

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

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

Re: Annual individual (audited) financial statements of First Investment Bank AD as at 31 Dec 2020

Dear Sirs,

In compliance with the requirements of the Public Offering of Securities Act (POSA) and the regulations for its implementation, in our capacity as public company and issuer of bonds admitted for trading at a regulated market, we hereby submit the audited individual financial statements of First Investment Bank AD as at 31 December 2020, containing

- ✓ Audited individual financial statements as at 31.12.2020 and notes thereto, accompanied by the auditors' report as per Art. 100m, para. 4(1) of POSA;
- ✓ 2020 Annual Report of First Investment Bank pursuant to Art. 100m, Para. 4(2) of POSA;
- ✓ Declaration under Art. 100o, para. 4(4) of POSA;
- ✓ Information on First Investment Bank under Annex 11 to Ordinance №2 of the Financial Supervision Commission on the prospects of public offering and admittance for trade on a regulated market of securities and for the disclosure of information.

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

Sincerely,

(signed)

Nikola Bakalov
Chief Executive Officer
Chairman of the MB

(signed)

Svetozar Popov
Executive Director
Member of the MB

INDEPENDENT AUDITORS REPORT

To the shareholders of
First Investment Bank AD

Report on the audit of the stand-alone financial statements

Opinion

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

In our opinion, the accompanying stand-alone financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU).

Basis for opinion

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

Key audit matters

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

Impairment of customer receivables

| Findings of substance | Matters discussed with audit committee |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Impairment is a material judgment of management in respect of losses incurred within the Bank's loan portfolio. The Bank assesses the need for impairment of loans on an individual and portfolio basis.</p> <p>Loans represent 55.75% of the Bank's assets. The Bank categorizes its receivables from customers in 4 business segments: retail banking, small and medium size enterprises, microlending and corporate clients. The share of receivables from corporate customers is the largest 53.45% of the total receivables from customers.</p> <p>Because of their materiality and uncertainty related to the process of identifying deteriorating loans, the assessment of objective evidence of impairment and the determination of recoverable value is defined as a key audit matter.</p> <p>The process includes various assumptions and factors, including the counterparty's financial condition, expected future cash flows, collateral value.</p> <p>As a result, the use of different modeling techniques and assumptions may lead to differences in the valuation of loan loss provisions.</p> <p>Exposures that give the greatest uncertainty to valuations are those where there is a risk of cash flow shortages or collateral insufficiency.</p> | <p>The issues discussed cover the positive results and good practices set out in the provisioning model. The Bank has complied with IFRS requirements when developing policy and provisioning rules.</p> <p>Improvements have been discussed in the procedures that the bank should introduce in order to:</p> <ul style="list-style-type: none"> - a clearer documenting of judgments about the future cash flows of borrowers and the expected development of future credit exposures, with particular attention being paid to bank lending for working capital. - systematically confirming the commitment of the borrowers' owners to provide ongoing support to the companies. <p>A recommendation was also discussed with The Audit Committee that the banks' risk management bodies monitor the changes in risk factors, the macroeconomic framework and other data used in the provisioning models, and the material changes to be timely reflected in the provisioning models.</p> |
| <i>How this key audit matter was addressed during the audit</i> | |
| <p>Procedures carried out in support of our conclusions and discussions:</p> <ul style="list-style-type: none"> - The internal rules of the bank have been reviewed, we have gained understanding of key controls in key business processes, and tests of effectiveness of controls are performed according to the audit strategy. | |

| Findings of substance | Matters discussed with audit committee |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| <ul style="list-style-type: none"> - A sample of borrowers has been reviewed on a risk-based basis for which substantive procedures have been performed in relation to the assessment of the adequacy of the recognized impairment provision. - For individually accrued provisions, we tested assumptions about the identification and quantification of impairments, including future cash flow projections and credit collateral estimates. We examined a sample of credit exposures that continue to be, have become, or have been, at risk of impairment. - For collective impairment provisions, we reviewed the methodology used by the Bank to determine them, the reasonableness of the underlying assumptions and the sufficiency of the data used by the management. - For selected non-performing loans, we have evaluated the management forecasts for cash flow generation, collateral estimates and other repayment sources. In addition, we have tested a sample of performing loans for which we have assessed the financial performance indicators for weaknesses and other risks that could jeopardize the ability to repay exposures. | |
| <p>References in the Annual Financial Statements</p> <ul style="list-style-type: none"> • Note 17 and 17a • Note 2 (j) • Note 3 C (iii) • Note 4 | |

Reposessed assets

| Findings of substance | Matters discussed with audit committee |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The position in the financial statements amounting to BGN 706,042 thousand is disclosed in the respective subgroups.</p> <p>The Buildings group contains assets of varying degrees of completeness and are in line with their condition at the acquisition date.</p> <p>During the year there were sales of assets amounting to BGN 15,384 thousand, of which BGN 7,697 thousand - through leasing of assets under finance leases. The Bank has recognized in the group Other income/(expenses), net (Note 12) profit of BGN 1,547 thousand.</p> <p>The Bank, like any other banking institution, is exposed to a significant risk on the realization of assets acquired as collateral.</p> | <p>The actions and procedures that the bank should implement in order to enable the bank to track the changes in the portion of revenues and expenses by groups and subgroups by the time of realization of the respective assets were discussed. In addition, we have set out our recommendation to improve asset inventory processes that have been acquired as collateral in order to better and fully implement the national financial reporting framework.</p> |

| Findings of substance | Matters discussed with audit committee |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| <i>How this key audit matter was addressed during the audit</i> | |
| <p>Procedures carried out in support of our conclusions and discussions:</p> <ul style="list-style-type: none"> - The internal rules of the bank have been reviewed, we have gained understanding of key controls in key business processes, and tests of effectiveness of controls are performed according to the audit strategy. - For a sample of newly acquired collateral assets amounting to BGN 9,600 thousand, the acquisition documents were reviewed and the fair value reports were reviewed for a sample of BGN 464,689 thousand. - Supporting documents for our sample have been reviewed in connection with the largest object - a brokerage agreement, a rental agreement, a commission contract and the annexes to them. Substantive procedures have been carried out to confirm the completeness and accuracy of reclassification between the different groups. | |
| <p>References in the Annual Financial Statements</p> <ul style="list-style-type: none"> • Note 12 • Note 21 | |

Litigation and provisions

| Findings of substance | Matters discussed with audit committee |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Bank, like any other banking institution, is exposed to a significant risk of litigation and regulatory scrutiny. The magnitude of the impact cannot always be predicted but may result in provisions for contingent and other liabilities depending on the relevant facts and circumstances. The level of provisions is subject to management and judgment based on legal advice.</p> <p>The Bank has recognized provisions of BGN 1,031 thousand for litigation.</p> <p>In connection with issued bank guarantees, the Bank has blocked funds amounting to BGN 44,137 thousand, which are disclosed in Note 25 as in the financial statements included in the Other Assets sub-group.</p> | <p>Recognition and measurement of provisions has been discussed with the Audit Committee to ensure that the Bank has correctly applied its provisioning policies.</p> <p>Disputes have been discussed in which the Bank has not recognized provisions to ensure that there is no need for additional provision, in particular:</p> <p>the legal department of the bank reports to the Audit Committee on the current status of litigation. Considerable changes have been discussed, taking into account potential changes in provisions. The discussion is also done in order to identify all material litigation.</p> |

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

Other matters

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

In determining risk-weighted assets, management has excluded Assets with right-to-use under IFRS 16 Leasing in the amount of BGN 139,837 thousand.

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

Based on the procedures performed, our opinion is that:

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

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

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

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

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

The information about related party transactions is disclosed in Note 35 to the financial statements. Based on the audit procedures performed by us on related party transactions as part of our audit of the financial statements as a whole, no facts, circumstances or other information have come to our attention based on which to conclude that the related party transactions have not been disclosed in the accompanying financial statements for the year ended 31 December 2019, in all material respects, in accordance with the requirements of IAS 24 Related Party Disclosures. The results of our audit procedures on related party transactions were addressed by us in the context of forming our opinion on the financial statements as a whole and not for the purpose of expressing a separate opinion on related party transactions.

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

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

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

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

- Mazars OOD and BDO Bulgaria OOD have been appointed as statutory auditors of the financial statements for the year ended 31 December 2020 of the First Investment Bank (the "Bank") at the General Meeting of Shareholders held on 15 July 2019 for a period of one year.
- The audit of the financial statements for the year ending 31 December 2020 of the Bank is the fourth full continuous engagement to a statutory audit of this enterprise by Mazars OOD and a sixth full continuous engagement to a statutory audit of this entity by BDO Bulgaria OOD.
- We confirm that our audit opinion is consistent with the additional report submitted to the Audit Committee of the Bank, in accordance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We confirm that we have not provided the specified in Art. 64 of the Independent Financial Audit Act forbidden services outside the audit.
- We confirm that we have retained our independence in relation to the Bank in conducting the audit.
- For the period to which our statutory audit refers, Mazars OOD and BDO Bulgaria OOD, the following services which have not been disclosed in Bank's annual stand-alone management report or stand-alone financial statements:
 - Agreed-upon procedures related to the application of BNB Ordinance 14 for the period 01 December 2020 – 31 December 2020 – observation of current performance of the internal control systems of the Bank, prepared by the Bank, in accordance with the requirements of International Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures regarding Financial Information";
 - Agreed-upon procedures related to the confirmation of financial information as at 31 December 2017, 31 December 2018 and 31 December 2019, included in the Base Prospectus for Initial public Offering (IPO) of ordinary registered shares of the Bank, for agreeing certain consolidated financial information included in the Prospect with the underlying financial information in the consolidated financial statements of the Bank as at 31 December 2016, 31 December 2017, 31 December 2018, in accordance with the requirements of International Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures regarding Financial Information";
 - For the period to which our statutory audit refers, BDO Bulgaria OOD, the following services which have not been disclosed in Bank's annual stand-alone management report or stand-alone financial statements:
 - Agreed-upon procedures related to the confirmation of financial information as at 31 December 2016, included in the Base Prospectus for Initial public Offering (IPO) of ordinary registered shares of the Bank, for agreeing certain consolidated financial information included in the Prospect with the underlying financial information in the consolidated financial statements of the Bank as at 31 December 2016,

- Audit as at 31 December 2020 of the annual financial statements of FI Health Insurance AD (subsidiary), prepared in accordance with IFRS, in accordance with ISA;
- Audit as at 31 December 2020 of the annual financial statements of Diners Club Bulgaria AD (subsidiary), prepared in accordance with IFRS, in accordance with ISA.

Sofia, 05 April 2021

For BDO Bulgaria Ltd:

Nedyalko Apostolov
Manager

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

For MAZAR Ltd.:

Atanasios Petropoulos
Procurator

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

FIRST INVESTMENT BANK AD
INDIVIDUAL FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020
WITH INDEPENDENT AUDITORS' REPORT THEREON

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

| <i>in thousands of BGN</i> | Note | 2020 | 2019 |
|--------------------------------------------------------------------|-------------|----------------|----------------|
| Interest income | | 292,160 | 289,867 |
| Interest expense | | (59,511) | (59,171) |
| Net interest income | 6 | 232,649 | 230,696 |
| Fee and commission income | | 116,250 | 126,389 |
| Fee and commission expense | | (20,401) | (23,159) |
| Net fee and commission income | 7 | 95,849 | 103,230 |
| Net trading income | 8 | 11,991 | 14,929 |
| Other net operating income | 9 | 10,344 | 71,930 |
| TOTAL INCOME FROM BANKING OPERATIONS | | 350,833 | 420,785 |
| Administrative expenses | 10 | (181,842) | (209,157) |
| Allowance for impairment | 11 | (93,660) | (117,490) |
| Other (expenses)/income, net | 12 | (31,750) | 49,997 |
| PROFIT BEFORE TAX | | 43,581 | 144,135 |
| Income tax expense | 13 | (4,700) | (14,914) |
| NET PROFIT | | 38,881 | 129,221 |
| Other comprehensive income for the period | | | |
| Items which should or may be reclassified as profit or loss | | | |
| Revaluation reserve of investments in securities | | 3,701 | 931 |
| Total other comprehensive income | | 3,701 | 931 |
| TOTAL COMPREHENSIVE INCOME | | 42,582 | 130,152 |

The statement of profit or loss and of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 72.

The financial statements have been approved by the Managing Board on 02 April 2021 and signed on its behalf by:

Nikola Bakalov
Chief Executive Officer

SVETOZAR POPOV
Executive Director

Yanko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated 05/04/2021:
Nedyalko Apostolov
Partner

BDO Bulgaria OOD

Tsvetana Stefanina, Manager
Registered auditor
responsible for the audit

Athanassios Petropoulos
Partner

Mazars OOD

Milena Mladenova-Nikolova
Registered auditor
responsible for the audit

Individual statement of financial position as at 31 December 2020

| <i>In BGN '000</i> | Note | 2020 | 2019 |
|--------------------------------------------------------------|-------------|-------------------|-------------------|
| ASSETS | | | |
| Cash and balances with Central Banks | 14 | 2,060,496 | 1,998,543 |
| Investments in securities | 15 | 1,132,106 | 843,378 |
| Loans and advances to banks and other financial institutions | 16 | 106,085 | 79,576 |
| Loans and advances to customers | 17 | 6,038,889 | 5,776,915 |
| Property and equipment | 18 | 72,972 | 77,407 |
| Intangible assets | 19 | 14,678 | 11,406 |
| Derivatives held for risk management | | 5,110 | 814 |
| Current tax assets | | - | - |
| Repossessed assets | 21 | 706,042 | 708,428 |
| Investment Property | 22 | 414,021 | 410,511 |
| Investments in subsidiaries | 23 | 44,872 | 43,872 |
| Rights of use assets | 24 | 139,837 | 144,270 |
| Other assets | 25 | 97,721 | 104,911 |
| TOTAL ASSETS | | 10,832,829 | 10,200,031 |
| LIABILITIES AND CAPITAL | | | |
| Due to banks | 26 | 14,340 | 25,048 |
| Due to other customers | 27 | 9,100,155 | 8,684,001 |
| Liabilities evidenced by paper | 28 | 104,151 | 109,723 |
| Hybrid debt | 29 | 267,579 | 267,615 |
| Derivatives held for risk management | | 410 | 361 |
| Deferred tax liabilities | 20 | 21,286 | 16,488 |
| Current tax liabilities | | 12 | 26 |
| Lease liabilities | 24 | 139,868 | 144,270 |
| Other liabilities | 30 | 7,279 | 9,434 |
| TOTAL LIABILITIES | | 9,655,080 | 9,256,966 |
| Issued share capital | 31 | 149,085 | 110,000 |
| Share premium | 31 | 250,017 | 97,000 |
| Statutory reserve | 31 | 39,861 | 39,861 |
| Revaluation reserve of investments in securities | | 15,513 | 11,812 |
| Revaluation reserve on property | | 4,500 | 4,500 |
| Other reserves and retained earnings | 31 | 718,773 | 679,892 |
| TOTAL SHAREHOLDERS' EQUITY | | 1,177,749 | 943,065 |
| TOTAL LIABILITIES AND GROUP EQUITY | | 10,832,829 | 10,200,031 |

The statement of the financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 72.

The financial statements have been approved by the Managing Board on 02 April 2021 and signed on its behalf by:

Nikola Bakalov
Chief Executive Officer

Svetozar Popov
Executive Director

Yanko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated
 05/04/2021:
 Nedyalko Apostolov
 Partner

BDO Bulgaria OOD

Tsvetana Stefanina, Manager
 Registered auditor
responsible for the audit

Athanassios Petropoulos
 Partner

Mazars OOD

Milena Mladenova-Nikolova
 Registered auditor
responsible for the audit

Individual statement of cash flows for the year ended 31 December 2020

| <i>In BGN '000</i> | 2020 | 2019 |
|-------------------------------------------------------------------------------------|------------------|------------------|
| Net cash flow from operating activities | | |
| Net profit | 38,881 | 129,221 |
| Adjustment for non-cash items | | |
| Allowance for impairment | 93,660 | 117,490 |
| Net interest income | (232,649) | (230,696) |
| Depreciation and amortization | 12,435 | 13,844 |
| Tax expense | 4,703 | 14,914 |
| (Profit) from sale and write-off of tangible and intangible fixed assets, net | (71) | (358) |
| (Profit) from sale of other assets, net | (1,179) | (1,201) |
| (Positive) revaluation of investment property | (2,312) | (72,940) |
| | (86,532) | (29,726) |
| Change in operating assets | | |
| Decrease in financial assets at fair value through profit or loss | 1,289 | (246,126) |
| (Increase)/decrease in financial assets at fair value in other comprehensive income | (97,962) | 90,327 |
| (Increase)/decrease in loans and advances to banks and financial institutions | 1,062 | (25,313) |
| (Increase) in loans to customers | (344,016) | (402,329) |
| (Increase)/decrease in other assets | 7,327 | (25,426) |
| | (432,300) | (608,867) |
| Change in operating liabilities | | |
| Increase/(decrease) in deposits from banks | (10,708) | 7,805 |
| Increase in amounts owed to other depositors | 424,557 | 662,970 |
| Net (decrease) in other liabilities | (6,660) | (16,514) |
| | 407,189 | 654,261 |
| Interest received | 268,560 | 307,968 |
| Interest paid | (67,717) | (59,222) |
| Dividends received | 374 | 5,678 |
| (Paid)/refunded profit tax | (314) | 404 |
| NET CASH FLOW FROM OPERATING ACTIVITIES | 89,260 | 270,496 |
| Cash flow from investing activities | | |
| (Purchase) of tangible and intangible fixed assets | (11,333) | (11,708) |
| Sale of tangible and intangible fixed assets | 132 | 817 |
| Sale of other assets | 13,496 | 14,143 |
| (Increase) of investments | (188,276) | (12,093) |
| NET CASH FLOW FROM INVESTING ACTIVITIES | (185,981) | (8,841) |
| Financing activities | | |
| (Decrease) in borrowings | (5,805) | (8,636) |
| Increase in subordinated liabilities | - | 58,675 |
| Capital increase through newly issued shares | 39,085 | - |
| Increase of share premium reserve of newly issued shares | 153,017 | - |
| NET CASH FLOW FROM FINANCING ACTIVITIES | 186,297 | 50,039 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 89,576 | 311,694 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD | 2,040,468 | 1,728,774 |
| CASH AND CASH EQUIVALENTS AT THE END OF PERIOD | 2,130,044 | 2,040,468 |

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 72.

The financial statements have been approved by the Managing Board on 02 April 2021 and signed on its behalf by:

| | | |
|--------------------------------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------------------------------------------------|
| Nikola Bakalov <i>Chief Executive Officer</i> | SVETOZAR POPOV <i>Executive Director</i> | Yanko Karakolev <i>Chief Financial Officer</i> |
| Audited as per the auditors' report dated 05/04/2021: Nedyalko Apostolov <i>Partner</i> | <i>BDO Bulgaria OOD</i> | Tsvetana Stefanina, Manager Registered auditor <i>responsible for the audit</i> |
| Athanassios Petropoulos <i>Partner</i> | <i>Mazars OOD</i> | Milena Mladenova-Nikolova Registered auditor <i>responsible for the audit</i> |

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

| <i>In BGN '000</i> | Issued share capital | Share premium | Other reserves and retained earnings | Revaluation reserve of investments in securities | Revaluation reserve on property | Statutory reserve | Total |
|---------------------------------------------------------------|----------------------|----------------|--------------------------------------|--------------------------------------------------|---------------------------------|-------------------|------------------|
| Balance at 01 January 2019 | 110,000 | 97,000 | 550,671 | 10,881 | 4,500 | 39,861 | 812,913 |
| Total comprehensive income for the period | | | | | | | |
| Net profit for the year ended 31 December 2018 | - | - | 129,221 | - | - | - | 129,221 |
| Other comprehensive income for the period | | | | | | | |
| Revaluation reserve of investments in securities | - | - | - | 931 | - | - | 931 |
| Balance as at 31 December 2019 | 110,000 | 97,000 | 679,892 | 11,812 | 4,500 | 39,861 | 943,065 |
| Total comprehensive income for the period | | | | | | | |
| Net profit for the year ended 31 December 2020 | - | - | 38,881 | - | - | - | 38,881 |
| Other comprehensive income for the period | | | | | | | |
| Revaluation reserve of investments in securities | - | - | - | 3,701 | - | - | 3,701 |
| Share capital increase | | | | | | | |
| Capital increase through newly issued shares | 39,085 | - | - | - | - | - | 39,085 |
| Share premium reserve of newly issued shares | - | 156,339 | - | - | - | - | 156,339 |
| Decrease of premium reserve related to capital issue expenses | - | (3,322) | - | - | - | - | (3,322) |
| Balance as at 31 December 2020 | 149,085 | 250,017 | 718,773 | 15,513 | 4,500 | 39,861 | 1,177,749 |

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 72.

The financial statements have been approved by the Managing Board on 02 April 2021 and signed on its behalf by:

Nikola Bakalov
Chief Executive Officer

SVETOZAR POPOV
Executive Director

Yanko Karakolev
Chief Financial Officer

Audited as per the auditors' report dated 02/04/2021:
Nedyalko Apostolov
Partner

BDO Bulgaria OOD

Tsvetana Stefanina, Manager
Registered auditor
responsible for the audit

Athanassios Petropoulos
Partner

Mazars OOD

Milena Mladenova-Nikolova
Registered auditor
responsible for the audit

Notes to the financial statements

1. Basis of preparation

(a) Statute

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

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

The Bank has foreign operations in Cyprus - a branch.

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

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

- **Managing Board**

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

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

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

Notes to the financial statements

1. Basis of preparation, continued

Statute, continued

- **Supervisory Board**

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

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

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

(b) Statement of compliance

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

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

(c) Presentation

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

The financial statements are prepared in accordance with the fair value principle of derivative financial instruments, financial instruments recognised at fair value in profit or loss, investment properties, as well as assets recognised at fair value in other comprehensive income. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost convention.

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

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

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

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

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

Notes to the financial statements

New standards, interpretations and amendments not yet adopted by the company

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

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

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

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

New standards, interpretations and amendments not yet adopted by the EU:

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

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

2. Significant accounting policies

(a) Income recognition

(i) *Interest income*

Interest income and expense is recognised in the profit or loss as it accrues, taking into account the effective yield of the asset (liability) or an applicable floating rate. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

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

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

(ii) *Fees and Commissions*

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

Notes to the financial statements

(iii) **Net trading income**

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

(iv) **Dividend income**

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

(b) **Basis of consolidation of subsidiaries**

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

(c) **Foreign currency transactions**

(i) **Functional and presentation currency**

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

Transactions and balances

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

(iii) **Foreign operations**

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

(d) **Financial assets**

(I) **Recognition**

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

The Bank classifies financial assets in the following categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, or financial assets measured at fair value through profit or loss. Management determines the classification of investments at initial recognition according to the business model for management of the specific class of financial assets and the contractual features of the cash flows associated with that financial asset.

Notes to the financial statements

(ii) Financial assets at amortised cost

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

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

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

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

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

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

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

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

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

(vi) Fair value measurement principles

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

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

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

Notes to the financial statements

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

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

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

(vii) ***Derecognition***

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

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

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

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

(e) **Cash and cash equivalents**

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

(f) **Investments**

Investments in debt instruments held by the Bank as part of a business model for the purpose of collecting contractual cash flows are classified as financial assets at amortised cost. Investments in debt instruments held by the Bank as part of a business model for the purpose of collecting contractual cash flows and sale are classified as financial assets at fair value in other comprehensive income. All other investments, including those whose contractual terms do not meet the requirement for generation of only principal and interest payments are classified as recognised at fair value in profit or loss.

Notes to the financial statements

(g) Securities borrowing and lending business and repurchase transactions

(i) *Securities borrowing and lending*

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

(ii) *Repurchase agreements*

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

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

(h) Borrowings

Borrowings are recognised initially at 'cost', being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognized in profit or loss over the period of the borrowings using the effective yield method. If the Bank purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of a liability and the consideration paid is included in other operating income.

(i) Offsetting

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

(j) Impairment of financial assets

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

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

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

Notes to the financial statements

2. Significant accounting policies, continued

(k) Property and equipment

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

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

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

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

(l) Intangible assets

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

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

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

(m) Investment Property

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

(n) Provisions

A provision is recognised in the statement of financial position when the Bank has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable assessment of the amount due can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(o) Acceptances

An acceptance is created when the Bank agrees to pay, at a stipulated future date, a draft drawn on it for a specified amount. The Bank's acceptances primarily arise from documentary credits stipulating payment to be made a certain number of days after receipt of required documents. The Bank negotiates most

Notes to the financial statements

acceptances to be settled at a later date following the reimbursement from the customers. Acceptances are accounted for as liabilities evidenced by paper.

(p) Off-balance sheet commitments

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

(q) Taxation

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

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

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

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

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

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

The actual results may differ from the Management's assumptions, estimates and judgements and in rare cases correspond fully to the preliminary result estimates.

In preparing the present individual financial statements the Management's estimates in applying the Bank's accounting policies and the main sources of uncertainty of the approximate accounting valuations do not differ from those disclosed in the individual financial statement for the previous year.

Information on the valuations and the valuation uncertainty, for which there is a significant risk of change as of 31 December 2020 are stated below and are related to the impairment of financial instruments, income tax and the following notes related to other elements of the financial statements:

- Note 5, 18 - determining of the fair value of the financial instruments, land and buildings through valuation techniques, in which the input data for the financial assets and liabilities are not based on the available market information. The Management uses valuation techniques for the fair value of financial instruments (when there is no quoted price in an active market) and non-financial assets. In applying the valuation techniques, the Management uses to a maximum degree market data and assumptions which market participants would take into account in pricing an instrument. When there is no available market data, the Management uses its best judgement of the assumptions that market participants would make. These judgements may differ from the actual prices that may be determined in a fair market transaction between informed and willing parties at the end of the reporting period.
- Notes 11, 15, 17 – measuring the expected credit loss – credit losses constitute the difference between all contractual cash flows payable to the Bank and all cash flows which the Bank expects to receive. Expected credit loss is the probability-weighted estimate of credit losses which require the

Notes to the financial statements

Bank's judgement. Expected credit loss is discounted with the initial effective interest rate (or with the loan-adjusted effective interest rate for purchased or initially created financial assets with credit impairment).

- Notes 15, 17 – debt instruments at amortised cost – the analysis and intentions of the Management are confirmed by the business model of holding debt instruments that meet the requirements for receiving only principal and interest payments and holding assets until collecting the contractual cash flows from the bonds which are classified as debt instruments at amortised cost.
- Note 24 – Lease contract term – in determining the lease contract term the Management takes into consideration all facts and circumstances that create economic incentives for exercising the option to extend the lease, or not to exercise the option to terminate the lease. Extension options (or the periods after termination options) are included in the lease contract term only if it is reasonably certain that the lease contract has been extended (or has not been terminated).
- Note 30 – in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and the internal rules for setting aside provisions for pending court cases the bank has recognised provisions for pending court cases. The Bank is a defendant in pending cases and the outcome of those cases may lead to liabilities in an amount different from the amount of provisions recognized in the financial statement.

(s) Assessment of repossessed assets from collaterals

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

(t) Income taxes

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

(u) Employee benefits

Defined contribution plans

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

Defined benefit plans

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

The Bank has an obligation to pay certain amounts to each employee who retires with the Bank in accordance with Art. 222, § 3 of the Labour Code.

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

Notes to the financial statements

Management of the Bank estimates the approximate amount of the potential expenditures for every employee using the projected unit credit method.

