remain higher than the banking system average. This is mainly due to the fact, that the Bulgarian banking system is dominated by foreign-owned banks, which can rely on cheaper funding from parent banks, which have direct access to ECB. While FIB relies mainly on corporate deposits and deposits of individuals - 97% of the funding sources come from deposits, versus 87% for the industry.

FIB registered higher by 17% net profit, compared to a year ago. This is mainly due to a considerable improvement in net interest income, which increases by 70% y-o-y. But the profit continues to be suppressed by the higher amount of impairments. In Q4 they increased significantly, which is a sign that the Bank is accelerating the process of cleaning up its balance sheets. This trend has already been observed in some other banks on the market in 2011 and 2012. Now these banks report lower level of impairments, which supports their profits. Provision coverage ratio of FIB (7.4%) is lower than the banking system average (8.2%) and peer group average (8.5%), which is a sign, that the Bank will report higher impairments during to next couple of years. The record level of 2014 impairments is due to an extraordinary revenue (BGN 196 m), received from a sale of land during the year, which FIB used entirely to clean its balance.

*Higher amount of impairments will suppress net profit*

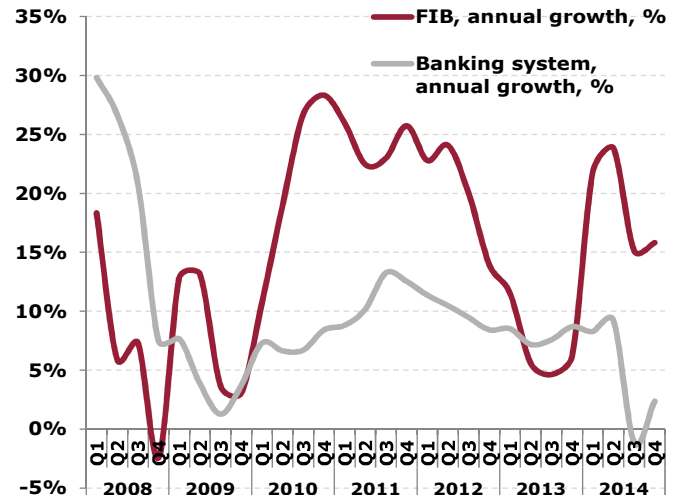


Exhibit 10: FIB was among the active corporate and retail lenders during the last five years ...



Source: BNB

Exhibit 11: ...which led to a more active deposit policy during the period

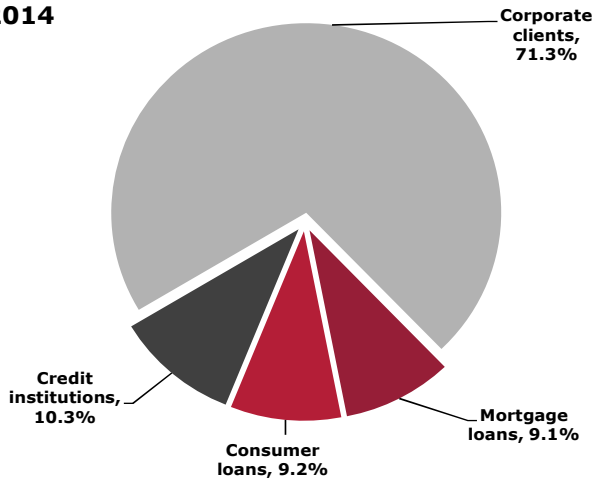


Source: BNB

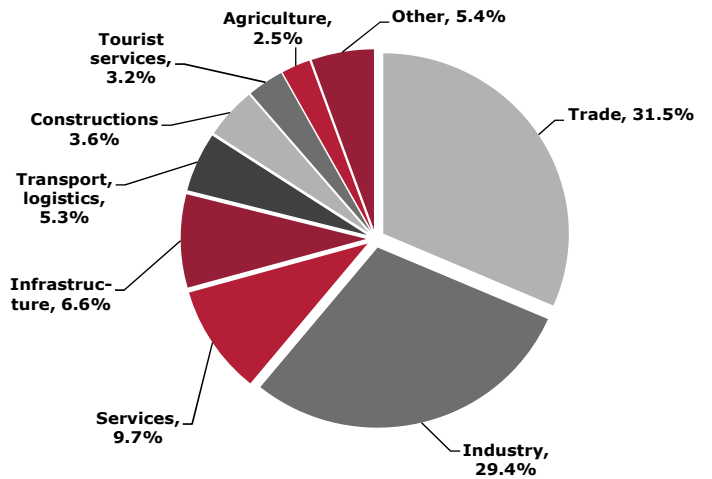
Exhibit 12: Unionbank acquisition led to an increase of the share of more secure mortgage loans to 50% of total retail loans

Exhibit 13: Business loan portfolio is well diversified in line with the specifics of the local economy

