FIRST INVESTMENT BANK AD

a joint-stock company duly incorporated and existing under the laws of the Republic of Bulgaria, with registered office at 37, Dragan Tsankov Blvd., Sofia, entered in the Commercial Register with UIC 831094393

Public offering of 40,000,000 (forty million) ordinary registered shares with face value of BGN 1 and issue price of BGN 5 per share

This document represents a prospectus for public offering of 40,000,000 new ordinary shares, issued by First Investment Bank AD (**"New Shares"** or **"Offered Shares"**, and accordingly **"First Investment Bank"**, **"Fibank"**, the **"Bank"**, the **"Company"** or the **"Issuer"**) with face value of BGN 1 and issue price of BGN 5 per share (the **"Offering"**). The Offering is based on a prospectus in the form of a single document in accordance with the requirements of Regulation (EU) 2017/1129 of the European Parliament and of the Council and Commission Delegated Regulation (EU) 2019/980 ("Prospectus Regulations"), which prospectus has been approved by the Financial Supervision Commission ("**FSC**") under the Public Offering of Securities Act ("**POSA**"). As soon as the New Shares are registered with the Commercial Register, the Central Depository AD and the FSC, an application for admission to trading of the New Shares on the Bulgarian Stock Exchange AD (**"BSE"**) shall be submitted.

Investing in the financial instruments presented in this Prospectus is associated with high risks, inherent to equities, as well as with risks, associated with the Company's business. The risks to be considered when deciding to invest in the Offered Shares are described in the section entitled "Risk Factors" from this Prospectus.

This Prospectus does not constitute, an offer, or solicitation to make an offer, to subscribe for any Offered shares in any jurisdiction, in which it is unlawful to make any such offer or solicitation. The public offering of the Offered Shares shall be realized only on the territory of the Republic of Bulgaria.

The securities have not been and will not be registered under the United States ("U.S.") Securities Act of 1933, as amended ("U.S. Securities Act"), or under the securities laws of any state within the U.S. or any other jurisdiction outside Bulgaria. The securities may not be offered or sold, directly or indirectly, in the U.S. or to any U.S. person, except to "qualified institutional buyers" as defined in Rule 144A under the U.S. Securities Act in reliance upon exemptions from, or in one or more transactions not subject to, the registration requirements of the U.S. Securities Act. The securities are being offered and sold outside the U.S. and Bulgaria to persons who are not "U.S. persons" (as defined in Regulations S under the U.S. Securities Act ("Regulation S")) in reliance upon Regulation S and the applicable laws of the jurisdiction where such offers and sales occur.

Investors also acknowledge that they: i) shall not rely on First Financial Brokerage House EOOD ("**FFBH**", "**Lead Manager**") or persons, affiliated with FFBH, for the examination of the accuracy of the information set forth in this Prospectus or for their investment decisions; (ii) shall rely solely on the information contained in this document and are aware that no person has been authorized to give any information or to make any representation, related to the Bank or the Offered Shares, other than as contained in this Prospectus and any such information should not be relied upon as having been authorized by the Bank or FFBH.

This Prospectus is dated April 22, 2020

THIS PROSPECTUS HAS BEEN APPROVED WITH DECISION No 281-E/23.04.2020 OF THE FINANCIAL SUPERVISION COMMISSION (FSC) AS THE COMPETENT AUTHORITY UNDER REGULATION (EU) 2017/1129. THE FSC HAS APPROVED THIS PROSPECTUS AS MEETING THE STANDARDS FOR COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY, IMPOSED IN REGULATION (EU) 2017/1129. THIS APPROVAL SHOULD NOT BE CONSIDERED AS ENDORSEMENT OF THE ISSUER. EACH INVESTOR SHOULD MAKE THEIR OWN INFORMED ASSESSMENT OF THE APPROPRIATENESS TO INVEST IN THE COMPANY'S SHARES.

RESPONSIBILITY STATEMENT

First Investment Bank AD as the issuer of the securities and the investment intermediary First Financial Brokerage House EOOD as the Manager of the securities ("Manager") accept responsibility for the completeness and accuracy of the information contained in the Prospectus. The Managing Board of the Bank and the executive directors of FFBH declare that, to the best of the knowledge of, the information about the Bank presented in this Prospectus in the context of the Offering is in accordance with the facts and does not omit anything likely to affect the import of such information. In addition, pursuant to Art. 81, para. 2 of POSA, the representatives of First Investment Bank AD and First Financial Brokerage House EOOD declare that the Prospectus meets the requirements of the law. Any opinions and intentions expressed in this Prospectus with regard to the Bank are honestly held and based on reasonable assumptions.

The members of the Managing Board of the Bank and the managers of FFBH, shall be held liable jointly and severally for any and all damages caused by false, misleading or incomplete information in the Prospectus. The persons responsible for the preparation of the Financial Statements (see "*General Information - Preparation of the Financial Statements*") shall be held jointly and severally liable with the afore mentioned persons for any and all damages caused by erroneous, misleading or incomplete information in the financial statements of the Bank, and the auditors of the Bank (see "*General Information - Independent Certified Auditors*") - for damages caused by the audit reports on the audited financial statements of the Bank. In view of the above, the above-mentioned persons have declared the relevant circumstances in accordance with Art. 81, para. 5 of the POSA and have submitted their declarations to the FSC. Information about the persons under Art. 81, para. 5 POSA is provided at the end of this document.

IMPORTANT INFORMATION

Capitalized terms used in this Prospectus shall have the meaning set forth in the *Abbreviations and Definitions* Section, unless otherwise defined in the document. Explanations of some of the terms used in the Prospectus are also given in the *Abbreviations and Definitions* Section.

Unless otherwise stated or implied in the Prospectus, the words "we", "us", "our" and the like refer to "First Investment Bank" AD.

Unless otherwise stated, references to assurances, knowledge, expectations, forecasts and opinions of the Bank or the Bank's management refer to the Managing Board.

Neither the Bank nor FFBH guarantee the lawfulness of the investment in the Offered Shares for any investor.

This Prospectus is intended to provide information to prospective investors in the context and for the sole purpose of evaluating a potential investment in the Offered Shares, subject to this document. It contains selected and summarized information. It does not express commitment or recognition or waiver, nor does it establish any direct or indirect rights for anyone other than for a prospective investor in the context of the Offering. The prospectus may not be used except in connection with the marketing of the Offering. The contents of this Prospectus cannot be considered an interpretation of the Bank's obligations, the market practices or the contracts, concluded by the Bank.

Potential investors are hereby explicitly informed that investing in the Offered Shares entails financial risks and should therefore read this Prospectus in its entirety, and in particular the *Risk Factors* Section, when considering to invest in the Offered Shares. In making an investment decision, prospective investors should rely on their own research and the information contained in the Prospectus, including the benefits and risks associated with investing in the Offered Shares.

Any decision to invest in the Offered Shares should be based solely on this Prospectus (and any annexes thereto), provided that any summary or description contained in this Prospectus, or legal provisions, accounting principles, or comparisons thereof, or corporate structure are for informational purposes only and should not be considered legal, accounting or tax advice for the interpretation or application of such provisions, information or relationships.

Except as provided in statutory provisions, no person is authorized to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of the Bank or FFBH.

The Company has submitted the Prospectus to the FSC for approval. The Prospectus has been prepared in accordance with POSA, Regulation (EU) 2017/1129 of the European Parliament and of the Council, Commission Delegated Regulation (EU) 2019/980 and other applicable regulatory acts governing the public offering of securities in Bulgaria.

The contents of this Prospectus should not be considered legal, financial, business or tax advice. Each prospective investor should consult his or her own legal advisor, independent financial advisor or tax adviser for legal, financial or tax advice.

Neither the delivery of this Prospectus, nor any offering, sale or transfer made pursuant to this document after the present date shall, under any circumstances create any implication that there has been no change in the affairs of the Bank since, or that the information contained herein is correct at any time subsequent to, the date of this document.

FINANCIAL INFORMATION

Unless otherwise stated, the financial information in this document has been compiled on the basis of the accounting records and reports of the Company, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS, adopted by the EU). The financial reporting framework "IFRS adopted by the EU" is essentially the designated national accounting base IAS as adopted by the EU, regulated by the Accounting Act and defined in paragraph 8 of its Supplementary Provisions.

Any person considering to acquire New Shares should rely on their own research of the Issuer, the terms and conditions of the Offering and the financial information in this document.

Some of the information contained in this document, including financial information, has been the subject of rounding and approximation. Therefore, in certain single cases, the sum of the numbers in a table column or row, or the percentage calculations contained in this document may not exactly correspond to the total figure given in the corresponding column or row.

Any and all financial and operating results of the Bank presented and commented in this document shall refer to consolidated data of First Investment Bank AD, unless explicitly otherwise stated. The term "Group" shall be used in this document for the sole purpose of presenting consolidated financial information, and shall include First Investment Bank AD and any and all of its subsidiaries, which are included in the scope of consolidation as at the date of the relevant Consolidated Financial Statement.

MARKET AND ECONOMIC INFORMATION

The market, economic and business information used in this document has been sourced from a variety of professional and other independent sources. The accuracy and completeness of such information is not guaranteed.

Information contained in this document relating to the banking industry and the competitors of the Bank (which may include estimates and approximations) was derived from publicly available information, including press releases and filings under various securities laws and other regulations. The Bank confirms that such information has been accurately reproduced from its sources and, as far as the Bank is aware and is able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading. However, the Bank has relied on the accuracy of this information without carrying out an independent verification. Certain of the information in this document in relation to Bulgaria has been extracted from documents and other publications released by, and is presented on the authority of, various officials and other public and private sources, including participants in the capital markets and financial sector in Bulgaria. There is not necessarily any uniformity of views among such sources as to the information provided therein. Accordingly, the Bank only accepts responsibility for accurately reproducing such extracts from the relevant informational sources. It accepts no further or other responsibility in respect of such information

INFORMATION FROM THE BANK'S WEBSITE

Except for the documents referenced in the Prospectus, the contents of the Bank's website shall not form any part of this Prospectus.

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1. SUMMARY

SECTION A – INTRODUCTION AND DISCLAIMER
This Summary should be read as an introduction to this Prospectus. Every decision for investment in securities should be based on the Investor's review of the entire Prospectus. In case of an investor claim against the information contained in the Prospectus, the plaintiff may, as per the applicable national legislation, have to bear the cost for the translation of the Prospectus prior to the commencement of the legal proceedings. Civil liability shall be borne only by the persons who prepared the Summary, including its translation, if it is misleading, inaccurate and inconsistent with the other parts of the Prospectus or, when read together with the other parts of the Prospectus, it does not provide key information to assist Investors in deciding whether to invest in the securities. The Investor may lose its entire or part of its capital investment. The liability shall be limited up to the investment value. Regulation (EU) No 1286/2014 shall not be applicable for the offered securities.
The Issuer, as well as the persons responsible for the preparation of the Prospectus, give their consent for the use of the Prospectus upon further resale or final placement of securities carried out by financial intermediaries. The consent under the previous sentence shall be valid for the period until the final placement of the securities. The information regarding the conditions and parameters of the Offering by each financial intermediary is provided as at the moment of the Offering by the respective financial intermediary. Securities: The shares, subject to public offering, shall assume the same identification number (ISIN) as the existing shares, namely: BG1100106050. Issuer: First Investment Bank, Sofia, 37 Dragan Tsankov Boulevard, tel.: 028171100, www.fibank.bg, fib@fibank.bg, UIC 831094393, LEI 549300UY81ESCZJ0GR95. The offeror, the person requesting the securities admission, does not differ from the Issuer. Competent supervisory body: Financial Supervision Commission, 1000 Sofia, 16 Budapeshta Str. telephone exchange: 029404999, fax: 029404 606, e-mail: bg_fsc@fsc.bg, BULSTAT: 131060676 This Prospectus for public offering of securities has been approved by the Financial Supervision Commission on 23 April 2020.
SECTION B - BASIC INFORMATION ABOUT THE ISSUER
Who is the Issuer of the offered shares?
First Investment Bank, Sofia, 37 Dragan Tsankov Boulevard, UIC 831094393. The Issuer has been established in the Republic of Bulgaria and exercises its activity in conformity with the applicable Bulgarian and European law. The Issuer is a bank and is engaged in the business of publicly accepting deposits or other repayable funds and extending loans and other financing for its own account and at its own risk., as well as other activities covered by its license stipulated in Art. 4 and Art. 5 of its Articles of Association. The main shareholders are: Ivaylo Dimitrov Mutafchiev directly holding 46 750 000 shares of the capital, with a total face value of BGN 46 750 000, ensuring 46 750 000 votes, representing 42.5% of the Bank's capital; Tseko Todorov Minev directly holding 46 750 000 shares of the capital, at a total face value of BGN 46 750 000, ensuring 46 750 000 votes, representing 42.5% of the Bank's capital. The issuer is not owned / controlled directly or indirectly by anyone individually. The shareholdings of Mr. Tzeko Minev and Mr. Ivailo Mutafchiev gives them, acting together, effective control of the Bank at a shareholders' meeting. The Bank is not aware of any shareholders agreement concluded between the Major Shareholders; however, up to now Mr. Tzeko Minev and Mr. Ivaylo Mutafchiev have voted on material issues at the shareholders meeting in the same way. The Managing Directors are: Nikola Hristov Bakalov - Chief Executive Officer, Member of the Management Board; Svetozar Alexandrov Popov – Member of the Managing Board, Executive Director and Chief Risk Officer (CRO); Chavdar Georgiev Zlatev – Member of the Managing Board, Executive Director, and Chief Corporate Banking Officer (CCBO); Nadia Vasileva Koshinska – Member of the Managing Board.

The official address of all Members of the Managing Board is: Sofia, 37 Dragan Tsankov Boulevard.

Auditors are: BDO Bulgaria OOD is a registered auditing company pursuant to the Bulgarian Independent Financial Audit Act, head office and registered office address: Sofia, 51b Bulgaria Blvd., floor 4.

Mazars OOD is a registered auditing company as per the Bulgarian Independent Financial Audit Act head office and registered office address: Sofia, 2 Tsar Osvoboditel Boulevard, BNP Paribas, floor 4.

What is the basic financial information about the Issuer?

Consolidated statement of profit or loss and other comprehensive income

In BGN '000	**2017**	**2018**	**2019**
Interest income	356 173	331 046	309 730
Interest expense	(95 247)	(63 958)	(63 016)
Net interest income	**260 926**	**267 088**	**246 714**
Fee and commission income	120 787	119 992	131 191
Fee and commission expense	(18 641)	(22 881)	(24 417)
Net fee and commission income	**102 146**	**97 111**	**106 774**
Net trading income	15 326	10 809	15 378
Other net operating income	28 191	16 321	74 618
TOTAL INCOME FROM BANKING OPERATIONS	**406 589**	**391 329**	**443 484**
Administrative expenses	(204 698)	(212 066)	(220 448)
Allowance for impairment	(78 850)	(83 378)	(119 730)
Other income/(expenses), net	(20 431)	65 127	51 053
PROFIT BEFORE TAX	**102 610**	**161 012**	**154 359**
Income tax expense	(10 365)	10 534	(16 437)
GROUP PROFIT AFTER TAX	**92 245**	**171 546**	**137 922**
Other comprehensive income			
Items which should or may be reclassified as profit or loss			
Exchange rate differences from translation of foreign operations	518	2 920	638
Revaluation reserve of investments in securities	888	(407)	(19)
TOTAL OTHER COMPREHENSIVE INCOME	**1 406**	**2 513**	**619**
TOTAL COMPREHENSIVE INCOME	**93 651**	**174 059**	**138 541**
Net profit attributable to:			
Ordinary equity holders	**92 175**	**171 388**	**137 579**
Non-controlling interest	70	158	343
Total comprehensive income attributable to:			
Ordinary equity holders	93 581	173 901	138 198
Non-controlling interest	70	158	343
Earnings per share, BGN	0.84	1.56	1.25

Source: Audited Consolidated Annual Financial Statements for 2017, 2018 and 2019; Fibank

Consolidated statement of financial position

In BGN '000	2017	2018	2019
Assets			
Cash and balances with Central Banks	1 478 594	1 674 754	2 072 046
Financial assets held for trading	7 979	0	0
Investments available for sale	742 306	0	0
Financial assets held to maturity	53 714	0	0
Investments in securities	0	802 321	993 022
Loans and advances to banks and other financial institutions	54 402	125 483	79 618
Loans and advances to customers	5 162 907	5 716 062	6 017 137
Property and equipment	91 539	83 951	81 738
Intangible assets	7 342	14 402	12 626
Derivatives held for risk management	1 596	905	814
Deferred tax assets	0	0	0
Current tax assets	63	605	253
Repossessed assets	984 448	812 934	716 129
Investment Property	218 212	242 558	410 511
Other assets	118 096	112 706	116 622
TOTAL ASSETS	**8 921 198**	**9 586 681**	**10 660 175**
LIABILITIES			
Due to banks	8 136	3 024	2 007
Due to other customers	7 583 819	8 342 691	9 104 021
Liabilities evidenced by paper	127 493	121 120	109 348
Subordinated term debt	0	0	3 943
Hybrid debt	208 786	208 786	267 615
Derivatives held for risk management	0	88	361
Deferred tax liabilities	14 467	2 774	17 428
Current tax liabilities	2 213	259	71
Other liabilities	0	0	159 633
TOTAL LIABILITIES	28 934	61 667	16 831
EQUITY	**7 973 848**	**8 740 409**	**9 681 258**
Issued share capital	110 000	110 000	110 000
Share premium	97 000	97 000	97 000
Statutory reserves	39 865	39 865	39 865
Revaluation reserve of investments in securities	21 431	17 795	17 776
Revaluation reserve on property	4 500	4 500	4 500
Reserve from translation of foreign operations	(1 525)	1 395	2 033
Other reserves and retained earnings	673 571	573 087	704 770
TOTAL ISSUED SHARE CAPITAL	**944 842**	**843 642**	**975 944**
Non-controlling interest	2 508	2 630	2 973
TOTAL GROUP EQUITY	**947 350**	**846 272**	**978 917**
TOTAL LIABILITIES AND GROUP' EQUITY	**8 921 198**	**9 586 681**	**10 660 175**

Source: Audited Consolidated Annual Financial Statements for 2017, 2018 and 2019; Fibank

Other key financial items

	2017	2018	2019
Senior debt	7 765 062	8 531 623	9 409 700
Subordinated debt	208 786	208 786	271 558
Deposits from customers	7 583 819	8 342 691	9 104 021
Non-performing loans	1 250 210	1 415 366	1 542 736
Common Equity Tier 1 capital (CET1) ratio	12.87%	13.30%	14.65%
Total Capital Ratio	15.89%	16.15%	18.34%
Leverage Ratio	11.28%	11.08%	11.84%

Source: Audited Consolidated Annual Financial Statements for 2017, 2018 and 2019; Fibank

Following the audit of the Company's Annual Financial Statements for 2017, 2018 and 2019, the registered auditors have issued an unqualified audit opinion on them.

Which are the main Issuer-related risks?

Macroeconomic risks and risks of the financial markets. Each negative change on one or more macroeconomic factors, as the interest rates, inflation, compensation levels, unemployment, restrictions on international trade, can have a material adverse effect on the Bank's business activity, its operating results and financial position.

Disruptions, uncertainty, or volatility in the capital and credit markets, such as those in the last few years, may limit the Bank's access to the capital needed to support business growth or offset the effects of losses or higher regulatory capital requirements.

Risk of catastrophic events. Since the beginning of 2020, the world has faced an unprecedented threat posed by the spread of the COVID-19 coronavirus infection, which has already become a pandemic. Bulgaria is also affected by the virus and although the government has taken serious measures to limit its spread, it is likely that these measures may become even more restrictive or continue for an undetermined amount of time. In the event of a prolonged pandemic, the Bank may suffer significant losses.

Interest rate risk. The Bank's business is subject to risk from interest rate fluctuations to the extent that interest-bearing assets and liabilities undergo changes of interest rates at different times and to different degrees. An increase in deposit interest rates, as well as a decrease in market levels of credit rates may have a direct adverse effect on the Bank's performance.

Interest rate risk is also specific to Bank's holdings of interest-bearing financial instruments, including the risk of incurring impairment losses from such financial instruments or decrease in their interest income.

Risk of a change in Bulgaria's credit rating. A potential downgrade of Bulgaria's credit rating would mean a higher risk and would automatically raise investors' expectations for profitability, with the potential adverse effect being expressed both in increase of cost of funds for the Bank and decrease in the value of the investment in its shares arising from an increase in the risk premium.

Competition in the Bank's core market is intense, which may prevent it from increasing or maintaining its market share. On its main market – Bulgaria - the Bank faces significant competition in all aspects of its business from a number of subsidiaries of major international financial institutions, as well as from some local players. If the Bank is unable to respond to the competitive environment with attractive product and service offerings, it may lose market share in important business segments or incur losses in some or all of its business lines.

In addition, the Bank faces the competition from non-banking entities such as non-banking financial institutions, leasing companies, investment funds and pension funds. The Bank cannot guarantee that this competition will not adversely affect its competitive position.

Risks, related to the creditworthiness of borrowers and the general economic conditions, that are specific to the Bank's business. The risks arising from changes in the quality and the service of loans and advances are inherent in most of the Bank's activities. Adverse changes in the creditworthiness of the Bank's borrowers, deterioration of the economic conditions in Bulgaria, Europe or worldwide, global economic problems, problems caused by systemic risks in the financial sector – all of these can reduce the collectability of loans and the value of the Bank's assets, leading to an increase in impairment losses on non-performing loans.

The Bank operates in a highly regulated environment

Changes in applicable legislation, in its interpretation or implementation, or failure of the Bank to comply with such legislation, could have a material adverse effect on the Bank.

Liquidity risk

Liquidity risk arises from the financing of the banking business and the management of positions. It includes the risk of not being able to make a specific payment on its due date, or not being able to sell a particular asset at a reasonable price and in a timely manner in order to meet a liability.

As at 31 December 2019, Fibank continued to maintain an adequate amount of liquid assets, with the liquid assets coverage ratio of borrowings from other customers amounting to 28.61%, the liquidity coverage ratio (LCR) to 221.64% and the net stable financing ratio (NSFR) to 132.74%[1].

The Bank is vulnerable to the amount of non-performing loans, the repossessed assets acquired as collateral and the risk of their ineffective management. Historically, non-performing loans have had a negative impact on Fibank's results of operations and on the entire banking system. In case of rising

[1] *Annual report 2019.*

interest rates, the share of non-performing loans could increase, the related provisions would reduce Fibank's profits and its capital adequacy would suffer accordingly. In addition, impairment of the loan portfolio may lead to withdrawal of deposits and reduced demand for the Bank's products.

The sale of non-performing loans and repossessed assets is part of Fibank's strategy till 2021 for non-performing loans management, non-interest-bearing assets reduction and further improvement in the Bank's balance sheet position and financial ratios. Failure by the Bank to implement this strategy in a timely manner and with the desired result may have a material adverse effect on its business activity, operating results and financial position.

The Bank is exposed to loan portfolio concentration risk. The Bank is exposed to varying degrees of risk of concentration in its loan portfolio. There is a risk that if any of these customers experiences financial difficulties or withdraws its exposure from the Bank, this may affect the Bank's business activity, its operating results and financial position.

Financial difficulties of a key market player can disrupt the stability of the entire market. Concerns about the creditworthiness of the government or a financial institution (or a default event by such institutions) can lead to significant liquidity and/or solvency problems, losses or default events on the part of the Bank or other institutions.

The nature of the Bank's business involves certain operational risks.

Fibank is exposed to operational risk, which is the risk of losses resulting from inadequate or failed internal processes, people and systems, as well as from external events - in particular legal, regulatory and outsourcing risks, as well as compliance risk. Fibank is also vulnerable to fraud by employees or outsiders, including unauthorized transactions and operational errors, technical and accounting errors, and errors resulting from defective computer or telecommunication systems.

SECTION C - BASIC INFORMATION ABOUT THE SECURITIES

Which are the main characteristics of the securities?

Subject to the public offering are up to 40,000,000 ordinary, registered, dematerialized shares of the Company's capital. The subscription shall be considered successful if at least 4,000,000 of the offered shares are subscribed. The face value of the offered shares is BGN 1, and the issue price is BGN 5 per share. The shares from the present offering, shall assume the same identification number (ISIN) as the existing shares, namely: BG1100106050. The securities are denominated in Bulgarian levs.

The shares in this issue are of the same class as the Bank's issued shares and give equal rights to their holders. They are not of limited duration.

The right to dividend is a basic shareholder's property right expressed in its right to receive a part of the Company's net profit that is proportionate to its share in the Company's capital, upon the presence of the respective statutory preconditions. The right to a liquidation share is a basic shareholder's property right expressing the right of the same to receive a share, which is proportionate to its share in the Company's capital, of the remaining Company's property, upon termination of the Company, through liquidation.

Management rights: The voting right; The shareholder's right to participate in the Company's management. Control rights: The right to information. Defense rights: The right to appeal of the decisions of the Company's bodies; The right to request appointment of registered auditors by the Registry Agency; The rights of minority shareholders. Additional rights: The right to subscribe a part of the new shares upon the Company's capital increase, which is proportionate to the shares held up to the increase; The right to preferable acquisition of securities granting the right to acquisition of shares of the same class as the shares of the current issue by converting them or by exercising the rights under them.

In case of non-creditworthiness, shareholders' claims are subordinated to the claims of all creditors.

Transfer of dematerialized securities shall take place by entering a transaction into Central Depository AD. The Bulgarian legislation stipulates limitations on the transfer of shares blocked at the depository institution, as well as of such having a pledge or distraint lodged.

Dividends are allocated by a decision of the General Meeting of the Shareholders. As of its establishment, Fibank has adopted a policy of profit reinvestment.

Where shall securities be traded?

Offered securities shall be presented for admission on a regulated market only on the territory of the Republic of Bulgaria - Bulgarian Stock Exchange AD, Sofia, 6 Tri Ushi Str., tel.: (+359 2) 937 09 34.

There is no securities-related guarantee.

Which are the main securities-related risks?

Risks related to the Bulgarian capital market. There may be less publicly accessible information available to investors for the Bulgarian companies than is available for companies in other securities markets, which may impact the share market.

The Bulgarian Stock Exchange is significantly smaller and less liquid than securities markets in some other countries. Apart from the negative effect on market prices, low liquidity also causes other difficulties, such as excessive volatility. In addition, the market is vulnerable to speculation, as liquidity is usually so low that prices can be manipulated by relatively small volume transactions. Therefore, there is no guarantee that the Shares will be actively traded, and if this does not occur, price volatility may increase.

The trading volume in the Shares may decline and the market price may fluctuate Issue price. The Bank cannot guarantee that the trading volumes of the Shares will be constant or will improve. At certain times, sale of the Shares may be difficult or impossible due to lack of investor interest.

SECTION D - BASIC INFORMATION ABOUT THE PUBLIC OFFERING OF SECURITIES

Under what conditions and according to what schedule may I invest in these securities?

Terms and conditions; Timetable

According to §1, item 3 of the POSA, a single right is issued for each share held of the Bank's capital. Each 2.75 (two point seventy-five hundredths) rights entitle their holder to the subscription of 1 (one) new share with an issue price of BGN 5. Any investor can acquire rights during the designated period for rights transfer/trade and on the auction organized by the Bulgarian Stock Exchange AD for any unsubscribed rights. Each person/entity may subscribe at least 1 (one) new share and at most such number of shares equal to the number of acquired and / or / owned rights, divided by 2.75. If the result of the division is a non-integer number, it is rounded to the lower integer. Current shareholders acquire the rights free of charge. All other investors may purchase rights through a transaction on the rights market organized by Bulgarian Stock Exchange AD within the term of the rights transfer or at an explicit auction for the unsubscribed rights organized by Bulgarian Stock Exchange AD after the expiry of the term for the transfer of the rights. Pursuant to Art. 112b, para. 2 of the Public Offering of Securities Act the right to participate in the capital increase shall be granted to the persons who have acquired shares not later than 7 days after the date of publication of the announcement under Art. 92a, para. 1 POSA.

The Investors may refer to First Financial Brokerage House EOOD or another investment intermediary.

The issue price of the subscribed shares shall be deposited to a special fund raising account of the Bank, which shall be specified in the Notice under Art. 92a of the Bulgarian Law on Public Offering of Securities.

The Company shall notify the Financial Supervision Commission, within a term of 3 (three) working days as of completion of subscription, of its holding and its results, including of any difficulties, disputes and others similar upon the trade with the rights and the subscription of the shares.

All actions shall be undertaken as necessary for the entry of the capital increase into the Trade Register, and thereafter – for the entry of the new issue shares into Central Depository and BSE AD.

Indicative Offering Schedule according to the shortest legal deadlines

Prospectus Publishing Date	04.05.2020
Offering Notice Announcement Date	04.05.2020
Beginning of the trading with rights at BSE and of the subscription of new shares	15.05.2020
Last day of the trading with rights at BSE	01.06.2020
Expiry of the period for transfer of rights	03.06.2020
Official auction	10.06.2020
End date for subscription of shares	03.07.2020
Capital increase entry into the Trade Register	on or around 23.07.2020
Entry of new shares in Investors' accounts into the Central Depository	on or around 29.07.2020
Beginning of the trading with new shares at BSE	on or around 14.08.2020

If they do not exercise their subscription rights, current shareholders will dilute their holdings by between 3.51% and 26.67%, in the case of a minimum and maximum capital increase respectively. The expenses for the issue upon minimum subscription amount to BGN 681 607, and provided that the entire amount of the offered issue of shares is subscribed – BGN 4 281 607, which shall be undertaken by the Issuer. The Investors shall undertake the expenses for fees and commissions of the investment intermediaries, the payment institutions, "Bulgarian Stock Exchange" AD, Central Depository AD, connected with the purchase of rights and the subscription of the Company's shares. There are no expenses stipulated for the Investor, which have been assessed by the Issuer or the Manager.
What is the reason behind the preparation of this Prospectus?
The expected net proceeds from the public offering, following deduction of the maximum amount of the offering expenses, are BGN 195 718 393in case the whole issue amount is subscribed, and BGN 19 318 393 in case of minimum subscription proceeds. The Bank intends to use the proceeds from the offering for general corporate purposes. The capital raised is necessary for implementation of the Bank's strategy to sustain its market share through maintaining loan book growth, while retaining stable capital adequacy levels and low risk profile. The Offering is not a subject to any underwriting agreement on a firm commitment basis. The Issuer is not aware of any conflicts of interest related to the Offering or the admission to trading.

2. RISK FACTORS

Before investing in the Offered Shares, potential investors should carefully consider the following risk factors in addition to the other information contained in the Prospectus. The risks described herein below have and may have an adverse effect on the Bank's business, financial position and operating results. If any of the risks described below occurs, this may result in a decline in the value of the Shares and in the price they are traded at, and the investors may lose part or all of their investment.

The risks specific to the Bank's business are divided for presentation purposes into 3 categories - systemic risks, risks related to the shares (general) and non-systemic risks (related to the Bank's activity and the banking sector). Within each category, the most material risk factors, taking into account the negative impact on the Issuer and the probability of their occurrence, are listed first. This does not imply that the remaining risk factors are ordered by materiality to the Bank or by probability of occurrence.

Additional risks and other uncertain events, including such not currently known to, or considered insignificant by the Bank, may also have a material adverse effect on its business, financial position or operating results, or may result in a decline in the value of the Shares.

Systemic risks

Systemic risks arise from the external conditions under which the economic operators function, as they have direct impact on the Bank. Since they are related to the market and the macro environment in which Fibank operates, systemic risks cannot be controlled by the management of the Bank and require that its operational and investment policies take into account each of them: political, macroeconomic, currency, tax, sovereign risk, etc.

Macroeconomic and financial market risks

As a result of the global financial crisis from mid-2007 to 2009, public sector debt levels around the world and the presumed and/or actual instability of a number of credit institutions in certain European countries have had a negative impact on macroeconomic conditions. However, by 2017 the European economies returned to solid growth and some of the troubled countries improved their condition. Nevertheless, many European economies continue to face structural challenges such as unemployment and high levels of structural debt, which results in persistent unusually-high political risk and polarization of European standards. In response to the global financial crisis, unprecedented steps have been taken to stabilize the financial system and increase the flow of credit in the global economy.

As of the date of this Prospectus, the global macroeconomic situation is characterized by a high degree of uncertainty in a number of aspects, including: (a) real economy slowdowns that are expected to turn into recession in some economies more severely affected by the COVID-19 and/or the falling oil prices; (b) the future monetary policy developments of the European Central Bank and the US Federal Reserve; (c) the volatility of global financial markets.

Fibank's performance is heavily influenced by the developments in the global, and especially the European economy. If the economic conditions affecting the Bank's markets deteriorate further, Fibank's performance and operations could be materially and adversely affected.

Disruptions, uncertainty, or volatility in the capital and credit markets, such as those in the last few years, may limit the Bank's access to the capital needed to support business growth or offset the effects of losses or higher regulatory capital requirements. This may force the Bank to: (1) postpone the capital raise, (2) issue capital of a different type or under different conditions than it would issue under other circumstances, or (3) pay a higher cost of capital, than it would in a more stable market environment. This could result in lower profitability and limit the financial flexibility of the Bank. Therefore, the Bank's operating results, financial position, cash flows and regulatory capital position may be significantly affected by financial market volatility.

The banking business in Bulgaria depends primarily on the overall level of economic activity in the country. Accordingly, the Bank's operations, operating results and financial position depend to a large extent on the state of the Bulgarian economy, which affects the loan growth, interest costs and the ability of customers to meet their obligations on time. Any negative change in one or more macroeconomic factors, such as interest rates, inflation, compensation levels, unemployment, restrictions on international trade, can have a material adverse effect on the Bank's business activity, its operating results and financial position.

For details on Bulgaria's macroeconomic development, please refer to the *Industry Overview – the Bulgarian Economy* Section.

Force majeure risk

Natural disasters, epidemics and pandemics, terrorist attacks, acts of hostilities or war, as well as the responses to such acts, can create economic and political instability that may have a negative effect on the economic conditions in Bulgaria and therefore a direct or indirect adverse impact on the business of the Bank, its financial position and the results from its operations.

Since the beginning of 2020, the world has faced an unprecedented threat posed by the spread of the COVID-19 coronavirus infection, which has already become a pandemic. Bulgaria is also affected by the virus and although the state has taken serious measures to limit its spread, it is likely that these measures may become even more restrictive or continue for an undetermined amount of time. Should this happen, the Bank could be adversely affected by stricter restrictions on the movement and employment of staff, which would cause difficulties for the Bank's operations. If the spread of the infection is not restricted in the foreseeable future, not only in Bulgaria but also in Europe, this would cause serious problems for the country's economy. Retail and corporate borrowers of the Bank may experience difficulties in loan repayment, which would lead to an increase in overdue exposures and consequently to an increase in provisions. In the event of a prolonged pandemic, the Bank may suffer significant losses.

Interest rate risk

Interest rate risk is related to the possibility of changes in market interest rates. The Bank's business is subject to risk from interest rate fluctuations to the extent that interest-bearing assets and liabilities undergo changes of interest rates at different times and to different degrees. An increase in deposit interest rates, as well as a decrease in market levels of credit rates may have a direct adverse effect on the Bank's performance.

Interest rate risk is also specific to Bank's holdings of interest-bearing financial instruments, including the risk of incurring impairment losses from such financial instruments or decrease in their interest income.

For the purposes of internal assessment process of its capital adequacy, the Bank manages the interest rate risk in its portfolio by managing the asset allocation, controlling the costs and terms of financial liabilities, as well as controlling the interest rate structure of its loan portfolio and other interest-bearing assets.

Risk of a change in Bulgaria's credit rating

Sovereign credit risk is the risk of a government becoming unwilling or unable to meet its debt service obligations. The latest update of the credit rating of Bulgaria was in February 2020, when Fitch confirmed the country's credit rating as BBB with positive outlook. The rating decision of the agency was based on the sustainable growth of the Bulgarian economy, the stable public finances and the country's progress in the process of joining the ERM II. For details on current credit ratings of the country, please refer to the *Industry Overview – the Bulgarian Economy* Section.

Credit rating and outlook are among the major indicators foreign investors consider when making decisions regarding investments in a country. A potential downgrade of Bulgaria's credit rating would mean a higher risk and would automatically raise investors' expectations for profitability, with the potential adverse effect being expressed both in increase of cost of funds for the Bank and decrease in the value of the investment in its shares arising from an increase in the risk premium.

Unemployment risk

Any potential deterioration and negative changes in the labor market in the country could have an adverse effect on the creditworthiness of the borrowers from the Bank and its other customers, which in turn could adversely affect the Bank's business activity, its operating results and financial position.

Since the end of 2013, unemployment in Bulgaria has been steadily decreasing, reaching 4.5% by the end of 2019.[2] The positive economic development of the country and the steady growth in the manufacturing and services sectors have created many new jobs and have had an extremely favorable impact on the labor market. The economic contraction caused by the COVID-19 pandemic is expected to dramatically change the labor market situation. Nevertheless, according to the World Bank Spring 2020 report, disposable income for the population would not decrease significantly due to the increase in some government-determined salaries since the beginning of 2020.

However, the Bank remains vulnerable to potential serious increase in unemployment in the country, both in terms of the quality of its credit portfolio and in terms of demand for its products and services.

Political risk

In the last 30 years the political and socioeconomic development of the country passed through different stages, the most important of them being the preparation and the subsequent accession of Bulgaria to the European Union on 1 January 2007.

Notwithstanding the financial crisis, during this period Bulgaria achieved real economic growth and financial stability. Even not automatically transforming into political stability, those developments definitely increased the confidence in the country and improved its image. Future economic growth will depend on the political will for economic reform and continued following of the best EU practices. Regardless of all the positives of Bulgaria's membership in the EU, there is no guarantee that the government of the country will adopt the correct economic policy and will manage to administer it effectively. If the government of the country fails to create financial security and a predictable environment for economic entities in the country, this may have considerable adverse effect on Fibank's activity, its operating results and financial position.

The present government was elected by the National Assembly in May 2017, with a mandate of the political party GERB ("Citizens for European Development of Bulgaria"), after snap elections that followed the resignation of a government led by the same political formation and its chairman Boyko Borissov. Currently, Bulgaria has a coalition government comprising of representatives both from GERB, and from the "United Patriots" coalition. As of the end of 2019, the political situation in the country is relatively stable, with GERB also maintaining its position as a leading political party in the recent local government elections held in October 2019. Regardless of some discrepancies in the ruling coalition, there is no immediate risk of its breakup and the governmental policy is supported by a stable parliamentary majority. Nevertheless, it is not certain that factors causing social and political pressure in the country will not appear, bringing about considerable and sudden change in the political and economic conditions in the

[2] *Eurostat*

country that may have a considerable adverse effect on the Bank's activity, its operating results and financial position.

Bulgaria's accession to the EU, apart from being an act of enormous political importance, remains full of challenges. They are caused by the ongoing reforms in Bulgaria as part of its EU integration, but also by the dynamics of integration processes in the EU itself. These processes involve major political, economic and institutional changes which are hard to take into account the interests of all Member States. There is no guarantee that these processes will be completed successfully or that Bulgaria's national interest will be upheld. There is also no guarantee that the planned exit of the UK from the EU (Brexit) will not cause deepening of the disintegration sentiment in other EU countries and thus cause serious political and economic shocks for all Member States, including Bulgaria.

Outside the context of EU membership and internal political difficulties, the Bulgarian political system is also vulnerable to potential economic difficulties, social instability, organized crime and corruption. A potential instability of government institutions in the country may have a significant adverse effect on the Bank's business, its operating results and financial position.

The Bank is also vulnerable to external policy risks and their direct effects on the Bulgarian economy. Apart from force majeure, economic constraints are increasingly being used as a means of imposing political sanctions, which can lead to serious economic damage to entities operating in Bulgaria, including Fibank.

Inflation risk

Inflation risk is the risk of depreciation of the local currency and decrease of its purchasing power. Inflation risk for the Bank is twofold: on the one hand it reduces the disposable income and household consumption, respectively the demand for loans, and on the other it causes an increase in the Bank's expenses which, in the absence of corresponding increase in revenues, directly leads to decrease of the financial results.

The Bulgarian economy has been operating in an inflationary environment since mid-2017, with the price growth rate remaining almost constant over the last half year. At the end of December 2019, the average annual harmonized index of consumer prices stood at 2.5%,[3] rising slightly to 2.6% in February 2020. Given the expected deflationary effects of COVID-19 and the fall in oil prices, core inflation is not likely to exceed the euro area target of 2%. At the same time, Bulgaria is strongly focused on inflationary requirements for Eurozone membership and, although the country does not have the standard monetary policy instruments, this clearly defined objective ensures a high level of inflationary predictability for economic operators.

Inflation fluctuations in the country can have an adverse effect on the Bank's customers, respectively on its activities, operating results and financial position.

Currency risk

Since 1997, a currency board system has been functioning in Bulgaria, whereby the exchange rate of the Bulgarian currency is fixed to the euro at a rate of 1.95583 BGN for 1 EUR. Maintaining the currency board system since its introduction has significantly minimized the currency risk relative to the Euro.

The Bulgarian authorities have declared that they intend to join the Exchange Rate Mechanism (ERM II) with the currently effective exchange rate (similar to Lithuania and Estonia), maintaining zero deviation from it. This target lev-to-euro exchange rate has to be endorsed by the euro area member states, the ECB, with the participation of the European Commission, and after consultations with the Economic and Financial Committee.

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[3] *Source: NSI*

Risks, related to the Bulgarian legal system

Although Bulgaria has introduced a number of significant legal and constitutional reforms since 2007 and most of the Bulgarian legislation has been harmonized with EU legislation, the legal system in the country is still in a process of reforming. In this regard, the European Commission introduced a monitoring mechanism for cooperation and verification for Bulgaria and Romania to monitor the implementation of their commitments in the area of judicial reform and combating corruption and organized crime. In the fall of 2019, the EC reported progress in the judicial reform in Bulgaria and recommended that the European Council and the European Parliament abolish monitoring of the judicial system and home affairs in the country.

Despite the potential forthcoming abolishment of the cooperation and verification mechanism, the country's legal system and infrastructure remain subject to a number of challenges. In this regard, a risk of their malfunctioning could be identified that would lead to uncertainty in carrying out corporate actions, supervision and other issues that are not generally put to question in other countries.

Risks related to the Bank and the banking sector

Competition in the Bank's core market is intense, which may prevent it from increasing or maintaining its market share

The markets in which the Bank operates are highly competitive. In its main market, Bulgaria, the Bank faces significant competition in all aspects of its business from a number of subsidiaries of major international financial institutions, as well as from some local players. Historically, Fibank's key competitors have had lower funding costs due to lower dependence on domestic deposits and the support by parent companies - mainly Euro area banks. In recent years, deposit rates have fallen significantly, reducing the gap between Fibank's funding costs and those of its main competitors. However, if the Bank is unable to respond to the competitive environment with attractive product and service offerings, it may lose market share in important business segments or incur losses in some or all of its business lines.

In addition, the trend towards consolidation in the banking sector has created larger and stronger bank-competitors. The merger of United Bulgarian Bank AD and Cibank EAD in the beginning of 2018 resulted in a change of Fibank's ranking by assets from third to fourth place. In 2019, Fibank went another notch down in the ranking compared to the end of 2018, as a result of the merger between Eurobank Bulgaria AD and Piraeus Bank Bulgaria AD in November 2019. With the acquisition of Societe Generale Expressbank AD by DSK Bank and the expected subsequent merger, a new No 1 institution in the Bulgarian banking sector will probably emerge – a fact that will further complicate the competitive environment.

The Bank also faces competition from non-banking entities such as non-banking financial institutions, leasing companies, investment funds and pension funds. The Bank cannot guarantee that this competition will not adversely affect its competitive position.

To cope with the increased competition, the Bank relies on its knowledge of the specifics of the domestic market, on established relationships with customers, on improving the quality of services offered, on its wide branch and distribution network, as well as on the development of digital banking services. However, if the Bank is unable to provide competitive offers for products and services, it may fail to attract new and/or retain existing customers, may lose market share or its net interest margin and fees and commissions income may decrease. Each of these events could have a material adverse effect on the Bank's business, financial position or operating results.

Risks, related to the creditworthiness of borrowers and the general economic conditions, that are specific to the Bank's business

The risks arising from changes in the quality and the service of loans and advances are inherent in most of the Bank's activities. Adverse changes in the creditworthiness of the Bank's borrowers, deterioration of the economic conditions in Bulgaria, Europe or worldwide, global economic problems, problems caused by systemic risks in the financial sector – all of these can reduce the collectability of loans and the value of the Bank's assets, leading to an increase in impairment losses on non-performing loans.

The Bank's main exposure to credit risk arises from loans and advances. The size of this exposure is defined by the carrying amounts of the assets on the balance sheet. In addition, Fibank is exposed to off-balance sheet credit risk through commitments to extend loans and contingent liabilities. Credit risk concentrations (whether on or off balance sheet) related to financial instruments are intrinsic to borrowers with similar economic characteristics. Therefore, the latter ability to meet contractual obligations would be similarly affected by changes in economic or other conditions.

Credit risk exposures are managed through regular analysis of the creditworthiness and the rating of borrowers. Collateralization and guarantees are also part of credit risk exposure management. Bank’s policy requires adequate collateral from certain customers prior to extension of approved loans. Guarantees and letters of credit are also subject to rigorous credit assessment before being provided. Agreements set limits on the Bank's financial obligations. The amount of the collateral for guarantees and letters of credit is 100%.

Individually significant exposures to corporate customers are subject to individual credit assessment and impairment test. The overall creditworthiness of corporate customers is the most appropriate indicator for the credit quality of loans. However, collateral provides additional security and is required by the Bank from corporate borrowers.

The Bank regularly analyses collateral for possible changes in value due to changes in market conditions, legal framework or actions of the debtor. Where such changes result in breach of the collateral requirements, Fibank requires the provision of additional collateral within a specified timeframe.

The Bank continuously monitors the risk of default on existing loans and, upon indications for existing or potential problems, prepares action plans and takes measures to manage possible adverse consequences, including loan restructuring.

Credit risk management as a complete process is carried out under the control of the Management Board of the Bank. The Supervisory Board supervises the operations of the Management Board directly or through the Risk Management committee. The latter assists the Supervisory Board in the broad oversight of the Bank's risk management functions.

The Bank operates in a highly regulated environment and changes in applicable legislation, in its interpretation or implementation, or failure of the Bank to comply with such legislation, could have a material adverse effect on the Bank

The Bank is subject to a number of regulations designed to maintain the safety and soundness of banks by ensuring compliance with economic and other obligations and by limiting their risk exposures. Fibank, as part of the Bulgarian banking system, is subject to the international regulatory framework Basel III in the European Union, part of which is directly applicable to Member States and part is transposed into Bulgarian law through the Credit Institutions Act (CIA) and its supplementary regulations. The Bank's activities are also regulated by regulations adopted by the European Parliament and the Council, delegated regulations of the European Commission and guidelines and recommendations issued by the European Banking Authority. For more information on current legislation, please refer to the *Industry Overview* Sector

For more information on current legislation, see *Industry Overview - Banking Supervision and Banking Regulation*.

There are numerous ongoing initiatives to develop new, implement or amend existing regulatory requirements that apply to European credit institutions, including Fibank. Many of these initiatives, which aim to continually improve the regulatory framework of the banking sector (including in response to the global financial crisis and the European debt crisis), are under development and discussion and no firm predictions can be made about their potential impact. Any change in the laws and regulations or in their interpretation and implementation may expose Fibank to additional costs and obligations, may require a change in the Bank's business strategy, may have a negative impact on its business, on the products and services offered, or on and the value of its assets. If Fibank is unable to increase its capital ratios sufficiently or in time and/or comply with other regulatory requirements, the competent authorities may impose restrictions, fines, penalties or other regulatory measures. Such events could have a material adverse effect on the business, financial position or operating results of First Investment Bank.

Apart from the specific bank regulations, the activity of the Bank also depends on the general corporate legislation in Bulgaria (tax and accounting regulations, legislation on measures against money laundering, protection of personal data, etc.), changes to which can have a significant effect on the performance and financial position of the Bank. For example, the introduction of IFRS 9 Financial Instruments led to significant changes in the classification and measurement of the quality of financial assets and introduced a new impairment model based on expected credit losses which had a one-off effect on the Bank's regulatory capital, resulting in its decrease of BGN 276.8 million (the option for transitional mitigation measures has been provided).

Liquidity risk

Liquidity risk arises from the financing of the banking business and the management of positions. It includes the risk of not being able to make a specific payment on its due date, or not being able to sell a particular asset at a reasonable price and in a timely manner in order to meet a liability.

First Investment Bank manages liquidity risk through an internal system for daily monitoring and liquidity management, through maintaining sufficient cash balances in line with the currency structure of assets and liabilities and with the maturity ladder, regular analysis of inconsistencies between cash inflows and outflows, maintaining a portfolio of low-risk assets for meeting current liabilities, as well as through its transactions on the interbank market.

With a view to maintaining a moderate risk profile, Fibank believes it has put in place an adequate liquidity risk management framework. The Bank's liquidity management policy seeks to ensure meeting all obligations including in the event of stress originating from the external environment or the specifics of the banking business, to maintain an adequate level and structure of liquidity buffers, and to use appropriate mechanisms for allocation of costs, benefits and risks, related to liquidity. The Bank applies a combination of methods, financial models and liquidity assessment and management tools, including the requirements for reporting and monitoring liquidity coverage ratios and net stable financing in accordance with Regulation (EU) No 575/2013. In order to further reduce liquidity risk, preventive measures are also in place, aimed at increasing the maturity of the attracted funds from customers, at stimulating long-term customer relationships and at increasing customer satisfaction. As regards to its asset, liability and liquidity management policies, as of January 1, 2018, First Investment Bank applies the new requirements on business models and criteria for classifying financial assets in the Bank's portfolios and their measurement in accordance with IFRS 9.

In 2019, Fibank continued to maintain an adequate amount of liquid assets, and As at 31 December 2019, the ratio of liquid assets to borrowings from other customers amounted to 28.61%. According to the regulatory requirements as of January 1, 2018, the Bank should maintain a buffer of liquid assets to ensure minimum liquidity coverage of 100% of the potential net outflows over a 30-calendar day stress period. At the end of the reporting period, the Liquidity Coverage Ratio (LCR) stood at 221.64% on a consolidated basis (2018: 269.21%, 2017: 334.85%).

First Investment Bank also calculates a net stable funding ratio (NSFR), which is an instrument introduced to ensure that long-term liabilities are adequately covered by stable financing tools both under normal circumstances and in stress conditions. At the end of 2019, the net stable funding ratio amounted to 132.74% on a consolidated basis (2018: 135.45%, 2017: 136.43%) and was above the reference value of 100% even before its introduction as an obligatory requirement.

The Bank is vulnerable to the amount of non-performing loans, the repossessed assets acquired as collateral and the risk of their ineffective management

Historically, non-performing loans have had a negative impact on the performance of Fibank and the entire banking system. As at 31 December 2019, exposures over 90 days past due in the consolidated balance sheet amounted to BGN 774.4 million, representing 11.9% of the Bank's gross loans (BGN 837.4 million and 13% As at 31 December 2018; BGN 1 007.5 million and 17.5% As at 31 December 2018). As at 31 December 2019, 82% of exposures over 90 days past due secured by mortgages, receivables, machines, goods, securities, etc., 16% are unsecured and 2% are credit card receivables. As at 31 December 2019, the non-performing loan coverage ratio was 65.9% (89.5% As at 31 December 2018).

Customers' ability to repay their loans can be affected by the overall economic development in the country, especially by the unemployment rate, the gap between inflation and wage growth, as well as by the increase in money market and deposit interest rates, in case of floating credit rates. Given the positive dynamics of the economy and current interest rates, it cannot be ruled out that the current environment of negative or low interest rates may come to an end. In case of rising interest rates, the share of non-performing loans (NPLs) could increase, the related provisions would reduce Fibank's profits and its capital adequacy would suffer accordingly. In addition, impairment of the loan portfolio may lead to withdrawal of deposits and reduced demand for the Bank's products.

In recent years, the efforts of the banking system and the supervisory authority to reduce the volume of non-performing loans have led to resurgence of the NPLs' market. In 2018, the activity on this market increased significantly and the total amount of sold NPLs' portfolios exceeded BGN 1.5 billion. Fibank also participated in this market with BGN 154 million* loans sold in 2018. In 2019, sales of non-performing loans continued to increase, with Fibank having sold BGN 671.9 million* loans as of the Prospectus date. (*Fibank's management information).

In addition, First Investment Bank entered into a finance lease agreement with an international investor for a significant portion of the site of the former Kremikovtsi steel plant. The latter is part of the Bank's repossessed assets.

The sale of non-performing loans and repossessed assets is part of Fibank's strategy till 2021 for non-performing loans management, non-interest-bearing assets reduction and further improvement in the Bank's balance sheet position and financial ratios. Failure by the Bank to implement this strategy in a timely manner and with the desired result may have a material adverse effect on its business activity, operating results and financial position.

The Bank is exposed to loan portfolio concentration risk

The Bank is exposed to varying degrees of risk of concentration in its loan portfolio. As at 31 December 2019, the Bank had granted loans, issued letters of credit or provided guarantees to 8 individual clients or groups of related entities, where the exposure exceeded 10% of the Bank's regulatory capital, based on the amortized value of the respective exposure after risk mitigation, regulatory reductions and exemptions in accordance with Regulation (EU) No 575/2013. The total amount of these exposures was BGN 937.2 million, or 72.99% of the Bank's regulatory capital.

Given such concentration in the Bank's loan portfolio to a limited number of clients, a risk exists that if any of these customers experiences financial difficulties or withdraws its exposure from the Bank, this may affect the Bank’s business activity, its operating results and financial position.

On the liabilities side, Fibank is well diversified and depends mainly on customer deposits to finance its operations. As at 31 December 2019, the deposits of the 30 largest customers of the Bank represented 7.32% of the total liabilities to other customers.

A large part of the Bank’s loans are secured by real estate

26.8% of all loans of the Bank are secured by mortgages on real estate in the country. If real estate prices in Bulgaria decline, this could have a significant adverse effect on the Bank’s business activity, its operating results and financial position. Fibank controls this risk by maintaining high levels of collateral coverage for loans secured by real estate mortgage.

The Bank may adopt an inappropriate market strategy

The Company’s strategy is described in detail in *Business Overview - Strategy*.

The future profits and the value of the Bank depend on the strategy chosen by the Bank's management team. The choice of inappropriate market strategy could lead to losses or lost profits. The Bank seeks to manage strategic risk by continuously monitoring the implementation of its strategy and results achieved in order to respond as quickly as possible if changes to the strategy are required. Inappropriate or delayed changes in the Bank's strategy could have a material adverse effect on the Bank's operations, operating results and financial position.

Financial difficulties of a key market player can disrupt the stability of the entire market

In the financial services sector, serious financial difficulties or default by any institution (including government institutions) may lead to default event or serious difficulties for other institutions. This can cause market downturns or volatility. As the commercial and financial stability of many financial institutions may be closely related to their credit, trading, clearing or other relationships, failure by one such institution could lead to a chain of defaults that may adversely affect the Bank and its counterparties. Concerns about the creditworthiness of the government or a financial institution (or a default event by such institutions) can lead to significant liquidity and/or solvency problems, losses or default events on the part of the Bank or other institutions. This risk is sometimes referred to as systemic risk and may adversely affect financial intermediaries such as clearing agencies, clearing houses, banks, brokerages and stock exchanges with which the Bank interacts on daily basis, as well as the sovereign financial instruments in which Fibank invests. Systemic risk can have a significant adverse effect on the Bank's ability to raise new funding and on its business activity, financial position, operating results, liquidity and/or prospects. In addition, such a collapse could have an impact on future product sales as a potential result of reduced confidence in the financial services sector.

Fibank believes that, despite increased attention in recent times, systemic risk in the markets in which it operates continues to exist, and dislocations caused by the interdependence of financial market participants continue to be a potential source of material adverse effects on the Bank's business activity, financial position, operating results, liquidity and/or prospects.

The Bank faces various types of risks that could adversely affect its performance and results should its risk management policy fail

Like any other bank, the Bank faces various types of risks that may adversely affect it. This includes credit, interest rate, liquidity, foreign exchange, investment and operational risk. Although the Bank invests considerable time and effort in developing risk management systems and strategies, these systems and strategies have not been, and may not be in the future fully effective in reducing Fibank's risk exposure to all possible adverse economic and market conditions, or against all types of risks, including risks that the Bank has not identified correctly or in a timely manner. Regulatory audits or other regular reviews of risk management procedures and methods have identified, and may identify in the future weaknesses or deficiencies in Fibank's risk management systems. Some of Fibank's quantitative risk management tools and indicators are based on the use of observations on historical market behavior. During the global financial crisis, financial markets experienced unprecedented levels of volatility. In this volatile market environment, the Bank's risk management instruments and indicators have failed to predict some of the losses incurred and may not be able to predict significant risk exposures if similar market conditions were to occur in the future. In addition, Fibank's quantitative modeling does not necessarily take into account all the risks and makes numerous assumptions about the general environment and/or includes in its quantitative approaches risks that may or may not be realized. As a result, risk exposures may arise from factors that were not expected or correctly estimated in Fibank's statistical models.

All the above limits and may continue to limit the Bank's ability to manage its risks. If circumstances arise that Fibank has not identified, predicted or correctly estimated in the development of its statistical models, the losses could be greater than the maximum losses foreseen in the risk management system. In addition, quantitative indicators do not take into account all the risks or market conditions. If the measures used to assess and mitigate risks prove insufficient, the Bank may experience material unforeseen losses that could have a material adverse effect on its business activity, operating results and financial position.

Concentrated ownership of the Shares and possible conflicts of interest

As at the date of the Prospectus, the major shareholders, Mr. Tzeko Minev and Mr. Ivaylo Mutafchiev (see “Principal Shareholders”) hold 46,750,000 Shares each, representing 42.5% each of the issued Shares. Mr. Tzeko Minev and Mr. Ivaylo Mutafchiev may exercise significant influence over all decisions requiring approval of the Bank's shareholders, including amendments to its Articles of Association, appointment and dismissal of Supervisory Board members and approval of transactions of significant amount, in which Mr. Tzeko Minev and Mr. Ivaylo Mutafchiev, directly or through related persons, are not considered "interested persons" under Bulgarian legislation. The transfer of Shares from the Major Shareholders to other persons may also have a material effect on the Bank.

Although after the Offering the shareholdings of Mr. Minev and Mr. Mutafchiev will be diluted, they will retain their quality of Major Shareholders, and the Bank will continue to have contractual and other business relations with them. Although the Bank's management expects that future transactions and agreements will be concluded on terms no less favorable to the Bank than it might get in similar transactions and agreements with non-related parties, a conflict of interest may arise between the Bank and the Major Shareholders.

The Bank may suffer significant losses from its trading and investing activities due to market fluctuations

As part of its liquidity risk management strategy, the Bank maintains a portfolio of liquid assets, including securities, which makes it vulnerable to the risk of changes in their prices. The Bank is also exposed to currency risk through its assets and liabilities denominated in foreign currency and through its long positions in foreign currency transactions. Although the Bank has imposed strict limits on the structure of its securities portfolio, seeks to maintain relatively balanced currency positions at the asset level and has imposed individual limits, a decline in the bond, currency or stock markets may result in losses due to decline in the value of the corresponding assets. In addition, the Bank's trading position may be adversely affected by the degree of volatility in financial markets, i.e. the extent to which market prices fluctuate over a given period and in a particular market, regardless of market levels.

The Bank may need a capital increase in the future

The amount of the Bank's required shareholders' equity (or capital base) depends on a number of factors, including asset and profit growth, regulatory capital requirements, results of asset quality reviews of the Bank by the ECB banking supervision authority, the Bank's credit rating and potential restructurings. The Bank's management cannot accurately predict the timing and size of these capital needs.

To the extent that the Bank deviates from its current business plan, for example by developing additional products, entering new business segments, faster growth of the loan portfolio, or if the Bank fails to generate sufficient profit to provide the required growth of equity through retention of profits, the Bank's debt and capital requirements may become higher than expected. Events beyond the control of the Bank may also affect the need for additional funding, including changes in regulatory capital requirements.

If it does not have the necessary capital, the Bank may be subject to constant regulatory oversight or even intervention in its operations, and its operating results and financial position may be adversely affected.

Materialization of the negative stress test scenario, part of comprehensive assessment of the banking system, combined with failure to comply with the BNB's recommendations on providing an additional capital buffer, may limit the growth of the loan portfolio

In 2019, a comprehensive assessment of six Bulgarian banks was carried out, including First Investment Bank AD. The assessment included an asset quality review (AQR) and a stress test, as well as a review of the Bank's internal rules and procedures and their compliance with regulatory requirements. The asset quality review and stress test were based on methodologies used by the ECB's Banking Supervision in its regular comprehensive assessments of banks that are systemically important or potentially systemically important.

The asset quality review and the stress test represent an application by ECB of a theoretical and conservative (prudential) model for risk assessment of the Bank's assets, rather than an accounting exercise according to the International Financial Reporting Standards (IFRS). The methodology for assessing the valuations of bank assets from a prudential perspective is based on a number of harmonized assumptions not laid down in the International Financial Reporting Standards or in the applicable national and European regulatory framework.

The Asset Quality Review provides the ECB with an estimate of the carrying amounts of banks' assets at a specific date (in this case, 31 December 2018). AQR is used to determine the need to strengthen a bank's capital base. The AQR for Bulgarian banks was carried out on the basis of an updated ECB methodology (applied for the first time by the ECB), which takes into account the impact of IFRS 9.

The asset quality review was complemented by a stress test that looked at how banks' capital positions would develop under hypothetical baseline and adverse scenarios over the next three years (2019-21).

Any need to further strengthen capital positions was identified using the same threshold ratios that were applied in previous exercises: a Common Equity Tier 1 (CET1) ratio of 8% for the AQR and for the baseline stress test scenario and a CET1 ratio of 5.5% for the adverse stress test scenario. The CET1 ratio is a key measure of a bank's financial stability.

The results of the AQR and stress tests confirmed that the Bulgarian banking system was stable. The combined CET1 ratio of tested banks, adjusted for the AQR findings, was 18.9% at system level compared to the minimum regulatory requirement of 4.5%.

According to the official statement of the BNB, the results of the assessment confirmed that each of the six banks met the prudential requirements of Regulation 575/2013, namely: the capital adequacy of each bank, after potential AQR adjustments, remained above the minimum regulatory requirements for 4.5 % CET1 and 8% overall capital adequacy ratio.

Fibank's AQR included 78.1% of the total loan portfolio, 67.4% of the retail loan portfolio and 95.1% of the corporate loan portfolio. The results indicated that First Investment Bank AD met the regulatory requirements under Art. 92 of Regulation (EU) No 575/2013 of the European Parliament and of the Council. Under the negative scenario of the stress test involving adverse economic imbalances and a prolonged downturn in the country's economy, the Bank would need to build an additional capital buffer of EUR 263 million.

To avoid materialization of the negative stress test scenario in case the additional capital buffer is not raised in the specified amount, and in compliance with the Law on the Recovery and Resolution of Credit Institutions and Investment Firms, the Bank has developed a recovery plan for potential financial distress. The recovery plan of First Investment Bank includes a detailed escalation and decision-making process, as well as the units and bodies responsible for updating and implementing the plan. It sets out the quantitative and qualitative indicators for early warning and recovery, including a wide range of capital, liquidity, profitability, asset quality, market-based and macroeconomic indicators that would trigger a step-by-step process involving analysis, identifying the best way to overcome the crisis, and deciding on a course of action in accordance with the reporting and escalation procedures. For the purposes of the plan, the core business lines and critical functions necessary for the smooth functioning of the Bank have been identified. According to the applicable requirements, different stress scenarios for idiosyncratic, systemic and combined shock have been developed to determine the range of hypothetical events against which effective recovery measures are to be taken. In connection with the implementation of the plan, First Investment Bank has structured an effective communication and disclosure process, including internal and external communication, as well as measures to manage potentially negative market reactions.

If the following two conditions are fulfilled simultaneously:

(1) the negative stress test scenario materializes, including unfavorable economic imbalances and a prolonged downturn in the country's economy, and
(2) the Bank fails to comply with the BNB and the ECB recommendations, including failure to raise an additional capital buffer of EUR 263 million

it may become difficult for the Bank to achieve the planned growth in lending and its growth intentions will be limited to the amount of capital raised from internal sources, i.e. to the operating profit. In the case conditions (1) and (2) are fulfilled and circumstances arise resulting in the Issuer's capital falling below the regulatory levels, the authority supervising the Issuer's activity may take the relevant steps within its powers.