For the last two years the Bank has prepared estimates for the due provisions for pensions and has not identified significant liabilities.

Termination benefits

Termination benefits are recognised as an expense when the Bank is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Bank has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. The Bank recognises as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange for the employee's service for the period completed.

Leases

(i) The Company as lessee

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

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

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

Assessment and recognition of leases by the Bank as lessee

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

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

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

Notes to the financial statements

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

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

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

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

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

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

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

The company as lessor

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

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

3. Risk management disclosures

A. Trading activities

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

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

(i) Credit risk

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

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

Notes to the financial statements

(ii) Market risk

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

Exposure to market risk is formally managed in accordance with risk limits set by senior management and the adopted risk strategy.

The Value at Risk is calculated and monitored on a daily basis as part of the Bank's ongoing risk management. Value at risk is calculated using one day horizon and 99 per cent confidence level, meaning that there is 1% probability that a portfolio will incur a loss in one day greater than its VaR. Parameters of the VaR model are estimated on the basis of exponentially weighted historical price changes of risk factors.

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

| | 31 December | 2020 | | | 31 December |
|----------------------------|-------------|---------|-----|------|-------------|
| <i>in thousands of BGN</i> | 2020 | average | low | high | 2019 |
| VaR | 0.0 | 2.2 | 0.0 | 11.3 | 1.2 |

B. Non-trading activities

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

(i) Liquidity risk

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

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

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

Notes to the financial statements

assets. The levels of decision making are clearly determined. In order to reduce the liquidity risk, preventive measures have been taken aimed to extend the maturity of borrowings from customers, to encourage long-term relationships with clients and to increase customer satisfaction. In order to adequately manage liquidity risk, the Bank monitors cash flows on a daily basis.

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

Liquid assets

| <i>In BGN '000</i> | 31 December 2020 | 31 December 2019 |
|-----------------------------------------------|------------------|------------------|
| Balances with BNB | 1,576,768 | 1,674,645 |
| Current accounts and amounts with other banks | 498,097 | 316,269 |
| Unencumbered government securities | 637,904 | 385,256 |
| Gold | 2,598 | 5,479 |
| Total liquid assets | 2,715,367 | 2,381,649 |

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

As at 31 December 2020 the thirty largest non-bank unguaranteed depositors represent 6.17% of total deposits from other customers (31 December 2019: 7.42%).

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

| | 31 December 2020 | 31 December 2019 |
|---------------------------------------------------------------|------------------|------------------|
| Ratio of liquid assets to total borrowings from other clients | 29.84% | 27.43% |

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

Maturity table as at 31 December 2020

| <i>in thousands of BGN</i> | Up to 1 Month | From 1 to 3 Months | From 3 months to 1 year | More than 1 year | Maturity not defined | Total |
|-------------------------------------------------------------------|--------------------|--------------------|-------------------------|------------------|----------------------|------------------|
| Assets | | | | | | |
| Cash and balances with Central Banks | 2,060,496 | - | - | - | - | 2,060,496 |
| Financial assets at fair value through profit or loss | 240,808 | - | - | - | 23,083 | 263,891 |
| Financial assets at fair value through other comprehensive income | 668,385 | - | - | - | - | 668,385 |
| Financial assets at amortised cost | - | - | - | 199,830 | - | 199,830 |
| Loans and advances to banks and other financial institutions | 85,823 | 4,387 | 755 | 15,120 | - | 106,085 |
| Loans and advances to customers | 796,401 | 214,808 | 752,038 | 4,275,642 | - | 6,038,889 |
| Other trading assets | 724 | - | - | 4,386 | - | 5,110 |
| Total financial assets | 3,852,637 | 219,195 | 752,793 | 4,494,978 | 23,083 | 9,342,686 |
| Liabilities | | | | | | |
| Due to banks | 14,340 | - | - | - | - | 14,340 |
| Due to other customers | 4,914,768 | 1,119,837 | 2,480,948 | 584,602 | - | 9,100,155 |
| Liabilities evidenced by paper | 8 | 20 | 3,857 | 100,266 | - | 104,151 |
| Hybrid debt | - | - | - | - | 267,579 | 267,579 |
| Other financial liabilities, net | 104 | 306 | - | - | - | 410 |
| Total financial liabilities | 4,929,220 | 1,120,163 | 2,484,805 | 684,868 | 267,579 | 9,486,635 |
| Net liquidity gap | (1,076,583) | (900,968) | (1,732,012) | 3,810,110 | (244,496) | (143,949) |

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

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

Notes to the financial statements

Loans and advances to customers reflect also financial lease receivables.

Maturity table as at 31 December 2019

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

Notes to the financial statements

The following table provides a remaining maturities analysis of the financial assets and liabilities of the Bank as at 31 December 2020 based on the contractual undiscounted cash flows.

| In BGN '000 | Up to 1 Month | From 1 to 3 Months | From 3 months to 1 year | More than 1 year | Total |
|-------------------------------------------------------------------|------------------|-----------------------|-------------------------------|---------------------|-------------------|
| Financial assets | | | | | |
| Cash and balances with Central Banks | 2,060,496 | - | - | - | 2,060,496 |
| Financial assets at fair value through profit or loss | 263,891 | - | - | - | 263,891 |
| Financial assets at fair value through other comprehensive income | 668,385 | - | - | - | 668,385 |
| Financial assets at amortised cost | - | - | 39,150 | 166,001 | 205,151 |
| Loans and advances to banks and other financial institutions | 85,823 | 4,387 | 755 | 15,120 | 106,085 |
| Loans and advances to customers | 796,943 | 216,447 | 772,921 | 5,119,718 | 6,906,029 |
| Total financial assets | 3,875,538 | 220,834 | 812,826 | 5,300,839 | 10,210,037 |
| Financial liabilities | | | | | |
| Due to banks | 14,340 | - | - | - | 14,340 |
| Due to other customers | 4,914,965 | 1,120,233 | 2,484,188 | 588,347 | 9,107,733 |
| Liabilities evidenced by paper | 8 | 20 | 3,875 | 103,537 | 107,440 |
| Hybrid debt | - | - | 27,577 | 291,223 | 318,800 |
| Total financial liabilities | 4,929,313 | 1,120,253 | 2,515,640 | 983,107 | 9,548,313 |
| Derivatives held for risk management | | | | | |
| Outgoing cash flow | 2,587 | 308 | - | 46,923 | 49,818 |
| Incoming cash flow | 733 | 1 | - | 48,896 | 49,630 |
| Cash flow from derivatives, net | (1,854) | (307) | - | 1,973 | (188) |

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

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

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

| In BGN '000 | Up to 1 Month | From 1 to 3 Months | From 3 months to 1 year | More than 1 year | Total |
|-------------------------------------------------------------------|------------------|-----------------------|-------------------------------|---------------------|------------------|
| Financial assets | | | | | |
| Cash and balances with Central Banks | 1,998,543 | - | - | - | 1,998,543 |
| Financial assets at fair value through profit or loss | 265,555 | - | - | - | 265,555 |
| Financial assets at fair value through other comprehensive income | 565,818 | - | - | - | 565,818 |
| Financial assets at amortised cost | - | - | - | 13,468 | 13,468 |
| Loans and advances to banks and other financial institutions | 53,023 | 9,029 | 2,161 | 15,363 | 79,576 |
| Loans and advances to customers | 330,171 | 234,902 | 854,980 | 5,283,638 | 6,703,691 |
| Total financial assets | 3,213,110 | 243,931 | 857,141 | 5,312,469 | 9,626,651 |
| Financial liabilities | | | | | |
| Due to banks | 25,048 | - | - | - | 25,048 |
| Due to other customers | 4,132,640 | 994,740 | 2,744,668 | 826,590 | 8,698,638 |
| Liabilities evidenced by paper | 13 | 26 | 3,323 | 110,519 | 113,881 |
| Hybrid debt | - | - | 27,653 | 318,813 | 346,466 |
| Total financial liabilities | 4,157,701 | 994,766 | 2,775,644 | 1,255,922 | 9,184,033 |
| Derivatives held for risk management | | | | | |
| Outgoing cash flow | 1,933 | - | 478 | - | 2,411 |
| Incoming cash flow | 1,504 | 600 | 637 | 123 | 2,864 |
| Cash flow from derivatives, net | (429) | 600 | 159 | 123 | 453 |

Notes to the financial statements

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

- There is an expectation that the deposits on demand and term deposits will remain stable and will increase.
- Retail mortgages have original maturity of 18 years on average, but the expected average effective maturity is 12 years as some clients take advantage of the early repayment possibility.

(ii) **Market risk**

Interest rate risk

Interest rate risk in the banking book (IRRBB)

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

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

The interest rate risk on the economic value of the Bank following a standardised shock of +100bp/-100bp as at 31 December 2020 is BGN +18 847/+11 397 thousands

The interest rate risk on the Bank's net interest income one year forward following a standardised shock of +100bp/-100bp as at 31 December 2020 is BGN +711/-452 thousands.

| Effect in BGN '000 | Net interest income | | Equity | |
|------------------------|---------------------|-----------------|-----------------|-----------------|
| | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| 2020 | | | | |
| as at 31 December | 711 | (452) | 18 847 | 11 397 |
| Average for the period | 1 369 | (1 222) | 26 078 | 9 091 |
| Maximum for the period | 5 150 | 602 | 37 447 | 17 676 |
| Minimum for the period | (996) | (3 754) | 11 287 | 4 079 |
| 2019 | | | | |
| as at 31 December | 5 956 | (5 845) | 31 919 | 9 479 |

Credit Spread Risk in the Banking Book (CSRBB)

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

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

Notes to the financial statements

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

The effect on the Bank's economic value as at 31 December 2020 amounted to BGN (28 881) thousand, and the effect on the net interest income amounted to BGN 280 thousand.

| Effect in BGN '000 | Net interest income | Equity |
|------------------------|---------------------|----------|
| 2020 | | |
| as at 31 December | 280 | (28,881) |
| Average for the period | 336 | (24,915) |
| Maximum for the period | 421 | (20,645) |
| Minimum for the period | 280 | (28,881) |
| 2019 | | |
| as at 31 December | 379 | (18,229) |

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

| <i>in thousands of BGN</i> | Total | Floating rate instruments | Less than 1 month | Fixed rate instruments | | |
|-------------------------------------------------------------------|------------------|---------------------------|-------------------|------------------------------|-----------------------------|------------------|
| | | | | Between 1 month and 3 months | Between 3 months and 1 year | More than 1 year |
| Assets | | | | | | |
| Cash and balances with Central Banks | 518,526 | 518,526 | - | - | - | - |
| Financial assets at fair value through profit or loss | 236,499 | - | 236,499 | - | - | - |
| Financial assets at fair value through other comprehensive income | 668,385 | 24,011 | 644,374 | - | - | - |
| Financial assets at amortised cost | 199,830 | - | - | - | 39,150 | 160,680 |
| Loans and advances to banks and other financial institutions | 30,030 | 16,198 | 10,877 | - | 2,955 | - |
| Loans and advances to customers | 5,328,404 | 5,045,885 | 1,797 | 18,970 | 93,645 | 168,107 |
| Total interest-bearing assets | 6,981,674 | 5,604,620 | 893,547 | 18,970 | 135,750 | 328,787 |
| Liabilities | | | | | | |
| Due to banks | 14,340 | 14,340 | - | - | - | - |
| Due to other customers | 9,078,370 | 3,507,226 | 1,385,757 | 1,119,837 | 2,480,948 | 584,602 |
| Liabilities evidenced by paper | 104,151 | 100,899 | - | - | - | 3,252 |
| Hybrid debt | 267,579 | - | - | - | - | 267,579 |
| Total interest-bearing liabilities | 9,464,440 | 3,622,465 | 1,385,757 | 1,119,837 | 2,480,948 | 855,433 |

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

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

Notes to the financial statements
Fixed rate instruments

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

Notes to the financial statements

Currency risk

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

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

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

| <i>in thousands of BGN</i> | 2020 | 2019 |
|-----------------------------|-------------|-------------|
| Monetary assets | | |
| Euro | 4,333,726 | 3,694,463 |
| US dollar | 560,693 | 577,834 |
| Other | 149,862 | 180,791 |
| Gold | 2,598 | 5,479 |
| Monetary liabilities | | |
| Euro | 3,522,779 | 3,583,449 |
| US dollar | 557,448 | 571,761 |
| Other | 149,865 | 181,155 |
| Gold | 2,172 | 1,628 |
| Net position | | |
| Euro | 810,947 | 111,014 |
| US dollar | 3,245 | 6,073 |
| Other | (3) | (364) |
| Gold | 426 | 3,851 |

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

(iii) Credit risk

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

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

| <i>In thousands of BGN</i> | Loans and advances to other customers | | Loans and advances to banks and balances with central banks | | Investment in debt securities | | Off balance sheet commitments | |
|-----------------------------|----------------------------------------------|-------------|--------------------------------------------------------------------|-------------|--------------------------------------|-------------|--------------------------------------|-------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Carrying amount | 6,038,889 | 5,776,915 | 1,990,640 | 1,877,860 | 1,104,714 | 816,760 | - | - |
| Amount committed/guaranteed | - | - | - | - | - | - | 762,885 | 859,990 |

Notes to the financial statements

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

| 31 December 2020 | | <i>in thousands of BGN</i> | |
|--------------------------|--------------------------------------------------------|---------------------------------|-----------------------------------------------------------|
| Class of exposure | Gross amount of loans and advances to customers | Allowance for impairment | Carrying amount of loans and advances to customers |
| Performing | | | |
| Collectively impaired | 5,054,851 | (71,807) | 4,983,044 |
| Nonperforming | | | |
| Collectively impaired | 251,862 | (108,117) | 143,745 |
| Individually impaired | 1,243,055 | (330,955) | 912,100 |
| Total | 6,549,768 | (510,879) | 6,038,889 |

| 31 December 2019 | | <i>in thousands of BGN</i> | |
|--------------------------|--------------------------------------------------------|---------------------------------|-----------------------------------------------------------|
| Class of exposure | Gross amount of loans and advances to customers | Allowance for impairment | Carrying amount of loans and advances to customers |
| Performing | | | |
| Collectively impaired | 4,755,703 | (68,967) | 4,686,736 |
| Nonperforming | | | |
| Collectively impaired | 218,841 | (73,351) | 145,490 |
| Individually impaired | 1,301,864 | (357,175) | 944,689 |
| Total | 6,276,408 | (499,493) | 5,776,915 |

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

| | 31/12/2020 | | 31/12/2019 | |
|--------------------------------------------------------------------------------------------|--------------------------------------------------------|---------------------------------|--------------------------------------------------------|---------------------------------|
| | Gross amount of loans and advances to customers | Allowance for impairment | Gross amount of loans and advances to customers | Allowance for impairment |
| Exposures without increase of credit risk after the initial recognition (phase 1) | 4,053,162 | 12,184 | 3,652,415 | 10,808 |
| Exposures with significant increase of credit risk after the initial recognition (phase 2) | 1,001,689 | 59,623 | 1,103,288 | 58,159 |
| Non-performing (impaired) exposures (phase 3) | 1,494,917 | 439,072 | 1,520,705 | 430,526 |
| Total | 6,549,768 | 510,879 | 6,276,408 | 499,493 |

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

As at 31 December 2020 the gross amount of overdue loans and advances to customers measured as exposures 90+ days overdue is BGN 777,984 thousand (31 December 2019: BGN 752,708 thousand)

Notes to the financial statements

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

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

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

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

| <i>in thousands of BGN</i> | 2020 | 2019 |
|----------------------------|------------------|------------------|
| Trade | 797,401 | 844,380 |
| Industry | 1,277,091 | 1,133,840 |
| Services | 718,263 | 691,080 |
| Finance | 126,931 | 112,944 |
| Transport, logistics | 229,666 | 217,938 |
| Communications | 147,613 | 190,441 |
| Construction | 367,674 | 336,886 |
| Agriculture | 180,456 | 180,014 |
| Tourist services | 264,840 | 255,881 |
| Infrastructure | 425,495 | 408,558 |
| Private individuals | 2,003,581 | 1,892,605 |
| Other | 10,757 | 11,841 |
| Allowance for impairment | (510,879) | (499,493) |
| Total | 6,038,889 | 5,776,915 |

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

The Bank has extended loans to enterprises involved in different types of activities but within the same economic sector - industry. As such the exposures share a similar industry risk. There are three such groups of enterprises at 31 December 2020 with total exposures outstanding amounting to BGN 198,704 thousand (2019: BGN 162,118 thousand) - ferrous and non-ferrous metallurgy, BGN 85,933 thousand (2019: BGN 85,791 thousand) – mining industry and BGN 81,708 thousand (2019: BGN 94,191 thousand) – power engineering.

The Bank has extended loans, confirmed letters of credit and granted guarantees to 6 individual clients or groups (2019: 8) with each individual exposure exceeding 10% of the capital base of the Bank, based on the amortised cost of the respective loan facilities and after application of the required regulatory exemptions and techniques for reducing credit risk. The total amount of these exposures is BGN 801,104 thousand, which is 52.01% of the capital base (2019: BGN 937,247 thousand, representing 74.55% of the capital base).

Notes to the financial statements

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

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

Collateral held against different types of assets:

| Type of credit exposure | Main type of collateral | Collateral coverage ratio | |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|------|
| | | 2020 | 2019 |
| Repurchase agreements | Tradable securities | 97% | 101% |
| Loans and advances to banks | None | - | - |
| Mortgage loans | Real estate | 273% | 266% |
| Consumer lending | Mortgage, warrant, financial and other collateral | 51% | 29% |
| Credit cards | None | - | - |
| Loans to companies | Mortgage, pledge of enterprise, pledge of long-term tangible assets, pledge of goods, pledge of other short-term tangible assets, financial and other collateral | 467% | 487% |

The table below shows a breakdown of total gross loans and advances (gross balance sheet value) extended to customers by the Bank by type of collateral to the amount of the collateral, excluding credit cards in the amount of BGN 162,527 thousand (2019: 176,309 thousand BGN).

| <i>In BGN '000</i> | 2020 | 2019 |
|---------------------------------|------------------|------------------|
| Mortgage | 1,615,658 | 1,569,581 |
| Pledge of receivables | 1,815,413 | 1,765,592 |
| Pledge of commercial enterprise | 17,385 | 10,968 |
| Securities | 51,888 | 68,951 |
| Other guaranties | 2,583,556 | 2,355,338 |
| Pledge of goods | - | 9,145 |
| Pledge of machines | 38,677 | 60,799 |
| Money deposit | 30,804 | 11,349 |
| Stake in capital | - | - |
| Other collateral | - | - |
| Unsecured | 233,860 | 248,376 |
| Total | 6,387,241 | 6,100,099 |

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

Residential mortgage lending

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

Notes to the financial statements

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

| <i>In BGN '000</i> | 2020 | 2019 |
|----------------------------------|----------------|----------------|
| Loan to value (LTV) ratio | | |
| Less than 50% | 172,855 | 162,512 |
| 51% to 70% | 250,723 | 231,019 |
| 71% to 90% | 398,105 | 369,586 |
| 91% to 100% | 21,766 | 36,892 |
| More than 100% | 74,668 | 63,019 |
| Total | 918,117 | 863,028 |

Loans to corporate customers

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

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

As at 31 December 2020 the net carrying amount of individually impaired loans to corporate customers amounts to BGN 959,853 thousand (2019: BGN 990,692 thousand) and the value of collateral held against those loans amounts to BGN 909,784 thousand (2019: BGN 940,848 thousand).

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

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

Loans renegotiated through the year

in thousands of BGN

| Type of renegotiation | 2020 | | 2019 | |
|---------------------------------|--------------------------------------------------------|---------------------------------|--------------------------------------------------------|---------------------------------|
| | Gross amount of loans and advances to customers | Allowance for impairment | Gross amount of loans and advances to customers | Allowance for impairment |
| Loans to individuals | 372,355 | 10,218 | 169,026 | 5,554 |
| Change of maturity | 116,737 | 5,452 | 121,250 | 4,242 |
| Change in repayment instalments | 5 | - | 116 | - |
| Change of interest rate | 5,235 | - | 8,749 | 2 |
| Change due to customers request | 32,747 | 25 | 23,867 | 46 |
| Other reasons | 217,631 | 4,741 | 15,044 | 1,264 |
| Loans to companies | 2,615,119 | 216,949 | 2,423,194 | 293,206 |
| Change of maturity | 150,620 | 1,617 | 158,067 | 10,938 |
| Change in repayment instalments | 323,823 | 1,330 | 599,938 | 23,964 |
| Change of interest rate | 13,831 | 5 | 213,942 | 1,355 |
| Change due to customers request | 582,102 | 24,277 | 1,180,346 | 183,703 |
| Other reasons | 1,544,743 | 189,720 | 270,901 | 73,246 |
| Total: | 2,987,474 | 227,167 | 2,592,220 | 298,760 |

Notes to the financial statements

Structure and organization of credit risk management functions

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

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

(iv) Government debt exposures

The Bank carefully manages the credit risk associated with government debt.

The table below shows the carrying amount of the government debt portfolio by country issuer. The assets are presented without any allowance for impairment. The Bank does not recognise allowance for impairment against the government debt exposures which are measured at amortised cost as at 31 December 2020 and 31 December 2019 as well as those at fair value through other comprehensive income.

Notes to the financial statements
3. Risk management disclosures, continued
B. Non-trading activities, continued
(iv) Government debt exposures, continued
in thousands of BGN
31 December 2020

| Portfolio | Bulgaria | Lithuania | Latvia | Slovakia | USA | Romania | Italy | Spain | Portugal | Hungary | Croatia | Israel | European Union |
|-------------------------------------------------------------------|----------------|---------------|-----------|--------------|----------------|---------------|---------------|---------------|---------------|---------------|--------------|---------------|----------------|
| Financial assets at fair value through profit or loss | 15 | - | - | - | - | - | - | - | - | - | - | - | - |
| Financial assets at fair value through other comprehensive income | 323,285 | 45,950 | 67 | 2,216 | 143,432 | 53,028 | 10,478 | 21,535 | 20,433 | 15,520 | 7,835 | - | 596 |
| Financial assets at amortised cost | 116,191 | - | - | - | - | - | - | 39,150 | - | - | - | 44,488 | - |
| Total | 439,491 | 45,950 | 67 | 2,216 | 143,432 | 53,028 | 10,478 | 60,685 | 20,433 | 15,520 | 7,835 | 44,488 | 596 |

in thousands of BGN
31 December 2019

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

Notes to the financial statements

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

in thousands of BGN

| Country issuer | Up to 1 Month | From 1 to 3 Months | From 3 months to 1 year | From 1 to 5 years | Over 5 years | Total |
|-----------------------|----------------------|---------------------------|--------------------------------|--------------------------|---------------------|----------------|
| Bulgaria | - | 8,383 | - | 228,100 | 203,008 | 439,491 |
| Lithuania | - | - | - | - | 45,950 | 45,950 |
| Latvia | - | - | - | 67 | - | 67 |
| Slovakia | - | - | - | - | 2,216 | 2,216 |
| USA | 39,846 | 103,586 | - | - | - | 143,432 |
| Romania | - | - | - | - | 53,028 | 53,028 |
| Italy | - | - | - | - | 10,478 | 10,478 |
| Spain | - | - | 39,150 | - | 21,535 | 60,685 |
| Portugal | - | - | - | - | 20,433 | 20,433 |
| Hungary | - | - | - | - | 15,520 | 15,520 |
| Croatia | - | - | - | 7,835 | - | 7,835 |
| Israel | - | - | - | 44,488 | - | 44,488 |
| European Union | - | - | - | - | 596 | 596 |
| Total | 39,846 | 111,969 | 39,150 | 280,490 | 372,764 | 844,219 |

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

In BGN '000

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

C. Capital adequacy

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

Regulatory capital

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

Notes to the financial statements

Common Equity Tier 1 capital

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

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

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

Additional Tier 1 capital

The instruments of Additional Tier 1 capital include hybrid debt (see note 29).

Tier 2 Capital

As at 31 December 2020 the Bank has no instruments classified as Tier 2 Capital.

Total own funds

| | 2020 | 2019 |
|-----------------------------------------------------------------------|------------------|------------------|
| <i>In thousands of BGN</i> | | |
| Common Equity Tier 1 capital | | |
| Paid up capital instruments | 149,085 | 110,000 |
| (-) Indirect shareholding in Common Equity Tier 1 capital instruments | (40) | (72) |
| Premium reserves | 250,017 | 97,000 |
| Other reserves | 719,753 | 590,531 |
| Accumulated other comprehensive income | 20,013 | 16,313 |
| Adjustments of Common Equity Tier 1 capital | | |
| (-) Intangible assets | (14,678) | (11,406) |
| Transitional adjustments of Common Equity Tier 1 capital | 177,342 | 211,729 |
| (-) Other deductions | (15,547) | (11,091) |
| Common Equity Tier 1 capital | 1,285,945 | 1,003,004 |
| Additional Tier 1 capital instruments | | |
| Hybrid debt | 254,258 | 254,258 |
| Tier 1 Capital | 1,540,203 | 1,257,262 |
| Tier 2 Capital | - | - |
| Total own funds | 1,540,203 | 1,257,262 |

The Bank calculates the following ratios:

Notes to the financial statements

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

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

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

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

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

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

Capital adequacy level is as follows:

| in thousands of BGN | Balance sheet/notional amount | | Risk exposures | |
|------------------------------------------------|-------------------------------|------|----------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| Risk weighted exposures for credit risk | | | | |

Notes to the financial statements
Balance sheet assets
Exposure class

| | | | | |
|--------------------------------------------|-------------------|-------------------|------------------|------------------|
| Central governments or central banks | 2,465,244 | 2,277,667 | 8,897 | 46,829 |
| Multilateral development banks | 57 | 89 | - | - |
| Institutions | 394,044 | 190,672 | 109,092 | 65,528 |
| Corporates | 2,259,989 | 1,884,568 | 2,172,735 | 1,822,050 |
| Retail | 1,306,865 | 1,289,177 | 860,414 | 807,007 |
| Secured by mortgages on immovable property | 1,652,584 | 1,779,803 | 646,180 | 705,667 |
| Exposures in default | 1,055,844 | 1,209,562 | 1,109,944 | 1,203,080 |
| Collective investments undertakings | 2,694 | 2,739 | 2,694 | 2,739 |
| Equity | 69,529 | 67,678 | 87,621 | 84,270 |
| Other items | 1,631,171 | 1,478,652 | 1,456,024 | 1,279,618 |
| Total | 10,838,021 | 10,180,607 | 6,453,601 | 6,016,788 |

Off balance sheet items
Exposure class

| | | | | |
|--------------------------------------------|----------------|----------------|---------------|---------------|
| Institutions | - | - | 343 | 3,932 |
| Corporates | 284,262 | 384,553 | 49,526 | 54,207 |
| Retail | 443,856 | 446,521 | 4,947 | 7,593 |
| Secured by mortgages on immovable property | 33,929 | 28,426 | 7,317 | 5,302 |
| Other items | - | - | 9 | - |
| Total | 762,047 | 859,500 | 62,142 | 71,034 |

Derivatives
Exposure class

| | | | | |
|--------------------------------------|--------------|---------------|--------------|--------------|
| Central governments or central banks | - | 5,867 | - | 1,467 |
| Institutions | 4,722 | 3,937 | 2,333 | 787 |
| Corporates | 156 | 2,002 | 156 | 2,002 |
| Other items | 746 | 830 | 746 | 830 |
| Total | 5,624 | 12,636 | 3,235 | 5,086 |

Total risk-weighted exposures for credit risk 6,518,978 6,092,908

Total amount of exposures to market risk 5,525 4,750

Amount of exposures for deferred risk 547,363 588,925

Total amount of risk exposures 7,071,866 6,686,583

Capital adequacy ratios

| | Equity | | Capital ratios % | |
|------------------------------|-----------|-----------|------------------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| Common Equity Tier 1 capital | 1,285,945 | 1,003,004 | 18.18% | 15.00% |
| Tier 1 Capital | 1,540,203 | 1,257,262 | 21.78% | 18.80% |
| Total own funds | 1,540,203 | 1,257,262 | 21.78% | 18.80% |

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

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

Notes to the financial statements

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

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

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

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

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

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

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

Impact on economic growth

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

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

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

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

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

Impact on credit ratings

Notes to the financial statements

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

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

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

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

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

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

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

(iii) *Analysis of the impact on the IFRS 9 model, continued*

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

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

Moratorium on loans

In April 2020 the Bulgarian National Bank approved the "Procedure for Deferral and Settlement of Liabilities Payable to Banks and their Subsidiaries – Financial Institutions in relation to the state of emergency enforced by the National Assembly on 13 March 2020 as a result of the COVID-19 pandemic" prepared by the Association of Banks in Bulgaria (ABB); later, in July and in December 2020, BNB approved the extension of the validity of this documents and amendments to it. The document is a private (non-legislative) moratorium within the meaning of the Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02) adopted by

Notes to the financial statements

the European Banking Authority (EBA); pursuant to it the deferral of such exposures does not automatically lead to their reclassification due to restructuring or default.