2014



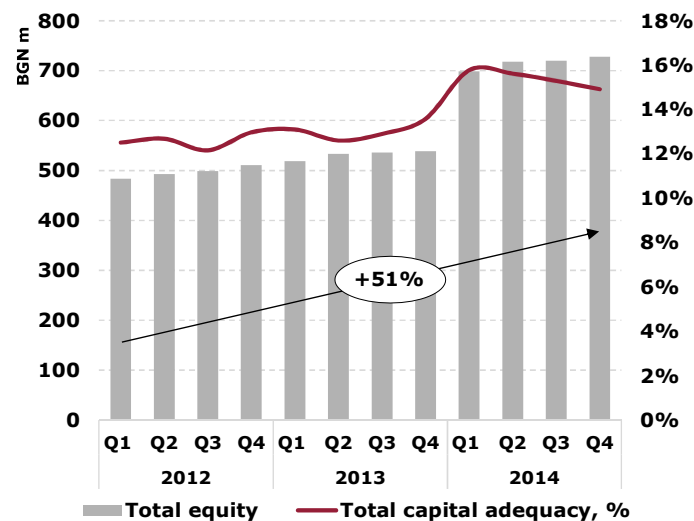
Source: BNB



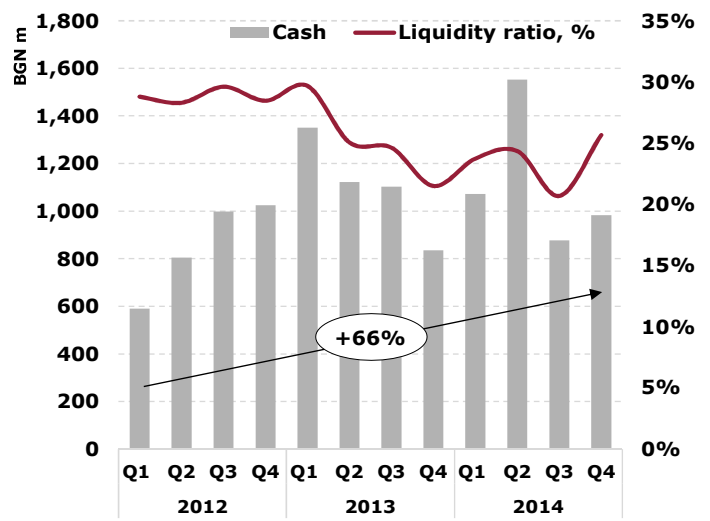
Source: First Investment Bank

Exhibit 14: Equity increased significantly during the last years, but capital adequacy remains below the system average

Exhibit 15: Despite the deposit outflow in 2014, liquidity ratio remains strong



Source: BNB, First Investment Bank



Source: BNB, First Investment Bank

The total capital adequacy ratio of FIB declined slightly to 14.9% in December 2014. The same trend is observed in terms of Tier 1 capital ratio, which decreased to 13.6%. Both indicators are below the banking system average. Nevertheless, they are above regulator's capital requirement and we expect the Bank to continue to maintain capital adequacy in accordance with the market environment and the regulatory framework. The liquidity position remains strong, increasing significantly to 25.7% in December 2014. Both indicators are sufficient to support the normal business operations of the Bank or even to support growth. But before that FIB should report stable results during the next few quarters to restore entirely the customer confidence.

*Capital adequacy is below the banking system average, but above regulator's requirement. Liquidity position remains strong*

Despite there are some media publications about related-party lending in FIB, it is quite difficult to determine their actual size. The fact is that the real borrower can be easily hide beside offshore company. But in contrast to Corporate Commercial Bank, which before its closure reported a provision coverage ratio around 1% (compared to over 8% average for the banking system), FIB's current provision coverage of 7.4% is relevant to the system average (8.2%) and we expect it to increase additionally in upcoming years. This shows that even if there are bad practices in FIB, they are not at a level of Corpbank and that the Bank is taking measures to clean its balance.

## PEER GROUP COMPARISON

Higher than the market average growth of FIB during the last six years reduced some ratios below the peer group average. But this helped the Bank to position itself among the Top 3 banks on the market by assets, loans and deposits, as well as among the largest banks by branch network. This will have a positive effect on the results of the Bank in upcoming years, because during the crisis period FIB managed to build strong relationships with its clients.

First Investment Bank also trades at a discount to its EU peers. With current P/B ratio of 0.4, FIB is trading at a 1/3 discount compared to CEE peers median (0.6) and offers strong growth potential.

	2009	2010	2011	2012	2013	2014
<b>Assets, annual growth, %</b>						
<b>FIB</b>	-3.8%	20.7%	23.4%	13.2%	7.8%	16.1%
<b>BG peer group</b>	4.3%	-0.9%	1.2%	1.2%	2.0%	10.4%
<b>Equity, annual growth, %</b>						
<b>FIB</b>	10.3%	7.6%	8.5%	7.2%	5.4%	35.2%
<b>BG peer group</b>	17.7%	7.0%	2.5%	3.2%	1.5%	4.4%
<b>Net profit, annual growth, %</b>						
<b>FIB</b>	-37.1%	-3.7%	18.4%	-20.8%	-10.5%	17.7%
<b>BG peer group</b>	-44.8%	-14.7%	-4.2%	-9.6%	-0.1%	54.8%
<b>Loan-to-deposit ratio</b>						
<b>FIB</b>	0.92%	0.83%	0.81%	0.77%	0.80%	0.84%
<b>BG peer group</b>	1.21%	1.16%	1.09%	1.05%	0.97%	0.84%
<b>Cost-to-income ratio</b>						
<b>FIB</b>	76.7%	71.6%	69.3%	72.0%	65.8%	45.4%
<b>BG peer group</b>	45.3%	43.1%	44.5%	46.2%	48.2%	39.4%
<b>ROA</b>						
<b>FIB</b>	0.8%	0.7%	0.7%	0.4%	0.4%	0.4%
<b>BG peer group</b>	1.3%	1.1%	1.0%	0.9%	0.9%	1.3%
<b>ROE</b>						
<b>FIB</b>	8.2%	7.3%	8.0%	5.9%	4.9%	4.8%
<b>BG peer group</b>	9.9%	7.5%	6.9%	6.1%	5.9%	8.9%
<b>Net interest margin</b>						
<b>FIB</b>	3.6%	3.4%	3.4%	2.8%	2.9%	4.3%
<b>BG peer group</b>	4.9%	5.1%	5.0%	4.4%	4.2%	4.2%