As of the date of this Prospectus, most of the potential consequences described above are purely theoretical, as the Bank has no capital shortfall. At the end of 2019, the capital indicators of the Group of First Investment Bank AD, confirmed by two independent international audit companies, were as follows: Common Equity Tier 1 ratio: 14.65%, Tier 1 capital ratio: 18.28% and overall capital adequacy ratio: 18.34%, exceeding the minimum regulatory capital requirements of 4.5%, 6.0% and 8.0% respectively, set out in Regulation (EU) No 575/2013.

First Investment Bank has adopted an internal program to address the findings of the asset quality review and stress test. By the end of 2019, Fibank has implemented measures to provide over 75% of the additional capital buffer by:

1. Loan provisions of EUR 36 million as a result of the adoption of IFRS 9, recognized in the audited financial statements for 2018 but not taken into account in the asset quality review;
2. Profit before provisions (adjusted for profit before provisions under the negative stress test scenario);
3. Capital release as a result of sale of assets and credit exposures;
4. Issuance of a debt-equity (hybrid) instrument with a nominal issue price of EUR 30 million, included in the additional Tier 1 capital the Bank pursuant to Art. 33d of BNB Ordinance No. 2 on the Licenses, Approvals and Permissions Granted by the Bulgarian National Bank, following BNB approval.

The Bank will address the remaining part of the additional capital buffer by generating operating profit before provisions, selling non-performing exposures and acquired assets, as well as with this Offering. This Offering is not intended to be used for additional provisions but rather to ensure the necessary capital for implementation of the Bank's strategy for expanding its market presence in the retail and SME lending.

First Investment Bank follows a business strategy for organic growth in lending and banking services. In order to achieve its long-term goals, the Bank needs to raise the necessary level of equity and capital buffers that are commensurate with the volume and type of activities performed, and ensure its stability even in a highly adverse economic environment. One of the measures included in the business plan of the Bank is the issuance of share capital.

Competition for experienced employees in the banking sector is high

The business activity and successful development of First Investment Bank depends on the Bank's ability to retain its existing management team and experienced staff and to hire new staff with the requisite banking qualifications and experience. The declining workforce in general and the aging population in the country limit the number of people with the required skill set. As the Bank's growth strategy depends on having an experienced management team, the inability to retain and/or hire new key personnel and qualified employees may have a significant adverse effect on the Bank's business activity, operating results and financial position. While Fibank has put in place programs for staff training and development of management skills, intense competition with other financial institutions may make it difficult for First Investment Bank to attract and retain qualified employees and lead to higher labor costs in the future.

The Bank is dependent on complex information technology systems

The Bank is dependent on complex information systems and the potential failure, inefficiency or interruption of these systems can have a material adverse effect. IT systems are generally vulnerable to a number of problems, such as computer viruses, hacking, physical damage of critical IT centers, software or hardware malfunctions. Any failure, interruption or breach of security of these systems may result in problems or interruptions in customer service, risk management, accounting systems, or deposit and loan servicing systems. If the Bank's information systems cease to function properly, even briefly, the Bank may not be able to serve its customers for a certain period of time, which may result in loss of customers. Besides, the suspension of the operation of IT systems can result in extraordinary costs of recovering and verifying information. In addition, any failure of the Issuer to update and develop existing information systems as effectively as its competitors may result in a decrease in its competitiveness.

Although Fibank's management believes that the Bank has adequate emergency protocols and systems in place, it is not certain that they will be sufficient to prevent such problems and to ensure that the Bank's operations will not be materially impeded.

Any of these, or other issues related to Fibank's information systems, could have a material adverse effect on the Bank's business activity, operating results and financial position.

The nature of the Bank’s business involves certain operational risks

Fibank is exposed to operational risk, which is the risk of losses resulting from inadequate or failed internal processes, people and systems, as well as from external events - in particular legal, regulatory and outsourcing risks, as well as compliance risk. Fibank is also vulnerable to fraud by employees or outsiders, including unauthorized transactions and operational errors, technical and accounting errors, and errors resulting from defective computer or telecommunication systems. Due to the large volume of Fibank’s transactions, frauds or errors can be repeated or multiplied before being detected and eliminated. Therefore, any inadequacy of the Bank's internal processes or systems in detecting or mitigating such risks may result in unauthorized transactions and errors that could have a material adverse effect on the Bank's business activity, operating results, financial position and prospects. Fibank may also suffer interruptions of service due to failure on the part of external service providers, as well as in case of natural disasters that are beyond its control. Such events may result in interruptions in the functioning of Fibank's branches and accordingly affect customer service.

An unsuccessful public offering may hinder the Bank in implementing the objectives set out in this Prospectus

There is a risk that the Bank's capital increase may be unsuccessful. In this case, the Fibank management will consider alternative financing options to support the implementation of the objectives set out in this Prospectus. Those are expected to be realized at a slower pace, by using other types of financial instruments.

In accordance with the decision of the Management Board of the Bank, this public offering will not be successful if less than 4,000,000 (four million) ordinary shares are purchased during the offering period. Should the subscription fail, investors will not be able to receive the shares subscribed by them during the public offering period, and all payments made during the Offering (including for purchase of subscription rights) will be refunded to them in accordance with the procedures of the Central Depository. Investors will not be entitled to additional compensation for the period during which they were not able to use the funds provided for payment of the shares, nor for any additional costs and/or commitments made by investors in relation with the Offering.

The Bank's business may suffer from a negative public campaign, regulatory action or litigation

Negative publicity and damage to the Bank's reputation may arise in the event of failure or alleged failure to comply with legal or regulatory requirements, financial reporting irregularities related to other large and well-known companies, strengthening regulatory controls on KYC procedures, anti-money laundering measures, prohibited transactions with countries subject to sanctions, anti-corruption measures, procedures for preventing the financing of terrorism and their effectiveness. In addition, the aforementioned factors, as well as regulatory investigations in the financial services sector and litigation arising from the Bank's failure or alleged failure to observe legal, regulatory or compliance requirements may also lead to negative publicity, damage to the reputation and increased regulatory oversight, affect the Bank's ability to attract and retain customers, restrict its access to capital markets, lead to injunctions, claims, enforcement actions, fines, civil and criminal penalties and disciplinary actions, or have other material adverse effects on the Bank in ways that cannot be foreseen.

The above factors can have a significant adverse effect on the Bank's operating results and/or financial position.

The Manager of the Offering is a related party to the Bank

First Financial Brokerage House EOOD ("FFBH"), a related party to the Bank, will act as intermediary and manager of the Offering on a "best efforts" basis. FFBH will be paid a fee of BGN 275,000 for managing the capital increase. In addition, if the Offering is successful, FFBH will receive a success fee of BGN 4 million in the case of maximum subscription of investors attracted by the intermediary and BGN 400,000 in the case minimum subscription of investors attracted by the intermediary.

The potential conflict of interest in this case is limited, since the terms of the Offering, and especially the price of the Offered Shares are determined by the Bank's Management and Supervisory Boards and the Manager has no influence over them.

Risks related to the Shares

Risks related to the Bulgarian capital market

There may be less information available to investors for the Bulgarian capital market than is available for companies in other securities markets. There is a difference in the regulation and supervision of the Bulgarian capital market, and in the actions of investors, brokers and other market participants, compared to the markets in Western Europe and the USA. The Financial Supervision Commission controls the disclosure of information and compliance with other regulatory standards on the Bulgarian capital market. The Financial Supervision Commission monitors compliance with the law and issues regulations and guidance on disclosure obligations, insider trading, and other matters. Still, there may be less publicly available information about Bulgarian companies than is usually made available to investors by publicly traded companies in other securities markets, which may impact the market of the Shares.

The Bulgarian Stock Exchange is significantly smaller and less liquid than securities markets in some other countries

The Bulgarian Stock Exchange is significantly smaller and less liquid than securities markets in some other countries, such as the US and UK.

As at 31 March 2020, shares of 266 companies with a total market capitalization of approximately BGN 10.6 billion were listed on the Bulgarian Stock Exchange.[4] 81 of them are listed for trading on the BSE-Sofia Main Market, representing 72% of the total market capitalization as of 31 March 2020 and 79% of the value of shares traded on the BSE during the first quarter. The capitalization of the 15 largest companies listed for trading on the BSE Main Market, where the Bank's shares are listed, represents 56% of the total capitalization of that market as at 31 March 2020. The turnover of these fifteen issues accounts for more than one third of the total turnover on the BSE Main Market for the period.

This data show that a small number of companies make up a large part of the market capitalization and a significant portion of the turnover on the Bulgarian Stock Exchange. Apart from the negative effect on market prices, low liquidity also causes other difficulties, such as excessive volatility. In addition, the market is vulnerable to speculation, as liquidity is usually so low that prices can be manipulated by relatively small volume transactions. Therefore, there is no guarantee that the Shares will be actively traded, and if this does not occur, price volatility may increase.

The trading volume in the Shares may decline and the market price may fluctuate Issue price

The Bank cannot guarantee that the trading volumes of the Shares will be constant or will improve. At certain times, sale of the Shares may be difficult or impossible due to lack of investor interest.

The market price of the Shares at the time of the Offering may not be indicative of their market value after completion of the Offering. The market price of the Shares can fluctuate widely, depending on many factors beyond Fibank's control. These factors include, inter alia, actual or expected differences in the operating results and profits of the Bank and/or its competitors, changes in the valuations done by research analysts, changes in the industry market conditions and the state of the stock market as a whole, changes in laws and regulations, as well as changes in general economic and market conditions, such as a recession.

The market price of the Shares may also fluctuate as a result of subsequent issue of new shares by the Bank, share buybacks by the Bank, sale of Shares by the Bank's major shareholders, the dynamics of the Shares liquidity, and as a result of investor perceptions. In view of these and other factors, Fibank cannot guarantee that the market price of the Shares will not fluctuate Issue price.

Trading in the Bank's Shares on the BSE may be suspended

The Bulgarian legislation framework provides for cases in which trading in the Bank's Shares on the BSE may be suspended. Under the terms of Art. 91 of the Markets in Financial Instruments Act, pursuant to Art. 75 of the BSE Trading Rules, the BSE Board of Directors may temporarily suspend the trading of the Shares on the BSE. Any suspension of the trading of the Shares on the BSE would have an adverse effect on the liquidity and price of the Shares.

[4] Capital Concept Limited AD is excluded

Additional equity financing, including through convertible bonds or similar instruments may be "dilutive" for shareholders of the Bank

The Bank may issue additional ordinary shares in subsequent capital increases. Under Bulgarian law and stock exchange rules, Fibank is obliged to offer these ordinary shares to the current shareholders in accordance with their pre-emptive right to acquire part of the new issue proportionally to their shareholding before the increase. However, current shareholders may choose not to participate in a future issue of ordinary shares, which will result in a “dilution” of their current shareholding in the Bank’s capital.

Shareholders' "dilution" may also occur where, for one reason or another, they do not exercise their right to proportionally subscribe to preferred shares convertible into ordinary shares, convertible bonds, warrants or other similar instruments that can be converted (exchanged) into shares of the Bank, while other holders of such instruments exercise their right of conversion (exchange) and acquire new shares in the Bank's capital.

Significant future sales of the Shares may affect their market price

Sales of significant volumes of the Shares or the expectation that such sales may occur may adversely affect the market price of the Shares. Such sales may also make it difficult for the Bank to issue new shares in the future, in a timely manner and at a price that the Bank deems appropriate.

The Bank's ability to pay dividends depends on a number of factors and there is no guarantee that in a given year it will be able to pay dividends in accordance with its dividend policy, or that it will be able to pay dividends at all

Since its incorporation, Fibank has adopted a policy of reinvesting profits rather than paying dividends or other distributions to shareholders. Potential future dividend payments will depend on the Bank's profits and cash flow, as well as on the Bank's costs, its development plans and the intentions of its major shareholders. Therefore, the Shares subject to this public offering do not guarantee future dividends.

Potential changes in the taxation of investments in securities

As at the date of this Prospectus, capital gains realized from the sale of securities of public companies in Bulgaria on a regulated market are not subject to capital gain tax. There is a risk that this regime for non-taxation of income from securities transactions may change in the future, which would lead to an increase in the tax burden for shareholders and a decrease in their profits from trading in the Bank's shares.

Currency exchange rate fluctuations may affect the value of the Bank’s shares

The currency risk borne by the Company's shares stems from the fact that they are denominated in Bulgarian levs.

Fluctuations in the exchange rate at which an investor has purchased BGN may affect the value of the investment in the Offered Shares. In particular, if there is a change in the relative value of the BGN expressed in the currency of the investor, each of the following would also be affected:

- the foreign currency equivalent of the BGN trading price of the Offered Shares
- the foreign currency equivalent of the proceeds that the investor would receive upon the sale in Bulgaria of any of the Offered Shares
- the foreign currency equivalent of cash dividends, if any, paid in BGN on the Offered Shares

Investors may be unable to convert BGN proceeds into a foreign currency of their choice or the rate at which any such conversion could occur could fluctuate. In addition, the Bank’s market valuation could be seriously harmed by the devaluation of the BGN if investors in jurisdictions outside Bulgaria analyze its value based on the relevant foreign currency equivalent of the Bank’s financial condition and results of operations.

The currency board mechanism functioning in the country, whereby the Bulgarian lev is pegged to the euro, largely eliminates currency risk by limiting exchange rate fluctuations against major foreign currencies to the behavior of the common European currency.

Inflation risk with respect to investments in securities

Inflation risk is related to the likelihood that inflation will affect the real return on investment in securities. After a prolonged period of deflation, in 2017 in Bulgaria a gradual rise in prices started, with the average annual inflation reaching 2.6% by the end of February 2020. Although we do not expect core inflation in Bulgaria to significantly exceed the euro area accession target levels of 2%, the purchasing power of cash flows arising from the Shares would decrease with the corresponding inflation rate.

Risk regarding minority shareholders' rights

The major risk to minority shareholders is that they are limited in their ability to participate in management decisions and exercise control over the Company. This risk can be minimized by investing in securities of issuers that comply with high standards of corporate governance and control.

3. REASONS FOR THE OFFER AND USE OF PROCEEDS

The expected net proceeds from the public offering, after deducting the maximum amount of the offering expenses, will be BGN 195 718 393, provided that the entire offering amount is subscribed, and BGN 19 318 393in case of minimum subscription proceeds.

The Bank intends to use the proceeds from the Offering for general corporate purposes. The capital raised is necessary for implementation of the Bank's strategy to sustain its market share by maintaining loan book growth, while retaining stable capital adequacy levels and low risk profile.

As of 31 December 2019, the total capital adequacy ratio on consolidated level is 18.34% against the announced by BNB requirement of 14.75%. Following the results of the Bank’s asset quality review by ECB banking supervision, First Investment Bank has implemented a series of measures to address the EUR 263 million identified shortfall in the adverse economic scenario, with a large part of these measures already completed(see *“Operating and Financial Review – Trends and Perspectives”).* The Bank will address the remaining part of the additional capital buffer through generating pre-provisioning profit, selling non-performing exposures and repossessed assets, as well as with the current capital increase. The capital increase is not planned to be used for additional provisions but rather to provide the necessary capital for the implementation of the Bank's growth strategy. Fibank strategic plans envision expansion of the market presence in retail and SME lending. In order to achieve the target business development parameters, while maintaining stable capital adequacy levels, First Investment Bank needs to raise common equity.

	31 December 2019	
1	Total equity for regulatory purposes, thousand BGN	1 284 039
2	Total risk exposures*, thousand BGN	7 003 184
3	Total capital adequacy ratio (=1/2)	18.34%

**Risk exposures include all loans, receivables and exposures of the Bank, weighted according to their risk*

4	**Minimum subscription proceeds, thousand BGN**	**19 318**
5	Total equity for regulatory purposes, thousand BGN (=1+4)	1 303 357
6	Total risk exposures, thousand BGN (=5/8)	7 108 547
7	Hypothetical increase in risk exposures, thousand BGN (=6-2)	105 363
8	Total capital adequacy ratio (=3)	18.34%

9	**Maximum subscription proceeds, thousand BGN**	**195 718**
10	Total equity for regulatory purposes, thousand BGN (=1+9)	1 479 757
11	Total risk exposures, thousand BGN (=10/13)	8 070 637
12	Hypothetical increase in risk exposures, thousand BGN (=11-2)	1 067 453
13	Total capital adequacy ratio (=3)	18.34%

As of the date of this Prospectus, the maximum net subscription proceeds are expected to ensure the implementation of the strategy for stable market share through maintaining loan portfolio growth. In case of minimum subscription proceeds, the Bank will limit lending growth in order to retain stable capital adequacy levels.

The subscription proceeds shall not be used for acquisition of assets, other than in the ordinary course of business, to finance acquisitions of other banks, or to discharge, reduce or retire hybrid instruments, issued by the Bank.

4. DIVIDENDS AND DIVIDEND POLICY

Dividend history and dividend policy

In order to maintain high growth rate and improve its creditworthiness, since its establishment Fibank has adopted a policy of reinvesting earnings rather than paying dividends or making other distributions to shareholders. Changes in the dividend policy are unlikely in the short to medium term.

Any decision to pay dividends in the future will be at the discretion of the General Meeting of Shareholders and will depend on the Bank's ability to generate profit that exceeds the capital need for sustaining growth. More specifically, the Management Board's recommendation to the shareholders for the distribution of dividends on the Shares will take into account, among other factors, the overall financial condition of the Bank and its capital expenditure and capital adequacy requirements, any contractual requirements as well as other factors deemed relevant by the Managing Board. For more information, please see Section *Share capital - Share rights, preferences and restrictions– Right to dividend.*

Dividend distribution

Each Share, including the Offered Shares, entitles its holder to dividend proportionately to its par value. The right to receive dividend is granted to any person registered in the Central Depository as a shareholder in the Bank on the 14th day following a decision of the General Meeting of Shareholders on dividend distribution ("Dividend Date"). For more information on dividend payments, please see Section *Share capital - Share rights, preferences and restrictions –Right to dividend*.

Bulgarian and foreign shareholders enjoy equal treatment in respect of their right to dividend and the procedures for its payment. As a rule, the dividend is paid in BGN.

The Articles of Association do not provide for any restrictions on the payment of dividends. Certain restrictions on the distribution of dividends are established by the relevant Bulgarian legislation. The Bank is obliged to ensure the payment of voted dividends within 3 months of the decision of the General Meeting of Shareholders (see *Share capital - Share rights, preferences and restrictions–Right to dividend* Section).

For information on dividend taxation, see *Taxation* Section.

5. CAPITALISATION AND INDEBTEDNESS

The information presented in this section should be analyzed together with the information provided in the Operating and Financial Review, the financial statements and notes thereto, as well as the financial information presented in the other sections of the Prospectus.

Capitalization and indebtedness

The following table contains information about the capitalization and the indebtedness of the Bank as at 31 March 2020 on a consolidated basis.

Capitalization and indebtedness, thousand BGN			
Liabilities, incl.		**secured***	**guaranteed****
Due to banks	744		
Due to other customers	9 048 715	77 800	7 509 377
Other borrowings	108 306	73 389	
Subordinated term debt	3 987		
Hybrid debt	274 472		
Derivatives held for risk management	2 557		
Deferred tax liabilities	17 785		
Current tax liabilities	120		
Lease liabilities	151 622		
Other liabilities	25 214		
Total liabilities	**9 633 522**	**151 189**	**7 509 377**
Capitalization			
Issued share capital	110 000		
Share premium	97 000		
Statutory reserve	39 865		
Revaluation reserve of investments in securities	12 990		
Revaluation reserve on property	4 500		
Reserve from translation of foreign operations	(1 340)		
Other reserves and retained earnings	716 472		
Non-controlling interest	3 057		
Total equity	**982 544**		
Total liabilities and equity	**10 616 066**		
Contingent liabilities, net of impairment ***	**877 814**		

Source: The Company

**The Bank secures its borrowings from budget organizations with Bulgarian government securities. **Includes liabilities guaranteed by the Bulgarian Deposit Insurance Fund. ***Contingent liabilities include mainly guarantees, letters of credit issued by Fibank in connection with trade finance transactions and unused credit lines (see Operating and Financial Review).*

6. SELECTED HISTORICAL FINANCIAL INFORMATION

The tables below present selected financial data As at 31 December 2017, 2018 and 2019, derived from the audited consolidated annual financial statements for 2017, 2018 and 2019..

This section should be read in conjunction with the information presented in the *Operating and Financial Review*, the financial statements and the notes thereto, as well as with the other financial information presented in the Prospectus.

Consolidated statement of comprehensive income

In thousand BGN	**2017**	**2018**	**2019**
Interest income	356 173	331 046	309 730
Interest expense	(95 247)	(63 958)	(63 016)
Net interest income	**260 926**	**267 088**	**246 714**
Fee and commission income	120 787	119 992	131 191
Fee and commission expense	(18 641)	(22 881)	(24 417)
Net fee and commission income	**102 146**	**97 111**	**106 774**
Net trading income	15 326	10 809	15 378
Other net operating income	28 191	16 321	74 618
Total income from banking operations	**406 589**	**391 329**	**443 484**
Administrative expenses	(204 698)	(212 066)	(220 448)
Allowance for impairment	(78 850)	(83 378)	(119 730)
Other income/(expense), net	(20 431)	65 127	51 053
Profit before tax	**102 610**	**161 012**	**154 359**
Income tax expense	(10 365)	10 534	(16 437)
Group profit after tax	**92 245**	**171 546**	**137 922**
Other comprehensive income			
Items which should or may be reclassified as profit or loss			
Exchange rate differences from translation of foreign operations	518	2 920	638
Revaluation reserve of investments in securities	888	(407)	(19)
Total other comprehensive income	**1 406**	**2 513**	**619**
Total comprehensive income	**93 651**	**174 059**	**138 541**
Net profit attributable to:			
Ordinary equity holders	**92 175**	**171 388**	**137 579**
Non-controlling interest	70	158	343
Total comprehensive income attributable to:			
Ordinary equity holders	93 581	173 901	138 198
Non-controlling interest	70	158	343
Net profit per share, BGN	0.84	1.56	1.25

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank

Consolidated statement of financial position

in thousand BGN	2017	2018	2019
Assets			
Cash and balances with Central banks	1 478 594	1 674 754	2 072 046
Financial assets held for trading	7 979	0	0
Investments available for sale	742 306	0	0
Financial assets held to maturity	53 714	0	0
Investments in securities	0	802 321	993 022
Loans and advances to banks and other financial institutions	54 402	125 483	79 618
Loans and advances to customers	5 162 907	5 716 062	6 017 137
Property and equipment	91 539	83 951	81 738
Intangible assets	7 342	14 402	12 626
Derivatives held for risk management	1 596	905	814
Deferred tax assets	0	0	0
Current tax assets	63	605	253
Repossessed assets	984 448	812 934	716 129
Investment property	218 212	242 558	410 511
Right-of-use assets	0	0	159 659
Other assets	118 096	112 706	116 622
Total assets	**8 921 198**	**9 586 681**	**10 660 175**
Liabilities and equity			
Due to banks	8 136	3 024	2 007
Due to other customers	7 583 819	8 342 691	9 104 021
Liabilities evidenced by paper	127 493	121 120	109 348
Subordinated term debt	0	0	3 943
Hybrid debt	208 786	208 786	267 615
Derivatives held for risk management	0	88	361
Deferred tax liabilities	14 467	2 774	17 428
Current tax liabilities	2 213	259	71
Lease liabilities	0	0	159 633
Other liabilities	28 934	61 667	16 831
Total liabilities	**7 973 848**	**8 740 409**	**9 681 258**
Issued share capital	110 000	110 000	110 000
Share premium	97 000	97 000	97 000
Statutory reserve	39 865	39 865	39 865
Revaluation reserve of investments in securities	21 431	17 795	17 776
Revaluation reserve on property	4 500	4 500	4 500
Reserve from translation of foreign operations	(1 525)	1 395	2 033
Other reserves and retained earnings	673 571	573 087	704 770
Total shareholders' equity	**944 842**	**843 642**	**975 944**
Non-controlling interest	2 508	2 630	2 973
Total group equity	**947 350**	**846 272**	**978 917**
Total liabilities and group equity	**8 921 198**	**9 586 681**	**10 660 175**

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank

Consolidated statement of cash flows

In thousand BGN	2017	2018	2019
Net cash flow from operating activities			
Net profit	92 245	171 546	137 922
Adjustment for non-cash items			
Allowance for impairment	78 850	83 378	119 730
Net interest income	(260 926)	(267 088)	(246 714)
Depreciation and amortization	16 206	15 342	14 392
Tax expense	10 365	(10 534)	16 437
Loss from sale and write-off of tangible and intangible fixed assets, net	220	69	(361)
(Profit) from sale of other assets, net	(10 612)	(81 779)	(1 167)
(Positive) revaluation of investment property	0	(13 669)	(72 940)
	(73 652)	**(102 735)**	**(32 701)**
Change in operating assets			
(Increase)/decrease in financial assets at fair value through profit or loss	1 545	25 859	(246 103)
(Increase) in financial assets at fair value in other comprehensive income	(127 721)	(32 235)	60 476
(Increase) in loans and advances to banks and financial institutions	(2 284)	(98)	(25 371)
(Increase) in loans and advances to customers	(311 476)	(1 002 118)	(450 695)
Net (increase)/decrease in other assets	(23 985)	8 731	(32 915)
	(463 921)	**(999 861)**	**(694 608)**
Change in operating liabilities			
Increase/(decrease) in deposits from banks	4 794	(5 108)	(958)
Increase/(decrease) in amounts owed to other depositors	(295 119)	773 420	761 266
Net increase in other liabilities	6 462	30 947	(12 824)
	(283 863)	**799 259**	**747 484**
Interest received	423 690	393 486	323 814
Interest paid	(128 076)	(78 467)	(62 748)
Dividends received	4 478	105	5 724
Tax on profit, paid	(9 407)	(4 066)	(1 554)
Net cash flow from operating activities	**(530 751)**	**7 721**	**285 411**
Cash flow from investing activities			
(Purchase) of tangible and intangible fixed assets	(9 388)	(14 807)	(13 391)
Sale of tangible and intangible fixed assets	281	29	820
Sale of other assets	113 039	271 139	14 635
Decrease in investments	208 757	9 529	(12 093)
Net cash flow from investing activities	**312 689**	**265 890**	**(10 029)**
Financing activities			
Increase/(decrease) in other borrowings	57 027	(6 415)	(11 849)
Payments on subordinated instruments	0	0	62 587
Net cash flow from financing activities	**57 027**	**(6 415)**	**50 738**
Net increase/(decrease) in cash and cash equivalents	**(161 035)**	**267 196**	**326 120**
Cash and cash equivalents at the beginning of period	**1 681 732**	**1 520 697**	**1 787 893**
Cash and cash equivalents at the end of period	**1 520 697**	**1 787 893**	**2 114 013**

Source: Audited annual financial statements for 2017, 2018 and 2019

Key financial indicators

	2017	2018	2019
Total capital adequacy ratio	15.89%	16.15%	18.34%
Tier 1 capital ratio	15.87%	16.15%	18.28%
Common equity Tier 1 capital ratio	12.87%	13.30%	14.65%
Leverage ratio	11.28%	11.08%	11.84%
Return on assets (1)	1.03%	1.87%	1.38%
Return on equity (2)	10.24%	19.24%	15.12%
Net loans/deposits	68.08%	68.52%	66.09%
Net earnings per share, BGN	0.84	1.56	1.25
Net interest income/total income from banking operations	64.17%	68.25%	55.63%
Administrative expenses/total income (3)	53.01%	46.46%	44.58%
Exposures 90+ days overdue/gross loans	17.48%	12.95%	11.86%
Provisions/exposures 90+ days overdue	59.74%	89.48%	65.90%

Source: Audited consolidated annual financial statements for 2017, 2018 and 2019; Activity Reports; Fibank

(1) Return on assets is calculated as the net profit is divided by average total assets for the respective period

(2) Return on equity is calculated as the net profit is divided by the average total equity for the respective period

(3) The ratio is calculated as administrative expenses divided by the sum of total income from banking operations and other income/(expense)

7. OPERATING AND FINANCIAL REVIEW

This section presents information that management believes is essential to understanding the Bank's financial position and operating results for the years ended 31 December 2017, 2018 and 2019.

First Investment Bank AD prepares financial statements on an individual and consolidated basis. The following summary of the Company's operating results, financial position and cash flows on a consolidated basis should be read and interpreted in conjunction with the Financial Statements and other financial information contained in other sections of this Prospectus.

The statements made in this review and the analysis regarding the sector's prospects, the management's expectations about the future results of the Bank's operations, and other non-historical information relate to the future and, by their nature, contain risk and uncertainty. Due to the factors discussed in this section and elsewhere in this Prospectus and in particular in the Risk Factors section, the actual results of the Bank may differ materially from the forecasts (see also Trends and perspectives). Investors should consider the Prospectus in its entirety and not make decisions or form an opinion solely on the basis of summary information.

Overview

Fibank was established in 1993. Specializing initially in providing comprehensive service to corporate customers, over the years the Bank developed as a universal commercial bank with a diverse range of corporate and retail banking services (see *Business Overview – Operations and Products - Corporate Banking* and *Business Overview – Operations and Products - Retail Banking*).

As of the date of the Prospectus the Bank holds a universal banking license for conducting banking activities on the territory of the country and for transactions abroad. It is a licensed primary dealer of government securities as well as a registered investment intermediary.

As at 31 December 2019, Fibank[5] ranked fifth in Bulgaria in terms of assets, with an 8.8% share (BGN 10.1 billion). According to BNB statistics, as at 31 December 2019, the Bank ranked fourth in the country by loan portfolio size, with a share of 10% (BGN 6.2 billion) and fourth in total deposits from retail and non-bank customers with a share of 9.5% (BGN 8.8 billion). Fibank is among the leading banks in card business and payment services, including in international payments and commercial transactions.

The Bank is headquartered in Sofia and as at 31 December 2019 had 143 branches and offices in Bulgaria. Fibank also operates one foreign branch in Cyprus and through its Albanian subsidiary, Fibank Albania, 14 more branches in Albania.

Fibank is a public company whose shares were listed for trading on BSE in 2007. The Company is majority owned by two individuals – Mr. Tzeko Minev (42.5%) and Mr. Ivaylo Mutafchiev (42.5%).

General factors affecting the operating and financial results

The activities of the Bank are affected by the following key factors, which are expected to continue to affect the results of its operations in the future: (1) macroeconomic conditions; (2) regulatory changes; (3) IFRS 9 and other IFRS amendments; (4) management of non-performing loans and assets acquired as collateral; (5) the finance lease of part of the site of the former Kremikovtsi steel plant; (6) changes in interest rates; (7) market competition; (8) restructuring of the loan portfolio; (9) the amount of the commissions; (10) the higher labour cost; (11) the asset quality review.

[5] On the basis of unconsolidated financial data

Discussed below are the main factors influencing the financial and operating results of the Bank in 2017, 2018 and 2019. Management believes that these factors have had and may in the future have an effect on the Issuer's operations, the financial results, the financial position and the business perspectives.

Detailed analysis of the actual effect of the below mentioned factors on specific items in the statement of comprehensive income and the statement of financial position of the Bank during the indicated periods and at the specified dates is presented in the Operating Results part of this section.

Macroeconomic conditions

The results of the Bank's operations depend both on the state of the macroeconomic environment (economic growth, inflation, interest rates, unemployment, incomes, etc.) in Bulgaria and on the general economic situation worldwide. Since 2010, economic activity has improved under the influence of growth in consumption and investment and positive dynamics in the trade balance. Real annual GDP growth in 2017 and 2018 was 3.5% and 3.1% YoY respectively, which was above the European average. In 2019, economic growth reached 3.4%, and GDP reached BGN 118.7 billion at current prices. In all three years, domestic demand was the main growth driver, increasing by 3.9%, 4.6% and 5.7%, respectively. The leading sector in the composition of gross value added in 2019 was that of services, with a share of 68.9% (+3% YoY). In 2019 however, the industrial sector (26.4% of gross value added) and agricultural sector (4.8% of gross value added) also significantly improved their performance after the downturns reported in 2018, by 2.7% and 3% YoY respectively.

The main macroeconomic indicators for Bulgaria are presented in the *Industry Overview - Bulgarian Economy* Section.

Regulatory changes

Changes in national and European legislation have affected and will continue to affect the results from the Bank's operations. The regulatory requirements for maintaining certain levels of capital and liquidity are fundamental to the levels of risk-weighted assets and the growth of the Bank's loan portfolio, which in turn determine the amount of income and operating profit. These requirements may imply the need to raise additional Tier 1 or Tier 2 equity or to provide additional liquidity.

In addition to the capital requirements set out in Regulation (EU) No 575/2013, First Investment Bank maintains four capital buffers in accordance with the requirements of BNB Ordinance No 8 on capital buffers. First Investment Bank maintains a Tier 1 capital conservation buffer equivalent to 2.5% of the Bank's total risk exposure, as well as a systematic risk buffer of Tier 1 capital, to prevent and reduce the effect of potential long-term non-cyclical systemic or macro-prudential risks in the banking system in the country amounting to 3% of the risk exposures in Bulgaria, which is subject to review at least once every two years. In order to protect the banking system against potential losses arising from the accumulation of cyclical systemic risk in periods of excessive credit growth, 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 BNB on a quarterly basis and was set at 0% throughout 2018 and by the end of the third quarter of 2019. By decisions of the BNB Governing Council of 25.09.2018, 13.12.2018, 28.03.2019, 25.06.2019 and 17.09.2019, the level of the countercyclical capital buffer was set at 0.5% for the fourth quarter of 2019 (effective 1.10.2019) and for the first quarter of 2020 (effective 01.01.2020), and at 1.0% for the second (effective 01.04.2020), the third (effective 01.07.2020) and fourth (effective 01.10.2020) quarters of 2020. On 20 December 2019, the BNB Governing Council determined the level of the countercyclical capital buffer at 1.5% for the first quarter of 2021. On 19 March 2020, the BNB announced a BGN 9.3 billion package of measures in connection with the COVID 19 pandemic. One of these measures involved the cancellation of the increases in the countercyclical capital buffer scheduled for 2020 and 2021. In addition, the Other Systemically Important Institutions (O-SIIs) determined by the BNB, including the Bank, have to maintain a capital buffer for O-SIIs in view of their importance to the national economy and financial system. The O-SII buffer applicable to Fibank on an individual and consolidated basis was determined at 0.5% of the total risk exposure amount for 2018, gradually rising to 1% in 2020. By decisions of the BNB Governing Council of 4 October 2018 and 15 October 2019, the O-SII buffer levels applicable to First Investment Bank for the period 2019-2020 were confirmed as follows: 0.75% for 2019 and 1.0% for 2020. The buffer is reviewed every year.

In the event that the Bank is unable to maintain the regulatory capital adequacy levels, this would lead, on one side, to an increase in the cost of deposits, and on the other, to limiting the loan portfolio growth and even to the need to reduce risk exposures, which in turn would reduce the interest income. These two factors could negatively affect the operating profit and return on equity.

New regulatory requirements also often lead to an increase in administrative burden in relation to their initial implementation and subsequent compliance. Examples of such type of regulations are the GDPR, MiFID II/MiFIR, PSD2, Directive (EU) 2015/2366 and others.

For more information on the regulatory environment, see *Industry Overview - Banking Supervision and Banking Regulation.*

IFRS 9 and other IFRS amendments

The operating results of the Bank have depended, and will continue to depend on tax and accounting regulations, changes to which may have a significant effect on the Bank's operations and financial position. For example, the introduction of IFRS 9 Financial Instruments led to significant changes in the classification and measurement of the quality of financial assets and introduced a new impairment model based on expected credit losses which had a one-off effect on the Bank's regulatory equity, resulting in a decrease of BGN 276.8 million. The one-off effect of IFRS 9 will continue to have an impact on the Bank's financial position since Regulation (EU) 2017/2395 of the European Parliament and of the Council from 12 December 2017 amending Regulation (EU) No 575/2013 introduces an option for banks, with effect from 1 January 2018, to apply transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds. A five-year transitional period is envisaged, during which banks may include in their Common Equity Tier 1 capital the amount calculated in accordance with the approach chosen (static approach or static approach with a dynamic component) and apply transitional treatment factors of 0.95 for 2018, 0.85 for 2019, 0.70 for 2020, 0.50 for 2021, and 0.25 for 2022. In this regard, a decision was made in early 2018 that during the transitional period until 2022 First Investment Bank will 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.

Management of non-performing loans and assets acquired as collateral

The levels of non-performing credit exposures, as well as their management, have a direct impact on the amount of impairment and on the Bank's financial performance. First Investment Bank has internal rules and written procedures in place for the management of problem loans, which include all key activities related to the management of such loans, including analysis and evaluation of risk exposures, restructuring and resolution, enforced collection, sale and write-off of problem exposures. Fibank also uses a specialized system for integrated management of problematic assets, which includes all stages for monitoring and recovery of receivables.

As a result of the measures taken to improve the quality of the loan portfolio, including through the sale/ceding of receivables, as well as the write-off of impaired exposures, the gross amount of loans and advances to customers over 90 days past due has decreased over the last few years. As of the end of 2019, the gross amount of exposures over 90 days past due decreased by 7.5% to BGN 774 362 thousand.

The management of assets acquired as collateral also directly affects the results of operations, in terms of amount on the one hand, and as means of generating regular income on the other hand. As a result of the Bank's consistent policies to reduce this type of non-interest-bearing assets, their amount decreased to BGN 716 129 thousand as at 31 December 2019, compared to BGN 984 448 thousand at the end of 2017.

Kremikovtsi finance lease

The most significant transaction in assets acquired as collateral during the historical period was the lease of a significant portion of the former Kremikovtsi steel plant site to an international investor, a subsidiary of Soravia Real Estate Developers GmbH, part of the Austrian economic group Soravia. Mainly as a result of this transaction, the proceeds from sales of assets in 2018 increased almost 8 times, to BGN 81 098 thousand, which was reflected in the Bank's net financial result.

Changes in interest rates have a significant impact on the net interest margin

Net interest income accounts for the largest portion of the total income from banking operations (55.6% in 2019, 68.3% in 2018 and 64.2% in 2017). Interest rates on loans and deposits depend on both the specific local market conditions and the policies of the European Central Bank, since most of the local banking sector is owned by Euro area banks. As the Bank's net interest margin is determined by the difference between the interest rates on the interest bearing assets and the interest bearing liabilities, any change in the interest rates has a significant effect on the Bank's financial results.

Notwithstanding the growth of the loan portfolio, interest income of the Bank decreased by 19.3% in 2017, 7.1% in 2018 and 6.4% in 2019 as a result of the general decrease in interest rates. According to the BNB statistics, interest rates on new long-term loans fell to 4.82% in 2019 compared to 4.89% in 2017. Interest expenses also registered significant declines of 22% in 2017 and 32.9% in 2018 and 1.5% in 2019 due to lower deposit rates. This on the one hand directly affected the net interest margin and, on the other, narrowed the gap between Fibank's financing costs and those of its main competitors, which may receive support from their parent companies, mainly euro area banks.

As a result of low interest rates and despite the diversification of the portfolio shifting its focus towards the retail and SME segments, the net interest margin[6] declined to 3.47% in 2019 from 4.03% in 2018 and 4.14% in 2017. Interest rates have had and will continue to have a direct impact on the Bank's financial performance.

Market competition; Consolidation processes

The markets on which the Bank operates are highly competitive. On its main market, Bulgaria, the Bank faces significant competition in all aspects of its business, competing with a number of subsidiaries of major international financial institutions and some local players. While competition to attract deposits was intense up to a few years ago, now competition is mainly for borrowers. In recent years, deposits have grown faster than loans which increased the availability of free cash. Gross loans/deposits ratio gradually declined to 72.2% as at 31 December 2019 compared to 73.5% three years earlier, giving rise to even more intense competition.

In addition, the trend towards consolidation in the banking sector has created larger and stronger competitors. The merger of United Bulgarian Bank AD and Cibank EAD in the beginning of 2018 shifted Fibank's ranking by assets from third to fourth place. The acquisition of Societe Generale Expressbank AD by DSK Bank EAD will create an even larger institution that could become the largest in the sector (No. 2 currently). The transformation of Eurobank Bulgaria AD through the merger of Piraeus Bank Bulgaria AD was completed in November and the new bank surpassed Fibank, becoming fourth in terms of assets.

[6] *Net interest margin is calculated by dividing net interest income by the average interest-bearing assets.*

Strategy for restructuring the loan portfolio towards increasing the relative weight of SME and retail loans

Restructuring of the loan portfolio towards increasing the relative weight of SME and retail loans increases interest income on the one hand, and on the other hand reduces the amount of impairment due to the lower level of non-performing loans. The average interest rate[7] on loans to individuals and SMEs for 2019 was 6.10% and 5.13% respectively, and that on corporate loans 4.57%. At the same time, accumulated impairments as at 31 December 2019 on loans to individuals and SMEs were 3.8% and 1.8% of the gross amount respectively, while those on loans to corporate clients amounted to 11.9% of the gross amount.

Retail loans formed 30% of the Bank's gross loan portfolio as at 31 December 2019, compared to 26.1% at the end of 2017. The share of SME loans increased to 14.1% for the same period, compared to 13.1% at the end of 2017, while microlending increased to 2.5% against 2.1% at the end of 2017. Accordingly, the share of corporate loans in the Bank's portfolio decreased to 53.3% as at 31 December 2019, compared to 58.7% at the end of 2017.

Focusing on the retail, SME and microlending segments helped to partially offset the negative effect of the decline in interest rates and also to reduce impairment costs. Restructuring of the loan portfolio will continue to affect the Bank's financial results in the future.

Increase in fee and commission income

Following the general trend of the banking sector in Bulgaria, Fibank has been able to partially offset the effect of the decline in net interest income by increasing its net fee and commission income through higher rates. With the exception of 2018, when net fee and commission income decreased by 4.9% compared to previous year, in 2019 and 2018 net fee and commission income increased by 10% and 11.7% YoY respectively. Fee and commission levels have and will continue to have an impact on the Bank's financial results.

Upward pressure on labour costs

A significant part of the Bank's administrative expenses is formed by labour costs. Due to wage growth, staff costs were up 2.2% in 2019 and 8.2% in 2018, despite a 1.5% drop in 2019 and 2.8% in 2018 in the number of employees, respectively. As Fibank seeks to provide high quality customer service and most of its staff is university educated, the Bank has to compete for highly qualified employees with other financial institutions in the country which requires wage levels above the national average. The general growth of salaries in the sector also affects the salaries of the Bank’s employees and, accordingly, its financial results. The financial sector features the second highest average annual salary in the country, with reported growth of 7%, and 8.9% for 2017 and 2018. According to the latest statistics published by the NSI, the index of wage costs in the third quarter of 2019 changed by 8.9% YoY, the calendar-adjusted data show.

Information relating to the government, economic, fiscal, monetary policy, or political course or factors that have materially affected, or could materially affect, directly or indirectly, the activity of the Issuer

The activity of First Investment Bank AD depends on government, economic, fiscal, monetary policy and political factors. In addition to the macroeconomic factors discussed above, all other risk factors that have materially affected, or could materially affect, directly or indirectly, the activity of the Company, are presented in detail in the *Risk Factors* Section.

[7] Average interest rate is calculated by dividing the interest income from the respective segment by the average amount of interest-bearing loans for the same segment.

Asset quality review

In the first half of 2019, a comprehensive assessment of 6 Bulgarian banks, including First Investment Bank, was carried out by the ECB as a result of Bulgaria's request from 18.07.2018 to enter into a close cooperation with the *ECB* and the country's stated desire to join the precursor for Eurozone membership, ERM II.

The Asset Quality Review (AQR) and stress test represent the application of a theoretical and conservative (prudential) model to assess the risk of the Bank. The AQR included 78% of the total loan portfolio and 95% of the corporate portfolio. First Investment Bank met the regulatory requirements under Art. 92 of Regulation (EU) No 575/2013 of the European Parliament and of the Council.

When applying the adverse scenario of the stress test, involving unfavorable economic imbalances and a prolonged downturn in the country's economy, the Bank would need to build an additional capital buffer of EUR 263 million.

Fibank, as the largest Bulgarian-owned bank and the second largest in lending to Bulgarian businesses, adopted a responsible approach to its customers and shareholders. In the third quarter of 2019, the Bank thoroughly reviewed its loan portfolio for consistency with the ECB methodology (used in the comprehensive assessment) and the International Financial Reporting Standards (mandatory in the preparation of financial statements of banks). As a result, by the end of 2019 additional impairment costs of BGN 94.4 million were accrued compared to June 2019. Thus, the Bank reflected in its accounting and operations the more conservative approach to credit risk assessment after the asset quality review. The AQR results have and will continue to have an impact on impairment allowances, and hence on the Bank's financial performance.

Operating Results

The table below provides specific information on the results of the Company's operations for the periods indicated.

Consolidated statement of profit or loss and other comprehensive income

in thousand BGN	**2017**	**2018**	**2019**
Interest income	356 173	331 046	309 730
Interest expense	(95 247)	(63 958)	(63 016)
Net interest income	**260 926**	**267 088**	**246 714**
Fee and commission income	120 787	119 992	131 191
Fee and commission expense	(18 641)	(22 881)	(24 417)
Net fee and commission income	**102 146**	**97 111**	**106 774**
Net trading income	15 326	10 809	15 378
Other net operating income	28 191	16 321	74 618
Total income from banking operations	**406 589**	**391 329**	**443 484**
Administrative expenses	(204 698)	(212 066)	(220 448)
Allowance for impairment	(78 850)	(83 378)	(119 730)
Other income/(expense), net	(20 431)	65 127	51 053
Profit before tax	**102 610**	**161 012**	**154 359**
Income tax expense	(10 365)	10 534	(16 437)
Group profit after tax	**92 245**	**171 546**	**137 922**
Other comprehensive income			
Items which should or may be reclassified as profit or loss			
Exchange rate differences from translation of foreign operations	518	2 920	638
Revaluation reserve of investments in securities	888	(407)	(19)
Total other comprehensive income	**1 406**	**2 513**	**619**
Total comprehensive income	**93 651**	**174 059**	**138 541**
Net profit attributable to:			
Ordinary equity holders	**92 175**	**171 388**	**137 579**
Non-controlling interest	70	158	343
Total comprehensive income attributable to:			
Ordinary equity holders	93 581	173 901	138 198
Non-controlling interest	70	158	343
Net earnings per share, BGN	0.84	1.56	1.25

Source: Audited Annual Financial Statements for 2017, 2018 and 2019; Fibank

The Bank's income from banking operations is formed by net interest income, net fee and commission income, net trading income and other net operating income. Net interest income account for the largest share of revenues, accounting for between 55.6% and 68.3% of total income from banking operations during the period considered. Second in significance is net fee and commission income, followed by other net operating income and, lastly, trading income. According to the audited financial statement for 2019, Fibank’s total income from banking operations increased by 13.3.% compared to previous year. Net interest income over the period decreased by 7.6% YoY, reaching 55.6% of total income, while all other types of income increased. In 2018, the Bank's total operating income decreased by 3.8% compared to the previous year, with net interest income increasing by 2.4% YoY to 68.3% of total income, while the other types of income decreased. In 2017, total income registered a decline of 12.5% YoY, mainly as a result of a drop by 18.3% in net interest income and by 29.7% in other net operating income.

Net interest income

The Bank's net interest income is formed by the amount of interest-bearing assets and interest-bearing liabilities, as well as by the difference between interest rates on interest-bearing assets on one hand, and interest-bearing liabilities on the other hand. The Bank's interest-bearing assets include loans and advances to banks and other financial institutions, to individuals and households, to corporate customers (including SMEs and micro enterprises), as well as debt instruments. Interest bearing liabilities include deposits from banks and other financial institutions, deposits from other customers, other borrowings, hybrid debt, subordinated term debt, debt-equity instruments and other contracts.

The table below shows the main components of the Bank's net interest income for the periods indicated, as well as percentage change for each item.

In BGN '000	**2017**	**2018**	**2019**
Interest income			
Accounts with and placements to banks and financial institutions	891	1 595	1 743
Change on an annual basis, %	*-10.3%*	*79.0%*	*9.3%*
Revenue from interest on liabilities	0	84	9
Change on an annual basis, %	n.m.	n.m.	-89.3 %
Retail banking	126 072	120 721	120 811
Change on an annual basis, %	*-9.6%*	*-4.2%*	*0.1%*
Corporate customers	169 280	145 650	122 370
Change on an annual basis, %	*-27.3%*	*-14.0%*	*-16.0%*
Small and medium enterprises	36 965	39 517	43 435
Change on an annual basis, %	*-10.6%*	*6.9%*	*9.9%*
Microlending	9 213	8 673	7 272
Change on an annual basis, %	*-3.4%*	*-5.9%*	*-16.2%*
Debt instruments	13 752	14 806	14 090
Change on an annual basis, %	*-19.0%*	*7.7%*	*-4.8%*
Total Interest income	**356 173**	**331 046**	**309 730**
Change on an annual basis, %	***-19.3%***	***-7.1%***	***-6.4%***
Interest expense			
Deposits from banks	(28)	(33)	(12)
Change on an annual basis, %	*-67.8%*	*17.9%*	*-63.6%*
Deposits from other customers	(69 142)	(37 775)	(34 953)
Change on an annual basis, %	*-38.5%*	*-45.4%*	*-7.5%*
Liabilities evidenced by paper	(820)	(1 006)	(707)
Change on an annual basis, %	*39.5%*	*22.7%*	*-29.7%*
Perpetual debt	0	0	(119)
Subordinated term debt	(22 929)	(22 883)	(23 038)
Hybrid debt	*242.5%*	*-0.2%*	*0.7%*
Change on an annual basis, %	(2 317)	(2 210)	(3 791)
Interest on assets cost	*120.2%*	*-4.6%*	*71.5%*
Change on an annual basis, %	(11)	(51)	(396)
Lease agreements and other	*-26.7%*	*363.6%*	*676.5%*
Total Interest expense	**(95 247)**	**(63 958)**	**(63 016)**
Change on an annual basis, %	***-22.0%***	***-32.9%***	***-1.5%***
Net interest income	**260 926**	**267 088**	**246 714**
Change on an annual basis, %	***-18.3%***	***2.4%***	***-7.6%***

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

For 2019, net interest income amounted to BGN 246 714 thousand or 7.6% less than in the previous year. Despite its declining relative weight in total income from banking operations, it remained the main source of income for the Group, at 55.6 % of total operating income (2018: 68.3%; 2017: 64.2%). Net interest income for 2018 amounted to BGN 267 088 thousand or by 2.4% more compared to the previous year

(2017: BGN 260 926 thousand), while in 2017 net interest income registered a drop by 18.3% compared to 2016 (BGN 319 719 thousand). The operations of Fibank abroad formed 6.1% of the net interest income of the Group for 2019 (2018: 5.9%; 2017: 4.9%), reflecting the development of the activity of the subsidiary bank in Albania.

Interest income is the leading source of income for the Bank. In 2019, interest income decreased by 6.4% to BGN 309 730 thousand, while in 2018 it decreased by 7.1% to BGN 331 046 thousand (2017: BGN 356 173 thousand), reflecting the competitive terms offered by the Bank, as well as the market tendency of decreasing interest rates. A decrease in 2019 was reported mainly in the corporate segment (2019: BGN 122 370 thousand; 2018: BGN 145 650 thousand), in microlending (2019: BGN 7 272 thousand; 2018: BGN 8 673 thousand), as well as in debt instruments (2019: BGN 14 090 thousand; 2018: BGN 14 806 thousand). Growth in interest income was reported in the SME segment (2019: BGN 43 435 thousand; 2018: 39 517 thousand), as well as in retail banking (2019: BGN 120 811 thousand; 2018: BGN 120 721 thousand).

A decline in 2018 was reported in the corporate segment (2018: BGN 145 650 thousand; 2017: BGN 169 280 thousand), as well as in the retail segment, incl. retail banking (2018: BGN 120 721 thousand; 2017: BGN 126 072 thousand) and microlending (2018: BGN 8 673 thousand; 2017: BGN 9 213 thousand). A growth of the interest income was reported for the small and medium enterprises (2018: BGN 39 517 thousand; 2017: BGN 36 965 thousand), as well as the interest income connected with debt instruments (2018: BGN 14 806 thousand; 2017: BGN 13 752 thousand), which reflects the dynamics of profitability and the conditions on the debt securities markets. In 2017, interest income decreased by 19.3%, with a drop being reported in all main business lines. The decrease of the interest rates in the last few of years has been partially offset by the credit portfolio growth and the portfolio diversification as a result of the implementation of the Bank's strategy. For more information see "*Loans and Advances to Customers*".

The trend of recent years for decrease in interest expenses continued in 2019, but to a lesser extent. They declined by 1.5% to BGN 63 016 thousand (2018: BGN 63 958 thousand), as a result of a decrease in the cost of customer deposits by 7.5%, which reached BGN 34 953 thousand compared to BGN 37 775 thousand a year earlier, and forming 55.5% of total interest expenses. The second most important component of interest expenses, hybrid debt costs, registered a 0.7% increase as a result of the issuance of a new hybrid instrument of EUR 30 million in December 2019, bringing the share of these costs to 36.6% of total interest expenses compared to 35.8% a year earlier. In 2018, interest expenses fell by 32.9% to BGN 63 958 thousand (2017: BGN 95 247 thousand), mostly as a result of the decrease in the expenses for customer deposits by 45.4%, which reached BGN 37 775 thousand compared to BGN 69 142 thousand the previous year, thus forming 59.1% of the total interest expense. Hybrid debt expenses stayed unchanged, as the interest rates on the two hybrid debt instruments are fixed, which respectively increases the share of these expenses up to 35.8% of the total Interest expense compared to 24.1% the previous year. In 2017 the interest expenses decreased by 22% on an annual basis, also mostly as a result of the drop by 38.5% of the customer deposit expenses. The interest expenses under the hybrid debt increased due to the suspended accrual of interest in the previous period in connection with Decision C (2014 8959)/25.11.14 of the European Commission regarding liquidity support SA.39854 (2014/N) in 2014. In the period 2017 – 2019 Fibank kept the interest rates on deposit products in line with the market conditions and the competitive environment, as well as according to the liquidity levels.

The Group's net interest margin[8] decreased from 4.14% in 2017 to 4.03% in 2018 and 3.47% in 2019 due to a larger drop in the interest rates on the credit portfolio compared to the rate on the customer deposits.

[8] *The net interest margin for the year is calculated by dividing the net interest income by the average value of the interest bearing assets of the Bank.*

Net Fee and Commission Income

A set of factors impact the net income from fees and commissions. It is determined, on one hand, by the fees and commissions received under letters of credit and guarantees, payment operations, customer accounts, cards and other rendered services, and, on the other hand, based on the fees and commissions paid under letters of credit and guarantees, payment operations, card services and others.

The Table below lays out the main components of the net income from fees and commissions of the Bank for the specified periods, as well as the percentage change for each position.

In BGN '000	**2017**	**2018**	**2019**
Fee and commission income			
Letters of credit and guarantees	2 911	2 705	3 553
Change on an annual basis, %	*-32.3%*	*-7.1%*	*31.3%*
Payment operations	20 862	21 912	23 901
Change on an annual basis, %	*14.6%*	*5.0%*	*9.1%*
Customer accounts	30 863	31 730	32 892
Change on an annual basis, %	*10.0%*	*2.8%*	*3.7%*
Card services	31 375	34 033	35 108
Change on an annual basis, %	*6.2%*	*8.5%*	*3.2%*
Other	34 776	29 612	35 737
Change on an annual basis, %	*12.4%*	*-14.8%*	*20.7%*
Total fee and commission income	**120 787**	**119 992**	**131 191**
Change on an annual basis, %	***8.8%***	***-0.7%***	***9.3%***
Fee and commission expense			
Letters of credit and guarantees	(296)	(313)	(661)
Change on an annual basis, %	*6.9%*	*5.7%*	*111.2%*
Payment operations	(2 196)	(2 469)	(2 992)
Change on an annual basis, %	*5.7%*	*12.4%*	*21.2%*
Card services	(13 540)	(14 872)	(16 348)
Change on an annual basis, %	*14.4%*	*9.8%*	*9.9%*
Other	(2 609)	(5 227)	(4 416)
Change on an annual basis, %	*-51.5%*	*100.3%*	*-15.5%*
Total fee and commission expense	**(18 641)**	**(22 881)**	**(24 417)**
Change on an annual basis, %	***-4.7%***	***22.7%***	***6.7%***
Net fee and commission income	**102 146**	**97 111**	**106 774**
Change on an annual basis, %	***11.7%***	***-4.9%***	***10.0%***

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

In 2019, net fee and commission income increased by 10% YoY to BGN 106 774 thousand, in line with the growth of the Bank's business. Fibank's operations abroad accounted for 6.2% of net fees and commissions. Income increased for all business lines, with largest absolute increase being registered in the "Others" segment: by BGN 6 125 thousand (+ 20.7%) to BGN 35 737 thousand, income from customer accounts by BGN 1 162 thousand. BGN (3.7%) to BGN 32 892 thousand, card services by BGN 1 075 thousand (3.2%) to BGN 35 108 thousand, and payment transactions by BGN 1 989 thousand. (9.1%) to BGN 23 901 thousand. Fee and commission expenses increased mainly in card services, by BGN 1 476 thousand. (9.9%) to BGN 16 348 thousand, payment transactions by BGN 523 thousand (21.2%) to BGN 2 992 thousand, as well as LCs and guarantees, by BGN 348 thousand (111.2%) to BGN

661 thousand. A decrease in expenses for fees and commissions was reported in the "Others" segment, by BGN 811 thousand (-15.5%) to BGN 4 416 thousand. Despite the increase in net fee and commission income, its relative share in the Group's total operating income decreased to 24.1% (2018: 24.8%).

Net fee and commission income for 2018 decreased by 4.9% YoY, to BGN 97 111 thousand, but still provided a solid contribution to operating profit. Fibank's operations abroad formed 5.5% of the net income from fees and commissions. An increase in the income from fees and commissions was reported for the main services, incl. card services by 8.5% reaching BGN 34 033 thousand (28.4% of the total fee and commission income); customer accounts by 2.8% reaching BGN 31 730 thousand (26.4% of the total fee and commission income); and payment operations by 5% to BGN 21 912 thousand (18.3% of the total fee and commission income). A decrease was registered in regards to the letters of credit and guarantees by 7.1% reaching BGN 2 705 thousand (2.3% of the total fee and commission income), as well as for the other services by 14.8% reaching BGN 29 612 thousand (24.7% of the total fee and commission income), incl. those connected with the credit activity. The fees and commissions expenses increased for all activities, as the increase was the highest for the expenses for other services - by 100.3% compared to the previous year to BGN 5 227 thousand. The total fee and commission expense registered a growth by 22.7% (+BGN 4 240 thousand) to BGN 22 881 thousand.

In 2017 the net income from fees and commissions increased by 11.7% reaching BGN 102 146 thousand compared to BGN 91 486 thousand in the previous year. The income growth was reported for all main services, incl. for customer accounts by 10% reaching BGN 30 863 thousand (2016: BGN 28 064 thousand), payment operations by 14.6% reaching BGN 20 862 thousand (2016: BGN 18 210 thousand), card services by 6.2% reaching BGN 31 375 thousand (2016: BGN 29 544 thousand), as well as from other services by 12.4% reaching BGN 34 776 thousand (2016: BGN 30 933 thousand), incl. those connected with the credit activity. The increase in the fees and commissions expenses was reported for all main lines, except for the expenses for other services, which decreased by 51.5% reaching BGN 2 609 thousand. This drop completely offset the growth of the expenses for the other services, as the total fee and commission expense decreased by 4.7% reaching BGN 18 641 thousand (2016: BGN 19 566 thousand). In 2017, the net income from fees and commissions increased its relative share to 25.1% of the total income from the Group's bank operations (2016: 19.7%). Fibank's operations abroad accounted for 3.7% of the net income from fees and commissions.

Net trading income

The net trading income, which is derived from debt and capital instruments, consists of the income and expenses from sales and changes in the fair value of financial assets and liabilities held for trading by the Bank. The net trading income, which occurs from changes in the currency exchange rates, consists of the net profits from the settlement of transactions in foreign currencies, as well as the net profits resulting from the revaluation of the open currency position as at the end of every period as a result of a change in the currency exchange rates.

The Table below lays out the main components of the net income from the Bank's trading operations for the specified periods, as well as the percentage of change for each position.

In BGN '000	**2017**	**2018**	**2019**
Net trading income from:			
Debt instruments	236	(135)	(68)
Change on an annual basis, %	*505.1%*	*n.m.*	*-49.6%*
Capital instruments	247		(124)
Change on an annual basis, %	*-68.2%*	*n.m.*	*n.m.*
Changes in currency exchange rates	14 843	11 068	15 416
Change on an annual basis, %	*13.1%*	*-25.4%*	*39.3%*
Total Net trading income	**15 326**	**10 809**	**15 378**
Change on an annual basis, %	***10.0%***	***-29.5%***	***42.3%***

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

In 2019, net trading income increased by 42.3% to BGN 15 378 thousand, as a result of the 39.3% growth in income from foreign currency operations (BGN 15 416 thousand). Net income/expense for transactions in debt and equity instruments was insignificant for the period. The relative share of net trading income increased to 3.5% of the Group's total income from banking operations (2018: 2.8%).

In 2018, net trading income decreased by 29.5% on an annual basis, thus reaching BGN 10 809 thousand. The decrease reflected mainly the lower income from FX operations, which dropped by 25.4% to BGN 11 068 thousand. Net expenses were reported for the operations with debt and capital instruments, which amounted to a total of BGN 259 thousand for the period, compared to net income of BGN 483 thousand in the previous year. The relative share of the net trading income remained insignificant – 2.8% of the total income from the Group's bank operations.

In 2017 the net trading income reported a 10.0% growth reaching BGN 15 326 thousand (2016: BGN 13 937 thousand). The increase was a result of the higher FX income (2017: BGN 14 843 thousand; 2016: BGN 13 121 thousand) and higher income from debt instruments (2017: BGN 236 thousand; 2016: BGN 39 thousand), while the income from capital instruments amounted to BGN 247 thousand compared to BGN 777 thousand the previous year. The relative share of the net trading income increased to 3.8% of the total income from the Group's bank operations (2016: 3.0%).

The Table below shows the monetary assets and liabilities of the Bank translated in a foreign currency, for the specified periods, as well as the percentage of change for each position.

In BGN '000	**2017**	**2018**	**2019**
Monetary assets			
Euro	3 854 451	4 177 947	3 940 493
Change on an annual basis, %	*-7.2%*		*8.4%*
US dollar	569 389	627 557	591 945
Change on an annual basis, %	*-27.1%*		*10.2%*
Other currencies	285 191	320 961	430 194
Change on an annual basis, %	*15.8%*	*12.5%*	*34.0%*
Gold	6 198	5 699	5 592
Change on an annual basis, %	*-12.8%*		*-8.1%*
Monetary liabilities			
Euro	3 050 261	3 237 908	3 806 777
Change on an annual basis, %	*-6.6%*	*6.2%*	*17.6%*
US dollar	569 750	628 397	586 114
Change on an annual basis, %	*-27.0%*	*10.3%*	*-6.7%*
Other currencies	269 324	291 040	391 165
Change on an annual basis, %	*14.7%*	*8.1%*	*34.4%*
Gold	2 186	1 810	1 628
Change on an annual basis, %	*-39.1%*	*-17.2%*	*-10.1%*
Net position			
Euro	804 190	940 039	133 716
Change on an annual basis, %	*-9.6%*	*16.9%*	*-85.8%*
US dollar	(361)	(840)	5 831
Change on an annual basis, %	*-233.2%*	*132.7%*	*-794.2%*
Other currencies	15 867	29 921	39 029
Change on an annual basis, %	*38.3%*	*88.6%*	*30.4%*
Gold	4 012	3 889	3 964
Change on an annual basis, %	*14.2%*	*-3.1%*	*1.9%*

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

Other net operating income

The other net operating income is formed from rental income, profits from the operations with debt and capital instruments, gains on administration of loans acquired through business combination, income from management of assigned receivables, as well as profits and losses from transactions and revaluation of gold and precious metals.

The Table below lays out the main components of the other net operating income of the Bank for the specified periods, as well as the percentage of change for each position.