Some of the Bank's borrowers also used this moratorium, and the total amount of renegotiated exposures was BGN 1,264,685 thousand, gross of impairment (BGN 1,235,915 thousand net of impairment), and as at 31 December 2020 the total amount of renegotiated exposures still covered by the moratorium on loan payments was BGN 337,220 thousand, gross of impairment (BGN 335,775 thousand net of impairment).

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

| <i>In BGN '000</i> | Total value of the loan portfolio | | | Renegotiated within the moratorium | | |
|-------------------------------------------------|-----------------------------------|--------------------------|------------------|------------------------------------|--------------------------|----------------|
| | Gross value | Allowance for impairment | Amortised cost | Gross value | Allowance for impairment | Amortised cost |
| Large enterprise | 2,618,826 | (214,852) | 2,403,974 | 217,791 | (202) | 217,589 |
| Medium enterprise | 1,039,260 | (138,471) | 900,789 | 37,082 | (288) | 36,794 |
| Small business | 505,348 | (42,115) | 463,233 | 19,257 | (102) | 19,155 |
| Micro enterprise | 349,338 | (11,170) | 338,168 | 21,932 | (227) | 21,705 |
| Households | | | | | | |
| - Consumer loans | 951,254 | (65,547) | 885,707 | 14,802 | (158) | 14,644 |
| - Mortgage loans | 918,117 | (15,681) | 902,436 | 23,462 | - | 23,462 |
| - Credit cards | 162,527 | (23,043) | 139,484 | 2,894 | (468) | 2,426 |
| - Other programmes and collateralised financing | 5,098 | - | 5,098 | - | - | - |
| Total | 6,549,768 | (510,879) | 6,038,889 | 337,220 | (1,445) | 335,775 |

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

| | Total value of the loan portfolio | | | Renegotiated within the moratorium | | |
|--------------------------------------------------------------------------------------------|-----------------------------------|--------------------------|------------------|------------------------------------|--------------------------|----------------|
| | Gross value | Allowance for impairment | Amortised cost | Gross value | Allowance for impairment | Amortised cost |
| Exposures without increase of credit risk after the initial recognition (phase 1) | 4,053,162 | (12,184) | 4,040,978 | 300,858 | (451) | 300,407 |
| Exposures with significant increase of credit risk after the initial recognition (phase 2) | 1,001,689 | (59,623) | 942,066 | 34,820 | (570) | 34,250 |
| Total | 5,054,851 | (71,807) | 4,983,044 | 335,678 | (1,021) | 334,657 |

Notes to the financial statements

4. Segment Reporting

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

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

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

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

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

| <i>In BGN '000</i> | Bulgarian operations | | Foreign operations | | Total | |
|--------------------------------------|-----------------------------|-------------------|---------------------------|----------------|-------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Interest income | 292,081 | 289,662 | 79 | 205 | 292,160 | 289,867 |
| Interest expense | (59,500) | (59,154) | (11) | (17) | (59,511) | (59,171) |
| Net interest income | 232,581 | 230,508 | 68 | 188 | 232,649 | 230,696 |
| Fee and commission income | 111,824 | 123,601 | 4,426 | 2,788 | 116,250 | 126,389 |
| Fee and commission expense | (20,373) | (23,116) | (28) | (43) | (20,401) | (23,159) |
| Net fee and commission income | 91,451 | 100,485 | 4,398 | 2,745 | 95,849 | 103,230 |
| Net trading income | 10,526 | 13,645 | 1,465 | 1,284 | 11,991 | 14,929 |
| Administrative expenses | (179,184) | (207,386) | (2,658) | (1,771) | (181,842) | (209,157) |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Assets | 10,805,491 | 10,181,802 | 27,338 | 18,229 | 10,832,829 | 10,200,031 |
| Liabilities | 9,288,211 | 8,980,876 | 366,869 | 276,090 | 9,655,080 | 9,256,966 |

Notes to the financial statements

4. Segment Reporting, continued

The table below shows assets and liabilities and income and expense by business segments as at 31 December 2020.

*in
thousands
of BGN*

| Business | Assets | Liabilities | Net interest income | Net fee and commission income | Net trading income | Other net operating income |
|------------------------------|-------------------|--------------------|----------------------------|--------------------------------------|---------------------------|-----------------------------------|
| Corporate Banking | 3,227,904 | 1,077,424 | 78,157 | 22,924 | - | 162 |
| Small and medium enterprises | 793,674 | 602,268 | 28,792 | 16,979 | - | 8 |
| Retail Banking | 2,017,311 | 7,420,463 | 136,442 | 55,515 | - | 89 |
| Treasury | 3,303,797 | 88,492 | 806 | 1,000 | 11,991 | 3,771 |
| Other | 1,490,143 | 466,433 | (11,548) | (569) | - | 6,314 |
| Total | 10,832,829 | 9,655,080 | 232,649 | 95,849 | 11,991 | 10,344 |

5. Financial assets and liabilities Accounting classification and fair values

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

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

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

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

Level 3: inputs are observable data for a given asset or liability. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

Notes to the financial statements

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

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

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

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

For more complex instruments, the Bank uses proprietary valuation models, which usually are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include certain over the counter derivatives, certain loans and securities for which there is no active market and retained interests in securitisations. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

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

- verification of observable pricing;
- proposal of new models and changes to existing models is made by the Risk Analysis and Control Division and approved by the Management Board;
- calibration of models against observed market transactions;
- analysis and investigation of significant daily valuation movements;
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous month, by Risk Analysis and Control division.

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, Risk Management division assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;

Notes to the financial statements

- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement;
- where a number of quotes for the same financial instrument have been obtained, how fair value has been determined using those quotes.

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

in thousands of BGN

| 31 December 2020 | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------------------------------------|----------------|----------------|----------------|----------------|
| Financial assets at fair value through profit or loss | 4,320 | 259,557 | 14 | 263,891 |
| Financial assets at fair value through other comprehensive income | 644,374 | 24,011 | - | 668,385 |
| Derivatives held for risk management, net | 724 | 3,976 | - | 4,700 |
| Total | 649,418 | 287,544 | 14 | 936,976 |

In BGN '000

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

The tables below set out analysis of the fair values of financial instruments not recognised at fair value, classified by fair value hierarchy level framework categorising fair value measurement

in thousands of BGN

| 31 December 2020 | Level 1 | Level 2 | Level 3 | Total fair values | Total balance sheet value |
|--------------------------------------------------------------|----------------|------------------|------------------|--------------------------|----------------------------------|
| Assets | | | | | |
| Cash and balances with Central Banks | - | 2,060,496 | - | 2,060,496 | 2,060,496 |
| Financial assets at amortised cost | 207,740 | - | - | 207,740 | 199,830 |
| Loans and advances to banks and other financial institutions | - | 106,085 | - | 106,085 | 106,085 |
| Loans and advances to customers | - | 1,055,845 | 5,105,857 | 6,161,702 | 6,038,889 |
| Total | 207,740 | 3,222,426 | 5,105,857 | 8,536,023 | 8,405,300 |
| Liabilities | | | | | |
| Due to banks | - | 14,340 | - | 14,340 | 14,340 |
| Due to other customers | - | 4,914,768 | 4,191,036 | 9,105,804 | 9,100,155 |
| Liabilities evidenced by paper | - | 104,165 | - | 104,165 | 104,151 |
| Hybrid debt | - | 267,579 | - | 267,579 | 267,579 |
| Total | - | 5,300,852 | 4,191,036 | 9,491,888 | 9,486,225 |

Notes to the financial statements
in thousands of BGN

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

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

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

6. Net interest income
in thousands of BGN
Interest income

Accounts with and placements to banks and financial institutions

2020
2019

511

1,437

Revenue from interest on liabilities

-

9

Large enterprise

86,700

88,237

Medium enterprise

30,872

36,056

Small business

18,897

21,621

Micro enterprise

15,015

15,341

Households

123,142

118,740

Debt instruments

17,023

8,426

292,160
289,867
Interest expense

Deposits from banks

(9)

(70)

Deposits from other customers

(26,352)

(31,666)

Liabilities evidenced by paper

(786)

(829)

Hybrid debt

(27,541)

(23,038)

Interest on assets cost

(4,798)

(3,551)

Lease agreements and other

(25)

(17)

(59,511)
(59,171)
Net interest income
232,649
230,696

For 2020 the recognized interest income from individually impaired financial assets (loans to customers) amounted to BGN 29,640 thousand (2019: BGN 22,644 thousand)

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

| | 2020 | 2019 |
|--------------------------------------|-----------------|-----------------|
| Fee and commission income | | |
| Letters of credit and guarantees | 2,381 | 3,508 |
| Payment operations | 18,936 | 23,209 |
| Customer accounts | 32,744 | 31,214 |
| Card services | 31,339 | 33,522 |
| Other | 30,850 | 34,936 |
| | 116,250 | 126,389 |
| Fee and commission expense | | |
| Letters of credit and guarantees | (462) | (660) |
| Payment systems | (2,315) | (2,922) |
| Card services | (14,090) | (15,616) |
| Other | (3,534) | (3,961) |
| | (20,401) | (23,159) |
| Net fee and commission income | 95,849 | 103,230 |

8. Net trading income
in thousands of BGN

| | 2020 | 2019 |
|--------------------------------------|---------------|---------------|
| Net trading income arises from: | | |
| - Debt instruments | (51) | (82) |
| - Equities | (120) | 30 |
| - Foreign exchange rate fluctuations | 12,162 | 14,981 |
| Net trading income | 11,991 | 14,929 |

9. Other net operating income
In BGN '000

| | 2020 | 2019 |
|--------------------------------------------------------------------------------------|---------------|---------------|
| Other net operating income arising from: | | |
| - net income/(expense) from transactions and revaluation of gold and precious metals | 574 | 788 |
| Rental income | 5,740 | 5,542 |
| - Debt instruments | 1,583 | 5,495 |
| - Equities | 2,188 | 4,344 |
| - income from management of assigned receivables | 162 | 54,643 |
| - Gain on administration of loans acquired through business combination | 97 | 1,118 |
| Other net operating income | 10,344 | 71,930 |

Notes to the financial statements
10. Administrative expenses

| <i>in thousands of BGN</i> | 2020 | 2019 |
|-------------------------------------------------------------|----------------|----------------|
| General and administrative expenses comprise: | | |
| - Personnel cost | 61,877 | 66,553 |
| Amortization of equipment and tangible fixed assets | 12,435 | 13,844 |
| Rights of use assets | 33,838 | 32,263 |
| - Advertising | 9,307 | 12,976 |
| -Telecommunication, software and other computer maintenance | 11,931 | 11,663 |
| - Other expenses for external services | 52,454 | 71,858 |
| Administrative expenses | 181,842 | 209,157 |

Personnel costs include salaries, social and health security contributions under the provisions of the local legislation. At 31 December 2020 the total number of employees was 2,542 (31 December 2019: 2,572).

The amounts accrued in 2020 for services provided by the registered auditors for independent financial audit amounted to BGN 331 thousand. The amounts accrued in 2019 for services provided by the registered auditors for independent financial audit amounted to BGN 1,057 thousand. The amounts accrued in 2020 for other services unrelated to audit and provided by the registered auditors amounted to BGN 153 thousand. In 2019 no amounts were accrued for other services unrelated to audit and provided by the registered auditors.

11. Allowance for impairment

| <i>in thousands of BGN</i> | 2020 | 2019 |
|---------------------------------|-----------------|------------------|
| Write-downs | | |
| Loans and advances to customers | (133,522) | (198,674) |
| Off balance sheet commitments | (490) | (694) |
| Securities at amortised cost | - | (779) |
| Reversal of write-downs | | |
| Loans and advances to customers | 39,998 | 81,652 |
| Off balance sheet commitments | 354 | 1,005 |
| Impairment cost, net | (93,660) | (117,490) |

The expense for impairment in 2020 and 2019 is due to additional allowances resulting from the development of credit risk in a period of challenging economic environment and the conservative approach applied by the Bank in recognising the risk of loss for certain individually impaired exposures.

12. Other (expenses)/income, net

| <i>In BGN '000</i> | 2020 | 2019 |
|--------------------------------------------------|-----------------|---------------|
| Income from sale of assets | 1,547 | 1,500 |
| Revaluation of investment property | 2,312 | 72,940 |
| Income from sale of investment property | (368) | 31 |
| Dividend income | 374 | 5,678 |
| Cost of guarantee schemes | (34,608) | (31,828) |
| (Expense) for provisions for pending court cases | (69) | (228) |
| Other income, net | (938) | 1,904 |
| Total | (31,750) | 49,997 |

Notes to the financial statements
13. Income tax expense

| <i>In BGN '000</i> | 2020 | 2019 |
|------------------------------|----------------|-----------------|
| Current taxes | 98 | (123) |
| Deferred taxes (See Note 20) | (4,798) | (14,791) |
| Income tax expense | (4,700) | (14,914) |

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

| <i>in thousands of BGN</i> | 2020 | 2019 |
|----------------------------------------------------------------------|---------------|----------------|
| Accounting profit before taxation | 43,581 | 144,135 |
| Corporate tax at applicable tax rate (10% for 2020 and 10% for 2019) | 4,358 | 14,414 |
| Effect of tax rates of foreign subsidiaries and branches | 313 | 226 |
| Tax effect of permanent tax differences | 29 | 274 |
| Income tax expense | 4,700 | 14,914 |
| Effective tax rate | 10.78% | 10.35% |

14. Cash and balances with Central Banks

| <i>in thousands of BGN</i> | 2020 | 2019 |
|-------------------------------------------------|------------------|------------------|
| Cash on hand | | |
| - in BGN | 135,249 | 149,515 |
| - in foreign currency | 40,692 | 45,328 |
| Balances with Central Banks | 1,620,906 | 1,718,780 |
| Current accounts and amounts with foreign banks | 263,649 | 84,920 |
| Total | 2,060,496 | 1,998,543 |

15. Investments in securities

| <i>In thousands of BGN</i> | 2020 | 2019 |
|--------------------------------------------------|------------------|----------------|
| Bonds and notes issued by: | | |
| Bulgarian Government | | |
| - denominated in BGN | 258,766 | 194,315 |
| - denominated in foreign currencies | 180,725 | 162,966 |
| Foreign governments | 404,728 | 196,767 |
| Corporates | 236,484 | 236,485 |
| Foreign banks | 24,011 | 26,227 |
| Other issuers – equity instruments | 27,392 | 26,618 |
| Total | 1,132,106 | 843,378 |
| Of which financial assets: | | |
| at fair value through other comprehensive income | 668,385 | 565,818 |
| at amortised cost | 199,830 | 12,005 |
| at fair value through profit and loss | 263,891 | 265,555 |
| Total | 1,132,106 | 843,378 |

Notes to the financial statements

A portion of the reported bonds of the Bulgarian and of foreign governments amounting to BGN 86,103 thousand (BGN 86,219 thousand in 2019) are subject to a Total Return Swap Agreement.

At the end of 2020, as at the end of 2019, no securities were subject to repurchase agreements.

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

| <i>in thousands of BGN</i> | 2020 | 2019 |
|-------------------------------------|----------------|---------------|
| Placements with banks | 34,094 | 45,313 |
| Receivables under resale agreements | - | 5,416 |
| Other | 71,991 | 28,847 |
| Total | 106,085 | 79,576 |

(b) Geographical analysis

| <i>in thousands of BGN</i> | 2020 | 2019 |
|------------------------------------------------|----------------|---------------|
| Domestic banks and financial institutions | 39,570 | 13,613 |
| Foreign banks and other financial institutions | 66,515 | 65,963 |
| Total | 106,085 | 79,576 |

17. Loans and advances to customers

| <i>in thousands of BGN</i> | 31/12/2020 | | |
|-------------------------------------------------|--------------------|---------------------------------|-----------------------|
| | Gross value | Allowance for impairment | Amortised cost |
| Large enterprise | 2,618,826 | (214,852) | 2,403,974 |
| Medium enterprise | 1,039,260 | (138,471) | 900,789 |
| Small business | 505,348 | (42,115) | 463,233 |
| Micro enterprise | 349,338 | (11,170) | 338,168 |
| Households | | | |
| - Consumer loans | 951,254 | (65,547) | 885,707 |
| - Mortgage loans | 918,117 | (15,681) | 902,436 |
| - Credit cards | 162,527 | (23,043) | 139,484 |
| - Other programmes and collateralised financing | 5,098 | - | 5,098 |
| Total | 6,549,768 | (510,879) | 6,038,889 |

| <i>In BGN '000</i> | 31/12/2019 | | |
|-------------------------------------------------|--------------------|---------------------------------|-----------------------|
| | Gross value | Allowance for impairment | Amortised cost |
| Large enterprise | 2,441,869 | (237,883) | 2,203,986 |
| Medium enterprise | 1,088,347 | (141,548) | 946,799 |
| Small business | 496,059 | (40,904) | 455,155 |
| Micro enterprise | 323,850 | (8,303) | 315,547 |
| Households | | | |
| - Consumer loans | 880,581 | (39,684) | 840,897 |
| - Mortgage loans | 863,028 | (14,883) | 848,145 |
| - Credit cards | 177,576 | (16,288) | 161,288 |
| - Other programmes and collateralised financing | 5,098 | - | 5,098 |
| Total | 6,276,408 | (499,493) | 5,776,915 |

Notes to the financial statements
(a) Movement in impairment allowances
in thousands of BGN

| | |
|---------------------------------------|----------------|
| Balance as at 01 January 2020 | 499,493 |
| Additional allowances | 133,522 |
| Amounts released | (39,998) |
| Write-offs | (80,582) |
| Other | (1,556) |
| Balance as at 31 December 2020 | 510,879 |

18. Property and equipment

| <i>in thousands of BGN</i> | Land and Buildings | Fixtures and fittings | Motor vehicles | Assets under Construction | Leasehold Improvements | Total |
|----------------------------|---------------------------|------------------------------|-----------------------|----------------------------------|-------------------------------|----------------|
| Cost | | | | | | |
| At 01 January 2019 | 17,651 | 140,457 | 6,575 | 18,794 | 66,509 | 249,986 |
| Additions | 5,135 | 2 | - | 11,706 | - | 16,843 |
| Disposals | (578) | (7,969) | - | (6,796) | (2,587) | (17,930) |
| Transfers | - | 5,851 | - | (9,241) | 1,471 | (1,919) |
| At 31 December 2019 | 22,208 | 138,341 | 6,575 | 14,463 | 65,393 | 246,980 |
| Additions | - | 251 | - | 10,920 | 67 | 11,238 |
| Disposals | - | (3,181) | - | (56) | (1,388) | (4,625) |
| Transfers | - | 3,495 | 57 | (9,013) | 125 | (5,336) |
| At 31 December 2020 | 22,208 | 138,906 | 6,632 | 16,314 | 64,197 | 248,257 |
| Amortisation | | | | | | |
| At 01 January 2019 | 4,765 | 118,004 | 6,080 | - | 40,510 | 169,359 |
| Accrued during the year | 645 | 7,344 | 234 | - | 2,455 | 10,678 |
| On disposals | (132) | (7,750) | - | - | (2,582) | (10,464) |
| At 31 December 2019 | 5,278 | 117,598 | 6,314 | - | 40,383 | 169,573 |
| Accrued during the year | 807 | 6,672 | 120 | - | 2,677 | 10,276 |
| On disposals | - | (3,176) | - | - | (1,388) | (4,564) |
| At 31 December 2020 | 6,085 | 121,094 | 6,434 | - | 41,672 | 175,285 |
| Carrying amount | | | | | | |
| At 01 January 2019 | 12,886 | 22,453 | 495 | 18,794 | 25,999 | 80,627 |
| At 31 December 2019 | 16,930 | 20,743 | 261 | 14,463 | 25,010 | 77,407 |
| At 31 December 2020 | 16,123 | 17,812 | 198 | 16,314 | 22,525 | 72,972 |

The fair value of assets constituting land and buildings was determined by independent property assessors holding recognised professional qualification and recent experience in assessing property with similar location and category. The Bank's policy requires that independent assessors determine the fair value sufficiently frequently so as to ensure that the balance sheet value does not differ significantly from the fair value at the end of the reporting period. As at 31 December 2020 the fair value of land and buildings was not significantly different from their balance sheet value as at that date. The fair value of land and buildings is categorised as Level 3 fair value on the basis of incoming data on the assessment methodology used.

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

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

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

| | Software and licences | Total |
|----------------------------|------------------------------|---------------|
| Cost | | |
| At 01 January 2019 | 40,422 | 40,422 |
| Disposals | (2,184) | (2,184) |
| Transfers | 1,919 | 1,919 |
| At 31 December 2019 | 40,157 | 40,157 |
| Additions | 95 | 95 |
| Disposals | (1) | (1) |
| Transfers | 5,336 | 5,336 |
| At 31 December 2020 | 45,587 | 45,587 |
| Amortisation | | |
| At 01 January 2019 | 27,083 | 27,083 |
| Accrued during the year | 3,166 | 3,166 |
| On disposals | (1,498) | (1,498) |
| At 31 December 2019 | 28,751 | 28,751 |
| Accrued during the year | 2,159 | 2,159 |
| On disposals | (1) | (1) |
| At 31 December 2020 | 30,909 | 30,909 |
| Carrying amount | | |
| At 01 January 2019 | 13,339 | 13,339 |
| At 31 December 2019 | 11,406 | 11,406 |
| At 31 December 2020 | 14,678 | 14,678 |

20. Deferred Taxation

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

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

In BGN '000

| | Assets | | Liabilities | | Net | |
|-------------------------------------|----------------|----------------|--------------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Property, equipment and intangibles | - | - | 2,677 | 2,337 | 2,677 | 2,337 |
| Investment Property | - | - | 20,617 | 20,385 | 20,617 | 20,385 |
| Tax loss | (2,089) | (6,093) | - | - | (2,089) | (6,093) |
| Other | (253) | (475) | 334 | 334 | 81 | (141) |
| Net tax (assets)/liabilities | (2,342) | (6,568) | 23,628 | 23,056 | 21,286 | 16,488 |

Movements in temporary differences in 2020 at the amount of BGN 4,798 thousand are recognised in the profit for the year.

21. Repossessed assets
in thousands of BGN

| | 2020 | 2019 |
|------------------------------|----------------|----------------|
| Land | 467,564 | 464,714 |
| Buildings | 204,079 | 207,447 |
| Machines, plant and vehicles | 33,594 | 35,467 |
| Fixtures and fittings | 805 | 800 |
| Total | 706,042 | 708,428 |

Notes to the financial statements
21. Repossessed assets, continued

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

22. Investment Property

in thousands of BGN

| | |
|-----------------------------------------------------------------------------|----------------|
| Balance as at 01 January 2020 | 410,511 |
| Additions | 10 |
| Transferred from repossessed assets | 2,315 |
| Revaluation of investment property to the fair value recognised at transfer | 2,312 |
| Write-offs upon sale | (1,127) |
| Balance as at 31 December 2020 | 414,021 |

23. Investments in subsidiaries

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

| | | <i>in thousands of BGN</i> | | |
|--------------------------------------------|---------------|----------------------------|----------------------|-----------------|
| 31/12/2020 | | Acquisition | Allowance for | Carrying |
| Entity: | % held | cost | impairment | amount |
| First Investment Finance B.V., Netherlands | 100% | 3,947 | - | 3,947 |
| Diners Club Bulgaria AD | 94.79% | 5,443 | - | 5,443 |
| First Investment Bank – Albania Sh.a. | 100% | 23,420 | - | 23,420 |
| Debita OOD | 70% | 105 | (104) | 1 |
| Realtor OOD | 51% | 77 | (74) | 3 |
| Fi Health Insurance AD | 59.10% | 3,315 | - | 3,315 |
| Balkan Financial Services EAD | 100% | 7,743 | - | 7,743 |
| Turnaround Management EOOD | 100% | - | - | - |
| Creative Investment EOOD | 100% | - | - | - |
| Lega Solutions EOOD | 100% | - | - | - |
| AMC Imoti EOOD | 100% | - | - | - |
| MyFin EAD | 100% | 1,000 | - | 1,000 |
| Total | | 45,050 | (178) | 44,872 |

| | | <i>in thousands of BGN</i> | | |
|--------------------------------------------|---------------|----------------------------|----------------------|-----------------|
| 31/12/2019 | | Acquisition | Allowance for | Carrying |
| Entity: | % held | cost | impairment | amount |
| First Investment Finance B.V., Netherlands | 100% | 3,947 | - | 3,947 |
| Diners Club Bulgaria AD | 94.79% | 5,443 | - | 5,443 |
| First Investment Bank – Albania Sh.a. | 100% | 23,420 | - | 23,420 |
| Debita OOD | 70% | 105 | (104) | 1 |
| Realtor OOD | 51% | 77 | (74) | 3 |
| Fi Health Insurance AD | 59.10% | 3,315 | - | 3,315 |
| Balkan Financial Services EAD | 100% | 7,743 | - | 7,743 |
| Turnaround Management EOOD | 100% | - | - | - |
| Creative Investment EOOD | 100% | - | - | - |
| Lega Solutions EOOD | 100% | - | - | - |
| AMC Imoti EOOD | 100% | - | - | - |
| Total | | 44,050 | (178) | 43,872 |

Notes to the financial statements
24. Rights of use assets
in thousands of BGN

| | |
|----------------------------------------------------------------------|-----------------------|
| At 01 January 2020 | 144,270 |
| Amortisation | (33,838) |
| Effect of modification to lease terms and expectations on lease term | 29,405 |
| At 31 December 2020 | <u>139,837</u> |
| Lease liabilities | |
| At 01 January 2020 | 144,270 |
| Lease payments | (33,838) |
| Effect of modification to lease terms and expectations on lease term | 29,436 |
| At 31 December 2020 | <u>139,868</u> |

Right-of-use assets recognised by the Bank are the branches and offices in various towns in Bulgaria and Cyprus, as well as the buildings in which the Bank's headquarters are located - lines Upon completing the initial recognition, the Bank analysed and took into account information on the expected duration of the period in which the Bank will be using the assets. In 2020 some of these expectations changed and as a result the Bank reviewed its initial assessment and recognized an increase in the right-of-use assets in the amount of BGN 29,405 thousand, and in lease liabilities in the amount of BGN 29,436 thousand.