*BG Peer Group includes seven banks operating on the Bulgarian market (UniCredit Bulbank, Raiffeisenbank, DSK, UBB, SG Expressbank, Eurobank, Central Cooperative Bank), which have similar amount of assets and market policy. Source: BNB*

	P/E	P/B	Equity to Assets	ROE
<b>First Investment Bank</b>	8.6	0.4	8.4%	4.8%
<b>CEE Peer Group median</b>	9.8	0.6	10.4%	4.3%

*CEE Peer Group includes 20 public banks from CEE with similar to FIB amount of assets. Source: Bloomberg*

## FINANCIAL ANALYSIS AND VALUATION

The large distribution network of FIB in the most populated areas in Bulgaria with higher business potential, together with its strong networks of ATMs and POS terminals give the Bank good positions for a further expansion in the retail and corporate segment. The Bank's operations in Bulgaria contribute to 98% of total group assets and to 92% of the profit. The individual results multiples are presented in the next table.

Current P/E ratio of 8.6 is slightly lower than the average P/E of the Bulgarian stocks (8.8). It also is at its lowest level for the last 12 months, which could make the stock an attractive long term investment. The company is trading for less than its book value, which is mainly due to the current low return on assets.

*The strong position on the market makes FIB good long-term investment*

	2012	2013	2014	2015 (f)
<b>Current Price</b>	1.40	2.43	2.80	2.40
<b>Number of Shares</b>	110,000,000	110,000,000	110,000,000	110,000,000
<b>Market Capitalization</b>	153,670,000	267,300,000	308,000,000	264,000,000
<b>Net Profit</b>	28,915	25,865	30,455	25,938
<b>P/E</b>	5.31	10.33	10.11	10.18
<b>Equity</b>	511,231	538,610	728,283	752,663
<b>P/B</b>	0.30	0.50	0.42	0.35
<b>EPS</b>	0.26	0.24	0.28	0.24
<b>Cost to income</b>	72.02%	65.83%	39.38%	52.71%
<b>Net interest margin</b>	2.80%	2.85%	4.26%	3.91%
<b>ROA</b>	0.44%	0.36%	0.38%	0.30%
<b>ROE</b>	5.85%	4.93%	4.81%	3.50%

## FINANCIAL ANALYSIS AND FORECAST

We expect FIB to maintain its assets, loans and deposits market shares during the forecasted period, partly due to the big difference between FIB and its direct competitors. The nearest to FIB banks are owned by Greek financial institutions and we do not expect them to be active on the market, due to the ongoing problems of their parent companies. Nevertheless, the Bank has significant potential to increase its corporate and consumer loans portfolio, because of the good customer service and the participation of the Bank in EU programs, oriented to Micro- and SMEs.

FIB will keep customer deposits as a main funding source, which results in higher cost of funding. Nevertheless, FIB's cost of deposits will further go down in 2015 in line with the ongoing banking system trend, but will remain higher than the system average. The Bank will continue to balance the higher cost of funding with higher than the banking system average income from corporate and retail loans. Net interest margin is expected to decline gradually to 3.2% for the forecasted period, because rates of interest on loans will fall faster than rates of interest on deposits.

Loans to deposits ratio (measured by corporate and retail loans and deposits) will increase slightly in 2015 to 85.6% and will remain around this level during the forecasted period. We expect CAGR of corporate and retail loans to slow down to 6.8% for the period 2015-2019, (15% for the period 2009-2014), limited by the restructuring plan.

Operating expenses, the major share of which are administration costs, will remain relatively unchanged in 2015-2016. Afterwards they will accelerate their growth, so the average annual increase in 2015-2019 will be similar to that, observed in 2009-2014 (7.5%).

Acquisition of Unionbank will support operating income, increasing it by around BGN 100 m. We expect the operating income to be generated mainly from Bank's core operations (interest income plus fee and commission income). Interest income will remain around 3/4 of the total operating income.

FIB's provision coverage increased significantly during the last quarter to 7.4%, but remains below the banking system average (8.2%) and pee group average (8.5%). We expect the Bank to maintain relatively high level of impairments during the next two years, in order to clean further its balance sheets. This will reduce the positive financial result in 2015 - 2016, but lower impairments after that will lead to over 30% average net profit annual increase in 2017 - 2019.