In BGN ‘000	**2017**	**2018**	**2019**
Other net operating income from:			
Transactions and revaluation of gold and precious metals	66	452	789
Change on an annual basis, %	*n.m.*	*584.8%*	*74.6%*
Rental income	11 283	8 862	5 542
Change on an annual basis, %	*n.m.*	*-21.5%*	*-37.5%*
Debt instruments	12 384	3 103	8 182
Change on an annual basis, %	*169.0%*	*-74.9%*	*163.7%*
Equities	0	1 282	4 344
Change on an annual basis, %	*-100%*	*n.m.*	*238.8%*
Income from management of assigned receivables	0	584	54 643
Change on an annual basis, %	*-100.0%*	*n.m.*	*9256.7%*
Gain on administration of loans acquired through business combination	4 458	2 038	1 118
Change on an annual basis, %	*-40.3%*	*-54.3%*	*-45.1%*
Total other net operating income	**28 191**	**16 321**	**74 618**
Change on an annual basis, %	***-29.7%***	***-42.1%***	***357.2%***

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

In 2019, other net operating income increased by 357.2% to BGN 74 618 thousand, mainly due to the increase by BGN 54 059 thousand of income from assigned receivables. The increase with 163.7% to BGN 8 182 thousand of income from debt instruments also had a positive impact, as well as that of income from equity instruments by 238.8% to BGN 4 344 thousand. A decrease was observed in operating income from leases, by 37.5% to BGN 5 542 thousand, as well as from administration of loans acquired through business combination, by 45.1% to BGN 1 118 thousand. The relative share of other net operating income increased to 16.8% of the total income from banking operations of the Group (2018: 4.2%)

In 2018, other net operating income amounted to BGN 16 321 thousand, dropping by 42.1% compared to the previous year, mostly as a result of 74.9% lower income from debt instruments, which amounted to BGN 3 103 thousand. A drop was also reported in the rental income by 21.5% to BGN 8 862 thousand, as well as from the administration of loans acquired through business combination by 54.3% to BGN 2 038 thousand. The higher income from management of assigned receivables and transactions and revaluation of gold and precious metals had a positive impact on the financial result. The relative share of the other net operating income decreased to 4.2% of the total income from the Group's bank operations.

The other net operating income registered a decrease of 29.7% in 2017 reaching BGN 28 191 thousand compared to BGN 40 115 thousand the previous year, when Fibank reported an additional one-off income of BGN 24 930 thousand resulting from the transaction for the acquisition of VISA Europe by VISA Inc. in connection with the Bank's membership in the card organization. The lower income from the administration of loans acquired through a business combination by 40.3%, as well as the lack of income from management of assigned receivables also had a negative effect on the total other net operating income. In 2017, 169% higher other operating income was generated by debt instruments (2017: BGN 12 384 thousand; 2016: BGN 4 604 thousand). The change in the accounting policy in connection with the reporting of the rental income in the other net operating income in 2017 compared to the reporting in 2016 in the other income/(expenses), net also had an impact on the dynamics of the other net operating income in 2017. The relative share of the other net operating income decreased to 6.9% of the total income from the Group's bank operations compared to 8.6% in 2016.

Administrative expenses

The Table below shows the main components of the Administrative expenses of the Bank for the specified periods, as well as the percentage change for each position.

In BGN ‘000	**2017**	**2018**	**2019**
Administrative expenses			
Personnel cost	64 968	70 315	71 842
Change on an annual basis, %	*6.4%*	*8.2%*	*2.2%*
Depreciation and amortization	16 206	15 342	14 392
Change on an annual basis, %	*-7.7%*	*-5.3%*	*-6.2%*
Advertising			33 424
Change on an annual basis, %	18 379	16 623	14 011
Building rent expense	*24.3%*	*-9.6%*	*-15.7%*
Change on an annual basis, %	33 475	33 602	0
Telecommunication, software and other computer maintenance	*0.1%*	*0.4%*	*n.m.*
Change on an annual basis, %	11 832	12 400	12 401
Other expenses for external services	*2.8%*	*4.8%*	*0.0%*
Change on an annual basis, %	59 838	63 784	74 378
Total Administrative expenses	*10.9%*	*6.6%*	*16.6%*
Change on an annual basis, %	**204 698**	**212 066**	**220 448**
	6.4%	***3.6%***	***4.0%***

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

In 2019, administrative expenses continued their upward trend, registering an increase of 4% to BGN 220 448 thousand, which was almost entirely due to the cost of external services: BGN 74 378 thousand during the period, compared to BGN 63 784 thousand a year before. Much of that cost was related to the asset quality review and stress test performed at the Bank. Personnel expenses also increased by 2.2% to BGN 71 842 thousand, following the general upward trend in labor costs, while the number of employees dropped to 2 825 by the end of 2019 compared to 2 868 a year earlier. In connection with the adoption of IFRS 16 Leasing, the Bank recognized assets with a right to use in the amount of BGN 128 203 thousand as of January 1, 2019, which respectively depreciate over the lease period. Accordingly, from the beginning of 2019, the Bank reports depreciation expense for these assets and ceased to report rental costs. Over the period, the administrative expense ratio[9] amounted to 44.6% on a consolidated basis.

In 2018, administrative expenses amounted to BGN 212 066 thousand or 3.6% higher than the previous year as a result mainly of the higher personnel cost, which increased by 8.2% reaching BGN 70 315 thousand. The personnel cost increased due to the higher wages, while the number of employees declined to 2 868 employees as at the end of 2018 compared to 3 221 employees a year earlier. The expenses for external services also increased by 6.6% reaching BGN 63 784 thousand, partially due to the outsourcing of the activities of maintaining physical security of the branches and buildings of the Bank and their assignment to a licensed security company, realized in October 2018. The expenses for telecommunication, software and other computer maintenance increased by 4.8% to BGN 12 400 thousand. The building rent expenses remained at levels close to the previous year, while a decrease was

[9] Total administrative expenses divided by the sum of total income from banking operations and other net income/(expense).

reported in the advertising expenses by 9.6% to BGN 16 623 thousand and in the D&A expenses, which decreased by 5.3% to BGN 15 342 thousand. In the period the administrative expenses/total income10 ratio came to 46.5% on a consolidated basis, thus registering a drop compared to the previous year as a result of the higher other income in 2018 (see below).

In 2017 the administrative expenses increased by 6.4% to BGN 204 698 thousand compared to BGN 192 307 thousand in the previous year, mostly due to the 6.4% higher personnel cost (2017: BGN 64 968 thousand; 2016: BGN 61 034 thousand), 24.3% higher advertising cost (2017: BGN 18 379 thousand; 2016: BGN 14 788 thousand), as well as for the 10.9% higher cost of external services (2017: BGN 59 838 thousand; 2016: BGN 53 975 thousand). As at the end of the year the number of personnel dropped by 3% compared to the previous year, but the higher wages determined the increase in the labor cost. The other cost groups remained at levels close to the previous year, incl. the building rent expense (2017: BGN 33 475 thousand; 2016: BGN 33 446 thousand) and expenses for telecommunication, software and other computer maintenance (2017: BGN 11 832 thousand; 2016: BGN 11 511 thousand). A decrease was reported in the D&A expenses, which decreased with 7.7% to BGN 16 206 thousand compared to BGN 17 553 thousand in the previous year. In the period the administrative expenses/total income ratio amounted to 53% on a consolidated basis (2016: 41.9%).

Other income/(expenses), net

The other income/(expenses) is formed mainly by the cost of guarantee schemes, the income from sale of assets, and the revaluation of investment property. Besides, the other income/(expenses) include net earned insurance premiums, claims made under insurance agreements, reversal of expenses for provisions for pending court cases, profit/(loss) from sale of investment property and others.

[10] *The total administrative expenses divided by the amount of the total income from banking operations and the other net income/(expense).*

The Table below lays out the main components of the other income/(expenses), net of the Bank for the specified periods, as well as the percentage of change for each position.

In BGN '000	**2017**	**2018**	**2019**
Other income/(expenses), net			
Income from sale of assets	10 642	81 098	1 354
Change on an annual basis, %	*169.6%*	*662.1%*	*-98.3%*
Revaluation of investment property	0	13 669	72 940
Change on an annual basis, %	*-100.0%*	*n.m.*	*433.6%*
Profit/(loss) from sale of investment property	(42)	168	31
Change on an annual basis, %	*-81.7%*	*n.m.*	*-81.5%*
Dividend income	4 478	105	5 724
Change on an annual basis, %	*611.9%*	*-97.7%*	*5351.4%*
Net earned insurance premiums	3 577	3 865	5 242
Change on an annual basis, %	*20.5%*	*8.1%*	*35.6%*
Cost of guarantee schemes	(36 371)	(33 283)	(33 019)
Change on an annual basis, %	*0.1%*	*-8.5%*	*-0.8%*
Claims incurred under insurance agreements	(2 334)	(2 812)	(3 385)
Change on an annual basis, %	*33.2%*	*20.5%*	*20.4%*
Reversal of expenses for provisions for pending court cases	308	102	(228)
Change on an annual basis, %	*-94.4%*	*-66.9%*	*-323.5%*
Other income/(expenses), net	(689)	2 215	2 394
Change on an annual basis, %	*n.m.*	*n.m.*	*8.1%*
Total other income/(expenses), net	**(20 431)**	**65 127**	**51 053**
Change on an annual basis, %	***230.8%***	***n.m.***	***-21.6%***

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

In 2019, First Investment Bank AD reported a 21.6% decline in other net income YoY, to BGN 51,053 thousand, due almost entirely to the 98.3% drop in proceeds from sale of assets, to BGN 1 354 thousand (2018: BGN 81 098 thousand). On the other hand, the 433.6% growth in income from revaluation of investment property, to BGN 72 940 thousand, as well as the BGN 5 619 thousand growth in dividend income, had a positive effect. Lower guarantee scheme expenses, higher net earned insurance premiums and other revenues also had a positive impact.

In 2018, other net income was in the amount of BGN 65 127 thousand, including mostly income from sale of assets (2018: BGN 81 098 thousand) and from the revaluation of investment property (2018: BGN 13 669 thousand), as well as expenses for installments currently made to the Deposit Insurance Fund and to the Investor Compensation Fund (2018: BGN 33 283 thousand). The reported income from sale of assets for the year included the finance lease transaction at the end of the year for a significant part of the site of the former Kremikovtzi metallurgical plant with an international investor - a subsidiary of Soravia Real Estate Developers GmbH, a part of the Austrian economic group Soravia.

In 2017 the other net expenses increased by 230.8% to BGN 20 431 thousand, as they included mostly expenses for the installments currently made to the Deposit Insurance Fund and, to the Investor Compensation Fund(2017: BGN 36 371 thousand; 2016: BGN 36 328 thousand). The change of the total net expenses was mostly due to the lack of an effect of the revaluation of investment property (2016: BGN 9 213 thousand), to the BGN 5 541 thousand one-off effect of the reintegrated provisions under court disputes in 2016 compared to BGN 308 thousand in 2017, as well as to the increased claims under insurance agreements. The change in the accounting policy in connection with the reporting of the rental income in Other net operating income in 2017 compared to their reporting in other income/(expenses), net in 2016 also had an impact on the dynamics of other income/(expenses), net in 2017. Additional income to the amount of BGN 10 642 thousand was realized, as a part of the process of more active sale of assets, compared to BGN 3 947 thousand the previous year. The dividend income also increased as their amount reached BGN 4 478 thousand compared to BGN 629 thousand in 2016.

Allowance for impairment

The Table below reveals the main components of the Bank's impairment costs for the specified periods, as well as the percentage of change for each position.

In BGN '000	**2017**	**2018**	**2019**
Increase in allowance for the impairment			
Loans and advances to customers	(95 924)	(163 028)	(204 265)
Investments in unconsolidated subsidiary companies	0	(178)	0
Securities reported at fair value in other comprehensive income	0	(26)	0
Securities reported at amortized cost	0	0	(779)
Off balance sheet commitments	0	(1 014)	(701)
Total increase in allowance for the impairment	**(95 924)**	**(164 246)**	**(205 745)**
Change on an annual basis, %	***-63.5%***	***71.2%***	***25.3%***
Decrease in allowance for the impairment			
Loans and advances to customers	17 074	62 578	84 990
Securities reported at fair value in other comprehensive income	0	0	19
Off balance sheet commitments	0	18 290	1 006
Total decrease in allowance for the impairment	**17 074**	**80 868**	**86 015**
Change on an annual basis, %	***-84.0%***	***373.6%***	***6.4%***
Allowance for impairment, net	**(78 850)**	**(83 378)**	**(119 730)**
Change on an annual basis, %	***-49.5%***	***5.7%***	***43.6%***

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

In 2019, net impairment charges on loans increased by 43.6% YoY, reaching BGN 119 730 thousand, as a result of efforts over the past few years to improve the quality of the loan portfolio. In the first half of 2019, a comprehensive assessment of Fibank out and 5 other Bulgarian banks was carried out by the ECB, as a result of Bulgaria's request of 18.07.2018 to establish lasting cooperation with the ECB and the country's stated desire to accede to the euro area membership "waiting room" (ERM II). During the second half of the year, Fibank thoroughly reviewed its loan portfolio for consistency with the ECB's methodology (used in the comprehensive assessment) and the International Financial Reporting Standards (which are mandatory in the preparation of banks' financial statements). As a result, at the end of 2019 additional impairment charges were recognized in the amount of BGN 94.4 million compared to June 2019. Thus, after the performed asset quality review, the Bank implemented in its activity a more conservative accounting approach to credit risk. In 2019, BGN 205 745 thousand additional write-downs were made (+25.3%), and BGN 86 015 thousand write-downs were reversed (+6.4%) compared to 2018.

In 2018, additional write-downs were made on loans, off-balance sheet commitments and other investments amounting to BGN 164,246 thousand, while the reversal of write-downs was BGN 80,868 thousand. As a result, net impairment charges for 2018 increased by 5.7% compared to 2017, amounting to BGN 83 378 thousand, in line with the growth trend of the Bank's loan portfolio. Since January 1, 2018, Fibank has applied new rules for impairment and provisioning of risk exposures in compliance with the requirements of IFRS 9. According to them an allowance for impairment loss is calculated based on the expected credit losses over the term 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 based on the expected credit losses over a 12-month horizon.

In 2017 the net impairment cost on credit exposures continued to decrease in line with the economic environment and conditions and in 2017 dropped by 49.5% to BGN 78 850 thousand (2016: BGN 156 120 thousand). During the period there was an additionally assessed allowance for impairment to the amount of BGN 95 924 thousand, while the reintegrated allowance for impairment amounted to BGN 17 074 thousand.

Tax expense

The Table below lays out the main components of the Bank's tax expenses for the specified periods.

In BGN ‘000	**2017**	**2018**	**2019**
Current taxes	(10 855)	(2 017)	(1 616)
Deferred taxes	490	12 551	(14 821)
Income tax expense	**(10 365)**	**10 534**	**(16 437)**

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

The main factors that impact the tax expenses are the profit before tax and the tax rate. The differences between the book value for accounting purposes and for tax purposes cause differences in taxes for accounting purposes and current income tax expense. 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. Over the last three years, deferred taxes liabilities were related to real estate, equipment, intangible assets, investment property, tax loss and others. In 2019 they increased to BGN 17 428 thousand mainly as a result of revaluation of investment property, while in 2018 they decreased to BGN 2 774 thousand compared to BGN 14 467 thousand at the end of 2017, as a result of tax loss from the initial application of IFRS 9.

In 2018, the Bank reported a positive tax effect in the amount of BGN 10 534 thousand, as a result mainly of the positive tax effect of the initial application of IFRS 9 amounting to BGN 27 677 thousand.

Net profit

As of the end of 2019, consolidated net profit decreased by 19.6% YoY, to BGN 137 922 thousand, as a result of lower net interest income, increase in administrative expenses and loan impairment charges, lower net other income, as well as the one-off effect on tax expenses. Higher net fee and commission income, the increased trading income and other net operating income, as well as the positive effect of revaluation of investment property, had a positive effect.

The Bank's consolidated net profit increased by 86% on an annual basis in 2018 reaching BGN 171 546 thousand. The main reasons for such growth were: the reported income from sale of assets, in particular the transaction of financial lease of a significant part of the terrain of the former Kremikovtzi metallurgical plant; the growth of the net interest income; as well as the positive effect of the tax expenses. On the other hand, the decrease of the net fee and commission income, the lower trading income and other net operating income had a negative impact, as well as the increased administrative expenses and net impairment of credit exposures.

In 2017 the net profit decreased by 6.6% to BGN 92 245 thousand compared to BGN 98 811 thousand in 2016. The reasons for this drop were the decrease in the net interest income, the drop of the other operating income, the increase in the administrative expenses and of the other expenses. There was a positive impact by the growth of the net fee and commission income, the increased trading income, as well as the drops in the net impairment of the credit exposures.

Net profit attributable to ordinary shareholders of the Bank decreased by 19.7% in 2019, to BGN 137 579 thousand (2018: BGN 171 388 thousand; 2017: BGN 92 175 thousand).

Analysis of Financial Position

Assets

The Table below lays out the key asset categories of the Bank as at the end of the respective periods under review.

In BGN '000	**2017**	**2018**	**2019**
Assets			
Cash and balances with Central Banks	1 478 594	1 674 754	2 072 046
Financial assets held for trading	7 979	0	0
Investments available for sale	742 306	0	0
Financial assets held to maturity	53 714	0	0
Investments in securities	0	802 321	993 022
Loans and advances to banks and other financial institutions	54 402	125 483	79 618
Loans and advances to customers	5 162 907	5 716 062	6 017 137
Property and equipment	91 539	83 951	81 738
Intangible assets	7 342	14 402	12 626
Derivatives held for risk management	1 596	905	814
Deferred tax assets	0	0	0
Current tax assets	63	605	253
Repossessed assets	984 448	812 934	716 129
Investment Property	218 212	242 558	410 511
Assets with right of use	0	0	159 659
Other assets	118 096	112 706	116 622
Total assets	**8 921 198**	**9 586 681**	**10 660 175**

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

Loans and advances to customers are the main component of the total assets of the Bank, which at the end of 2017, 2018 and 2019 represented 57.9%, 59.6% and 56.4% of total assets respectively. Other major items are cash and receivables from central banks, accounting for 19.4% of total assets at end-2019 (17.5% at end-2018); investments in securities (9.3% at end-2019 and 8.4% at end-2018); and assets acquired as collateral (6.7% at end-2019 and 8.5% at end-2018).

In 2019, the total assets of the Bank increased by 11.2% (BGN 1,073,494 thousand) YoY, which was due to the continued growth of the loan portfolio: by 5.3% (BGN 301,075 thousand), of cash and receivables from central banks: by 23.7% (BGN 397 292 thousand), of investments in securities: by 23.8% (BGN 190 701 thousand), and of investment property: by 69.2 % (BGN 167 953 thousand). With the introduction of IFRS 16 Leasing, the Bank recognized right-of-use assets amounting to BGN 159 659 thousand As at 31 December 2019. During the period, assets acquired as collateral decreased by 11.9% (BGN 96 805 thousand), and receivables from banks and financial institutions by 36.6% (BGN 45 865 thousand). The net loans/deposits ratio reached 66.1%.

In 2018 the Bank's assets grew by 7.5% (BGN 665 483 thousand) reaching BGN 9 586 681 thousand with the main reason for this being the growth of the net credit portfolio by 10.7% (BGN 553 155 thousand), the growth of the cash and balances with Central Banks by 13.3% (BGN 196 160 thousand) and the growth of the loans and advances to banks and other financial institutions by 130.7% (BGN 71 081 thousand). On the other hand, the increase in assets was partially offset by the decline in the repossessed assets by

17.4% (BGN 171 514 thousand). Loans to deposits ratio amounted to 68.5% compared to 68.1% the previous year, reflecting the conservative approach to credit risk management.

In 2017 the Bank's assets registered a decrease by 1.9% (BGN 168 657 thousand) due to declines in the amount of cash and balances with Central Banks by 9.8% (BGN 161 294 thousand), in the investments in securities by 9.8% (BGN 87 836 thousand) and in the repossessed assets by 4.8% (BGN 50 053 thousand). During this period the loans and advances to customers increased by 2.3% (BGN 118 057 thousand)..

Cash and balances with Central Banks

The Table below lays out the cash and balances with Central Banks of Fibank as at the end of the respective period under review.

In BGN '000	**2017**	**2018**	**2019**
Cash on hand			
In BGN	130 754	123 104	149 517
Change on an annual basis, %	*21.9%*	*-5.9%*	*21.5%*
In foreign currencies	62 181	56 504	56 593
Change on an annual basis, %	*18.1%*	*-9.1%*	*0.2%*
Balances with Central Banks	898 134	1 063 080	1 751 745
Change on an annual basis, %	*-22.4%*	*18.4%*	*64.8%*
Current accounts and amounts with local banks	33	0	0
Change on an annual basis, %	*73.7%*	*-100.0%*	*n.m.*
Current accounts and amounts with foreign banks	387 492	432 066	114 191
Change on an annual basis, %	*20.0%*	*11.5%*	*-73.6%*
Total Cash and balances with Central Banks	**1 478 594**	**1 674 754**	**2 072 046**
Change on an annual basis, %	***-9.8%***	***13.3%***	***23.7%***

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

As at 31 December 2019, cash and balances with central banks increased by 23.7% (BGN 397 292 thousand) YoY, reaching BGN 2 072 046 thousand. This was mainly due to the increase by 64.8 % (BGN 688,665 thousand) of balances with central banks, which reached BGN 1 751 745 thousand at the end of the period, including mainly the statutory reserves, which the Group maintains depending on the dynamics of its attracted funds. First Investment Bank AD manages cash resources in accordance with customer needs and security requirements, and with a view to optimum profitability. Current accounts with foreign banks, on the other hand, decreased by 73.6% (BGN 317 875 thousand), to BGN 114 191 thousand at the end of 2019. Available cash in the amounted to BGN 149 517 thousand, or by BGN 26 413 thousand more than the end of 2018.

At the end of 2018, cash and balances with central banks amounted to BGN 1 674 754 thousand or 13.3% more than at the end of 2017. An increase of 18.4% was reported in balances with central banks, which reached 1 063 080 thousand BGN at the end of the period. Available cash amounted to BGN 179 608 thousand, compared to BGN 192 935 thousand an year earlier. Current accounts in foreign banks amounted to BGN 432 066 thousand or 11.5% more compared to the previous year, as they were managed according to the monetary flows.

As at the end of 2017 the cash and balances with Central Banks amounted to BGN 1 478 594 thousand or 9.8% less compared to the end of 2016 – BGN 1 639 888 thousand. The dynamics reflects mainly the decrease with 22.4% of the balances with Central Banks, which reached BGN 898 134 thousand at the end of the period (2016: BGN 1 157 101 thousand) and reflected the actions for optimal management and use of resources, as well as for additional growth of the return. As at the end of 2017 the cash on hand amount to BGN 192 935 thousand compared to BGN 159 869 thousand for the previous year.

Loans and advances to banks and other financial institutions

The Table below lays out the loans and advances to banks and other financial institutions of Fibank as at the end of the respective period under review.

In BGN '000	**2017**	**2018**	**2019**
Loans and advances to banks and other financial institutions by types of:			
Placements with banks	21 748	23 059	45 313
Change on an annual basis, %	*36.3%*	*6.0%*	*96.5%*
Receivables under resale agreements	4 977	4 985	5 416
Change on an annual basis, %	*0.1%*	*0.2%*	*8.6%*
Other	27 677	97 439	28 889
Change on an annual basis, %	*-10.5%*	*252.1%*	*-70.4%*
Total Loans and advances to banks and other financial institutions	**54 402**	**125 483**	**79 618**
Change on an annual basis, %	***4.9%***	***130.7%***	***-36.6%***
Loans and advances to banks and other financial institutions by geographical indication:			
Domestic banks and financial institutions	11 680	28 912	13 655
Change on an annual basis, %	*-60.2%*	*147.5%*	*-52.8%*
Foreign banks and financial institutions	42 722	96 571	65 963
Change on an annual basis, %	*89.5%*	*126.0%*	*-31.7%*
Total Loans and advances to banks and other financial institutions	**54 402**	**125 483**	**79 618**

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

In 2019 loans and advances to banks and other financial institutions decreased by 36.6% to BGN 79 618 thousand. There was a decrease in loans and advances to both foreign banks and financial institutions by 31.7% to BGN 65 963, and to local ones by 52.8%, to BGN 13 655 thousand.

Loans and advances to banks and other financial institutions increased by 130.7% in 2018 reaching BGN 125 483 thousand at the end of the period. An increase of 126% by 2018 was reported mostly in the balances with foreign banks and financial institutions: BGN 96 571 thousand, as well as for those with domestic banks and institutions by 147.5% to BGN 28 912 thousand.

In 2017 loans and advances to banks and other financial institutions increased by 4.9% reaching BGN 54 402 thousand at the end of the period (2016: BGN 51 863 thousand). An increase was registered in the balances with foreign banks and financial institutions (2017: BGN 42 722 thousand; 2016: BGN 22 545 thousand), at the expense of the domestic financial institutions (2017: BGN 11 680 thousand; 2016: BGN 29 318 thousand).

Investments in securities

The Table below lays out the investments in securities of the Bank as at the end of the specified periods, as well as the percentage of change for each position.

In BGN '000	**2017***	**2018**	**2019**
Investments in securities			
Bonds and other securities issued by:			
Bulgarian government			
denominated in BGN	235 889	182 617	195 460
Change on an annual basis, %	*2.6%*	*-22.6%*	*7.0%*
denominated in foreign currency	147 911	141 639	163 200
Change on an annual basis, %	*-14.5%*	*-4.2%*	*15.2%*
Foreign governments, incl:	336 485	411 958	344 542
Change on an annual basis, %	*-16.7%*	*22.4%*	*-16.4%*
treasury bills	261 320	263 313	n.a.
Change on an annual basis, %	*-23.5%*	*0.8%*	
treasury bonds	75 165	148 645	n.a.
Change on an annual basis, %	*20.9%*	*97.8%*	
Corporates	0	17 574	236 975
Change on an annual basis, %	*n.m.*	*n.m.*	*1248.5%*
Foreign banks	63 730	26 480	26 227
Change on an annual basis, %	*-4.4%*	*-58.4%*	*-1.0%*
Other issuers - equity instruments	19 984	22 053	26 618
Change on an annual basis, %	*8.9%*	*10.4%*	*20.7%*
Total Investments in securities	**803 999**	**802 321**	**993 022**
Change on an annual basis, %	***-9.8%***	***-0.2%***	***23.8%***
Of which financial assets:			
Reported at fair value in other comprehensive income	n.a.	775 529	714 082
Change on an annual basis, %	*n.a.*	*4.5%*	*-7.9%*
Reported at amortized cost	n.a.	748	12 005
Change on an annual basis, %	*n.a.*	*-98.6%*	*1504.9%*
Reported at fair value in profit or loss	n.a.	26 044	266 935
Change on an annual basis, %	*n.a.*	*226.4%*	*924.9%*
Total Investments in securities	**n.a.**	**802 321**	**993 022**

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

**The investments for 2017 have been aggregated from items of Financial assets held for trading, Investments available for sale, and Financial assets held to maturity; Part of the information has been extracted from comparative data in 2018 financial statement*

In 2019, securities investments increased by 23.8% to BGN 993 022 thousand, mainly due to the increase in investments in enterprises by BGN 219 405 thousand. On December 17, 2019, First Investment Bank AD underwrote and subscribed under private placement terms a bond issue with ISIN code BG2100020192 for the purpose of subsequent placement on the secondary market. The bonds were issued by the company S. D. Group EAD, UIC 205942517. The issue was in the amount of 236 000 bonds, each bond with a face value of BGN 1 000. Fibank underwrote and subscribed the entire bond issue of BGN 236 000 000. The coupon rate on the bond is 5% per annum, payable every 12 months. The maturity date is December 17, 2026, the first principal payment taking place on December 17, 2023. The issue is secured by: (1) Pledge on all shares representing 100% of the capital of S. D. Group EAD; (2) Pledge on all receivables acquired by S. D. Group EAD on the basis of assignment agreements with telecommunication companies and credit institutions, as well as any receivables that S. D. Group EAD will acquire subsequently. At any time until the loan is fully repaid, the amount of receivables pledged to bondholders shall not be less than BGN 1,000,000,000 (one billion) at face value; and (3) Other financial collateral.

An increase was also reported in bonds issued by the Bulgarian government by 10.6% (BGN 34,404 thousand), to BGN 358,660 thousand. On the other hand, investments in bonds and other securities of foreign governments decreased by 16.4%, to BGN 344 542 thousand.

As at 31 December 2018 the portfolio of investments in securities remained nearly unchanged as a total value to the amount of BGN 802 321 thousand, as the dynamics reflects mainly the increase in investments in foreign governments, incl. the 97.8% growth of treasury bonds to BGN 148 645 thousand, at the expense of the bonds issued by the Bulgarian government, which decreased by 15.5% reaching BGN 324 256 thousand, and the bonds issued by foreign banks, which decreased by 58.4% to BGN 26 480 thousand. As of January 1, 2018 Fibank has been applying the new requirements regarding the business models and criteria for classification and evaluation of the financial assets in the Bank's portfolios in compliance with IFRS 9. In connection with the above, the amount of BGN 775 529 thousand from the securities portfolio has been reported at fair value in the other comprehensive income (2017: BGN 742 306 thousand), BGN 26 044 thousand – at fair value in profit or loss (2017: BGN 7979 thousand), and BGN 748 thousand – at amortized cost (2017: BGN 53 714 thousand). The Bank's Policy is to keep a limited investment portfolio, which consists mostly of government securities, as well as portfolio of capital instruments.

The investments in securities as at 31 December 2017 decreased by 9.8% compared to the previous year, as the main reason for this was the decrease of the investments in treasury bills of foreign governments by 23.5% to 261 320 BGN thousand. The bonds issued by the Bulgarian government also decreased to 4.7% in the period, reaching BGN 383 800 thousand, while the treasury bonds of foreign governments increased by 20.9% reaching BGN 75 165 thousand.

Loans and advances to customers[11]

The Table below lays out the gross (before impairment) loans and advances to customers of the Bank as at the end of the specified periods, as well as the percentage of change for each position.

In BGN '000	**2017**	**2018**	**2019**
Gross value			
Retail banking, incl.	1 507 337	1 711 192	1 960 389
Change on an annual basis, %	*3.7%*	*13.5%*	*14.6%*
Consumer loans	622 681	750 285	865 781
Change on an annual basis, %	*25.2%*	*20.5%*	*15.4%*
Mortgage loans	622 171	752 581	896 313
Change on an annual basis, %	*9.0%*	*21.0%*	*19.1%*
Credit cards	259 303	202 095	193 197
Change on an annual basis, %	*1.7%*	*-22.1%*	*-4.4%*
Other programs and collateralized financing	3 182	6 231	5 098
Change on an annual basis, %	*-97.6%*	*95.8%*	*-18.2%*
Small and medium enterprises	753 438	879 136	921 704
Change on an annual basis, %	*23.1%*	*16.7%*	*4.8%*
Microlending	121 533	140 422	163 952
Change on an annual basis, %	*11.9%*	*15.5%*	*16.8%*
Corporate customers	3 382 460	3 734 634	3 481 386
Change on an annual basis, %	*-8.7%*	*10.4%*	*-6.8%*
Including receivables from financial lease	108 218	389 909	379 350
Change on an annual basis, %	*295.5%*	*260.3%*	*-2.7%*
Total gross value	**5 764 768**	**6 465 384**	**6 527 431**
Change on an annual basis, %	***-1.9%***	***12.2%***	***1.0%***

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

The Table below lays out the structure of the Bank's credit portfolio by currencies as at the end of the specified periods, as well as the percentage of change for each position.

In BGN '000	**2017**	**2018**	**2019**
Gross value			
Loans in BGN	2 723 674	3 149 075	3 371 730
Change on an annual basis, %	*25.6%*	*15.6%*	*7.1%*
Loans in EUR	2 920 875	3 142 067	2 932 912
Change on an annual basis, %	*-15.7%*	*7.6%*	*-6.7%*
Loans in other currencies	120 219	174 242	222 789
Change on an annual basis, %	*-51.0%*	*44.9%*	*27.9%*
Total gross value	**5 764 768**	**6 465 384**	**6 527 431**

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

[11] *Fibank applies the following internal criteria to segment the corporate credit portfolio:*
- *Microenterprises: companies having a total income from sales of up to or equal to BGN 500 thousand*
- *Small and medium-sized enterprises: companies having a total income from sales of BGN 500 thousand - BGN 15 mln.*
- *Corporate customers: companies having a total income from sales of over BGN 15 mln.*

In 2019, the gross loan portfolio continued to grow, adding 1% (BGN 62 047 thousand) compared to the end of 2018, up to BGN 6 527 431 thousand. Diversification efforts resulted in a 14.6% (BGN 249 197 thousand) increase in retail loans, mainly as a result of the 19.1% growth of mortgage loans, up to BGN 896 313 thousand, and of consumer loans by 15.4%, to BGN 865 781 thousand. Loans to micro enterprises increased by 16.8% (BGN 23 530 thousand), and those to SMEs by 4.8% (BGN 42 568 thousand). There was a decrease in the corporate segment of 6.8% (253 BGN 248 thousand). As of December 31, 2019, the retail banking segment accounted for 30% of the gross portfolio, the SME segment for 14.1%, the microlending segment for 2.5%, and the corporate segment for 53.3%, including financial leases amounting to 5.8% of the total portfolio. After conducting a tender, on December 19, 2019, First Investment Bank AD signed agreements for the sale of non-performing loan portfolios with an approximate amount of BGN 538 million with S. G. EAD Group. The total number of receivables sold was 4,033, comprising both retail and corporate loans. The amount of underlying collateral was excess of BGN 1.1 billion, with the transaction price accounting for about 18% of the market price of such collateral. The agreed price was in the range of other transactions of this type in Bulgaria in recent years. The sale resulted in a decrease of the risk-weighted assets by BGN 171 million, which gave a 44 bp impact on capital. The portfolio sold had impairment charges of 47% of the carrying amount of the debt. At the end of the year, the Bank ranked fourth in the country by loan portfolio size as a result of the merger of Eurobank Bulgaria AD and Piraeus Bank Bulgaria AD in November 2019 which took the third place.[12]

In the currency structure of the portfolio, loans in BGN increased by 7.1% to BGN 3 371 730 thousand or 51.7% of the total. Over the same period, loans in EUR decreased by 6.7% to BGN 2,932,912 thousand, reducing their share to 44.9%. Loans in other currencies amounted to BGN 222 789 thousand, increasing by 27.9% YoY and forming 3.4% of total loans. Loans granted by the branches of First Investment Bank AD abroad accounted for 3.8% of the Group's gross portfolio, reflecting the increase in loans to individuals and SMEs of First Investment Bank - Albania Sh.a.

In 2018 the consolidated credit portfolio of Fibank before allowance for impairment increased by 12.2% reaching BGN 6 465 384 thousand, in pursuance of the objectives for priority development of the activity in the business segments of retail banking and small and medium enterprises. An increase was reported in all business lines, as the loans in retail banking grew by 13.5% reaching 26.5% of the total portfolio, mostly as a result of the 21% growth to BGN 752 581 thousand of the mortgage loans and the 20.5% growth to BGN 750 285 thousand of the consumer loans. Loans to small and medium enterprises increased by 16.7% to 879 136 BGN thousand, thus forming 13.6% of the total portfolio, while microlending increased by 15.5% to BGN 140 422 thousand (2.2% of the total portfolio). A growth by 10.4% to BGN 3 734 634 thousand was also reported for the loans in the corporate customers segment as a result mostly of the increase in the receivables from financial lease (+260.3% to BGN 389 909 thousand), despite which their share dropped to 57.8% of the gross loans. As at 31 December 2018 reported an increased market share of 10.69%.[13]

In the currency structure of the loan portfolio, the loans in BGN increased by 15.6% to BGN 3 149 075 thousand or 48.7% of the total portfolio. An increase was also reported in the loans in EUR – by 7.6% to BGN 3 142 067 thousand at the end of the period, but decreased their share to 48.6% of the gross loans. There is a Currency Board Arrangement functioning in the country, which minimizes currency risk BGN/EUR. During the year, the Republic of Bulgaria submitted officially its request to join the Exchange rate mechanism II (ERM II) and the Single Supervisory Mechanism (SSM), which is a step towards joining the Euro Area. The loans in other currency amounted to BGN 174 242 thousand, increasing by 44.9% on an annual basis and accounting for 2.7% of the gross loans. The loans granted by the foreign units of First

[12] *Source: BNB*
[13] *Source: BNB*

Investment Bank constituted 3.1% of the gross portfolio of the Group, and reflected the increase in the loan portfolio to individuals and SMEs of First Investment Bank – Albania Sh.a.

In 2017 the credit portfolio of the Fibank Group before allowance for impairment dropped to BGN 5 764 768 thousand (2016: BGN 5 879 189 thousand), mostly as a result of the decrease in the corporate segment, which dropped to 58.7% of the gross loans (2016: 63.0%) as a result of the targeted efforts of the Bank for diversification of the portfolio and focusing its activity on the field of retail banking and small and medium enterprises.

Loans in BGN increased by 25.6% to BGN 2 723 674 thousand (2016: BGN 2 167 709 thousand) and accounted for 47.2% of the total portfolio (2016: 36.9%), at the expense of the loans in EUR, which decreased by 15.7% reaching BGN 2 920 875 thousand at the end of the period (2016: BGN 3 466 313 thousand), but remaining predominant with a share of 50.7% (2016: 59%) of the gross loans. Loans in other currencies decreased as absolute value – to BGN 120 219 thousand (2016: BGN 245 167 thousand) and a relative share of the gross loans of 2.1% at the end of the period under review (2016: 4.2%). Loans granted by Fibank units abroad amounted to BGN 155 617 thousand before allowance for impairment (2016: BGN 122 981 thousand).

The Table below lays out the accumulated allowance for impairment of the Bank's credit portfolio as at the end of the specified periods, as well as the percentage of change for each position.

In BGN ‘000	**2017**	**2018**	**2019**
Retail banking, incl.	(111 837)	(107 396)	(75 341)
Change on an annual basis, %	*27.1%*	*-4.0%*	*-29.8%*
Consumer loans	(43 757)	(49 731)	(40 869)
Change on an annual basis, %	*44.8%*	*13.7%*	*-17.8%*
Mortgage loans	(31 628)	(26 362)	(16 120)
Change on an annual basis, %	*5.9%*	*-16.6%*	*-38.9%*
Credit cards	(36 452)	(31 303)	(18 352)
Change on an annual basis, %	*30.7%*	*-14.1%*	*-41.4%*
Other programs and collateralized financing	0	0	0
Small and medium enterprises	(77 593)	(38 880)	(16 956)
Change on an annual basis, %	*6.2%*	*-49.9%*	*-56.4%*
Microlending	(26 515)	(21 196)	(3 098)
Change on an annual basis, %	*0.5%*	*-20.1%*	*-85.4%*
Corporate customers	(385 916)	(581 850)	(414 899)
Change on an annual basis, %	*-40.3%*	*50.8%*	*-28.7%*
Including receivables from financial lease	(24)	(11 840)	(834)
Change on an annual basis, %	*-75.0%*	*49233.3%*	*-93.0%*
Total allowance for impairment	**(601 861)**	**(749 322)**	**(510 294)**
Change on an annual basis, %	***-27.9%***	***24.5%***	***-31.9%***

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

The Table below lays out the dynamics of allowance for impairment of the Bank's credit portfolio in the specified periods.

In BGN '000	**2017**	**2018**	**2019**
Balance at the end of the previous period		**601 861**	
Correction of account for impairment		150	
Effect of the initial application of IFRS 9		258 299	
Balance at the beginning of the period	**834 339**	**860 310**	**749 322**
Additional allowance	95 924	163 028	204 265
Change on an annual basis, %	*-63.5%*	*70.0%*	*25.3%*
Reintegrated	(17 074)	(62 578)	(84 990)
Change on an annual basis, %	*-84.0%*	*266.5%*	*35.8%*
Write-offs	(308 913)	(212 985)	(359 628)
Change on an annual basis, %	*440.5%*	*-31.1%*	*68.9%*
Effect from change in exchange rates	(2 418)	1 180	0
Other	3	367	1 325
Balance at the end of the period	**601 861**	**749 322**	**510 294**

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

In 2019, Fibank continued to manage its credit risk in accordance with the objectives set and in compliance with European and local regulatory requirements. As at 31 December 2019, total impairment charges amounted to BGN 510 294 thousand, down by 31.9% (BGN 239,028 thousand) compared to the end of 2018, mainly as a result of write-offs amounting to BGN 359,628 thousand. The most significant change was reported in the corporate loan portfolio, where impairment charges dropped by BGN 166 951 thousand, to BGN 414 899 thousand.

At the end of 2018, the impairment for calculation of the potential losses on the loan portfolio amounted to BGN 749 322 thousand or by 24.5% more compared to the end of 2017. The main impact had the implementation of IFRS 9, including the reported effect of the initial application of the standard at the amount of BGN 258 299 thousand, as well as the writing-off of impaired exposures on the amount of BGN 212 985 thousand. During the year, additional allowances were accrued for the amount of BGN 163 028 thousand and released for the amount of BGN 62 578 thousand. The impairment increased mostly in the corporate portfolio by 50.8% on an annual basis to BGN 581 850 thousand.

In 2017 Fibank managed the credit risk, as it focused on the portfolio quality and on keeping a conservative approach upon evaluation of the risks. At the end of the period the allowance for impairment of the portfolio for calculation of potential losses from credit risk amounted to BGN 601 861 thousand compared to BGN 834 339 thousand an year earlier, as the decrease resulted from actions undertaken for the write-off of entirely impaired loans – to the amount of BGN 308 913 thousand (2016: BGN 57 148 thousand) for the whole year.

The Table below lays out the amount of the credit exposures of the Bank according to the need for allowance for impairment in the specified periods.

In BGN '000	**2017**	**2018**	**2019**
Gross value			
Performing			
Collectively impaired	4 514 558	5 050 018	4 984 695
Change on an annual basis, %	*1.6%*	*11.9%*	*-1.3%*
Non-performing			
Collectively impaired	378 338	352 361	219 082
Change on an annual basis, %	*-10.9%*	*-6.9%*	*-37.8%*
Individually impaired	871 872	1 063 005	1 323 654
Change on an annual basis, %	*-13.8%*	*21.9%*	*24.5%*
Total	**5 764 768**	**6 465 384**	**6 527 431**

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

As at 31 December 2019, as a result of a thorough review of the loan portfolio, the total amount of non-performing loans increased by 9% compared to the end of 2018, while gross exposures over 90 days past due decreased by 7.5%, to BGN 774 362 thousand.

As at the end of 2018 the total amount of non-performing exposures increased by 13.2% compared to the previous year as a result of the enforcement of IFRS 9 and the increase in the gross Bank's credit portfolio. On the other hand, the measures undertaken for improvement of the credit portfolio quality resulted in the drop of the gross amount of overdue loans and advances to customers measured as exposures by a delay of over 90 days by 16.9% to BGN 837 374 thousand.

In 2017the total amount of non-performing exposures decreased by 13%, while the gross amount of overdue loans and advances to customers measured as exposures by a delay of over 90 days registered a drop by 2.1% to BGN 1 007 466 thousand.

For more information regarding the dynamics of allowance for the impairment, see "*Operating results - Allowance for impairment*".

The Table below lays out the net Bank's credit portfolio as at the end of the specified periods, as well as the percentage of change for each position.

In BGN ‘000	**2017**	**2018**	**2019**
Retail banking	1 395 500	1 603 796	1 885 048
Change on an annual basis, %	*2.2%*	*14.9%*	*17.5%*
Consumer loans	578 924	700 554	824 912
Change on an annual basis, %	*23.9%*	*21.0%*	*17.8%*
Mortgage loans	590 543	726 219	880 193
Change on an annual basis, %	*9.2%*	*23.0%*	*21.2%*
Credit cards	222 851	170 792	174 845
Change on an annual basis, %	*-1.8%*	*-23.4%*	*2.4%*
Other programs and collateralized financing	3 182	6 231	5 098
Change on an annual basis, %	*-97.6%*	*95.8%*	*-18.2%*
Small and medium enterprises	675 845	840 256	904 748
Change on an annual basis, %	*25.4%*	*24.3%*	*7.7%*
Microlending	95 018	119 226	160 854
Change on an annual basis, %	*15.6%*	*25.5%*	*34.9%*
Corporate customers	2 996 544	3 152 784	3 066 487
Change on an annual basis, %	*-2.0%*	*5.2%*	*-2.7%*
Including receivables from financial lease	108 194	378 069	378 516
Change on an annual basis, %	*296.8%*	*249.4%*	*0.1%*
Total amortized cost	**5 162 907**	**5 716 062**	**6 017 137**
Change on an annual basis, %	***2.3%***	***10.7%***	***5.3%***

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

In 2019, the net loan portfolio continued to grow, adding 5.3% (BGN 301 075 thousand) compared to the end of 2018, up to BGN 6 017 137 thousand. Growth was reported mainly in the retail segment by 17.5% (BGN 281 252 thousand), the SME segment by 7.7% (BGN 64 492 thousand) and in the microlending segment by 34.9% (BGN 41 628 thousand). As of December 2019, the retail segment formed 31.3% of the net portfolio, the SME segment 15%, the microlending segment 2.7%, while the corporate segment dropped to 51% of the net portfolio, including financial leases amounting to 6.3% of the portfolio.

In 2018 the consolidated credit portfolio of Fibank after allowance for impairment increased by 10.7% to BGN 5 716 062 thousand, as the increase was mostly in retail banking and the small and medium enterprises. The net retail loans grew by 14.9% reaching 28.1% of the total portfolio, while the loans to small and medium enterprises increased by 24.3% to BGN 840 256 thousand, thus forming 14.7% of the total portfolio.

In 2017 the credit portfolio of the Group after allowance for impairment increased to BGN 5 162 907 thousand (2016: BGN 5 044 850 thousand), mainly as a result of a 25.4% growth of the small and medium enterprises segment, which increased its weight to 13.1% of the gross loans (2016: 10.7%).

Property and equipment

The main tangible assets of the Bank are the improvements of leased assets, assets under construction, machinery and equipment and the buildings and terrains to them.

The Table below lays out the carrying amount of fixed tangible assets as at the end of the specified periods, as well as the percentage of change for each position.

In BGN ‘000	2017	2018	2019
Land and buildings	13 519	12 886	16 930
Change on an annual basis, %	*-4.4%*	*-4.7%*	*31.4%*
Machinery and equipment	21 483	23 950	23 010
Change on an annual basis, %	*-19.0%*	*11.5%*	*-3.9%*
Vehicles	970	631	376
Change on an annual basis, %	*10.4%*	*-34.9%*	*-40.4%*
Assets under construction	27 735	20 153	15 870
Change on an annual basis, %	*8.1%*	*-27.3%*	*-21.3%*
Leasehold improvements	27 832	26 331	25 552
Change on an annual basis, %	*-7.4%*	*-5.4%*	*-3.0%*
Carrying amount at the end of the period	**91 539**	**83 951**	**81 738**
Change on an annual basis, %	***-5.9%***	***-8.3%***	***-2.6%***

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

At the end of 2019, the carrying amount of the Bank's fixed tangible assets decreased by 2.6% as a result of lower values of assets under construction, machinery and equipment and leasehold improvements. In 2018, fixed assets decreased by 8.3% compared to the end of 2017, mainly as a result of the transfer of BGN 9 896 thousand from assets under construction to intangible assets. In 2017, fixed tangible assets also reported a 5.9% drop mainly as a result of the decrease of the carrying amount of machinery and equipment with 19% and of the leasehold improvements with 7.4%.

For more information regarding fixed tangible assets, see "*Business Review - Major tangible and intangible fixed assets*".

Intangible assets

The Table below lays out the carrying amount of Intangible assets as at the end of the specified periods, as well as the percentage of change for each position.

In BGN ‘000	2017	2018	2019
Software and licenses	6 802	13 862	12 086
Change on an annual basis, %	*-28.5%*	*103.8%*	*-12.8%*
Goodwill	540	540	540
Change on an annual basis, %	*-19.9%*	*0.0%*	*0.0%*
Carrying amount at the end of the period	**7 342**	**14 402**	**12 626**
Change on an annual basis, %	***-27.9%***	***96.2%***	***-12.3%***

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

At the end of 2019, the carrying amount of the intangible assets of the Bank decreased by 12.3% compared to the end of 2018, to BGN 12 626 thousand. Investments and items transferred from assets under construction amounted to BGN 2 251 thousand, while depreciation during the period was BGN 3 344 thousand. As at 31 December 2018 the Bank’s intangible assets totaled BGN 14 402 thousand, the main part (96.3%) being software products. The carrying amount of intangible assets increased by 96.2% in 2018, as a result of the accounting reclassification described above.

Repossessed assets

The Table below lays out the book value of the repossessed assets as at the end of the specified periods, as well as the percentage of change for each position.

In BGN '000	2017	2018	2019
Land	536 797	484 588	470 774
Change on an annual basis, %	*33.0%*	*-9.7%*	*-2.9%*
Buildings	310 112	285 705	209 088
Change on an annual basis, %	*-33.9%*	*-7.9%*	*-26.8%*
Machinery, plant and vehicles	136 773	41 852	35 467
Change on an annual basis, %	*-14.8%*	*-69.4%*	*-15.3%*
Fixtures and fittings	766	789	800
Change on an annual basis, %	*-5.4%*	*3.0%*	*1.4%*
Total Repossessed assets	**984 448**	**812 934**	**716 129**
Change on an annual basis, %	***-4.8%***	***-17.4%***	***-11.9%***

Source: Audited annual financial statements for 2016, 2017 and 2018; Unaudited financial statements as at 30 September 2019; Fibank; Calculations by FFBH

In the normal course of business the Bank acquires tangible and intangible fixed assets as a result of an enforcement on non-performing loans. At the same time, the Bank has introduced and applies consistent policies for reduction of this type of non-interest bearing assets. As a result these assets registered a gradual drop in the last 3 years. As of 31.12.2019, the carrying amount of repossessed assets decreased by BGN 96 805 thousand compared to the end of 2018, to BGN 716 129 thousand. The change was mainly due to the transfer of BGN 99 394 thousand worth of such assets to investment property. The largest share of repossessed assets belongs to land, at 65.7% of the total or BGN 470 774 thousand, followed by buildings (BGN 209 088 or 29.2% of the total) and machinery, equipment and vehicles forming 5% of the total. In 2018, repossessed assets decreased by 17.4% (BGN 171 514 thousand) to BGN 812 934 thousand mostly due to the sale of a significant part of the assets of the former Kremikovtzi metallurgical plant. In 2017 the repossessed assets decreased by 4.8% (50 053 BGN thousand) reaching BGN 984 448 thousand as the decreases were in the value of buildings and machinery, equipment and vehicles.

Investment Property

The Table below lays out the book value of the investment property as at the end of the specified periods, as well as the percentage of change for the total amount.

In BGN '000	2017	2018	2019
Balance at the beginning of the period	**222 267**	**218 212**	**242 558**
Incomings for the period			8
Transferred from repossessed assets		11 475	99 394
Revaluation recognized at transfer		13 669	72 940
Write-offs upon sale	(4 055)	(798)	(253)
Increase in the value through capitalized cost			(4 136)
Balance at the end of the period	**218 212**	**242 558**	**410 511**
Change on an annual basis, %	***-1.8%***	***11.2%***	***69.2%***

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

In 2015 the Bank started reporting a new class of assets – investment property, which included lands and buildings, with the purpose of generating rental income and increase in value. These properties have been transferred from repossessed assets. Reclassification of repossessed assets into investment property is possible in case of a lease agreement for the respective property. The fair value of the assets from class investment property is determined by independent external real estate appraisers upon applying reliable techniques for determination of the respective fair values.

The carrying amount of investment property as at 31 December 2019 was BGN 410 511 thousand, increasing by BGN 167 953 thousand compared to the end of 2018. Such increase was a result of the BGN 99 394 thousand transfer from assets acquired as collateral, and the revaluation carried out upon the transfer in the amount of BGN 72 940 thousand.

In 2018 the investment property increased by 11.2% due to transferred assets during the year (2018: BGN 11 475 thousand), as well as revaluation made upon the transfer (2018: BGN 13 669 thousand). As a result of this the total balance of the investment property reached BGN 242 558 thousand, following write-offs upon sale of properties amounting to BGN 798 thousand. In 2017 the investment property decreased by 1.8% to BGN 218 212 thousand due to write-offs upon sale of properties amounting to BGN 4 055 thousand.

Right-of-use assets

The table below shows the carrying amount of right-of-use assets at the end of the specified periods.

In BGN '000	**2017**	**2018**	**2019**
Balance at the beginning of the period			**128 203**
Added			2 389
Depreciation			(33 424)
Effect of changing leasing terms and lease term expectations			62 286
Exchange rate differences			205
Balance at the end of the period			**159 659**

Source: Audited Annual Financial Report for 2019; Fibank

IFRS 16 Leases came into force on 1 January 2019, replacing the guidance of IAS 17 Leases and introducing changes in the reporting of leases, especially by lessees. Under IFRS 16 a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

In the process of evaluating the impact of the standard, the management has performed a complete review of all contracts to assess whether additional ones will not be considered leases under the new definition of IFRS 16, and has analyzed the effects of applying the standard to leases with expected term up to 5 years.

The approximate effect of the standard application as of 1 January 2019 was BGN 128 203 thousand. The main changes for 2019 in the carrying amount of right-of-use assets were due to the effect of changes in lease conditions and term expectations amounting to BGN 62 286 thousand, and depreciation amounting to BGN 33 424 thousand.

Other assets

The Table below lays out the book value of the other assets as at the end of the specified periods, as well as the percentage of change for each position.

In BGN '000	**2017**	**2018**	**2019**
Deferred expenses	10 347	11 414	11 397
Change on an annual basis, %	*3.4%*	*10.3%*	*-0.1%*
Gold	6 198	5 699	5 592
Change on an annual basis, %	*-12.8%*	*-8.1%*	*-1.9%*
Other assets, including	101 551	95 593	99 633
Change on an annual basis, %	*30.2%*	*-5.9%*	*4.2%*
Investments in non-consolidated subsidiaries		554	8 247
Change on an annual basis, %		*n.m.*	*1388.6%*
Total other assets	**118 096**	**112 706**	**116 622**
Change on an annual basis, %	***24.2%***	***-4.6%***	***3.5%***

Source: Audited Annual Financial Statements for 2017, 2018 and 2019; Fibank; Some of the information was drawn from comparative data in the 2019 statements; Calculations by FFBH

Other assets include deferred expenses, gold and other receivables. At the end of 2019, the majority of other assets were other receivables and investments in non-consolidated subsidiaries (85.4%), while deferred expenses and gold accounted for 9.8% and 4.8% of other assets respectively. As at 31 December 2018, other assets amounted to BGN 112 706 thousand, or 4.6% less than at the end of 2017. In 2017, other assets increased by 24.2% as a result of the increase in other receivables.

Liabilities

The Table below lays out the main liabilities of the Bank as at the end of the respective period under review.

In BGN '000	**2017**	**2018**	**2019**
Due to banks	8 136	3 024	2 007
Due to other customers	7 583 819	8 342 691	9 104 021
Liabilities evidenced by paper	127 493	121 120	109 348
Subordinated term debt	0	0	3 943
Hybrid debt	208 786	208 786	267 615
Derivatives held for risk management	0	88	361
Deferred tax liabilities	14 467	2 774	17 428
Current tax liabilities	2 213	259	71
Lease obligations	0	0	159 633
Other liabilities	28 934	61 667	16 831
Total liabilities	**7 973 848**	**8 740 409**	**9 681 258**

Source: Audited Annual Financial Statements for 2017, 2018 and 2019

Due to other customers (attracted funds) is the main component of the total amount of liabilities of the Bank, and as at the end of 2017, 2018 and 2019 they represented 95.1%, 95.4%, and 94% respectively of the total amount of liabilities. Second were liabilities under the issued hybrid debt forming 2.8% of the total amount of liabilities as at the end of 2019 (2.4% as at 31 December 2018), followed by lease liabilities at

1.6% at the end of 2019 and other borrowed funds (1.1% at the end of 2019 and 1.4% as at 31 December 2018). Far less significant were other liabilities, subordinated term debt, derivatives held for risk management, tax liabilities and due to banks.

In 2019, the total liabilities of the Bank increased by 10.8% (BGN 940 849 thousand) compared to the end of 2018, which was mainly due to the growth in borrowings from other customers by 9.1% (761 330 thousand), the issuance in December 2019 of hybrid debt with a BGN equivalent of BGN 58 675 thousand, the larger deferred tax liabilities and the issuance of subordinated term debt with a BGN equivalent of BGN 3 912 thousand. With the introduction of IFRS 16 Leases since the beginning of 2019, the Bank recognized right-of-use assets and lease liabilities in the amount of BGN 159 633 thousand at the end of the period. On the other hand, other liabilities and other borrowed funds decreased by BGN 44 836 thousand and BGN 11 772 thousand respectively.

In 2018 the liabilities of the Bank grew by 9.6% (BGN 766 561 thousand) to BGN 8 740 409 thousand, mostly due to the growth of the attracted funds by 10% (BGN 758 872 thousand), as well as the growth of the other liabilities by 113.1% (BGN 32 733 thousand). On the other hand, the increase in the liabilities was partially offset by drops in due to banks by 62.8% (BGN 5 112 thousand), the decline in liabilities evidenced by paper by 5% (BGN 6 373 thousand) and the drop in tax liabilities by BGN 13 647 thousand.

In 2017 the liabilities of the Bank decreased by 3.1% (BGN 259 171 thousand), as this dynamics was affected by drop in the amount of the attracted funds by 4.1% (BGN 328 092 thousand), while liabilities evidenced by paper grew by 81.2% (BGN 57 126 thousand).

Due to banks

The Table below lays out the book value of the liabilities towards banks as at the end of the specified periods, as well as the percentage of change of the total amount.

In BGN '000	**2017**	**2018**	**2019**
Term deposits	4 855	0	0
Payable on demand	3 281	3 024	2 007
Total Due to banks	**8 136**	**3 024**	**2 007**
Change on an annual basis, %	***143.0%***	***-62.8%***	***-33.6%***

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

The due to banks form an insignificant part (0.02%) of the total liabilities of the Bank, as its dynamics in the last 3 years was due mainly to term deposits, which as at the end of 2017 amounted to BGN 4 855 thousand, and as at the end of 2018 and 2019 were zero.

Due to other customers

The Table below lays out the book value of the due to other customers as at the end of the specified periods, as well as the percentage change for each position.

In BGN '000	**2017**	**2018**	**2019**
Retail customers, incl.	6 305 463	6 685 678	7 073 178
Change on an annual basis, %	*-4.4%*	*6.0%*	*5.8%*
Current accounts	1 070 890	1 301 585	1 569 092
Change on an annual basis, %	*23.0%*	*21.5%*	*20.6%*
term and savings deposits	5 234 573	5 384 093	5 504 086
Change on an annual basis, %	*-8.5%*	*2.9%*	*2.2%*
Businesses and public institutions, incl.	1 278 356	1 657 013	2 030 843
Change on an annual basis, %	*-3.0%*	*29.6%*	*22.6%*
Current accounts	870 896	1 203 878	1 560 147
Change on an annual basis, %	*-6.0%*	*38.2%*	*29.6%*
term deposits	407 460	453 135	470 696
Change on an annual basis, %	*4.1%*	*11.2%*	*3.9%*
Total Due to other customers	**7 583 819**	**8 342 691**	**9 104 021**
Change on an annual basis, %	***-4.1%***	***10.0%***	***9.1%***

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

The Table below lays out the currency structure of the due to other customers as at the end of the specified periods, as well as the percentage of change for each position.

In BGN '000	**2017**	**2018**	**2019**
Retail customers, incl.	6 305 463	6 685 678	7 073 178
In BGN	3 467 849	3 709 545	4 032 471
Change on an annual basis, %	*2.5%*	*7.0%*	*8.7%*
In EUR	2 216 508	2 304 045	2 347 852
Change on an annual basis, %	*-13.7%*	*3.9%*	*1.9%*
In other currencies	621 106	672 088	692 855
Change on an annual basis, %	*-3.5%*	*8.2%*	*3.1%*
Businesses and public institutions, incl.	1 278 356	1 657 013	2 030 843
In BGN	768 027	959 992	1 293 489
Change on an annual basis, %	*14.6%*	*25.0%*	*34.7%*
In EUR	343 011	513 060	563 299
Change on an annual basis, %	*17.6%*	*49.6%*	*9.8%*
In other currencies	167 318	183 961	174 055
Change on an annual basis, %	*-53.0%*	*9.9%*	*-5.4%*
Total Due to other customers	**7 583 819**	**8 342 691**	**9 104 021**
Change on an annual basis, %	***-4.1%***	***10.0%***	***9.1%***

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

As at 31 December 2019, attracted funds from customers increased by 9.1% compared to the end of 2018, to BGN 9 104 021, forming 94% of total liabilities. The Bank retained its fourth position in customer deposits among banks in Bulgaria with a market share of 9.53% on a non-consolidated basis at the end of the period. First Investment Bank AD offers a variety of savings products and package programs tailored to market conditions and customer needs. Attracted funds from individuals increased by 5.8% YoY, to BGN 7 073 178 thousand at the end of the period. They retained their major share in the total attracted funds from customers – 77.7%. In the currency structure of attracted funds from individuals, prevail the funds in BGN - accounting for 44.3% of all attracted funds from customers, followed by those in EUR – 25.8% and in other currencies at 7.6%.

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

Attracted funds from businesses and institutions increased by 22.6% to BGN 2 030 843 thousand as a result of the consistent Bank's policy of cross sales, development of transactional business in compliance with the new technologies and the European payment infrastructure, as well as maintaining long-term relations with customers. At the end of 2019 their share increased to 22.3% of total deposits from customers. In the currency structure of attracted funds from corporates and institutions, funds in BGN formed 14.2% of all attracted funds from customers, those in EUR - 6.2%, while those in other currencies at 1.9%.

In 2018, attracted funds from customers increased by 10.0% (BGN 758,872 thousand) and reached BGN 8 342 691 thousand, remaining the main source of funding for the Group and forming 95.4% of total liabilities. As at 31 December 2018, the Bank ranked fourth in customer deposits among banks in Bulgaria with a market share of 9.57%. Attracted funds from individuals increased by 6.0% YoY, to BGN 6 685 678 thousand at the end of the period, while their relative share increased to 19.9% of total attracted funds from customers

In 2017 the attracted funds from customers amounted to BGN 7 583 818 thousand (2016: BGN 7 911 911 thousand), thus accounting for 95.1% of the total liabilities (2016: 96.1%). As at 31 December 2017 the Bank kept its third place with respect to customer deposits among the banks in Bulgaria (2016: third). The market share of Fibank in this segment was 9.45% on a non-consolidated basis (2016: 10.38%) at the end of the period. The attracted funds from individuals amounted to BGN 6 305 463 thousand at the end of the period compared to BGN 6 593 972 thousand the previous year, as their share in the total attracted funds from customers was 83.1% (2016: 83.3%). The funds in BGN formed 45.7% of all attracted funds from customers (2016: 42.7%), followed by those in EUR – 29.2% (2016: 32.5%), and those in other currencies - 8.2% (2016: 8.1%).

Liabilities evidenced by paper

The Table below lays out the book value of the liabilities evidenced by paper as at the end of the specified periods, as well as the percentage change for each position.

In BGN '000	**2017**	**2018**	**2019**
Acceptances under letters of credit	16 941	13 553	10 164
Change on an annual basis, %	*-21.6%*	*-20.0%*	*-25.0%*
Liabilities under repurchase agreements	9 099	3 213	0
Change on an annual basis, %	*н.с*	*-64.7%*	*-100.0%*
Debt related to agreements for full swap of profitability	73 211	73 276	73 375
Change on an annual basis, %	*н.с*	*0.1%*	*0.1%*
Financing from financial institutions, incl. by:	28 242	31 078	25 809
Change on an annual basis, %	*-42.1%*	*10.0%*	*-17.0%*
Agriculture State Fund	373	68	3
Change on an annual basis, %	*-45.9%*	*-81.8%*	*-95.6%*
European Investment Fund - the JEREMIE 2 initiative	24 254	13 674	7 419
Change on an annual basis, %	*-42.3%*	*-43.6%*	*-45.7%*
Bulgarian Development Bank	3 615	17 336	16 137
Change on an annual basis, %	*-40.0%*	*379.6%*	*-6.9%*
Fund manager of financial instruments in Bulgaria	0	0	2 250
Total Liabilities evidenced by paper	**127 493**	**121 120**	**109 348**
Change on an annual basis, %	***81.2%***	***-5.0%***	***-9.7%***

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

As of the end of 2019, liabilities evidenced by paper decreased by 9.7% compared to the end of 2018, to BGN 109 348 thousand. This decrease was due to the absence of obligations under repurchase agreements, the decrease by 25% to BGN 10 164 thousand of acceptances under letters of credit, and the decrease by 17% to BGN 25 809 thousand of financing liabilities. The latter include borrowings from the European Investment Fund under the JEREMIE 2 initiative - BGN 7 419 thousand (-45.7%), from Bulgarian Development Bank AD - BGN 16 137 thousand (-6.9%), from the State Fund Agriculture - BGN 3 thousand (-95.6%), as well as new borrowings from the Fund manager of financial instruments in Bulgaria - BGN 2 250 thousand. In June 2019, First Investment Bank signed three Operating agreements with the Fund manager of financial instruments in Bulgaria (Fund of Funds) for implementation of the Risk-Sharing Micro-Finance Facility, funded by Operational Program "Human Resources Development 2014-2020" (OPHRD), with co-funding by the European Social Fund and the Youth Employment Initiative. The facility supports entrepreneurship and social services by financing start-ups, including individuals from certain vulnerable groups, as well as social enterprises. The total amount of funding is BGN 15 million, and the target portfolio of micro-credits should reach BGN 19 million by the end of 2023.