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

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

| <i>In BGN '000</i> | Maturity analysis of lease liabilities | | |
|---------------------|-----------------------------------------------|--------------------------|--------------|
| | To 1 year | From 1 to 5 years | Total |
| At 01 January 2020 | 31,569 | 112,701 | 144,270 |
| At 31 December 2020 | 31,080 | 108,788 | 139,868 |

Notes to the financial statements
25. Other assets

| <i>in thousands of BGN</i> | 2020 | 2019 |
|----------------------------|---------------|----------------|
| Deferred expense | 10,596 | 10,540 |
| Gold | 2,598 | 5,479 |
| Other assets | 84,527 | 88,892 |
| Total | 97,721 | 104,911 |

26. Due to banks

| <i>in thousands of BGN</i> | 2020 | 2019 |
|----------------------------|---------------|---------------|
| Term deposits | - | 2,086 |
| Payable on demand | 14,340 | 22,962 |
| Total | 14,340 | 25,048 |

27. Due to other customers

| <i>in thousands of BGN</i> | 2020 | 2019 |
|------------------------------------|------------------|------------------|
| Retail customers | | |
| - current accounts | 1,819,473 | 1,448,789 |
| - term and savings deposits | 5,055,784 | 5,275,148 |
| Businesses and public institutions | | |
| - current accounts | 1,709,538 | 1,511,780 |
| - term deposits | 515,360 | 448,284 |
| Total | 9,100,155 | 8,684,001 |

28. Other borrowed funds

| <i>in thousands of BGN</i> | 2020 | 2019 |
|-----------------------------------------------------------|----------------|----------------|
| Acceptances under letters of credit | 6,776 | 10,164 |
| Debt related to agreements for full swap of profitability | 73,742 | 73,750 |
| Financing from financial institutions | 23,633 | 25,809 |
| Total | 104,151 | 109,723 |

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

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

in thousands of BGN

| Lender | Interest rate | Maturity | Amortised cost as at 31 December 2020 |
|---------------------------------------------------|----------------------|-------------------------|----------------------------------------------|
| European Investment Fund – JEREMIE 2 | 0 % - 1.136% | 30/09/2025 | 4,244 |
| Bulgarian Bank for Development AD | 1% - 1.583% | 15.03.2027 - 30.11.2028 | 16,137 |
| Manager of financial instruments in Bulgaria fund | 0% | 31/12/2033 | 3,252 |
| Total | | | 23,633 |

in thousands of BGN

| Lender | Interest rate | Maturity | Amortised cost as at 31 December 2019 |
|---------------------------------------------------|----------------------|-------------------------|----------------------------------------------|
| State Fund Agriculture | 2% | 13.01.2020 - 15.02.2020 | 3 |
| European Investment Fund – JEREMIE 2 | 0 % - 1.218% | 30/09/2025 | 7,419 |
| Bulgarian Bank for Development AD | 1% - 1.583% | 15.03.2027 - 30.11.2028 | 16,137 |
| Manager of financial instruments in Bulgaria fund | 0% | 31/12/2033 | 2,250 |
| Total | | | 25,809 |

29. Hybrid debt

in thousands of BGN

| | Principal amount | Amortised cost as at 31 December 2020 |
|---------------------------------------|-------------------------|----------------------------------------------|
| Hybrid debt with principal EUR 40 mio | 78,233 | 84,910 |
| Hybrid debt with principal EUR 60 mio | 117,350 | 123,840 |
| Hybrid debt with principal EUR 30 mio | 58,675 | 58,829 |
| Total | 254,258 | 267,579 |

in thousands of BGN

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

Notes to the financial statements

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

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

30. Other liabilities

| <i>in thousands of BGN</i> | 2020 | 2019 |
|---------------------------------------------|--------------|--------------|
| Liabilities to personnel | 1,328 | 3,080 |
| Provisions for pending court cases | 1,031 | 962 |
| Impairment on off balance sheet commitments | 838 | 701 |
| Other payables | 4,082 | 4,691 |
| Total | 7,279 | 9,434 |

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

31. Capital and reserves

(a) Number and face value of registered shares as at 31 December 2020

The subscription for the public offering of shares of First Investment Bank AD was completed successfully on 3 July 2020. Out of the 40 000 000 ordinary dematerialized shares with nominal value of BGN 1, and issue value of BGN 5.00 each, a total of 39 084 800 shares were subscribed and paid up.

On 31 July 2020 First Investment Bank's capital increase was registered in the Commercial Register and Register of Non-for-profit Legal Entities. This registration was carried out after the subscription for shares was successfully completed on 03 July 2020 based on the prospectus confirmed by the Financial Supervision Commission.

Thus, the Bank's capital was increased to BGN 149 084 800 by issue of 39 084 800 new ordinary, registered, dematerialized shares, each with one voting right in the general meeting, with nominal value of BGN 1 and issue value of BGN 5. The amount of the capital after the increase was reflected in the By-Laws of First Investment Bank AD after approval granted by the Bulgarian National Bank.

With relation to this issue, the Bank's premium reserve increased by BGN 153,017 thousand, net of the issue costs, reaching a total amount of BGN 250,017 thousand (as at 31 December 2019: BGN 97,000 thousand).

(b) Shareholders

The table below shows those shareholders of the Bank holding shares as at 31 December 2020 together with the number and percentage of total issued shares.

| | Number of shares | % of issued share capital |
|----------------------------------------------------------------------------------------------------------------|-------------------------|----------------------------------|
| Mr. Ivailo Dimitrov Mutafchiev | 46,750,000 | 31.36 |
| Mr. Tzeko Todorov Minev | 46,750,000 | 31.36 |
| Bulgarian Bank for Development AD | 27,350,000 | 18.35 |
| Valea Foundation | 11,734,800 | 7.87 |
| Other shareholders (shareholders holding shares subject to free trade on the Bulgarian Stock Exchange – Sofia) | 16,500,000 | 11.06 |
| Total | 149,084,800 | 100.00 |

Notes to the financial statements

(c) Statutory reserve

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

In 2010, as in the previous year, the Bank did not distribute dividends.

32. Commitments and contingent liabilities

Contingent liabilities

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

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

| <i>in thousands of BGN</i> | 2020 | 2019 |
|---------------------------------------------|----------------|----------------|
| Bank guarantees | 179,964 | 211,649 |
| Unused credit lines | 556,694 | 639,956 |
| Letters of credit | 26,227 | 8,385 |
| Total | 762,885 | 859,990 |
| Impairment on off balance sheet commitments | 838 | 701 |

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

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

33. Cash and cash equivalents

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

| <i>In BGN '000</i> | 2020 | 2019 |
|--------------------------------------------------------------------------------------------------|------------------|------------------|
| Cash and balances with Central Banks | 2,060,496 | 1,998,543 |
| Loans and advances to banks and financial institutions with original maturity less than 3 months | 69,548 | 41,925 |
| Total | 2,130,044 | 2,040,468 |

34. Average balances

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

Notes to the financial statements
In BGN '000
FINANCIAL ASSETS

| | 2020 | 2019 |
|--------------------------------------------------------------|-------------|-------------|
| Cash and balances with Central Banks | 1,805,611 | 1,725,991 |
| Investments in securities | 992,806 | 653,143 |
| Loans and advances to banks and other financial institutions | 77,874 | 80,923 |
| Loans and advances to customers | 5,944,279 | 5,789,732 |

FINANCIAL LIABILITIES

| | | |
|--------------------------------|-----------|-----------|
| Due to banks | 6,528 | 13,318 |
| Due to other customers | 8,717,998 | 8,332,789 |
| Liabilities evidenced by paper | 106,260 | 112,224 |
| Hybrid debt | 268,898 | 212,611 |

35. Related party transactions

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

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

| Type of related party | Parties that control or manage the Bank | | Enterprises under common control | |
|---------------------------------------------------------|------------------------------------------------|---------------|-----------------------------------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| <i>In BGN '000</i> | | | | |
| Loans | | | | |
| Loans outstanding at beginning of the period | 2,327 | 1,769 | 20,908 | 21,915 |
| Loans issued/(repaid) during the period | (558) | 558 | 63,672 | (1,007) |
| Loans outstanding at end of the period | <u>1,769</u> | <u>2,327</u> | <u>84,580</u> | <u>20,908</u> |
| Deposits and loans received: | | | | |
| At beginning of the period | 11,718 | 12,862 | 118,118 | 111,018 |
| Received/(paid) during the period | 1,557 | (1,144) | (4,766) | 7,100 |
| At the end of the period | <u>13,275</u> | <u>11,718</u> | <u>113,352</u> | <u>118,118</u> |
| Deposits placed | | | | |
| Deposits at beginning of the period | - | - | 18,748 | 19,704 |
| Deposits placed/(matured) during the year | - | - | (15,793) | (956) |
| Deposits at end of the period | <u>-</u> | <u>-</u> | <u>2,955</u> | <u>18,748</u> |
| Other receivables | | | | |
| At beginning of the period | - | - | 16,790 | 22,146 |
| Received/(paid) during the period | - | - | 775 | (5,356) |
| At the end of the period | <u>-</u> | <u>-</u> | <u>17,565</u> | <u>16,790</u> |
| Other borrowings | | | | |
| At beginning of the period | - | - | 100 | 100 |
| Received/(paid) during the period | - | - | - | - |
| At the end of the period | <u>-</u> | <u>-</u> | <u>100</u> | <u>100</u> |
| Off-balance sheet commitments issued by the Bank | | | | |
| At beginning of the period | 975 | 1,283 | 4,235 | 3,469 |
| Issued/(expired) during the period | 56 | (308) | (823) | 766 |
| At the end of the period | <u>1,031</u> | <u>975</u> | <u>3,412</u> | <u>4,235</u> |

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

| Type of related party | Parties that control or manage the Bank | | Enterprises under common control | |
|----------------------------|-----------------------------------------|------|----------------------------------|-------|
| | 2020 | 2019 | 2020 | 2019 |
| <i>In BGN '000</i> | | | | |
| Interest income | 25 | 38 | 3,325 | 1,359 |
| Interest expense | 10 | 3 | 22 | 28 |
| Fee and commission income | 14 | 19 | 368 | 374 |
| Fee and commission expense | 3 | 2 | 295 | 562 |

The key management personnel received remuneration of BGN 10,087 thousand for 2020 (2019: BGN10,087 thousand), and other related parties received BGN 1,985 thousand (2019: BGN 2,054 thousand).

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

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

(b) Diners Club Bulgaria AD

In May 2005 the Bank acquired 80% of the share capital of Diners Club Bulgaria AD. The company was incorporated in 1996 as a franchise and processing agent of Diners Club International. As at 31 December 2020 the share capital of the company is BGN 610 thousand, and the Bank's shareholding is 94.79%.

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

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

As at 31 December 2020 the share capital of First Investment Bank – Albania Sh.a. was EUR 11,975 thousand, fully paid up, and the Bank's shareholding is 100%.

(d) Debita OOD and Realtor OOD

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

Notes to the financial statements

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

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

(e) Fi Health Insurance AD

In the second half of 2010 the Bank acquired a majority stake capital of Health Insurance Fund FI Health AD (formerly Health Insurance Fund Prime Health AD), a company engaged in voluntary health insurance as well as acquisition, management and sale of investments in other companies. With a decision of the Financial Supervision Commission issued in June 2013 the company has been granted a license to operate as an insurer. The name was changed to FI Health Insurance AD and the principal activity is insurance – Disease and Accident. In June 2018 the company expanded its license with one more insurance class - "Various financial loss". As at 31 December 2020 the share capital of the company is BGN 5,000 thousand, and the Bank's shareholding is 59.10%.

(f) Balkan Financial Services EAD

In February 2011 the Bank acquired 100 shares representing 100% of the capital of Balkan Financial Services EOOD. The company is engaged in consultancy services related to implementation of financial information systems and software development. In January 2012 the company was transformed into a sole-shareholder company. As at 31 December 2020 the share capital of the company is BGN 6,436 thousand, and the Bank's shareholding is 100%.

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

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

(h) AMC Imoti EOOD

AMC Imoti EOOD was registered in September 2010 and was acquired by the Bank in 2013 through the purchase of MKB Unionbank EAD as its subsidiary. The scope of operations of the company includes activities related to acquisition of property rights and their subsequent transfer, as well as research and evaluation of real estate, property management, consulting and other services. As at 31 December 2020 the capital of the company is BGN 500 thousand, and the Bank is the sole owner.

(i) MyFin EAD

At its meeting held on 21 March 2019 the Bank's Managing Board decided to establish the sole-shareholder company MyFin EAD to be operating as an issuer of electronic money within the meaning of Article 34, Para. 2(2) of the Payment Services and Payment Systems Act. The Managing Board decision was approved by the Supervisory Board on 27 March 2019. On 19 April 2019 the Bank paid up the company's capital, amounting to BGN 1,000 thousand, as per the decisions of the competent bodies. The company holds a license to operate as an electronic money institution, and also has the right to carry out the activities listed in the payment services license, as stated in the company's scope of operation by Resolution No. 71 of 27.02.2020 issued by the BNB Governor, under No. BNB-26660/02.03.2020. After the company obtained its license, it was listed in the Commercial Register and Register of Non-Profit Legal Entities on 25.03.2020 under listing No. 20200325093135.

Notes to the financial statements

37. Post balance sheet events

No adjusting and significant non-adjusting events have occurred after the end of the reporting period, other than those disclosed below:

- On 7 January 2021 the Management Board issued a resolution to terminate its subsidiary Turnaround Management EOOD; a procedure for liquidation was launched in accordance with Article 266 and subsequent of the Commerce Act. The resolution is subject to approval by the Supervisory Board and such approval was granted in 2021.



ACTIVITY REPORT 2020

(ON AN INDIVIDUAL BASIS)

OF FIRST INVESTMENT BANK AD

APRIL 2021

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

SELECTED INDICATORS

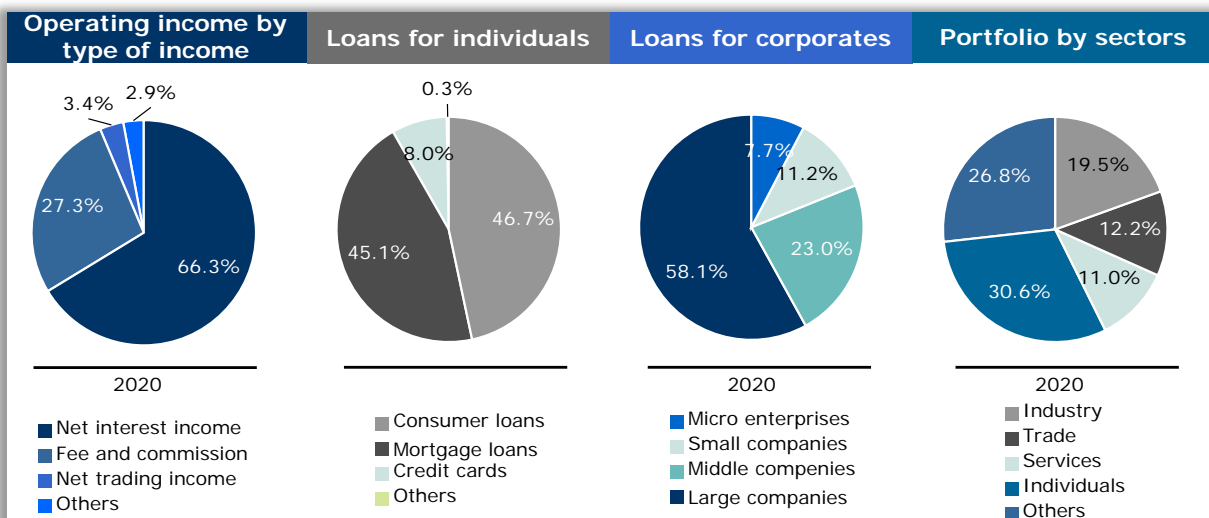
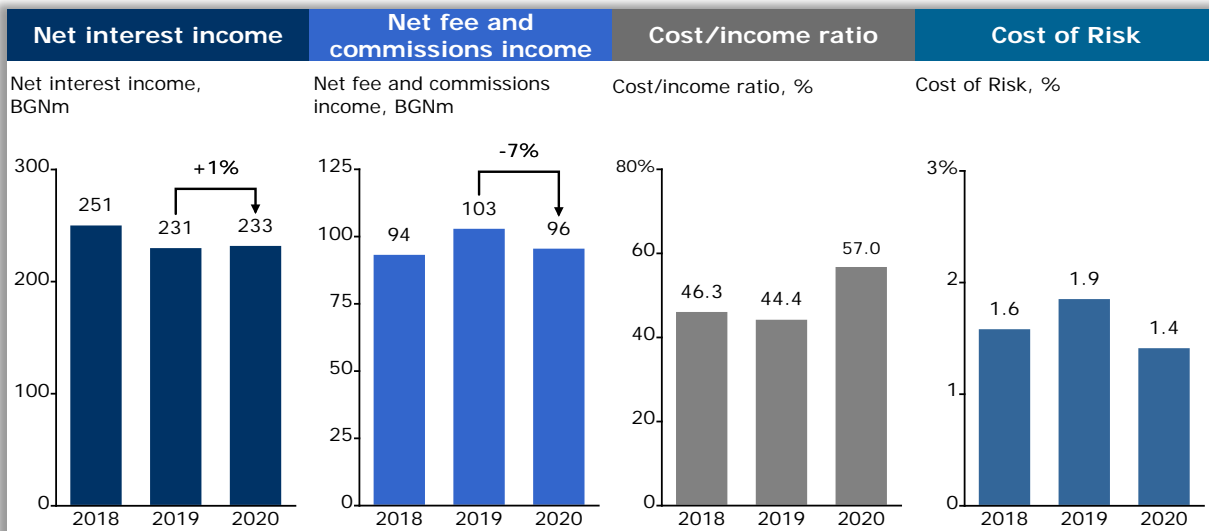
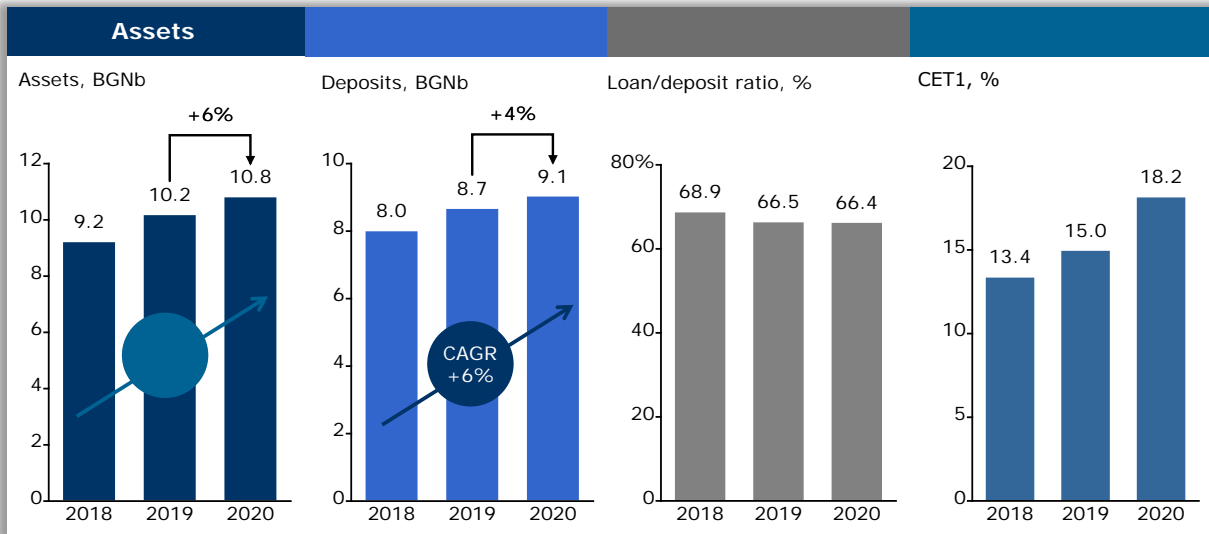
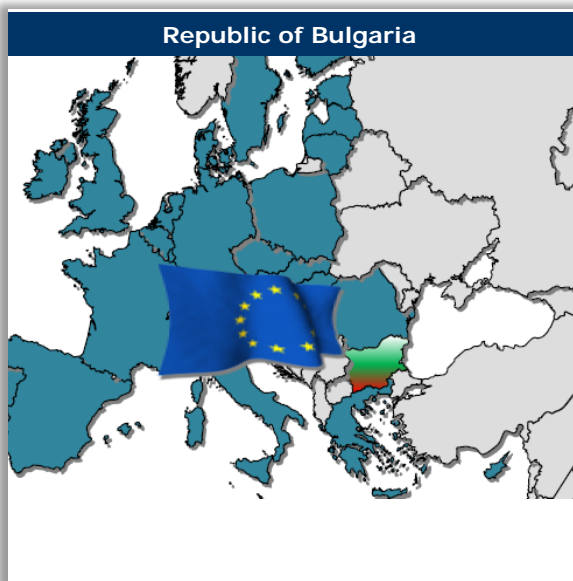


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MACROECONOMIC DEVELOPMENT

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

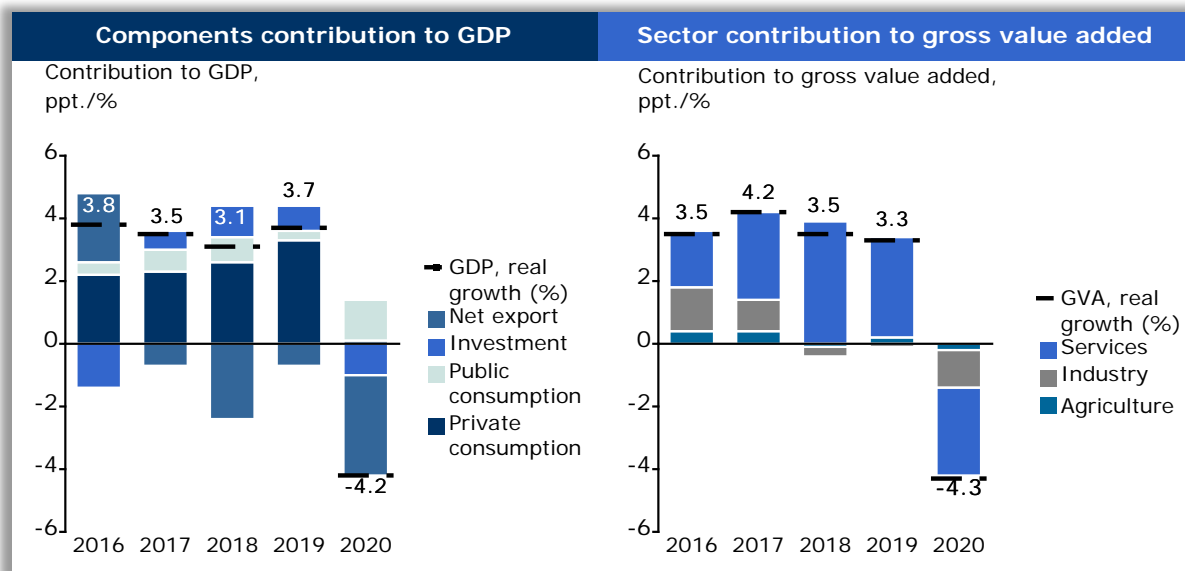
In 2020, the Bulgarian economy developed under conditions of uncertainty related to the global spread of COVID-19 and the withdrawal of the United Kingdom from the European Union (Brexit). The steps taken during the year towards integration into the European Exchange Rate Mechanism (ERM) II and the Banking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

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|------------------------------------------------------|---------|---------|---------|---------|--------|
| Gross domestic product (BGN million) | 118,605 | 119,772 | 109,743 | 102,345 | 95,131 |
| Gross domestic product, real growth (%) | (4.2) | 3.7 | 3.1 | 3.5 | 3.8 |
| - Private consumption, real growth (%) | 0.2 | 5.5 | 4.4 | 3.8 | 3.5 |
| - Public consumption, real growth (%) | 7.5 | 2.0 | 5.4 | 4.3 | 2.2 |
| - Investments, real growth (%) | (5.1) | 4.5 | 5.4 | 3.2 | (6.6) |
| - Net exports, real growth (%) | (4.7) | (1.3) | (4.0) | (1.7) | 3.4 |
| Inflation, at period-end (%) | 0.1 | 3.8 | 2.7 | 2.8 | 0.1 |
| Average annual inflation (%) | 1.7 | 3.1 | 2.8 | 2.1 | (0.8) |
| Unemployment, at period-end (%) | 6.7 | 5.9 | 6.1 | 7.1 | 8.0 |
| Current account (% of GDP) | 0.1 | 3.0 | 1.0 | 3.5 | 3.2 |
| Trade balance (% of GDP) | (2.9) | (4.7) | (4.8) | (1.5) | (2.0) |
| International reserves of BNB (BGN million) | 60,334 | 48,574 | 49,037 | 46,279 | 46,742 |
| FDI in Bulgaria (% of GDP) | 0.9 | 1.9 | 1.8 | 3.1 | 1.9 |
| Gross external debt (% of GDP) | 60.7 | 57.4 | 61.5 | 65.4 | 71.2 |
| Government and government guaranteed debt (% of GDP) | 24.6 | 19.8 | 21.8 | 24.9 | 28.8 |
| Consolidated budget balance (% of GDP) | (3,0) | (1,0) | 0,1 | 0,8 | 1,5 |
| USD exchange rate (BGN for USD 1) | 1,59 | 1,74 | 1,71 | 1,63 | 1,86 |

Sources: NSI, BNB, MF, Employment agency

Bulgaria entered the crisis with good macroeconomic indicators. The reported decline in economic activity in the country was lower than the average data on gross domestic product in the European Union (2020: -6.2%) and the Eurozone (2020: -6.6%). For 2020, the country's gross domestic product decreased by 4.2% YOY (2019: +3.7%), the decrease amounting to 8.5% in the second quarter, 4.2% in the third quarter and 4.7% in the fourth quarter respectively, influenced by the COVID-19 pandemic and the declared state of emergency in the country. Main negative drivers were net exports which decreased by 4.7% YOY (2019: -1.3%), and fixed capital investments where a decline of 5.1% for 2020 was reported (2019: + 4.5%). This was due to the uncertainty about the duration and extent of the coronavirus crisis, including with regard to cross-border cooperation and trade, as well as the movement of people, goods and services.