*FIB will maintained its market shares. Customer deposits will remain the main funding source*

*Loans to deposits ratio will increase, but the growth will be limited by the restructuring plan*

*The amount of impairments will continue to increase in order to clean further its balance sheets...*

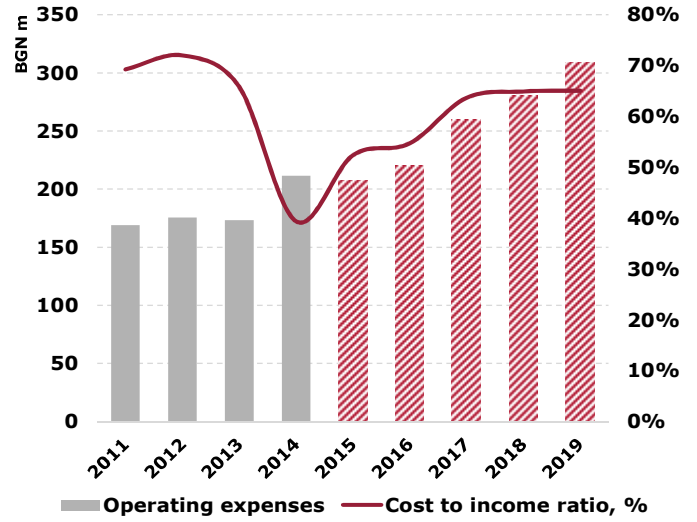
*...and will reduce the positive financial result*