As at 31 December 2018 the liabilities evidenced by paper decreased by 5% compared to 2017 to BGN 121 120 thousand, as the decrease in liabilities on the acceptances under letters of credit by 20% to BGN 13 553 thousand and in repurchase agreements by 64.7% to BGN 3 213 thousand was partially offset by the increase in financing from financial institutions by 10% to BGN 31 078 thousand. The latter included attracted funds from the European Investment Fund under the JEREMIE 2 initiative at BGN 13 674 thousand (-43.6%), from the Bulgarian Development Bank AD at BGN 17 336 thousand (+379.6%) and from the Agriculture State Fund at BGN 68 thousand (-81.8%).In August, 2018 Fibank and the Bulgarian Development Bank entered into an agreement for provision of financing in support of micro, small and medium enterprises under a joint program with KfW. Under the program, the Bank will offer investment and working capital loans to SMEs registered in Bulgaria with a maximum loan amount of EUR 500 000. In December the Bank signed an agreement with the Bulgarian Development Bank under a program for indirect financing of SMEs with a guarantee facility and a counter-guarantee under the EIF COSME Program, supported by the European Fund for Strategic Investments (COSME+) which provides, in addition to direct financing, also a guarantee on the loans granted. As at the end of the year the amortized value of the debt connected with agreements for full swap of profitability amounted to BGN 73 276 thousand, thus remaining nearly the same as compared to the previous year.

The liabilities evidenced by paper grew by 81.2% compared to BGN 70 367 thousand the previous year reaching BGN 127 493 thousand as at 31 December 2017, mostly as a result of a new attracted resource in the form of debt connected with agreements for full swap of profitability to the amount of BGN 73 211 thousand, as well as with the repurchase agreements amounting to BGN 9 099 thousand at the end of the period. A decrease was reported for the acceptances under letters of credit – by 21.6% to BGN 16 941 thousand (2016: BGN 21 602 thousand), as well as for the financing from financial institutions– by 42.1% to BGN 28 242 thousand (2016: BGN 48 765 thousand). The latter included attracted funds from the European Investment Fund under the JEREMIE 2 initiative – BGN 24 254 thousand (2016: BGN 42 050 thousand), from the Bulgarian Development Bank AD – BGN 3 615 thousand (2016: BGN 6 025 thousand) and from the Agriculture State Fund – BGN 373 thousand (2016: BGN 690 thousand).

Subordinated term debt

In April 2019, Fibank Albania issued subordinated term debt in the amount of EUR 2 000 thousand, which was eligible and was included in the Tier 2 capital of First Investment Bank - Albania Sh.a and of First Investment Bank AD on a consolidated basis. As at 31 December 2019, the amount of subordinated term debt was BGN 3 943 thousand, including BGN 3 912 thousand principal and BGN 31 thousand accrued interest.

Hybrid debt

The Table below lays out the book value of the hybrid debt as at the end of the specified periods.

In BGN '000	**2017**	**2018**	**2019**
Principal			
Hybrid debt with principal EUR 40 mln.	78 233	78 233	78 233
Hybrid debt with principal EUR 60 mln.	117 350	117 350	117 350
Hybrid debt with principal EUR 30 mln.			58 675
Total principal, incl.	**195 583**	**195 583**	**254 258**
Amortized cost			
Hybrid debt with principal EUR 40 mln.	84 929	84 929	84 929
Hybrid debt with principal EUR 60 mln.	123 857	123 857	123 857
Hybrid debt with principal EUR 30 mln.			58 829
Total amortized cost, incl.	**208 786**	**208 786**	**267 615**

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH; Fibank

In March 2011 the Bank issued a hybrid instrument (bond issue), which after obtaining permission from the BNB, was included in its Tier 1 capital. The Bank placed the bonds under the conditions of a Private Offering with a total nominal and issue price of EUR 20 000 thousand, constituting the first tranche of a bond issue with an envisaged total amount of up to EUR 40 000 thousand. In June, 2012 the Bank issued the second tranche of the instrument also amounting to EUR 20 000 thousand, which following permission from the BNB was included in its Tier 1 capital.

In November, 2012 the Bank issued a new hybrid instrument (bond issue), which after obtaining permission from the BNB was included in its Tier 1 capital. The Bank placed the bonds upon the conditions of a Private Offering with a total face value of EUR 20 000 thousand, representing the first tranche of a bond issue with an envisaged total amount of up to EUR 60 000 thousand. In November, 2013 the Bank issues the second and third tranches of the instrument, amounting to a total of EUR 40 000 thousand, which following permission from the BNB were included in its Tier 1 capital.

On 6 February 2020, by Decision No. 38 of 6 February 2020, the Governing Council of the Bulgarian National Bank authorized the Bank to include in its Tier 1 additional capital the amount of EUR 30,000 thousand (equivalent of BGN 58,675 thousand), raised through an equity instrument issued by the Bank, representing perpetual bonds with an 8% fixed annual coupon, registered on 20 December 2019 with Central Depository AD with ISIN code BG2100023196.

The bonds under the three issues are registered, dematerialized, interest-bearing, perpetual, unsecured, freely transferable, non-convertible, deeply subordinated and without incentive to redeem. The first two bond issues were admitted for trading at the Luxembourg Stock Exchange in 2014 based on prospects approved by the Luxembourg Financial Sector Supervisory Commission ('Commission de Surveillance du Secteur financier' (CSSF)). All three hybrid instruments completely comply with the requirements of Regulation No 575/2013 and are included in the additional Tier 1 capital.

As at 31 December 2019, the amortized value of the hybrid debt amounted to BGN 267 615 thousand, as this value consisted of a principal of BGN 254 258 thousand and an accrued interest of BGN 13 357 thousand.

Lease obligations

The table below shows the carrying amount of lease obligations at the end of the specified periods.

In BGN '000	**2017**	**2018**	**2019**
Balance at the beginning of the period			**128 203**
Added			2 389
Lease payments			(33 449)
Effect of changing leasing terms and lease term expectations			62 286
Exchange rate differences			204
Balance at the end of the period			**159 633**

Source: Audited Annual Financial Report for 2019; Fibank

The approximate effect of the application of IFRS 16 Leases as of 1 January 2019 was BGN 128 203 thousand. The main changes for 2019 in the carrying amount of lease obligations were due to the effect of changes in lease conditions and term expectations amounting to BGN 62 286 thousand, and lease payments amounting to BGN 33 424 thousand.

Other liabilities

The Table below lays out the book value of the other liabilities as at the end of the specified periods, as well as the percentage change for each position.

In BGN '000	**2017**	**2018**	**2019**
Liabilities to personnel	2 498	3 104	3 171
Change on an annual basis, %	*5.5%*	*24.3%*	*2.2%*
Insurance contract provisions	2 705	3 226	4 609
Change on an annual basis, %	*34.1%*	*19.3%*	*42.9%*
Provisions for pending court cases	836	734	962
Change on an annual basis, %	*-26.9%*	*-12.2%*	*31.1%*
Impairment on off balance sheet commitments	0	1 015	709
Change on an annual basis, %	*н.с*	*n.m.*	*-30.1%*
Other payables	22 895	53 588	7 380
Change on an annual basis, %	*31.9%*	*134.1%*	*-86.2%*
Total other liabilities	**28 934**	**61 667**	**16 831**
Change on an annual basis, %	***26.4%***	***113.1%***	***-72.7%***

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

The dynamics of the other liabilities is mainly impacted by the amount of the liabilities to other creditors. As of the end of 2019, other liabilities registered a decrease of 72.7% compared to a year earlier, to BGN 16 831 thousand. Liabilities to other creditors decreased by 86.2% to BGN 7 380 thousand. As at 31 December 2018 the other liabilities increased by 113.1% compared to the previous year, thus reaching BGN 61 667 thousand, and the liabilities to other creditors grew by 134.1% to BGN 53 588 thousand. In 2017 the other liabilities increased by 26.4% compared to 2016 reaching BGN 28 934 thousand, and the liabilities to other creditors - by 31.9% to BGN 22 894 thousand..

Capital and Capital Adequacy

The Table below lays out the book value of shareholders' equity and the non-controlling interest as at the end of the specified periods.

In BGN '000	**2017**	**2018**	**2019**
Issued share capital	110 000	110 000	110 000
Share premium	97 000	97 000	97 000
Statutory reserves	39 865	39 865	39 865
Revaluation reserve of investments in securities	21 431	17 795	17 776
Revaluation reserve on property	4 500	4 500	4 500
Reserve from translation of foreign operations	(1 525)	1 395	2 033
Other reserves and retained earnings	673 571	573 087	704 770
TOTAL SHAREHOLDERS' CAPITAL	**944 842**	**843 642**	**975 944**
Non-controlling interest	2 508	2 630	2 973
TOTAL GROUP EQUITY	**947 350**	**846 272**	**978 917**

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

The issued share capital of Fibank amounts to BGN 110 000 thousand, divided into 110 000 000 ordinary, registered, dematerialized, voting shares in the General Meeting of Shareholders, with a face value of BGN 1 each. The issued share capital is fully paid.

As at 31 December 2019, the Group's equity increased by 15.7% YoY to BGN 975,944 thousand, as a result of the profit generated during the year. In relation to the effect of the initial application of IFRS 9 on other reserves and retained earnings, which amounted to BGN 573 087 thousand at the end of 2018 (2017: BGN 673 571 thousand), the total equity of the Group of Fibank decreased by 10.7% to BGN 846 272 thousand (2017: BGN 947 350 thousand). In 2017, the balance sheet equity increased by 10.6%.

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

Since 1 January 2014, the provisions of the CRD IV have been in force, which 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 the European legislation 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:

- CET 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 CET 1 capital include intangible assets. The increase of CET1 includes the adjustments related to the transitional treatment of the effect from the initial application of IFRS 9.

- Additional Tier 1 capital

The instruments of Additional Tier 1 capital include hybrid debt. Deductions from components of Tier 1 capital include regulatory adjustments relating to items that are included in the capital balance or the assets of the Bank, but are treated differently for capital adequacy regulation.

- Tier 2 capital

Tier 2 capital reflects transitional regulatory adjustments related to the revaluation reserve on property.

The Table below lays out the amount of the Bank's capital for the purposes of capital adequacy as at the end of the specified periods.

In BGN '000[14]	**2017**	**2018**	**2019**
Paid capital instruments	110 000	110 000	110 000
(-) Indirect share in instruments of the CET 1 capital	(185)	(60)	(72)
Premium reserves	97 000	97 000	97 000
Other reserves	619 380	441 564	606 298
Minority interest	(124)		
Accumulated other comprehensive income	25 931	23 690	24 309
CET1 capital adjustments:			
(-) Intangible assets	(6 885)	(14 402)	(12 183)
Transitional adjustments of the CET 1 capital	(3 809)	262 910	211 742
Other deductions	(10 147)	(8 614)	(11 225)
CET 1 capital	**831 161**	**912 088**	**1 025 869**
Additional Tier 1 capital instruments			
Hybrid debt	195 583	195 583	254 258
Decrease of Tier 1 capital:			
Transitional adjustments of the additional Tier 1 capital	(1 439)	0	0
Tier 1 capital	**1 025 305**	**1 107 671**	**1 280 127**
Tier 2 capital			
Transitional adjustments of Tier 2 capital	900	0	0
Tier 2 capital	0	0	3 912
Equity	**1 026 205**	**1 107 671**	**1 284 039**

Source: Audited annual financial statements for 2016, 2017 and 2018; Fibank

The Group calculates the following ratios:

a) the CET 1 capital ratio is the CET 1 capital of the institution expressed as a percentage of the total risk exposure;

b) the Tier 1 capital ratio is the Tier 1 capital of the institution expressed as a percentage of the total risk exposure;

c) the ratio of the total capital adequacy is the shareholders' equity of the institution expressed as a percentage of the total risk exposure.

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

The Group calculates the requirements for the credit risk of its exposures in the bank and trading portfolio based on the standardized approach. Exposures are taken into consideration according to their book value. Off-balance sheet commitments are considered by applying conversion factors aiming at their equalization into book values. Items are weighted for risk by applying different percentages depending on the exposure class and its credit rating. Various techniques are used to reduce the credit risk, for example

[14] *Fi Health Insurance AD has been excluded for the purposes of prudential consolidation and calculation of capital adequacy ratios*

securities and guarantees. The credit risk of the contractor is assessed in the case of derivative instruments, such as forwards and options.

The Group also calculates capital requirements for a market risk of the currency and capital instruments in the trading and bank portfolio.

The Group calculates capital requirements for operational risk by applying the basic indicator approach. The capital requirement is equal to the average annual gross income in the last three years multiplied by a fixed rate (15%). The respective risk-weighted assets are calculated by subsequently multiplying by 12.5.

The Table below lays out the amount of the risk-weighted exposures by exposure class as well as the levels of the capital adequacy as at the end of the specified periods.

In BGN '000[15]	**2017**	**2018**	**2019**
Risk-weighted exposures for credit risk			
Balance sheet assets			
Exposure class			
Central governments or central banks	120 911	237 480	223 161
Institutions	133 003	151 327	71 382
Corporates	2 053 527	1 970 684	1 809 067
Retail	668 060	777 820	907 695
Secured by mortgages on immovable property	523 004	729 696	729 768
Exposures in default	758 733	986 805	1 220 168
Collective investments undertakings	2 549	2 675	2 739
Capital instruments	26 114	20 703	51 460
Other items	1 394 519	1 231 501	1 293 923
Total	**5 680 420**	**6 108 691**	**6 309 363**
Off balance sheet assets			
Exposure class			
Institutions	28	297	3 932
Corporates	90 430	68 862	54 033
Retail	7 603	6 398	7 880
Secured by mortgages on immovable property	6 718	9 205	5 302
Other items	57		
Total	**104 836**	**84 762**	**71 147**
Derivatives			
Exposure class			
Central governments or central banks			1 467
Institutions	76	252	787
Corporates	750	83	2 002
Other items	1 115	923	830
Total	**1 941**	**1 258**	**5 086**
Total risk-weighted exposures for credit risk	**5 787 197**	**6 194 711**	**6 385 596**
Risk-weighted exposures for market risk	**6 000**	**5 300**	**4 750**
Risk-weighted exposures for operational risk	**665 625**	**658 925**	**612 838**
Total risk-weighted exposures	**6 458 822**	**6 858 936**	**7 003 184**
Common Equity Tier 1 capital	**831 161**	**912 088**	**1 025 869**
Tier 1 capital	**1 025 305**	**1 107 671**	**1 280 127**
Total own funds	**1 026 205**	**1 107 671**	**1 284 039**
CET 1 capital ratio	**12.87%**	**13.30%**	**14.65%**
Tier 1 capital ratio	**15.87%**	**16.15%**	**18.28%**
Total capital adequacy ratio	**15.89%**	**16.15%**	**18.34%**

Source: Audited annual financial statements for 2016, 2017 and 2018; Fibank

[15] *Fi Health Insurance AD has been excluded for the purposes of prudential consolidation and calculation of capital adequacy ratios*

In 2019, Fibank continued its consistent policy for capital development focusing on common equity tier 1 capital. As of the end of the reporting period, CET 1 capital increased by 12.5% to BGN 1,025,869 thousand (2018: BGN 912,088 thousand; 2017: BGN 831,161 thousand). As a result, Tier 1 capital also increased and reached BGN 1,025,305 thousand at the end of the period (2018: BGN 1,107,671 thousand; 2017: BGN 1,025,305 thousand). Total equity amounted to BGN 1 284 039 thousand compared to BGN 1 107 671 thousand a year earlier.

As at 31 December 2019, Fibank had three outstanding hybrid instruments (bond issues) with an original principal in the amount of EUR 40 million (ISIN: BG2100008114), EUR 60 million (ISIN: BG2100022123) and EUR 30 million (ISIN: BG2100023196), which fully comply with the requirements of Regulation (EU) No 575/2013 and are included in the additional tier 1 capital. The bonds are registered, dematerialized, interest-bearing, perpetual, unsecured, freely transferable, non-convertible, deeply subordinated and without incentive to redeem. The amortized cost of the hybrid debt at the end of the period was BGN 267 615 thousand, increasing compared to a year earlier as a result of the EUR 30 million bond issued on 20 December 2019. The first two hybrid bond issues are admitted for trading on a regulated market at the Luxembourg Stock Exchange.

For the purpose of reporting large exposures and qualifying holdings outside the financial sector, Fibank applies the definition of eligible capital, which includes Tier 1 capital and Tier 2 capital, which cannot exceed 1/3 of Tier 1 capital. As at 31 December 2019, the eligible capital of Fibank, calculated in accordance with Regulation (EU) No 575/2013 and Ordinance No 7 of BNB for the organization and management of risks in banks amounted to BGN 1 284 039 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, as of January 1, 2018 the banks have been provided with the option to choose to apply transitional arrangements to mitigate the effect of the introduction of IFRS 9 to its regulatory own funds. In this regard, a five-year phasing-in period was introduced, during which banks can add a certain amount to its common equity Tier 1 capital, calculated in accordance with the selected approach (the so-called static approach or static approach with a dynamic component) and in accordance with the transitional arrangement factors equal to 0.95 for 2018, 0.85 for 2019, 0.70 for 2020, 0.50 for 2021 and 0.25 for 2022.

In this regard, at the beginning of 2018, it was decided during the transitional period until 2022, Fibank 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.

At the end of 2019 the capital indicators of the Group of Fibank were as follows: CET 1 capital ratio – 14.65%, Tier 1 capital ratio – 18.28%, and total capital adequacy ratio – 18.34%, as it exceeded the minimum regulatory capital requirements – respectively 4.5%, 6.0% and 8.0%, as stipulated in Regulation (EU) No 575/2013.

In 2019 the application of complex measures with regards to capital levers in key areas continued, including profit retention, diversification of the loan portfolio, maintaining high discipline with regards to risk management and increasing return and income from banking operations.

Contingent liabilities

The Group provides bank guarantees and letters of credit to guarantee the execution of customers' commitments to third parties. These agreements have fixed limits and usually are valid for of up to two years. The contingent liabilities undertaken by the Fibank include bank guarantees, letters of credit, unused credit lines, promissory notes and others. These are granted according to the total credit policy of Fibank for evaluation of the risk and collateral, as with respect to the documentary operations the Bank also conforms to the unified international rules in this field, which protect the interests of the participating parties in the operation.

The Table below lays down the amounts under concluded agreements for issuance of contingent liabilities according to the respective category. The amounts laid down in the Table as off-balance sheet commitments are the maximum amount of an accounting loss, which shall be entered into the statement of financial position in case of failure of the counterparties and in case all collateral turn out to be of zero value.

In BGN '000	**2017**	**2018**	**2019**
Bank guarantees	235 521	230 239	212 534
Change on an annual basis, %	*9.4%*	*-2.2%*	*-7.7%*
Unused credit lines	530 796	536 049	668 866
Change on an annual basis, %	*27.4%*	*1.0%*	*24.8%*
Letters of credit	16 981	16 129	7 830
Change on an annual basis, %	*4.1%*	*-5.0%*	*-51.5%*
Other contingent liabilities	62 166	0	0
Change on an annual basis, %	*-13.9%*	*-100.0%*	*n.m.*
Total contingent liabilities	**845 464**	**782 417**	**889 230**
Change on an annual basis, %	***17.4%***	***-7.5%***	***13.7%***
Impairment on off balance sheet commitments		1 015	709

Source: Audited annual financial statements for 2017, 2018 and 2019; Fibank; Calculations by FFBH

The commitments and contingent liabilities presented in the Table bear only an off-balance sheet credit risk, as the statement of financial position reflects only the commitment fees and the provisions for eventual losses up to the moment of expiry of the term of the undertaken commitment or its fulfillment. Most of the undertaken contingent liabilities are expected to end without any partial or full payments on them. Therefore the amounts are not future cash flows.

The contingent credit is a framework agreement for collateral management under different credit transactions concluded by one or several customers. The contingent credit does not result in any obligation for the Bank to grant specific financial instruments. The negotiation of a specific credit transaction with the Bank's customer, for example the granting of bank loans and overdrafts, the undertaking of contingent commitments as bank guarantees and letters of credit, shall be subject to a separate decision and approval by the Bank.

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

In 2019, the total amount of contingent liabilities increased by 13.7% compared to the end of 2018, to BGN 889 230 thousand. Unused credit lines added 24.8% to BGN 668 866 thousand, while bank guarantees and letters of credit decreased by 7.7% to BGN 212 534 thousand and by 51.5% to BGN 7 830 thousand respectively.

At the end of 2018 the total amount of off-balance sheet commitments decreased by 7.5% compared to the previous year reaching BGN 782 417 thousand (2017: 845 464 thousand BGN). The decrease was mainly a result of the decrease in bank guarantees by 2.2% to BGN 230 239 thousand (2017: BGN 235 521 thousand), of the letters of credit by 5% to BGN 16 129 thousand (2017: BGN 16 981 thousand), as well as repaid other contingent liabilities, which amounted to BGN 62 166 thousand at the end of 2017. An increase by 1% was reported in unused credit lines reaching BGN 536 048 thousand, compared to BGN 530 796 thousand a year earlier.

As at the end of 2017 the total amount of contingent liabilities increased by 17.4% due to the growth of unused credit lines by 27.4%, the growth of bank guarantees by 9.4% and the growth of the letters of credit by 4.1%. These growths were partially offset by 13.9% decline of the other contingent liabilities.

Capital resources

The Bank finances its activity with cash from operating activities, incl. mostly from attracted funds from customers in the form of deposits. The other sources of financing include retained earnings and the other forms of issued share capital, as well as the attracted resource in the form of a hybrid debt.

According to the Managing Board the main sources of financing of the Bank in the future shall be attracted funds in the form of deposits.

As specified above, customer deposits are the main source of financing of the Bank due to the nature of the banking business. The Bank also has the opportunity to be financed and is financed by other types of financial instruments. With the exception of the present Offering, the Bank has no immediate necessity of, as well as plans for issuance of shares or debt securities. In view of the Bank's activity and development, upon the occurrence of any necessity and upon the presence of appropriate conditions, and in compliance with all normative and regulatory requirements applicable with respect to commercial banks and public companies, it shall be possible to issue debt securities, incl. those classified as additional Tier 1 and/or Tier 2 capital.

There are no limitations on the Bank to use its capital resources, which have affected or might significantly affect, directly or indirectly, the Bank's activity.

For the description of the indebtedness, attracted funds from customers and liabilities evidenced by paper, to which the Bank is a party, see "*Liabilities*".

In addition to the hybrid debt, described in *"Liabilities-Hybrid Debt",* Fibank issued on 20 December 2019, under the conditions of a private placement, a hybrid instrument with EUR 30 million nominal and issue price, which the Bank intends to recognize and include in the Additional Tier 1 capital pursuant to Article 33d of Ordinance No. 2 of the Bulgarian National Bank (BNB) concerning the licenses, approvals and permits issued by the BNB, after obtaining the BNB's permission. The issue has no scheduled maturity and carries 8% fixed annual interest rate. The bonds are perpetual, deeply subordinated, unsecured, non-convertible.

Cash flows

In BGN '000	2017	2018	2019
Net cash flow from operating activities			
Net profit	92 245	171 546	137 922
Adjustment for non-cash items			
Allowance for impairment	78 850	83 378	119 730
Net interest income	(260 926)	(267 088)	(246 714)
Depreciation and amortization	16 206	15 342	14 392
Tax expense	10 365	(10 534)	16 437
Loss from sale and write-off of tangible and intangible fixed assets, net	220	69	(361)
(Profits) from sale of other assets, net	(10 612)	(81 779)	(1 167)
(Positive) revaluation of investment property	0	(13 669)	(72 940)
	(73 652)	**(102 735)**	**(32 701)**
Change in operating assets			
(Increase)/decrease in the financial assets at fair value through profit or loss	1 545	25 859	(246 103)
(Increase) in financial assets at fair value in other comprehensive income	(127 721)	(32 235)	60 476
(Increase) in loans and advances to banks and other financial institutions	(2 284)	(98)	(25 371)
(Increase) in loans to customers	(311 476)	(1 002 118)	(450 695)
Net (increase)/decrease in other assets	(23 985)	8 731	(32 915)
	(463 921)	**(999 861)**	**(694 608)**
Change in operating liabilities			
Increase/(decrease) in liabilities to banks	4 794	(5 108)	(958)
Increase/(decrease) in amounts owed to other depositors	(295 119)	773 420	761 266
Net increase in other liabilities	6 462	30 947	(12 824)
	(283 863)	**799 259**	**747 484**
Interest received	423 690	393 486	323 814
Interest paid	(128 076)	(78 467)	(62 748)
Dividends received	4 478	105	5 724
(Paid) profit tax	(9 407)	(4 066)	(1 554)
NET CASH FLOW FROM OPERATING ACTIVITIES	**(530 751)**	**7 721**	**285 411**

In BGN ‘000	2017	2018	2019
Cash flow from investing activities			
(Purchase) of tangible and intangible fixed assets	(9 388)	(14 807)	(13 391)
Sale of tangible and intangible fixed assets	281	29	820
Sale of other assets	113 039	271 139	14 635
(Increase)/decrease of investments	208 757	9 529	(12 093)
NET CASH FLOW FROM INVESTING ACTIVITIES	**312 689**	**265 890**	**(10 029)**
Financing activities			
Increase/(decrease) in borrowings	57 027	(6 415)	(11 849)
Repayment of subordinated instruments	0	0	62 587
NET CASH FLOW FROM FINANCING ACTIVITIES	**57 027**	**(6 415)**	**50 738**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(161 035)**	**267 196**	**326 120**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**1 681 732**	**1 520 697**	**1 787 893**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**1 520 697**	**1 787 893**	**2 114 013**

Source: Audited Annual Financial Statements for 2017, 2018 and 2019

Since the Bank prepares a statement of cash flows according to the indirect method, the main items of the net cash flows from operating activities include mostly the profit for the period together with adjustments, which are mostly the adjustment for non-cash items and changes in the assets and liabilities, involved in the core activity.

In 2019, net cash flow from operating activities was positive in the amount of BGN 285 411 thousand, increasing by BGN 277 690 thousand YoY, mainly as a result of the lesser increase in receivables from customers, while the increase in financial assets and the higher positive revaluation of investment property partially offset the growth in net cash flow from operating activities. The net cash flow from operating activities in 2018 amounted to BGN 7 721 thousand compared to a negative value to the amount of BGN 530 751 thousand in 2017. The main reasons for the improvement are the profit growth in 2018, the increase in the liabilities to other customers and the lower increase in financial assets at fair value in the other comprehensive income. On the other hand, the increase in the profits from sale of other assets, the positive revaluation of investment property and the increase in the loans to customers partially offset the growth of the net cash flow from operating activities. The negative change in the net cash flow from operating activities in 2017 was mostly due to the increase in the loans to customers, the decrease in the liabilities to other customers and the lower value of allowance for the impairment.

In 2019, net cash flow from investing activities was negative in the amount of BGN 10 029 thousand, with the amount of assets acquired and increase in investments being greater than the amount of assets sold. The net cash flow from investing activities was positive in 2017 and 2018 amounting to BGN 312 689 thousand and BGN 265 890 thousand respectively, due to the sales of other assets and the decrease in the investments.

The net cash flow from financing is formed mostly from the increase in the other borrowed funds, and it was negative in 2018, and positive in 2017 and 2019.

As at 31 December 2019, the net cash flow was positive in the amount of BGN 326 120 thousand, as a result of the positive flows from core business and financing. The net cash flow in 2018 was positive in the amount of BGN 267 196 thousand as a result of the positive flows from operating activities and from investing activities. In 2017the net cash flow was negative amounting to BGN 161 035 thousand due to the negative flow of operating activities.

Current and planned investments

The Bank's investments in the last 3 financial years and in the nine-month period of 2019 were mostly directed at improvements to leased assets (Bank's offices) and software upgrades and were as follows:

In BGN '000	**2017**	**2018**	**2019**	**Date of prospectus**
Property and equipment	8 839	4 668	11 140	4 131
Software	549	10 139	2 251	569

Source: Audited annual financial statements for 2016, 2017 and 2018; Fibank

From a historical point of view, the Bank also has been investing in financial assets mostly for the purpose of liquidity management. Fibank does not hold stakes in joint ventures of significant importance.

Fibank intends to use the income from the present Offering for common corporate purposes and for the implementation of the Bank's strategy – see *Reasons for the public offering of shares and use of proceeds.*

Information about major future investments already confirmed as firm commitments by the management bodies

The Management Board of the Bank has not undertaken any commitments to incur any major capital expenses.

Declaration of Working Capital

The Management Board of Fibank declares that in its opinion the Bank has sufficient working capital to cover its current needs.

Trends and perspectives

The information in this Section contains statements regarding the future. These are not a guarantee for the future financial results of the Bank and it is possible that they materially differ from them due to a number of factors, including, but not limited to, those considered in other sections of the Prospectus, in particular "Risk factors". The Investors are urged not to rely only on the information presented below with respect to the future. The figures presented in this Section have not been audited or verified.

Financial performance

As at the end of 2019 the assets of the banking system amounted to BGN 114.2 billion representing a growth by 8.2% from the beginning of the year. In the last 3 years the concentration in the banking system increased as a result of concluded acquisition deals and the five largest banks reached 62.1% of the total assets of the banking system. With its share of 8.8% Fibank ranks fifth in terms of assets in the banking system in Bulgaria, i.e. one position lower than in the end of 2018 as a result of the merger of Eurobank Bulgaria AD and Piraeus Bank Bulgaria AD in November 2019. Since the beginning of 2019 the growth in the corporate loans and loans for individuals of the banking system was 4.9% and 9.6% respectively compared to the end of 2018, while respective growths in Fibank were minus 5.1% and plus 13.7%.[16]

In 2019, the total income of the Bank increased by 13.3% compared to 2018. This increase was due to the 357.2% growth in other net operating income (coming from assigned receivables), the 42.3% growth in net income from trading operations and the 10% growth in fee and commission income On the other hand, net interest income declined by 7.6% YoY.

As of the end of 2019, net profit decreased by 19.6% YoY, to BGN 137 922 thousand, as a result of lower net interest income, increase in administrative expenses and loan impairment charges, lower net other income, as well as the one-off effect on tax expenses. Higher net fee and commission income, the increased trading income and other net operating income, as well as the positive effect of revaluation of investment property, had a positive effect.

Results of the asset quality review

Last year, the European Central Bank completed a comprehensive assessment of six Bulgarian banks, among which First Investment Bank. The comprehensive assessment comprised an asset quality review (AQR) and a stress test, as well as a review of the internal rules and procedures of the Bank and their consistence with the regulatory requirements.

The asset quality review and the stress test represent an application of a theoretical and conservative (prudential) model for risk assessment of the Bank's assets, rather than an accounting exercise according to the International Financial Reporting Standards (IFRS). Therefore, it is possible and very likely that the results from the asset quality review differ from the Bank's audited statements. The AQR of the Bulgarian banks was carried out on the basis of ECB's updated AQR methodology (implied for a first time by ECB), which takes into account the impact of accounting standard IFRS 9. The AQR was complemented by a stress test exercise, which looked at how the banks' capital positions would evolve under hypothetical baseline and adverse scenarios over a forecasted three year period (2019-21).

The AQR included 78% of the whole credit portfolio and 95% of the corporate credit portfolio. The results revealed that First Investment Bank AD complies with the regulatory requirements according to art.92 of Regulation №575/2013 of European Parliament and the Council. When applying the adverse scenario of the stress test, involving unfavorable economic imbalances and a prolonged downturn in the country's economy, the Bank would need to build an additional capital buffer of EUR 263 million.

First Investment Bank has adopted an internal program in order to address the results of the asset quality review and the stress test. As of the end of 2019, Fibank has implemented measures, covering over 75% of the additional capital buffer through:

1. Loan provisions in the amount of EUR 36 million as a result of the adoption of IFRS 9, recognized in the audited financial statements for 2018, but not taken into account in the asset quality review;
2. Pre-provisioning profit (adjusted for the pre-provisioning profit in the adverse scenario of the stress test);
3. Release of capital as a result of the sale of assets and credit exposures;
4. Issuance of debt capital (hybrid) instrument with total nominal and issue price of EUR 30 million, which the Bank intends to recognize and include in the Additional Tier 1 capital pursuant to Article 33d of Ordinance No. 2 of the Bulgarian National Bank (BNB) concerning the licenses, approvals and permits issued by the BNB, after obtaining the BNB's permission.

[16] *Source: BNB*

The Bank will address the remaining part of the additional capital buffer through generating pre-provisioning profit, selling non-performing exposures and repossessed assets, as well as with the current capital increase. Since as at the date of this Prospectus the Bank meets all capital requirements and the loan portfolio exposures are adequately provisioned, this capital increase is not intended for allocation of additional provisions, but rather to provide the necessary capital for the implementation of the Bank's strategy for expanding its market presence in the retail and SME lending.

COVID-19 outbreak and measures to combat its economic impact. Private moratorium

Due to the outbreak of COVID 19 (coronavirus), unprecedented measures are being taken in most of Europe and around the world to limit the spread of the disease. This led to the introduction of a state of emergency in countries that are major trading partners of Bulgaria. On March 13, 2020, a state of emergency was also declared in Bulgaria. As of the date of this Prospectus, it is expected to continue until May 13, 2020. It is widely expected that the coronavirus and the measures taken to limit its spread will lead to a global recession that will include Bulgaria. In this regard, the banking sector in general and First Investment Bank in particular will also be affected. Possible consequences include deterioration in the quality of the loan portfolio and a decrease of its profitability. On the other hand, staff costs may be optimized as a result of the urgent digitization of services and reduced wage growth. The risk of a serious deterioration in liquidity is low due to the significant buffers accumulated in recent years.

The Bulgarian government has announced a package of measures to combat the economic impact of the coronavirus, including:

- State aid to employers during the state of emergency, comprising 60% of the insurable earnings of the employees that have been made redundant, and 60% of social security contributions due;
- Liquidity support to businesses and individuals affected through the Bulgarian Development Bank (BDB). For this purpose, BDB's capital will be increased by BGN 700 million. BGN 500 million will be used for portfolio guarantees to commercial banks and temporary equity investments in companies. The remaining BGN 200 million will be used for granting interest-free consumer loans to persons on unpaid leave;
- Extending the deadlines for annual financial reporting of companies, as well as for filing tax returns under the Corporate Income Tax Act.

The BNB also implemented a package of measures worth BGN 9.3 billion in relation to the COVID 19 pandemic. The measures are aimed at both preserving the stability of the banking system and strengthening its flexibility to reduce the adverse effects on households and companies from the restrictions caused by the pandemic. The key measures are intended to further strengthen banks’ equity and liquidity, as follows:

- full capitalization of the banking system’s profit amounting to BGN 1.6 billion;
- cancellation of the increases of the countercyclical capital buffer, scheduled for 2020 and 2021, with an effect of BGN 0.7 billion;
- increasing the banking system’s liquidity with BGN 7 billion by reducing commercial banks’ foreign exposures.

On 10 April 2020, the Governing Council of the Bulgarian National Bank approved the draft 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, approved by the Association of Banks in Bulgaria (the Procedure). After its approval, the document constitutes a private moratorium within the meaning of the Guidelines of the European Banking Authority on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02).

In the case of renegotiated claims within the scope of the Procedure, banks may avail themselves of the provisional principle introduced by the approved moratorium and following the guidance to EBA that the deferral or concession does not result in classification of exposures in default or forbearance.

The approved private moratorium provides opportunities for changes in the principal and/or interest payment schedule of liabilities, without changing any key parameters of the loan agreement, e.g. the already agreed interest. Liabilities may be deferred for a term of up to 6 months, ending on 31 December 2020. The deferred liabilities must have been regularly serviced or not more than 90 days past due as of 1 March 2020.

Three standard mechanisms are provided for:

- Mechanism No 1 – deferral of principal and interest for up to 6 months;
- Mechanism No 2 - deferral of principal for up to 6 months;
- Mechanism No 3, applicable to revolving products.

The respective mechanism will be selected by mutual consent between the banks and their customers. Banks may also agree with their customers different individual deferral and concession schemes, other than the ones provided under the Procedure.

As of the date of the prospectus, First Investment Bank has stated in a letter to the Association of Banks in Bulgaria its desire to apply the Procedure.

The application of the Procedure to a substantial portion of borrowers is expected to have an impact on the Bank's financial and operating results as follows:

- Interest income is expected to increase slightly due to an increase in the interest period for up to 6 months for claims within the scope of the moratorium, resulting from the deferral of the respective loan payments. The bank also expects some increase in commission income in connection with loan renegotiation.
- The Bank does not expect any significant impact on expenses, since the renegotiated claims within the scope of the moratorium are classified as performing. Their renegotiation will not lead to reclassification and therefore no additional impairment charges will be required.
- No impact on the capital position is expected since debt does not change at the time of renegotiation and therefore the risk component is not affected.
- The Bank's liquidity position will remain stable and no significant effect is expected from the deferral of claims under the moratorium.

The Act on Measures and Actions during the State of Emergency, adopted by decision of the National Assembly of 13 March 2020 introduces the requirement that until the state of emergency is lifted no penalty interest for late payment shall be charged to debtors under credit agreements and other forms of financing provided by banks, or under lease agreements. The Bank believes that the effect on profit will not be material given that renegotiations are made under of the private moratorium, which effectively prevents performing loans from becoming overdue.

The financial impact of the upcoming crisis is difficult to measure at present, but the management believes that the Bank's financial prospects for 2020 are positive, and no other significant factors are expected to have material impact on the current trends in the Bank's development.

Recent developments

On 29 January 2020, the Bank presented to the Financial Supervision Commission a prospectus for the offering of new shares as a step in the process initiated by the Bank's capital Increase decision, which was made public on 20 December 2019. The prospectus set a maximum amount of subscription proceeds of BGN 200 000 thousand and indicated that the subscription will be considered successful if at least BGN 20,000 thousand was raised. On 20 February 2020, the Financial Supervision Commission refused to issue a confirmation of the prospectus and the management of the Bank publicly confirmed its readiness to prepare and submit a new prospectus to the FSC after approval of the current financial statements.

By Decision No. 38 of February 6, 2020, the Governing Council of the BNB authorized the Bank to include in its Tier 1 additional capital the amount of EUR 30,000 thousand (equivalent of BGN 58,675 thousand), raised through a capital instrument issued by the Bank, namely perpetual, non-cumulative, non-convertible bonds, registered with Central Depository AD on 20 December 2019 with ISIN code BG2100023196.

On 20 January 2020 Fibank announced that by resolution of the Supervisory Board of First Investment Bank Mr. Nikola Bakalov has been appointed as member of the Management Board of First Investment Bank, and by resolution of the Management Board he has been appointed as Executive Director and Chief Retail Officer. On 7 February 2020, Mr. Nikola Bakalov was registered in the Commercial Register of the Registry Agency as Executive Director and member of the Management Board. Following preliminary approval by the Supervisory Board with a decision of 25.03.2020 the Management Board of the Bank elected Mr. Nikola Bakalov as Chief Executive Officer.

On 27 February 2020, the Governing Council of the BNB issued to MyFin EAD a license to operate as an electronic money company pursuant to Art. 37, para. 2, in conjunction with Art. 12, para. 1 of the Law on Payment Services and Payment Systems. On 25 March, 2020 the new subsidiary was registered in the Commercial Register of the Registry Agency.

By Decision No. 106 of 16 March 2020, the Governing Council of the BNB authorized First Investment Bank AD to include in its Tier 1 capital the net annual profit for 2019 amounting to BGN 129,221 thousand. Thus, the Bank's equity became BGN 1 344 139 thousand, and its CET1 capital - BGN 1 089 881 thousand.

Pursuant to Decision of 19.03.2020 of the Bank's Supervisory Board, the management contract of Mr. Nedelcho Nedelchev as member of the Management Board and Chief Executive Officer of First Investment Bank AD was terminated effective 20.03.2020. The change was entered in the Commercial Register of the Registry Agency after coordination of the decision with the BNB under the procedure of Art. 3 of the Law on Credit Institutions.

By a Decision dated 25.03.2020, the Bank's Supervisory Board gave a positive assessment of the candidacy of Mrs. Ralitsa Bogoeva as member of the Management Board and Executive Director of First Investment Bank AD. An application was submitted to the BNB for approval under Art. 11, para 3 of the Law on Credit Institutions and such approval was given on 10 April 2020. Following a decision of the Supervisory Board on the appointment of Mrs. Ralitsa Bogoeva as member of the Management Board, respectively a decision of the Management Board of her appointment as Executive Director, the change will be registered in the Commercial Register of the Registry Agency.

Pursuant to Decision of 31.03.2020 of the Bank's Supervisory Board and Decision of 31.03.2020 of the Management Board regarding the function of Chief Financial Officer, the management contract of Mr. Jivko Todorov as member of the Management Board and Chief Financial Officer of First Investment Bank AD was terminated effective 02.04.2020. As at the date of the Prospectus, the change has been entered in the Commercial Register of the Registry Agency.

By a Decision dated 31.03.2020, the Bank's Supervisory Board gave a positive assessment of the candidacy of Mr. Yanko Karakolev as member of the Management Board of First Investment Bank AD. An application was submitted to the BNB for approval under Art. 11, para 3 of the Law on Credit Institutions. After receipt of approval by the BNB and decision by the Supervisory Board of the appointment of Mr. Yanko Karakolev as member of the Management Board, the change will be registered in the Commercial Register of the Registry Agency.

No other significant changes in the financial condition or in the financial or trading positions of the Group have occurred since the date of the last published audited financial information (31.12.2019).

8. BUSINESS OVERVIEW

General overview

First Investment Bank is the largest bank with Bulgarian ownership, which has developed and established itself as a financial group with main activity, based in the Republic of Bulgaria, and with a regional presence through foreign operations in Cyprus and Albania.

First Investment Bank was established in 1993. Initially specialized in the provision of complex corporate customer services, over the years the Bank has developed into a universal bank, providing a diverse range of corporate and retail banking services (see “Business Review - Operations - Corporate Banking” and “Business Review - Operations - Retail Banking”).

As of the date of this Prospectus, the Bank holds a universal banking license for domestic and international operations. It is a licensed primary dealer of government securities as well as a registered investment intermediary.

Fibank ranks[17] fifth in Bulgaria in terms of assets as at 31 December, 2019 with a market share of 8.8% (BGN 10.1 billion). According to BNB statistics, as at 31 December 2019, the Bank ranks third in Bulgaria in terms of loan portfolio with a market share of 10% (BGN 6.2 billion) and third in total deposits from individuals and non-bank financial institutions with a market share of 9.5% (BGN 8.8 billion). Fibank is among the leading banks in the card business and in payment services, incl. in international payments and trade operations.

The Bank is headquartered in Sofia and as at 31 December, 2019 it had 143 branches and offices in Bulgaria, each offering a wide range of banking products and services. Fibank also operates an international branch in Cyprus, and through its subsidiary in Albania, Fibank Albania - another 14 branches in Albania.

As of the date of this Prospectus, Fibank has not been assigned a credit rating.

Fibank is a public company whose shares were listed for trading on the BSE in 2007. The company is majority owned by two individuals – Tzeko Minev (42.5%) and Ivaylo Mutafchiev (42.5%)..

[17] *Based on non-consolidated financial statements*

History and development

First Investment Bank was established on October 8, 1993 as a joint-stock company in Sofia and received a full banking license for carrying out operations in Bulgaria and abroad.

Initially, the Bank was focused on providing services to corporate clients, with customers including large corporations as well as small and medium-sized enterprises, to which the Bank provided working capital facilities, overdrafts, letters of credit, bank guarantees and other credit facilities. In 1996, Fibank was the first bank in Bulgaria to launch remote home or office banking services to its clients by installing software, enabling corporate customers not close to a bank branch to access remotely their accounts from their own office.

Steadily, the Bank started to establish a reputation in international trade financing. After receiving the first syndicated loan from foreign banks and the first credit rating by Thomson Bankwatch, the Bank negotiated financing for the import of investment goods, guaranteed by export insurance agencies. Currently, the Bank offers money transfers in various foreign currencies, payments with documentary letters of credit and collections, stand-by letters of credit and bank guarantees. Fibank has a large network of correspondent banks for conducting international payments and commercial lending.

In 1997, Fibank began developing retail banking services, whereby this process has been facilitated by the Bank's contractual agreements with international debit and credit card operators. In 1997, the Bank was the first bank in Bulgaria to receive license to use Eurocard, MasterCard, Cirrus, Maestro and Eurocheque trademarks internationally. Fibank introduced debit card services on the Bulgarian market by offering cards with local and international access. Since 1998, the Bank has started providing mortgage loans, consumer loans, retail overdrafts and debit and credit cards. In 2010, Fibank became the first bank in the country to offer contactless payments. As of the end of September 2019, the Bank has a distribution network consisting of 151 branches and offices in the country, 646 ATMs and over 10,000 POS terminals.

In 1997, the Bank established a branch in Nicosia, Cyprus. It is licensed by the Central Bank of Cyprus to carry out all banking activities. In 1999, the Bank established a branch in Tirana, Albania, offering a wide range of banking services to Albanian corporations and individuals. In particular, this branch provided banking services, facilitating trade between Albania and Bulgaria. In 2004, the Bank opened an office in Durres (Albania). In order to further strengthen its operations in this market, the Bank transformed the branch network in Albania into a subsidiary bank with full banking license, obtained in 2007. Towards the end of September 2019, First Investment Bank - Albania Sh.a. operated a head office and 14 bank branches.

In 2001, Fibank launched the first virtual bank branch in Bulgaria, allowing customers to bank via the Internet. The branch allowed customers to quickly and conveniently manage their accounts - to order domestic and foreign currency transfers payments to the budget, currency exchange; check account balances and transactions; open deposit and current accounts. Over the years, the Bank has significantly developed its digital banking services portfolio. In the third quarter of 2019, 54% of the outgoing transfers and 67% of the total number of transfers were made through My Fibank platform.

Over the years, Fibank has always strived to be among the most technologically-advanced and innovative institutions on the Bulgarian banking market. In 2008, the Bank implemented a new centralized and integrated core banking information system FlexCube. FlexCube is used by over 350 financial institutions in 120 countries worldwide. The system was successfully upgraded in 2017. The upgraded system enhanced security level, streamlined workflows and increased productivity by allowing faster and easier parameterization of new, more flexible and customized banking products and services, as well as increased the speed of customer service through the physical and digital distribution channels.

In 2007, First Investment Bank performed the largest initial public offering of ordinary shares in Bulgaria and became a public company. The Bank's shares has been continuously part of the Sofix Index, which includes the largest and most liquid shares, traded on BSE.

Over the years, Fibank has expanded its capital base in line with the increase in assets and volume of operations. In addition to issuing shares, it used various capital instruments, including subordinated term debt and hybrid debt instruments. In 2003-2005, the Bank issued ten unsecured subordinated debt facilities, treated as Tier 2 capital, which were subscribed by various creditors. In 2005, in a landmark transaction for the Bulgarian banking system and among the first of its kind in Eastern Europe, the wholly owned subsidiary - First Investment Finance BV, based in the Netherlands, issued step-up perpetual subordinated bonds of EUR 27 million amount with another EUR 21 million raised in 2006. Approved by BNB, both issues were included in the Upper Tier 2 capital. During the period 2011-2013, the Bank issued hybrid debt of EUR 100 million in two issues of perpetual subordinated bonds. Upon BNB approval, both issues were included in the Tier 1 capital of the Issuer.

Fibank actively develops its services, assisting beneficiaries in EU funds utilization. In 2012, the Issuer signed an agreement with the European Investment Fund (EIF) for financing of small and medium-sized enterprises under the JEREMIE initiative worth a total of EUR 70 million, and in 2013, EIF approved financing under the risk-sharing instrument aimed at financing innovative companies. In recent years, the Issuer has signed financing agreements with the Bulgarian Development Bank in support of small and medium-sized enterprises.

Over the years, the Bank has made a number of acquisitions to establish its position on the Bulgarian market. In 2005, Fibank acquired 80% of the capital of Diners Club Bulgaria AD, and in 2010 - a majority shareholding in the Health Insurance Fund Fi Health AD.

In 2013, First Investment Bank signed an agreement with the Hungarian MKB Bank Zrt. to acquire 100% in MKB Unionbank EAD. The merger of Unionbank EAD into First Investment Bank AD has been successfully implemented in the following year, incl. complete integration of operating systems, procedures, infrastructure, human resources, products and services.

In 2014, Fibank successfully overcame the pressure on the banking system thanks to its high liquidity, high professionalism, as well as the liquidity support pursuant to EC Decision C(2014) 4554/ 29.06.2014. The Bank paid in full the liquidity support in 2016. In the same year, Fibank successfully passed the asset quality review and the stress test of the banking system conducted in the country.

In 2015, Fibank implemented a joint project with the International Finance Corporation (IFC) for upgrading its risk management and corporate governance systems in accordance with the principles of the Basel Committee and recognized international standards. A new organizational structure of the Bank was adopted, further elaborating the control functions and introducing new positions, incl. CEO and CRO. In addition, a new independent member of the Bank's Supervisory Board was elected, Mr. Jyrki Koskelo, an accomplished professional with extensive experience in the IFC.

In 2018, Fibank celebrated its 25th anniversary by adding to its sustainable development and robust performance over the years, a new portfolio of digital and innovative products and services, including products tailored to customer needs, such as the Smart Lady Program in support of women in micro and small businesses. The Issuer continued to grow in line with its strategic focus in retail and SME banking.

In 2019, First Investment Bank AD continued to carry out innovative projects related to digitization of services, including payments with Garmin Pay smart watches and Apple Pay mobile devices, remote signing of consumer loans, as well as mobile banking access to accounts maintained with other payment providers. The Bank continued to support micro, small and medium-sized enterprises through new funding schemes signed with the European Fund for Strategic Investments (COSME+ program), the Fund of Funds (FOF), and the National Guarantee Fund (NGF). At the end of the year Fibank successfully issued, under the terms of private placement, a EUR 30 million hybrid instrument, which as at the date of this Prospectus has been approved by the BNB for inclusion in the Tier 1 capital of the Bank. Earlier, in the second quarter of 2019, First Investment Bank - Albania Sh.a. also issued EUR 2 million subordinated term debt under private placement, which was included in the Tier 2 capital. In 2019, Fibank passed the comprehensive assessment (asset quality review AQR) and stress test) conducted by the ECB.

In early 2020, the BNB granted a license to MyFin EAD (a subsidiary of Fibank in the process of incorporation) to operate as an electronic money company. The company will provide mobile and card payments services, innovative services in the field of personal finance and all services related to their reporting It will compete directly with all mobile payment applications, paid or free of charge (such as Revolut, Transferwise, Phyre, etc.). MyFin is expected to launch in August 2020.

Since 2016 First Investment Bank participates in the annual transparency exercise (EU-wide transparency exercise), carried out by the European Banking Authority (EBA), which provides detailed bank-by-bank data on capital position, risk exposures, leverage, income and expenses, assets, market and credit risk, government debt exposures and asset quality. The transparency exercise is part of the EBA's efforts to foster transparency and market discipline in the EU financial market, aiming to supplement the Pillar 3 bank disclosures made under the CRR/CRD IV package.

All banks submitting reports to the EBA at the highest level of consolidation participate in the exercise, the data being entirely based on supervisory reporting (FINREP/COREP) submitted by banks. The process of completing the information is carried out via the BNB, which sends the tables/data completed by the EBA for verification and confirmation by the banks and/or for making adjustments where necessary. The information is completed entirely in English as it covers a wide range of EU banks and banking groups

Information about the results from Fibank participation in the annual transparency exercise for the last three years is publicly available on EBA web page.

The information published on the Issuer for the last three years contains 10-12 reporting templates (tables), including data on the key indicators of capital adequacy, as well as information on leverage, equity, risk exposures, income and expenses, assets, market risk, credit risk, sovereign debt exposure, performing, non-performing and restructured exposures.

The table below lists the most important indicators from the reporting forms used in the transparency exercise:

(in EUR million)	**31/12/2017**	**31/12/2018**	**30/06/2019**
CET1 capital ratio	12.87%	13.30%	14.57%
Total capital adequacy ratio	15.89%	16.15%	17.30%
Leverage ratio	11.3%	11.08%	12.02%
Risk-weighted assets, including:	3 302	3 507	3 662
- for credit and counterparty risk	2 959	3 168	3 315
- for market risk	3	3	3
- for operational risk	340	337	344
Non-performing loans and advances	639	724	647
Net profit	47	88	50

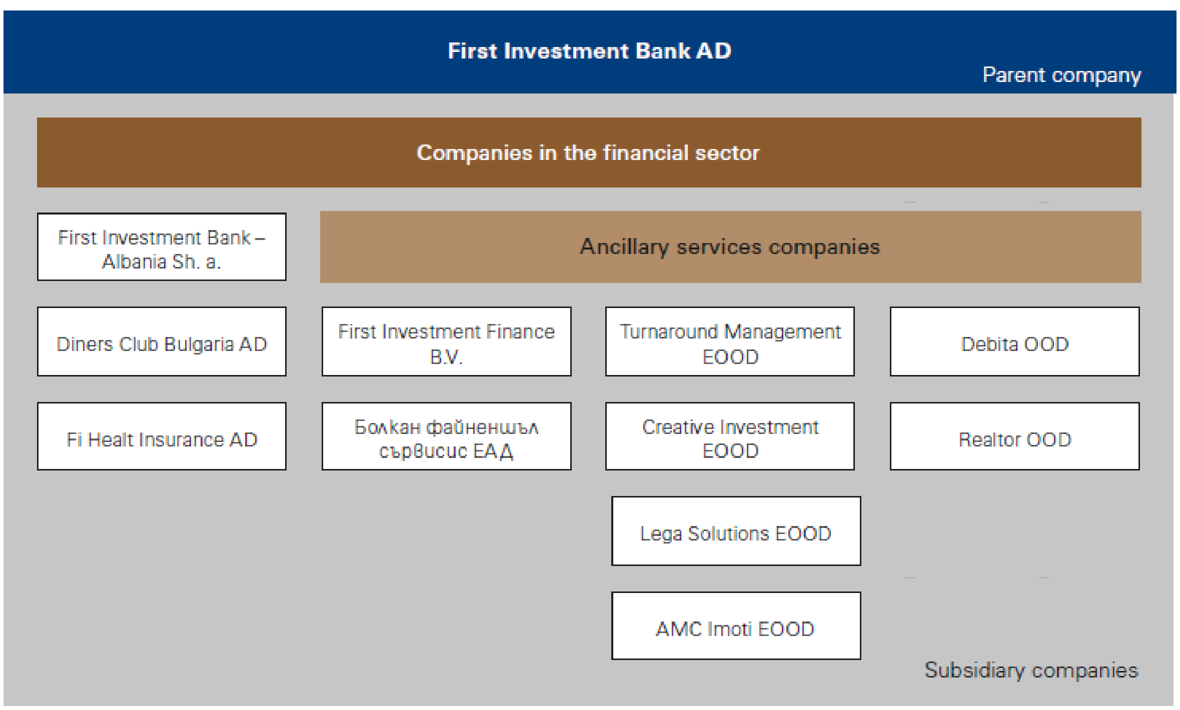
Organizational structure

As of the date of this Prospectus, the Bank has twelve subsidiaries forming a Group. First Investment Bank AD is the parent company of the Group and, as of the date of this Prospectus, consolidated for accounting purposes its investments in:

- **First Investment Bank - Albania Sh.a.** (100% stake) – a universal bank, licensed by the Central Bank of Albania in July 2007;
- **First Investment Finance B.V. – the Netherlands** (100% stake)– a special purpose company incorporated in 2003 for issuing bonds and other financial instruments, guaranteed by the Bank. Raised amounts are used in Fibank operations. As of the date of this Prospectus, there are no outstanding instruments, issued by First Investment Finance B.V. and guaranteed by Fibank.
- **Diners Club Bulgaria AD** (94.79% stake) - a joint-stock company, registered in November 1996 with main activity of issuing international Diners Club credit cards and processing payments;
- **Fi Health Insurance AD** (59.10% stake) - an insurance company, licensed by the Financial Supervision Commission in June 2013, the first among the voluntary health insurance funds in Bulgaria;

As of the date of this Prospectus, First Investment Bank owns 70% of Debita OOD - a debt management company; 51% of Realtor OOD - a real estate management company and 100% of the companies Balkan Financial Services EAD, Creative Investment EOOD, Turnaround Management EOOD, Lega Solutions EOOD, AMC Imoti EOOD and MyFin EAD. The Bank indirectly owns a subsidiary, Fi Health EOOD (100% owned by Fi Health Insurance AD). All these companies are considered immaterial to the financial position, financial results and the cash flows of the Group. The assessment for consolidation of these subsidiaries is reconsidered at each reporting date.

The chart below reveals the Group structure:



Source: The Bank

There are no other companies in which the Issuer exercises significant influence. There are no entities other than the companies in the Group in which the Bank or any of the companies in the Group holds, directly or indirectly, a significant equity stake or substantial voting rights, profits sharing rights or rights to share any surplus in the event of liquidation.

As of date of this Prospectus, there are no arrangements for mergers, acquisitions, spin-offs, acquisitions of significant assets (neither entire entities or their divisions) with the participation of the Bank or subsidiaries of the Group and there are no arrangements for the acquisition of shares in subsidiaries of the Group.

Despite the large number of the Bank's subsidiaries, they are not material to its operations and financial results. The assets of these companies are an insignificant part of Fibank's consolidated assets, their operations are either functionally or geographically separated, they are self-funded and do not provide liquidity to the parent company. In this sense, there is no dependence of First Investment Bank AD on its subsidiaries.

Competitive advantages

Fibank's success depends on its ability to take advantage of its strengths and make effective use of all its capabilities while managing potential risks. The Bank believes that its main competitive advantages are:

Solid market positions

Despite the intense competition from international banks operating in Bulgaria, including the intense consolidation processes over the last few years, Fibank has managed to maintain its leading position in the Top 5 in Bulgarian banking system and to increase its market share in some important segments.

In 2019, Fibank ranked fourth in Bulgaria in terms of loan portfolio size, with a share of 10% (BGN 6.2 billion) and fourth in total deposits of individuals and non-financial institutions with a share of 9.5% (BGN 8.8 billion)[18]. Fibank is among the leading banks in card business and payment services, including in international payments and commercial transactions.

First-class customer service

Over the years, Fibank has always been focused and has invested a great deal of resources in the quality of customer service, achieving extremely high standards of services offered. Extended office working hours, optimization and digital services, a 24-hour contact center for telephone banking - all of them were recognized by customers, which exceed one million in number now. Fibank has won multiple times "Bank of the Customer" award.

Well-recognized brand

Fibank is a strong and recognizable brand in Bulgaria proved by a number of different awards. Fibank has been recognized as the most preferred brand among financial institutions in Bulgaria by Superbrands as a result of an independent survey of the consumer segment, performed in partnership with the GfK Bulgaria Institute for Market Research.

Deep knowledge of the market

Knowledge and recognition of customer needs and specific features is a founding block of the Bank's growth since its establishment in 1993. This maintains high confidence in the Bank, as evidenced by the growing business volumes. Fibank is the first Bulgarian bank to offer debit cards with international access

[18] *Source: BNB*

and has repeatedly been an innovator in credit and deposit products, as well as in the digitalization of banking services. The growth of the Bank is largely due to its commitment to meet customer needs and to ensure the best customer service.

Balanced portfolio

The Bank's portfolio is balanced between corporate clients and individuals, which allows it to diversify its income base and reduce its credit risk. The opportunity for loan portfolio and profit growth increases on opportunities, related to the improved macro environment.

Wide branch network

The Fibank branch network in Bulgaria covers the whole country and consists of 143 branches and offices, while the network of ATMs and POS terminals exceeds 10 000 units. However, over the past few years, the importance of digitalized financial products and services and the development of an effective digital platform has increased significantly. The Bank also benefits from its role as a pioneer in the development of Internet banking and innovative banking services in Bulgaria.

Innovative digital services

Fibank's strong focus on its customers is also reflected in the Bank's aspiration to be a leader in digital innovation with the widest possible range of services offered. Innovative products, the use of modern digital communication channels and customized service are one of Fibank's most significant competitive advantages.

Experienced management team and high professional standards

The Bank's management team is highly experienced and everyone, including branch directors, has over 10 years of experience in the banking industry. In mid-management Fibank employs a team of professionals with in-depth knowledge of the local market and extensive experience in working with large corporate clients as well as SMEs and individual clients. Due to its in-depth view of the corporate customers' businesses, the long-term relationships and the customized service, Fibank is usually the first on the market to respond to changing market environment - for example, by offering new products.

Strategy

First Investment Bank strives to continue to be one of the best banks in Bulgaria, recognized as a fast-growing, innovative, customer-oriented bank that offers exceptional products and services to its clients, provides excellent career opportunities for employees and is social responsible. The Bank will continue to develop high-tech solutions that enable its customers to bank from anywhere in the world and at any time.

Fibank has three key strategic objectives for the next 5 years:

1. Business focus on retail banking and SME lending
2. Further implementation of modern information technologies in banking
3. Risk reduction of the Bank's loan portfolio and improvement of non-performing loans management

Specific measures to be taken to achieve the objectives include:

- Focus on development of retail banking and small and medium business bank services, including the development of specialized products and programs for these customers, offered at competitive conditions;
- Maintaining focus on the high quality of service and customer satisfaction;

- Introducing new services in line with market expectations that will contribute to long-term customer relationships;
- Expansion of the Bank's market presence through new channels and sales methods, improvement of digital banking;
- Introduction ahead of competitors of innovative electronic services based on high technology solutions (digital deposits, cards);
- Implementation of new solutions to optimize operational efficiency in line with changing environment and future trends;
- Maintaining a moderate risk profile and effective risk control management;
- Maintaining solid capital ratios and buffers above regulatory requirements;
- High corporate governance standards in accordance with good international practices and applicable regulatory requirements.

Main markets and competitive position

The main market in which Fibank operates is the Bulgarian market for banking products and services, with non-consolidated revenues generated from operations in the Republic of Bulgaria and from the branch in the Republic of Cyprus. The Bank's market position in Bulgaria, according to statistics published by the BNB, is shown in the following tables. The comparisons are based on non-consolidated financial statements that banks prepare and submit to the BNB.

		BGN million			**Market share**			***Market position***		
		2019	**2018**	**2017**	**2019**	**2018**	**2017**	***2019***	***2018***	***2017***
Assets	Banking system	114 201	105 557	97 808						
	Fibank	10 056	9 312	8 643	8.8%	8.8%	8.8%	*5*	*4*	*3*
Deposits of individuals and non-financial institutions	Banking system	91 853	84 571	78 406						
	Fibank	8 758	8 095	7 412	9.5%	9.6%	9.5%	*4*	*4*	*3*
Loans to individuals and non-financial institutions	Banking system	61 699	57 688	53 553						
	Fibank	6 173	6 167	5 509	10.0%	10.7%	10.3%	*4*	*3*	*3*
Consumer loans	Banking system	12 427	10 333	9 151						
	Fibank	1 057	958	889	8.5%	9.3%	9.7%	*6*	*5*	*4*
Mortgage loans	Banking system	12 487	10 906	9 460						
	Fibank	863	728	604	6.9%	6.7%	6.4%	*6*	*6*	*7*
Corporate loans	Banking system	36 573	34 871	33 160						
	Fibank	4 241	4 469	4 011	11.6%	12.8%	12.1%	*2*	*2*	*2*

Source: Bulgarian National Bank; Calculations by FFBH

At the end of 2019, Fibank ranked fifth in terms of assets in the banking system in Bulgaria, with a share of 8.8%, down from fourth in 2018, as a result of the merger of Eurobank Bulgaria AD and Piraeus Bank Bulgaria AD in November 2019. In 2018, the Bank also stepped down from its 2017 third position, as a result of the merger of United Bulgarian Bank AD and Cibank EAD.