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

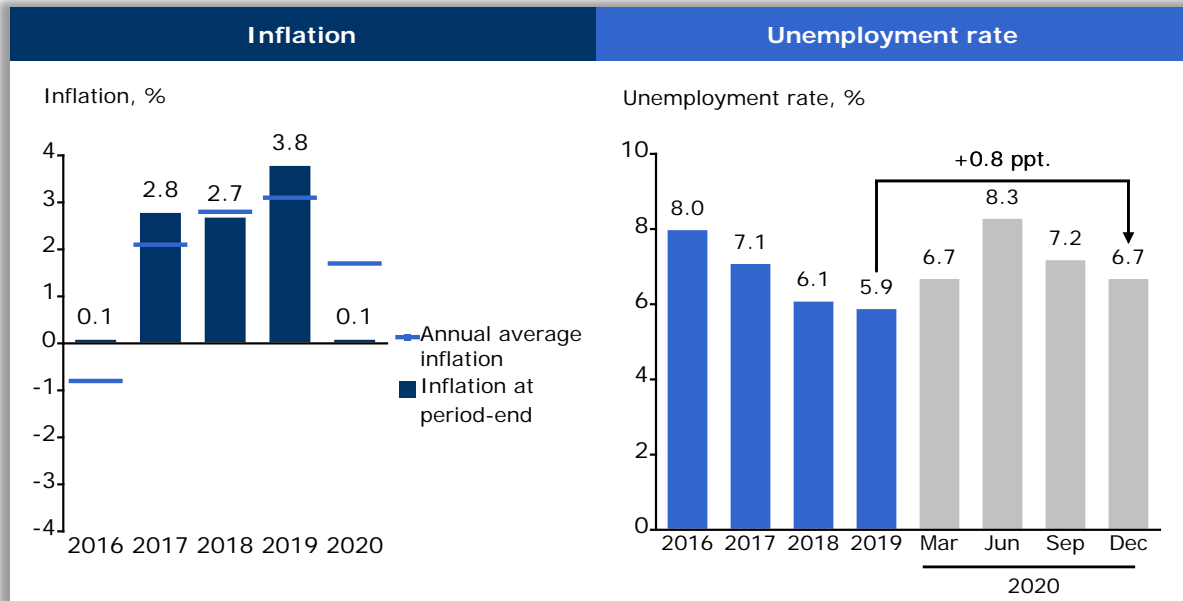


In 2020, gross value added in the economy decreased by 4.3% (2019: + 3.3%), with negative trends observed in all major areas of activity, including in services which decreased by 4.0% (2019: + 4.6%), and in particular in the trade, transport and tourism sectors (2020: -11.9%), as well as culture, sports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

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

In 2020, the labor market reported negative indications, with unemployment rate rising to 6.7% at the end of the year (2019: 5.9%), reflecting the uncertainty and negative expectations of companies in terms of investment and costs. The total number of employed persons decreased to 3,127 thousand in the fourth quarter of 2020, with employment rate (for persons aged 15-64) amounting to 68.8% or by 1.2 pp. less than a year earlier. As of the end of December 2020, 63% of the workforce was employed in the services sector, 31% in industry and 6% in agriculture. In response to the consequences of COVID-19, a program for job retention in the country through subsidized employment (the so-called "60/40"

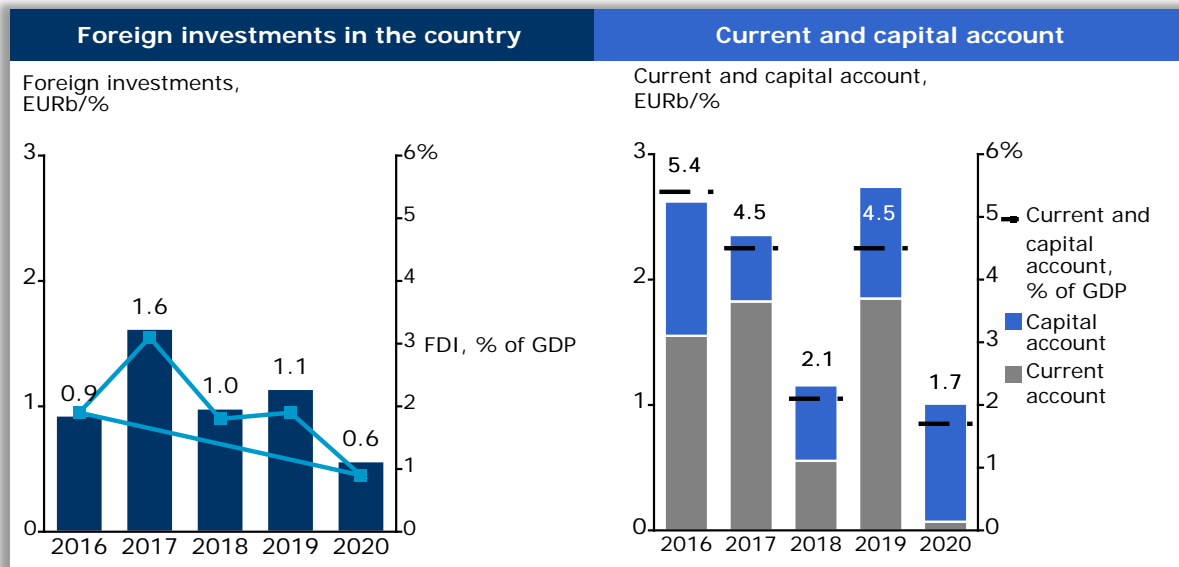
measure) was launched during the year. It is envisaged that a larger share of the compensation will be borne by the state in the most affected sectors, such as transport and hospitality industry.



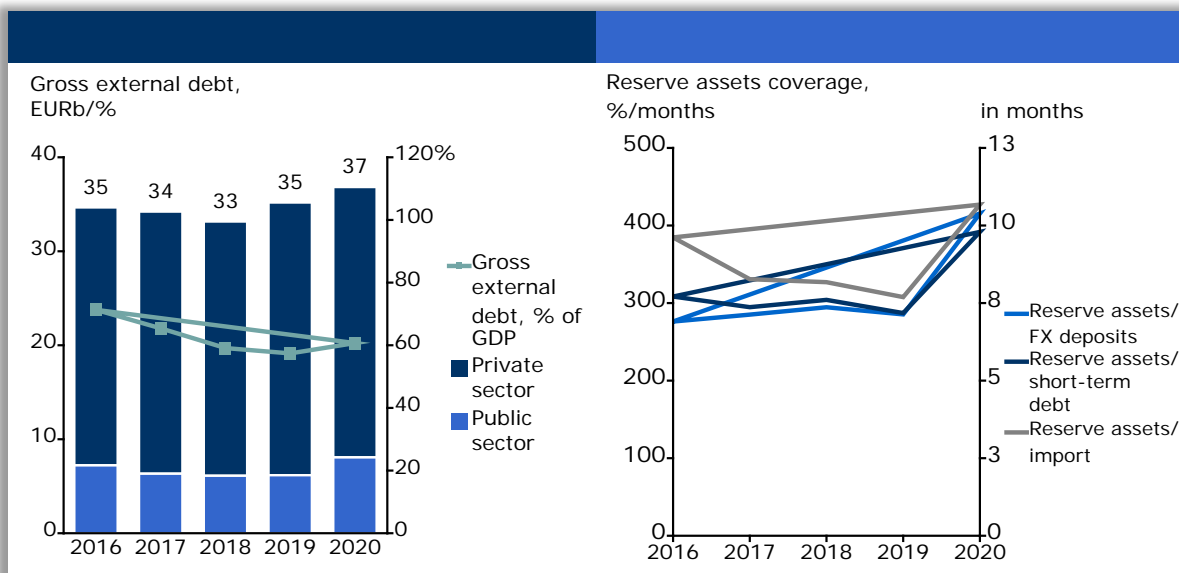
During the year, inflation in the country followed a downward trend. The average annual inflation in 2020 amounted to 1.7% (2019: 3.1%), and inflation at the end of the period was 0.1% (2019: 3.8%). This was due to decrease in prices in the non-food sector (-3.1%), including transport and clothing, which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

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

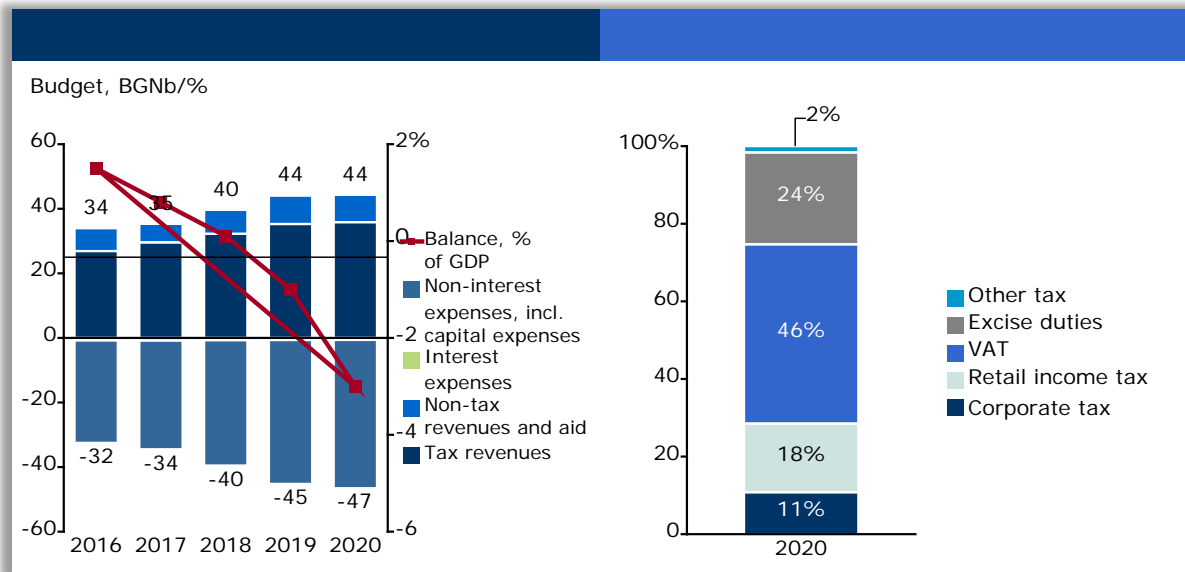
The higher decline in imports (-9.7% for 2020 YOY to EUR 28,892 million) compared to exports (-6.7% to EUR 27,164 million) led to a reduction in the trade deficit amounting to EUR -1729 million or -2.9% of GDP at the end of 2020 (2019: -2891 million EUR or -4.7% of GDP). As a result, the current and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



The country's gross external debt increased to EUR 36,825 million at the end of 2020, or 60.7% of GDP (2019: EUR 35,178 million or 57.4% of GDP), with more pronounced dynamics in the public sector as a result of the fiscal measures taken to counter the COVID-19 pandemic. Public external debt reached EUR 8,083 million or 13.3% of GDP by December 2020, remaining among the lowest in the EU. Total government and government-guaranteed debt, including debt issued on the domestic market, amounted to 24.6% of GDP by the end of 2020 (2019: 19.8%), compared to average levels above 80% for the EU and euro area countries. The BNB reserve assets covered 391.7% of the short-term debt by the end of 2020 (2019: 287.1%) and 415.4% of the foreign currency deposits (2019: 285.4%) in the country.



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



Tax revenues also increased, albeit at a slower pace: 1.6% YOY to BGN 35,848 million as of December 2020. Increase was reported mainly in the personal income tax (by 6.0% to BGN 3,487 million), which was influenced by the increased minimum wage and insurance thresholds in 2020, as well as the fiscal employment measures taken at the state level. Growth was reported in corporate tax (by 0.7% to BGN 2,715 million), while VAT revenues fell by 0.6% to BGN 11,021 million and excise revenues to BGN 5,444 million, as a result of reduced economic activity. Revenues from social security contributions increased, amounting to BGN 11,009 million as of December 2020, of which BGN 7,957 million social security contributions and BGN 3,052 million health insurance contributions.

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

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

THE BANKING SYSTEM

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

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

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

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

Source: Bulgarian National Bank

The total capital ratio for the system increased to 22.74% by the end of 2020 (2019: 20.16%), and the Tier 1 capital adequacy (T1 ratio) to 22.10%, compared to 19.50% at the end of 2019, both indicators being significantly above the regulatory requirements. Such dynamics were mainly due to the increase in

¹ Data as of 30 September 2020

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

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

CET 1 capital, including paid-in capital, and the profit during the year, as well as the decrease in risk-weighted assets. The leverage ratio, used as an additional regulatory indicator comparing Tier 1 capital to the total on- and off-balance sheet exposures of banks, was 11.48% as of September 2020, compared to 10.55% as of 31.12.2019.

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

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

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

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

Source: Bulgarian National Bank

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

Total balance sheet assets increased by 8.6% YOY to BGN 124,006 million as of December 2020 (2019: BGN 114,201 million). Loans and advances had a predominant share in the balance sheet structure at 58.9% of total assets (2019: 65.7%), followed by cash and balances with central banks – 21.9% (2019: 15.9%) and investments in securities – 14.6% (2019: 13.1%), including mainly debt securities.

Lending activity in 2020 was less dynamic for non-financial corporations than for households. The gross loan portfolio (excluding credit institutions and central banks) increased by 4.8% to BGN 69,500 million at the end of the period (2019: BGN 66,293 million). Increase was reported in all major segments, particularly in loans to households, whose share in the total portfolio rose to 37.2% (2019: 36.5%). Residential mortgage loans increased by 10.1% to BGN 13,752 million (2019: BGN 12,487 million), and consumer loans – by 3.7% to BGN 12,882 million at the end of December 2020 (2019: BGN 12,427

million). Loans to non-financial corporations retained their major share at 54.7% of total loans to customers, reaching BGN 38,042 million (2019: BGN 36,573 million), while those to other financial corporations grew to BGN 4,679 million (2019: BGN 4,594 million).

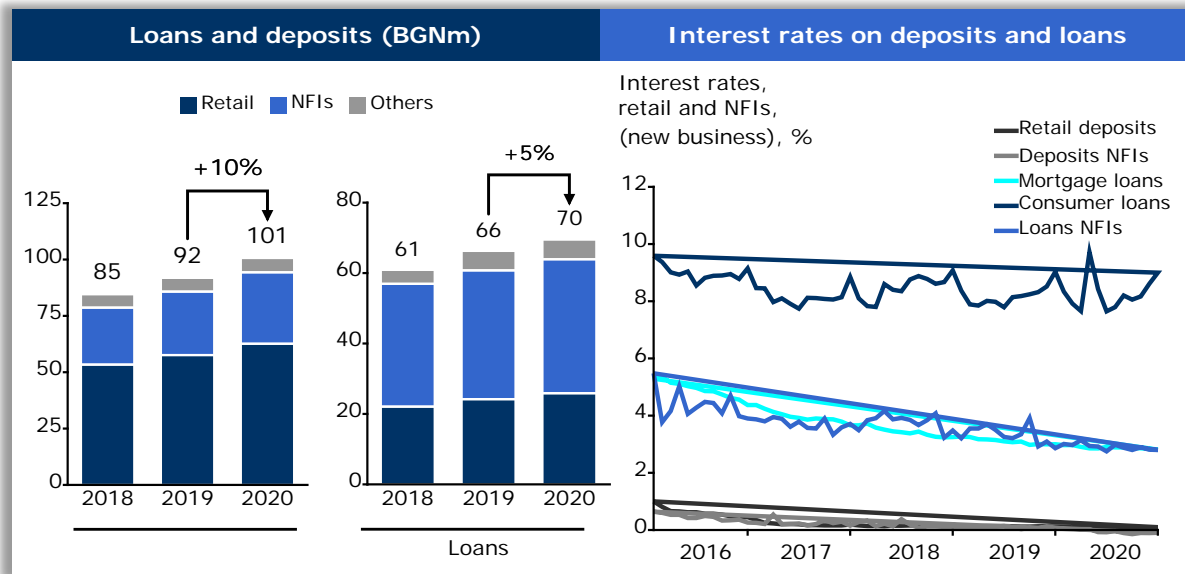
| BGN million / change in % | 2020 | 2019 | 2018 | 20/19 | 19/18 |
|------------------------------------------|---------|---------|---------|-------|-------|
| Assets | 124,006 | 114,201 | 105,557 | 8.6 | 8.2 |
| Loans to non-financial corporations | 38,042 | 36,573 | 34,871 | 4.0 | 4.9 |
| Loans to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

Source: Bulgarian National Bank

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

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

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



During the year, the downward trend in interest rates continued in line with the dynamics in the EU and Eurozone countries. In 2020, interest rates on deposits (new business⁴) of households and non-financial corporations fell on average (volume weighted) to 0.09% and -0.04%, respectively (2019: 0.13% and 0.09%). A decrease was also reported in interest rates on loans (new business⁵): for non-financial corporations – down to 2.91% on average for the period (2019: 3.32%) and for mortgage loans – to 2.88% (2019: 3.09%). In consumer loans, there was a slight increase to 8.20% (2019: 8.18%).

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

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

REGULATORY FRAMEWORK DEVELOPMENTS

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

The Law on Measures and Actions during the State of Emergency declared by a decision of the National Assembly of 13 March 2020 and for overcoming its consequences, suspended the application of

⁴ Term deposits in BGN up to 1 year

⁵ Loans with original maturity in BGN

⁶ Data as of the end of Q3, 2019

penalties for late payment of debts of private entities, including penalty interest, and introduced a temporary ban on seizures of bank accounts and other actions related to public sale and foreclosure for the period of validity of the law. This, together with the Procedure for deferral and settlement of payments due to banks and their financial institution subsidiaries in connection with the COVID-19 pandemic (a non-legislative moratorium) approved in April 2020, were realized the opportunities given with the EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/02).

Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic (the so-called „quick fix“) was adopted during the year, aimed at further strengthening the capital and liquidity position of banks, and preserving their capacity to provide loans. In this connection, decisions were taken at national level to implement the requirements introduced by the Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07); the Guidelines on supervisory reporting and disclosure requirements in compliance with the CRR “quick fix” in response to the COVID-19 pandemic (EBA/GL/2020/11), as well as the Guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds (EBA/GL/2018/01) to ensure compliance with the CRR “quick fix” in response to the COVID-19 pandemic.

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

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

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

The pandemic accelerated and stimulated the processes of digitalization, development of business models for online banking, development of new distance services and solutions, which at the same time

brought new challenges, both technological and regulatory. During the period, procedures were developed related to electronic payment security and Internet and mobile banking platforms. Efforts were focused on development of new technologies and payment methods, including immediate payments.

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

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

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

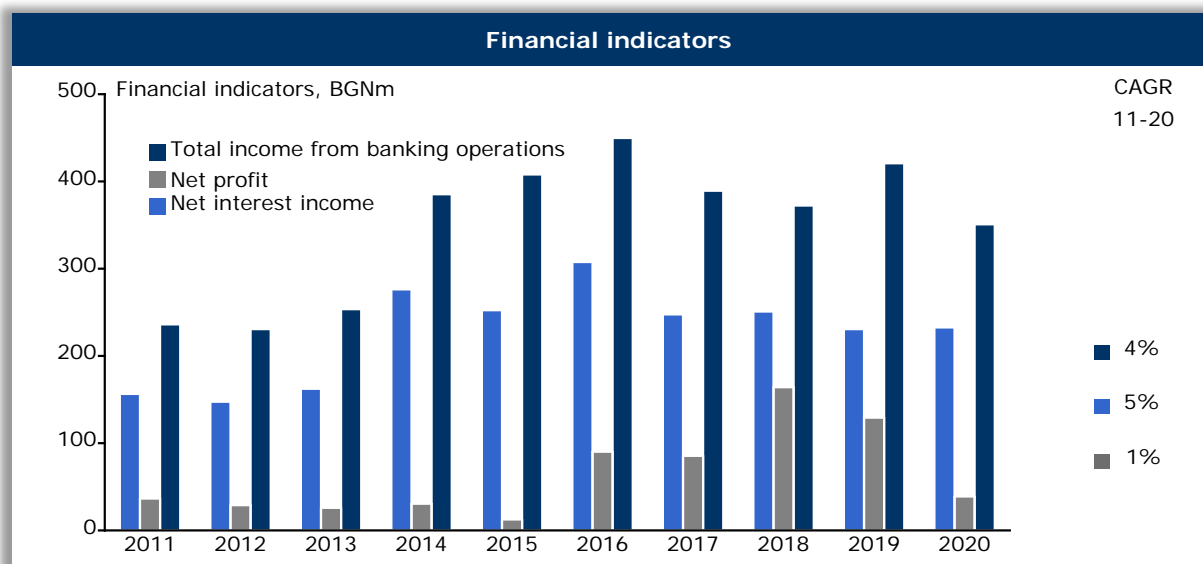
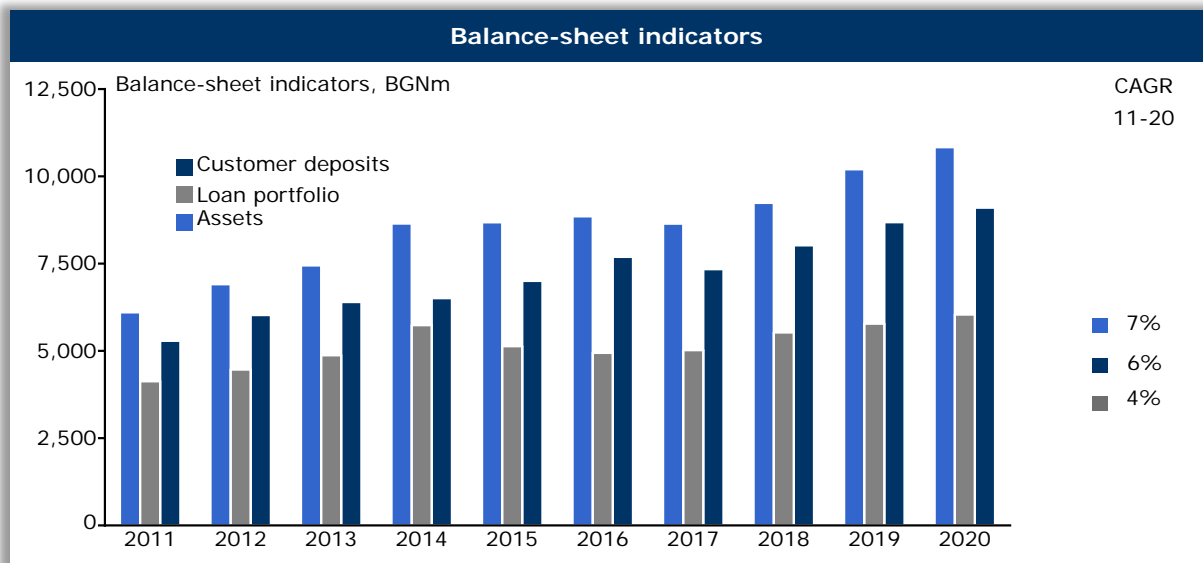
Among the challenges faced by banks remain the forthcoming implementation of the “packages” CRD5/CRR2 on bank capital and liquidity and BRRD2/SRMR2 on requirements for recovery and restructuring, including the minimum requirements for own funds and eligible liabilities (MREL) and reaching the set target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



MISSION

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

SUSTAINABLE DEVELOPMENT



CAPITAL INCREASE

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

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

- ◆ In January 2020, First Investment Bank submitted to the Financial Supervision Commission (FSC) a prospectus for a new share issue, setting the maximum subscription amount at BGN 200 million. The subscription would be considered successful if raising a minimum amount of BGN 20 million.
- ◆ In April 2020, the FSC confirmed the prospectus of First Investment Bank for public offering of up to 40 million new shares with an issue price of BGN 5.

- ◆ In May 2020, the subscription for the capital increase of First Investment Bank started in accordance with the requirements of the Public Offering of Securities Act (POSA).
- ◆ At the beginning of July 2020 the subscription was successfully completed and First Investment Bank increased its capital by BGN 195,424 thousand. New shareholders of the Bank became the Bulgarian Development Bank AD with 18.35% and Valea Foundation of the Czech entrepreneur Mr. Karel Komarek with 7.87%.
- ◆ At the end of July 2020 the capital increase was registered in the Commercial Register of the Registry Agency. In August 2020 the new share issue was registered in the FSC register according to Art. 30, para. 1, item 3 of the Financial Supervision Commission Act.

For more information on the capital increase, see the sections [Capital](#) and [Shareholding structure](#).

ACTIONS RELATED TO THE COVID-19 CHALLENGES

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

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

For more information on actions taken related to the COVID-19 challenges, see sections [Highlights 2020](#), [Business overview](#), [Social Responsibility](#) and [Human Capital](#).

BANK PROFILE

CORPORATE STATUS

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

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

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

PARTICIPATIONS AND MEMBERSHIPS

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

MARKET POSITION⁷

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

⁷ Market positions are determined based on unconsolidated data from the BNB and BORICA AD.

MARKET SHARE ⁸

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

CORRESPONDENT RELATIONS

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

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

BRANCH NETWORK

As at 31 December 2020 First Investment Bank had a total of 135 branches and offices: 134 branches and offices, including a Head Office, covering the territory of Bulgaria and a foreign branch in Cyprus.

SUBSIDIARIES

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

In 2020 First Investment Bank established a new subsidiary: MyFin EAD, entered in the Commercial Register of the Registry Agency in March 2020, its scope of activity being issuance of electronic money within the meaning of the Law on Payment Services and Payment Systems. The company, licensed by the Bulgarian National Bank, started its activity in November 2020, offering a digital platform for fast money transfers and online payments, issuance of digital and virtual cards, as well as innovative payment services such payments between MyFin customers, by mobile number, Pay by Link and others. As of December 31, 2020, the paid-in share capital of the company amounted to BGN 1 million.

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

⁸ Market shares are determined based on unconsolidated data from the BNB.

For further information regarding subsidiary companies, see Note 36 "Subsidiaries" of the Individual Financial Statements for the year ended 31 December 2020.