**Exhibit 16: Operating income is expected to accelerate after 2017**



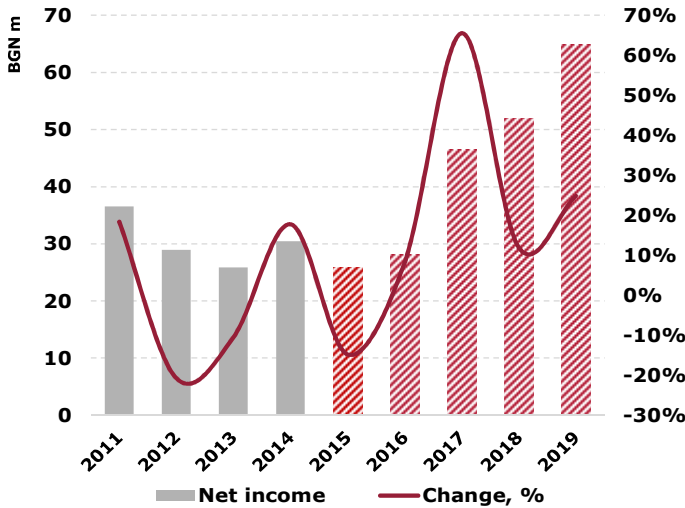
Source: BNB, Elana trading estimates

**Exhibit 17: Operating expenses will remain relatively constant during the period of restructuring plan**



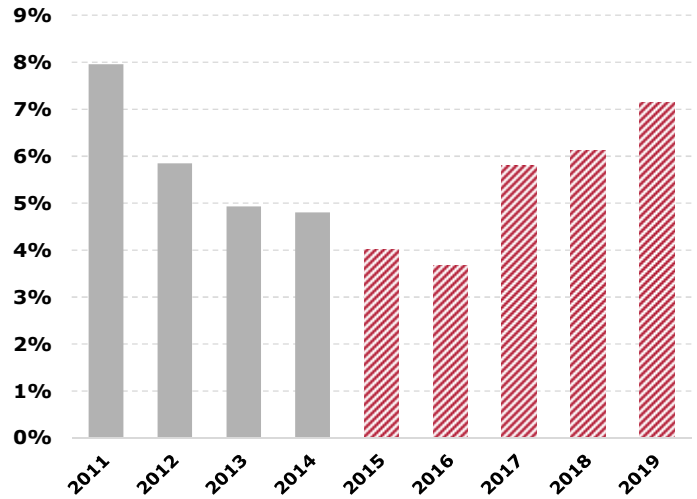
Source: BNB, Elana Trading estimates

**Exhibit 18: Net income will remain subdued due to the forecasted rise of impairments in the next two years**



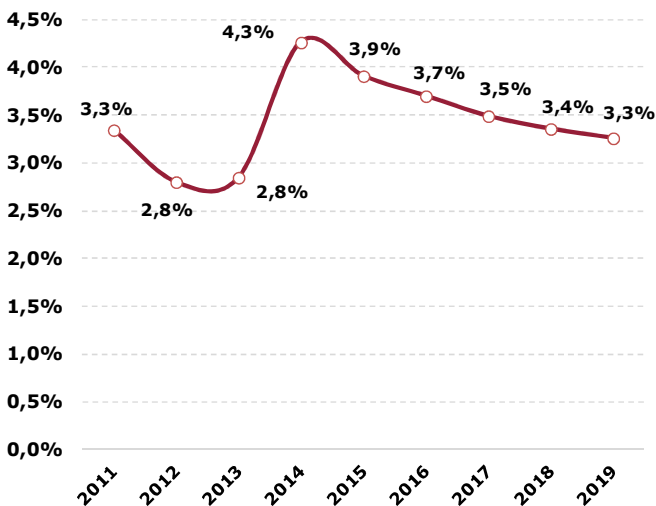
Source: BNB, Elana Trading estimates

**Exhibit 19: Higher net income will support ROE ratio after 2016**



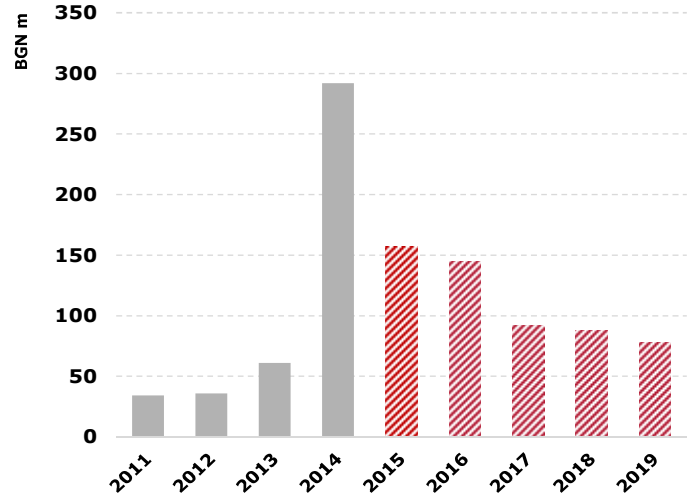
Source: BNB, Elana Trading estimates

**Exhibit 20: Net interest margin will decline gradually due to decreasing interest rates on loans**



Source: BNB, Elana Trading estimates

**Exhibit 21: The impairments will remain higher during the next two years in order FIB to clean further its balance sheets**



Source: BNB, Elana Trading estimates

**VALUATION**

The operations of FIB in Bulgaria contribute to 98% of total group assets and to 92% of the profit, so we use unconsolidated results to value the company. Our model is based on residual income valuation.

*We value FIB by its individual report at BGN 3.36*

We value the Bank's expected performance over the next five years taking into account the successful acquisition of Unionbank and the planned return of granted by the government liquidity support until May 2016.

For our models we use a 10% long-term ROE, which is slightly below the average banking system level for the last 10 years (11.9%), but in line with the current relatively slow recovery of the sector and 3.5% long-term growth rate. Thus, we value the stock at BGN 3.36 per share.

**RESIDUAL INCOME VALUATION:**

BGN'000	2015	2016	2017	2018	2019	TERMINAL YEAR
PROFIT AFTER TAXATION	25,938	28,067	46,460	51,979	68,878	71,289
DIVIDENDS PAYABLE	0	0	0	0	0	
RETAINED EARNINGS	25,938	28,067	46,460	51,979	68,878	71,289
BOOK VALUE OF EQUITY	728,283	752,663	778,732	823,167	875,513	944,877
REQUIRED EARNINGS	72,828	75,266	77,873	82,317	87,551	94,488
RESIDUAL INCOME	(46,890)	(47,200)	(31,413)	(30,338)	(18,673)	(23,199)
ROE	4.81%	4.02%	3.67%	5.80%	6.12%	7.57%
COST OF EQUITY	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
PV RESIDUAL INCOME	(42,627)	(39,008)	(23,601)	(20,721)	(11,594)	
SUM OF PV RESIDUAL INCOME	(137,552)					
PV OF CONTINUING VALUE	(221,608)					
TOTAL	(359,160)					
ADD: BEGINNING BOOK VALUE OF EQUITY	728,283					
PV OF EQUITY	369,123					
SHARES OUTSTANDING	110,000					
ESTIMATED VALUE PER SHARE	3.36					

**RECOMMENDATION AND PRICE TARGET**

The intrinsic value of FIB's stock is higher than the current market quotes. The strong Bank's position on the market is one of the factor, which will contribute to a growth and will support profits. Our 12-month price target is BGN 3.36, which represents 40% upside potential.