Due to its strong focus on lending services, Fibank ranked fourth in loans to individuals and non-financial institutions, with a 10% share at the end of 2019. The Bank's position changed from third in late 2018, due to the reason mentioned above. In 2018, there was no change in the ranking of Fibank, despite the merger of United Bulgarian Bank AD and Cibank EAD

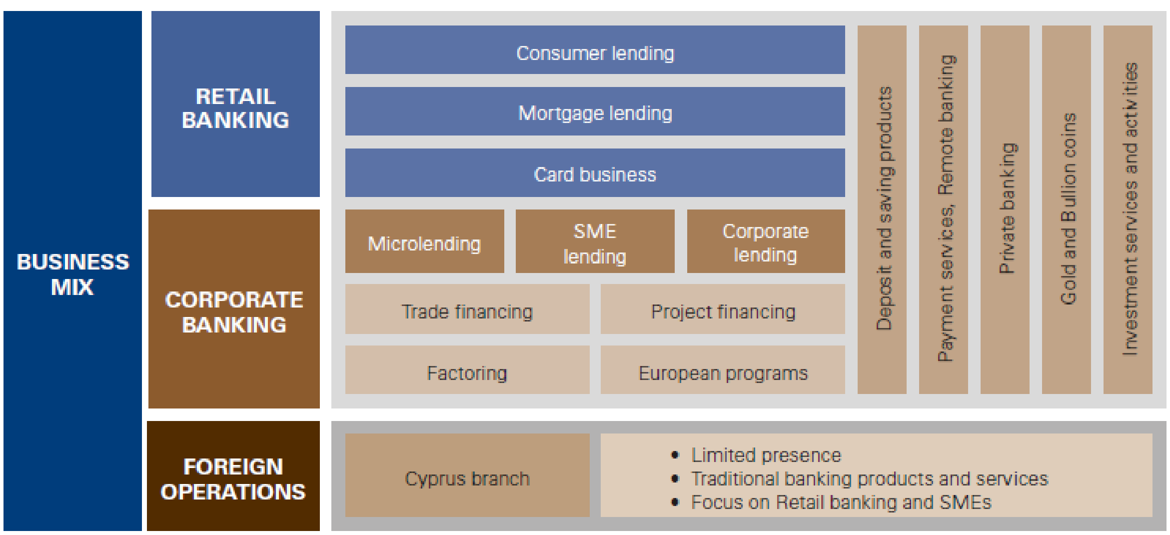
As regards deposits from individuals and non-financial institutions, Fibank retained its position from the end of 2018, with 9.6% market share.

The subsidiary First Investment Bank - Albania SH.A. holds a full banking license and operates in the market of Albania. As at 31 December 2019 it had a market share of 2.1% from the assets of the local banking system.

Operations and products

First Investment Bank offers a universal mix of products and services to both individuals and business clients, incl. strategic focus on development in the areas of retail banking, micro, small and medium-sized enterprises.

Universal business mix of products and services



Retail banking

Deposits and savings accounts for individuals

In 2019, retail borrowings increased and reached BGN 7 073 178 thousand compared to BGN 6 685 678 thousand a year earlier, mainly as a result of current account balances, which increased by 20.6% to BGN 1 569 092 thousand (2018: BGN 1 301 585 thousand), reflecting the Bank's consistent policy for long-term customer relationships, development of cross sales and transactional business.

(BGN thousand)	2017	2018	2019
Sight accounts	1 070 890	1 301 585	1 569 092
Term and saving accounts	5 234 573	5 384 093	5 504 086
Total deposits by individuals	**6 305 463**	**6 685 678**	**7 073 178**

Source: Bank's consolidated data

The Bank's policy regarding attracted funds from individuals has been aimed at building a stable deposit base by offering diverse and flexible deposit products, while maintaining high standards of customer service. In recent years, Fibank has optimized the terms of its deposit products in line with the market environment and the downward trend in interest rates, and has been actively working to build and maintain lasting customer partnerships.

During the year, a new product for individuals was developed: the "Smart teen" savings account for teenagers. Funds can be transferred between it and the current account opened to the Debit Mastercard Pay Pass Teen cards, using the My Fibank mobile application.

Fibank offers a wide range of current accounts, including an IQ current account, as well as specialized accounts tailored to the specific needs of certain clients such as: condominium accounts, notaries, insurance brokers and agents, private enforcement agents.

As of the end of the year, time and savings accounts increased to BGN 5 504 086 thousand (2018: BGN 5 384 093 thousand), retaining a predominant share in retail borrowings: 77.8% (2018: 80.5%).

In order to diversify the attracted sources of funds, the Bank participates in WeltSparen international platform aimed at attracting funds from non-residents.

First Investment Bank ranks third among the banks in the country by attracted funds from individuals in each of the last three years. As of the end 2019, the Bank's market share amounted to 11.7% on an individual basis (2018: 12.0%; 2017: 12.3%).[19]

Retail loans

As stated in section Business Review - Strategy above, differentiation and improvement of products and services for individuals are among the Bank's main sources for attracting new customers. The Bank offers to its individual clients standard credit products such as mortgage loans and consumer loans. The Bank also provides overdrafts for individual clients with debit cards (against the obligation for customers to receive their remuneration in the Bank), as well as credit cards. The Bank has gained experience in the development and provision of specialized loan products for certain groups of individual clients.

In 2019, the gross retail loan portfolio increased by 14.6% to BGN 1 960 389 thousand compared to BGN 1 711 192 thousand in the previous year, as a result of an increase in consumer and mortgage loans.

BGN thousand	2017	2018	2019
Consumer loans	622 681	750 285	865 781
Mortgage loans	622 171	752 581	896 313
Credit cards	259 303	202 095	193 197
Other programs and secured financings	3 182	6 231	5 098
Total retail loans	**1 507 337**	**1 711 192**	**1 960 389**

Source: Bank's consolidated data

[19]*Source: BNB*

Consumer loans

In 2019, consumer loans grew by 15.4% to BGN 865 781 thousand (2018: BGN 750 285 thousand), driven by the competitive conditions offered by the Bank, the streamlined application procedures and the development of new products and programs, including seasonal offers tailored to market and consumer needs. The share of consumer loans in the Group's retail loan portfolio increased to 44.2% at the end of the period (2018: 43.8%, 2017: 41.3%).

An innovative service for remote signing of consumer loans was launched during the year, using a specialized software/hardware token device or a qualified electronic signature through mobile apps of external certification service providers. The new feature is part of the Bank's strategy for service development and digitization, designed to further facilitate customers and promote sustainable environmental development.

First Investment Bank AD continued to promote fully online applications for consumer loans at its website address www.credit.fibank.bg. The process is integrated into the Bank's automated Workflow system. During the period new insurance services were offered jointly with Fi Health Insurance AD, a subsidiary of the Bank.

The market share of First Investment Bank AD in this segment amounted to 8.5% at the end of December 2019 (2018: 9.3% 2017: 9.7%), with the Bank ranking sixth in consumer loans among banks in the country on an individual basis.[20]

Credit cards

Fibank develops diverse and innovative card products and services, including thematic campaigns to promote and attract new customers that are organized in pursuit of the Bank's consistent and long-term policy towards stimulating this type of non-cash payments. The relative share of loans disbursed through credit cards in the total retail loan portfolio of the Bank amounted to 9.9% for 2019 (2018: 11.8%; 2017: 17.2%).

In 2019 new promotional offers were launched, including with respect to credit cards and overdrafts. With a view to promoting its new microcards for adults, the Bank started a campaign featuring contactless payment wearables, such as bracelets.

In pursuance of its strategic plans, the Bank will continue to develop its activities for effective management of the customer portfolio and targeting individual customer groups, as well as seek additional cross-selling and upgrading opportunities.

Mortgage loans

As of the end of December 2019, mortgage loans increased by 19.1% to BGN 896 313 thousand, compared to BGN 752 581 thousand a year earlier, forming a 45.7% share in the retail loan portfolio (2018: 44.0%, 2017: 41.3%). As at 31 December 2019, the Bank's market share in this segment increased to 6.9% (2018: 6.7%; 2017: 6.4%), with Fibank ranking sixth among domestic banks on a non-consolidated basis[21]. Over the last year, in pursuit of its strategy for developing the retail banking segment, Fibank has continued to offer competitively priced mortgage loans and launched promotional campaigns to stimulate sales, including the New Home with Fibank campaign. In line with the market environment, the terms of the Right of Choice residential loan were updated.

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[20] *Source: BNB*

[21] *Source: BNB*

In 2020, the Bank will continue to develop and offer flexible lending products to individuals, with a focus on attracting new customers and offering additional products and services. An expansion of mortgage lending channels is also planned, including by participation in specialized online platforms.

Corporate banking

Deposit and current accounts

First Investment Bank offers a variety of deposit and savings accounts and packages for business customers, which it constantly adapts to market conditions and specific company requirements.

Fibank also offers combined packages of banking products and services for business entities, enabling cost and procedure optimization when using a range of different banking services. In 2019, the products offered by the Bank through the international platform Weltsparen by Raisin were further developed.

(BGN thousand)	**2017**	**2018**	**2019**
Current accounts	870 896	1 203 878	1 560 147
Term and savings accounts	407 460	453 135	470 696
Total corporate deposits	**1 278 356**	**1 657 013**	**2 030 843**

Source: Consolidated data of the Bank

in 2019, attracted funds from corporates and institutions increased by 22.6% to BGN 2 030 843 thousand (2018: BGN 1 657 013 thousand), mainly as a result of increase in current accounts which reached BGN 1 560 147 thousand at the end of 2019 (2018: BGN 1 203 878 thousand), forming 76.8% of total corporate borrowings (2018: 72.7%, 2017: 68.1%). Term deposits also increased and reached BGN 470 696 thousand at the end of the period (2018: BGN 453 135 thousand).

Loans[22]

Corporate loans decreased in 2019 to BGN 4 567 042 thousand compared to BGN 4 754 192 thousand a year earlier as a result of reduction in the corporate segment, whose share in the total business lending portfolio went down to 76.2% at the end of 2019 (2018: 78.5%; 2017: 79.4%). Loans for SMSs and micro enterprises respectively increased their share in the business lending portfolio respectively to 20.2% (2018: 18.5%; 2017: 17.7%) and 3.6% (2018: 3.0%; 2017: 2.9%), as part of the diversification policy and priority development of those segments.

(BGN thousand)	**2017**	**2018**	**2019**
Corporate customers	3 382 460	3 734 634	3 481 386
Small and medium-sized enterprises	753 438	879 136	921 704
Microlending	121 533	140 422	163 952
Total loans to legal entities	**4 257 431**	**4 754 192**	**4 567 042**

Source: Bank's consolidated data

Fibank's market share at the end of December 2019 accounted for 11.6% of total corporate loans (2018: 12.8%; 2017: 12.1%), retaining its second place among banks in the country on a non-consolidated basis.

As of 31.12.2019, leading sectors in the loan portfolio on a consolidated basis were manufacturing, with a share of 17.8% (2018: 18.6%; 2017: 14.9%), trade: 13.7% (2018: 16%; 2017: 17.7%) and services: 11.1%

[22]*Fibank uses the following internal criteria to segment its business borrowers:*
- *Micro-enterprises: companies with total sales revenues up to or equal to BGN 500 thousand*
- *Small and medium-sized enterprises: companies with total sales revenues of BGN 500 thousand - BGN 15 million*
- *Corporate clients: companies with total sales revenues over BGN15 million*

(2018: 10.4 %%; 2017: 10.9%). Such dynamics reflected the positive development of economic activity in the country, including in the area of services, and were in line with the Bank's development goals. An increase was reported in the construction sector: by 28.4% to BGN 353 245 thousand (2018: BGN 275 066 thousand) as a result of the recovery of this sector over the period and its contribution to the added value in the economy. Positive indicators and data in the tourism sector also contributed to loans in this segment, which increased by 5.3% YoY to BGN 262 560 thousand (2018: BGN 249 330 thousand; 2017: BGN 173 813 thousand). Loans in the communications sector increased to BGN 190 717 thousand (2018: BGN 107 463 thousand; 2017: BGN 46 863 thousand), reflecting the focus of the Bank and the specialized credit products offered, as well as the contribution of this segment to the growth of the service sector in the country.

During the period, the Bank continued its cooperation with the Bulgarian Export Insurance Agency (BEIA), including the portfolio insurance agreement with the agency, also used as part of credit risk mitigation techniques.

Credit portfolio by industry sectors

	As of 31 December					
	2017	**%**	**2018**	**%**	**2019**	**%**
	BGN thousand/ % total					
Trade	1 017 879	17.7%	1 037 381	16.0%	891 509	13.7%
Manufacturing	861 778	14.9%	1 201 664	18.6%	1 162 856	17.8%
Services	630 706	10.9%	672 197	10.4%	722 291	11.1%
Finance	109 298	1.9%	107 668	1.7%	108 742	1.7%
Transport	323 367	5.6%	322 495	5.0%	227 205	3.5%
Communications	46 863	0.8%	107 463	1.7%	190 717	2.9%
Construction	203 901	3.5%	275 066	4.3%	353 245	5.4%
Agriculture	212 391	3.7%	199 847	3.1%	184 433	2.8%
Tourism	173 813	3.0%	249 330	3.9%	262 560	4.0%
Infrastructure	467 483	8.1%	501 084	7.8%	408 935	6.3%
Individuals	1 519 859	26.4%	1 742 417	26.9%	2 002 090	30.7%
Others	197 430	3.4%	48 772	0.8%	12 848	0.2%
Total	**5 764 768**	**100.0%**	**6 465 384**	**100.0%**	**6 527 431**	**100.0%**

Source: Bank's consolidated data

Corporate lending

First Investment Bank provides various financing products for business clients in the form of working capital loans, investment loans, guarantee commitments, EU and NGFs programs and funds financing, factoring services, etc.

During the year, the Bank actively offered factoring services to existing and potential business customers, incl. those whose business involves the delivery of goods or the provision of services under deferred payment conditions in the country or abroad. First Investment Bank is a member of Factors Chain International (FCI), which is a the global network of leading factoring companies and as such can provide export factoring with guaranteed payment and import factoring. The Bank also cooperates with leading financial institutions in factoring insurance. The Bank continues to be among the leading institutions in the country in the field of commercial financing, and at the end of the year, under the renewal option, an extension was agreed upon the framework export agreement with Taiwan's Export Insurance Agency

Eximbank Taiwan to finance the supply of goods to customers of First investment bank in Bulgaria or abroad.

SME lending

Loans to small and medium-sized enterprises increased by 4.8% to BGN 921 704 thousand in 2019, in pursuance of the Bank's growth and development strategy in this business segment. The increase was influenced both by new credit products and the competitive terms, offered to SME clients, as well as the diverse range of solutions related to EU programs and funds and other guarantee schemes and financing.

At the beginning of 2019, on the basis of an agreement with the Bulgarian Development Bank under the COSME+ Program (with the support of the European Fund for Strategic Investments), Fibank began to offer investment and working capital loans for small and medium-sized enterprises to a maximum amount of EUR 150 thousand and with a term of up to 10 years. The program also includes the option of issuing bank guarantees, as well as revolving credit lines with a maximum term of 5 years.

At the end of the year, preparations began for the launch of new credit facilities in support of small and medium-sized businesses in Bulgaria under a guarantee scheme with the National Guarantee Fund through a risk-sharing mechanism. The total amount of the guarantee is BGN 20 million and the target loan portfolio can reach between BGN 40 and 200 million by the end of 2023.

To finance small and medium-sized enterprises, the Bank also cooperates with other institutions, including State Fund Agriculture and the Bulgarian Export Insurance Agency. Through various funding schemes Fibank also actively supports beneficiary companies under programs for utilization of funds from the European structural and cohesion funds.

Fibank continued to promote the specialized lending products developed to specific sectors or fields of activity, incl. for the purchase/repair of offices or working capital specially designed for small and medium-sized companies operating in the field of information technology. Increasingly, the Bank has been offering to Bulgarian companies factoring services as an alternative to providing loans for working capital.

Microlending

First Investment Bank's lending program for micro-enterprises covers the financing of a wide range of traders, producers, farmers, freelancers, including start-ups, as well as companies with less market experience. The Bank offers specialized products for micro-enterprises, incl. investment loans, working capital loans and overdrafts with attractive terms.

In 2019, the focus in microlending was the provision of investment and working capital loans under the Risk-Sharing Micro-Finance Facility, funded by Operational Program "Human Resources Development 2014-2020" (OPHRD), with co-funding by the European Social Fund and the Youth Employment Initiative. The program supports start-ups and businesses that develop social activities and provide services generating positive social impact.

During the year, the Bank developed its Smart Lady program, including a new web-based e-learning platform and publication of specialized materials to support women entrepreneurs. The program targeted microenterprises managed or owned by women, as well as businesses that produced products and/or services intended for women. Credit solutions included investment or working capital loans, as well as additional package services including Diners Club First Lady credit cards, medical insurance from FiHealth Insurance AD, as well as child savings and/or debit cards for children and teens.

During the period, the Bank continued to support agricultural producers, incl. loans secured with pledge of subsidies under schemes and measures of EU Common Agricultural,, providing financing of up to 100% of expected subsidies. As part of efforts to offer tailored financing and credit solutions to individual sectors or business areas with high development potential, the Bank has credit products in place designed particularly for financing projects under European programs, IT companies, as well as credit facilities for medical and dental practices.

<u>Other products and services of the Bank</u>

EU programs

Fibank offers a wide range of products and services related to the utilization of funds under EU operational programs, as well as other such products and services, including investment loan for overall project implementation, bridge financing up to the amount of approved financial assistance, issuance of a bank guarantee to secure advance payments of approved financial assistance and other banking products tailored specifically to the needs of customers.

In order to provide integrated customer assistance in absorbing EU funds and programs, the Bank offers assistance in the preliminary study of the administrative and financial eligibility of the project idea, providing expert assistance in the development and implementation of projects, as well as complete post-approval services.

In June 2019, First Investment Bank signed three Operating agreements with the Fund manager of financial instruments in Bulgaria (Fund of Funds) for implementation of the Risk-Sharing Micro-Finance Facility, funded by Operational Program "Human Resources Development 2014-2020" (OPHRD), with co-funding by the European Social Fund and the Youth Employment Initiative. The facility supports entrepreneurship and social services by financing start-ups, including individuals from certain vulnerable groups, as well as social enterprises. The total amount of funding is BGN 15 million, and the target portfolio of micro-credits should reach BGN 19 million by the end of 2023.

In November 2019, a new agreement was signed with the National Guarantee Fund for a portfolio guarantee intended to provide SMEs in Bulgaria with financing from commercial banks through a risk-sharing mechanism. Under the scheme, the NGF issues a guarantee supplementing the collateral for investment and working loans granted to SMEs that meet the Bank's internal lending criteria except for the collateral. The total amount of the guarantee, broken down into three sub-portfolios, is BGN 20 million. The target loan portfolio may reach between BGN 40 and 200 million by the end of 2023, depending on the guarantee percentage applied for the respective loans.

Payment services

As of the end of December 2019, First Investment Bank is a member and a participant in payment systems and is an agent of other payment service providers as follows:

- Banking Integrated System for Electronic Transfers (BISERA);
- Real-time Interbank 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 Organization for Payments Initiated by Cards(BORICA);
- Agent of Western Union;
- Agent of Easypay.

In 2019, the Bank joined SWIFT gpi, a global solution providing fast and transparent international transfers. Since September 2019, international payments are being made through the new platform.

Open Banking

Emphasis in payment services activities in 2019 was placed on the implementation of the new regulatory requirements stemming from the Law on Payment Services and Payment Systems Act (LPSPS) and BNB Ordinance No. 3 implementing the requirements of Directive (EU) 2015/2366 on payment services in the internal market (PSD 2), including with respect to the so-called Open Banking.

In connection with this, as well as with the need to provide online access to third party providers (TPPs) to payment accounts kept at the Bank for the performance of payment initiation, account information and account confirmation services, First Investment Bank provided:

- Test environment - based on the national BISTRA standard and available for developers and Third Party Providers (TPPs), providing test access to an application programming interface (API) as of 14.03.2019;
- Production environment - based on the national BISTRA standard, enabling Third Party Providers (TPPs) to provide PSD 2 based services as of 14.06.2019.

In addition, using the legislative options provided by open banking to extend and integrate customer service, First Investment Bank enabled the use of the new payment initiation and account information services introduced by PSD2, through its My Fibank mobile app. This capability provides speed and convenience for customers when they want to access information on their account kept by another payment service provider, or when they want to initiate a payment from such account.

Card payments

First Investment Bank develops the card business in line with the needs of clients and modern technologies, including by offering innovative card products and services on the Bulgarian market, relevant in the context of the increasing digitalization in banking sector.

In 2019, the activity was focused on digitization of debit/credit cards and enabling contactless payments through third party applications. In this regard, an innovative project was launched for payments with Garmin smart watches supporting the Garmin Pay functionality, which was successfully implemented in partnership between Fibank, Mastercard and Garmin. Thanks to the new service, holders of Mastercard cards issued by Fibank can now make contactless payments at POS terminals and ATMs. Security is guaranteed by the MDES (Mastercard Digital Enablement Service) technology, and card registration is made through the Garmin Connect Mobile (GCM) mobile application.

Another innovation in this direction was the launch of the Apple Pay service, which Fibank was the first one to offer in the Bulgarian market. It enables holders of Mastercard debit or credit cards issued by the Bank to add/digitize them using the Apple Wallet and make fast, convenient and secure mobile payments, including via the Touch ID/Face ID functionalities supported by the device. Each transaction is additionally authorized with a unique dynamic security code.

During the year, First Investment Bank developed a new contactless service for withdrawal of cash with VISA and Mastercard debit and credit cards from ATMs of the Bank, in order to provide additional convenience for customers in performing these types of transactions.

Important innovations were made to comply with the requirements for strong customer identification (SCA) in online card payments, as well as with the requirements to dynamically link transactions to a specific amount and payee. Cards issued by the Bank were included in the MasterCard SecureCode and Verified by VISA programs, offering a more secure payment environment on the Internet. 3D password was added to each specific transaction, which is a unique, one-time code serving to authenticate the customer and confirm the payment transaction. In 2020, the Bank will continue to develop methods for online card payments in accordance with the requirements of the SCA. It has launched a project to implement the latest EMV 3DS2 the protocol for providing secure online card payments.

Throughout the year, Fibank continued to promote its innovative microcards, issued as additional debit cards to the Debit MasterCard Pay Pass kids/teen cards. They are integrated in special wearables (bracelets or keychains) and allow contactless payments. A new option was provided for digitizing debit cards for minors and making payments over the Internet, which is part of the Bank's program for early financial education. In addition, a project was launched to offer microcards also to adults, along with payment wearables, e.g. silicone bracelets. In this way, the Bank aims to provide this innovative way of making card payments accessible to a wider audience.

In 2019, the ATM network of Fibank reached 649 units compared to 648 units a year earlier. POS terminals amounted to 9 550 units (2018: 10 120 units). Fibank's subsidiary bank in Albania maintains its own network of ATM terminals. For more information on First Investment Bank - Albania Sh.a.'s card business, see the Business Review of Subsidiaries section.

International payments

First Investment Bank is among the leading banks in Bulgaria in the field of international payments and trade financing. Fibank is a popular, reliable and fair business partner which has built a good reputation among international financial institutions over the years and has gained valuable experience and know-how from its numerous international business partners, investors, clients and counterparties.

In 2019, the Bank reported 4% growth in inbound and 5% in outbound foreign currency transfers, which was 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 conducts international payments and trade financing operations in almost all parts of the world. The Bank performs cross-border currency transfers via SWIFT, as well as through TARGET2, BISERA7-EUR and, as of April 2017, also credit transfers as a direct participant in the STEP2 system, operated by EBA Clearing. Fibank offers issuing of checks and performs various documentary operations.

During the year, Fibank joined SWIFT gpi (Global Payment Initiative), a global solution providing fast and transparent international transfers. Since September 2019, the Bank began making international payments through the new gpi payments platform, which improved the speed and traceability of cross-border transfers. Thus, Fibank ranked among the pioneering banks to join the SWIFT gpi.

At the end of the period, an extension of the framework agreement with the Taiwan export insurance agency Eximbank Taiwan was signed to finance the delivery of goods from Taiwanese suppliers 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 with increased amount of each individual loan - up to 100% of the value of the business contract, but not more than USD 2 million, with a period of utilization up to 6 months after the first shipment and repayment term from 6 months to 5 years regardless of the type of goods (consumer and non-consumer).

(BGN mln)

	2017	**2018**	**2019**
Bank guarantees in foreign currency	66	73	63
Letters of credit	17	16	8

Source: Consolidated data of the Bank

In support of its customers with international operations, First Investment Bank continues to assist in the issuance of internationally recognized guarantees and letters of credit, including through a wide network of partner banks and institutions. For 2019, letters of credit and bank guarantees provided by First Investment Bank AD to guarantee fulfillment of its customers' obligations to third parties amounted to BGN 71 million (2018: BGN 89 million; 2017 : BGN 83 million).

Gold and numismatics

First Investment Bank has a leading position in Bulgaria in terms of transactions and advice related to investment gold and other precious metal products. In 2019, Fibank continued to develop its Gold & Silver online sales platform by constantly updating individual sections and adding new products.

For the past year, net income from transactions in gold and precious metal products amounted to BGN 789 thousand on a consolidated basis compared to BGN 452 thousand a year earlier, reflecting the higher demand and number of transactions made over the period, as well as the dynamics in the price of precious metals.

First Investment Bank has been offering investment gold and other precious metal products to its clients since 2001, and over the years has built a successful partnership with a number of leading financial institutions around the world – Produits Artistiques de Métaux Précieux, UBS and Credit Suisse banks, New Zealand Mint, National Bank of Mexico, Austrian Mint, British Royal Mint and others. Since the beginning of 2018, in continuation of its long-standing policy to support Bulgarian production, Fibank has signed a contract with the Bulgarian National Bank for the distribution of Bulgarian commemorative coins and coin sets issued by the Central Bank.

In carrying out transactions in precious metal products, First Investment Bank invariably complies with all the 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 enables individual servicing by a personal banker who is responsible for all banking solutions provided to the client.

In 2019, the Bank continued to developing its private banking, including by expanding the range of products and services in order to increase the number of clients served in this segment, as well as the amount of attracted funds and operating income. The focus in the activity was placed on offering the new Personal Banking service, aimed at a segment of clients meeting certain minimum financial criteria and implemented through the branch network of First Investment Bank. Personal Banking customers enjoy a number of product preferences and personalized service. The service includes the "Premium" and "Premium Plus" package offers, featuring preferential terms for the traditional banking products and services. It is available at certain locations where customers may rely on constant contact and individual service by a personal banker, providing prompt and competent assistance in all banking transactions.

Introduction of new investment products continued throughout the year, allowing customers, in the current low interest rate environment, to diversify their investments. To this end, in July 2019, First Investment Bank AD established a partnership with EI. Sturdza Strategic Management Limited for offering new mutual funds in the Bulgarian market. Based on the signed agreement, Fibank will offer four mutual funds denominated in euro and US dollars as follows:

- Strategic Europe Quality Fund – a mutual fund investing in European companies for retail investors. (Retail class).
- Strategic Global Quality Fund – a mutual fund investing in international companies for retail investors (Retail class).
- Via Smart-Equity US Fund – a mutual fund investing primarily in stocks of US companies for private investors (Private class).
- Via Smart-Equity World Fund – a mutual fund investing primarily in stocks of international companies for private investors (Private class).

The successful cooperation with Erste Asset Management, part of Erste Bank, Austria, also continues regarding the distribution of their mutual funds in Bulgaria to existing and potential customers of the Bank at designated locations in Sofia and the country.

Capital markets

As an investment intermediary and primary dealer of government securities, First Investment Bank deals with financial instruments in the country and abroad, incl. government securities, shares, corporate and municipal bonds, compensatory and money market instruments. The Bank also offers discretionary portfolio management, investment advice, as well as depository and custodian services for individuals and companies, including: keeping registers of investment intermediaries, securities accounts, income payments and servicing payments under transactions in financial instruments. As part of the Compliance function, a specialized unit “Compliance - Investment Services and Activities” operates in the Bank, which supervises and monitors compliance with the requirements related to the activity of First Investment Bank as an investment intermediary.

The Bank's activities are organized in accordance with the regulatory requirements stemming from the European legal framework in the area of financial markets - Directive 2014/65 / EU of the European Parliament and of the Council and 600/2014 of the European Parliament and of the Council on markets in financial instruments (MiFID2/MiFIR package), as well as in accordance with the requirements of the Markets in Financial Instruments Act, the regulations in the field of measures against market abuse of financial instruments and other applicable regulations.

In 2019, Fibank launched a project to introduce new technology solutions with a view to providing real-time remote access of the Bank's customers to trading platforms on regulated markets. The functionalities of the new system allow electronic placement orders for the purchase or sale of financial instruments, generating various types of reports and direct communication between clients and brokers.

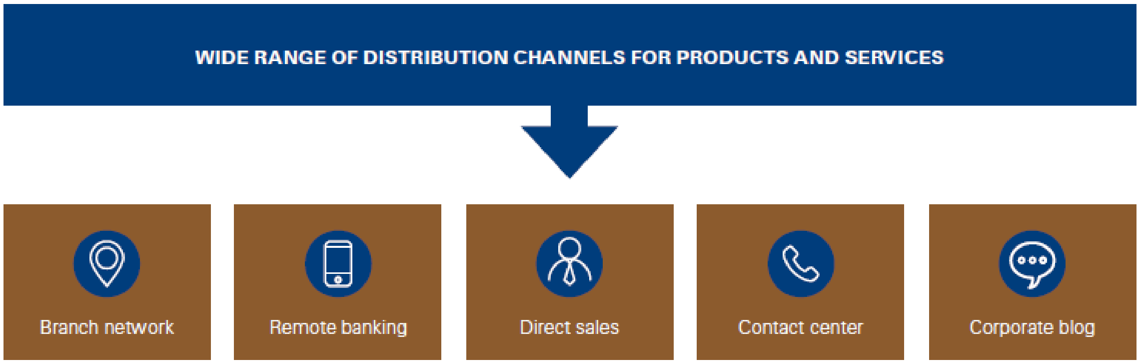
At the offices of First Investment Bank, registered with FSC, orders for subscription/ redemption of units of four mutual funds managed by FFBH Asset Management AD may be accepted - FIB Garant, FIB Classic, FIB Avangard and FFBH Vostok. Distribution of four mutual funds managed by Erste Asset Management (ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H): ERSTE Bond Euro Corporate, YOU INVEST Portfolio 30, ERSTE Stock Europe и ERSTE Stock Global, as well as mutual funds of E.I. Sturdza Strategic Management Limited: Strategic Europe Quality Fund, Strategic Global Quality Fund, Via Smart-Equity US Fund, Via Smart-Equity World Fund.

The Bank manages its own securities portfolio. With effect from 1 January 2018, First Investment Bank applies the new requirements on business models and criteria for classifying financial assets in the Bank's portfolios in accordance with IFRS 9, which, depending on the objective in managing financial assets, include: 1) a business model the purpose of which is to hold the assets in order to collect the contractual cash flows (hold to collect); 2) a business model that aims both to collect contractual cash flows and to sell financial assets (hold to collect and sell); 3) another business model, where the purpose is different from the previous two other business models, which also includes assets held for trading.

Distribution channels

Fibank's distribution channels are one of its most important competitive advantages. First Investment Bank maintains a wide range of distribution channels for the products and services offered, incl. well-developed branch network, electronic banking, direct sales, Contact Center and corporate blog, all of which are constantly improved in line with the current trends in banking sector, market conditions, technological development and customer needs.

Distribution channels for products and services



Branch network

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

In 2019, the Bank continued to optimize its branch network, taking into account the market environment, the workload of the locations and the volumes of activity. Twelve offices were closed during the year, three of which in Sofia and nine in the rest of the country, while a new one was opened in Sofia.

As at 31 December 2019, the branch network of First Investment Bank consisted of 158 branches and offices on a consolidated basis (2018: 168), which were located in more than 60 towns in Bulgaria: 51 locations in Sofia, 92 branches and offices in the rest of the country, one foreign branch in Nicosia, Cyprus, as well as a subsidiary bank in Albania, which operated a head office and 14 branches in Albania.

The branch network is structured according to a unified organizational model, both in Sofia and in the other cities in the country, with a view to effectively allocating budgetary goals, as well as enhancing attraction of new customers and cross sales. There are 27 branches in the country, and 5 functional branches are set up in the capital: Central, East, West, North and South, to each of which offices are attached on the basis of territorial location and business indicators.

As part of the activities for continuous improvement and optimization of work processes and operations carried out at the Bank's locations, efforts continued to reduce customer service time and speed up transactions which will contribute to an even better quality of service. In this respect, a branch digitalization project was started, aimed at installing new modern devices for digital services in the Bank's offices.

At the end of the year, a centralized back-office was launched in the Bank's system, the main purpose of which is to increase the efficiency in servicing the Bank's clients. The centralized back office performs activities related to the directing, distributing, processing and archiving of customer and payment documents, as well as to preparation of bank documents through a specially developed back office platform, integrated with the core IT system of the Bank.

The Bank's branches and offices in the country offer a full range of banking products and services to both individuals and business clients. In an effort to better meet customer demand, a large part of the branch network works with extended working hours as well as some offices are opened in the weekends.

The First Investment Bank branch in Nicosia, 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. Currently, the branch offers standard credit and savings products, payment services and electronic banking, with a focus on small and medium-sized enterprises and retail banking.

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

Contact Center

The Fibank Contact Center continues to function as an effective channel for communication and direct sales of targeted products and services. It also contributes to attracting new and retaining of existing customers by providing services in accordance with the Bank's established standards and business goals.

In pursuit of its strategic focus on high standards of customer service, over the years, Fibank has been focused on developing and diversifying its services through the Contact Center, in line with customer needs and new technologies. As a result, in 2019, a new campaign was launched to promote micro-enterprise credit products. Through the Contact Center, customers can also apply for credit and debit cards, for an overdraft on a debit card, or for a consumer loan.

It may also provide up-to-date and timely information on the Bank's products and services, tariffs and interest rates, location of branches and working hours, as well as adequate and professional assistance from employees in the event of any issues or difficulties. Clients are provided with the opportunity for real-time remote telephone, email and online chat via the Bank's corporate website.

Corporate website – www.fibank.bg

In 2019, First Investment Bank completely refurbished its corporate website, by upgrading and adding a number of new features. Among the priorities in the project was the improvement of the website and its transformation into an active channel for product communication and sales. The new functionalities provided an easy way to compare products and services offered, allowing customers to quickly select the ones that best meet their needs. Personalization of interface to different types of clients was one of the main innovations that Fibank introduced in its new corporate website. It can now be used to apply for credit cards, overdrafts or consumer loans online, as well as to communicate directly with an expert from the Bank

Corporate blog

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

The corporate blog presents a diverse range of social and corporate initiatives of the Bank, financial analysis 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 clients. It engages an open dialogue and customer feedback, thus enabling the Bank to examine the usability of products and services and customer satisfaction.

Apart from the blog, First Investment Bank continues to maintain active online real-time communication with clients and stakeholders through leading social networks - Facebook, LinkedIn, Instagram, Twitter, and You Tube.

Direct sales

First Investment Bank uses direct sales (on-site or at customer's premises) as an additional opportunity to distribute products and services, including comprehensive banking servicing of institutional and corporate clients.

Through direct sales, Fibank continues to attract new business customers from different market segments. This approach also helps to build long-term relationships with key customers, as well as to obtain direct feedback on Fibank's products and services.

The Corporate Sales and Public Procurement Department within the First Investment Bank system has considerable experience in preparation of 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

First Investment Bank has an integrated electronic banking platform called My Fibank, developed as a single customer service channel that is constantly evolving through upgrade and addition of new functionalities. The platform is integrated with the core Oracle Flexcube banking information environment, which provides a high level of system security, optimization and increased workflow efficiency, as well as increased productivity.

Through My Fibank electronic banking, clients can use both active and passive banking operations, depending on their needs and access rights to the system. As part of active banking, clients can open and close current and deposit accounts, make transfers in domestic and foreign currency, incl. mass transfers, utility payments, and currency exchange. As part of the passive banking, information on the availability and operations of bank accounts and/or payment cards is provided to clients. Information is also included on the branch network and ATM locations, as well as exchange rate information, news and current promotions.

In fulfillment of the requirements for strong customer identification (SCA), First Investment Bank provides the Fibank Token software token as a means of signature and identification in the electronic banking system, including two-factor verification and the use of QR code scanning technology.

Fibank has aligned its online banking with the regulatory framework by providing Third Party Providers (TPPs) with access to payment accounts kept by the Bank and available online for the provision of payment initiation and account information services.

In addition, using the PSD2 provisions to extend and integrate customer service, First Investment Bank made the new account information and payment initiation services introduced by PSD2 available to customers via the My Fibank mobile banking. For more information on open banking, see *Operations and Products-Other products and services of the Bank-Payment Services-Open Banking*.

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

My Fibank mobile application

The Bank's mobile application is part of My Fibank's electronic banking, providing remote access to the integrated platform through the use of a mobile device. The application is available to customers after installing from the online software stores designed for devices using the operating system (AppStore, Google Play).

By using the mobile application individuals can use the same active and passive transactions on the electronic platform with limits set in advance by the Bank or the client, and for business clients - the use of passive banking operations. In addition, through the innovative Digital Payments service developed by Fibank, through the mobile application, customers can use a digital bank card and thus make digital payments by using their mobile devices supporting NFC technology at POS terminals with contactless payments.

In 2019, innovations were made related to the requirements for strong customer identification (SCA). The My Fibank mobile application functionalities were further developed, including new biometric methods (fingerprint, facial recognition) for access to the electronic platform and authorizing transactions based on pre-determined limits, an option was provided to place orders for cash transactions via the application, etc.

Risk management

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

In 2019, the Bank operated in line with the adopted risk management strategy in accordance with the goals for its development and for further enhancement of the control mechanisms with respect to the risks inherent to its operations, including on the creation of additional capital and liquidity buffers, the maintenance of an effective control environment in relation to existing business processes, and the refining of the internal risk management framework in accordance with regulatory requirements and standards, incl. IFRS 9.

Risk management strategy

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

The Bank determines its risk propensity and risk tolerance levels so that they are consistent with its strategic goals and stable functioning. Fibank assumes risks when the required level of equity capital and an effective management process are provided. The Bank maintains financial resources commensurate with the volume and type of operations performed and with its risk profile by developing internal control systems and risk management mechanisms in accordance with the regulatory requirements and best practices.

Risk management framework

First Investment Bank's risk management framework includes automated systems, written policies, rules and procedures, mechanisms for identification, assessment, monitoring and risk control, as well as measures for reducing them. Its main underlying principles are: objectivity; double control of any operation; centralized management; separation of duties and responsibilities; independence; clearly defined levels of competence and authority; adequacy of internal banking requirements to the nature and volume of operations, effective internal audit and control mechanisms. The Bank complies with the requirements of the current legislation regarding 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, incl. on the recovery of all critical functions and resources.

Collective risk management bodies

The overall risk management process is carried out under the guidance of the Management Board of First Investment Bank. The Supervisory Board exercises control over the activities of the Management 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 the internal rules and procedures in force.

The Risk Committee advises the Supervisory Board and the Management Board on the overall current and future strategy with regard to compliance with risk policy and risk limits, the risk-taking propensity and the control of its implementation by senior management. As at the end of 2019, the Risk Committee was composed of three members of the Supervisory Board of First Investment Bank AD. Chairman of the Risk Committee is Mr. Jyrki Koskelo, an independent member of the Bank's Supervisory Board.

To support the activities of the Management Board for the management of various types of risk, the following collective bodies operate at the head office of the First Investment Bank: Credit Committee; Asset, liability and liquidity management committee (ALCO), Restructuring committee and Operational risk committee, which carry out their activities according to the written structure, scope of activities and functions.

Business Review of Subsidiary Companies

First Investment Bank – Albania sh.a.

First Investment Bank - Albania Sh.a. (Fibank Albania) obtained a full banking license from the Central Bank of Albania in July 2007, and since September 2007 has effectively taken over the activities of the former Fibank branch in Tirana, the latter operating in the market in Albania since 1999, by assuming all its rights and obligations, assets and liabilities. Fibank Albania has also been licensed by the Financial Supervisory Authority in Albania to provide investment services and activities, including: depository and custody services.

In line with its mission, First Investment Bank - Albania Sh.a. seeks to be among the fastest growing banks in Albania. It is recognized as an innovative credit institution offering excellent service and first-class products and services. It provides excellent career opportunities for its staff members and is socially engaged.

In 2019, First Investment Bank – Albania Sh.a. reported positive financial results and sustainable development while maintaining high standards of risk management and customer-oriented approach. For 2019, First Investment Bank - Albania Sh.a. reported a net profit of ALL[23] 482 481 thousand, with 20% growth YoY (2018: ALL 401 032 thousand) due to an increase in operating income by 21.9% to ALL 1 379 012 thousand (2018: ALL 1,151,057 thousand).

During the year, Fibank Albania's assets increased by 28.8% and reached ALL 31 722 865 thousand (2018: ALL 24 632 951 thousand) as a result of growth in receivables from customers and banking institutions and investments in securities. Gross loans to customers increased by 24.4% to ALL 15 322 577 thousand (2018: ALL 12 315 114 thousand), mainly driven by loans to individuals and households and in particular mortgage loans, as well as loans to small and medium-sized enterprises.

Attracted funds from clients increased by 27.8% to ALL 26 588 459 thousand at the end of the period (2018: ALL 20 807 370 thousand), as the growth was reported both for retail and corporate clients, supported by flexible savings products and current accounts offered by the Bank, as well as increased customer base.

[23] *The official rate of the Albanian lek against the euro at the end of 2019 was 121.77, and the average for the year was 123.06 ALL per euro.*

In April 2019, First Investment Bank – Albania Sh.a. issued subordinated term debt (long-term bonds) in the amount of EUR 2 000 thousand, under private placement, which was included in the Tier 2 capital of First Investment Bank - Albania Sh.a and of First Investment Bank AD on a consolidated basis. As at 31 December 2019, the amortized debt amount was ALL 245 495 thousand.

Fibank Albania maintains a stable liquidity and capital position, with a capital adequacy ratio at the end of the year amounting to 14.26%, with a minimum required level of 12% according to the applicable regulatory requirements in the country.

First Investment Bank - Albania Sh.a. is certified by Visa to offer debit and credit cards with a chip to individual and corporate clients and has in-house chip-personalization card center. Fibank Albania is constantly expanding its branch network and currently the total number of branches reaches 14.

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

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. In 2010, Diners Club Bulgaria was licensed by the Bulgarian National Bank as a payment institution to perform payment transactions using payment cards, as well as to issue and accept payments with payment instruments.

Over the years, Diners Club Bulgaria AD has worked consistently towards increasing the penetration of the Diners Club International brand into the local market by offering new services to cardholders and expanding the network of POS terminals for accepting payments with Diners Club card. The company has entered into partnerships with a number of financial institutions in Bulgaria, thus creating an opportunity for constant increase in the locations for carrying out payments with Diners Club cards.

For 2019, the company reported a net profit of BGN 41 thousand compared to BGN 438 thousand a year earlier. Such decrease was mainly due to the higher expenses and investments that the company made in order to meet the highest high security standards in card payments. Net operating income increased to BGN 3 132 thousand compared to BGN 2 903 thousand a year earlier, due to higher income from interest, commissions and other services.

Diners Club Bulgaria AD has a one-tier management structure consisting of a Board of Directors and Executive Management (Chief Executive Officer). Mr. Simeon Iliev, who has extensive experience in the card business, is the CEO and representative of Diners Club Bulgaria AD.

In May 2019, Diners Club Bulgaria was awarded the Best Small Franchise Award for 2018 by the DISCOVER Global Network. The prestigious distinction is recognition for the achieved results and successes in the development of Diners Club credit cards on the territory of the country and the achieved innovations, including EVOLVE, the new generation credit card combining two of the world's card payment brands (Diners Club and MasterCard) into one payment instrument.

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 was expanded to cover another type of risk - for various 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). The functions of compliance, internal control, and risk management have been established in the company.

The product range of the company includes insurance coverage designed for both individuals and business customers, primarily from the micro and SME segments. In 2019, FiHealth Insurance AD continued to develop its business by launching successful campaigns to offer new insurance products (FiHealth portfolio protection against bank card misuse, Peace of Mind with FiHealth, Occupational accident, FiHealth Protect offered with credit cards of the Bank, FiHealth Partner for individuals, etc.). The main focus of FiHealth Insurance AD activity, however, remained the group sickness insurance for corporate clients. New contracts were signed with companies employing over 500 staff, which contributed to an increase both in premium income and in customer base.

In 2019, Fi Health Insurance increased the amount of the premium income by 35 to BGN 7 369 thousand, compared to BGN 5 462 thousand in 2018. The net profit reported for the period amounted to BGN 832 thousand (2018: BGN 329 thousand). The company manages insurance risk through established limits, procedures for approval of submitted claims, and various methods of assessment and control.

The company's assets grew by 25%, to BGN 11 985 thousand at year-end (2018: BGN 9 612 thousand). The company allocates the relevant technical reserves according to the legal requirements and standards.

Material contracts

On December 17, 2019, First Investment Bank AD underwrote and subscribed under private placement terms a bond issue with ISIN code BG2100020192 for the purpose of subsequent placement on the secondary market. The bonds were issued by the company S. D. Group EAD, UIC 205942517. The issue was in the amount of 236 000 bonds, each bond with a face value of BGN 1 000. Fibank underwrote and subscribed the entire bond issue of BGN 236 000 000. The coupon rate on the bond is 5% per annum, payable every 12 months. The maturity date is December 17, 2026, the first principal payment taking place on December 17, 2023. The issue is secured by: (1) Pledge on all shares representing 100% of the capital of S. D. Group EAD; (2) Pledge on all receivables acquired by S. D. Group EAD on the basis of assignment agreements with telecommunication companies and credit institutions, as well as any receivables that S. D. Group EAD will acquire subsequently. At any time until the loan is fully repaid, the amount of receivables pledged to bondholders shall not be less than BGN 1,000,000,000 (one billion) at face value; and (3) Other financial collateral.

In the two years immediately preceding the date of this document there are no other material contracts, outside the contracts entered into in the ordinary course of business of Fibank and its subsidiaries, under which the Bank or its subsidiary are a party or any contracts engaging the Bank with an obligation or vesting it rights, which are material to the Bank or a subsidiary as of the date of this document.

Insurance coverage

The Bank maintains a consistent insurance policy regarding:

- real estate and office equipment;
- collateral insurance;
- motor and motor third party liability insurance;
- cash and securities held at the Bank's premises and kept in ATMs and transported by specialized vehicles;
- risks of fraudulent and malicious acts by third parties;
- life insurance of borrowers;
- life insurance for employees;
- credit insurance offered by different guarantee schemes covering credit risk;
- professional liability insurance;
- credit card insurance.

In recent years, insurance premiums have increased in line with increase in the value of insured assets. In 2019, the cost of insurance of the Bank reached BGN 3 085 thousand (2018: BGN 2 622 thousand, 2017: BGN 2 530 thousand, 2016: BGN 2 426 thousand).

Similar to the practice of other banks in Bulgaria, Fibank does not have insurance against loss as a result of business interruption.

Research and development, patents and licenses

Permits and licenses

First Investment Bank holds a banking license issued by the BNB under Decision No. 273 of September 14, 1995 of the Governing Council of the BNB. The license was updated in accordance with the requirements of the Law on Credit Institutions by Ordinance No. RD 22-2257 of November 16, 2009 of the BNB Governor. The license issued by the BNB also includes the right to carry out activities as an investment intermediary, for which the Bank is entered in the register kept by the Financial Supervision Commission with registration number RG-03-079. According to its license issued by the BNB, the Bank may perform all investment services and activities specified in the law.

First Investment Bank - Albania Sh.a. (Fibank Albania) holds a full banking license issued by the Central Bank of Albania - No.19 of July 6, 2007. In addition, Fibank Albania is also licensed by the Financial Regulator in Albania to provide investment services and activities, incl. depository and custody services.

The subsidiary company Diners Club Bulgaria has been licensed by the Bulgarian National Bank since 2010 as a payment institution to perform payment transactions through payment cards, and issue and accept payments with payment instruments. By a decision of the BNB Governing Council of July 4, 2019, the license of the company was supplemented with the services under Art. 4, item 3, letter “c” of the Law of Payment Services and Payment Systems, whereby according to the supplemented license Diners Club Bulgaria AD may provide also the payment services under Art. 4, item 4, letter "c" and item 5 of the Law of Payment Services and Payment Systems.

The subsidiary Fi Health Insurance AD is licensed by the Financial Supervision Commission (Decision No.431-OZ of June 13, 2013) to carry out insurance activities for the risks of accident and illness, covering the financial expenses related to medical care for outpatient medical treatment, hospital treatment, expenses for medical supplies and dental services, as well as compensation in the event of insured events as a result of an accident or illness. By a decision of the FSC of June 2018, the scope of the risks that Fi Health Insurance AD can insure has been expanded by "Miscellaneous financial losses".

Intellectual property

The Bank holds rights on the following trademarks:

A. Applicant First Investment Bank AD

Name/image	Reg. number	Application date	Type
	0003825Y	01.11.1994	Figurative
e-fibank.bg	00043975	29.08.2001	Word
EGO club	00049181	28.02.2003	Combined
Unionbank ТЪРГОВСКА БАНКА	00055517	14.09.2004	Combined
Unionbank COMMERCIAL BANK	00055518	14.09.2004	Combined
СПЕЦИАЛНО ЗА ТЕБ	00066125	16.11.2006	Text
ESPECIALLY FOR YOU	00066126	16.11.2006	Text
MKB Unionbank	00066999	16.11.2006	Combined
МКБ Юнионбанк	00067000	16.11.2006	Combined
m-fibank.bg	00076665	21.02.2007	Text
Fibank First Investment Bank	00076671	06.07.2009	Combined

Name/image	Reg. number	Application date	Type
Fibank Първа инвестиционна банка	00076672	06.07.2009	Combined
1 Най-добра българска фирма	00081850	15.02.2012	Combined
YES	00082958	23.05.2012	Combined
First Union Bank	00087763	12.09.2013	Text
Fibank 20 години Моята банка	00087869	12.09.2013	Combined
FiHealth Детски център "Слончо	00089150	18.02.2014	Text
Повече ОТлично	00089151	18.02.2014	Text
First Lady FASHION'S NIGHT OUT	00091148	06.10.2014	Combined
First Lady	00091147	06.10.2014	Combined
Private Fibank	00092433	04.11.2014	Text
Fibank private	00092434	04.11.2014	Text
10 години	00092676	27.07.2015	Combined

Name/image	Reg. number	Application date	Type
	00092986	05.09.2015	Figurative
Дари кръв	00097675	20.07.2016	Combined
Свободен депозит	00099806	07.02.2017	Text
Digital Me + Fibank Моята банка	00100929	08.02.2017	Combined
Digital Me Fibank Моята банка	00102834	08.02.2017	Combined
Бързата банка Fibank Моята банка	00099530	08.02.2017	Combined
Smart Lady	00102277	31.10.2017	Text
WOMEN IN BUSINESS First International Conference	00103392	26.02.2018	Combined
ЖЕНИТЕ В БИЗНЕСА Първа международна конференция	00103383	26.02.2018	Combined
Smart Lady	00103331	15.03.2018	Combined

Name/image	Reg. number	Application date	Type
Smart Lady Смарт Лейди Смарт Лейди	00103332	15.03.2018	Combined
Кредит Рестарт	00103701	21.03.2018	Text

B. Applicant Fi Health Insurance AD

Name/image	Reg. number	Application date	Type
FiHealth Здравноосигурителна каса FiHealth	00080039	28.01.2011	Combined
Спокойствие с FiHealth	00089867	03.12.2013	Text
FiHealthПротект	00090541	01.08.2014	Text

The Bank has registered the following card design:

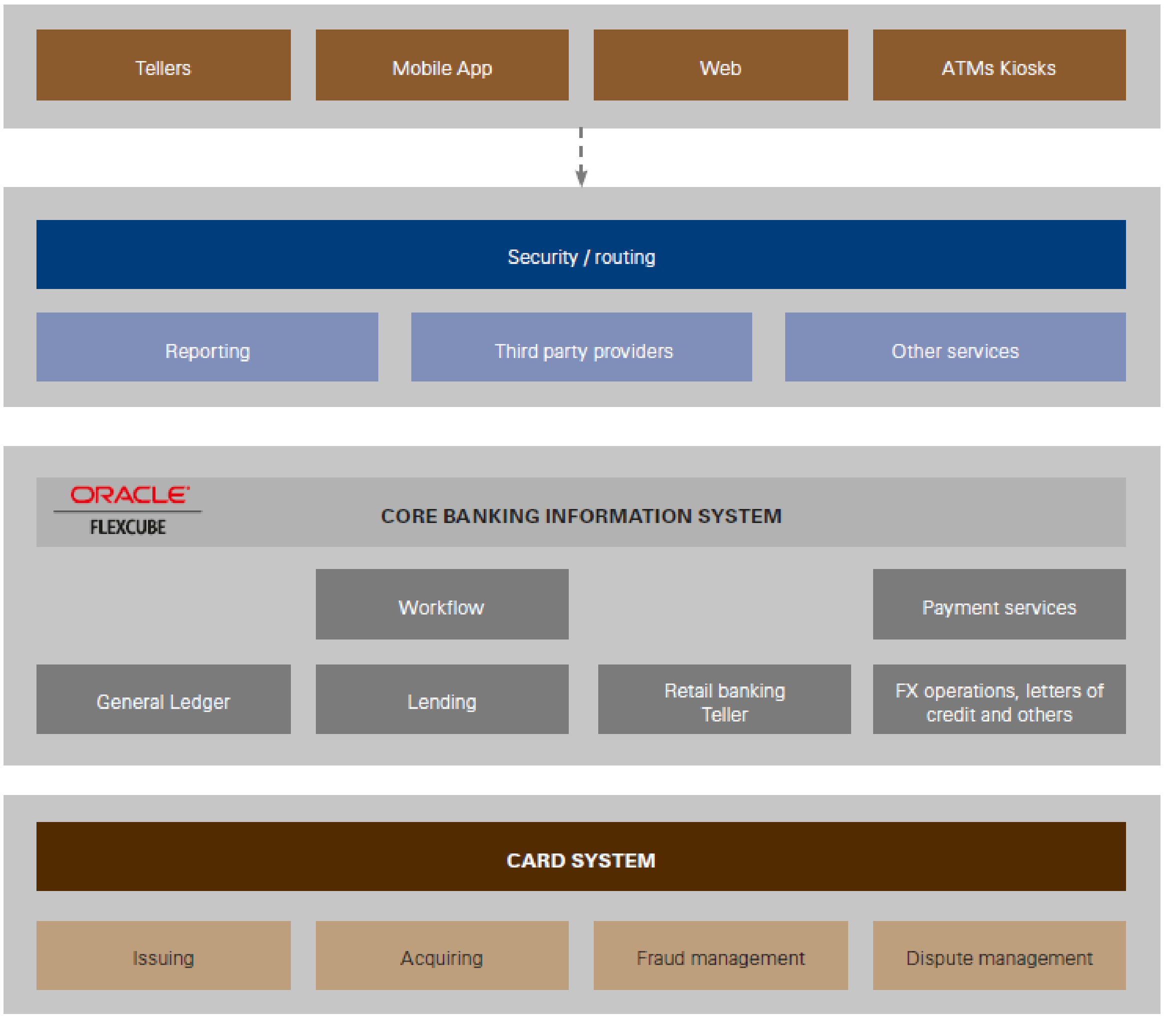
Name/image	Reg. number	Application date
Credit/debit card 	7703	23.04.2012

In view of the nature of its core business, the Bank does not carry out any research and development activities.

Information technologies

For First Investment Bank, the development of information technology and the maintenance of a modern infrastructure, information and technological environment has always been one of its strategic priorities. Over the years the Bank has systematically and purposefully invested in technologies in line with current banking trends, with the aim of offering innovative value-added products for customers and new multifunctional banking solutions.

Fibank continues to develop in this direction, consolidating its position among the most technological and innovative institutions on the Bulgarian banking market. In 2018, First Investment Bank successfully migrated its hardware platform to the latest generation of Oracle - Exadata X7-8, aiming at providing higher performance, optimization capabilities and better database management incl. the use of modern cloud-based IT architecture. These actions are a continuation of the larger-scale project to migrate the core banking information system to the highest version of Oracle Flexcube 12, successfully completed in 2017.



The Bank's core information system has universal modules for both retail banking, corporate and investment banking services, and an integrated Workflow document information system, which serves for processing and approval of credit applications, the receipt and registration of currency transfers and the authorization of others payment transactions. The system is built in compliance with all main risk control principles, including the principle of two-level control which is applicable in day-to-day banking.

Through its centralized and integrated IT infrastructure, Fibank's goals are to provide first-class service and a high level of security when executing banking transactions, as well as to maintain reliable databases, networks and systems to ensure continuity of service and key processes in the Bank. In the context of the increasing importance of digitalization in banking, Fibank has renewed its virtualization environment, incl. in order to provide opportunity for new digital services.

Technical support was provided for the implementation of projects for upgrade and introduction of innovative services and new functionalities - new My deposit electronic deposit as well as Fibank Token software in the Bank's electronic banking system; new cash-in service through an ATM, as well as technical implementation of the new credit and savings products, banking programs and packages launched during the period, and other projects related to the introduction of new regulations, incl. IFRS 9, GDPR, MiFID2/ MiFIR, PSD2.

In connection with the payment services, changes were also made in the business processes concerning payments in Euros executed through EBA Clearing, the SWIFT service for foreign currency payments, as well as for BGN payments through the RINGS system. In September 2019, a project for monitoring cross-border payments through the SWIFT global payments innovation (gpi) platform was finalized. The Bank's change management processes were improved, as well as enhanced monitoring in project management and development, incl. those related to information technology.

In 2019, in connection with services for initiation of payments and providing account information, the launch of the Bank's API portal in a production environment based on the Berlin Group standards and BISTRA national standard enabling Third Party Providers (TPPs) was technically secured to provide PSD2 based services.

In pursuit of its strategy and in future, First Investment Bank will continue to develop its systems and infrastructure in order to implement high-tech solutions that enable customers to bank from anywhere in the world and at any time, and to endeavor to be among the most innovative and customer-oriented institutions on the Bulgarian market.

Significant fixed tangible and intangible assets

The main tangible assets of the Bank are land and buildings, improvements of leased assets, assets under construction, plant and equipment, transport vehicles. The Bank's activities are highly dependent on these assets and most of the capital expenditures are related to their maintenance and development.

The carrying amount of fixed tangible and intangible assets as at 31 December 2019 was as follows:

(BGN thousand)	**2019**
Property, plant and equipment	
Land and buildings	16 930
Plant and equipment	23 010
Transport vehicles	376
Assets under construction	15 870
Improvements of leased assets	25 552
Balance at the end of the period	**81 738**
Intangible assets	
Software products and licenses	12 086
Goodwill	540
Balance at the end of the period	**12 626**

Source: Audited Annual Financial Report for 2019; Fibank

As of 31.12.2019 , the Bank had fixed assets with a carrying amount of BGN 81 738 thousand. The largest share (31.3% or BGN 25 552 thousand) was formed by the improvements of the leased assets due to the fact that the main part of the branch network and offices of the Bank are rented. Next in significance are machinery and equipment with a carrying amount of BGN 23,010 thousand, forming 28.2% of total tangible assets, followed by land and buildings (20.7% of total tangible assets). The fourth largest group are assets under construction (BGN 15,870 thousand) or 19.4% of the total. Assets pending commissioning are included in this item.

In the ordinary course of business, the Bank mainly uses rented properties for offices and bank branches. As at 31.12.2019, lease obligations for these properties amounted to BGN 159 663 thousand for the period of the lease agreements.

The largest rented properties used by the Bank in its normal operations are shown in the table below:

	Name	Address	Area, sq.m.
1	Bulgaria	81G, Bulgaria Blvd., Sofia	8 701
2	Dragan Tsankov	37, Dragan Tsankov Blvd., Sofia	6 446
3	Kostenets archive	14, Konstantin Kostenechki Sq., village of Kostenets, Sofia region	2 731
4	Vidin	17, Gradinska Str., Vidin	1 182
5	National Theatre	7, DyakonIgnatii Str., 1st and 2nd floor, Sofia	1 148
6	Ruse	11, RaykoDaskalov Str., Ruse	1 019
7	Burgas	58, Aleksandrovska Str., Burgas	971
8	Vitosha	4, ParvanToshev Str., Sofia	943
9	Stara Zagora	104, Tsar Simeon Veliki Blvd., Stara Zagora	838
10	Plovdiv	95, Maritsa Bvld., Plovdiv	750

Source: Fibank

There are no known environmental issues that may affect the use of the tangible fixed assets by the Issuer.

The main intangible assets of the Bank are software products, which account for 95.7% of the total balance of intangible assets. For more information, see *"Review of Business - Intellectual Property"*.

In the ordinary course of business, the Bank acquires tangible and intangible fixed assets as a result of foreclosure on non-performing loans.

The carrying amount of assets acquired as collateral as at 31 December 2019 was as follows:

(BGN thousand)	**2019**
Assets acquired as collateral	
Land	470 774
Buildings	209 088
Machinery, equipment and vehicles	35 467
Inventory	800
Total assets acquired as collateral	**716 129**

Source: Audited Annual Financial Report for 2019; Fibank

As of 31.12.2019, the Group had assets acquired as collateral with a total carrying amount of BGN 716 129 thousand. The value of land had the largest share (65.7% of the total amount) or BGN 470 774 thousand. Buildings (29.2% of the total amount) ranked second in value (BGN 209 088 thousand) and machines, equipment and vehicles forming 5% of the total value ranked third. For more information, see *"Operational and Financial Review - Assets Acquired as Collateral"*.

In 2015, the Bank began reporting on a new class of assets - investment properties, including land and buildings, to generate rental yields and report current market values. These properties were previously held as assets acquired as collateral. The carrying value of the investment properties as of 31.12.2019 was BGN 410 511 thousand. For more information, see *“Operational and Financial Overview - Investment Properties”*.

The Bank provides financing in the form of a financial lease whereby the lessor remains the owner of the asset until the last installment has been paid. In this regard, the following table shows the amount of financial lease receivables as at 31 December 2019:

(BGN thousand)	**2019**
Receivables under financial lease, gross	379 350

Source: Audited Annual Financial Report for 2019; Fibank

As of 31.12.2019, the Group had financial lease receivables of BGN 379 350 thousand. The major part of these receivables was formed as a result of the financial lease transaction of a significant part of the former Kremikovtsi Steel Mill site to an international investor - a subsidiary of Soravia Real Estate Developers GmbH, part of the Austrian economic group, which was realized at the end of 2018.

Legal, administrative and arbitration proceedings

The Bank is a defendant in various legal proceedings arising from the Bank's normal business activities and such arising in the course of the enforcement of the Bank's claims against defaulting debtors. The Bank is not, and has not been, a defendant in other court or arbitration proceedings that may or have had, over the last 12 months preceding the date of this document, a material impact on the Bank's and or Group’s financial position or profitability, and does not expect any future claims against the Bank, which could be material to the financial position and profitability of the Bank and/or the Group.

Employees

As of the date of the Prospectus, the Group had 2 828 full-time employees.

The dynamics over the last 3 years and at the date of the Prospectus was as follows:

Number of staff	**2017**	**2018**	**2019**	**As of the date of the Prospectus**
Employees at the end of the period*	3 226	3 185	2 825	2 828

**According to the Bank's annual consolidated (audited) financial statements for the corresponding financial year and as of the date of the Prospectus; the figure does not include part-time/project and/or temporary staff*
Source: Fibank

Below is a breakdown of the number of employees at the end of the period by main activity categories:

Number of staff	**2017**	**2018**	**2019**	**As of the date of the Prospectus**
Business units	1 995	2 050	2 014	2 038
Support units	1 231	1 135	811	790

Source: Fibank

Below is a breakdown of the number of employees at the end of the period by geographical location:

Number of staff	**2017**	**2018**	**2019**	**As of the date of the Prospectus**
Headquarters	1 595	1 146	1 019	1 016
Sofia branches*	n/a	433	463	465
Branches in the country	1 449	1 379	1 075	1 078
Cyprus branch	6	8	15	15
Other subsidiaries in Bulgaria (according to the scope of consolidation during the respective financial year)	32	36	35	35
Fibank Albania	143	183	218	219

**These are not branches within the meaning of the Commercial Act, but structural units*
Source: Fibank

The Bank employs part-time employees/ project and/or temporary staff. The average number of such employees in 2019 was 90.

For the shareholding participation of the members of the Management and Supervisory Boards in the capital of the Bank, please see: *„Management and Corporate Governance - Information on the shareholding and any options for such shares in the Company of each of the members of the MB and the SB as at the date of the Prospectus“.*

As of the date of this Prospectus there were no arrangements for participation of employees in the capital of the Bank.

9. REVIEW OF SECTOR

Bulgarian economy[24]

The Bank's activity development is related to the general macroeconomic trends in Bulgaria.