AWARDS 2020

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



FIRST INVESTMENT BANK: DATES AND FACTS

FACTS

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

| | |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2006 | <ul style="list-style-type: none"> ◆ Fibank was named “Bank of the Client” for the third time in the annual rating of ‘Pari’ daily. ◆ First Investment Bank received a syndicated loan, to the amount of EUR 185 million, organised by Bayerische Landesbank, in which 33 banks participated. ◆ The Bank’s share capital was increased from BGN 20 million to BGN 100 million by transforming retained profits into new shares. |
| 2007 | <ul style="list-style-type: none"> ◆ First Investment Bank realized the biggest banking initial public offering of shares in Bulgaria and became a public company. ◆ „Fibank Mobile“ – the first banking mobile portal created by the Bank with useful financial information for its customers, started functioning. ◆ Fibank is among the first banks in Bulgaria to implement new chip technology by issuing debit and credit cards. ◆ First Investment Bank – Albania Sh.a. was issued a full banking license in Albania. |
| 2008 | <ul style="list-style-type: none"> ◆ Fibank implemented a new centralized and integrated core banking information system FlexCube. ◆ Fibank received a syndicated loan in the amount of EUR 65 million from 11 leading international banks. ◆ Fibank became the first bank in Bulgaria to launch its own corporate blog. ◆ Fibank received the OSCARDS award for innovation in the card business. |
| 2009 | <ul style="list-style-type: none"> ◆ Fibank became the first and only bank in Bulgaria to start offering the sale and redemption of investment diamonds. ◆ First Investment Bank offered a new Internet service “My Fibank”, which provides e-statements on bank accounts and credit cards. |
| 2010 | <ul style="list-style-type: none"> ◆ Fibank welcomed its one millionth client. ◆ First Investment Bank signed an agreement with IFC for cooperation in the field of trade finance. ◆ Fibank was the first Bank in Bulgaria to offer contactless payments using the PayPass technology. ◆ Fibank acquired a controlling interest in FI Health AD health insurance fund. |
| 2011 | <ul style="list-style-type: none"> ◆ First Investment Bank was recognized as the Best Bank in Bulgaria in 2011 by the financial magazine Euromoney. ◆ New Executive Directors of the Bank were appointed – Dimitar Kostov, Vassil Christov, Svetoslav Moldovansky. ◆ Maya Georgieva (Executive Director of First Investment Bank) received the Banker of the Year 2011 award from “Banker” Weekly for market sustainability achieved and customer confidence earned. |
| 2012 | <ul style="list-style-type: none"> ◆ Fibank was granted “Bank of the Year” award from “Bank of the Year” Association, with the best complex performance. ◆ The Bank signed an agreement with the European Investment Fund for the financing of SME under the JEREMIE initiative. ◆ Vassil Christov, Executive Director of First Investment Bank won the prestigious award “Banker of the Year” of the “Banker” Weekly. |
| 2013 | <ul style="list-style-type: none"> ◆ First Investment Bank AD signed an agreement with the Hungarian MKB Bank Zrt. for the acquisition of 100% of the shares of MKB Unionbank EAD. ◆ Fibank finalized the issuance of new hybrid debt (two bonds emissions) to the total amount of EUR 100 million, included in the Tier I capital. ◆ Clients were provided with the opportunity to purchase online products of investment gold and other precious metals. ◆ Maya Oyfalosh was elected Executive Director of First Investment Bank AD. |
| 2014 | <ul style="list-style-type: none"> ◆ The merger of Union Bank EAD into First Investment Bank AD was carried out, including integration |

| | |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>of operational systems, procedures, infrastructure, human resources, products and services</p> <ul style="list-style-type: none"> ◆ Fibank successfully overcame the pressure on the banking system thanks to its sound liquidity, high professionalism, as well as to the liquidity support received pursuant to EC Decision C(2014) 4554/29.06.2014. ◆ Fibank was awarded as the best bank in the field of retail banking by the international portal Global Banking & Finance Review. |
| 2015 | <ul style="list-style-type: none"> ◆ First Investment Bank realized a joint project with the IFC for upgrading Fibank's risk management and corporate governance systems in accordance with the principles of the Basel Committee and the recognized international standards. ◆ A new independent member of the Supervisory Board was elected: Mr. Jyrki Koskelo, an accomplished professional having extensive experience with the IFC. ◆ A new organizational structure of the Bank was adopted, further developing the control functions. ◆ With a view to maintaining an open line of communication with investors and enhancing dialogue with minority shareholders, a Club of investors was created. ◆ First Investment Bank was distinguished by the global organization Superbrands as the strongest brand among financial institutions in Bulgaria. |
| 2016 | <ul style="list-style-type: none"> ◆ An innovative platform was launched for electronic payments using NFC-enabled mobile devices and digital bank cards. ◆ The Bank repaid the liquidity support received pursuant to EC Decision C(2014) 8959/25.11.2014. ◆ Fibank successfully passed the asset quality review and the stress test of the banking system conducted in the country. ◆ New contactless debit cards for children and teenagers were developed. |
| 2017 | <ul style="list-style-type: none"> ◆ Fibank created its integrated e-banking platform My Fibank, using a single customer service channel (Omnichannel). ◆ First Investment Bank joined as direct participant the Pan-European Automated Clearing House STEP2 SEPA Credit Transfer (SCT). ◆ Fibank updated its core banking information system by migrating to Oracle Flexcube12. ◆ Fibank developed its online consumer credit services at www.credit.fibank.bg. |
| 2018 | <ul style="list-style-type: none"> ◆ First Investment Bank celebrated the 25th anniversary of its founding. ◆ A new Smart Lady program was launched in support of women entrepreneurs, mainly targeting micro, small and medium enterprises. ◆ A software Fibank Token was developed as a means of signature and authentication in the electronic banking system of the Bank. ◆ An innovative new-generation Evolve credit card was developed, combining three brands (Fibank, Diners Club and Mastercard) into one payment instrument. ◆ Fibank signed an agreement with the Bulgarian Development Bank for the financing of micro, small and medium-sized enterprises with the support of the European Strategic Investment Fund (COSME+). |
| 2019 | <ul style="list-style-type: none"> ◆ First Investment Bank successfully placed, under the terms of a private placement, a debt-equity (hybrid) instrument (bond issue) totaling EUR 30 million. ◆ Fibank was among the leading banks to join the global SWIFT gpi solution, which significantly improves the speed and traceability of cross-border transfers. ◆ Card services were further developed, with an emphasis on digital cards and payments using smart devices. ◆ First Investment Bank implemented regulatory requirements in the field of payment services and corporate governance. |

- ◆ A centralized back office was initiated in the Bank's system, its main purpose being to optimize the efficiency in servicing the Bank's customers.
- ◆ Fibank passed the comprehensive assessment (asset quality review and stress test) conducted by the ECB during the year.
- ◆ Initiatives were undertaken aimed at enhancing financial literacy, including among children and teens.

HIGHLIGHTS 2020

JANUARY

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



FEBRUARY

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

MARCH

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



APRIL

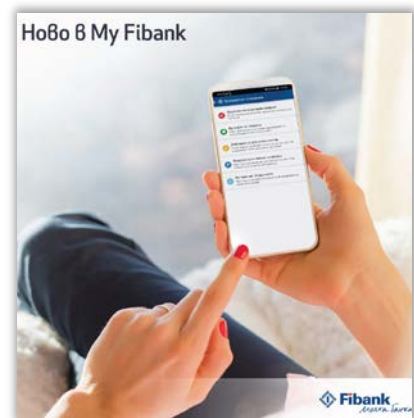
- ◆ The prospectus of First Investment Bank for public offering of up to 40 million new shares with an issue price of BGN 5 was confirmed and a maximum subscription amount of BGN 200 million.
- ◆ First Investment Bank signed an agreement with the Bulgarian Development Bank (BDB) under a Program to guarantee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

MAY

- ◆ The subscription started for the capital increase of First Investment Bank, in accordance with the requirements of the Public Offering of Securities Act (POSA).
- ◆ Ms. Ralitsa Bogoeva was registered in the Commercial Register of the Registry Agency as a new Executive Director and member of the Management Board of First Investment Bank, responsible for the retail banking segment.
- ◆ The Bank further developed its internal policies on general information security.

JUNE

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



JULY

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

AUGUST

- ❖ First Investment Bank launched a promotional campaign for newly issued Mastercard and Visa credit cards for retail customers, featuring no maintenance fee for the first year, an interest-free period and a cashback program.
- ❖ As part of the performed annual review, the Bank updated its Risk Management Strategy with a 3-year horizon and adopted a new Risk Appetite Framework, aimed at maintaining a moderately low level of risk.

SEPTEMBER

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

OCTOBER

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



NOVEMBER

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

DECEMBER

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



FINANCIAL REVIEW

KEY INDICATORS

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|----------------------------------------------------------|------------|------------|-----------|-----------|-----------|
| Financial indicators (BGN thousand) | | | | | |
| Net interest income | 232,649 | 230,696 | 250,885 | 247,578 | 307,623 |
| Net fee and commission income | 95,849 | 103,230 | 93,546 | 98,851 | 89,175 |
| Net trading income | 11,991 | 14,929 | 12,279 | 15,435 | 14,047 |
| Total income from banking operations | 350,833 | 420,785 | 372,363 | 389,314 | 456,545 |
| Administrative expenses | (181,842) | (209,157) | (202,315) | (196,635) | (185,055) |
| Impairment | (93,660) | (117,490) | (82,500) | (77,511) | (154,776) |
| Net profit | 38,881 | 129,221 | 164,138 | 85,466 | 90,185 |
| Balance-sheet indicators (BGN thousand) | | | | | |
| Assets | 10,832,829 | 10,200,031 | 9,237,837 | 8,642,571 | 8,852,470 |
| Loans and advances to customers | 6,038,889 | 5,776,915 | 5,525,957 | 5,018,298 | 4,941,062 |
| Loans and advances to banks and fin. inst. | 106,085 | 79,576 | 125,472 | 54,402 | 54,472 |
| Due to other customers | 9,100,155 | 8,684,001 | 8,021,439 | 7,338,375 | 7,691,256 |
| Other borrowed funds | 104,151 | 109,723 | 118,156 | 118,517 | 70,367 |
| Hybrid debt | 267,579 | 267,615 | 208,786 | 208,786 | 208,740 |
| Shareholders' equity | 1,177,749 | 943,065 | 812,913 | 929,284 | 841,751 |
| Key ratios (in %) | | | | | |
| Capital adequacy ratio | 21.78 | 18.80 | 16.31 | 16.18 | 15.41 |
| Tier 1 capital ratio | 21.78 | 18.80 | 16.31 | 16.16 | 15.38 |
| CET 1 ratio | 18.18 | 15.00 | 13.37 | 13.08 | 12.20 |
| Leverage ratio | 13.79 | 12.13 | 11.26 | 11.55 | 10.31 |
| Liquid assets/deposits from customers | 29.84 | 27.43 | 27.09 | 26.26 | 29.14 |
| Liquidity coverage ratio (LCR) | 236.84 | 198.25 | 251.43 | 320.22 | 313.88 |
| Net stable financing ratio (NSFR) | 132.35 | 130.38 | 134.23 | 136.52 | 137.63 |
| Net loans/deposits ratio | 66.36 | 66.52 | 68.89 | 68.38 | 64.24 |
| Cost of risk | 1.40 | 1.86 | 1.59 | 1.38 | 2.68 |
| Net interest income/total income from banking operations | 66.31 | 54.83 | 67.38 | 63.59 | 67.38 |
| Cost/income ratio | 56.99 | 44.43 | 46.28 | 53.31 | 42.04 |
| Resources (in numbers) | | | | | |
| Branches and offices | 134 | 144 | 155 | 156 | 158 |
| Staff | 2 524 | 2 572 | 2 651 | 3 045 | 2 991 |

CREDIT RATING

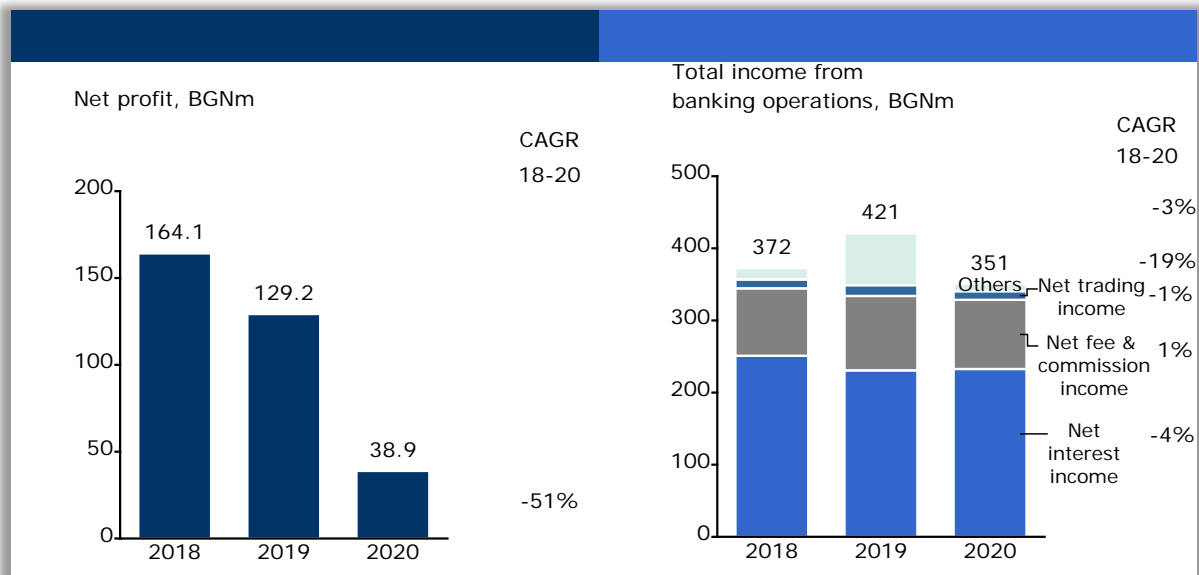
In September 2020, First Investment Bank signed a new public rating contract with the rating agency Fitch Ratings.

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

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

FINANCIAL RESULTS

In 2020, First Investment Bank reported sound financial results and sustainable development notwithstanding the challenges of the external environment, mainly related to the COVID-19 pandemic. Net profit amounted to BGN 38,881 thousand compared to BGN 129,221 thousand a year earlier, when higher revenues were reported due to the sale of portfolios and revaluation of investment property. Total operating income amounted to BGN 350,833 thousand (2019: BGN 420,785 thousand). The return on equity (after taxes) was 3.69%, and the return on assets (after taxes) - 0.38%.

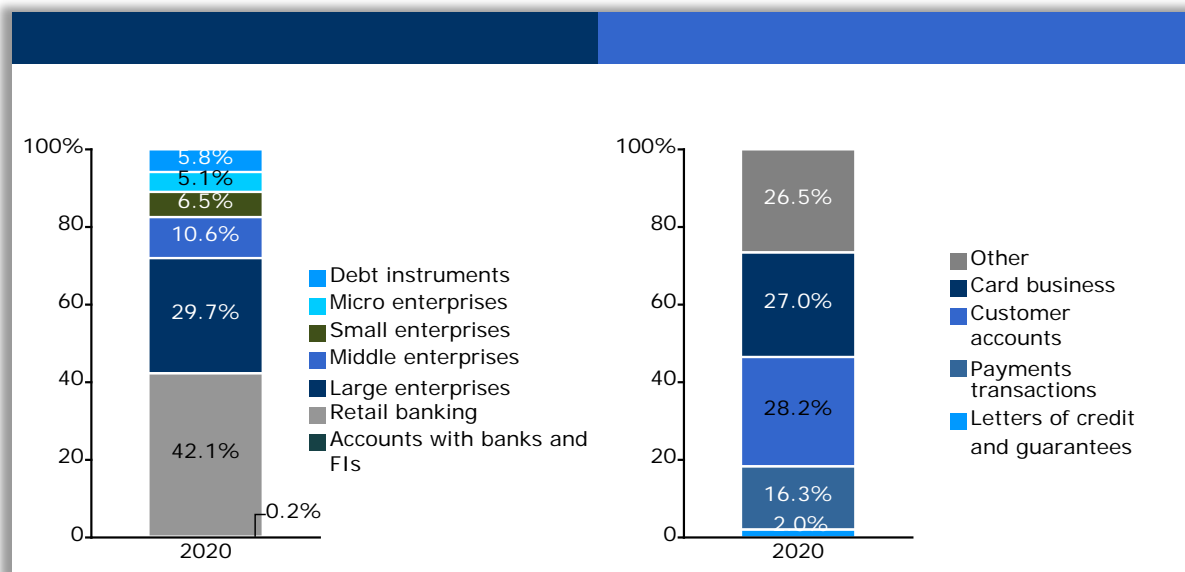


In 2020, net interest income increased to BGN 232,649 thousand (2019: BGN 230,696 thousand), remaining the main source of income for the Bank and accounting for 66.3% of total operating income (2019: 54.8 %). Fibank's operations abroad (Cyprus branch) had an insignificant share, forming only 0.03% of the Bank's net interest income (2019: 0.1%).

For the reporting period, interest income increased to BGN 292,160 thousand (2019: BGN 289,867 thousand), as a result mainly of an increase in the households segment (2020: BGN 123,142 thousand; 2019: BGN 118,740 thousand) and in debt instrument investments (2020: BGN 17,023 thousand; 2019: BGN 8426 thousand), used as an additional source of interest income. A decrease was reported in the business segment,⁹ including large enterprises (2020: BGN 86,700 thousand; 2019: BGN 88,237 thousand), middle enterprises (2020: BGN 30,872 thousand; 2019: BGN 36,056 thousand), small enterprises (2020: BGN 18,897 thousand; 2019: BGN 21,621 thousand) and microenterprises (2020: BGN 15,015 thousand; 2019: BGN 15,341 thousand).

In interest expenses the trend from the last years was preserved, with a decrease reported in expenses on customer deposits: BGN 26,352 thousand compared to BGN 31,666 thousand a year earlier, forming 44.3% of total interest expenses. During the year First Investment Bank maintained interest rates on deposit products in line with the market conditions and competitive environment, as well as with liquidity levels. An increase was reported in interest expenses on hybrid debt (2020: BGN 27,541 thousand; 2019: BGN 23,038 thousand) as a result of the new hybrid bonds issued at the end of 2019. The net interest margin of the Bank amounted to 3.19% for the period.

⁹ According to Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises determined on the basis of annual turnover as follows: microenterprises - up to BGN 3.9 million; small enterprises - up to BGN 19.5 million; medium-sized enterprises - up to BGN 97.5 million.



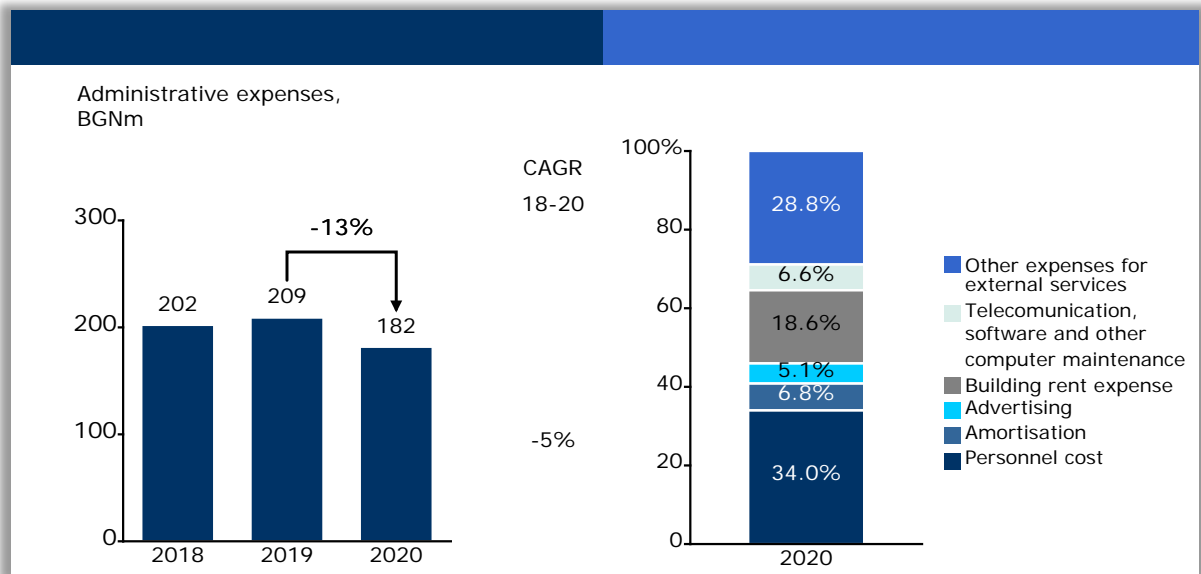
Net fee and commission income for 2020 amounted to BGN 95,849 thousand compared to BGN 103,230 thousand for the previous year, forming 27.3% (25% banking system average) of total income from banking operations (2019: 24.5%) and providing a solid contribution to operating profit. Fibank's operations abroad (Cyprus branch) formed 4.6% of net fee and commission income (2019: 2.7%). A decrease was reported in card services (2020: BGN 31,339 thousand; 2019: BGN 33,522 thousand) and payment transactions (2020: BGN 18,936 thousand; 2019: BGN 23,209 thousand). This was partly due to the decrease in fees and commissions of the Bank in execution of Regulation (EU) 2019/518 equalizing the value of fees for cross-border payments in euro in the EEA with those of corresponding national payments in BGN. A decrease was also registered in letters of credit and guarantees (2020: BGN 2,381 thousand; 2019: BGN 3,508 thousand), as well as in other services (2020: BGN 30,850 thousand; 2019: BGN 34,936 thousand), including such related to credit activity. An increase was reported in customer accounts (2020: BGN 32,744 thousand; 2019: BGN 31,214 thousand), as a result of the expanded customer base and increased collection of fees.

For 2020, net trading income amounted to BGN 11,991 thousand (2019: BGN 14,929 thousand), the decrease mainly due to lower income from foreign currency transactions, which amounted to BGN 12,162 thousand BGN, compared to BGN 14,981 thousand a year earlier. Net expense was reported in debt and equity instrument transactions, totaling BGN 171 thousand for the period compared to BGN 52 thousand for the previous year. The relative share of net trading income remained insignificant at 3.4% of total income from banking operations (2019: 3.5%).

Other net operating income amounted to BGN 10,344 thousand, compared to BGN 71,930 thousand a year earlier, when higher additional income from management of assigned receivables was realized, including sale of portfolios. Other net operating income also includes income from debt and equity instruments (2020: BGN 3,771 thousand; 2019: BGN 9,839 thousand) and from leases (2020: BGN 5,740 thousand; 2019: BGN 5,542 thousand).

Over the year, administrative expenses decreased to BGN 181,842 thousand compared to BGN 209,157 thousand a year earlier, influenced mainly by lower personnel costs (2020: BGN 61,877 thousand; 2019: BGN 66,553 thousand), and costs for external services (2020: BGN 52,454 thousand; 2019: BGN 71,858 thousand), as a result of measures taken to optimize the efficiency of operations. A decrease was also reported in advertising expenses (2020: BGN 9,307 thousand; 2019: BGN 12,976 thousand) and in depreciation of property, plant and equipment (2020: BGN 12,435 thousand; 2019: BGN 13,844 thousand). Expenditures related to telecommunications, software and other computer support remained close to previous year levels (2020: BGN 11,931 thousand; 2019: BGN 11,663 thousand), while

an increase was reported in depreciation of right-of-use assets (2020: BGN 33,838 thousand; 2019: BGN 32,263 thousand). For the period, cost/income ratio amounted to 56.99% on a non-consolidated basis (2019: 44.43%), the difference due mainly to higher additional income realized in 2019.



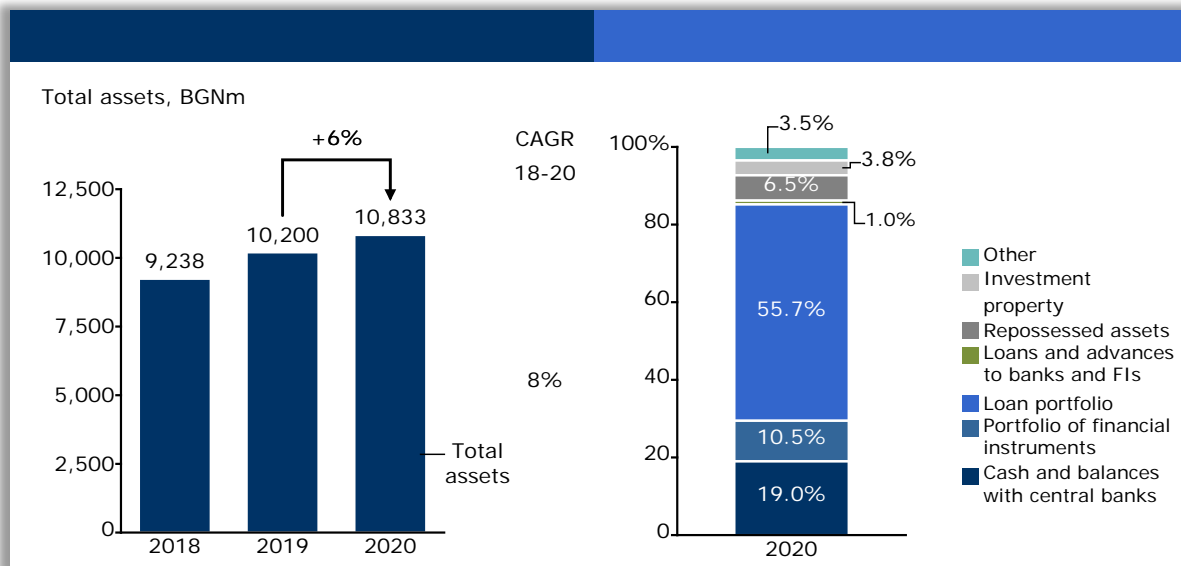
During the year additional write-downs were made on loans, off-balance sheet commitments and other investments amounting to BGN 134,012 thousand, while BGN 40,352 thousand impairment losses were reversed. As a result, net impairment for 2020 amounted to BGN 93,660 thousand (2019: BGN 117,490 thousand). *For more information see the “Risk Management” section.*

For the period, First Investment Bank reported net other expense in the amount of BGN 31,750 thousand, compared to net other income of BGN 49,997 thousand a year earlier when additional income was recognized from revaluation of investment property. Other net expense mainly included contributions made by the Bank to guarantee schemes, including deposit insurance funds, for restructuring and investor compensation (2020: BGN 34,608 thousand; 2019: BGN 31,828 thousand).

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

BALANCE SHEET

In 2020, the total assets of First Investment Bank increased by 6.2% to BGN 10,832,829 thousand, compared to BGN 10,200,031 thousand a year earlier. Such dynamics reflects the development of the lending portfolio, the optimization of balance sheet items and the increase of borrowed funds in line with the changes in the external environment and market conditions. Fibank maintained its leading position among banks in the country, ranking fifth in terms of assets (2019: fifth) by the end of 2020, with a market share of 8.70% on an individual basis (2019: 8.81%).

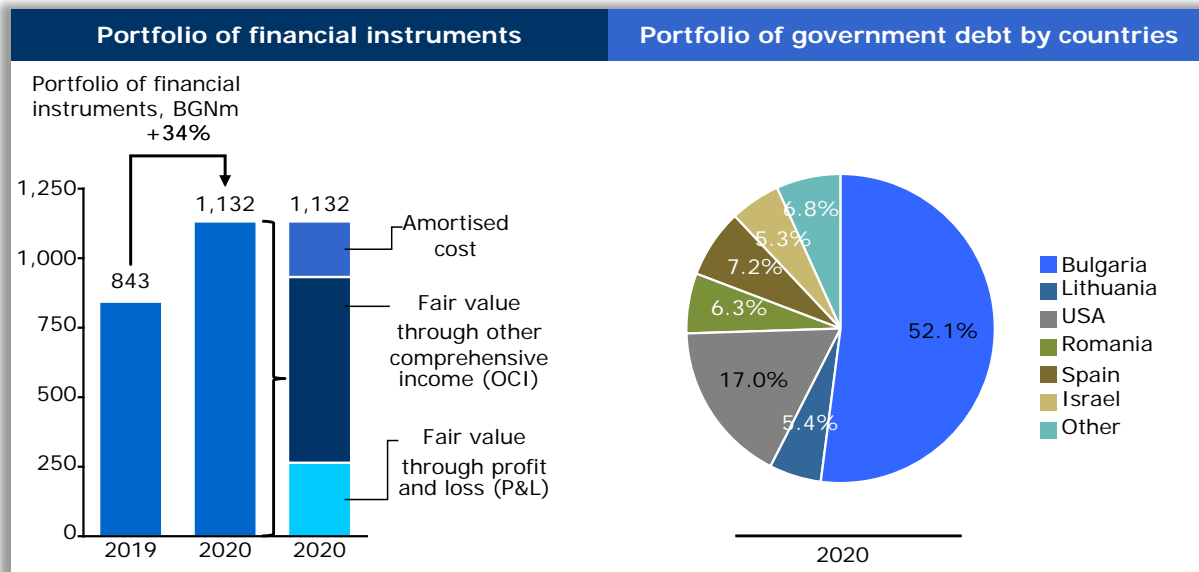


In the structure of the Bank's assets, loans and advances to customers retained their major share at 55.7% of total assets (2019: 56.6%), followed by cash and receivables from central banks at 19.0% (2019: 19.6%) and investments in securities at 10.5% (2019: 8.3%). The share of assets acquired as collateral was down to 6.5% (2019: 6.9%) and of investment property to 3.8% (2019: 4.0%) of total assets. The loan/deposit ratio amounted to 66.4% compared to 66.5% for the previous year, in accordance with the conservative risk management policy.