*Recommendation: HOLD*

*Target Price: BGN 3.36*

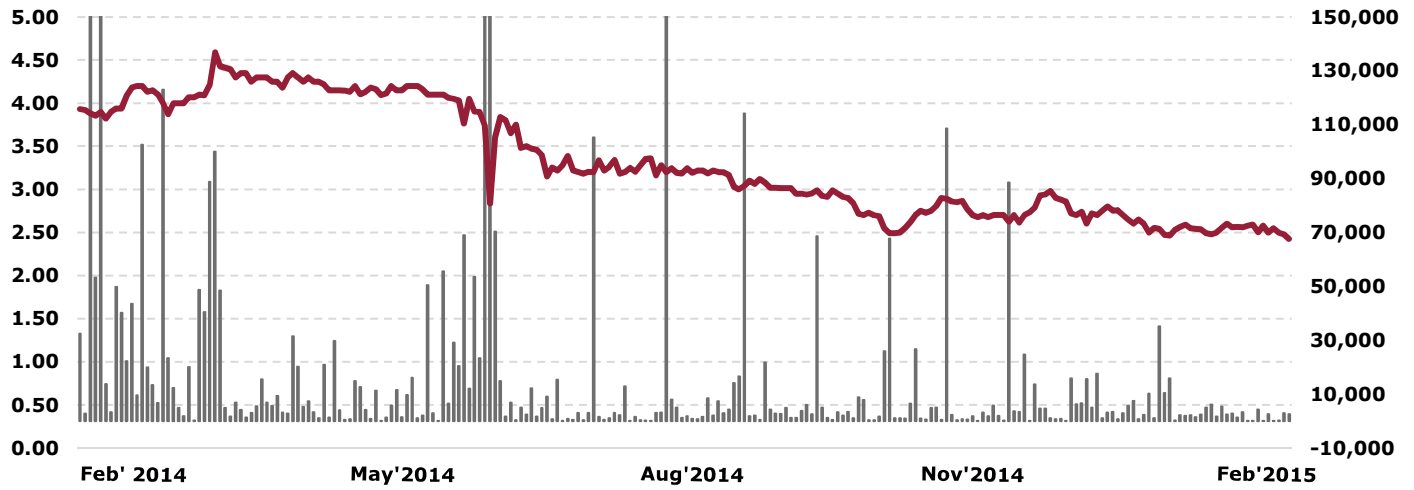
*Increase: 40%*

Nevertheless, we assign the stock a **HOLD** rating. This is mainly due to the serious run on deposits, which FIB suffered in 2014, after rumors about its stability. After the banking system turmoil, the current public confidence in the ability of the Central bank to regulate the sector is rather low. After the closure of Corpbank, which was like FIB a domestically owned bank, there are fears that observed in Corpbank lending practices may have been applied in other banks with Bulgarian ownership. So another media attack or rumors about the stability of FIB could lead once again to deposit outflow and liquidity problem, respectively.

In terms of significant investors involved in our stock market, we share the following observations:

- FIB is a bank with a systemic importance. Despite its temporary difficulties, it has strong growth potential in upcoming years. This might attract long-term investors, due to the current low market price of the stock.
- Bulgarian institutional investors are not active currently on the buy side. However, they are expected to sustain their present portfolio.
- Domestic private investors are more susceptible to news and rumors. Nevertheless, they will switch on buyers' side as soon as they see one or two quarters with good financial results, which will be a sign, that the Bank is not having problems to return the government liquidity support and that the customers' confidence is gradually regaining.