Basic macroeconomic indicators for Bulgaria	2015	2016	2017	2018	2019
Gross domestic product, BGN mln	89 333	95 092	102 308	109 695	118 669
GDP annual real growth rate, %	4.0	3.8	3.5	3.1	3.4
Harmonized index of consumer prices, annual change, %	-0.90%	-0.50%	1.80%	2.30%	3.10%
Unemployment, average for the year, %	9.10%	7.60%	6.20%	5.20%	4.30%
Average monthly wages and salaries, BGN	878	948	1 037	1 146	1 274
GDP per capita, BGN	12 445	13 341	14 459	15 615	n.a.
Budget (deficit)/surplus, BGN mln	-1 532	85	1 120	1 921	-1 148
Budget (deficit)/surplus, % of GDP	-1.70%	0.10%	1.10%	1.80%	-0.97%
Base interest rate	0.01	0	0	0	0
Gross external debt,% of GDP	74.10%	71.30%	65.40%	59.10%	56.20%
Current account (deficit)/surplus,% of GDP	0.10%	3.20%	3.50%	5.40%	9.70%
Foreign direct investment,% of GDP	4.40%	1.90%	3.10%	1.00%	1.00%
Foreign direct investment, EUR mln	2 001	927	1 619	537	630
BGN exchange rate against EUR	Fixed rate of 1.95583 BGN for 1 EUR				
BGN exchange rate against USD , end of period	1.79	1.86	1.63	1.71	1.74

The table below summarizes the current long-term rating of the Republic of Bulgaria in foreign currency, as determined by the specialized international rating agencies.

Rating agency	Long-term rating	Perspective	Change
Moody's	Baa2	Positive	30 August 2019
Standard&Poor's	BBB	Positive	29 November 2019
Fitch	BBB	Positive	21 February 2020

Gross domestic product

During the 2004 – 2008 period, Bulgarian economy was characterized by stable real growth rate of about 6% annually, driven mainly by the significant inflow of capital from abroad. These flows, targeting mainly the banking and real estate sectors, stimulated both private consumption and business investment. Higher demand for consumer and investment goods led to an increase in the current account deficit. At the same time, economic growth led to a labor shortage and an increase in wages, which, combined with already higher food and fuel prices, spurred inflation.

The global financial crisis (2008-2012) has predetermined investors' reluctance to take risks. As a result, capital inflows declined in 2009 and Bulgarian economy entered a period of recession. The decline in foreign direct investment (FDI) was accompanied by a rapid deterioration in export earnings as international demand slowed down. The economy responded automatically by shrinking the current

[24] *Statistical data from the Bulgarian National Bank, National Statistical Institute, Ministry of Finance were used as sources for the preparation of the section "Bulgarian Economy"*

account deficit and reducing inflation. Economic activity shrank, but in 2010 it started advancing again with a 0.6% real annual growth rate. The main driver of this economic turnaround was the steady improvement in exports, while domestic demand remained low (+0.7% YoY).

For the 2011-2014 period, Bulgarian economy maintained its positive direction of development, despite slower growth rates. The latter was mainly due to the overall economic climate and uncertainty in Europe, caused by the Eurozone debt crisis. As a result, GDP grew steadily over the period and reached BGN 83.9 billion in 2014. In 2015 and 2016, positive trends continued and improved, with GDP (current prices) growing 4.0% and 3.8% YoY, respectively, to BGN 89.3 and 95.1 billion. , net imports turning in net exports and domestic demand continued increasing.

In line with the overall situation in Europe, real annual GDP growth rate in 2017 and 2018 slightly decelerated to 3.5% and 3.1% YoY, respectively, but remained above the European average. In 2019, economic growth accelerated again to 3.4% and GDP in 2019 reached BGN 118.7 billion at current prices. In all three years, domestic demand was the main driver, expanding at increasing rates: 3.9%, 4.6% and 5.7%, respectively.

The leading sector in 2019 gross value added composition was that of services, with a share of 68.9% (+3% YoY). In 2019, industry (26.4% of GVA) and agriculture (4.8% of GVA) also significantly improved their performance after the downturns recorded in 2018, by 2.7% and 3% respectively.

Inflation

After a long period of deflation in Bulgaria, driven mainly by the fall in international oil and natural gas prices, the trend started to reverse in 2017 due to the significant upturn in economic activity. The harmonized index of consumer prices reported annual growth of 1.8% for the first time since 2012. Price growth continued to accelerate in 2018 and 2019, reaching 3.1% YoY at the end of December last year. The most significant increases were reported in food prices (6.5%) and restaurant and hotel services (5.2%), while a drop in prices was only reported in communications (-3.1%). Inflation continued to rise in 2020. In February it reached 3.1%, with food prices rising by 6.5%, restaurant and hotel services by 5.0%, and transport prices increasing by 2.6% compared to February 2019.

Employment

Unemployment caused by the financial crisis (2008-2012) was one of the major problems for global economy, and this issue was particularly grave for Bulgaria. However, since the end of 2013, employment in the country has registered a steady improvement, with the economic activity of the population and labor productivity also increasing. According to Eurostat data, from its peak of 13% 6 years ago, at the end of 2019, unemployment dropped to 4.5% (-20 basis points compared to the end of 2018), against 6.4% average for the European Union (EU-28). Registered unemployed at the end of 2019 were by 36% less than three years earlier and continue to decline, albeit at a lower rate due to unemployment approaching its structural minimum. The number of registered unemployed at the end of February was 202 500, a decrease by 1.4% compared to the previous month. Following the declaration of a state of emergency on March 13, the number of newly registered unemployed increased significantly, by 72,000 until April 10, according to the social ministry.

Balance of payments

The country's balance of payments shows positive trends, the most significant of which is the switch in the current account to surplus, with billions in deficits in the years before the crisis. At the end of 2019, the current account of the balance of payments reported a surplus of EUR 5.9 billion, almost 2 times higher than in 2018, mainly due to a significant improvement in the balance of payments - by EUR 1.7 billion to a near-zero balance (-128 million EUR). In services, the improvement was more moderate, up 13% to a surplus of EUR 4 billion. The capital account ended the period with a surplus of EUR 954.1 million, up

59% from a year earlier. Growth in financial account assets (by 64% to BGN 4.4 billion) continued to play a major role for the positive balance of this account of EUR 4.1 billion at the end of the year (116% compared to 2018). The main reason for that was the growth of investments in foreign securities and foreign currency.

Public finances

The fiscal discipline of the Bulgarian government is one of the most positive features of the country's economy. For the 2009-2013 period, Bulgaria was one of the few countries that managed to narrow its budget deficit below 5% in 2009 and maintain it below 3% in the coming years. As of 2016, the budget even came to a surplus of BGN 1.5 billion - the first budget surplus for the country since 2008. The trend was kept in the following years as they both ended with a surplus: in 2017 it was BGN 845.2 million or 0.8% of GDP, and in 2018 - BGN 137 million or 0.1% of projected GDP.

The positive balance during the period was mainly due to higher revenues, because of the good performance of the country's economy and the higher tax collection.

In 2019, the consolidated fiscal program registered a deficit of BGN 1.15 billion, 1% of GDP, despite a 11% increase in government treasury revenue to BGN 44 billion. The reason for the deficit was mainly in capital expenditures, which increased by 42 % to BGN 7.5 billion due to higher government spending on defense and infrastructure projects in the second half of the year.

According to preliminary data and estimates, the budget as of March 2020 again reported a surplus of BGN 1 274.8 million. On April 9, 2020, the Law on Amendments to the State Budget was promulgated. According to the amendment, the state budget is projected to register a deficit of BGN 3 451.5 million in 2020, compared to a surplus of BGN 62.4 million in the original budget version. The maximum amount of new government debt that can be assumed under the Government Debt Act was also increased from BGN 2.2 billion to BGN 10 billion. Accordingly, the maximum amount of government debt as at end of 2020 was increased from BGN 23.1 billion to BGN 31.5 billion.

Indebtedness

Over the last 10 years, Bulgaria has consistently been among the countries with the lowest government debt in the EU. By the end of 2019, the total government debt (including government-guaranteed debt) was EUR 12 billion, virtually unchanged from the end of 2018. Bulgaria continued to report low levels of return and to rank third in debt-to-GDP ratio in the EU, after Estonia and Luxembourg. The debt-to-GDP ratio for 2019 was 19.8% (21.8% at the end of 2018) and by the end of February 2020 it had fallen to 18.6%.

Banking sector in Bulgaria

As of 31.12.2019 there were 24 banks and branches of foreign banks operating in Bulgaria. Total assets of the banking system amounted to BGN 114.2 billion, which represented a 8.2% increase YoY. Asset growth in the banking system was 7.9% in 2018, higher than the 6.2% growth in 2017, mainly due to the acceleration in lending.

Total assets of banks in Bulgaria

Amounts in BGN thousand	2017	2018	2019
Unicredit Bulbank	19 096 088	19 413 598	21 639 060
DSK Bank	12 150 118	14 453 795	15 901 622
UBB	7 349 661	11 270 399	12 172 143
Eurobank Bulgaria	7 421 473	8 207 481	11 185 731
Fibank	**8 642 557**	**9 311 723**	**10 055 776**
Raiffeisenbank	6 997 363	7 777 359	8 817 858
Expressbank	6 430 308	6 429 310	6 343 310
Central Cooperative Bank	5 411 304	5 614 481	6 106 231
Piraeus Bank Bulgaria	3 036 835	2 912 920	
Bulgarian Development Bank	2 471 136	3 023 793	3 173 535
Allianz Bank Bulgaria	2 559 752	2 755 098	2 884 167
ProCredit Bank	1 964 114	2 164 437	2 498 188
Municipal Bank	1 510 465	1 892 870	2 045 598
Investbank	1 981 981	2 121 010	1 898 475
Bulgarian-American Credit Bank	1 240 136	1 420 311	1 670 532
International Asset Bank	1 372 046	1 438 916	1 547 567
D Commerce Bank	758 856	832 583	1 017 808
Citibank Europe - Bulgaria Branch	855 577	799 868	996 329
ING Bank – Sofia Branch	671 071	742 981	923 265
TBI Bank	686 740	741 913	876 911
BNP Paribas - Sofia Branch	735 981	795 566	817 148
BNP Paribas Personal Finance SA - Bulgaria Branch		615 379	727 782
Tokuda Bank	388 039	402 569	392 941
Texim Bank	220 005	301 649	363 236
T.C. Ziraat Bankasi – Sofia Branch	113 401	116 610	145 928
Total for the sector	**97 807 844**	**105 556 619**	**114 201 141**

** Assets of Cibank, Victoria Commercial Bank and Isbank - Sofia Branch are included in the 2017 amount of assets*
Source: BNB; The differences in the data with that contained in the financial statements are due to the specific reporting forms of BNB; Apart from that BNB data is unconsolidated

During that period, concentration in the banking system increased as a result of completed acquisition transactions and thus the five largest banks held 62.1% of total assets of the banking system. This figure was 59.4% and 55.9% at the end of 2018 and 2017, respectively.

The share of locally owned banks in the total assets of the banking system at the end of 2019 decreased to 21.7% from 22.0% at the end of 2018. The share of subsidiaries of EU banks remained 72.1%, the share of foreign bank branches increased by 3.2% from 2.9% a year earlier, and that of other banks remained at 3%.

At the end of 2019, Fibank ranked fifth in terms of assets in the banking system in Bulgaria, with a share of 8.8%, down from fourth in 2018, as a result of the merger of Eurobank Bulgaria AD and Piraeus Bank Bulgaria AD in November 2019. In 2018, the Bank also stepped down from its 2017 third position, as a result of the merger of United Bulgarian Bank AD and Cibank EAD.

Market share of banks in Bulgaria (% of total assets)

	2017	2018	2019
Unicredit Bulbank	19.5%	18.4%	18.9%
DSK Bank	12.4%	13.7%	13.9%
UBB	7.5%	10.7%	10.7%
Eurobank Bulgaria	7.6%	7.8%	9.8%
Fibank	**8.8%**	**8.8%**	**8.8%**
Raiffeisenbank	7.2%	7.4%	7.7%
Expressbank	6.6%	6.1%	5.6%
Central Cooperative Bank	5.5%	5.3%	5.3%
Piraeus Bank Bulgaria	3.1%	2.8%	0.0%
Bulgarian Development Bank	2.5%	2.9%	2.8%
Allianz Bank Bulgaria	2.6%	2.6%	2.5%
ProCredit Bank	2.0%	2.1%	2.2%
Municipal Bank	1.5%	1.8%	1.8%
Investbank	2.0%	2.0%	1.7%
Bulgarian-American Credit Bank	1.3%	1.3%	1.5%
International Asset Bank	1.4%	1.4%	1.4%
D Commerce Bank	0.8%	0.8%	0.9%
Citibank Europe - Bulgaria Branch	0.9%	0.8%	0.9%
ING Bank – Sofia Branch	0.7%	0.7%	0.8%
TBI Bank	0.7%	0.7%	0.8%
BNP Paribas - Sofia Branch	0.8%	0.8%	0.7%
BNP Paribas Personal Finance SA - Bulgaria Branch	0.0%	0.6%	0.6%
Tokuda Bank	0.4%	0.4%	0.3%
Texim Bank	0.2%	0.3%	0.3%
T.C. Ziraat Bankasi – Sofia Branch	0.1%	0.1%	0.1%

Source: BNB; The differences in the data with that contained in the financial statements are due to the specific reporting forms of BNB; Apart from that BNB data is unconsolidated

The gross loan portfolio of the banking system amounted to BGN 94.4 billion at the end of 2019, compared to BGN 89.0 billion at the end of 2018 and BGN 81.5 billion at the end of 2017. Over the last 2 years, a strong growth was observed in corporate and retail loans by 5.2% and 11.6% for 2018 and 4.9% and 9.6% for 2019, respectively, driven by the good performance of the Bulgarian economy.

Structure of gross loans and advances of the banking system

Amounts in BGN thousand	2017	2018	2019
Central banks	14 012 462	15 349 806	13 469 256
State Governance sector	604 299	741 199	932 642
Credit institutions	11 451 448	12 765 896	14 687 448
Other financial institutions	2 530 322	3 220 084	4 594 445
Corporate loans	33 160 417	34 871 435	36 572 986
Loans to individuals, incl.	19 788 604	22 075 378	24 193 012
Mortgage loans	9 460 270	10 906 245	12 486 585
Consumer loans	9 151 462	10 332 669	12 427 283
Total for the sector	**81 547 552**	**89 023 798**	**94 449 789**

Source: BNB

The quality of the Bulgarian banking system's credit portfolio has been improving over the last few years, with non-performing loans to non-financial corporations and individuals over 90 days past due reaching BGN 3.9 billion or 5.9% of the total. At the same time, the level of coverage with provisions improved over the last three years to 77.4% in 2017, 89.9% in 2018 and 91.8% at the end of 2019.

Non-performing loans and accumulated impairment of loans to non-financial corporations and individuals

% of gross loan portfolio	2017	2018	2019
Non-performing loans 90+ days	10.1%	7.5%	5.9%
Loan coverage 90+ days	77.4%	89.9%	91.8%

Source: BNB

According to BNB consolidated data as of 31 December 2019, the top 10 banks accounted for 87.7% of the gross loans portfolio to non-financial corporations and individuals. Due to its strong focus on lending services, Fibank ranked fourth in total lending to individuals and non-financial institutions with a 10% share at the end 2019. The ranking of the Bank changed from third position at the end of 2018, as a result of the merger of Eurobank Bulgaria AD and Piraeus Bank Bulgaria AD. In 2018, there was no change in the ranking of Fibank despite the merger of United Bulgarian Bank AD and Cibank EAD.

Total loans to non-financial corporations and individuals - top 10 banks

Amounts in BGN thousand	**2017**	**2018**	**2019**
Unicredit Bulbank	9 097 666	9 371 063	9 945 437
DSK Bank	7 345 709	8 052 488	8 818 578
Eurobank Bulgaria	5 137 540	5 562 744	7 329 421
Fibank	**5 509 005**	**6 166 861**	**6 172 852**
UBB	3 820 606	5 479 906	5 983 374
Raiffeisenbank	4 216 961	4 805 959	5 551 526
Expressbank	3 843 689	4 057 336	3 873 906
Central Cooperative Bank	2 262 171	2 446 306	2 671 308
Bulgarian Development Bank	1 514 915	1 556 751	1 880 348
ProCredit Bank	1 449 434	1 641 705	1 851 381
Total for the sector	**53 553 320**	**57 688 012**	**61 698 640**
Market share			
Unicredit Bulbank	17.0%	16.2%	16.1%
DSK Bank	13.7%	14.0%	14.3%
Eurobank Bulgaria	9.6%	9.6%	11.9%
Fibank	**10.3%**	**10.7%**	**10.0%**
UBB	7.1%	9.5%	9.7%
Raiffeisenbank	7.9%	8.3%	9.0%
Expressbank	7.2%	7.0%	6.3%
Central Cooperative Bank	4.2%	4.2%	4.3%
Bulgarian Development Bank	2.8%	2.7%	3.0%
ProCredit Bank	2.7%	2.8%	3.0%

** Data for UBB for 2016 and 2017 do not include data for Cibank, Data for Eurobank Bulgaria for 2017 and 2018 do not include data for Piraeus Bank Bulgaria*

Source: BNB; The differences in the data with those contained in the financial statements are due to the specific reporting forms of BNB; Apart from that BNB data is unconsolidated

In 2019, deposits in the banking system increased by BGN 7.5 billion (+8.4%) to BGN 97.2 billion. Deposit growth in 2018 was 7.2% - an improvement compared to the 6.5% increase reported in 2017.

The largest increase in 2019 was reported in retail deposits, which grew by BGN 4.2 billion (+7.9%) YoY, accounting for 59.3% of the total deposits in the banking system.

Structure of deposits in the banking system

Amounts in BGN thousand	**2017**	**2018**	**2019**
Central banks	0	0	0
State Governance sector	1 988 208	2 696 635	2 665 018
Credit institutions	5 301 371	5 132 562	5 358 464
Other financial institutions	2 772 082	3 213 474	3 422 053
Corporate	24 189 788	25 277 991	28 150 012
Retail	49 455 807	53 383 239	57 616 147
Total for the sector	**83 707 256**	**89 703 901**	**97 211 694**

Source: BNB

According to unconsolidated data of BNB, as at 31 December 2019, the top 10 banks accounted for 87% of deposits from individuals and non-banking institutions. Fibank ranked fourth, with a 9.5% share at the end of 2019. The position has not changed since the end of 2018 while it fell one place down when compared to the end of 2017 as a result of the merger between UBB and Cibank.

Total deposits to non-banking institutions and individuals - top 10 banks

Amounts in BGN thousand	**2017**	**2018**	**2019**
Unicredit Bulbank	15 520 709	15 808 075	17 664 572
DSK Bank	10 291 120	11 552 178	12 673 063
Eurobank Bulgaria	6 084 131	6 814 253	9 445 869
Fibank	**7 411 709**	**8 094 965**	**8 757 750**
UBB	5 893 632	8 172 485	8 748 997
Raiffeisenbank	5 391 512	6 214 302	7 258 722
Central Cooperative Bank	4 859 125	5 013 762	5 421 192
Expressbank	5 234 032	5 300 622	5 276 713
Allianz Bank Bulgaria	2 291 229	2 477 585	2 594 487
ProCredit Bank	1 465 974	1 656 448	2 051 815
Total for the sector	**78 405 885**	**84 571 339**	**91 853 230**
Market share			
Unicredit Bulbank	19.8%	18.7%	19.2%
DSK Bank	13.1%	13.7%	13.8%
Eurobank Bulgaria	7.8%	8.1%	10.3%
Fibank	**9.5%**	**9.6%**	**9.5%**
UBB	7.5%	9.7%	9.5%
Raiffeisenbank	6.9%	7.3%	7.9%
Central Cooperative Bank	6.2%	5.9%	5.9%
Expressbank	6.7%	6.3%	5.7%
Allianz Bank Bulgaria	2.9%	2.9%	2.8%
ProCredit Bank	1.9%	2.0%	2.2%

** Data for UBB for 2016 and 2017 do not include data for Cibank, Data for Eurobank Bulgaria for 2017 and 2018 do not include data for Piraeus Bank Bulgaria*

Source: BNB; The differences in the data with those contained in the financial statements are due to the specific reporting forms of BNB; Apart from that BNB data is unconsolidated

As at 31 December 2019, the capital adequacy of the banking system remained stable and well above the regulatory requirements for 14.75% total capital adequacy. In order to preserve the banking sector's resilience to risk materialization, the BNB Governing Council has decided to gradually increase the countercyclical capital buffer rate applicable to credit risk exposures in Bulgaria from 0% to 0.5%, effective from October 1, 2019,at 1%, effective April 1, 2020 and at 1.5%, effective January 1, 2021. At the end of December 2019, the regulatory capital of the banking system amounted to BGN 13.2 billion, compared to BGN 11.6 billion at the end of 2018, with a total capital adequacy ratio of 20.16%.

The net profit of the banking system in 2019 remained unchanged from a year earlier, while the achieved growth in the system's net profit in 2018 was 42.9% to BGN 1.68 billion.

Capital adequacy and profit of the banking system [(1)]

	2017	2018	2019
Net profit (BGN thousand)	1 174 048	1 677 846	1 674 983
CET1 capital	20.41%	18.99%	19.04%
Tier 1 capital	20.86%	19.41%	19.50%
Total capital adequacy	22.08%	20.38%	20.16%

(1) Branches of foreign banks are excluded from the calculation of capital adequacy
Source: BNB

Banking supervision and regulation of banking activities

General provisions

Reliable and effective banking supervision, together with adequate macroeconomic policies, is crucial to the financial stability of any country. Regulation and supervision of credit institutions in the Republic of Bulgaria is one of the main functions of BNB, which aims at maintaining the stability of the banking system and protecting the interests of depositors.

Bulgarian banking system is subject to the international regulatory framework - Basel III in the European Union through the introduction of Regulation and Capital Requirements Directive. The Capital Requirements Regulation (Regulation No. 575/2013/EU on prudential requirements for credit institutions and investment firms and amending Regulation No. 648/2012/EU) is directly applicable to Member States, while the Capital Requirements Directive (Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC) has been transposed into the national legislation through the Credit Institutions Act and its implementing acts, which form the national legal framework governing access rules for credit institutions and investment firms, as well as the supervisory framework and prudential rules applicable to them. The activities of credit institutions are also regulated by regulations adopted by the European Parliament and the Council, as well as by delegated regulations of the European Commission, which are part of a European legal framework directly applicable to Bulgaria. These regulations are binding and should be applied in their entirety in all EU countries. Their implementation is monitored by both BNB and the official European institutions (EBA, the Commission, etc.). The consistent application of legally binding EU acts, the establishment of high quality common regulatory and supervisory standards and practices are also ensured through the guidelines and recommendations issued by the European Banking Authority.

The activity of Bulgarian banks is subject to the supervision of BNB, and if the bank also carries out activity as an investment intermediary, then this activity is supervised and regulated by the Financial Supervision Commission. The following EU legal acts, laws and regulations, in their up-to-date version as of the date of this Prospectus, regulate and settle the activities of banks in Bulgaria, the most important of which are as follows:

Regulations:

- Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, incl. the EU's amending and supplementary acts;
- 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;

- Commission Implementing Regulation (EU) No. 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council, incl. EU amending acts;
- Commission Delegated Regulation (EU) No 241/2014 of 7 January 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for Own Funds requirements for institutions.

Laws:

- Credit Institutions Act of 2006 (in force since 1 January 2007);
- Law on Recovery and Restructuring of Credit Institutions and Investment Intermediaries of 2015;
- Law on the Bulgarian National Bank of 1997;
- Law on Bankruptcy of 2002;
- Law on Measures against Money Laundering of 2018;
- Law on Measures against the Financing of Terrorism of 2003;
- Law on Bank Deposit Guarantee of 2015;
- Law on Mortgage Bonds of 2000;
- Law on Public Offering of Securities of 1999;
- Currency Law of 1999;
- Law on the Financial Supervision Commission of 2003;
- Law on Special Pledges of 1996;
- Law on Independent Financial Audit of 2016;
- Law on Payment Services and Payment Systems of 2018;
- Law on Commerce of 1991;
- Law on Consumer Loan of 2010;
- Law Consumer Real Estate Loans of 2016;
- Law on Distance Marketing of Financial Services of 2006;
- Accounting Law;
- Law on Financial Collateral Contracts of 2006;
- Law on Supplementary Supervision of Financial Conglomerates of 2006;
- Law on Markets in Financial Instruments of 2018;
- Law on Competition of 2008.

Ordinances:

- BNB Ordinance No. 2 of 22 December 2006 on the Licenses, Approvals and Permissions Granted by the Bulgarian National Bank According to the Law on Credit Institutions;
- BNB Ordinance No. 3 of April 18, 2018 on the Terms and Conditions for Opening Payment Accounts, Executing Payment Transactions and Using Payment Instruments;
- BNB Ordinance No. 7 of April 24, 2014 on the Organization and Management of Risk in Banks;
- BNB Ordinance No. 8 of April 24, 2014 on Bank Capital Buffers;
- BNB Ordinance No. 10 of April 24, 2019 on the Organization, Management and Internal Control of Banks;

- BNB Ordinance No. 11 of March 1, 2017 on the Management and Supervision of Banks' Liquidity;
- BNB Ordinance No. 16 of March 29, 2018 on Issuance of Licenses and Approvals, for Entry in the Register under Art. 19 of the Law on Payment Services and Payment Systems and on the requirements for the activity of payment system operators with settlement finality;
- BNB Ordinance No. 20 on the Issuance of Approvals for Members of the Management Board (Board of Directors) and the Supervisory Board of a Credit Institution and Requirements Regarding the Performance of their Functions;
- BNB Ordinance No. 21 on the Minimum Reserves Required by Banks with the Bulgarian National Bank (effective 4 January 2016);
- BNB Ordinance No. 22 of 16 July 2009 on the Central Credit Register;
- BNB Ordinance No. 23 of December 16, 2016, on the Terms and Conditions for Payment of Guaranteed Deposit Amounts;
- BNB Ordinance No. 30 of January 21, 2016, on calculating the amount and collecting the premiums due by banks under the Law on Bank Deposits Guarantee;
- BNB Ordinance No. 37 of July 16, 2018 on Internal Exposures of Banks;

The regulatory framework for Bulgarian banks focuses primarily on prudential regulation. Below are some of the most significant issues in the regulatory regime of the banking system in the country and the activities of banks.

Bulgarian banking legislation is largely harmonized with the relevant legislation of the European Union. The main goals of the laws and regulations governing the activities of commercial banks in Bulgaria are to protect depositors, implement monetary policy, and have control over lending.

Capital adequacy and capital buffers

CRD IV Package (Directive 2013/36/EU on capital requirements (CRD IV Directive) and Regulation 575/2013 on capital requirements (CRR)) introduces requirements for calculating capital adequacy, CET 1 capital ratio and Tier 1 capital ratio, as well as the capital requirements for credit, market and operational risk. The minimum size, elements and structure of the equity of the credit institutions and the minimum capital requirements for the risks they assume, as well as the disclosure requirements are defined. Banks calculate and report capital adequacy ratios quarterly.

Regulation 575/2013 requires banks to maintain minimum capital adequacy ratios as a percentage of total risk exposure as follows:

- CET 1 capital ratio – 4.5%;
- Tier 1 capital ratio – 6% and
- Total capital adequacy ratio – 8%.

Banks' capital adequacy is measured on the basis of their financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

In addition to capital adequacy, banks should maintain capital buffers. The introduction of the Basel III global regulatory framework into European legislation through Directive 2013/36/EU (CRD IV Directive) has also created 5 new capital buffers:

- Protective capital buffer,
- Countercyclical capital buffer,
- Systemic risk buffer,
- Buffer for Global Systemically Important Financial Institution (G-SII) and

- Buffer for Other Systemically Important Institution (O-SII).

Directive 2013/36/EU (CRD IV Directive) in its part concerning buffers has been transposed into the Bulgarian legislation through the BNB Ordinance No. 8 of 2014 on the Capital Buffers of Banks.

The requirement for a protective capital buffer complements, in quantitative and qualitative terms, the minimum regulatory requirement for each bank to maintain CET 1 capital. The purpose of the buffer is to form an own reserve for the bank, which increases its ability to bear losses without violating the minimum regulatory requirement. All banks in Bulgaria that are subject to capital requirements should maintain a CET 1 capital buffer equivalent to 2.5% of their total risk exposure.

Systemic risk buffer has been introduced as a macroprudential instrument with the primary purpose of preserving the accumulated capital reserves in the Bulgarian banking system and with a view to preventing/mitigating the negative effects of systemic long-term non-cyclical risks that could disturb the normal functioning of the financial system in Bulgaria. Systemic risk buffer is mandatory for all banks in Bulgaria, which are subject to capital requirements. The buffer consists of CET 1 capital, equivalent to 3% of the risk weighted exposure amount in Republic of Bulgaria. It is applied on an individual, consolidated and sub-consolidated basis.

The countercyclical capital buffer is a macroprudential instrument provided for in Regulation No. 8 on banks' capital buffers, in accordance with the requirements of Directive 2013/36/EU. The primary purpose of this buffer is to serve as protection of the banking system against potential losses arising from the accumulation of cyclical systemic risk in periods of excessive credit growth. According to Ordinance No. 8, BNB assesses and determines on a quarterly basis the level of the countercyclical buffer for banks in the country on the basis of a methodology that takes into account the ratio of loans to GDP, its deviation from the long-term trend. As of 1 October 2019, the level of the countercyclical capital buffer applicable to credit risk exposures in the Republic of Bulgaria is 0.5%, with the projected increases for 2020 and 2021 being canceled as part of the BNB measures related to the COVID 19 pandemic.

The Buffer for Other Systemically Important Institution (O-SIIs) is a macroprudential preventive measure targeted at banks of systemic importance. The purpose of this buffer is to strengthen the O-SIIs capacity to absorb losses, thereby limiting the transfer of risks of a potential stressful situation in a systemically important bank to other credit institutions or the banking system as a whole. Higher capital requirements increase the resilience of systemic institutions to adverse shocks and ensure the proper functioning of the banking system, even in the face of significant unexpected future losses. BNB has identified a set of banks in Bulgaria as other systemically important institutions to maintain a bank-specific buffer for O-SIIs in the range between 0.25% -0.75% as of January 1, 2019 and between 0.50% -1.00%, with effect from January 1, 2020.

Requirements for the Supervisory Review and Evaluation Process (SREP)

For banks in the Republic of Bulgaria are applicable the requirements regarding the Supervisory Review and Evaluation Process (SREP). On February 8, 2019, BNB has decided to introduce the Common European Framework for SREP, as provided for in the Guidelines on Common Procedures and Methodologies for the Supervisory Review and Evaluation Process (SREP) and Supervisory Stress Tests, amending EBA/GL/2014/13 of December 19, 2014 issued by EBA (Common SREP Guidelines) - to apply as of March 31, 2019. According to these Guidelines, depending on the business model, corporate governance and risk management, capital adequacy and liquidity of the credit institution, the competent authority (BNB) may determine an individual supplement equity requirement for the issuer (on individual or consolidated basis). According to SREP guidelines, the requirements include: (i) an additional capital requirement, the so-called Pillar 2 Requirement (P2R), which is over 8% minimum requirement for Pillar 1 equity, but below the combined capital buffer requirement, and (ii) recommendation for additional equity, the so-called Pillar 2 Guidance (P2G), which is above the combined capital buffer requirement. The requirements on the additional equity requirement and the recommendation on additional equity are also regulated in Directive (EU) 2019/878 of the European Parliament and of the Council of May 20, 2019 amending Directive 2013/36/EU with regard to exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.

Impairment and provisioning of risk exposures

As of January 1, 2018, the new requirements of International Financial Reporting Standard 9 "Financial Instruments" (IFRS 9) are in place, introducing a new impairment model based on expected credit losses (expected loss), replacing the incurred loss model in IAS 39. The new standard also introduces requirements and guidance on the classification and measurement of the quality of financial assets. In connection with Regulation (EU) 2017/2395 of the European Parliament and of the Council in 2018, a possibility was introduced to banks to choose to apply transitional measures to mitigate the effects of IFRS 9 on regulatory equity. They set a five-year phasing-in period during which banks can add a certain amount to the CET 1 capital, calculated according to the approach chosen (the so-called static approach or static approach with dynamic component included) and according to the specified transitional rates of 0.95 for 2018, 0.85 for 2019, 0.70 for 2020, 0.50 for 2021 and 0.25 for 2022.

With respect to the impairment and provisioning of risk exposures, banks apply requirements that are structured on the principles of individual and portfolio assessment of risk exposures, depending on the classification and amount of exposures. For exposures reported as non-performing, a specific impairment is determined, calculated on an individual cash flow basis for the individually significant exposures or on a portfolio basis for the others. For exposures reported as performing, banks apply a portfolio-based impairment (accounting for potential losses), grouping exposures with similar credit risk characteristics.

Since January 1, 2018, banks apply new rules for impairment and provisioning of risk exposures in accordance with IFRS 9. According to them, an impairment loss adjustment is estimated equal to the expected credit losses over the entire life of the instrument, in the event that the credit risk of the instrument has increased significantly since the initial recognition. Otherwise, an impairment loss adjustment equal to the expected credit losses for a 12 month horizon is estimated.

Large exposures. Risk concentration limits

Large exposures and risk concentration limits are governed by Regulation 575/2013, the Credit Institutions Act (CIA) and BNB Ordinance No. 7 of 2014 on the organization and risk management in banks. Total exposure to a client or a group of connected clients, when its size is equal to or exceeds 10% of the eligible capital of the bank or banking group, is considered to be a "large exposure".

Regulation 575/2013 requires that the exposure to a client or a group of connected clients may not exceed 25% of the bank's eligible capital after taking into account the effect of the credit risk mitigation. When that client is an institution (a bank or an investment intermediary) or when a group of related clients includes one or more institutions, this value shall not exceed the greater of the following two values:

- 25% of the eligible capital of the institution, or
- EUR 150 million, provided that the aggregate of exposure values, after taking into account the effect of credit risk mitigation under Regulation 575/2013 on all related clients other than institutions, does not exceed 25% of the institution's eligible capital.

If the 25% amount of the institution's eligible capital is below EUR 150 million, the exposure value, after taking into account the credit risk mitigation effect under Regulation 575/2013, shall not exceed a reasonable maximum amount of the institution's eligible capital. This maximum amount is set by the institution to overcome and control the risk of concentration. The maximum amount does not exceed 100% of the eligible capital of the institution.

The Credit Institutions Act requires large exposures equal to or exceeding 10% of the eligible capital to be approved by the Management Board, and large exposures exceeding 15% of the capital by unanimity of the Management Board.

Banks are required to notify BNB of the occurrence of new large exposures within 10 days of their approval. Banks submit to BNB quarterly reports on their large exposures. Banking groups are required to report large exposures on a consolidated basis.

In addition, pursuant to Ordinance No. 7 of the BNB of 24 April 2014 on Organization and Risk Management of Banks, BNB exercises more conservative national discretion in regards to the requirements for assessing the larger exposures as well as to other provisions, including qualifying holdings outside the financial sector, the criteria for exposures secured by mortgages on immovable property and materiality thresholds for default.

Internal exposures

Pursuant to the Credit Institutions Act and BNB Ordinance No. 37 on the Internal Exposures of Banks, a bank in Bulgaria may form exposures to a bank administrator and persons related thereto only by unanimous decision of its collective governing body and with the prior approval of the supervisory authority, , unless the total exposure to an individual does not exceed its annual remuneration or falls within pre-approved limits by the Supervisory Board, which may not exceed the sum of BGN 300,000 for each individual.

In the same manner, decisions are made to form exposures to shareholders with direct or indirect qualifying holding in the credit institution or their representatives - members of the management or supervisory bodies of the bank and the parties related thereto; and to legal entities in which the bank, its administrator, a shareholder with a qualifying holding or parties related thereto owns directly or indirectly more than 10% of the capital, controls directly or indirectly or participates in the management or supervisory bodies of such companies. This manner shall also apply to third parties acting on behalf of shareholders or commercial enterprises and persons related thereto within the scope of the law as indicated above, as well as to persons exercising direct or indirect control over the bank or over shareholders with qualifying holding therein. Exceptions are allowed when the total exposure to an individual is equal to or not exceeding the least between BGN 300,000 and 1% of the bank's equity. In such cases, the applicable levels of competence within the bank shall be applied in accordance with the approved limits for each level.

Banks are required to notify BNB of the occurrence of new internal exposures within 10 days of their approval. Banks submit to BNB quarterly reports on their large exposures.

Requirements for mandatory minimum reserves

In 2016, a new Ordinance No. 21 on the minimum required reserves maintained with the BNB by banks came into force. According to the ordinance, each bank must maintain mandatory minimum reserves of 10 percent of the attracted funds (reserve base). Apart from that there are some exceptions when banks maintain minimum reserves as follows:

- for attracted funds from abroad - in the amount of five percent;
- for attracted funds from the state and local budgets – 0%.

The attracted funds include all monetary liabilities of the bank, such as customer deposits, obligations related to bond issues or other debt instruments and loan commitments. Attracted funds do not include those attracted by:

- other banks and branches of foreign banks domiciled in the country;
- through branches of a local bank abroad;

- in the form of equity instruments under Regulation (EU) No. 575/2013.

In accordance with BNB Ordinance No. 21, a negative interest rate on excess reserves is applicable to banks when the interest rate on the European Central Bank (ECB) deposit facility is negative, respectively, zero interest rate for excess reserves, when the interest rate for European Central Bank (ECB) deposit facility is positive or zero. Excess reserves represent an excess of more than 5% of the holdings in reserve assets above the required amount of obligatory minimum reserves.

Foreign exchange exposures

Foreign exchange risk capital requirements are governed by Regulation (EU) 575/2013, which provides for exposure requirements and additional accounting and reporting requirements.

If the sum of the bank's overall net foreign exchange position and its net position in gold, for any foreign exchange and gold positions for which own funds requirements are calculated using an internal model, exceeds 2 % of its total own funds,, the bank shall calculate an own funds requirement for foreign exchange risk. The own funds requirement for foreign exchange risk shall be the sum of its overall net foreign-exchange position and its net gold position (in the reporting currency) multiplied by 8%.

Liquidity

Liquidity requirements are regulated in Regulation 575/2013, which requires banks to maintain minimum liquidity coverage ratio (LCR) and net stable financing ration (NSFR) of 100%. The requirement for a net stable financing ratio (NSFR) is introduced by Regulation 2019/876 amending Regulation 575/2013, which is applicable from June 28, 2021. Banks regularly report their liquidity to BNB.

Ordinance No. 11 of 2007 on Bank Liquidity Management and Supervision further elaborates liquidity regulations by requiring banks to manage their assets and liabilities in a manner that ensures that they can regularly and without delay fulfill their daily obligations both in normal banking environment and in a crisis.

In 2018, BNB has adopted amendments to Ordinance No. 11, which are dictated by the full entry into force of the liquidity coverage requirements, in accordance with the Delegated Regulation (EU) 2015/61 of the European Commission supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to liquidity coverage requirement Credit Institutions. That Regulation eliminates the possibility of applying national provisions in the field of liquidity reporting and switches to uniform European reporting models. Among other things, the Regulation provides for removing the table of maturity structure of assets, liabilities and off-balance sheet items which as of 1 March 2018 is replaced by a maturity ladder introduced by the Commission Implementing Regulation (EU) 2017/2114 amending Implementing Regulation (EU) 680/2014 regarding the templates and instructions.

Central Credit Register and Enforcement Proceedings

The establishment and operation of the Central Credit Register is governed by Ordinance No. 22 on the Central Credit Register (CCR) centralizes the information on customers' credit indebtedness to banks, financial institutions, payment institutions and electronic money companies. The register ensures the following:

- centralization of the information on customers' credit indebtedness to banks, financial institutions, payment institutions and electronic money companies;
- banks, financial institutions, payment institutions and electronic money companies are enabled to use information on their customers' credit indebtedness;
- information in regard to the persons who are co-borrowers and guarantors of the loans;
- aggregation of the collected information and using it for the needs of the BNB.

Subject to reporting to the Central Credit Register are all loans, regardless of their amount, granted to customers by banks, financial institutions, payment institutions or electronic money companies..

According to the provisions of the Code of Civil Procedure banks can initiate enforcement proceedings against clients with overdue obligations on the basis of a writ of execution issued from an account statement from the bank's books, thus avoiding a time-consuming lawsuit. Person against whom enforcement procedures have been initiated, may file a request for suspension of enforcement if they provide evidence that the amount awarded is not due. In the event that the court upholds the objections and suspends the commencement of enforcement, the bank must file a claim to establish its receivables.

Investments in foreign companies

Bulgarian banks may establish branches and banks outside of Bulgaria and acquire control of such banks subject to the prior written approval of the BNB and subject to the applicable legislation in the respective country in which they will conduct banking activities. A bank licensed in Bulgaria may operate in the territory of another EU Member State, either directly or through a branch or subsidiary, provided that its activities are covered by its banking license and subject to the written consent of the BNB. A bank licensed in the Republic of Bulgaria, which intends to exercise for the first time its right to carry on direct business in the territory of another Member State, must notify the BNB of its intentions, indicating the services it intends to provide in the host country. Within one month of receipt of the notification, the BNB shall inform the competent authorities of the host State.

On the basis of mutual recognition of the Single European Passport, a bank licensed in an EU Member State may carry out banking activities on the territory of the Republic of Bulgaria directly or through a branch or subsidiary, if such activity is included in its license and after the local competent authority that issued the license has informed the BNB in writing.

Banks report to the BNB on a consolidated basis in accordance with the prudential consolidation requirements of Regulation 575/2013.

Acquisition of shareholding by banks

Pursuant to Regulation 575/2013, a bank may not, directly or indirectly, acquire shareholding (qualifying holding) in a non-financial entity when the participation value exceeds 15 percent of the bank's eligible capital. The total value of the Bank's interests in non-financial entities may not exceed 60% of the eligible capital.

Commission for Protection of Competition

Similar to EU regulations, a notice of new and significant holdings (concentrations) of banks must be given to the Commission for Protection of Competition (CPC) in accordance with the requirements of the Competition Act. The CPC may prohibit planned mergers or acquisitions if it considers that these threaten or might threaten the effective competition in the country's banking services market.

Acquisition of shares in Bulgarian banks

According to the Credit Institutions Act, no entity (as well as entities acting in concert) may acquire, directly or indirectly, holding in a bank licensed in Bulgaria without the prior written approval by the BNB if, as a result of the acquisition, its holding will become qualifying(10 per cent), or will reach or exceed the thresholds of 20, 33 or 50 per cent of voting shares. A prior written approval is also required in cases where the bank will become a subsidiary. A prior written approval shall be required also for a shareholder who, by participation in a bank’s capital increase through shareholders’ contributions increases its stake, if as a result, its holding becomes qualifying, or reaches or exceeds the 20, 33, or 50 per cent threshold of the voting rights, as well as if the bank becomes a subsidiary. In the absence of such approval, to the extent that the buyer's participation exceeds this threshold, voting rights for the shares above the threshold may not be exercised until the relevant approval of the BNB has been obtained.

Reason for requesting approval may arise in respect of persons for whom as a result of participation in a capital increase of amount less than that adopted in the decision for capital increase /in case of partial subscription of shares), their holdings become qualifying, or reach or exceed the 20, 33, or 50 per cent threshold of the voting rights. In case such approval is not requested or it is not granted, BNB may temporarily suspend the voting rights of a shareholder and/or issue written orders to a shareholder to dispose of the shares held by him within 30 days.

In order to obtain approval, each entity (or entities acting in concert) submits a written application to BNB and encloses the required documents. BNB evaluates and gives an approval, by taking into account the potential impact of the applicant on the credit institution, in view of ensuring its future sound and prudent management, and if the assessment indicates that the applicant is appropriate and possesses the required necessary financial stability, as the assessment shall be based on the provided in the Credit Institutions Act criteria. BNB shall decide on the application for approval within 60 business days from date of sending written confirmation to the proposed acquirer certifying the receipt of its application with all the required documents, as it may refuse to grant approval if it finds that the requested acquisition does not meet some of the criteria laid down in the Credit Institutions Act (CIA) or that the information provided by the applicant is incomplete.

When an entity acquires three or more than 3 per cent of the shares or voting rights in a bank licensed in the Republic of Bulgaria, the Central Depository shall notify the BNB of the entity's name and address (registered office) within 7 days following the recording of acquisition in the book of shareholders.

Requirements for the organization, management and internal control of banks

Each bank adopts and periodically updates rules and procedures for the organization of the bank, including those relating to its management and organizational structure, in accordance with best internationally recognized corporate governance practices and policies, with well-defined, transparent and consistent levels of responsibility; the strategy and plan for the bank's activity; strategies and policies for risk management, monitoring, control and mitigation; the organization of operational controls, including rules and procedures for approving, executing and reporting operations; an internal control framework that includes independent risk management, regulatory compliance and internal audit services; and money laundering risk prevention systems.

Credit institutions are under an obligation to maintain an internal organization that is consistent and in compliance with the size, nature, scale and complexity of the activities performed and the risks to which they are exposed. As part of its internal organization, each bank should establish an effective internal control framework that includes the operational controls exercised by business units, as well as independent risk management, compliance and internal audit functions,

Each bank maintains a reliable reporting and information system and submits periodic reports to the BNB, as well as any additional information requested by the BNB and (in relation to individual banking operations or activities), submits notifications to or requests prior approval (as appropriate) by the BNB, in each case in relation to the applicable legislation of the Republic of Bulgaria and the European Union and the relevant acts, regulations and instructions of the BNB (currently in force) and of the European Banking Authority.

Implementation of Supervisory Measures by the BNB

Banks are subject to ongoing supervision by the BNB based on the reports they are required to submit on a daily, weekly, monthly, quarterly and annual basis. In addition, the BNB has the authority to conduct on-site inspections, both regularly and on ad hoc basis. The BNB has the right to audit and verify the accounting and documentation of credit institutions. In the event of a breach of the regulatory framework, the BNB is entitled to oblige the credit institution concerned to take appropriate measures to remedy the breach, including restricting its activity by prohibiting it from carrying out certain transactions, activities or operations, to request the release of members of management and supervisory bodies, senior management and other administrators of the bank, or oblige the bank to take action on changes in interest rates, maturity structures and other conditions for bank products and etc. The BNB may impose fines, require an increase in capital, prohibit the payment of dividends, and convene a General Meeting of shareholders in certain circumstances.

Banks licensed in an EU Member State that operate in the territory of the Republic of Bulgaria through a branch are subject to supervision by the competent institution in the Member State concerned and also by the BNB, which may carry out on-site checks at any time.

In connection with the stated intention for the accession of the Republic of Bulgaria to the Banking Union, which is including close cooperation with the ECB as of the date from which the European Central Bank's decision on close cooperation begins to apply, the BNB should comply with the guidelines and requests issued by the ECB and take the required measures to comply with the ECB's legal acts under Regulation (EU) No. 1024/2013, including by issuing the required administrative acts. With respect to significant supervised entities or significant supervised groups within the meaning of Regulation (EU) No. 1024/2013 established in the Republic of Bulgaria, the BNB will issue individual administrative acts only upon request issued by the ECB in pursuit of its prudential oversight tasks under Regulation (EU) No. 1024/2013, and in full compliance therewith.

Supervision on a consolidated basis

The Bulgarian National Bank oversees banks both on an individual basis and on a consolidated basis at a group level. The scope of the institutions over which BNB exercises supervision on a consolidated basis includes banks, banking groups, financial holding companies, mixed-activity financial holdings and mixed-activity holdings.

The supplementary supervision complements the sectoral supervision carried out on the banking, insurance and investment sectors, and it is carried out only at the level of financial conglomerate and includes the main financial regulations - capital adequacy, intra-group transactions, risk concentration, risk management mechanisms and internal control.

In accordance with the principle of symmetry and proportionality, internal rules, procedures and mechanisms are put in place for all subsidiaries included in the group. The rules, procedures and mechanisms must be consistent and well integrated and allow subsidiaries to produce all relevant data and information for supervisory purposes.

The prudential consolidation requirements are covered by Regulation (EU) No. 575/2013.

Macroprudential supervision

The Bulgarian National Bank exercises macroprudential supervision by collecting information, monitoring, identifying and assessing the impact of systemic risks on credit institutions and the banking system.

For this purpose, BNB may develop and implement measures aimed at limiting systemic risks stemming from the accumulation of excessive credit growth, as the measures affecting the lending activity of banks may include: requirements for the ratio between the loan amount and the collateral value (LTV); requirements for the ratio of the loan amount to the borrower's annual income (LTI); requirements for the ratio between the amount of debt service payments and the borrower's monthly income (DSTI); requirements in respect to the maximum duration of the credit agreement; requirements in respect of loan repayment terms; other requirements related to the granting of a loan.

The Bulgarian National Bank may also develop and implement measures to limit the risk of concentration in certain economic sectors and industries, as well as develop and implement additional minimal liquidity requirements.

Recovery and restructuring. Winding-up procedures

In order to protect or restore financial stability, remedial measures may be taken against banks, which include the application of restructuring instruments and the exercise of restructuring powers under the Law on Recovery and Restructuring of Credit Institutions and Investment Intermediaries.

In accordance with the principle of proportionality, each credit institution shall develop, update and maintain a recovery plan that contains measures and procedures for early intervention in the event of a deterioration of its financial situation, as well as the development of different scenarios to ensure the continuity of important functions. The plan shall be reviewed and updated at least once a year.

As a restructuring body for banks licensed in the Republic of Bulgaria, the BNB prepares and evaluates a restructuring plan for each credit institution. The restructuring plan envisages actions under different restructuring scenarios. The BNB is also the competent authority that may also impose remedial measures on a bank licensed in the Republic of Bulgaria and its branches in the territory of another EU Member State, as well as in relation to a bank licensed in another Member State and a branch of a bank, licensed in a third country. In both cases, the BNB must notify the competent authorities of those countries.

In the event that the remedial measures taken do not lead to the desired effect, the discontinuation procedures provided for in the CIA will be triggered. Termination procedures are the procedures for the liquidation or bankruptcy of a bank licensed in the Republic of Bulgaria or in another Member State, including with respect to its branches abroad, or the compulsory winding up of an activity of a branch of a Bulgarian bank in a Member State or in a third country, a branch of a bank established in a Member State.

In the event of a decision to initiate winding-up or insolvency proceedings, the BNB shall inform the competent authority of the Member State concerned of the legal and other consequences arising therefrom.

Bank restructuring fund

The Bank Restructuring Fund (BRF) was set up to fund the implementation of restructuring instruments and restructuring powers for banks. The Bank Restructuring Fund is managed by the BNB. The costs related to the management of this fund are financed by fees collected in connection with the BNB's restructuring function.

There are four types of sources of BRF funds: 1. annual and extraordinary contributions from banks and branches of credit institutions from third countries; 2. the income from investing the funds in the BRF; 3. amounts received from the BRF from reimbursement of funds used for the purposes of restructuring in the manner provided for in the implementation of the respective restructuring instruments, as well as the related income and compensation; and other sources.

The BNB decides to use the BRF funds to the extent necessary to ensure the effective implementation of the restructuring instruments. The following actions may be financed with these funds: 1. guaranteeing the assets or liabilities or lending to a restructuring institution, its subsidiaries, a bridge bank; 2. the purchase of assets of the institution undergoing restructuring; 3. acquisition of ordinary shares issued by a bridge bank; 4. payment of compensation to shareholders, partners or creditors; 5. contributions to the institution undergoing restructuring.

With regard to the establishment of close cooperation with the ECB, as from the date on which the European Central Bank's decision on close cooperation becomes applicable, the Republic of Bulgaria will become part of the Single Restructuring Mechanism and the Single Restructuring Fund.

Deposit Insurance Fund

The Deposit Insurance Fund (DIF) is a legal entity established under the Bank Deposits Guarantee Law, which guarantees full repayment of up to 196 000 BGN of a person's deposits in a credit institution, regardless of their number and amount.

The DIF determines and collects annual and extraordinary premium installments from banks and invests the collected funds in low-risk assets, such as deposits with the BNB and highly liquid debt securities, issued and guaranteed by the Bulgarian state or first-class foreign issuers. The participation of all banks licensed in the Republic of Bulgaria in DIF is obligatory. The annual premium payable by each bank is different, depending on its risk profile and the amount of the bank's guaranteed deposits for the previous year.

Payment services and payment systems

In March 2018, a new Law on Payment Services and Payment Systems (LPSPS) was adopted, which together with the supplementary technical standards and guidelines of the European Banking Authority aim to implement in the national legislation the requirements arising from Directive (EU) 2015/2366 on Payment Services in the Internal Market (PSD2).

The new regulations, in line with the changes related to the technological development, introduce new payment services, made entirely in the Internet environment - payment initiation and account information services, as well as means and methods for increasing the security of payments in the Internet environment. In this regard, the new Ordinance No. 3 and Ordinance No. 16 of the BNB have also been adopted.

In the area of payment services, the requirements related to Commission Delegated Regulation (EU) 2018/389 with regard to regulatory technical standards for strong customer authentication and common and secure open communication standards are also applicable.

Measures against money laundering

The Law on Measures against Money Laundering (LMML) (State Gazette, Issue No. 27/27.03.2018) introduces in Bulgarian legislation the requirements of Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 for the prevention of the use of the financial system for the purposes of money laundering or terrorism financing.

To this end, banks are required to implement measures to prevent the use of the financial system for the purposes of money laundering, which include: customer authentication and verification of their identity, identifying the beneficial owner, gathering information and evaluating the purpose and nature of the business relations that have been established, the origin of the funds, the ongoing monitoring of the established business relationships. Those measures shall apply in case of establishment of business relations, conduction of transactions or conclusion of deals of specified values, in any case of suspected money laundering and/or the presence of funds of criminal origin, irrespective of the size of the transaction or deal, the risk involved, the customer profile, the conditions for implementing the screening measures or other exceptions.

In case of violations of the requirements of the LMML and the Law on Measures Against the Financing of Terrorism, as a supervisory authority, the BNB may prepare acts for establishing administrative violations and issue penal decrees.

10. MANAGEMENT AND CORPORATE GOVERNANCE

First Investment Bank has a two-tier management system. The bodies of the Bank are the General Meeting of Shareholders, the Management Board, and the Supervisory Board. As of the date of Prospectus, the Bank's Management Board consists of 4 individuals. The Supervisory Board consists of 6 individuals, one third of whom are independent members within the meaning of the LCI and the LPOS. The members of the Management Board and the Supervisory Board are subject to prior approval by the BNB.

Members of the Management Board

The members of the Management Board are well-established professionals with proven leadership skills and capacity to translate this knowledge and experience into well-founded decisions to be implemented in the Bank's practice in order to achieve its goals and development strategy.

The composition of the Management Board is structured to guarantee the effective management of the business in accordance with the generally accepted managerial and professional competence principles, and a clear allocation of functions and responsibilities. The Bank is represented together by either two executive members of the Board (Executive Directors).

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

The information presented on MB members is according to the circumstances entered in the Commercial Register as at the date of the Prospectus.

Nikola Hristov Bakalov - Member of the Management Board and Executive Director, elected Chief Executive Officer by decision of the Management Board of 25.03.2020

Term of office: 16.01.2025

Mr. Nikola Bakalov has not participated as an unlimited partner in companies for the last 5 years; has not participated in companies as a partner for the last 5 years, and has not been involved in the management of companies as a procurator for the last 5 years.

Mr. Nikola Bakalov has participated in Management/Supervisory bodies over the last 5 years as follows: Member of the Board of Directors and Executive Director of FiHealth Insurance AD from 2013 to date; representing FiHealth Insurance AD as member of the Board of Directors of the Association of Health Insurance Companies since 2015 to date.

<u>Education, knowledge and relevant professional and management experience:</u>

Education: Mr. Nikola 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 the fields of card payments and corporate governance.

Relevant professional experience: 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 and participated in the advisory committee of a debit card scheme at VISA London.

In the period December 2011 - August 2012, Mr. Bakalov was member of the Management Board of Allianz Bank Bulgaria AD, where he served as Executive Director, and subsequently as Chief Executive Officer.

In 2013, Mr. Bakalov became Executive Director of FiHealth Insurance AD, where he acquired significant experience in the field of insurance.

Svetozar Alexandrov Popov - Member of the Management Board, Executive Director and Chief Risk Officer

Term of office: 21/04/2024

Information about activities performed outside the Issuer:

During the last 5 years, he has not participated as an unlimited liability partner in any company.

During the last 5 years, he has not participated as a partner in any company.

During the last 5 years, he has not been involved as a procurator in the management of any company.

During the last 5 years, he has been Manager / Member of the Management Board / Supervisory Board of as follows: Chairman of the Supervisory Board of Universal Investment Bank, Macedonia from 2018 to date; Manager of Debita OOD from 2017 to date; Member of the Board of Directors of FiHealth Medical Centers AD from 2017 to 2018 and member of the Board of Directors of FiHealth Medical Centers Plovdiv AD from 2017 to 2018.

Education, knowledge, and relevant professional and management experience:

Education: Mr. Popov holds a Master’s degree in Finance from the University of National and World Economy in Sofia and had additional specializations in financial analysis conducted by the European Bank for Reconstruction and Development (EBRD) and other internationally recognized institutions, as well as practical qualifications at foreign banks.

Relevant professional experience: Mr. Svetozar Popov joined First Investment Bank AD in 2004 as part of the Risk Management Directorate team and was shortly thereafter promoted to Head of Credit Risk. From 2006 to 2008, he served as Deputy Director of the Risk Management Directorate, during which period he was also Chairman of the Bank's Credit Council. From 2016 to 2017, Mr. Popov held the position of Chief Compliance Officer (CCO), and in May 2017 was elected Chief Risk Officer (CRO), Member of the Management Board, and Executive Director of First Investment Bank AD. From 2008 to 2015, Mr. Popov was a member of the Management Board and Executive Director of Universal Investment Bank AD, Macedonia, where he acquired significant management experience and was responsible for risk management, credit administration, and finance. Prior to joining First Investment Bank AD, Mr. Popov worked at Raiffeisenbank (Bulgaria) EAD as a lending expert for Small and Medium Enterprises.

Chavdar Georgiev Zlatev - Member of the Management Board, Executive Director, and Chief Corporate Banking Officer

Term of office: 25/01/2022

Information about activities performed outside the Issuer:

During the last 5 years, he has not participated as an unlimited liability partner in any company.

During the last 5 years, he has participated as a partner in the following companies: sole owner of Elea Property EOOD from 2015 to date.

During the last 5 years, he has not been involved as a procurator in the management of any company.

During the last 5 years, he has been Manager / Member of the Management Board / Supervisory Board of as follows: Member of the Management Board of First Investment Bank - Albania Sh.a. from 2011 to date and Member of the Board of Directors of FiHealth Insurance AD from 2011 to date He has been Manager of Elea Property EOOD since 2015 to date.

Education, knowledge, and relevant professional and management experience:

Education: Master's degree in Macroeconomics from the University of National and World Economy in Sofia. He specialized loan products and practices at Bank of Ireland, as well as contemporary banking practices at Banco Popolare di Verona.

Relevant professional experience: Mr. Chavdar Zlatev joined the team of First Investment Bank AD in 2004 as Head expert 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, Member of the Management Board and Executive Director. Prior to joining First Investment Bank AD, Mr. Zlatev worked in CB Unionbank AD as a senior bank officer, Corporate clients.

Nadia Koshinska – Member of the Management Board

Term of office: 22.12.2020

During the last 5 years, she has not participated as an unlimited liability partner in any company.

During the last 5 years, she has not participated as a partner in any company.

During the last 5 years, she has not been involved as a procurator in the management of any company.

During the last 5 years, she has not been Manager / Member of the Management Board / Supervisory Board of any company.

Education, knowledge, and relevant professional and management experience:

Education: Ms. Nadia Koshinska holds a Master’s degree in Accounting and Control from the University of National and World Economy.

Relevant professional experience: 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 and Member of the Management Board, and since September 2017 has been a Member of the Management Board and Director of SME Banking Department.

Prior to joining First Investment Bank, she worked in the Balance of Payments and Foreign Debt Division of the Bulgarian National Bank.

Members of the Supervisory Board

Each member of the Supervisory Board has the experience, knowledge, qualifications, and teamwork skills necessary for the effective discharge of their obligations, and for providing the ability of the Supervisory Board as a collective body to meet the long-term objectives of the Bank.

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

Evgeni Krastev Lukanov - Chairman and Member of the Supervisory Board

Term of office: 24.01.2022

During the last 5 years, he has not participated as an unlimited liability partner in any company.

During the last 5 years, he has participated as a partner in the following companies: sole owner of Elea Property EOOD from 2015 to date, owner of ET Imeksa-Evgeni Lukanov from 1990 to date, and holder of more than 10% of the capital of Avea OOD from 1998 to date.

During the last 5 years, he has not been involved as a procurator in the management of any company.

During the last 5 years, he was Chairman of the Board of Directors of FiHealth Insurance AD from 2010 to date; Manager at Debita OOD from 2010 to 2016; Manager at Realtor OOD from 2010 to 2017.

<u>Education, knowledge, and relevant professional and management experience:</u>

Education: Mr. Lukanov holds a Master's Degree in Economics from the University of National and World Economy, Sofia.

Relevant professional experience: Mr. Lukanov joined First Investment Bank AD in 1998 as Deputy Director, 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 Management Board. From 2004 to 2012 - Executive Director and Member of the Management Board of First Investment Bank AD. During his years of work at 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 Management Board of First Investment Bank – Albania Sh.a. Prior to joining First Investment Bank AD, Mr. Evgeni Lukanov worked as a currency broker with First Financial Brokerage House OOD.

As at the date of the Prospectus, Mr. Lukanov was Chairman of the Remuneration Committee to the Supervisory Board of First Investment Bank AD.

Maya Georgieva - Deputy Chair and Member of the Supervisory Board

Term of office: 24.01.2022

During the last 5 years, she has not participated as an unlimited liability partner in any company.

During the last 5 years, she has not participated as a partner in any company.

During the last 5 years, she has not been involved as a procurator in the management of any company.

During the last 5 years, she has not been Manager / Member of the Management Board / Supervisory Board of any company.

<u>Education, knowledge, and relevant professional and management experience:</u>

Education: Ms. Georgieva holds a Master's Degree in Macroeconomics from the University of National and World Economy in Sofia and has post-graduate specializations in International Payments with the International Monetary Fund and Banking from a Specialized postgraduate course of BNB jointly with the Bulgarian Union of Science and Technology.

Relevant professional experience: 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 Management Board. During her years of work at First Investment Bank AD, she has been responsible of the following departments: International Payments, Letters of Credit and Guarantees, SME Lending, Human Capital Management, Administrative Department, Sales Department, Retail Banking, Marketing, Advertising and PR, Branch Network, Private Banking, and the Vault.

Alongside her responsibilities at the Bank, Ms. Georgieva has also occupied a number of other senior executive positions. From 2003 to 2011, she chaired the Supervisory Board of CaSys International - a Macedonia-based card processing company servicing card payments in Bulgaria, Macedonia, and Albania.

From 2009 to 2011, she was Chair of the Board of Directors of Diners Club Bulgaria AD - a franchise company of Diners Club International owned by First Investment Bank AD. In this capacity, she initiated the launch of a number of products, including the first female-oriented credit card. From 2006 to 2011, she was also member of the Management Board of First Investment Bank - Albania Sh.a., a subsidiary of First Investment Bank AD.

In addition to her responsibilities at the Bank, Ms. Georgieva has held other senior positions. From 2003 to 2011, Ms. Georgieva was chairman of the Supervisory Board of CaSys International, Republic of Macedonia - a card authorization center based in Macedonia that handles card payments in Bulgaria, Macedonia and Albania.

From 2009 to 2011, Ms. Georgieva was the Chairman of the Board of Directors of Diners Club Bulgaria AD - a franchise of Diners Club International owned by First Investment Bank AD. In this capacity, she initiated the creation of a number of products, including: the first credit card specifically targeted at women. From 2006 to 2011, Ms. Georgieva was also a member of the Board of Directors of First Investment Bank - Albania Sh.a., a subsidiary of First Investment Bank AD.

As at the date of the Prospectus, Ms. Georgieva was Chairman of the Main Committee of the Supervisory Board of First Investment Bank AD.

Georgi Dimitrov Mutafchiev, Ph.D. - Member of the Supervisory Board

Term of office: 24/01/2022

During the last 5 years, he has not participated as an unlimited liability partner in any company.

During the last 5 years, he has not participated as a partner in any company.

During the last 5 years, he has not been involved as a procurator in the management of any company.

During the last 5 years, he has not been Manager / Member of the Management Board / Supervisory Board of any company.

During the last 5 years, he has been Manager / Member of the Management Board / Supervisory Board of as follows: Member of the Board of Directors of Flavia AD from 1998 to 2015.