Cash and receivables from central banks amounted to BGN 2,060,496 thousand, remaining close to previous year levels (2019: 1,998,543 thousand). Receivables from central banks decreased (2020: BGN 1,620,906 thousand; 2019: BGN 1,718,780 thousand) while current account balances with foreign banks increased to BGN 263,649 thousand at the end of the period (2019: BGN 84,920 thousand). First Investment Bank managed its cash according to customer needs and with a view to maintaining optimal returns. At the end of 2020, cash on hand amounted to BGN 175,941 thousand compared to BGN 194,843 thousand a year earlier.

Loans and advances to banks and financial institutions amounted to BGN 106,085 thousand at the end of the period (2019: BGN 79,576 thousand). There was an increase in receivables from local banks and financial institutions (2020: BGN 39,570 thousand; 2019: BGN 13,613 thousand) and to lesser degree in those from foreign banks and institutions (2020: BGN 66,515 thousand; 2019: BGN 65,963 thousand).

The securities investment portfolio increased to BGN 1,132,106 thousand at the end of the year (2019: BGN 843,378 thousand), managed according to market conditions and with a view to maintaining proper balance between risk and return. An increase was reported mainly in bonds issued by foreign governments (2020: BGN 404,728 thousand; 2019: BGN 196,767 thousand), as well as in Bulgarian government securities (2020: BGN 439,491 thousand; 2019: BGN 357,281 thousand).



In accordance with the requirements regarding business models and the IFRS 9 criteria for classification and valuation of financial assets in the Bank's portfolios, BGN 668,385 thousand of the securities portfolio are measured at fair value through other comprehensive income (2019: 565,818 thousand BGN), BGN 263,891 thousand – at fair value through profit or loss (2019: BGN 265,555 thousand), and BGN 199,830 thousand – at amortized cost (2019: BGN 12,005 thousand). Investments in subsidiaries increased to BGN 44,872 thousand at the end of the period, compared to BGN 43,872 thousand a year earlier, as a result of the new subsidiary MyFin EAD established during the year.

As of 31 December 2020, Fibank's operations abroad (Cyprus branch) formed 0.3% of the Bank's assets and 3.8% of the liabilities. The policy for development of the Cyprus branch's activities is focused on the micro and small business segment, as well as retail banking.

A decrease in foreclosed assets was reported to BGN 706,042 thousand (2019: BGN 708,428 thousand), both in real estate and in machinery, equipment and vehicles. Investment property amounted to BGN 414,021 thousand (2019: BGN 410,511 thousand). During the year, foreclosed assets in the amount of BGN 2315 thousand were transferred, a revaluation upon transfer was made in the amount of BGN 2312 thousand and sold properties in the amount of BGN 1127 thousand were written off.

Other assets of the Bank amounted to BGN 97,721 thousand (2019: BGN 104,911 thousand), including deferred expenses, gold and other receivables. The right-of-use assets amounted to BGN 139,837 thousand at the end of the year (2019: BGN 144,270 thousand).

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

LOAN PORTFOLIO

LOANS

In 2020, the net loan portfolio of First Investment Bank increased by 4.5% to BGN 6,038,889 thousand (2019: BGN 5,776,915 thousand), in line with the objectives for business development placing a priority on the retail, micro and SME segments.

| In BGN thousand / % of total | 2020 | % | 2019 | % |
|------------------------------|------------------|------------|------------------|------------|
| Households | 2,036,996 | 31.1 | 1,926,283 | 30.7 |
| Microenterprises | 349,338 | 5.3 | 323,850 | 5.2 |
| Small enterprises | 505,348 | 7.7 | 496,059 | 7.9 |
| Medium enterprises | 1,039,260 | 15.9 | 1,088,347 | 17.3 |
| Large enterprises | 2,618,826 | 40.0 | 2,441,869 | 38.9 |
| Gross loan portfolio | 6,549,768 | 100 | 6,276,408 | 100 |
| Impairment | (510,879) | | (499,493) | |
| Net loan portfolio | 6,038,889 | | 5,776,915 | |

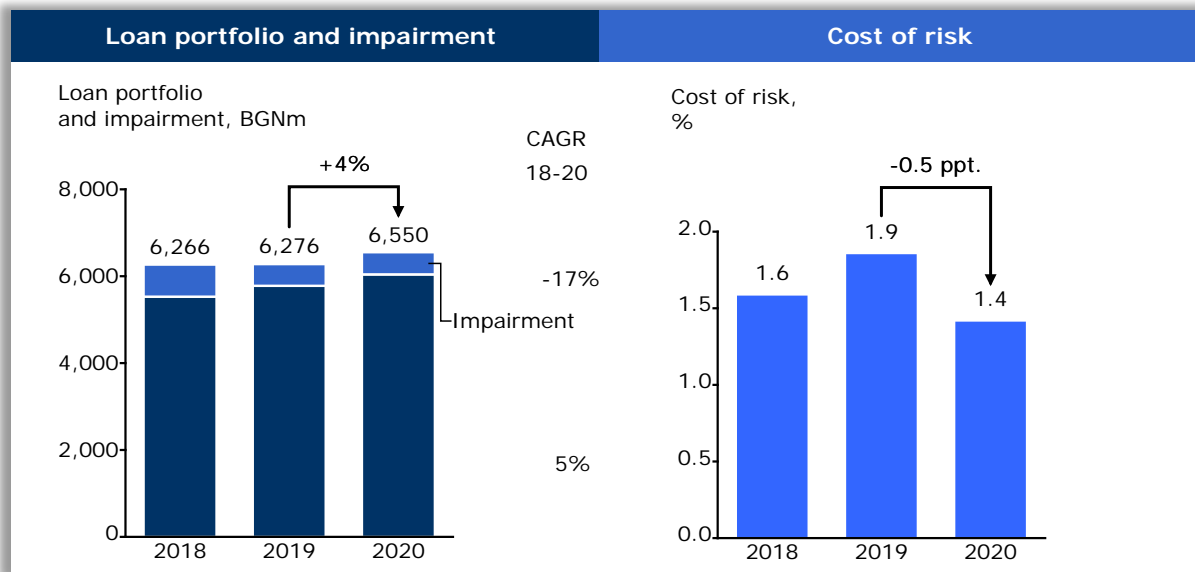
Growth was reported in loans to households, which increased their share to 31.1% of the gross portfolio (2019: 30.7%). According to the EU criteria¹⁰ for customer segmentation, micro, small and medium-sized enterprises formed respectively 5.3%, 7.7% and 15.9%, or in aggregate 28.9% of total loans at the end of the year. Loans to large enterprises accounted for 40.0% of the gross portfolio. As of December 31, 2020, First Investment Bank ranked fifth by loan portfolio size among banks in the country, with a market share of 9.91% (2019: 10.00%).

| In BGN thousand / % of total | 2020 | % | 2019 | % |
|------------------------------|------------------|------------|------------------|------------|
| Loans in BGN | 3,633,729 | 55.5 | 3,366,813 | 53.6 |
| Loans in EUR | 2,685,447 | 41.0 | 2,771,026 | 44.2 |
| Loans in other currency | 230,592 | 3.5 | 138,569 | 2.2 |
| Gross loan portfolio | 6,549,768 | 100 | 6,276,408 | 100 |
| Impairment | (510,879) | | (499,493) | |
| Net loan portfolio | 6,038,889 | | 5,776,915 | |

In the currency structure of the loan portfolio, loans in BGN increased to BGN 3,633,729 thousand (2019: BGN 3,366,813 thousand) or 55.5% of the total portfolio (2019: 53.6%). A decrease was reported in loans in euro to BGN 2,685,447 thousand at the end of the period (2019: BGN 2,771,026 thousand), or a share of 41.0% (2019: 44.2%) of total loans. The country has a currency board system in place which minimizes the BGN/EUR currency risk. During the year, Bulgaria joined the European Exchange Rate Mechanism (ERM) II and the Single Supervisory Mechanism (SSM), which was a step towards the country's accession to the Eurozone. Loans in other currencies amounted to BGN 230,592 thousand (2019: BGN 138,569 thousand), forming 3.5% of total loans (2019: 2.2%).

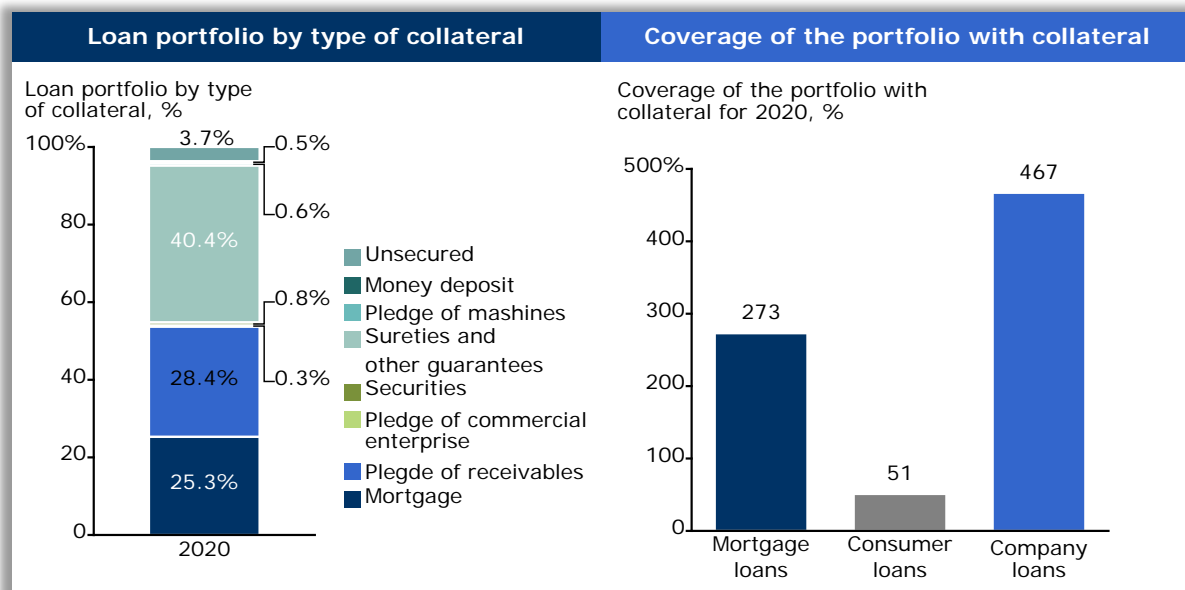
¹⁰ According to Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises determined on the basis of annual turnover as follows: microenterprises - up to BGN 3.9 million; small enterprises - up to BGN 19.5 million; medium-sized enterprises - up to BGN 97.5 million.

Loans granted by the First Investment Bank branch in Cyprus accounted for 0.02% of the Bank's gross portfolio (2019: 0.03%).



At the end of the period, impairment charges for potential losses on the loan portfolio amounted to BGN 510,879 thousand compared to BGN 499,493 thousand a year earlier. In 2020, additional impairment was recognized in the amount of BGN 133,522 thousand, impairment losses in the amount BGN 39,998 thousand were reversed, and BGN 80,582 thousand were written off. During the year, First Investment Bank joined the approved Procedure for deferral and settlement of payments due to banks applied in the light of the COVID-19 crisis, applying the provisional principle that the application of the general payment moratorium in itself should not lead to reclassification of the exposure as forborne (either performing or non-performing). For more information see the [Risk Management](#) section.

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



As of the end of 2020, the type of collateral having the largest share in the Bank's portfolio were sureties and other guarantees – 40.4%, followed by pledges of receivables – 28.4% and mortgages – 25.3%.

For more information on credit risk, see Note 3 “Risk Management” of the Individual Financial Statements for the year ended December 31, 2020.

RELATED PARTY TRANSACTIONS

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

| Type of related party | Parties that control or manage the Bank | | Enterprises under common control | |
|-------------------------------|-----------------------------------------|--------|----------------------------------|---------|
| | 2020 | 2019 | 2020 | 2019 |
| In BGN thousand | | | | |
| Loans | 1,769 | 2,327 | 84,580 | 20,908 |
| Deposits and loans received | 13,275 | 11,718 | 113,352 | 118,118 |
| Deposits placed | - | - | 2,955 | 18,748 |
| Other receivables | - | - | 17,565 | 16,790 |
| Other borrowings | - | - | 100 | 100 |
| Off-balance sheet commitments | 1,031 | 975 | 3,412 | 4,235 |

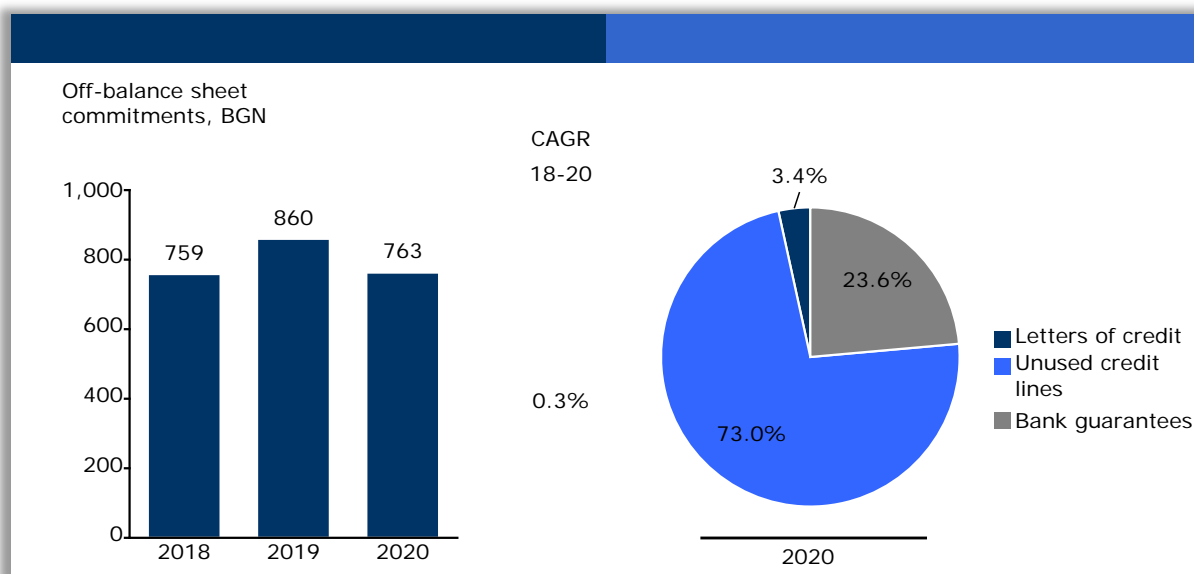
| Type of related party | Parties that control or manage the Bank | | Enterprises under common control | |
|----------------------------|-----------------------------------------|------|----------------------------------|-------|
| | 2020 | 2019 | 2020 | 2019 |
| In BGN thousand | | | | |
| Interest income | 25 | 38 | 3 325 | 1 359 |
| Interest expense | 10 | 3 | 22 | 28 |
| Fee and commission income | 14 | 19 | 368 | 374 |
| Fee and commission expense | 3 | 2 | 295 | 562 |

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

CONTINGENT LIABILITIES

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

At the end of the reporting period the total amount of off-balance sheet commitments amounted to BGN 762,885 thousand compared to BGN 859,990 thousand a year earlier. The decrease was mainly due to unused credit lines, down to BGN 556,694 thousand (2019: BGN 639,956 thousand) and in bank guarantees, down to BGN 179,964 thousand (2019: BGN 211,649 thousand). An increase was reported in letters of credit which amounted to BGN 26,227 thousand (2019: BGN 8,385 thousand).



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

ATTRACTED FUNDS

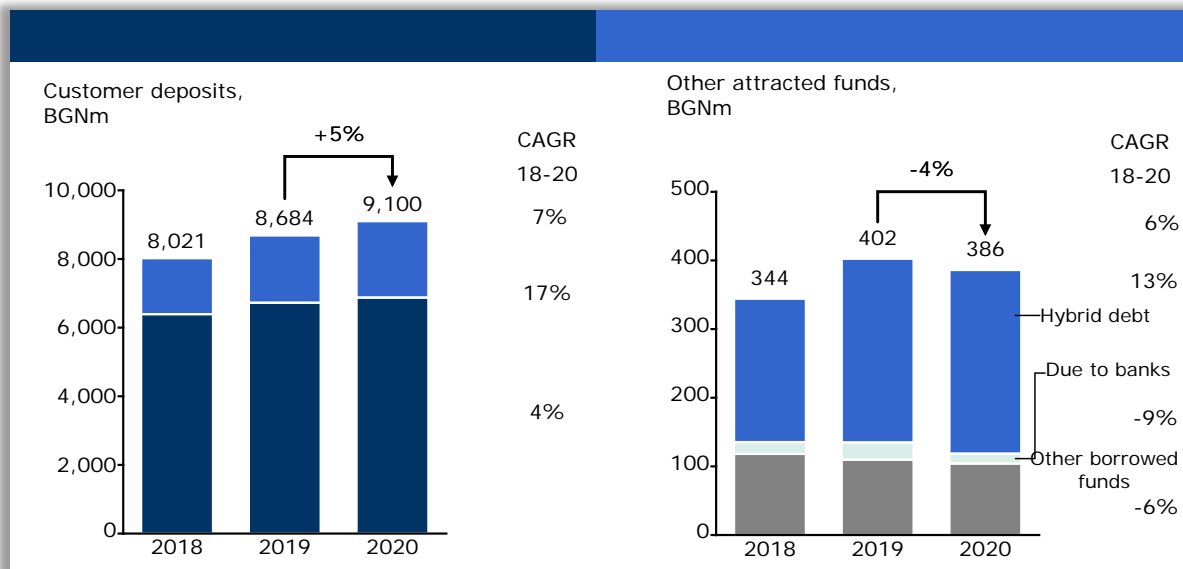
In 2020, attracted funds from customers increased by 4.8% and reached BGN 9,100,155 thousand (2019: BGN 8,684,001 thousand), remaining the main source of funding for the Bank and forming 94.3% of total liabilities (2019: 93.8%). First Investment Bank offers a variety of savings products and package programs tailored to market conditions and customer needs. As at 31 December 2020, the Bank ranked fifth by deposit size among banks in Bulgaria (2019: fourth) with a market share of 9.06% on individual basis (2019: 9.53%).

Deposits of individuals increased by 2.3% to BGN 6,875,257 thousand at the end of the period compared to BGN 6,723,937 thousand a year earlier. They retained a major share of total borrowings at 75.6% (2019: 77.4%). The currency structure of retail deposits is dominated by BGN funds accounting for 45.4% of all borrowings (2019: 46.4%), followed by funds in euros at 24.8% (2019: 25.2%) and in other currencies at 5.4% (2019: 5.8%).

| In BGN thousand / % of total | 2020 | % | 2019 | % | 2018 | % |
|----------------------------------------------------------------------------|------------------|-------------|------------------|-------------|------------------|-------------|
| Attracted funds from individuals | 6,875,257 | 75.6 | 6,723,937 | 77.4 | 6,392,855 | 79.7 |
| In BGN | 4,127,979 | 45.4 | 4,032,395 | 46.4 | 3,709,363 | 46.2 |
| In EUR | 2,255,006 | 24.8 | 2,187,186 | 25.2 | 2,171,366 | 27.1 |
| In other currency | 492,272 | 5.4 | 504,356 | 5.8 | 512,126 | 6.4 |
| Attracted funds from corporate, state-owned and public institutions | 2,224,898 | 24.4 | 1,960,064 | 22.6 | 1,628,584 | 20.3 |
| In BGN | 1,346,566 | 14.8 | 1,296,304 | 14.9 | 961,766 | 12.0 |
| In EUR | 681,256 | 7.5 | 525,002 | 6.1 | 494,422 | 6.2 |
| In other currency | 197,076 | 2.2 | 138,758 | 1.6 | 172,396 | 2.1 |
| Total attracted funds from customers | 9,100,155 | 100 | 8,684,001 | 100 | 8,021,439 | 100 |

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

Attracted funds from corporates and institutions increased by 13.5% to BGN 2,224,898 thousand (2019: BGN 1,960,064 thousand) as a result of the Bank's consistent policy of cross-selling, development of transaction business in line with modern technologies and the European payment infrastructure, and building lasting customer relationships. By the end of 2020 their relative share increased to 24.4% of total borrowings from customers (2019: 22.6%). As regards the currency structure, funds in BGN attracted from corporates and public institutions formed 14.8% of all borrowings (2019: 14.9%), followed by those in euros at 7.5% (2019: 6.1%) and in other currencies at 2.2% (2019: 1.6%).



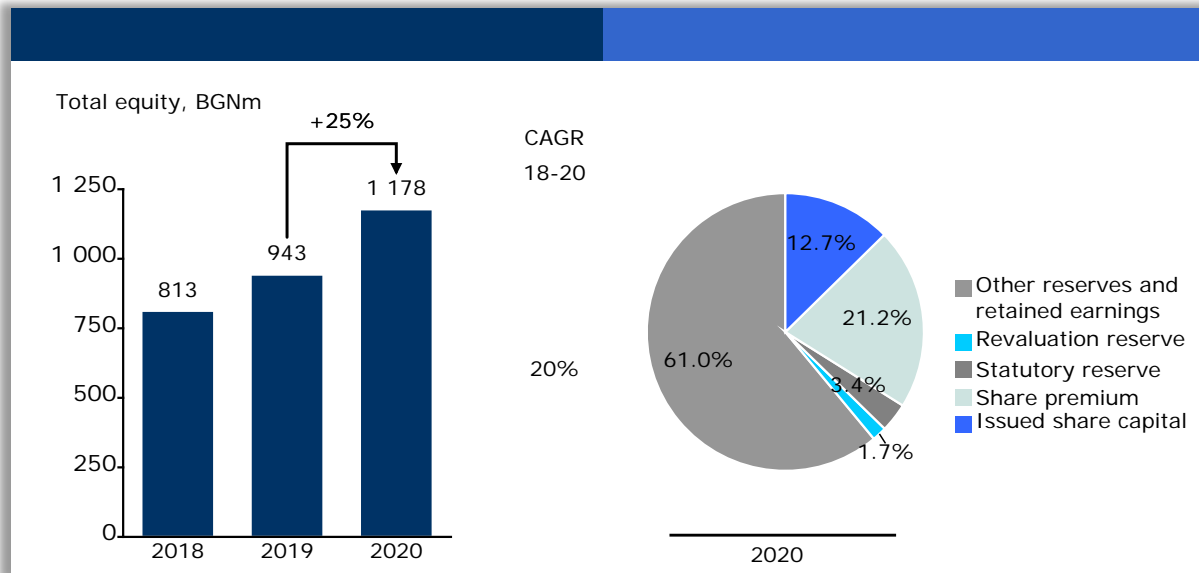
Other borrowings amounted to BGN 104,151 thousand as of December 31, 2020 compared to BGN 109,723 thousand a year earlier. A decrease was mainly reported in liabilities under confirmed letters of credit (2020: BGN 6,776 thousand; 2019: BGN 10,164 thousand) and under received financing (2020: BGN 23,633 thousand; 2019: BGN 25,809 thousand). The latter mainly include financing from the European Investment Fund under the JEREMIE 2 initiative: BGN 4,244 thousand (2019: BGN 7,419 thousand), from Bulgarian Development Bank AD: BGN 16,137 thousand (2019: BGN 16,137 thousand), as well as from the Fund Manager of Financial Instruments in Bulgaria (Fund of Funds): BGN 3,252 thousand (2019: BGN 2,250 thousand). *For more information, see the "Europrograms" section.* At the end of the year, the amortized value of debt related to total return swap agreements amounted to BGN 73,742 thousand (2019: BGN 73,750 thousand).

For 2020, liabilities due to banks amounted to BGN 14,340 thousand, compared to BGN 25,048 thousand a year earlier. Lease liabilities amounted to BGN 139,868 thousand at the end of the year.

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

CAPITAL

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



As of December 31, 2020 the share capital of First Investment Bank amounted to BGN 149,085 thousand (2019: BGN 110,000 thousand), divided into 149,084,800 ordinary, registered, dematerialized shares with voting rights in the Total General Meeting of Shareholders and a nominal value of BGN 1 each. The share capital has been paid in full. The share premium in connection with the capital reached BGN 250,017 thousand (2019: BGN 97,000 thousand). As a result, the balance sheet equity of First Investment Bank increased by 24.9% to BGN 1,177,749 thousand (2019: BGN 943,065 thousand), also influenced by the increase in other reserves and retained earnings, which reached BGN 718,773 thousand at the end of the period (2019: BGN 679,892 thousand).

REGULATORY CAPITAL

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

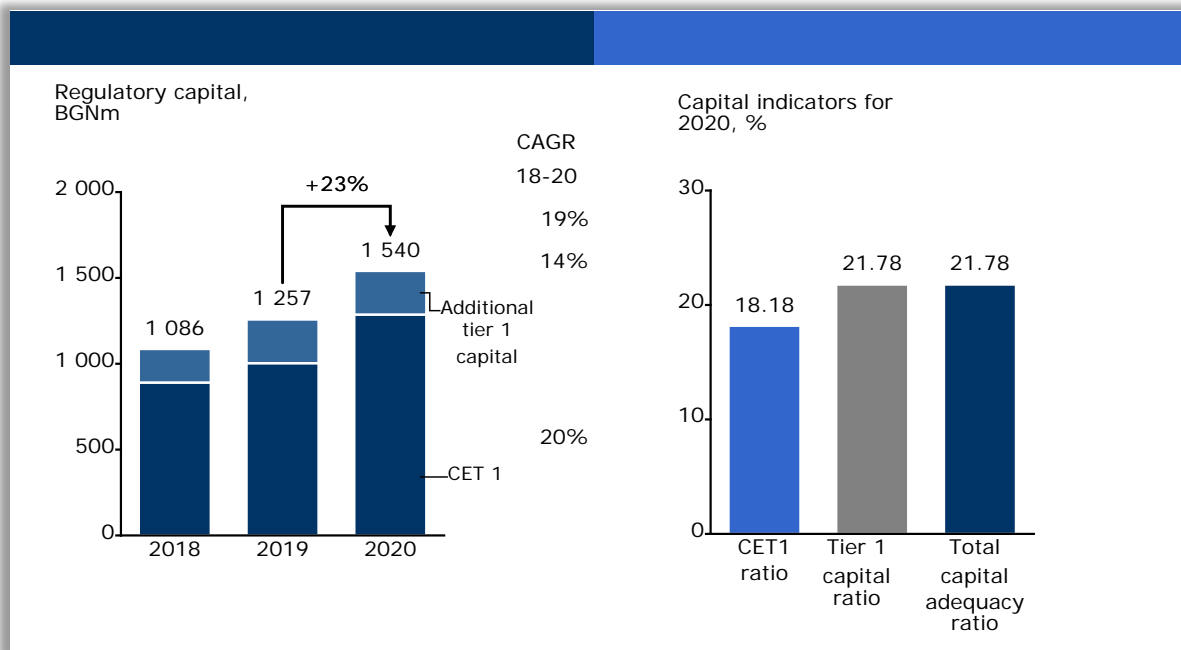
In 2020, First Investment Bank continued its consistent policy of capital increase, with an emphasis on Common Equity Tier 1 capital. In March 2020, the Bank included in its CET1 capital the net annual profit for 2019, after obtaining permission to that effect from the BNB. In July the Bank successfully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

By the end of the reporting period the CET1 capital increased by 28.2% to BGN 1,285,945 thousand (2019: BGN 1,003,004 thousand). As a result, the Tier 1 capital also increased reaching BGN 1,540,203 thousand (2019: BGN 1,257,262 thousand). The total regulatory capital amounted to BGN 1,540,203 thousand compared to BGN 1,257,262 thousand a year earlier.