## STOCK PRICE DYNAMICS



**FINANCIAL DATA**

<b>STATEMENT OF INCOME (IN '000 BGN)</b>	<b>2013</b>	<b>2014</b>	<b>2015 (F)</b>	<b>2016 (F)</b>	<b>2017 (F)</b>	<b>2018 (F)</b>
NET INTEREST INCOME	162,334	276,269	276,089	269,718	271,401	284,342
INTEREST INCOME	446,451	503,731	461,238	453,989	464,306	488,118
INTEREST EXPENSE	284,117	227,462	185,149	184,272	192,906	203,776
NET COMMISSIONS AND FEES INCOME	85,437	81,437	90,833	94,466	101,079	109,165
FEE AND COMMISSION INCOME	96,020	100,858	103,179	107,307	114,818	124,003
FEE AND COMMISSION EXPENSES	10,583	19,421	12,346	12,840	13,739	14,838
NET TRADING INCOME	7,607	12,616	10,618	11,923	13,817	16,958
NET FINANCIAL ASSETS INCOME	3,759	14,924	6,350	9,905	8,243	7,419
NET OTHER OPERATING INCOME	4,041	152,185	9,260	9,740	9,264	8,754
<b>NET REVENUE</b>	<b>263,178</b>	<b>537,431</b>	<b>393,149</b>	<b>395,752</b>	<b>403,805</b>	<b>426,638</b>
NET PROVISIONING FOR IMPAIRMENT LOSSES	61,053	291,827	157,088	144,451	92,124	88,021
<b>NET REVENUE AFTER PROVISIONS</b>	<b>202,125</b>	<b>245,604</b>	<b>236,061</b>	<b>251,301</b>	<b>311,680</b>	<b>338,617</b>
NON-INTEREST EXPENSE	173,255	211,635	207,241	220,116	260,058	280,863
ADMINISTRATION COSTS	154,135	192,669	189,603	192,602	230,617	249,067
DEPRECIATION	19,120	18,966	17,638	27,515	29,441	31,796
<b>NET OPERATING INCOME</b>	<b>28,870</b>	<b>33,969</b>	<b>28,820</b>	<b>31,185</b>	<b>51,622</b>	<b>57,755</b>
NET NON-OPERATING LOSSES (GAINS)	0	0	0	0	0	0
<b>PRETAX INCOME</b>	<b>28,870</b>	<b>33,969</b>	<b>28,820</b>	<b>31,185</b>	<b>51,622</b>	<b>57,755</b>
INCOME TAX EXPENSES	3,005	3,514	2,882	3,119	5,162	5,775
<b>NET INCOME</b>	<b>25,865</b>	<b>30,455</b>	<b>25,938</b>	<b>28,067</b>	<b>46,460</b>	<b>51,979</b>
<b>EARNINGS PER SHARE IN BGN</b>	<b>0.24</b>	<b>0.28</b>	<b>0.24</b>	<b>0.26</b>	<b>0.42</b>	<b>0.47</b>
<b>BALANCE SHEET (IN '000 BGN)</b>	<b>2013</b>	<b>2014</b>	<b>2015 (F)</b>	<b>2016 (F)</b>	<b>2017 (F)</b>	<b>2018 (F)</b>
CASH AND CASH BALANCES WITH CENTRAL BANKS	835,926	983,407	970,063	1,008,865	1,128,553	1,271,830
SHORT-TERM INVESTMENTS	367,769	458,191	379,206	476,918	628,064	678,310
LONG-TERM INVESTMENTS	5,614,671	6,526,190	6,763,983	6,961,170	7,487,706	8,150,314
LOANS AND RECEIVABLES (INCLUDING FINANCE LEASES)	5,390,138	6,460,567	6,684,614	6,878,626	7,369,944	8,001,934
HELD-TO-MATURITY INVESTMENTS	141,222	29,252	35,275	36,686	68,695	95,387
INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	83,311	36,371	44,094	45,858	49,068	52,993
TANGIBLE ASSETS	559,195	622,198	617,313	642,005	490,675	423,943
OTHER ASSETS	68,382	55,849	88,188	82,544	78,508	74,190
<b>TOTAL ASSETS</b>	<b>7,445,943</b>	<b>8,645,835</b>	<b>8,818,752</b>	<b>9,171,502</b>	<b>9,813,507</b>	<b>10,598,587</b>
DEPOSITS FROM CENTRAL BANKS	0	0	0	0	0	0
SHORT-TERM LIABILITIES	0	0	0	0	0	0
FINANCIAL LIABILITIES MEASURED AT AMORTISED	6,894,990	7,896,088	8,049,957	8,375,984	8,972,359	9,703,628
OTHER LIABILITIES	12,343	21,464	16,132	16,786	17,981	19,446
<b>TOTAL LIABILITIES</b>	<b>6,907,333</b>	<b>7,917,552</b>	<b>8,066,089</b>	<b>8,392,769</b>	<b>8,990,340</b>	<b>9,723,075</b>
ISSUED CAPITAL	110,000	110,000	110,000	110,000	110,000	110,000
SHARE PREMIUM	97,000	97,000	97,000	97,000	97,000	97,000
REVALUATION RESERVES AND OTHER VALUATION DIFFERENCES ON	7,532	11,343	9,785	7,787	5,762	6,129
RESERVES (INCLUDING RETAINED EARNINGS) & OTHER EQUITY	298,213	479,485	509,940	535,878	563,945	610,405
INCOME FROM CURRENT YEAR	25,865	30,455	25,938	28,067	46,460	51,979
<b>TOTAL EQUITY</b>	<b>538,610</b>	<b>728,283</b>	<b>752,663</b>	<b>778,732</b>	<b>823,167</b>	<b>875,513</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>7,445,943</b>	<b>8,645,835</b>	<b>8,818,752</b>	<b>9,171,502</b>	<b>9,813,507</b>	<b>10,598,587</b>
<b>NUMBER OF SHARES:</b>	110,000,000	110,000,000	110,000,000	110,000,000	110,000,000	110,000,000
<b>PRICE IN BGN - PERIOD END:</b>	<b>2.43</b>	<b>2.80</b>	<b>2.40</b>	<b>2.40</b>	<b>2.40</b>	<b>2.40</b>
<b>MARKET CAP IN BGN - PERIOD END:</b>	267,300,000	308,000,000	264,000,000	264,000,000	264,000,000	264,000,000

<b>GROWTH RATE AND KEY RATIOS</b>	<b>2013</b>	<b>2014</b>	<b>2015 (F)</b>	<b>2016 (F)</b>	<b>2017 (F)</b>	<b>2018 (F)</b>
<b>GROWTH RATE</b>						
TOTAL ASSETS	7.8%	16.1%	2.0%	4.0%	7.0%	8.0%
TOTAL EQUITY	5.4%	35.2%	3.3%	3.5%	5.7%	6.4%
LOANS (CORP. AND RETAIL)	10.1%	22.6%	3.5%	4.3%	6.3%	8.7%
DEPOSITS (CORP. AND RETAIL)	6.2%	15.8%	1.9%	4.0%	7.1%	8.1%
OPERATING INCOME	-0.5%	40.6%	-24.7%	0.4%	3.0%	5.7%
OPERATING EXPENSES	0.1%	41.8%	-25.1%	0.0%	-0.5%	5.1%
NET INCOME	-10.5%	17.7%	-14.8%	8.2%	65.5%	11.9%
<b>BALANCE SHEET RATIOS</b>						
EQUITY TO ASSETS	7.2%	8.4%	8.5%	8.5%	8.4%	8.3%
LOANS TO DEPOSITS (CORPORATE AND RETAIL)	79.7%	84.3%	85.6%	85.9%	85.2%	85.7%
LOANS TO ASSETS (CORPORATE AND RETAIL)	68.4%	72.3%	73.3%	73.5%	73.0%	73.5%
DEPOSIT TO ASSETS (CORPORATE AND RETAIL)	85.9%	85.7%	85.6%	85.6%	85.7%	85.8%
LOAN LOSS PROVISION RATE	13.7%	57.9%	34.1%	31.8%	19.8%	18.0%
<b>PROFITABILITY RATIOS</b>						
RETURN ON LOANS	8.5%	7.9%	6.9%	6.6%	6.3%	6.1%
NET INTEREST MARGIN	2.8%	4.3%	3.9%	3.7%	3.5%	3.4%
COST TO INCOME	65.8%	39.4%	52.7%	55.6%	64.4%	65.8%
ROAA	0.4%	0.4%	0.3%	0.3%	0.5%	0.5%
ROAE	4.9%	4.8%	3.5%	3.7%	5.8%	6.1%
<b>VALUATION</b>						
P/E	10.3	10.1	10.2	9.4	5.7	5.1
BV	4.9	6.6	6.8	7.1	7.5	8.0
P/B	0.5	0.4	0.4	0.3	0.3	0.3
REVENUE PER SHARE	2.4	4.9	3.6	3.6	3.7	3.9