Education, knowledge, and relevant professional and management experience:

Education: 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 defended his doctorate in business law and received the title of Candidate of Law. The same year, Mr. Mutafchiev also received his Master's degree in Business Administration from Schiller University, Paris.

Relevant professional experience: 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 became Head Expert in the Coordination and Development Department to the Executive Director of Technoexport.

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 the foreign currency reserve and controlled the management thereof.

From 1998 to 2011, he was Executive Director of Flavin AD and Flavia AD. Until 2015 he was a member of the Board of Directors of Flavia AD. Flavia AD was one of the largest light industry companies in Bulgaria. Along with his responsibilities at Flavia AD, in 2000 Mr. Mutafchiev was elected as Member of the Supervisory Board of First Investment Bank AD.

Radka Vesselinova Mineva - Member of the Supervisory Board

Term of office: 24.01.2022.

During the last 5 years, she has not participated as an unlimited liability partner in any company.

During the last 5 years, she has participated as a partner in the following companies: owner of 32% of the capital of Balkan Holidays Partners OOD from 2001 to date.

During the last 5 years, she has not been involved as a procurator in the management of any company.

During the last 5 years, she was Manager of Balkan Holidays Services EOOD for the period from 2000 to date; Manager of Balkan Holidays Partners OOD since 2001; Member of the Management Board of the Non-profit Association "National Board Of Tourism" from 2018 to date; Member of the Management Board of the non-profit association "Union of Investors in Tourism" from 2007 to date.

Education, knowledge, and relevant professional and management experience:

Education: Ms. Mineva graduated from the University of National and World Economy in Sofia, majoring in Trade and Tourism.

Relevant professional experience: 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 her work at the Central Bank, Ms. Mineva specialized as a capital markets dealer at the London Stock Exchange and the Frankfurt Stock Exchange.

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.

Jordan Velitchkov Skortchev - Member of the Supervisory Board

Term of office: 24/01/2022

During the last 5 years, he has not participated as an unlimited liability partner in any company.

During the last 5 years, he has not participated as a partner in any company.

During the last 5 years, he has not been involved as a procurator in the management of any company.

During the last 5 years, he has not been Manager / Member of the Management Board / Supervisory Board of any company.

Education, knowledge, and relevant professional and management experience:

Education: Mr. Skortchev holds a Master's Degree in International Economic Relations from the Higher Institute of Economics (now University of National and World Economy) in Sofia. He specialized banking in Luxembourg, swap deals at Euromoney, and futures and options at the Chicago Stock Exchange.

Relevant professional experience: 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 AD in 1996 as Chief Dealer FX Markets. From 2001 to 2012, Mr. Skortchev was Member of the Management Board and Executive Director of the Bank. During his years of work at First Investment Bank AD, Mr. Skortchev has been responsible for the following departments: Card Payments, Operations, Gold and Numismatics, Internet Banking, Dealing, Security, and Office Network-Sofia.

Alongside his responsibilities at the Bank, Mr. Skortchev has also occupied other senior executive positions. Mr. Skortchev has been Chairman of the Supervisory Board of UNIBank, Republic of Macedonia, member of the Supervisory Board of CaSys International, Republic of Macedonia, member of the Board of Directors of Diners Club Bulgaria AD, member of the Board of Directors of Bankservice AD, member of the Board of Directors of Medical center FiHealth AD, and Manager of FiHealth OOD.

As at the date of the Prospectus, Mr. Skortchev was Chairman of the Selection Committee to the Supervisory Board of First Investment Bank AD.

Jyrki Ilmari Koskelo - Member of the Supervisory Board

Term of office: 27/7/2020

During the last 5 years, he has not participated as an unlimited liability partner in any company.

During the last 5 years, he has not participated as a partner in any company.

During the last 5 years, he has not been involved as a procurator in the management of any company.

During the last 5 years, he has not been Manager / Member of the Management Board / Supervisory Board of any company except of the listed below information.

Education, knowledge, and relevant professional and management experience:

Education: 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.

Relevant professional experience: Mr. Koskelo has many years of experience in banking and global financial markets, as well as extensive professional experience in various geographical regions. Mr. Koskelo worked at the International Finance Corporation (IFC - a member of the World Bank Group) for 24 years, from 1987 to the end of 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 the Lehman Brothers 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 (Africa Agriculture and Trade Investment Fund), Luxemburg – Member of the Board of Directors and 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 – 2017, Mr. Koskelo was a Board Member and advisor at the Africa Development Corporation, Germany; African Banking Corporation, Botswana; RSwitch, Rwanda; EXPO Bank, Latvia, and AtlasMara Co-Nvest LLC, UK, as well as a senior adviser in Al Jaber Group, UAE.

As at the date of the Prospectus, Mr. Koskelo was Chairman of the Risk Committee to the Supervisory Board of First Investment Bank AD.

Senior executives relevant to determining whether the issuer has the appropriate knowledge and experience to manage the issuer's business

There are no other senior executives relevant to determining whether the Issuer has the appropriate knowledge and experience to manage the business.

Family Relations

There are no family relations between the members of the MB and the SB.

Other Information about the Members of the MB and the SB

At the date of drafting this Prospectus and during the past five years, none of them was:

- Convicted of fraud;
- Related to bankruptcy, bankruptcy management or liquidation;
- Formally publicly criminalized and / or sanctioned by statutory or regulatory bodies (including certain professional bodies);
- Deprived by the court of the right to act as a member of the administrative, management or supervisory bodies of an issuer or to hold management positions, or to lead the affairs of any issuer.

Conflict of Interests

There is no potential conflict of interest between the obligations of the members of the Management Board and the Supervisory Board to the Bank and their private interest or other obligations.

At the time of preparation of this Prospectus, the Bank was not aware of any arrangements or agreements between the majority shareholders, customers, suppliers or others for the election of any person of the MB and the SB of the company as a member of a body.

There are no restrictions adopted by the members of the MB and the SP of the Bank for the disposal, within a certain period, of their securities of the Issuer.

Remuneration, Benefits, and Compensation

The Bank applies its remuneration policy to the members of the Management Board and the Supervisory Board in accordance with the regulatory requirements for banks, public companies, the goals, the long-term interests, and the strategy for the future development of the company, as well as its financial and economic situation in the context of the national and European economic environment. The General Shareholders Meeting of the Bank determines the maximum amount of the remuneration of the Supervisory Board and of the MB on an annual basis.

No remuneration is currently envisioned for the members of the boards in the form of company shares, stock options or other rights to acquire shares. No remuneration is envisioned based on changes in the price of the Bank's shares.

The remuneration (including any contingent or deferred compensation) of the key management personnel of the Bank (members of the Management Board and the Supervisory Board) paid by the Bank and its subsidiaries in 2019 amounted to BGN 10 154 thousand[25]. Such information is not provided for each individual, as individual disclosure is not required in the Republic of Bulgaria - the issuer's country, respectively, the issuer has not made it public.

The members of the Management Board and the Supervisory Board were not paid benefits in kind by the Bank and its subsidiaries, respectively, the indicated total amount of remuneration paid does not include benefits in kind.

No amounts have been allocated or accrued for pensions, other retirement benefits or other similar benefits to members of the MB and the SB of the Bank or its subsidiaries. The mandatory social security contributions provided for under SSC are made.

Information about the contracts of the members of the Management Board and the Supervisory Board with the Bank, providing compensation for legal relationship termination

Pursuant to the contracts concluded between the Bank and the members of the MB and SB, upon a termination of the contract, the members of the Management Board are entitled to compensation of up to 6 months’ remuneration, while the members of the SB are entitled to compensation of up to 24 months’ remuneration.

The contracts of the members of the MB and SB with the consolidated subsidiaries do not envisage compensations upon termination.

[25] *Includes remuneration from non-consolidated subsidiaries*

Dates of expiry of the current terms for occupation of the posts by the members and periods during which the persons occupied the posts

The members of the MB of the Bank have been holding their positions as of the following dates:

Nadia Koshinska	12.01.2016 г.
Chavdar Zlatev	20.02.2018 г.
Svetozar Popov	05.05.2017 г.
Nikola Bakalov	07.02.2020 г.

The members of the SB of the Bank have been holding their positions as of the following dates:

Georgi Mutafchiev	07.03.2000
Radka Mineva	07.03.2000
Evgeni Lukanov	01.02.2012
Maya Georgieva	01.02.2012
Jordan Skortchev	01.02.2012
Jyrki Koskelo	27.07.2015

The members of the MB and the SB were elected with different terms of office, with the expiry dates of each term reflected above in this section.

Information on the shareholding and any options for such shares in the Company of each of the members of the MB and the SB as at the date of the Prospectus

Members of the MB	Number of Shares	% of the share capital
Svetozar Alexandrov Popov	-	-
Chavdar Georgiev Zlatev	523	0.00
Nadia Vasileva Koshinska	234	0.00
Nikola Hristov Bakalov	374	-
Total	**1 131**	**0.00**

Members of the SB	Number of Shares	% of the share capital
Evgeni Krastev Lukanov	337139	0,31
Maya Lubenova Georgieva	11 388	0,01
Georgi Dimitrov Mutafchiev	9454	0,01
Radka Vesselinova Mineva	-	-
Jordan Velitchkov Skortchev	19 125	0,02
Jyrki Ilmari Koskelo	-	-
Total	**377106**	**0,34**

To this moment, the members of the MB and the SB have not been granted options on securities owned by the Bank.

Information about the Audit Committee of the Bank

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 audit and risk management in the Bank. The Committee also makes a recommendation on 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.

With the necessary qualification and experience to fulfill their duties, as well as with a 3-year mandate, elected by the GSM, are the members Rositsa Asova (date of election by GSM 29.05.2017 and date of mandate expiration 29.05.2020), Jordan Skortchev (date of election by GSM 22.05.2012 and respectively dates of re-election by GSM 15.06.2015 and 21.06.2018 and date of mandate expiration 21.06.2021), and Georgi Trenchev (date of election by GSM 21.06.2018 and date of mandate expiration 21.06.2021), who is a Chairman.

The functions under the Rules of Procedure of the Audit Committee are described below.

Art.2. (1) The Audit Committee shall perform functions related to financial audit, internal control, and internal audit as follows:

1. monitors the financial reporting processes;
2. monitors the effectiveness of the internal audit function;
3. monitors the effectiveness of the risk control and management systems;
4. monitors the independent financial audit;
5. Recommends the selection and remuneration of the registered auditors, reviews their independence in accordance with the requirements of the LIFO and Regulation 537/2014, including the expediency of providing services outside the audit of the entity audited under Art. 5 of the same regulation, as well as oversees the additional services provided by the registered auditors to the Bank;
6. performs other functions and commitments regulated by the LIFO and Regulation 537/2014;

(2) The Audit Committee shall have the right to access to the documents and other information necessary for the performance of its functions and other information about the Bank, and the members of the Supervisory Board and the Management Board of First Investment Bank AD and its committees, as well as the employees of the Bank are obligated to assist the Audit Committee in the performance of its activities, including provide the information requested by it within a reasonable time.

In 2018, 10 meetings were held as well as 9 meetings of the Audit Committee in the first nine months of 2019, and issues related to its competences were considered, recommendations for the selection of registered auditors were given, and ongoing monitoring of the financial reporting and independent financial audit were carried out as well as of the effectiveness of the internal audit function and the control systems, incl. through regular meetings with the Chief Financial Officer, the Internal Audit Director, and representatives of the Bank's registered audit firms.

The Remuneration Committee assists the Supervisory Board in the implementation of the Bank's Remuneration Policy and in its subsequent changes, as well as on any other remuneration issues in accordance with the regulatory requirements and good practices in this field.

Members, pursuant to the decision of the SB from 29.05.2019, are Evgeni Lukanov (Chairman), Jyrki Koskelo, Jordan Skortchev.

The functions under the Remuneration Committee's Rules of Procedure are set out below:

1. Assists the Supervisory Board in:

a) the implementation of the Bank's Remuneration Policy and any subsequent changes thereto;

b) preparing proposals for decisions to be taken by the Supervisory Board on remuneration payable by the Bank pursuant to Ordinance No. 4 of the Bulgarian National Bank of 21 December 2010 on the requirements for the remuneration at banks and the applicable law;

2. Recommends appropriate remuneration policies and practices to the Supervisory Board;

3. Performs only the tasks delegated to it by the Supervisory Board under these Rules or other delegated by decision of the Supervisory Board, and may not exceed the power or the rights of the Supervisory Board as a whole;

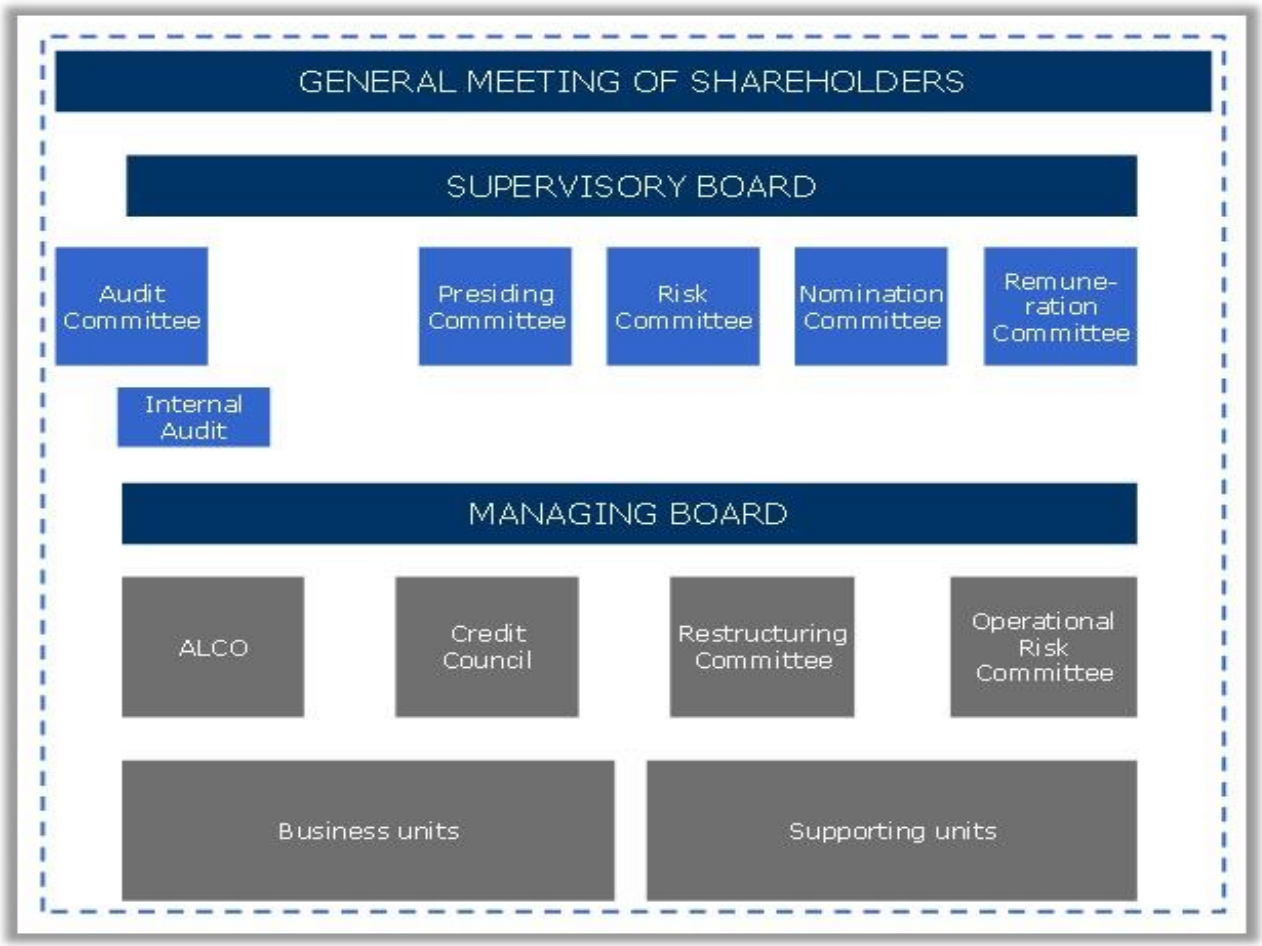
4. Exercises control over and assist with certain decisions of the Management Board;

5. On matters the decisions on which, according to the law, the Articles of Association or the resolution of the General Meeting of Shareholders must be taken by the Supervisory Board and only in cases where the Supervisory Board has delegated the right to the Committee, the latter prepares a draft decision or implements other preparatory functions in connection with the decision or its implementation.

In 2018, the Remuneration Committee addressed issues within its competencies on remuneration, incl. in connection with the changes in the senior management during the year, having held 4 meetings for the period.

Corporate Governance

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



and economic environment as well as the financial markets in the country and abroad.

The corporate governance of First Investment Bank is a system of policies, rules, procedures and practices by which the Bank is managed and controlled, with clearly defined functions, rights and responsibilities at all levels: General Meeting of Shareholders, Supervisory Board and committees to it, Management 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 a Management Board.

First Investment Bank AD functions in accordance with the Corporate Governance Code adopted by the Management Board and approved by the Supervisory Board. It outlines the framework and structures the main components, functions, and responsibilities constituting the system of corporate governance of the Bank. In addition to the requirements of applicable law in the Republic of Bulgaria, the Code was 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 and control oversight;
- executive management and senior staff acting in the best interest of the Bank and towards increasing the value of shareholders' equity;
- timely information disclosure and transparency;
- effective system of risk management and control based on the principle of “three lines of defense”.

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

In addition to the Corporate Governance Code, First Investment Bank applies a Disclosure Policy, as both documents are publicly available at the corporate website of the Bank (http://www.fibank.bg/bg/korporativno-upravlenie/page/3589). In 2018 and the nine months of 2019, the requirements specified in these were met, including the requirements for disclosure of regulated information and information under the financial calendar of the Bank for 2018 and 2019.

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, and interested parties of the Bank is an important aspect underlying its overall activity, has in place a Whistleblowing policy. The Policy aims to structure 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 review 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.

Corporate governance changes are made in compliance with applicable regulatory requirements, incl. of the Law on Credit Institutions, the Law on Public Offering of Securities, and the regulations for their implementation, in compliance with the principles of continuity and in accordance with the plans for development and sound management of the Bank.

As of the date of the Prospectus, there are no forthcoming changes in the composition of the management bodies or committees that have been approved by the management and/or the general meeting of shareholders, except as indicated.

11. PRINCIPAL SHAREHOLDERS

In its capacity as a public company, the Bank presents information on its shareholding structure of the Bank, which is subject to disclosure - (direct and indirect participation of 5 and more than 5 percent in the capital of the company) - based on information provided by the Bank as at the date of the prospectus.

Under the Law on Credit Institutions, shareholders with 3 percent or more of the voting capital of the Bank are subject to certain approvals and reporting procedures.

The principal shareholders, i.e. the persons who directly hold at least 3 percent of the total votes at the General Assembly are:

Ivailo Dimitrov Mutafchiev owns directly 46,750,000 shares of the capital, with a total par value of BGN 46,750,000, providing 46,750,000 votes representing 42.5% of the Bank's capital.

Tzeko Todorov Minev owns directly 46,750,000 shares of the capital, with a total par value of BGN 46,750,000, providing 46,750,000 votes representing 42.5% of the Bank's capital.

There is no other person who holds directly or indirectly 3 and more than 3 percent of the total votes at the General Meeting as of the date of the Prospectus.

None of the above shareholders holds different voting rights in the General Meeting of Shareholders of the Bank.

Control over the Company

The shareholders exercise their shareholding rights conferred by the applicable regulatory and internal acts.

The issuer is not owned / controlled directly or indirectly by anyone individually.

Mr. Tzeko Minev and Mr. Ivailo Mutafchiev each own 42.5% of the Bank's share capital.

These shareholdings give the Majority Shareholders, acting together, effective control of the Bank at a shareholders' meeting. The Bank is not aware of any shareholders agreement concluded between the Major Shareholders; however, up to now Mr. Tzeko Minev and Mr. Ivaylo Mutafchiev have voted on material issues at the shareholders meeting in the same way.

The Issuer is not aware of any arrangements / agreements that may result in the acquisition of control and / or subsequent change in the control of the Bank.

Regarding the provisions of the Articles of Association aimed at preventing possible abuse of control, it may be noted that the decisions of the General Meeting of Shareholders for transformation or termination of the company, transfer of the company are to be taken by majority of ¾ of the capital presented. BNB permission for transformation is required.

The provisions of Art. 229 of the Commercial Law, the minority rights of the shareholders under Art. 118 of the LPOS, the liability under Art. 118a of the LPOS, as well as the requirements under Art. 114a, paragraph 4 of the LPOS for non-participation of any interested persons in making decisions falling within the scope of the imperative regime under Art. 114 et seq. of the LPOS should be considered.

12. RELATED PARTY TRANSACTIONS

The Bank has entered and intends to continue to enter into transactions with related parties within the meaning of IAS 24 Related Party Disclosures (Annex to Regulation (EC) No. 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EU) No. 1606/20002 of the European Parliament and of the Council, as amended by Regulation (EC) No. 1274/2008 of 17 December 2008 amending Regulation (EC) No. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/20002 of the European Parliament and of the Council in connection with International Accounting Standard (IAS) 1.

The following entities are considered as related parties for First Investment Bank in 2017, 2018, 2019 and until the date of the Prospectus ("Related Persons"):

Relatedness	2017	2018	2019	As of the date of the Prospectus
Subsidiary companies*	Debita OOD Realtor OOD Balkan Financial Services EOOD Turnaround Management EOOD Creative Investment EOOD Lega Solutions EOOD AMC Imoti EOOD	Debita OOD Realtor OOD Balkan Financial Services EOOD Turnaround Management EOOD Creative Investment EOOD Lega Solutions EOOD AMC Imoti EOOD	Debita OOD Realtor OOD Balkan Financial Services EOOD Turnaround Management EOOD Creative Investment EOOD Lega Solutions EOOD AMC Imoti EOOD	Debita OOD Realtor OOD Balkan Financial Services EOOD Turnaround Management EOOD Creative Investment EOOD Lega Solutions EOOD AMC Imoti EOOD MyFin EAD
Companies indirectly controlled by the Bank	Fi Health EOOD Medical center FiHealth AD Medical center FiHealth Plovdiv AD Occupational Health Service FiHealth EOOD	Fi Health EOOD Medical center FiHealth AD Medical center FiHealth Plovdiv AD Occupational Health Service FiHealth EOOD	Fi Health EOOD Medical center FiHealth AD Medical center FiHealth Plovdiv AD Occupational Health Service FiHealth EOOD	Fi Health EOOD Medical center FiHealth AD Medical center FiHealth Plovdiv AD Occupational Health Service FiHealth EOOD
Other relations	Bulgarian Olympic Committee Bulgarian Ski Federation Unibank AD Skopje International Card Center AD Skopje First Financial Brokerage House EOOD Sofia Opportunity OOD Advertising Agency 1 AD Project Sinergy OOD	Bulgarian Olympic Committee Bulgarian Ski Federation Unibank AD Skopje First Financial Brokerage House EOOD Balkan Holidays Services EOOD	Bulgarian Olympic Committee Bulgarian Ski Federation Unibank AD Skopje First Financial Brokerage House EOOD Balkan Holidays Services EOOD	Bulgarian Olympic Committee Bulgarian Ski Federation Unibank AD Skopje First Financial Brokerage House EOOD Balkan Holidays Services EOOD Markan TI EAD Fraxinus Investment EOOD
Persons controlling or managing the Bank	Tzeko Todorov Minev Ivaylo Dimitrov Mutafchiev Evgeni Krastev Lukanov Iordan Velitchkov Skortchev Maya Lubenova Georgieva Georgi Dimitrov Mutafchiev Radka Vesselinova Mineva Jyrki Ilmari Koskelo Svetoslav Stoyanov Moldovanski Jivko Ivanov Todorov Nadia Vasileva Koshinska Nedelcho Vasilev Nedelchev Svetozar Alexandrov Popov Sevdalina Ivanova Vassileva	Tzeko Todorov Minev Ivaylo Dimitrov Mutafchiev Evgeni Krastev Lukanov Iordan Velitchkov Skortchev Maya Lubenova Georgieva Georgi Dimitrov Mutafchiev Radka Vesselinova Mineva Jyrki Ilmari Koskelo Jivko Ivanov Todorov Nadia Vasileva Koshinska Nedelcho Vasilev Nedelchev Svetozar Alexandrov Popov Sevdalina Ivanova Vassileva Chavdar Georgiev Zlatev	Tzeko Todorov Minev Ivaylo Dimitrov Mutafchiev Evgeni Krastev Lukanov Iordan Velitchkov Skortchev Maya Lubenova Georgieva Georgi Dimitrov Mutafchiev Radka Vesselinova Mineva Jyrki Ilmari Koskelo Jivko Ivanov Todorov Nadia Vasileva Koshinska Nedelcho Vasilev Nedelchev Svetozar Alexandrov Popov Chavdar Georgiev Zlatev	Tzeko Todorov Minev Ivaylo Dimitrov Mutafchiev Evgeni Krastev Lukanov Iordan Velitchkov Skortchev Maya Lubenova Georgieva Georgi Dimitrov Mutafchiev Radka Vesselinova Mineva Jyrki Ilmari Koskelo Nadia Vasileva Koshinska Svetozar Alexandrov Popov Chavdar Georgiev Zlatev Nikola Hristov Bakalov

**Subsidiaries not covered by consolidation during the respective year*
Source: Audited annual financial statements for 2017, 2018 and 2019; Information as of the date of the Prospectus; Fibank

In the period from January 1, 2017 until the date of the Prospectus, except for the transactions specified in this Section, Fibank has not concluded any other transactions with related parties, which are material, jointly or severally.

The transactions with related parties of Fibank are as follows:

Type of related party	**Parties that control or manage the Bank**				**Enterprises under common control**			
In BGN '000	**2017**	**2018**	**2019**	**Prospectus date**	**2017**	**2018**	**2019**	**Prospectus date**
Loans								
Loans outstanding at the beginning of the period	1 363	753	1 769	2 327	1 554	1 280	11 179	7 709
Loans issued/(repaid) during the period	(610)	1 016	558	(323)	(274)	9 899	(3 470)	59 020
Loans outstanding at the end of the period	753	1 769	2 327	2 004	1 280	11 179	7 709	66 729
Deposits and loans received								
At the beginning of the period	7 831	8 708	12 862	11 718	3 325	15 370	12 928	9 459
Received/(paid) during the period	877	4 154	(1 144)	946	12 045	(2 442)	(3 469)	(2 626)
At the end of the period	8 708	12 862	11 718	12 664	15 370	12 928	9 459	6 833
Deposits placed								
Deposits at the beginning of the period	-	-	-	-	9 822	19 604	19 704	18 748
Deposits placed/(repaid) during the period	-	-	-	-	9 782	100	(956)	923
Deposits at the end of the period	-	-	-	-	19 604	19 704	18 748	19 671
Other receivables								
At the beginning of the period	-	-	-	-	-	23 482	22 118	16 790
Received/(paid) during the period	-	-	-	-	23 482	(1 364)	(5 328)	1 006
At the end of the period	-	-	-	-	23 482	22 118	16 790	17 796
Off-balance sheet commitments								
At the beginning of the period	2 259	1 291	1 283	975	464	322	351	1 062
Issued/(expired) during the period	(968)	(8)	(308)	(204)	(142)	29	711	5 991
At the end of the period	1 291	1 283	975	771	322	351	1 062	7 053

Source: Audited annual financial statements for 2017, 2018 and 2019; Information as of the date of the Prospectus; Fibank;

Type of related party	Parties that control or manage the Bank				Enterprises under common control			
In BGN '000	**2017**	**2018**	**2019**	**01.01.2020-Prospectus date**	**2017**	**2018**	**2019**	**01.01.2020-Prospectus date**
Interest income	22	310	38	7	227	614	556	590
Interest expense	11	3	3	1	7	8	8	0
Fee and commission income	9	220	19	3	132	148	187	40
Fee and commission expense	-	3	2	0	-	450	562	0

Source: Audited annual financial statements for 2017, 2018 and 2019; Information as of the date of the Prospectus; Fibank;

The conditions under which the transactions are made do not deviate from the market prices for this type of transactions.

The Bank has not reported bad or doubtful receivables from related party transactions and accordingly there are no recognized provisions or expenses.

The income earned by the key management personnel over the period covered by the historical information and up to the Prospectus date are shown in the table below:

In BGN '000

	2017	**2018**	**2019**	**Prospectus date**
Current personnel compensation	7 633	7 222	10 069	4 161
Compensations upon contract termination	516	258	-	300
Total	**8 149**	**7 480**	**10 069**	**4 461**

Source: Fibank

Items of a similar nature have been disclosed in aggregate in order to achieve a more concise and easy to analyze and understand form of related party transactions, while also taking into account their insignificance (total exposures <0.6% of the Bank's assets) in view of understanding the implications of the related party transactions on the Bank's financial statements.

On 20 December 2019 Fibank issued, under the conditions of private placement, a hybrid instrument with total nominal and issue price EUR 30 million. During the private placement related parties have subscribed bonds from the issue as follows:

Type of related party	Parties that control or manage the Bank	Other relations
In EUR '000	500	2 000

Given that the hybrid instrument is freely transferable, the Bank cannot confirm whether related parties hold any or some of the notes as of the date of this Prospectus.

13. SHARE CAPITAL AND RIGHTS AND RESPOSNIBILITIES RELATING TO SHARES AND THE GENERAL MEETING OF SHAREHOLDERS

Share capital

First Investment Bank is a public company within the meaning of Chapter Eight of the POSA and is registered with the Financial Supervision Commission. The issue of ordinary shares of the Bank has been registered for trading on Bulgarian Stock Exchange AD.

According to the last audited annual report, the share capital of the Bank is BGN 110.000.000. It is distributed in as many ordinary registered shares, each with a par value of BGN 1.00. As of the date of this document there is no subsequent change in the share capital. The shares are non-preference ones carrying one vote per share, with right to dividend and liquidating dividend proportionate to the face value of the share. The shares have been issued in accordance with the Bulgarian regulatory framework and exist in book-entry form by virtue of their registration with the Bulgarian Central Depository AD (with address: Bulgaria, 6, Tri Ushi Str., Sofia).

The Issuer does not hold own shares as of the date of this document. Neither of the Issuer's subsidiaries hold shares in the Issuer.

The Bank has not issued non-equity shares. The Bank has not issued convertible or exchangeable securities or warrants. There is no authorized but unissued capital of the Bank, except as decided by the competent authority in this Offering. The Bank is committed to increase the capital in accordance with resolutions of the Management Board of 12.12.2019 and of the Supervisory Board of 19.12.2019, change of parameters by resolutions of the MB of 09.04.2020 and of the SB of 15.04.2020, and a subsequent change by resolutions of the MB and the SB of 22.04.2020.

To the best knowledge of the Issuer, there are no shares of the Bank or of a member of the Group[26] that are under option or agreed to be conditionally or unconditionally put under option. All shares have been fully paid in cash and paid with in-kind contributions of assets.

The share capital of the Bank has not changed in the period covered by the historical financial information up to the date of this Prospectus.

Provisions of the Articles of Association

<u>The Articles of Association of the Company have been entered in the Commercial Register under number 20190723132248.</u>

<u>The nature of business and the goals</u> set forth in Art. 4 and 5 of the Articles of Association of the Bank are as the following:

- The Bank is engaged in the business of publicly accepting deposits or other repayable funds and extending loans and other financing for its own account and at its own risk.
- The Bank may also conduct the following activities if they are covered by its license:

  1. providing money transfer services as defined in the Payment Services and Payment Systems Act;

  2. issuance and administration of other means of payment (payment cards, traveller's cheques and bills of credit) in so far as these activities do not fall within the scope of item 1;

  3. acceptance of valuables on deposit;

[26] as defined in Business Review - Organizational Structure

4. depository and custodian services;

5. financial leasing;

6. guarantee transactions;

7. trading for its own account or for customers’ account with foreign currency and precious metals except for derivative financial instruments over foreign currency and precious metals;

8. rendering of services and/or performance of activities under Article 6, Paragraph 2 and Paragraph 3 of the Markets in Financial Instruments Act;

9. financial brokerage;

11. acquisition of receivables arising out of loans and other forms of financing (factoring, forfeiting and other)

12. equity acquisition and management;

13. safe deposit box rental;

14. collection and distribution of information and references on customers’ creditworthiness;

15. issue of electronic money;

16. other such activities defined in an ordinance of the Bulgarian National Bank (BNB).

- The acquisition, payment and trade in government securities shall be effected pursuant to the procedure and terms of the Government Debt Act.
- The Bank may not conduct in the line of business transactions other than those specified above, except where necessary for conducting its business or in the process of collecting debts on granted loans. The Bank may set up or acquire companies to provide ancillary services.
- In connection with the granting of loans and guarantees in foreign currency, in compliance with the applicable regulatory acts and the requirements for the transaction of bank activities, the Bank may:
    1. Take in resources in foreign currency from Bulgarian and foreign banks and other legal persons and individuals;
    2. Sign loan and correspondence agreements with local and foreign banks;
    3. Collect payments against commodity and freight documents, checks and other payment documents and valuables of Bulgarian merchants and companies, foreign banks, and/or other legal persons and individuals, and effect payments in relation thereto.
- The Bank may:
    1. Participate in consortia;
    2. Organize the conducting of economic, market, currency-financial and other research in Bulgaria and abroad against payment; consult its clients on the loan and market situation; on the economic status and the scientific and technical possibilities and the strategy of their potential partners;
    3. Associate with foreign legal and persons and individuals in Bulgaria and abroad, including for incorporation of and shareholding participation in banks;
    4. Operate with its free funds on the international markets.
- The Bank shall transact its business in line with its scope of business specified in Article 4 of the Articles of Association. It may also conduct any other business except for such business activities which are prohibited by law.
- The Bank shall transact its foreign economic activity alone or through specialized trade companies.

Members of the *Management Board* must meet the following criteria:

1. hold Master’s or higher degree;
2. have a qualification and professional experience in banking;

3. have not been convicted of a premeditated crime of general nature unless they have been exonerated or for any crime under Article 116a of the Public Offering of Securities Act;
4. have not been members within the two years last preceding the date of the adjudication in bankruptcy of governing or controlling bodies or general partners in a company terminated for bankruptcy which has unsatisfied creditors, regardless of whether they have later been reinstated or not;
5. have not been, during the last 2 years preceding the date of a court decree for declaring a bank bankrupt, members of its governing or control bodies;
6. have not been deprived of and are not under effective disqualification from the right to occupy a financially responsible position;
7. not be spouses or relatives up to the third degree, including by direct or collateral line of descent, or similarly related to another member of a governing or controlling body of the Bank or be in a co-habitation with such a member.
8. not be undischarged bankrupt debtors.
9. Background information collected about them does not give rise of any doubt concerning their reliability and suitability or underlying conflict of interest, in accordance with the requirements of the Bulgarian National Bank and the policy for the selection of senior management personnel of the Bank.

The members of the *Supervisory Board*, as well as the representatives of the legal entities members of the Supervisory Board must meet the requirements set forth in item 3, 4, 5, 6, 7 and 8 above and must possess knowledge, skills, experience, reliability and suitability as required by an Ordinance issued by the Bulgarian National Bank.

Due Diligence: The members of the *Management Board* and the *Supervisory Board* are obliged to:

1. Perform their duties with the care of a good trader in a way that they reasonably consider to be in the interest of all shareholders of the company and using only information for which they reasonably believe to be true and complete;
2. Demonstrate loyalty to the Company by:

a) Putting the interest of the Company before their personal interest;

b) avoiding direct or indirect conflict of interest between their own interest and the interest of the Company, and if such conflict arises they are to timely and fully disclose it in writing to the respective body and refrain from participating or influencing other members of the board in the decision-making process in these cases;

c) not divulging non-public information about the Company after they cease to be members of the respective bodies, until the public disclosure of the relevant circumstances by the Company.

The members of the *Management Board* and the *Supervisory Board* are obliged to provide a financial guarantee for their management by depositing a sum equal to 50 (fifty) minimum monthly salaries, which is paid in BGN, applying the provisions of the POSA.

The remuneration and bonuses of the members of the *Management Board* and the *Supervisory Board*, as well as the term for which they are due, are determined by the General Meeting of Shareholders.

At least one-third of the members of the *Supervisory Board* must be independent persons within the meaning of the POSA.

Mandate: The members of the *Management Board* are elected by the *Supervisory Board* for a term of up to five years according to the Articles of Association, and they can be re-elected without restriction. The members of the Supervisory Board are elected by the General Meeting of Shareholders for a term of up to five years. They can be re-elected without restriction.

Management and Representation: The Bank has a two-tier management system. The *Management Board* manages and represents the Bank. The *Management Board* following an approval by the *Supervisory Board*, assigns the management and representation of the Bank to at least two of its members: Executive Directors representing the Bank. The Executive Directors organize the implementation of the resolutions of the *Management Board* and the operational management of the Bank.

Powers:

The *Management Board* manages and represents the Bank, and resolves all issues concerning the scope of business of the Bank, except those falling within the exclusive competence of the General Meeting or the *Supervisory Board* - in accordance with the law and the Articles of Association.

The Management Board:

- secures the implementation of the resolutions passed by the General Meeting and the Supervisory Board;
- approves programs and budgets related to the Bank's activities;
- opens and closes branches and representative offices of the Bank;
- decides on the Bank's participation in other companies in the country and abroad;
- resolves issues related to the acquisition and disposal of real estate and rights thereto;
- prepares the Annual Financial Statement of the Bank and submits it for approval by the General Meeting;
- performs any and all other functions assigned to it by the General Meeting or the Supervisory Board and the law.

The resolutions of the *Management Board* are subject to approval by the Supervisory Board or authorization by the General Meeting in the cases provided for in the Articles of Association or the law.

The *Supervisory Board* does not participate in the management of the Bank. It represents the Bank only in its relations with the *Management Board*.

The *Supervisory Board*:

- elects and dismisses the members of the Management Board and determines their remuneration;
- approves the Rules of Procedure of the Management Board;
- approves the resolutions of the Management Board provided for in the Articles of Association and grants approval in other cases provided for in the laws, the Articles of Association or the Rules of Procedure of the Supervisory Board;
- adopts rules for its operation;
- adopts the Bank’s remuneration policy;
- sets the main business objectives of the Bank and the attainment strategy;
- decides on other matters as provided for by law or by the Articles of Association.

Share rights, preferences and restrictions

All existing shares are of one class.

Right to vote

Each ordinary share that is issued with voting right carries one vote at the General Meeting of Shareholders of the Bank. Voting rights may be exercised at the General Meeting of Shareholders by the persons who have been entered as shareholders in the registers of the Central Depository 14 days before the date of the General Meeting. The Central Depository provides the Bank with a list of shareholders by the aforementioned date (14 days before the General Meeting). The presence of a person/entity on this list entitles them to participate in the General Meeting and to exercise their right to vote after being duly identified (by means of identity card for the natural persons, and a Certificate of Good Standing from the Commercial Register for legal entities and corresponding identification of their representatives). Holders of the right to vote may participate in the General Meeting either in person or through a representative authorized with written power of attorney under Art. 116, para. 1 POSA.

Right to dividends

Dividends are distributed by resolution of the General Meeting of Shareholders.

Each share entitles its holder to a dividend payment proportionate to the share's par value. The persons entitled to receive dividends are those who are registered as shareholders in the registers of the Central Depository on the 14th day following the day on which the General Meeting has been held, approval of the Annual Financial Statement has been granted and resolution for distribution of dividends has been passed.

The Bank ensures that the dividend accepted by vote is paid within a period of three months as from the date of the General Meeting.

The Bank is obliged to notify immediately the Commission, the Central Depository and the Regulated Market of the resolution of the General Meeting regarding the type and amount of paid dividends, as well as the terms and procedures for their payment.

Dividends shall be paid out only if the respective Annual Financial Statement, audited and adopted according to Section XI, shows that the net worth, less the dividends and interest payable, is not less than the amount of the company's capital, the Reserve Fund and any other funds the Company is required to maintain under the law or the Articles of Association.

Payment of the dividends shall be made with the assistance of the Central Depository and in accordance with Ordinance No. 8/2003 on the Central Securities Depository.

Pursuant to the statutory provisions, the right to dividends shall be extinguished with the expiry of a 5-year limitation period, which shall begin to run from the moment the right to dividend arises. After the expiry of the limitation period, the funds, which were to be paid as dividends, shall be kept to the benefit of the Company.

Bulgarian and foreign shareholders fall under the same regime with regard to their right to dividend payout and the procedures for its payment (see "*Taxation*").

Right to liquidation quota

Each share gives to its holder the right to receive a liquidation quota in proportion to the share's par value. This right is conditional. It arises and can only be exercised if (and so far as) in the case of winding-up of the Company all claims of all creditors have been satisfied and there are proceeds remaining for distribution among the shareholders. The paid out liquidation quotas cannot exceed the value of the remaining company proceeds. Only the persons registered in the registers of Central Depository AD as shareholders at the time of termination of the Company are entitled to a liquidation quota. The Company may be wound up under the terms and conditions of the Credit Institutions Act and the Commerce Act. The resolution to wind up the Company may be carried out only after obtaining permission from BNB. The procedure for winding up of the Company is provided for by the law. According to the current legislation, the right to receive a liquidation quota is extinguished with the expiration of the general 5-year limitation period.

Shareholder benefits

In the case of a capital increase, each shareholder is entitled to purchase a certain amount of the newly issued shares that is proportionate to their shareholding before the increase. This right cannot be revoked or restricted by the decision-making body in accordance with Art. 194, para. 4 of the Commerce Act.

The pre-emptive right to acquire new shares applies, in the first instance, to shareholders holding shares of the same class as the newly issued capital increase shares. The remaining shareholders may exercise their pre-emptive right after the shareholders under the preceding sentence.

Persons who have acquired shares not later than 14 days after the date of the resolution of the General Meeting for raising capital are entitled to participate in the increase. If said resolution, however, is passed by the management body, the persons entitled to purchase shares under the new issue are those who have acquired shares no later than 7 days after the date of publication of the notice under Art. 92a, para. 1 POSA.

The rights conferred by the shares subject to this public offering cannot be restricted by rights conferred by another class of securities or by the provisions of a contract or other document.

Rights of minority shareholders

Shareholders holding jointly or severally at least five percent (5%) of the shares have the following rights:

To file any claims the Company may have against third parties, if the Bank's governing bodies fail to act, and to file claims against members of the managing or controlling body for damages caused to the Company;

According to Art. 118, para. 1 POSA, in the event of failure of the management bodies of the Company to act, thus putting the interests of the Company at risk, these shareholders may bring before the court the Company's claims against third parties. According to Art. 118, para. 2, item 1 POSA, these shareholders may bring a claim before the competent District Court for compensation of damages inflicted on the Company as a result of actions or omissions of the members of the management or supervisory bodies or of the Company's procurators.

Right to request that the General Meeting be convened and questions or draft decisions on issues already included in the agenda be included

According to Art. 118, para. 2, item 3 POSA, these shareholders may request from the District Court to convene a General Meeting or to authorize their representative to convene a General Meeting with an agenda determined by them.

In addition, pursuant to Art. 118, para. 2, item 4 POSA, these shareholders may request the inclusion of questions and propose draft decision for resolutions on issues already included in the agenda of the convened General Meeting in accordance with Art. 223a of the Commerce Act. The right under Art. 118, para. 2, item 4 POSA shall not be applied when the subject of an item included in the agenda of the General Meeting is passing a resolution under Art. 114, para. 1 POSA. These shareholders are not entitled to include in the agenda of the General Meeting new items subject to Art. 114, para. 1 POSA.

The right to request the appointment of controllers of the Company

According to Art. 118, para. 2, item 2 of POSA, these shareholders may request that the GeneralMeetingortheDistrictCourtappointcontrollerstoexaminetheentire financial documentation of the Company and to prepare a report of their findings.

Additional rights

- the right of each shareholder to acquire shares corresponding to their share in the capital before the capital increase.

- the right of every shareholder to participate in the management, to elect and to be elected in the management bodies;
- the right to information, including the right to inspect the papers related to the announced agenda of the General Meeting of Shareholders and to receive them for free upon request;
- the right to bring an action before court for the repeal of a resolution of the General Meeting when such resolution is inconsistent with a mandatory provision of the law or with the Articles of Association of the Company. Any shareholder may join the proceedings, and may uphold the claim even if the plaintiff abandons or withdraws the suit.

Repurchase and conversion

The Bank may not repurchase its shares back without obtaining written permission from BNB.

A public company may acquire more than 3 per cent of its voting shares in one calendar year in the event of a reduction of the capital through cancellation of shares or repurchase of shares only under the terms and conditions of tender offering under Art. 149b of POSA. The public company must notify the Commission and the public in accordance with Art. 100t, para. 3 and 4 POSA for the number of own shares to be repurchased within the permitted limit and for the investment intermediary to which the purchase order has been issued.

The Bank may issue bonds that can be converted into shares (convertible bonds) subject to application of the shareholder preference rules. Bonds are issued by resolution of the General Meeting or the MB with the approval of the SB.

Changes in shareholder rights

In general, the fundamental rights attached to ordinary shares (voting rights, dividend and liquidating dividend rights), as described above, cannot be restricted or eliminated.

The statutory provisions under which these rights are conferred on shareholders are binding and therefore the Articles of Association may confer additional rights on shareholders, but may not exclude or limit the rights provided for by the law.

Art. 113, para. 2 POSA states that the shareholders may be deprived of their pre-emptive rights to acquire new shares in the case of a capital increase when the capital increase is necessary for:

1. the implementation of a restructuring program to bring their capital adequacy in compliance with the requirements of the law or a coercive administrative measure was imposed on them;

2. theexecutionofmerger,tenderofferforexchangeofsharesorensuringtherights of the warrant or convertible bonds holders.

Convening of the General Meeting of Shareholders

Ordinary General Meetings are held within six months after the end of each accounting year. An extraordinary General Meeting of Shareholders may be convened at any time. The General Meeting is convened by the MB. The General Meeting may be convened by the Supervisory Board and at the request of shareholders holding at least 5 percent of the Bank's capital.

The convening of the General Meeting of Shareholders is carried out with an invitation in accordance with Art. 223, para. 3 sentence first of the Commerce Act published in the Commercial Register and announced under the terms and conditions of Art. 100t, para. 1 and 3 POSA at least 30 (thirty) days prior to its convening date. Within the term under the preceding sentence, the invitation and the materials for the General Meeting under Art. 224 of the Commerce Act are sent to the Financial Supervision Commission, and the regulated market, on which the Company's shares are admitted to trading, and are published on the Company's website. The rules set forth in the preceding sentence apply to the dissemination of the forms for voting by proxy or by correspondence, if applicable.

The contents of the invitation to convene the General Meeting are determined in accordance with the requirements of Art. 223, para. 4 of the Commerce Act and Art. 115 para. 2 POSA. Shareholders holding at least 5 per cent of the Company's capital may request supplementing the agenda announced in the invitation in accordance with the terms and conditions of Art. 223a of the Commerce Act. In the cases under the preceding sentence, the shareholders must submit the materials under Art. 223a, para. 4 of the Commerce Act before the FSC and the Company within the next business day after the publication of the agenda in the Commerce Register. The Company is obliged to update the invitation and publish it together with the papers under the conditions and in accordance with Art. 100t, para. 1 and 3 immediately, but no later than the end of the business day following the day of receipt of the notification for inclusion of new items on the agenda.

Voting rights at the General Meeting may be exercised by the persons entered in the registers of Central Depository AD 14 days prior to the date of the General Meeting, as per the list of shareholders provided by Central Depository AD at that date.

The papers related to the agenda of the General Meeting must be made available to the shareholders by the date of announcement of the invitation to convene the General Meeting in the Commercial Register at the latest.

If election of members of the Management Board is on the agenda, the papers must also include the names, residence addresses and professional qualifications of the persons proposed to become MB members.

Delay, postponement or prevention of change of control over the Issuer.

The Articles of Association of the Bank require majority vote for the passing of certain resolutions by the General Meeting:

Resolutions that require a majority of two thirds of the represented capital include: to amend or supplement the Articles of Association; to increase or decrease the capital; to dispose of assets which total value for the current year exceeds half the value of the assets of the Company as per the last certified Annual Financial Statement; to commit or provide collateral to one person or entity or related persons the value of which for the current year exceeds half the value of the assets of the Company according to the last certified Annual Financial Statement; for the election and dismissal of members of the Supervisory Board.

Resolutions that require a majority of 3/4 of the represented capital and permission from BNB include resolutions for transformation or dissolution of the Company, and transfer of ownership over the entire trading company.

Shareholder disclosure in certain cases in accordance with the applicable legislation

According to the Credit Institutions Act, when a person or entity acquires three or more than three per cent of the shares or voting rights in a bank licensed to operate in the Republic of Bulgaria, the Central Depository must notify BNB of the person’s or entity’s name / company name and address / head office within 7 days of entry of the person/entity in the shareholders' book.

According to POSA, any shareholder who acquires a voting right in the General Meeting of a public company or transfers it directly and/or in pursuance of Art. 146 must notify the Commission and the public company, if: 1. as a result of the acquisition or transfer the shareholder’s voting right reaches, exceeds or falls below 5 percent or a figure multiple of 5 percent; (2) the shareholder’s voting right reaches, exceeds or falls below the thresholds under item 1 as a result of events, which lead to changes in the total number of voting rights on the basis of the information disclosed by the Company in the event of change in capital pursuant to Art. 112d POSA.

The obligation for notification must be fulfilled immediately, and not later than 4 working days after the day following the day in which the shareholder or the person/entity holding the voting rights: 1.becomes aware of the acquisition, transfer or of the possibility to exercise the voting rights according to Art.146 POSA, or on which according to the specific circumstances they must have become aware, regardless of the date on which the acquisition or transfer were carried out or the possibility for exercising the voting rights arose; 2. is informed that their voting rights have exceeded, reached, or fallen below 5 per cent or a number multiple of 5 percent of the total number of votes in the Company's General Meeting as a result of events leading to changes in the total number of voting rights based on information disclosed under Art. 112d POSA. The obligation for notification also applies to persons/entities who hold, directly or indirectly, financial instruments that entitle them to acquire voting shares at the General Meeting of the Company on their own initiative and on the basis of a written contract.

The members of the management and controlling bodies of public companies are obliged to report to the company, the Financial Supervision Commission and the Bulgarian Stock Exchange AD: (a) the legal entities in which they hold, directly or indirectly, 25% or more of the voting rights, or over which they exercise control ; (b) the legal entities in which they participate as members of supervisory or management bodies or are appointed as procurators; or (c) known current and future transactions in respect of which they believe they could be identified as interested parties.

Changes in capital that are more restrictive than the conditions provided for by law

There are no conditions for change in the Bank's capital in the Articles of Association that are more restrictive than the conditions stipulated by the law. According to the Articles of Association and Art. 230 of the Commerce Act, a majority of 2/3 of the represented capital is required for the adoption of a resolution for raising of capital.

In accordance with the law and the Articles of Association, the capital of the Bank is increased by issuing new shares (for the purpose of attracting external funds or converting part of the profit into equity) or by converting convertible bonds into shares.

The capital of the Company cannot be increased by increasing the par value of already issued shares or by converting non-convertible bonds into shares.

The capital of the Bank cannot be increased by non-monetary contributions (Article 193 of the Commerce Act), on condition for purchase (Article 195 of the Commerce Act) or by limiting the pre-emptive rights of the shareholders under the conditions of Art. 194, para. 4 and Art. 196, para. 3 of the Commerce Act, except in the cases specially provided for by the law, including under the conditions provided for in Art. 113, para. 2 of the Public Offering of Securities Act (within the framework of the Bank's recovery program or at the order of BNB, if this is necessary to effect an acquisition or tender offer for exchange of shares, as well as to secure the rights of holders of convertible bonds or warrants, in which cases the Bank's capital may be increased in accordance with Articles 193, 195, and 196, paragraph 3 of the Commerce Act. BNB permission is required for capital increase with non-monetary contributions.

The capital increase is effected by virtue of a resolution of the General Meeting or a decision of the Management Board, with the approval of the Supervisory Board, in accordance with the authorization provided for in the Articles of Association.

In the case of a capital increase, each shareholder is entitled to acquire a portion of the new shares corresponding to its share in the capital before the increase. This right cannot be revoked or restricted by the decision-making body in accordance with Art. 194, para. 4 of the Commerce Act.

Upon increase of the capital of the Bank, rights are issued within the meaning of §1, item 3 of the Supplementary Provisions of POSA. Each share is issued with one right. The ratio between the issued rights and one new share is determined in the resolution for capital increase. This does not apply to the increase of the Company's capital, in which only members of the Management Board and / or employees of the Company have the right to participate. In this case the capital increase must be carried out in compliance with the restrictions set forth in Art. 112, para. 3 POSA.

The Bank's capital may be reduced following a permission in writing granted by BNB by reducing the par value of shares, if permissible, and by canceling the repurchased shares under the conditions of the current legislation and the Articles of Association. Capital cannot be reduced through the forced cancellation of shares.

Decisions, authorizations and approvals to carry out the present offering of securities

The proposed share capital increase is made based on a resolution of the Management Board adopted on 12.12.2019 and approved by the Supervisory Board on 19.12.2019, changes in the parameters approved by resolutions of the Managing Board of 09.04.2020 and the Supervisory Board of 15.04.2020 and subsequent changes approved by resolutions of the MB and the SB of 22.04.2020. The resolution provides for an increase in the capital of the Company from BGN 110,000,000 to BGN 150,000,000 by the issuance of up to 40,000,000 new ordinary shares, each with a face value of BGN 1 and issue price of BGN 5, of the same class as the already existing shares.

The MB, with the approval of the SB, has selected First Financial Brokerage House EOOD as an investment intermediary for the capital increase. The FSC will pass a resolution to confirm the present prospectus for public offering of shares.

Expected date of issue of the capital increase

The capital increase shall be effective from the date of its publication in the Bulgarian Commerce Register. The new shares are issued upon registration of the capital increase in the Central Depository, which is expected to happen on or around 05.08.2020. For more information, see "*Offering Conditions - Estimated Offering Schedule*".

Restrictions on the free transferability of securities

Pursuant to Art. 111, para. 3 of the Public Offering of Securities Act, public company shares are kept in book-entry form, consequently the restrictions on transfer of securities kept in certification form provided in the Commerce Act do not apply to them. According to Art. 127, para. 1 POSA, their transfer becomes effective upon its registration with Central Depository AD.

There are, however, legal restrictions regarding the transfer of shares blocked at the depository institution, as well as shares encumbered with a pledge or a lien. The prohibition on transfer in the case of pledges shares does not apply if the acquirer is notified of the pledge and expressly agrees to acquire the pledged shares, and the pledgee has expressly agreed on the transfer of the pledged shares (if the pledgee's consent is required under the Bulgarian Registered Pledges Act). Restrictions on the transfer of pledged shares do not apply in cases of a pledge established on groups of accounts receivable within the meaning of the Registered Pledges Act. The prohibition on the transfer of pledged shares does not apply in the cases of right of use of the pledged shares established in favor of the pledgee under the Financial Collateral Contracts Act, in which case the pledgee has the right to transfer the shares.

Buyout Offers

For the last financial year and the current financial year up to the date of the prospectus, there have been no tender offers, offers for compulsory takeover / acquisition, forced purchase or sale made to the Issuer in respect of the securities.

The shares have not been subject to public offerings for redemption by third parties during the last financial year and the current financial year up to the date of this prospectus.

Tender offer

According to Art. 149. (1) of the Public Offering of Securities Act a person/entity who acquires directly or through related parties more than one third of the votes in the General Meeting of a public company in which there is no person/entity or persons/entities holding directly or through related parties more than 50 per cent of the votes in the General Meeting, then said person/entity shall be obliged within 14 days from the acquisition, respectively within one month from the entry in the Commercial Register of the transformation or reduction of the capital, when the crossing of the threshold is a result of transformation or as a result of the cancellation of shares:

1. to register with the Commission under Art. 151 a tender offer to the remaining shareholders with voting shares for the acquisition of their shares and/or exchange of the latter with shares which will be issued for this purpose by the offeror; or

2.totransferthenecessarynumberofshares,inordertoholddirectlyorthroughrelatedpersons less than 50 percent of the votes at the General Meeting of the company.

The obligation under Art. 149, para. 1, item 1 arises also for a person/entity acquiring directly through related parties or indirectly more than 50 per cent of the votes in the General Meeting of a public company, as well as for a person/entity acquiring directly through related parties or indirectly more than two thirds of the votes in the General Meeting of a public company, unless within 14 days of the acquisition the person/entity transfers the required number of shares so that it holds directly, through related persons or indirectly less than 50 per cent, or less than two thirds of the votes respectively.

A person/entity who holds directly, through related parties and / or indirectly more than one third, but not more than two thirds of the votes in the General Meeting of a public company is not entitled within one year to acquire, including through related persons or indirectly under para. 2, voting shares in an amount greater than three per cent of the total number of shares of the company, except as a result of a tender offer made under Art. 149b of POSA.

The persons/entities are not entitled to exercise their voting right at the General Meeting prior to the announcement of the tender offer, and prior to the transfer of the shares respectively.

According to Art. 157a, para. 1 POSA a person who, as a result of a tender offer made to all shareholders with right to vote, acquires directly, through related persons or indirectly atleast95percentofthevotesinthepubliccompany’sGeneralMeeting,shallbeentitledwithina3-monthperiodafterthedeadlineofthetender offer to purchase the voting shares of the other shareholders.

According to Art. 157b, para. 1 POSA each shareholder shall have the right to require from the person who has acquired directly, through related persons or indirectly at least 95 percent of the votes in the General Meeting of a public company as a result of a tender offer, to buy out his voting shares within three months of the closing date of the tender. The request must be made in writing and contain information about the shareholder and the shares he holds.

The tax legislation of the Member State of the investor and the Member State in which the Issuer was established may affect the income received from the securities.

Information on the tax treatment of the securities subject to the proposed investment is available under the "Taxation" Item herein.

There is no case of restructuring under Directive 2014/59 / EU of the European Parliament and of the Council.

The Issuer is the proponent of the securities subject to this offering.

14. TERMS AND CONDITIONS OF THE OFFERING

Information concerning the securities to be offered

Type and class of the securities

Subject of the initial public offering are up to 40,000,000 ordinary, registered, dematerialized shares of the Company's capital. The subscription shall be considered successful if at least 4,000,000 of the offered shares are subscribed. The shares from the new issue are of the same class as the Bank's issued shares and give equal rights to their holders. The Book of Shareholders is kept by Central Depository AD, with its registered office at: 6, Tri Ushi Str., Sofia. An ISIN code for the rights according to §1, item 3 of POSA, granting the rights to subscribe shares from the capital increase will be assigned by sending a request to Central Depository AD immediately before the public offering begins. The shares of this issue, as those already issued by the Bank, will have ISIN code BG1100106050.

Legislation

The provisions of the Bulgarian legislation are applicable to the issuance of the securities subject to this public offering.

Currency of the issue of securities

The securities are denominated in BGN.

Information on the public offering

Total number of shares offered for subscription and sale

Up to 40,000,000 ordinary shares of the new capital increase issue of the Bank are subject to public offering. The subscription shall be considered successful if at least 4,000,000 of the offered shares are subscribed. The face value of the offered shares is BGN 1, and the issue price is BGN 5 per share.

Issuance of rights within the meaning of §1, item 3 POSA

In case of increase of the capital of a public company by issuing new shares pursuant to Art. 112, para. 2 POSA, rights according to §1, item 3 of the Supplementary Provisions of POSA, are obligatory, and 1 (one) right is issued against each existing share. The rights make it possible to subscribe certain number of shares of a public company in accordance with the decision to increase the capital.

Terms and conditions of the Initial Public Offering of the Shares

According to §1, item 3 of POSA a single right shall be issued for each share of the Bank's capital. Every 2.75 (two point seventy-five hundredths) rights entitle to subscription of 1 (one) new share with issue price of BGN 5. Any investor can acquire rights during the designated period for rights transfer/trade and on the auction organized by the Bulgarian Stock Exchange AD for any unsubscribed rights. Each person/entity may subscribe at least 1 (one) new share and at most such number of shares equal to the number of acquired and /or/ owned rights, divided by 2.75. If the result of the division is a non-integer number, it is rounded to the lower integer.

Current shareholders acquire the rights free of charge. All other investors may purchase rights through a transaction on the rights market organized by Bulgarian Stock Exchange AD within the term of the rights transfer or at an explicit auction for the unsubscribed rights organized by Bulgarian Stock Exchange AD after the expiry of the term for the transfer of the rights.

In the event that the rights owner does not wish to subscribe shares in this offering for all or part of their rights, the owner may offer the unsubscribed rights for sale under the conditions described below.

Pursuant to Art. 112b, para. 2 of the Public Offering of Securities Act the right to participate in the capital increase shall be granted to the persons who have acquired shares not later than 7 days after the date of publication of the announcement under Art. 92a, para. 1 POSA.

Following the approval of this prospectus for public offering of shares by the FSC, the Bank publishes an announcement for the public offering, initial and final date for the transfer of rights and for subscription of shares, the registration number and date of the approval of the prospectus for public offering of shares issued by the FSC, the place, time and manner in which prospective investors may review the prospectus, as well as other information in accordance with the applicable regulations. The announcement shall be published on the Internet portal X3 News, as well as on the websites of the Company and the authorized investment intermediary "First Financial Brokerage House" EOOD, at least 7 days prior to the start of the subscription period or the beginning of the sale. Within three working days, Central Depository AD shall open accounts for the rights of the Bank's shareholders, each of them having the opportunity to acquire such part of the new shares, which corresponds to the shareholder's share in the capital before the increase. After the announcement of the public offering under Art. 92a, para. 1 of the Public Offering of Securities Act, the regulated market on which the shares are traded will announce forthwith the last trading date on which the shares bought have a right to participate in the capital increase. For the period in which the shares are transferred with the right to participate in the capital increase, the regulated market may apply special rules on price caps for orders placed or quoted and for transactions concluded.

Contact Details

Investors who are interested in the securities offered may contact the authorized investment intermediary:

First Financial Brokerage House EOOD

Address: Sofia, 2, Enos Str., 4th floor

Contact person: Stoian Nikolov

Phone: +359 2 460 64 24

E-mail: Stoian.Nikolov@ffbh.bg

Investors may also contact any investment intermediary, member of Bulgarian Stock Exchange AD.

Start date for the rights trading

The starting date for trading rights shall be up to 10 days after the expiration of 7 (seven) days from the date of publication of the announcement for public offering under Art. 92a POSA on the X3 News portal and on the web sites of the Bank and the authorized investment intermediary First Financial Brokerage House EOOD (whichever occurs last). The initial date of subscription and exchange trading rights is expected to fall on 15.05.2020.

End date the for the rights trading

The transfer deadline shall be up to 30 days from the start date (expected date: 03.06.2020). According to the rules of Bulgarian Stock Exchange AD, the last date for rights trading on the stock exchange is two working days before the closing date for the transfer of rights (expected last date for trading of the rights on the stock exchange: 01.06.2020).

Place, conditions and procedure for transfer of rights. Auction

The transfer of rights is made on the floor of Bulgarian Stock Exchange AD. On the 5th working day after the expiration of the term for the transfer of rights (expected date: 10.06.2020), the Bank will offer for sale, through the authorised investment intermediary FFBH EOOD, on the regulated market under the conditions of an open auction, the rights unsubscribed within the rights transfer period. Therefore, the shareholders, who are rightholders as well the persons/entities who have purchased rights within the rights transfer period may subscribe shares from the offering until the expiry of the rights transfer period. Persons/entities who have purchased rights at the organised open auction may subscribe shares until the expiry of the share subscription period.

Subscription start date

The start date coincides with the date from which the rights offering begins, namely up to 10 days after expiration of 7 (seven) days from the date of publication of the public offering announcement under Art. 92a POSA on the X3 News portal and on the Internet sites of the Bank and the authorized investment intermediary "First Financial Brokerage House" EOOD (whichever occurs last).

Subscription end date

The deadline for subscription of shares by the rightholders shall be at least 15 working days from the closing date for the transfer of rights. (expected date: 03.07.2020).

Shares may not be subscribed before the start date and after the deadline for subscription of shares.

Indicative Offering Schedule according to minimum legal deadlines*

Date of publication of the Prospectus	04.05.2020
Date of publication of the Offering announcement	04.05.2020
Beginning of the trading of rights on the BSE and subscription of new shares	15.05.2020
Last day of BSE trading	01.06.2020
Expiry of the rights transfer period	03.06.2020
Official auction	10.06.2020
End date for subscription of shares	03.07.2020
Registration of the capital increase in the Commerce Register	On or around 23.07.2020
Registration of new shares in investor accounts with the Central Depository	On or around 29.07.2020
Start of trading on the BSE with the new shares	On or around 14.08.2020

The offering schedule is based on the assumption that: (a) the schedule deadlines are observed without delay and are the minimum ones stipulated by law; and (b) the institutions concerned react within the shortest terms possible in compliance with their day-to-day operations practice. The exact date may fall a few days before or after the specified date.

**In accordance with art. 84 POSA, the Managing Board of Fibank voted a resolution, approved by the Supervisory Board of the Bank, to extend the term of the subscription for public offering of shares. The last day of the extended term shall be considered subscription end date. The deadline for subscription of shares by the rightholders was extended until 03.07.2020 and consequently the indicative offering schedule was also updated according to art. 84, par. 1 POSA.*

Possibility for extension of the subscription term

The term of the subscription may be extended by up to 60 days with the implementation of the corresponding amendments to this Prospectus and due notification of the FSC.

According to Art. 84, para. 2 POSA, the Issuer must announce the term extension by immediately informing the Commission, publishing it on the websites of the Issuer and the investment intermediaries participating in the offering, submitting it for publication in the Commercial Register and for publication in the daily newspaper under Art. 92a, para. 2 POSA.

Possibility to reduce / increase the number of offered shares

The number of shares offered shall not be subject to change.

Minimum and maximum number of shares that can be acquired by one person/entity

Any one person/entity may subscribe to at least one new share and at most such number equal to the acquired rights, divided by the ratio between the issued rights and the new shares.

Conditions and procedure for subscription of shares, including conditions for filling applications and submission of documents by the investors; conditions, procedure and term for withdrawal of the subscription application (order)

According to §1, item 11 of the Supplementary Provisions of the Public Offering of Securities Act Subscription of shares shall mean an unconditional and irrevocable will to acquire the shares in the process of their issue and to pay their full issue price.

The subscription of shares is carried out by the rights owners submitting application forms to First Financial Brokerage House EOOD or the investment intermediaries, members of Central Depository AD who keep the right owners' client accounts. The subscription of shares is made by submitting a written application form in accordance with the regulatory requirements with the following minimum content:

A) Individuals:

1. full name and unique client number of the person and their proxy. If such numbers have not been assigned, the following data must be filled out: full name, personal identification number, place of residence and address;
2. issuer, ISIN code of the issue and number of shares subject to the application;
3. date, time and place of submission of the application form;
4. the total value of the order;
5. signature of the person submitting the application form.

B) Legal entities:

1. company name and unique client number of the entity and their proxy. If such numbers have not been assigned, the following data must be filled out: company name, UIC, seat and registered office of the client;
2. the data referred to in items 2-5 of letter A above.

C) Foreign individual/entity - similar identification data as that under letter A or letter B above, as well as data under items 2-5 from letter A above;

When accepting the application form, the person who accepts it checks the identity of the client or their representative respectively. Legal entities file application forms through their legal representatives who identify themselves with an identity document. Individuals submit their application forms personally, identifying themselves with an identity document. The application form can also be filed through a proxy, which is legitimized with an expressly written and notarized power of attorney.

If a person/entity wishes to submit an application for participation in the offering to an investment intermediary and they are not their client, an investment intermediation contract with the investment intermediary should be signed, with all required statutory documents attached.

If the person/entity submitting the application form keeps a client account with an investment intermediary, then the relevant provisions of the applicable law shall apply.

The investor cannot withdraw their application. The investor may reject the subscription of shares in accordance with the procedure and under the conditions of Art. 85, para 6 in conjunction with para. 2 POSA.

According to the requirements of Art. 28 of Regulation (EU) 575/2013 subscription of shares in this offering may not be directly or indirectly funded by the Issuer. Subscription of shares from the increase is not allowed with funds, received as a result of direct or indirect financing by the Issuer within the meaning of Art. 8 and Art. 9, para. 1 of Commission Delegated Regulation (EU) No 241/2014 of 7 January 2014 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for Own Funds requirements for institutions.

In order BNB to be able to exercise control over the compliance to this requirement, any person who subscribes shares from the capital increase shall, when submitting a standard form subscription application, also submit a special form declaration of the origin of the funds used to acquire the shares.

Copies of the declarations of origin of the funds, annexed to the share subscription applications, shall be certified by the accepting investment intermediary and sent immediately, or no later than the end of the business day on which they are presented, to the authorized investment intermediary First Financial Brokerage House EOOD, which delivers them to the Issuer for the purpose of BNB's supervision.

An application for subscription of shares, which is not accompanied by a special form declaration of the origin of the funds, shall not be considered valid, and, accordingly, shall not be accepted by the investment intermediary. The Issuer may exercise its right to refuse to acknowledge an application in case the declaration of origin of funds, signed and attached to it by the person who subscribes the shares from the offering, is not complete, accurate and clear or does not comply to the special form, provided by First Financial Brokerage House EOOD.

Any person, whose direct or indirect participation in the Bank, as a result of the subscription of shares from the capital increase, reaches or exceeds the threshold of 3% and more than 3% of the voting shares or 10% and more than 10% of the voting shares, shall provide also additional data and documents according to the requirements of Art. 33b, para. 1, item 4 of BNB Ordinance No. 2, dated December 22, 2006on the Licenses, Approvals and Permissions Granted by the Bulgarian National Bank and the other applicable regulations.

The above documents shall be provided by the Issuer to the BNB.

The subscription of shares is considered valid only if it is done by a right owner up to the maximum number of shares possible, and the entire issue price of the subscribed shares has been paid within the set period and under the conditions set out below. In case of partial payment of the issue price, the number of shares subscribed shall be deemed to be the number of shares which issue price has been paid in full.

Conditions, procedure and term for payment for the subscribed shares and receipt of the certificates for the contributions made

The payment of the issue price of the subscribed shares shall be made to a special escrow account of the Bank, which shall be indicated in the announcement under Art. 92a POSA. In accordance with the requirements of Art. 89, para. 1 POSA, since the Issuer is a bank, the account will be opened with another bank.

The account must be credited with the due amount by 15:00 (3 p.m.) on the last day of the subscription at the latest. The bank with which the escrow account is opened will block the amounts deposited into the special escrow account.

According to Art. 89, para. 2 POSA, the funds deposited to the escrow account cannot be used before the end of the subscription and the entry of the capital increase in the Commercial Register kept by the Registry Agency. A certification document evidencing the sums deposited is a banking document (payment order or deposit slip stating the name / company name of the subscriber of the shares, their personal identification number / UIC - for Bulgarians and Bulgarian companies, the number of shares subscribed, the total amount due and deposited). The investor is to receive the certification document from the servicing bank, through which the investor orders the payment or pays the amount due, and must hand it over to investment intermediary First Financial Brokerage House" EOOD until the expiration of the deadline for subscription of shares. In case that the orders are placed with other investment intermediaries, they must hand over the payment documents evidencing the contributions made under the subscribed shares to First Financial Brokerage House EOOD until the expiration of the last day of the subscription, at the latest.

Procedure to be followed if all issued shares are subscribed before the end of the public offering; procedure to be followed if there are unsubscribed shares by the end of the public offering; procedure to be followed, if by the end of the public offering the number of subscribed shares exceeds the number of offered shares; procedure for fulfillment of orders in case of competition between them

If all shares of this issue are subscribed before the deadline for subscription, the Bank shall notify the Financial Supervision Commission within 3 (three) business days (Article 112b, paragraph 12 of the Public Offering of Securities Act) and take the steps required for the registration of the increase of the capital in the Commerce Register, and then – for registration of the new issue of shares in the Central Depository and BSE.

If at least 4,000,000 of the offered shares are subscribed by the subscription deadline, the subscription shall be considered successful and the capital will be increased up to the amount of the subscribed and paid out shares.

The increase of the Company's capital with rights rules out subscription of more shares than offered and any competition between orders.

If, by the subscription deadline, the minimum of 4 000 000 of the offered shares are not subscribed, the capital increase shall be considered unsuccessful. In this case the Company notifies the Financial Supervision Commission of the result of the subscription.

If the request for registration of the capital increase in the Commercial Register kept by the Registry Agency is rejected, the Bank will notify the Financial Supervision Commission of the rejection. On the day of the notice under the preceding sentences in compliance with Article 89, paragraph 4 of the Public Offering of Securities Act, Fibank will notify the bank with which the special escrow account has been opened, of the result of the subscription and will publish on its webpage and on the webpage of the investment intermediary, as well as on the X3 News web portal an invitation to the persons/entities with subscribed shares, describing the procedure and conditions for refunding the accumulated amounts. The accumulated amounts will be returned to the persons who have subscribed shares within one month from the notice, together with the interest, if any, accrued by the bank keeping the accumulation account. The conditions and procedure for refunding the amounts are described in the invitation to the subscribers.

Conditions, procedure and date for public announcement of the subscription results

The Company shall notify the Financial Supervision Commission within 3 (three) business days from the end of the subscription, of the condition thereof the results from it, including of difficulties, disputes and the like in the trading of the rights and the subscription of the shares.

After the end of the initial public offering of shares, the Bank shall send a notice to the Financial Supervision Commission within the term referred to in Article 24, paragraph 1 of Ordinance No.2 of the Financial Supervision Commission about the result from the public offering, which contains information about the closing date of the public offering; the total number of subscribed shares; the amount received against the subscribed shares; the amount of the commission fees and other costs related to the public offering, including the fees paid to the Financial Supervision Commission. The Bank shall enclose the following documents within the notice: a certificate from the Central Depository evidencing registration of the issue; and certificate from the bank, with which the escrow account has been opened, certifying the contributions made under the subscribed shares.

If the public offering is successful, the Financial Supervision Commission shall register the issued securities in the register under Article 30, paragraph 1, subparagraph 3 of the Financial Supervision Commission Act.

If the request for registration of the capital increase in the Commercial Register kept by the Registry Agency is rejected, the Bank will notify the Financial Supervision Commission of the rejection.

Conditions, procedure and term for delivery of the subscribed shares (for transfer of the shares to the Central Depository accounts of those who have subscribed, and for delivery of the certification documents for the shares)

Upon registration of the capital increase in the Trade Register, the Company shall register the issue of shares in the Central Depository, whereafter the latter shall issue depository receipts to the shareholders for the newly issued shares held by them on personal accounts (not as clients of an investment intermediary). The receipts will be handed over to the shareholders or to persons authorized by them with a special notarized power of attorney, without limits in time, on the registered address of II “First Financial Brokerage House” EOOD. The handover shall start within two weeks from the issue of the depository receipts. When the newly issued shares are in client subaccounts with an investment intermediary, the issue of depository receipts shall be made by the latter on the request of the shareholder under the procedure provided for in the Rules of the Central Depository.

Procedure and time period for refunding the amounts paid for the subscribed, respectively purchased, shares, if the public offering is not successful

If the subscription is not successful, the Company shall publish an announcement about this on the X3 News website and shall notify the Financial Supervision Commission under the procedure of Article 112b, paragraph 12 of the Public Offering of Securities Act. The deposited amounts, together with the interests accrued by the bank, will be refunded to the investors within the legally set term via a transfer to a bank account specified by them or in cash. In case the capital increase is not registered in the Trade Register, the Company shall notify the respective institutions and publish a notice of entry into force of the denied registration on the X3 News portal and refund the received amounts within the specified term and according to the specified procedure. The invitation to refund the amounts to the people having subscribed the shares, shall be announced in the Commercial Register under the Company account.

Procedure for exercising the pre-emptive rights for the offered shares (procedure for exercising the rights for subscription of the securities according to § 1, subparagraph 3 POSA); procedure to be applied to non-exercised subscription rights

Upon an increase of the capital of the public company the current shareholders have a pre-emptive right to acquire such part of the new shares that corresponds to their shares in the capital before the increase.

The shareholders and the persons/entities who purchased rights within the term for rights transferal, as well as during the organized open auction, may exercise them and subscribe shares for them. Each person may subscribe at least 1 (one) new share and at most such number of shares equal to the number of rights acquired and/or held by them, divided by 2.75.

The possibility of subscription of a number of offered shares that exceeds the number of rights owned and of competition between orders is ruled out.

In case that a person/entity who purchased rights at the auction fails to exercise them and/or a person/entity who subscribed shares fails to pay their issue price, under the above conditions, the shares shall remain non-subscribed and no other owner of rights may subscribe them.

An indication of when, and under which circumstances, the offer may be revoked or suspended and whether revocation can occur after dealing has begun

The Bank preserves its right, after consulting the authorized investment intermediary, to revoke or suspend the Offering under the conditions specified below. The managing body shall adopt a resolution for revocation or suspension of the offering and the Issuer is obliged to make the resolution public immediately, but not later than the business day following the adoption of the resolution, by making also the respective publications. The Offering may be revoked or suspended upon the occurrence of certain adverse events, including force-majeure ones, which are relevant to the success of the offering (e.g. collapse of the financial markets, terrorist attacks, natural disasters, etc.).

The public offering may be revoked or suspended, incl. after commencement of the trade, in the following cases:

Where violations are identified of the Public Offering of Securities Act, of the acts implementing it, of resolutions of the Financial Supervision Commission or of the deputy-chairperson, as well as when the exercising of supervisory activity by the Financial Supervision Commission or by the deputy- chairperson is obstructed, or the investors' interests are endangered, the Financial Supervision Commission, respectively the deputy-chairperson managing the Investment Supervision Department may suspend for up to 10 business days in a row the sale or the execution of transactions with certain securities (Article 212, paragraph 1, subparagraph 4 of the Public Offering of Securities Act);

Should the issuer, the offeror or the person requesting admission of the securities to trade on a regulated market become aware of the occurrence of a significant new circumstance, error or inaccuracy related to the information contained in the prospectus in the period between the issue of the approval of the prospectus and the final date of the public offering, which may influence the evaluation of the offered securities, said person shall be bound to prepare supplement to the prospectus and to submit it to the Financial Supervision Commission by the end of the business day following the day on which the significant new circumstance, error or inaccuracy occurred or became known to said person. The Financial Supervision Commission shall rule on the supplement to the prospectus within 7 business days from the receipt thereof, and when additional information and documents have been requested, within 7 business days of their receipt respectively. The Financial Supervision Commission may refuse to approve the supplement to the prospectus, if the requirements of the Public Offering of Securities Act and the acts implementing it are not complied with. In such case, the Financial Supervision Commission may cancel the public offering or the trade in pursuance of Article 212 of the Public Offering of Securities Act (Article 85, paragraph 4 of the Public Offering of Securities Act);

If violations are identified with respect to the Markets in Financial Instruments Act, acts implementing it, the applicable acts of the European Union or other internal regulations of the trade venues approved by the commission, resolutions of the Financial Supervision Commission or of the deputy- chairperson, as well as when the exercising of supervisory activity by the Financial Supervision Commission or by the deputy-chairperson is obstructed, or the investors' interests are endangered, the Financial Supervision Commission, or the deputy-chairperson managing the Investment Supervision Department respectively may suspend the trade in certain financial instruments or disqualify financial instruments from trade on a regulated market or from another trading system (Article 276, paragraph 1, subparagraphs 4 and 9 of the Markets in Financial Instruments Act);

The market operator may suspend the trade in financial instruments or disqualify from trade financial instruments that do not meet the requirements established in the rules of the regulated market, if this will not materially prejudice the interests of the investors and the proper functioning of the market (Article 181, paragraph 1 of the Markets in Financial Instruments Act);

In order to prevent and discontinue the administrative violations under the Act Implementing the Measures against Market Abuses in Financial Instruments, of the applicable acts of the European Union, for prevention and remedial of their harmful consequences, as well as in case of obstructing the exercising of supervisory activity by the Financial Supervision Commission or by the deputy- chairperson, or when the investors' interests are endangered, the deputy-chairperson may suspend the trade in certain financial instruments (Article 20, paragraph 3, subparagraph 3 of the Act Implementing the Measures against Market Abuses in Financial Instruments).

Plan for distribution of the shares

Categories of potential investors to which the securities are offered

Eligible to participate in the increase of the capital shall be the persons who acquire shares not later than

7 days after the date of the announcement of the public offering under Article 92a, paragraph 1 of the Public Offering of Securities Act. All investors may, under equal conditions, participate in the bank's capital increase through the purchase of rights and exercising them to acquire shares within the set time limits. Every 2.75 (two point seventy-five hundredths) rights entitle to subscription of 1 (one) new share of the Issuer with issue price of BGN 5.

According to the requirements of Art. 28 of Regulation (EU) 575/2013, subscription of shares in this offering may not be directly or indirectly funded by the Issuer.

Notification of applicants for an amount awarded

Notifications regarding the validation of the securities accounts of the investors with the offered shares will be submitted to the investors according to the rules of the respective investment broker managing the account. The Bank will declare the issue of new shares of the trading company on BSE AD after the registration of the capital increase in the Commercial Register and after their registration with Central Depository AD as well as with the FSC.

Grounds for privileged offering of shares to a certain group of investors

There are no grounds for privileged offering of the shares to certain groups of investors (including present shareholders, members of the Management Board and the Supervisory Board of the Bank, present or former employees of the Bank).

Indication whether the principal shareholders or the members of the Boards of the Issuer intend to acquire any of the offered shares or whether a person/entity intends to acquire more than 5 per cent of the offered shares, insofar as such information is available to the Issuer

The Issuer has no information whether the members of the MB and SB intend to acquire offered shares.

The Issuer has no information about an intention of principal shareholders to acquire offered shares or of a person/entity to acquire more than 5% of the offered shares.

The Issuer and the authorized investment intermediary have not determined and do not intend to determine ratios, tranches or additional quantity of shares in advance that will be allotted among the individual investors.

Subscription of shares exceeding the amount of the pre-set parameters of the subscription is not intended and there is no **"green shoe"** option for over-allotment.

Organization of the Public Offering (placement) of the shares

Name, seat and registered address of all settlement or depository institutions that would participate in the offering

The bank, with which the special escrow account, to which the issued value of the subscribed shares will be paid, is opened, is **Citibank Europa AD**, having its seat and registered address at: Sofia, 48, Sitnyakovo Blvd., Serdika Offices, 10th floor.

In case the potential investor orders the payment for the issued shares to the escrow account in euro, Citibank Europe AD, Bulgaria branch will convert the incoming amount from euro to BGN at a rate of EUR 1 euro = BGN 1.955 and will credit the escrow account with the BGN equivalent. Citibank Europe AD, Bulgaria branch will retain the above exchange rate unchanged for the entire shares' subscription and payment period, except in case of significant market deviations in the euro-lev exchange rate on the interbank market and/or changes in the regulations affecting the fixed exchange rate, the currency regime or other relevant legislation in Bulgaria.

The depository institution handling the offered shares and the rights related to them is **Central Depository AD,** having its seat and registered address at: 6, Tri Ushi Str., Sofia.

Name, seat and registered address of the investment intermediaries that will service the increase of the capital

First Financial Brokerage House EOOD, having its seat and registered address at: 2 Enos str., 4th and 5th floors, Triaditsa district, Sofia is a licensed investment intermediary compliant with the legal requirements, authorized by the Management Board of the company to service the increase of the capital.

The authorized investment intermediary is not a subscriber to the issue of shares. Their obligations are reduced to "putting their best efforts" to place the shares. Subscription or establishment of a guarantee for the offered issue of shares is not envisaged.

Description of the distribution plan and the conditions of the contract with the investment intermediary

On behalf and account of the Company the investment intermediary will offer to the investors to subscribe the shares of the increase of the Company's capital against payment of the issue price of the shares being subscribed.

Pursuant to a concluded contract the Investment Intermediary undertakes to carry out the preparation and servicing of the increase of the capital of the issuer, which includes, as follows:

- servicing the increase of capital by carrying out the procedure for increase of the capital while complying with the provisions of the Public Offering of Securities Act, the Rules of Bulgarian Stock Exchange – Sofia AD and the Rules of Central Depository AD
- providing consultation to the Issuer about the steps and the necessary actions that the Issuer must carry out during the procedure.

Description of the significant peculiarities of the initial public offering together with the quantity of shares, the placement of which is undertaken by the investment intermediaries by virtue of a contract with the Company

Upon the subscription of shares the Investment Intermediary undertakes to put their "best efforts" for the subscription of the offered shares, without undertaking to acquire on their own account shares or without undertaking to ensure the placement of a specific number of shares. The remuneration of the investment intermediary shall depend on the successful increase of the capital.

Pricing

Price at which the shares will be offered

The shares are offered at an issue price of BGN 5 per share.

The issue price of shares of the capital increase of Fibank was determined by resolution of the Management Board of 22.04.2020, approved by the Supervisory Board on 22.04.2020 in compliance with the requirements of Art. 176 of the Commerce Act.

The issue price of the new shares of First Investment Bank AD is indicated in order to meet the regulatory requirements of Delegated Regulation (EU) 2019/980 to indicate the price at which the securities will be offered.

The issue price was determined after a complex analysis including financial indicators, expected development, risk factors and measures taken to manage them, transaction levels with peer banks in Bulgaria over the last 3 years, global and regional macroeconomic development, etc., also taking into consideration the interests of the Bank's shareholders.

The capital raise process started back in 2019 and has been going on for about half a year - a period during which significant changes have taken place and continue to take place, both in Bulgaria and around the world. During this period, the management of the Bank and FFBH have made significant efforts to assess investor interest. A number of meetings and discussions were held with potential investors (mainly international institutional investors) from the United Kingdom, UAE, Turkey, Austria and China. These meetings highlighted the main factors that investors consider to be crucial for equity investment, as well as the levels of investor interest. At the same time, the Issuer targeted maximum effect (maximum size of the capital increase) while protecting the interests of the existing shareholders. Achieving a balance between these interests is a dynamic process that depends not only on the subject of the investment, but also on a variety of external macroeconomic and market conditions.

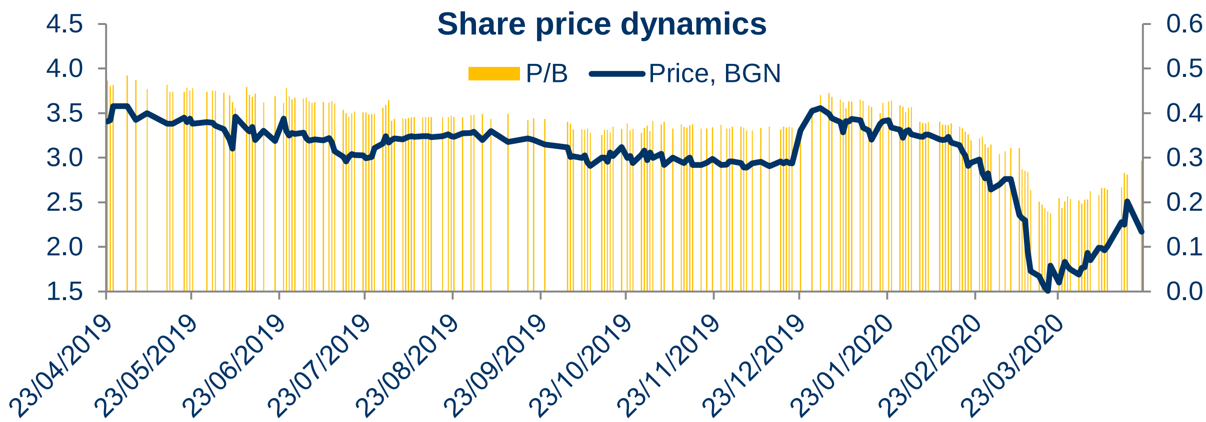
Along with this process, since the beginning of 2020, the COVID-19 coronavirus outbreak gradually became a pandemic and turned into a major factor that the Bank, as well as the entire world, had to take into account. Measures restricting the free movement of persons and goods were introduced everywhere and important supply chains of raw materials and goods were disrupted, leading to a sharp drop in consumption. Entire economic sectors practically ceased to function. The financial markets reacted sharply on the crisis, as price drops affected virtually all financial instruments - stocks, bonds, and government securities - and all issuers. Stock prices of CEE financial institutions fell by more than 35% on average. The insufficient reduction in OPEC+ oil production led to an unprecedented collapse in oil prices, which also put strong pressure on markets. The market for initial public offerings froze completely, with all available liquidity awaiting better times and investment opportunities.

In this situation of uncertainty, without clarity on the moment when problems will be resolved, it is very difficult for markets to effectively evaluate the magnitude and spread of the adverse economic effects, which causes them to factor additional risk in the valuation of all assets. This naturally has had strong effect on the risk perception and the level of interest by potential equity investors in the Bank's capital increase, which accordingly changed the Bank's valuation factors several times.

At the same time, the Bank showed very strong financial performance in the last quarter of 2019. Earnings per share (EPS) doubled from BGN 0.64 at the end of September to BGN 1.25 at the end of the year (+BGN 67 million to BGN 138 million). Total capital adequacy ratio increased to 18.34% from 17.65% at the end of September 2019, while ROE reached 15% compared to 10.6% for the first nine months of the year. **All this demonstrated the capacity of First Investment Bank's business model to provide attractive returns, and proved to investors that it deserved a much higher valuation than the initially discussed at the end of 2019.**

Balancing of the above factors repeatedly changed the measurement of the Bank's valuation parameters. The following key factors were taken into account in this Prospectus, also determining which valuation methods to use when pricing the issue:

- **Market price of the shares.** In determining the relevant market price, the requirements of International Valuation Standards were taken into account, according to which market value implies a price agreed “between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”. “Wherein the parties had each acted knowledgeably, prudently, and without compulsion” presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the assets, its actual and potential uses, and the state of the market. Under the International Financial Reporting Standard 13 (IFRS 13), fair value is the “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". As Fibank's shares have been traded on a regulated securities market for 13 years and the Bank is part of the BSE main index -SOFIX, where the main criteria is liquidity and there is sufficient historical information for the share price, the basis for determining the issue price of the new shares was the Bank's share price realised on the BSE and indicated in the table below. We accept that the price formed by transactions in a regulated market most closely meets the definition of market value under the International Valuation Standards, as well as the definition of fair value in IFRS 13. At the same time, the Bulgarian capital market suffers from extremely low liquidity. This problem has been exacerbated over the years and trading volumes have shrunk dramatically (BSE's volumes last year, for example, were approximately 1/3 of those in 2013). As a result, the discount for low liquidity that investors place on BSE's stock valuation may reach up to 50%. This calls into question the objectivity of the market valuations of issues traded on the Bulgarian stock exchange and implies that alternative options for determining the price of the Bank's shares should be considered.



Source: BSE; Fibank

- **Majority stake transactions with other banks on the local market in recent years.** Over the last few years, there has been a consolidation process in the local banking sector. This process is expected to have a positive impact on its sustainability, which is also the view of the BNB[27]. The expectations of investors and the management of the Bank are that this process will continue. This naturally places the valuation of a potential future transaction of such type as a major factor in determining the issue price for the current capital increase. Fibank is the largest locally owned bank, which also makes it a potential acquisition target. The price-to-book ratios of 3 transactions from the last 5 years were used. Since at the end of 2019 Fibank was the fifth largest bank in terms of assets, transactions in which the acquired bank was among the ten largest in the country were used as reference. Such were the transactions for acquisition of majority stakes in United Bulgarian Bank, SG Expressbank and Piraeus Bank Bulgaria. The median price-to-book ratio for these transactions was 1.1.

[27] *BNB Quarterly Edition "Banks in Bulgaria"*

Buyer	Acquired bank	Price, BGN million	Date of acquisition	Book value	P/B	Ranking of the acquired bank	Market share of the acquired bank	Stake acquired
Eurobank Bulgaria	Piraeus Bank Bulgaria	147	Jun-19	374	0.39	9	3.05%	99.98%
DSK Bank	SG Expressbank	1 082	Jan-19	785	1.38	7	6.66%	99.74%
KBC	UBB	1 193	Jun-17	1 083	1.10	4	7.42%	99.90%
Median					**1.10**			

Source: BNB; Commercial register; Financial statements and public information from banks

- Thirdly, **market ratios of peer banks in Central and Eastern Europe** were used for reference. The median of this analysis shows two to three times higher market valuations (relative to the book value per share) than the price at which First Investment Bank is traded. This confirms the above opinion on the amount of liquidity discount implicitly applied to the BSE. The graph above shows that this is a systematic factor that makes the price resistant, both in absolute terms and as a factor relative to the book value per share. There are two other banks that are traded on the BSE, Central Cooperative Bank (CCB) and the Bulgarian-American Credit Bank (BACB). Since BACB is incomparably smaller in terms of assets than First Investment Bank and does not have a developed branch network, it is not a peer that can be used in pricing. CCB is closer to First Investment Bank as operations and size, but there are significant differences in terms of market share by assets (5.35% for CCB vs. 8.81% for Fibank), market share by loans to non-financial corporations and individuals (4.3% CCB vs. 10% for Fibank), amount of capital and capital adequacy requirements. Therefore, due to the lack of an adequate number of peers (more than one) traded on the BSE, we could not accept this method as an objective measure of the value of the Bank's shares.

• Bank	Country	Market capitalization, EUR million	P/E (ttm)	P/B (last quarter)
CCB	Bulgaria	68	3.8	0.2
BACB	Bulgaria	82	10.7	0.8
			7.3	**0.52**
Komerční Banka	Czech Republic	3 497	6.4	0.9
Moneta	Czech Republic	927	6.3	1.0
OTP Bank	Hungary	6 338	5.0	1.0
BRD - Groupe Société Générale	Romania	1 656	5.4	1.0
Banca Transilvania	Romania	1 979	5.3	1.1
VUB Banka	Slovak Republic	1 843	15.3	1.1
Tatra Banka	Slovak Republic	1 407	11.1	1.0
TBC bank	Georgia	476	3.0	0.6
Bank of Georgia	Georgia	492	3.3	0.9
	CEE (ex. Poland) median		**5.4**	**1.0**
MBANK	Poland	1 942	9.1	0.5
ING Bank Śląski	Poland	3 837	10.5	1.1
Get Bank SA	Poland	50	n.a.	0.1
Bank Pekao	Poland	3 037	6.4	0.6
PKO Bank Polski	Poland	5 805	6.5	0.6
Bank Millennium	Poland	760	6.3	0.4
Handlowy	Poland	1 045	9.9	0.7
	Poland median		**7.8**	**0.6**
Erste bank	Austria	6 845	4.9	0.5
Raiffeisen bank International	Austria	4 704	4.1	0.4
	Austria median		**4.5**	**0.4**
NBG	Greece	970	3.6	0.2
Piraeus	Greece	489	1.8	0.1
Eurobank Ergasias	Greece	1 224	7.3	0.2
Alpha bank	Greece	926	9.0	0.1
	Greece median		**5.4**	**0.1**
	All median		**6.3**	**0.6**

Source of data for foreign banks: Bloomberg; for Bulgarian banks: BSE, consolidated financial statements of the banks; Market prices as of 21 April 2020

- This comprehensive analysis also takes into account the book value per share (BGN 8.87), which significantly exceeds the market price of the Bank's shares. When comparing the market segment in which the Bank operates and the current market conditions in the country, it was established that the book value per share, in this case, was not an adequate measure of the market value or fair value of the Bank’s stock. Its use as a reference would not be in the best interest of existing investors, since such issue price would, to a large extent, jeopardize the successful completion of the public offering subject to this Prospectus and hence the implementation of the Bank's plans. Next, it was taken into consideration that all existing shareholder would receive rights, entitling subscription to a number of newly issued shares proportionate to their participation in the Bank's equity prior to the offering. In the event that an investor does not wish to retain their holdings in the Bank's capital, they will be entitled to sell the rights obtained in an open auction. If investors' valuation of the shares is higher than the issue price, then existing shareholders may receive the difference in the form of the price of rights sold, which will guarantee their interests in the forthcoming offering.

As a result of these findings and using the arithmetic average of the two methods, the price of BGN 5.93 per share was analytically reached.

Method	Market price	Transactions
Price/book value	0.24	1.10
Price in BGN per share	2.10	9.76
Analytically determined value per share in BGN (Arithmetic average of both methods)	**5.93**	

Source: BSE (21.04.2020), Consolidated Financial Statements, Calculations

The issue price per share of this offering - BGN 5 - was reached by applying a discount of 15% to the analytically determined share price of BGN 5.93 in order to attract a wider investor interest.

Costs assumed by the investor who subscribes for and pays shares

The investors shall take on their account the costs for fees and commissions of the investment intermediaries, the settlement institutions, “Bulgarian Stock Exchange – Sofia” AD, Central Depository AD, related to the purchase of the rights and the subscription of the company’s shares.

Criteria used in determining the offering price of the shares

The issue price of each new share of the Company is BGN 5. Such issue price was determined by the Management Board of the Company pursuant to Art. 176 of the Commerce Act, being higher than the face value, with a view to protecting the interests of current shareholders and maximizing the effect of the capital increase for the Issuer itself.

Price Disclosure

The issue price per share was approved by resolution of the Management Board of the Bank, minutes of which were submitted to the FSC. The official source for disclosure of the price is this document. In addition, it will be stated in the announcement under Art. 92a of the POSA which will be published in the media, as well as on the websites of the Company and the investment intermediary.

Rights of current shareholders

The holders of the share capital, who have acquired shares no later than 7 days after the date of publication of the public offering notice under Art. 92a, para. 1 POSA, have a priority over the other investors for the subscription and purchase of the new shares of this issue. The right of these shareholders to acquire shares corresponding to their share in the capital before the increase, as required by Art. 112, para. 1 of the POSA, cannot be restricted (Article 194, Paragraph 4 and Article 196, Paragraph 3 of the Commerce Act shall not apply).

As of the date of this Prospectus, the members of the Management Board and the Supervisory Board hold shares of the Bank mentioned above in the section *Management and Corporate Governance - Information on the shareholding and any options for such shares in the Company of each of the members of the MB and the SB as at the date of the Prospectus*.

There are no rights envisaged for the members of the Management Board and the Supervisory Board, which allow them to acquire shares at a pre-fixed price.

There is no significant discrepancy between the price of the public offering and the effective cash costs for the members of the Management Board and the Supervisory Board or related parties, for the securities acquired by them in transactions in the last year or which they are entitled to acquire, not including comparison with public participation in the proposed public offering and the financial contributions of such persons.

There has been no issue of shares to the members of the Management Board or the Supervisory Board or related persons in the last 5 years, nor options entitling to acquire shares in the future. The members of the Management Board and the Supervisory Board are not allowed to acquire securities from the forthcoming issue under conditions of public offering other than the announced issue price per share.

The Bank may issue additional ordinary shares with subsequent capital increases. According to the Bulgarian legislation, the Bank is obliged to offer these ordinary shares to the current shareholders in accordance with their right to acquire part of the new shares corresponding to their share in the capital before the increase. However, current shareholders may choose not to participate in the future issue of ordinary shares.

Admission to trading on a regulated market

Regulated market which the Issuer intends to apply to for admission of the new issue

The offered securities will be subject to admission to a regulated market only on the territory of the Republic of Bulgaria after the approval of this Prospectus by the FSC and the relevant resolution of the Management Board of the Exchange.

As part of the procedure for capital increase, the issue of 110 000 000 rights will be registered for trading on the Market of Rights of BSE AD within the time period aforementioned in the prospectus.

In accordance with the requirement of Art. 110, para. 9 of the Public Offering of Securities Act, the Issuer shall be obliged within 2 business days of the publication of the capital increase in the Commercial Register to request entry of the new issue of shares in the Register pursuant to Art. 30, para. 1, item 3 of the FSCA, and then request its admission to trading on the Regulated Market.

New Shares are expected to start trading on or about 14.08.2020.

Transactions with shares issued by a public company registered in Bulgaria are regulated in detail in the Public Offering of Securities Act, the Markets in Financial Instruments Act and the ordinances implementing them, in the Rules of the Bulgarian Stock Exchange and the Rules of the Central Depository, as well as the applicable European legislation.

Regulated markets, on which securities of the same class are admitted

The regulated market on which the issue of shares of the same class as the offered shares from the capital increase of the Company is admitted, is Bulgarian Stock Exchange AD, Premium Segment. There are 110,000,000 shares of the same class admitted to trading on this market, representing the Issuer's registered capital in the Commerce Register.

Information on another public or private subscription of securities of the same or another class, which is carried out simultaneously with the issue of the shares for which admission to a regulated market will be required

On 20 December 2019 Fibank issued, under the conditions of private placement, hybrid instrument with EUR 30 million total nominal and issue price, which the Bank intends to recognize and include in the Additional Tier 1 capital pursuant to Article 33d of Ordinance No. 2 of the Bulgarian National Bank (BNB) concerning the licenses, approvals and permits issued by the BNB, after obtaining the BNB’s permission. The issue has no scheduled maturity with 8% fixed annual interest rate. The bonds are perpetual, deeply subordinated, unsecured, non-convertible. The Bank intends to request admission of the issue for trading on the Luxemburg Stock Exchange.

There is no other public or private subscription for securities of the same or another class that is carried out simultaneously with the issue of the shares being offered by the present prospectus and for which admission to “Bulgarian Stock Exchange” AD will be requested.

Investment intermediaries assuming obligations to ensure liquidity through “bid” and “ask” quotations

The Bank has not engaged investment intermediaries who undertake to ensure liquidity of the issue through “bid” and “ask” quotations.

Stabilization

The Issuer has not given an option for over-allotment under the current public offering and actions for price stabilization by the present public offering are not intended.

Selling shareholders

The issue subject to this initial public offering is to increase the Bank's capital and therefore there are no securities holders to act as sellers in the public offering.

As of the date of this prospectus, the Company does not have information on whether the current shareholders will offer securities (rights) within the time limit set for trading rights.

As of the date of this prospectus, the Company has no information regarding the existence of a lock-up period or freezing agreements.

Public offering expenses

Information about the commissions of the investment intermediary for offering the share issue

For the preparation and servicing of the capital increase of the Bank, the investment intermediary will receive fixed remuneration of BGN 275 000.

If the Offering is successful, the investment intermediary will also receive a success fee as follows: a) in the event of maximum subscription by investors attracted by the intermediary - BGN 4000000 b) in the event of minimal subscription from investors attracted by the intermediary - BGN 400000.

The following table sets out the main expenses directly related to the public offering of the securities, their amount being variable and depending on the amount of the success fee of the Offering Manager.

All costs indicated below will be borne by the Bank. The costs indicated are those expected to arise in connection with the capital increase in case of, respectively, maximum and of minimum subscription proceeds.

Public Offering Expenses

In BGN	**Minimum subscription**	**Maximum Subscription**
Fee for registration of the issue of rights in Central Depository AD (estimated value)	2 900	2 900
Fee for the assignment of an ISIN code to the issue of rights	72	72
Fee for registration of the issue of shares in Central Depository AD (estimated value)	2 900	2 900
Publication of a notice of public offering (estimated value)	100	100
Remuneration of the investment intermediary*	675 000	4 275 000
Registration of the increase of the capital in the Commercial Register	15	15
Registration of new Articles of Association in the Commercial Register	20	20
Admission to trade of the Bulgarian Stock Exchange	600	600
Total costs	**681 607**	**4 281 607**

** maximum amount*

The expected net proceeds from the public offering, following deduction of the maximum amount of the offering expenses, are BGN 195 718 393 in case the whole issue amount is subscribed, and BGN 19 318 393 in case of minimum subscription proceeds.

Dilution

The amount and percentages of immediate dilution resulting from the offering.

The immediate dilution is a decrease of the book value per share as a result from the offering. The dilution is calculated as the difference between the issued price and the pro-forma net asset value per share immediately after the offering.

The **"net asset value per share"** according to §1, item 20 of the Supplementary Provisions of the Public Offering of Securities Act is determined on the basis of the Issuer's balance sheet as the Issuer's net assets divided by the number of issued shares. As of 31.12.2019 the value of the net assets on the Issuer's consolidated balance sheet is BGN 975 944 thousand. Therefore, the net asset value per share on a consolidated basis is BGN 8.87. As of 31.12.2019 the value of the net assets on the Issuer's individual balance sheet is BGN 943 065 thousand, therefore the net asset value per share on an individual basis is BGN 8.57.

The issue price of the shares of the capital increase, determined by a resolution of the Management Board of 22.04.2020, is BGN 5 per share.

Dilution of capital (per share) resulting from the offering on a consolidated basis

	31.12.2019 г.	Minimum subscription	Maximum subscription
Total assets (BGN thousand)	10 660 175	10 679 493	10 855 893
Total liabilities (BGN thousand)	9 681 258	9 681 258	9 681 258
Equity (BGN thousand)	975 944	995 262	1 171 662
Minority participation	2 973	2 973	2 973
Number of outstanding shares	110 000 000	114,000,000	150,000,000
Net asset value per share in BGN	**8.87**	8.73	7.81
Issue price per share in BGN		5.00	5.00
Dilution in%		-1.60%	-11.96%

Source: Audited Consolidated Financial Statements as of 31 December 2019; FFBH calculations

Dilution of capital (per share) as a result of offering on an individual basis

	31.12.2019	Minimum subscription	Maximum subscription
Total assets (BGN thousand)	10 200 031	10 219 349	10 395 749
Total liabilities (BGN thousand)	9 256 966	9 256 966	9 256 966
Equity (BGN thousand)	943 065	962 383	1 138 783
Number of outstanding shares	110 000 000	114,000,000	150,000,000
Net asset value per share in BGN	**8.57**	8.44	7.59
Issue price per share in BGN		5.00	5.00
Dilution in%		-1.53%	-11.45%

Source: Audited Consolidated Financial Statements as of 31 December 2019; FFBH calculations

The capital dilution percentage for the shareholders (in this capacity at the date of entry of this capital increase in the Commercial register), if they not participate in the increase, is between 1.6% and 11.96%, respectively, given minimum and maximum capital increase, based on audited consolidated data as of 31.12.2019. Calculations on the basis of the last published individual reports - audited reports as of 31.12.2019, show that the dilution of the capital for the shareholders (in this capacity at the date of entry of this capital increase in the Commercial register), if they do not participate in the increase, is between 1.53% and 11.45%. The issue of tradable rights and the opportunity for their subsequent sale significantly limit the negative effect of the dilution.

Amount and percentage of the immediate dilution, if existing shareholders do not subscribe to the offer

Increase in the total number of shares of a company's capital would result in proportional decrease of the voting right participation of each single share at the General Meeting of the company; its dividend distribution stake and liquidation quota, while some additional shareholders' rights might also be affected. This effect is also referred to as "dilution".

Given that the offering entails the issue of rights, the current shareholders of the Bank may retain their existing participation. In case the shareholders, having received rights to subscribe the new shares, subsequently withdraw from the offering (that is, they do not exercise their rights to subscribe new shares), their percentage holdings in the company capital may be reduced.

Immediate dilution of the shareholder participation in the share capital if they do not subscribe to the offer

	31.12.2019	Minimum subscription	Maximum subscription
Number of outstanding shares	110 000 000	4,000,000	40,000,000
Participation of 1 share in the share capital	0.000000909	0.0000000088	0.0000000067
Immediate dilution of the shareholder participation in %		**-3.51%**	**-26.67%**

Source: FFBH calculations

In case they fail to exercise their rights, the percentage holding of the current shareholders will be diluted with 3.51% to 26.67%, respectively, in case of minimum and maximum capital increase. The mechanism to compensate for this dilution, established by the principle for equal treatment of the shareholders, is the opportunity for the shareholders who do not participate to sell the non-exercised rights and to obtain proceeds from their sale.

Investors should be aware that the Bank's Articles of Association do not provide for any restrictions for the maximum amount of future share issues. Consequently, the percentage of the participation of shareholders (in this capacity as at the date of registration of this capital increase in the Commercial Register) may decrease as a result of future capital increase, if the shareholders do not subscribe the shares that they are entitled to. If, as a result of future capital increase, the number of the issued shares of the Bank increases faster than the amount of the net assets of the Bank, it is possible that a decrease of the value of the net assets per share of the Bank may occur. Except for the current capital increase procedure, as of the date of the present document the Company does not intend to:

- issue convertible bonds;
- issue preferred shares convertible into ordinary shares;
- issue options.

15. TAXATION

General information

The summarized information set out in this part about certain taxes, which are due in the Republic of Bulgaria, is applicable with respect to the holders of shares, including local and foreign persons.

Local legal entities are legal entities and non-registered in Commercial Registry companies incorporated in Bulgaria, as well as European joint-stock companies (Societas Europaean) established under Regulation (EC) No 2157/2001 and European cooperatives (European Cooperative Society) established under Regulation (EC)) No 1435/2003, whose registered office is in Bulgaria and which are entered in a Bulgarian register.

Local natural persons are natural persons, irrespective of their nationality, whose permanent address is in Bulgaria or who reside in Bulgaria for more than 183 days during each 12-month period. For local persons are also considered persons whose center of vital interests (determined by family, ownership, place of employment, professional or economic activity or place from which the person manages their property) is located in Bulgaria, as well as persons and their family members sent abroad from the Bulgarian state, its bodies and / or organizations, or Bulgarian enterprises.

Local legal and natural persons are collectively referred to as "**Bulgarian Holders**".

Foreign persons (legal and natural) are persons who do not meet the above requirements. They are generally referred to as "**non-Bulgarian holders**".

This statement is not exhaustive and is intended solely to serve as a general guideline and should therefore not be considered legal or tax advice to any holder of shares. Accordingly, the Company strongly recommends that potential investors consult with tax advisors about the overall tax consequences, including the consequences under Bulgarian law and the treatment by the Bulgarian authorities of the acquisition, ownership and disposal of shares.

The information below is consistent with the regulations in force at the date of issuance of this Prospectus and the Company is not responsible for any subsequent changes in the legislation and regulation of taxation of share income.

Dividends

Definitive tax is imposed on taxable incomes from:

1. dividends for the benefit of a sole proprietor;

2. dividends and liquidation quotas for the benefit of:

   a) a local or foreign natural person from a source in Bulgaria;

   b) a local natural person from a foreign source;

   c) foreign legal entities, except for the cases when the dividends are gained by a foreign legal entity through a permanent establishment in the country;

   d) local legal entities, which are not traders, including municipalities.

Exceptions from the taxation rule only exist when the dividends and the liquidation quotas are distributed for the benefit of:

1. a local legal entity that participates in the capital of a company as a representative of the state;

2. a mutual fund;

3. a foreign legal entity that is a tax resident of a European Union member state, or of another state – party to the Agreement on the European Economic Area, except for the cases of hidden distribution of profit.

Dividend income distributed by the company is taxed at source at a rate of five percent (5%) on the gross amount of the dividends (Article 38, paragraph 1 in conjunction with Article 46, paragraph 3 of the Personal Income Tax Act and Article 194, paragraph 1 in conjunction with Article 200, paragraph 1 of the Corporate Income Tax Act).

Income as a result from distribution of dividends from local legal entities and from foreign entities, which are tax residents of a European Union member state, or of another state – party to the Agreement on the European Economic Area is not taxable. The tax treatment of dividends paid by the company for the benefit of foreign legal entities, which are tax residents of a European Union member state, or of another state – party to the Agreement on the European Economic Area, should be regulated in the legislation of the respective European Union member state or party to the Agreement on the European Economic Area. The Company assumes liability for deducting withholding taxes in the cases when there is a legal requirement to do so in the applicable tax laws.

Capital gains

Pursuant to the provisions of the Personal Income Tax Act, tax is not imposed on income received by Bulgarian natural persons or by foreign natural persons who are tax residents in a European Union member state or in another state belonging to the European Economic Area from transactions with shares and stocks of collective investment schemes and of national investment funds, shares, rights and government securities, executed on regulated markets according to Article 152, paragraphs 1 and 2 of the Markets in Financial Instruments Act (i.e. a multilateral system organized and/or managed by a market operator, which meets or assists the meeting of the interests for the purchase and sale of financial instruments of many third parties through the system and in accordance with its non- discretionary rules so that the result from these is concluding a contract in relation to the financial instruments admitted to trading pursuant to its rules and/or systems, licensed and functioning regularly in compliance with the requirements of the Markets in Financial Instruments Act and acts on its implementation. And every multilateral system that is licensed and functions in accordance with the requirements of Directive 2014/65/EU), rights for securities entitling to subscription for a certain number of shares in relation to an adopted resolution for a capital increase; income from buy back transactions by collective investment schemes and national investment funds, admitted to public offering in the state or in another European Union member state, or in a state – party to the Agreement on the European Economic Area, as well as income from transactions under the conditions and procedures of tender offering according to the Public Offering of Securities Act, or transactions of an analogical type in another European Union member state, or in a state – party to the Agreement on the European Economic Area ("Disposal of financial instruments") (Article 13, paragraph1, subparagraph 3 in conjunction with §1, subparagraph 11 of the Additional Provisions and Article 37, paragraph 7 of the Personal Income Tax Act).

Withholding tax is not imposed on the capital gain from sale of financial instruments incurred under the conditions of in conjunction with §1, subparagraph 21 of the Additional Provisions of the Corporate Income Tax Act (196 of the Corporate Income Tax Act).

Income from transactions with shares of a company (capital gain incurred), as well as in general with gains from financial assets received by foreign natural persons from third countries, other than the abovementioned ones, are subject to final taxation of ten per cent (10%) on the taxable income (Article 37, paragraph 1, subparagraph 12 and Article 46, paragraph 1 of the Personal Income Tax Act).

The capital gain incurred from sale of financial instruments is deducted from the accounted financial result (Article 44, paragraph 1 in conjunction with §1, subparagraph 21 of the Additional Provisions of the

Corporate Income Tax Act). However, it should be noted that the loss from sale of financial instruments is not recognized as an expense for taxation purposes and the financial result is increased by it (Article 44, paragraph 2 of the Corporate Income Tax Act).

The tax reliefs with respect to the gain from transactions with shares do not apply with respect to transactions that are not a sale of financial instruments (e.g. purchase-and-sale of shares executed outside regulated market, with exception of trades under the conditions of tender offering). The capital gains in such transactions incurred in Bulgaria by foreign holders of the shares are governed by the Bulgarian taxation rules. Unless a double taxation treaty applies, this income is subject to withholding tax of ten percent (10%) on the positive difference between the sale price and their documentarily proven acquisition price. The capital gain in such transactions incurred by Bulgarian holders of shares is subject to taxation in compliance with the general rules of the Corporate Income Tax Act and the Personal Income Tax Act.

Transfer taxes

The transfer of shares is not subject to state fees.

The procedure for the application of the tax reliefs for foreign persons, which are provided for in legally effective double taxation treaty, is provided for in Chapter Sixteen, section III of the Tax and Social Security Procedure Code (DOPK). When the total amount of the income incurred exceeds BGN 500 000, the foreign person is supposed to certify before the Bulgarian revenue authorities the presence of grounds for application of a double taxation treaty. The foreign holder of shares has the right to use the respective tax relief, and for this purpose the said foreign holder must file a request form, accompanied by evidence certifying that: a) he/she/it is a local person for the country, with which Bulgaria has entered the respective double taxation treaty (by filing a certificate issued by the tax authorities of the respective country, or otherwise in compliance with the usual practice of the foreign tax administration); b) he/she/it is the owner of the dividend from the Shares (by submitting a declaration); c) he/she/it does not have a permanent establishment/place of business or certain business establishment on the territory of the Republic of Bulgaria, to which the dividend income is actually related (by submitting a declaration); and d) all applicable requirements of respective double taxation treaty are met (by presenting an official document or other written evidence). Furthermore, the Bulgarian revenue authorities must be supplied with additional documentation, certifying the type, the amount and the grounds for receipt of the dividends, such as the resolution of the General Meeting of the shareholders of the Company for the distribution of dividends and a document certifying the number of shares held (e.g. a depository receipt). The request for the application of a double taxation treaty, accompanied by the necessary documents, must be submitted to the Bulgarian revenue authorities for each and every non-Bulgarian holder immediately after the adoption of the resolution by the General Meeting of the shareholders of the company, which approves the distribution of dividends. If the Bulgarian revenue authorities refuse tax exemption, the company is bound to deduct the full amount of 5% of the tax due for the dividends paid. A shareholder whose request for tax exemption has been rejected may appeal against the decision. In case that the total amount of the dividends, or any other income, paid by the issuer, does not exceed BGN 500 000 per year, the foreign holder is not bound to file a request for application of a double taxation treaty to the Bulgarian revenue authorities. However, the foreign holder must certify before the company the presence of the above circumstances and present the above documents certifying the grounds for application of double taxation treaty on the part of the company.

16. GENERAL INFORMATION ABOUT THE COMPANY

Basic information

Company name and legal form	First Investment Bank AD
Seat and registered office	The Republic of Bulgaria, Sofia, 37, Dragan Tsankov Blvd.
Phone	(02) 817 11 00
URL	www.fibank.bg
Email	fib@fibank.bg
UIC	831094393
LEI	549300UY81ESCZJ0GR95

The constituent meeting of the Bank's shareholders was held on June 8, 1993. Following the issuance of a license by BNB, the Bank was registered with the Sofia City Court on the basis of a court resolution dated October 8, 1993, Company Case File No. 18045/1993, lot no. 11941, volume 163, page 106 as a joint-stock company under the Commerce Act of 1991. The existence of the Bank is not of limited duration.

Following the confirmation of the prospectus by Resolution No. 586-E of April 25, 2007 of the Financial Supervision Commission a successful public offering of the Company's newly issued and existing shares has been carried out. By Court Resolution No. 44 of 04/06/2007. the capital increase was entered in the Commercial Register, and the company acquired public status. The company was re-registered in the Commercial Register of the Registry Agency on 28/02/2008.

The Company is incorporated in the Republic of Bulgaria, it is a bank, a public company and operates in accordance with the Bulgarian legislation, in compliance with the Credit Institutions Act, the Public Offering of Securities Act, the Commerce Act, the relevant legal regulations, and in accordance with the provisions of the Articles of Association and other internal Acts as well as in compliance with the applicable European legislation.

The information on the Bank's website is not part of the prospectus, except by including information about the prospectus by reference.

Documents available for review

This prospectus will be made available for the term of validity of the Prospectus on the website of First Investment Bank AD (www.fibank.bg) and on the website of the investment intermediary (www.ffbh.bg). The Articles of Association of the Bank and its financial statements are published on the website of the Financial Supervision Commission (www.fsc.bg); the reports are also published on the Bank's website (www.fibank.bg). Its financial statements and statutory disclosures are also available on the X3News information system (the news agency where the Bank discloses public information).

Independent Chartered Auditors

Following the amendment of the Credit Institutions Act in 2016, which requires banks to be audited jointly by two audit companies, the Bank's annual financial statements for 2017, 2018 and 2019 were audited by BDO Bulgaria OOD and Mazars OOD.

BDO Bulgaria OOD is a registered auditing company according to the Bulgarian Independent Financial Audit Act with its registered office and registered address at: 51, Bulgaria Blvd., 4, Sofia.

Mazars OOD is a registered audit company according to the Bulgarian Independent Financial Audit Act with its registered office situate at: 2 Tsar Osvoboditel Blvd., BNP Paribas, floor 4.

Following the audit of the Company's Annual Financial Statements for 2017, 2018 and 2019, the registered auditors have issued an unqualified audit opinion on them.

BDO Bulgaria OOD is a member of the Institute of Chartered Public Accountants in Bulgaria (Reg. No. 016) with managers Stoyanka Apostolova, Nedyalko Apostolov and Tsvetana Stefanina. Stoyanka Apostolova (Reg. No. 0046) and Tsvetana Stefanina (Reg. No. 0715). are registered auditors, members of the Institute of Chartered Public Accountants in Bulgaria. The registered auditor Stoyanka Apostolova is responsible for the audit of the Annual Financial Statements of the Bank for 2016, 2017 and 2018 on behalf of BDO Bulgaria OOD.

Mazars OOD is a member of the Institute of Chartered Public Accountants in Bulgaria (Reg. # 169) with manager Ilias Zafeiropoulos and procurator Atanasios Petropoulos. The chartered auditor Milena Mladenova - Nikolova, a member of the Institute of Chartered Public Accountants in Bulgaria (Reg. No 0641) is the auditor responsible for the auditing of the Annual Financial Statements of the Bank for 2017 and 2018 on behalf of Mazars OOD.

With respect to the historical financial information for 2017, 2018 and 2019, the chartered auditors declare that, to the best of their knowledge, the historical financial information contained in the prospectus for the public offering of shares of First Investment Bank AD derived from First Investment Bank AD's consolidated financial statements for 2017, 2018 and 2019 audited by them is true and consistent in all material aspects with the information contained in the audited consolidated financial statements of First Investment Bank AD for 2017, 2018 and 2019.

Investors should keep in mind that Fibank publishes interim financial statements. The financial information relating to the financial results of the Bank for the interim periods is not being verified by the Bank's independent chartered auditors and no reports are being issued on such an audit.

Preparation of the Financial Statements

The preparation of the Financial Statements for 2017, 2018 and 2019 has been the responsibility of Yanko Angelov Karakolev.

Persons participating in the Offering

The following persons are involved in the Offering:

Investment intermediary

The investment intermediary for the offering is First Financial Brokerage House EOOD, with seat and registered office at 2 Enos Street, Sofia. The relations between the investment intermediary and the Bank, settled by a contract for servicing and preparing the capital increase, depend on the proceeds from the sale of the offered shares. See “Conditions of the Offering - Costs of Public Offering”.

There are no interests (including conflicts of interest) of organizations or individuals that are essential to the offering.

Third party information and experts’ reports

The Prospectus does not use information derived from expert opinions or reports.

The Prospectus includes information from the following sources (third parties):

- The public company, the issuer of the offered shares - First Investment Bank AD
- BNB - statistics from the BNB website (www.bnb.bg);
- NSI - statistics from the NSI website (www.nsi.bg);
- Ministry of Finance - statistics from the website of the Ministry of Finance (www.minfin.bg);
- FSC - information and regulatory documents from the FSC website (www.fsc.bg);
- BSE - information on the BSE website (www.bse-sofia.bg);

The information provided in the Prospectus from these sources is accurately reproduced. In so far as the responsible persons are aware and can verify the information published by these third parties, no facts have been omitted that would make the reproduced information inaccurate or misleading.

17. ABBREVIATIONS AND DEFINITIONS

The definitions below shall be used throughout this Prospectus, unless the context otherwise requires.

AD	Abbreviation for a joint-stock company established under the laws of Bulgaria
Annual Financial Statements	Audited financial statements of the Bank for the years the years ending 31 December 2017, 2018 and 2019, as included in the Prospectus
BGN	Bulgarian lev - the official currency in Bulgaria
BNB	Bulgarian National Bank
BSE Code	2007 National Code for Corporate Governance, adopted by the Bulgarian Stock Exchange AD
BSE, Bulgarian Stock Exchange	Bulgarian Stock Exchange AD
Articles of Association	The Articles of Association of the Bank
Capital Increase	An increase in the capital of Fibank through public offering of new shares, voted by resolution of the Management Board of 12.12.2019 approved by the Supervisory Board on 19.12.2019, subsequently amended by resolution of the MB of 09.04.2020 approved by the SB on 15.04.2020 and resolution of the MB of 22.04.2020 approved by the SB on 22.04.2020
CD, Central Depository	Central Depository AD
CEE	Central and Eastern Europe
Central Depository Rules	Rules of procedure of CD AD with amendments, approved by Decision №1316-CD dated 19 December 2019
Commerce Act	Bulgarian Commerce Act (State Gazette, issue No 48 of June 18, 1991 as amended)
COVID-19, coronavirus	Infectious disease caused by severe acute respiratory syndrome coronavirus 2 SARS-CoV-2. On March 11, 2020, the World Health Organization declared a coronavirus pandemic
Delegated Regulation 2019/980	COMMISSION DELEGATED REGULATION (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 as regards the format, content, examination and approval of the prospectus to be published in the public offering of securities or their admission to trading on a regulated market and repealing Commission Regulation (EC) No 809/2004
EC	The European Commission
ECB	European Central Bank
EOOD	Abbreviation for sole proprietorship limited liability company established under the laws of Bulgaria
EU	The European Union
Euro, EUR	The official currency of the Eurozone
FFBH	First Financial Brokerage House EOOD, with seat and registered office at 2, Enos St., 4th and 5th floor, Sofia (investment intermediary)

Fibank, FIB, FIB AD	First Investment Bank AD
FoF	Fund of Funds
FSC, Financial Supervision Commission	The Financial Supervision Commission is a specialized government body for regulation and supervision of the non-banking financial sector in the Republic of Bulgaria (capital market, insurance, pension insurance).
GDP	Gross Domestic Produce
General Meeting	General Meeting of the Bank's shareholders
Group	First Investment Bank AD and those of its subsidiaries that fall within the scope of Fibank consolidation as of the date of the respective consolidated financial statement
GVA	Gross value added
IAS	International accounting standards adopted by the EU
IFC, International Finance Corporation	International Finance Corporation
IFRS	International Financial Reporting Standards as adopted by the EU
IT	Information Technology
Lead Manager, Manager	First Financial Brokerage House EOOD
Markets in Financial Instruments Act, MiFIA	Bulgarian Markets in Financial Instruments Act (published in the State Gazette, issue 15 of 16/02/2018, effective 16/02/2018 as amended)
MB	Fibank Management Board
Member State	EU and EEA Member States
MIFID Directive	DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 May 2014 on the markets for financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU
n.a.	Not available
n.m.	Not meaningful
NGF	National Guarantee Fund
Notice on Public Offering	Public announcement made in connection with the Offering and Listing on the Bulgarian Stock Exchange AD
NSI	National Statistical Institute
Offered Shares	40,000,000 new ordinary shares with a face value of BGN 1 and issue price of BGN 5 each, offered by First Investment Bank AD
OOD	Limited liability company incorporated under the laws of the Republic of Bulgaria
POS, POS terminal	A device for processing direct debit and credit card payments.

Prospectus	This Prospectus, prepared in Bulgarian language for the purposes of the proceedings with the FSC and approved by the FSC.
Prospectus Regulations	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC; COMMISSION DELEGATED REGULATION (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published in the public offering of securities or their admission to trading on a regulated market and repealing Commission Regulation (EC) No 809/2004 COMMISSION DELEGATED REGULATION (EU) 2019/979 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) No 382/2014 and Commission Delegated Regulation (EU) 2016/301
Public Offering of Securities Act, POSA	Bulgarian Public Offering of Securities Act (State Gazette, No. 114 of December 30, 1999 as amended)
SB	Fibank Supervisory Board
Shares	The Bank's shares issued and registered with the Central Depository as of the date of this Prospectus (ordinary shares with a par value of BGN 1 each), as well as the New Shares of the planned Capital Increase of the Bank.
SME	Small and medium-sized enterprises
Sole Owner Joint-Stock Company	A joint-stock company incorporated under the laws of the Republic of Bulgaria, in which all shares are held by one person or entity
TFA	Tangible Fixed Assets
The Bank	First Investment Bank AD
The Central Bank	BNB
The Company	First Investment Bank AD
The Issuer	First Investment Bank AD
The Offering	Public offering of 40,000,000 ordinary registered shares with face value of BGN 1 and issue price of BGN 5 per share, subject to this Prospectus.
Commercial Register	Commercial register and register of non-profit legal entities at the Registry Agency of the Republic of Bulgaria
VAT	Value Added Tax
YoY	Year-on-year

18. RESPONSIBILITY STATEMENT

The undersigned, acting in their capacity as representatives of First Investment Bank AD, the Issuer of the Securities, confirm the facts and figures laid out in *Responsibility for the Prospectus* Section on page ii above by placing their signatures herein below.

____

Nikola Hristov Bakalov

Chief Executive Director

____

Svetozar Alexandrov Popov

Executive Director

The undersigned acting in their capacity as representatives of First Financial Brokerage House EOOD, investment intermediary and Offering Manager confirm the facts and figures laid out in the *Responsibility for the Prospectus* Section on page ii above by placing their signatures herein below.

____

Stoian Nikolov Nikolov

____

Nadejda Mihailova Dafinkicheva

THE COMPANY

First Investment Bank AD

Nikola Hristov Bakalov - Chief Executive Officer, Member of the Management Board
Svetozar Alexandrov Popov – Member of the Management Board, Executive Director and Chief Risk Officer
Chavdar Georgiev Zlatev – Member of the Management Board, Executive Director and Chief Retail Banking Officer
Nadia Vasileva Koshinska – Member of the Management Board

Address: 37, Dragan Tsankov Blvd.
Sofia
Bulgaria

and

INVESTMENT INTERMEDIARY

First Financial Brokerage House EOOD

Stoian Nikolov Nikolov– Manager
Nadejda Mihailova Dafinkicheva – Manager
Address: 2, Enos Str.
1408 Sofia, Bulgaria

REGISTERED AUDITORS of First Investment Bank AD

BDO Bulgaria OOD
Stoyanka Apostolova, Nedyalko Apostolov and Tsvetana Stefanina- Managers
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Sofia, Bulgaria

Mazars OOD
Ilias Zafeiropoulos- Manager
Atanasios Petropoulos - Procurator
2, Tsar Osvoboditel Blvd., BNP Paribas, 4th floor
Sofia, Bulgaria

PERSON RESPONSIBLE FOR PREPARING THE FINANCIAL STATEMENTS

Yanko Angelov Karakolev
First Investment Bank AD
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Sofia, Bulgaria