**Disclaimer**

**Regulatory Restrictions:** No publication of ELANA Trading should be construed as an offer (or solicitation of an offer) to **U.S. persons** to buy or sell financial instruments or any financial product, make any investment or participate in any particular trading strategy (collectively "Offers"). No Publication of ELANA Trading should be construed as an Offer (or solicitation of an offer) in any jurisdiction in which such Offer would be illegal. Any such perceived Offer will not be honoured by ELANA Trading.

**Analyst Certification:** The research analyst(s) certifies that: (1) all of the views expressed in this document accurately reflect his or her personal views about any and all of the subject securities or issuers; (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this document.

**Financial Interest:** ELANA Trading may trade or own shares of the analyzed companies. The research analyst(s) is not holding shares of the analyzed companies, unless otherwise noted.

**Regulatory Authority:** Financial Supervisory Commission, *Budapest Street 18, 1303 Sofia, Bulgaria*

**Information Disclosure:** All reasonable care has been taken to ensure the facts stated are accurate and opinions given are fair and reasonable. Our recommendations are based on information available to the public that we consider to be reliable but for the completeness and accuracy of which we assume no liability. Neither ELANA Trading, nor its directors, officers or employees shall in any way be responsible for its contents. The views expressed may differ from the views of other firm departments or representatives. Additional information is available upon request. Unless otherwise noted, sources for all information in charts and tables are ELANA Trading's calculations.

**Risks for Investors:** Information in this document should not be regarded as an offer to buy or sell any financial instruments. The investment possibilities discussed in this document may not be suitable for certain investors depending on their specific investment objectives and time horizon or in the context of their overall financial situation. In particular, the risks associated with an investment in the securities or the financial instruments under discussion are not explained in its entirety.

The prices or values of the securities may go down as well as up and can fluctuate and fall against the investor. The securities or investments may cause the investor to lose the amount invested. Past performance is not a guide to future performance. Changes in exchange rates may have an adverse effect on the value, price or income of the securities or investments.

**Valuation Methods:** Company valuations are based on the following methods: multiple-based (P/E, P/B, EV/EBITDA), historical valuation approaches, peer comparisons, discount models (DCF, DDM) or asset-based evaluation methods. Valuation models are dependent on macroeconomic factors, including interest rates, foreign exchange rates, prices of raw materials, and any expectations about the economy, the market sentiment. The valuation is based on expectations that might change rapidly and without notice, depending on developments specific to individual industries and countries. Recommendations and target prices derived from the models might therefore change accordingly. The application of models depends on forecasts of a range of economic variables, thus there is a range of reasonable variations within models. Any valuation is dependent upon inputs that are based on the subjective opinion of the analysts carrying out this valuation.

**Recommendations:** Analyst(s) recommendations are based on the specific factors for the company, sector, country and global developments, as compared to market indices. Recommendations and opinions reflect ELANA Trading's expectations over the 12-month period following publication from the perspective of long-only investment clients. ELANA Trading reserves the right to express different or contrary recommendations and opinions for different timescales or for other types of investment client. Except as otherwise noted, expected performance over next 12 months vary for different recommendations for Bulgarian stocks as follows:

<b>BUY</b>	Target price is more than 10% above current quotes
<b>HOLD</b>	Target price in +/-10% range of the current quotes
<b>SELL</b>	Target price is more than 10% below the current quotes

**Frequency of Recommendations:** No schedule of recommendations is available. The frequency of recommendations depends on specific factors to individual companies and the opinion of the analyst(s) for the necessity of minor or major changes.

**Copyrights:** The copyrights of ELANA Trading analyses belong to the Research Department of the brokerage and their content cannot be used for commercial purposes. Replication and redistribution of ELANA Trading analyses content is expressly prohibited without the prior written consent of the appointed contacts listed below.

**For more information, please contact:**

<b>Research analyst</b>	<b>Phone:</b>	<b>E-mail:</b>	<b>Internet:</b>
<b>Lyubomir Peshev</b>	<b>+359 2 810 00 27</b>	<a href="mailto:peshev@elana.net">peshev@elana.net</a>	<a href="http://www.elana.net">www.elana.net</a>
<b>Tsvetoslav Tsachev</b>	<b>+359 2 810 00 23</b>	<a href="mailto:tsachev@elana.net">tsachev@elana.net</a>	<a href="http://www.elana.net">www.elana.net</a>
<b>Tatyana Vasileva</b>	<b>+ 359 2 810 00 24</b>	<a href="mailto:vasileva@elana.net">vasileva@elana.net</a>	<a href="http://www.elana.net">www.elana.net</a>