In February 2020, after obtaining permission from the BNB, included in its additional Tier 1 capital (AT1) of First Investment Bank was included the amount of EUR 30 million raised through a hybrid capital

instrument representing perpetual, non-cumulative, non-convertible bonds issued as a private placement. In October 2020, the instrument was admitted to trading on a regulated market on the Luxembourg Stock Exchange (LuxSE).

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



For the purpose of reporting large exposures and qualifying holdings outside the financial sector, First Investment Bank applies the definition of eligible capital, which includes tier 1 capital and tier 2 capital, which cannot exceed 1/3 of tier 1 capital. As at 31 December 2020, the eligible capital of First Investment Bank, calculated in accordance with Regulation (EU) No 575/2013 and Ordinance No7 of BNB for the organization and management of risks in banks amounted to BGN 1,540,203 thousand.

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

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

CAPITAL REQUIREMENTS

At the end of 2020, First Investment Bank reported improved capital ratios as follows: common equity Tier (CET1) ratio 18.18%, Tier 1 capital ratio 21.78% and total capital adequacy ratio 21.78%, exceeding the minimum regulatory capital requirements.

| In BGN thousand / % of risk exposures | 2020 | % | 2019 | % | 2018 | % |
|---------------------------------------|------------------|-------|------------------|-------|------------------|-------|
| CET 1 capital | 1,285,945 | 18.18 | 1,003,004 | 15.00 | 889,922 | 13.37 |
| Tier 1 capital | 1,540,203 | 21.78 | 1,257,262 | 18.80 | 1,085,505 | 16.31 |
| Own funds | 1,540,203 | 21.78 | 1,257,262 | 18.80 | 1,085,505 | 16.31 |
| Total risk exposures | 7,071,866 | | 6,686,583 | | 6,656,398 | |

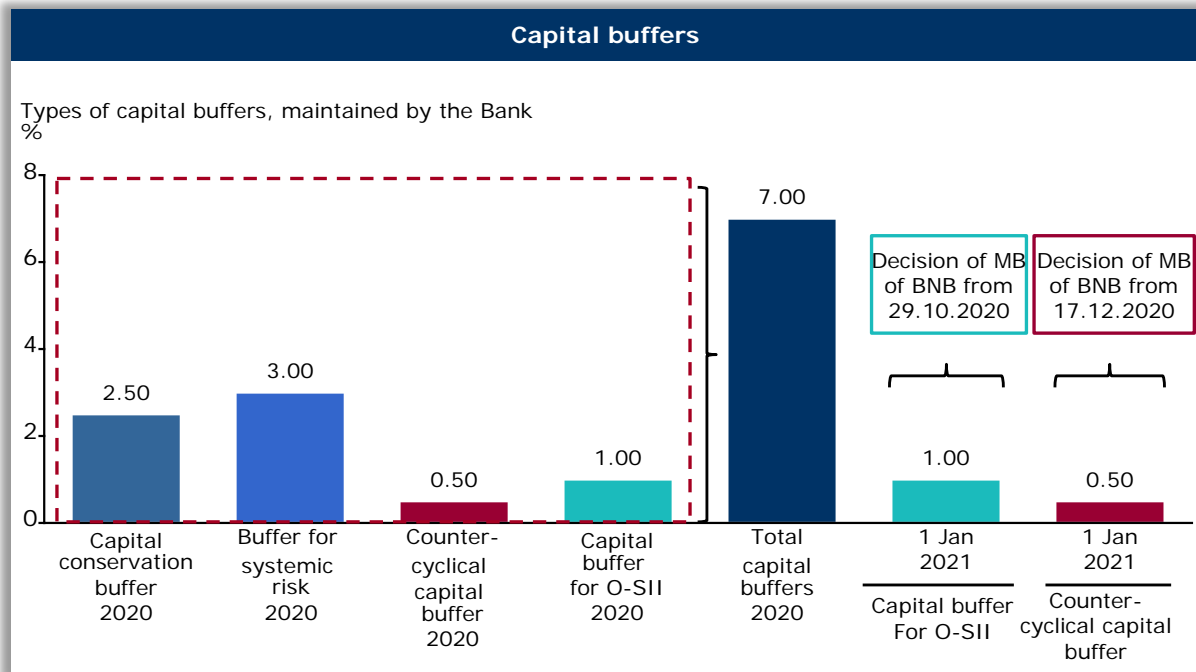
The 2020 improved capital ratios resulted from the application of comprehensive and targeted measures regarding the implementation of capital levers in key areas, including successful subscription of a new public issue of shares, retention of profit, inclusion of the issued debt-capital (hybrid) instrument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

CAPITAL BUFFERS

In addition to the capital requirements set out in Regulation (EU) № 575/2013, First Investment Bank maintains four capital buffers in accordance with the requirements of Ordinance №8 of the BNB on Capital Buffers.

First Investment Bank maintains a capital conservation buffer, comprised of common equity tier 1 capital, equal to 2.5% of the total risk exposure of the Bank, as well as buffer for systemic risk covered by common equity tier 1 capital with the aim for decreasing the effect of potential long-term non-cyclical system or macroprudential risks in the banking system in the country. In 2020 the level of the capital buffer for systemic risk applicable to all banks in Bulgaria remained unchanged at 3% of the total risk exposures in the country.

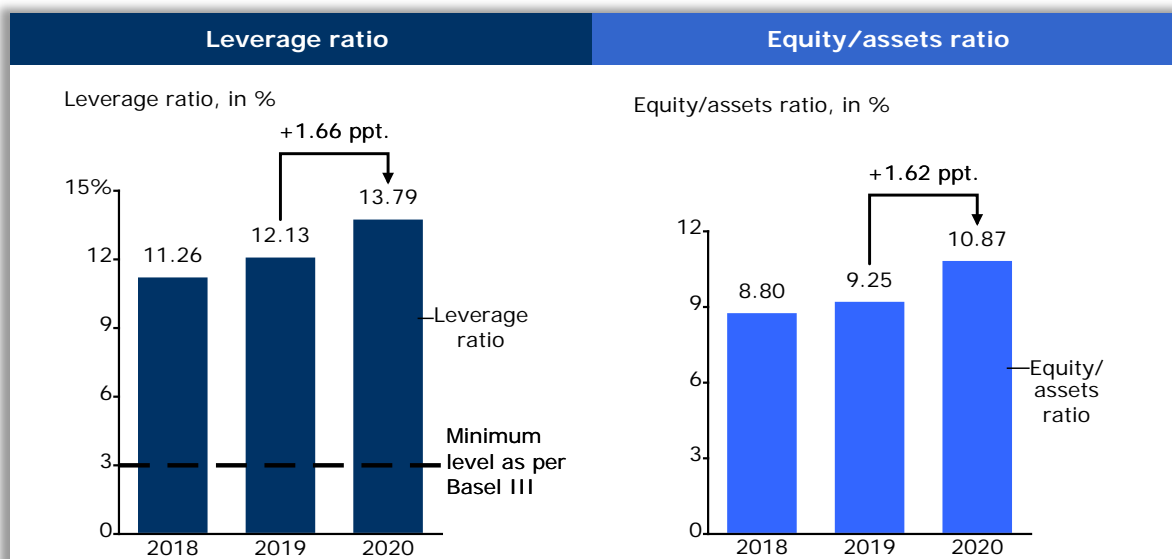
With the aim for protection of the banking system against potential losses arising from accumulated cyclical systemic risk in periods of excessive credit growth, the banks in Bulgaria, incl. Fibank maintains countercyclical capital buffer, applicable to credit risk exposures in the Republic of Bulgaria. Its level is determined by the Bulgarian National Bank each quarter and from October 2019 it is defined at 0.5%. In connection with the COVID-19 pandemic, in March 2020 the BNB adopted a package of measures including cancellation of the planned increases in countercyclical capital buffers planned for 2020 and the first quarter of 2021, their level remaining at 0.5%.



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

LEVERAGE

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



First Investment Bank calculates the leverage ratio by matching its Tier 1 capital to the total exposure of the Bank (assets, off-balance sheet items, and other exposures to derivatives and securities financing transactions), subject to the requirements of Delegated Regulation (EU) 2015/62 of the Commission concerning the leverage ratios and the other applicable regulations. As at 31 December 2020, the leverage ratio amounted to 13.79% on an unconsolidated basis compared to 12.13% for the previous period.

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

For more information on capital see the Individual Financial Statements as at 31 December 2020.

RISK MANAGEMENT

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

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

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

RISK MANAGEMENT STRATEGY

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



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

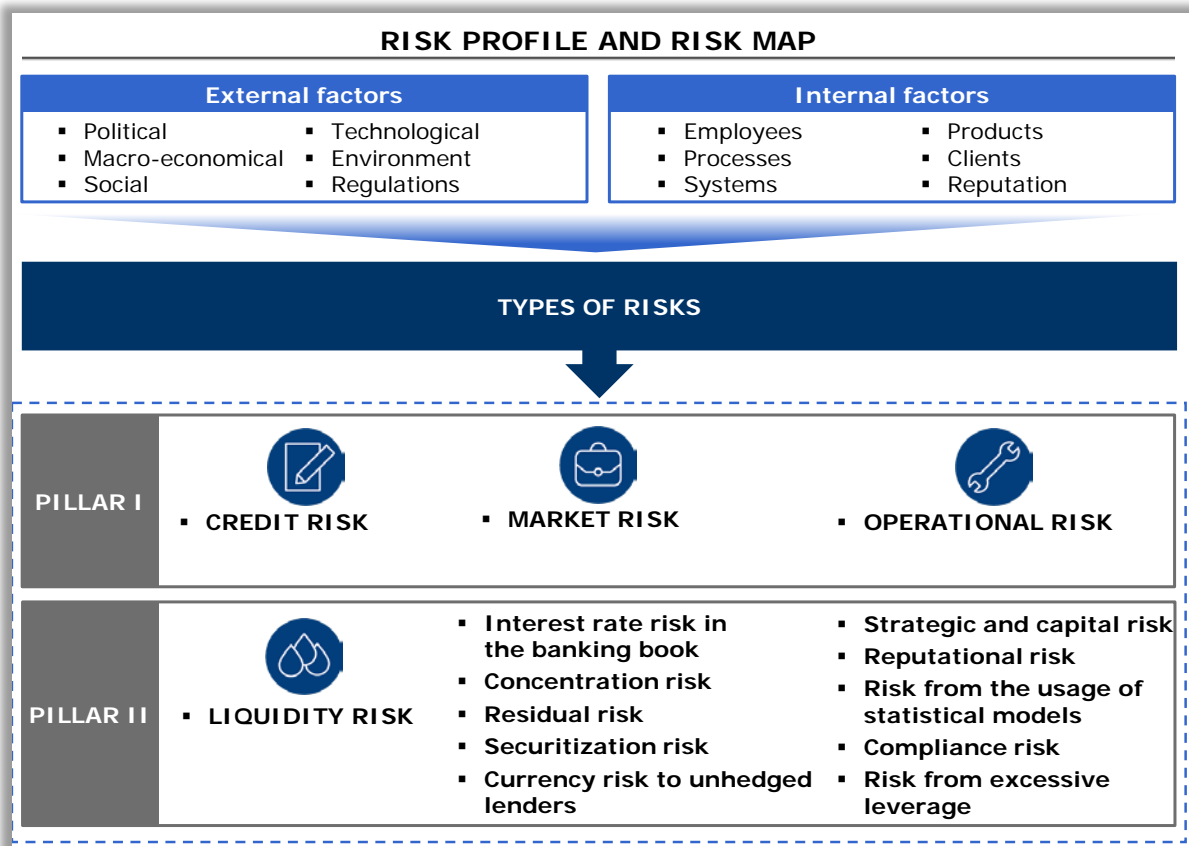
mechanisms for risk management in accordance with regulatory requirements and best practices. The main goals on the basis of which the risk strategy is structured, are defined, as follows:

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

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

RISK MAP

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



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

RISK APPETITE FRAMEWORK

During the year First Investment Bank developed and adopted a new **Risk appetite framework**, which is an integrated instrument for defining and limiting the overall risk level, which the Bank is willing and

able to take to achieve its strategic and business goals. For 2020, a medium-low level of risk appetite is set to be maintained.

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

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

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



RISK CULTURE

Prudent and consistent risk culture is one of the key elements of effective risk management. In compliance with the best standards, the Bank seeks to develop a risk culture that will further enhance visibility and prevention in terms of individual risk types, their identification, evaluation and monitoring, including by applying appropriate forms of training among the employees and senior management involved in risk management.

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

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



RISK MANAGEMENT FRAMEWORK

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

in case of potential occurrence of financial difficulties and for the continuity of processes and activities, including with regard to recovery of all critical functions and resources.



LINES OF DEFENCE

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

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

In 2020 the Bank updated and further developed its policies on internal governance, incl. on group level with respect to the internal control framework and the independent risk management, compliance and audit functions in accordance with the organizational structure and the applicable requirements in this sphere, including Ordinance No 10 of the BNB on the Organisation, Governance and Internal Control of Banks, Ordinance No 7 of the BNB on Organisation and Risk Management of Banks and the EBA Guidelines on internal governance (EBA/GL/2017/11).

STRUCTURE AND INTERNAL ORGANISATION

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

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

First Investment Bank has also developed a compliance function, whose main objective is to identify, assess, monitor and report the risk of non-compliance. The function ensures the compliance of activities with regulatory requirements and recognized standards, and supports the Managing Board and senior staff in the management and control of this risk. The function is organized under the subordination to the Chief Executive Officer, with direct reporting to the Risk Committee and/or the Supervisory Board. The Chief Executive Officer ensures the organization for applying the compliance function within the Bank, as well as its integration in the established risk management framework across the Bank, by all business units and at all levels.

First Investment Bank maintains an information system allowing for the measurement and control of risks through the use of internal rating models for assessment of the quality of the borrower, assigning of credit rating to exposure, and obtaining quantitative assessment of risk. The information system ensures maintenance of a database and subsequent processing of data for the purposes of risk

management, including for preparation of the regular reports necessary for monitoring the risk profile of the Bank.

COLLECTIVE RISK MANAGEMENT BODIES

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

Risk committee advises the Supervisory Board and the Managing Board in relation to the overall current and future strategy on ensuring compliance of the risk policy and risk limits, risk-taking propensity and control on its execution by the senior management. As at 31 December 2020, the Risk Committee consisted of three members of the Supervisory Board of First Investment Bank AD. The Chairman of the Risk Committee is Mr. Jyrki Koskelo, independent member of the Supervisory Board. The Bank fulfills the requirement towards significant banks, the majority of members of the committee to be independent under the meaning of art.10a, par.2 of LCI.

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

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

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

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

The **Operational Risk Committee** is an advisory body to the MB, designed to help the adequate management of operational risk by monitoring and analyzing operating events. The Committee

proposes measures to minimize operational risks, as well as prevention measures. The Chairman of the Operational Risk Committee is the director of Risk Analysis and Control department and the other permanent members are representatives of the following departments: Card Payments; Compliance – Regulations and Standards; Accounting; Operations and Branch Network. Additional members can participate: representatives from the Security, Legal and Human Capital Management departments.

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

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

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

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

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

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

The specialized unit Compliance – investment services and activities executes ongoing control over the execution of the regulatory requirements with respect to the Bank's activity as an investment intermediary and on the market abuse with financial instruments. As part of the compliance function there is a designated Data protection officer – *for further information see section „[Personal Data Protection](#)“.*



SYSTEM OF LIMITS

First Investment Bank applies a system of internal limits for different types of risks, in line with the regulatory requirements and the Bank's risk management strategy, including limits by client/counterparty, type of instrument and portfolio, sector, market, etc. The limits applied are

monitored on a regular basis and are subject to periodic review and update in line with the risk appetite, market conditions and current regulatory framework.

For more information on the internal limits for different types of risk, see the subsections on credit risk, market risk, liquidity risk, operational risk, as well as the Individual Financial Statements for the year ended 31 December 2020.

RECOVERY PLAN

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

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

The Recovery plan includes the detailed process of escalation and decision-making, as well as the units and bodies within the Bank responsible for its updating and implementation. It includes quantitative and qualitative early warning and recovery indicators, based on a wide range of capital, liquidity, profitability, asset quality, market-based and macroeconomic indicators, upon the occurrence of which a phased process is initiated, involving analysis and identification of the best way to overcome the crisis situation, as well as taking decisions to trigger the appropriate actions according to the procedures for reporting and escalation.

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

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

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



CREDIT RISK

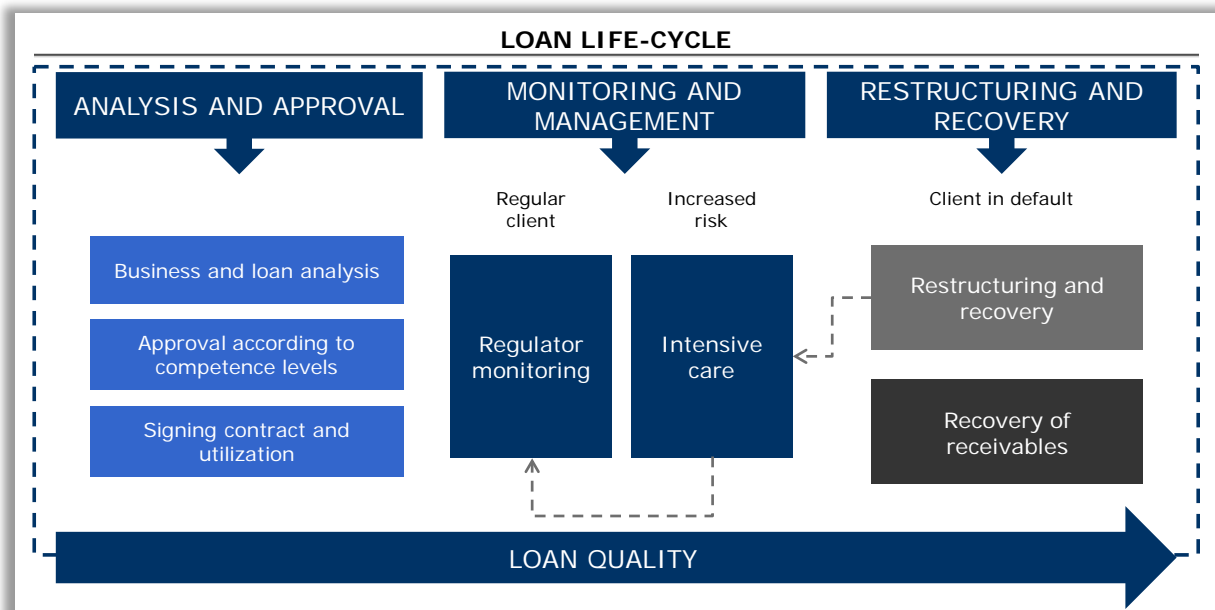
Credit risk is the risk arising from the debtor's inability to meet the requirements of a contract with the bank or inability to act in accordance with the agreed terms. The different types of credit risk include concentration risk, residual risk, dilution risk, counterparty risk, and settlement risk.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

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

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

LOAN PROCESS

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



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

First Investment Bank maintains systems for the ongoing administering and monitoring of different portfolios and exposures to credit risk, including aiming at recognizing and managing exposures in

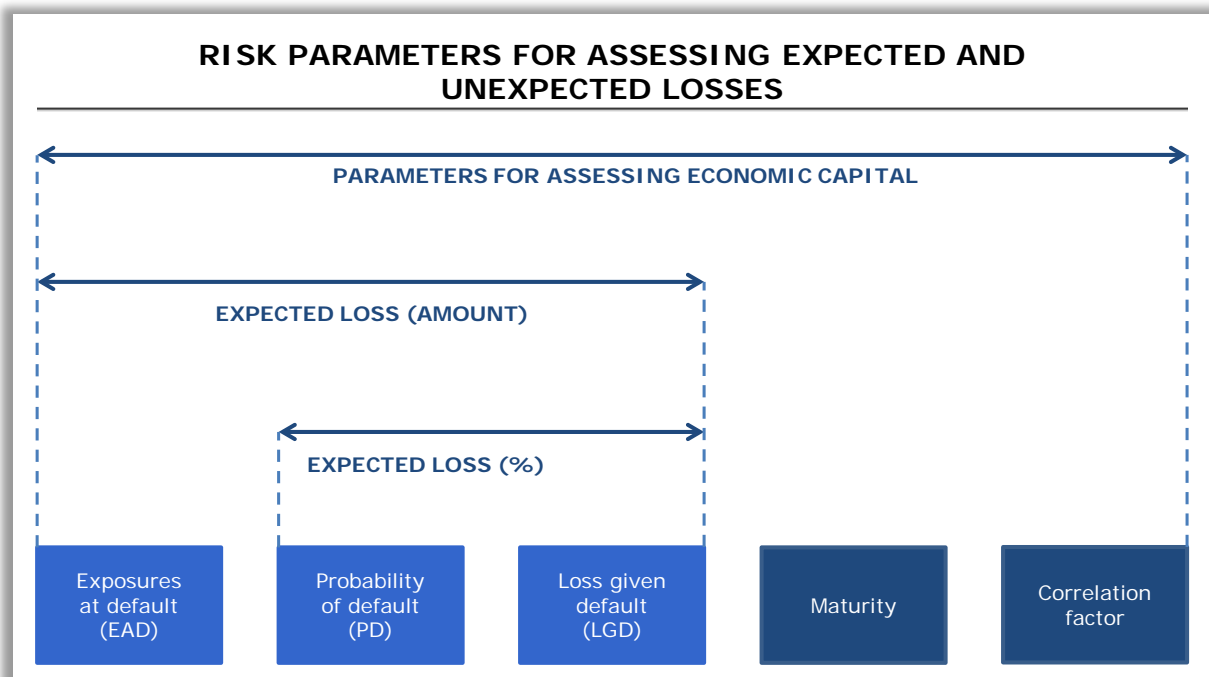
default and performing adequate value adjustments for credit risk. Considering the impact of the economic cycle, Fibank manages exposures in default with a view to their timely diagnosis and taking measures consistent with the repayment capacity of the clients and the Bank’s policy on risk-taking. The monitoring system of the Bank as well as the internal procedures for monitoring of credit exposures are subject to regular review and update, including with respect to the early warning signals. During the period was implemented a new software tool for organizing and maintaining electronic credit files.

In the Bank a separate department functions for Intensive loan management, which manages the exposures of customers transferred from the business units with increased credit risk compared to the initial disbursement of the loan, as well as from the impaired assets unit, when there are indicators for recovery of the exposure and objective possibility for future regular servicing. During the year efforts were allocated for enhancement of the internal rules for transfer of credit exposures, aiming at more effective allocation of the responsibilities and structuring an efficient process for managing exposures in the different phases of the life-cycle of the loan.

MODELS FOR CREDIT RISK MEASUREMENT

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

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



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

The Bank uses internal models for credit assessment of business and retail customers. Assessment models are based on quantitative and qualitative parameters, weights of individual parameters being defined on the basis of historical experience. Business clients are assigned a credit rating, while individuals are based on scoring. An additional assessment for business clients is made based on a

behavioral scoring model. The credit risk assessment derived from the rating models is further examined by a credit specialist/risk manager.

The Bank has project finance evaluation models (including for real estate, industrial projects and financing of individual fixed assets), applying quantitative analysis (based on estimated cash flows) and qualitative evaluation of the project and investor management, market environment and credit structuring, as well as a separate evaluation of the assets being funded. With the aim for their automation while applying a centralized approach, in 2020 it was finalized their implementation in the information systems of the Bank.

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

There is a structured process within the Bank for assessment and validation of the risk management models to ensure their reliability, accuracy and effective implementation. It envisages the preparation of regular validation reports in the Bank: brief/monitoring quarterly reports and extended annual validation reports, covering both quantitative analysis (statistical, econometric and other quantitative approaches) and analysis of the qualitative (non-statistical) characteristics, in compliance with the current regulatory requirements and good banking practices in the area. At the beginning of 2020, the rules for validation and assessment of models were updated with regards to more precise reflection of the time frame for preparing and reporting of the regular validation reports.

CREDIT RISK MITIGATION METHODS

Credit risk is managed also by acceptance of guarantees and collateral of types and in amounts according to the current regulations and the Bank's internal rules and requirements. First Investment Bank requires collateral for credit risk exposures, including for contingent liabilities which bear credit risk. For reduction of the credit risk the Bank applies established techniques, procedures and rules, ensuring effective credit protection, including through the monitoring and control of residual risk. Secured protection is ensured by assets which are liquid enough and have relatively unchanging value in time. The Bank applies internal written rules regulating eligible collaterals by type and amount, in compliance with the regulatory requirements for their recognition, as well as the legal requirements for supporting documentation. For reduction of credit risk, First Investment Bank applies the financial collateral simple method under the requirements of Regulation (EU) No 575/2013.

First Investment Bank currently monitors the relative regulations, as well as the acknowledged standards and good practices in this area, aiming constantly at further development and enhancement of the rules and processes existing in the Bank with respect to the acceptance, evaluation and management of collaterals, including with regards to the methods for evaluation.

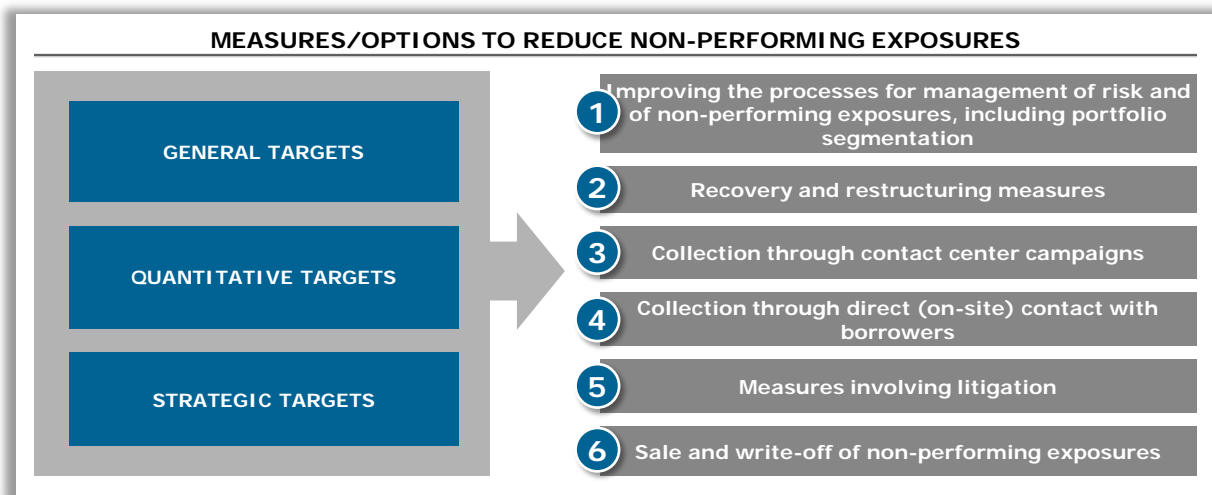
PROBLEM EXPOSURES AND STRATEGY FOR THEIR REDUCTION

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

Among the strategic priorities of the Bank regarding its risk profile is reducing the portfolio of nonperforming exposures, as in this regard actions were taken for their effective management aiming at achieving sustainable levels and good asset quality. In relation to this during 2020 a new **Strategy for reduction of nonperforming exposures and repossessed assets** for the period 2021-2023 was developed and adopted, as well as an operating plan for its implementation, in which measures adequate to the business model and risk profile were identified aligned with the EBA Guidelines on

management of nonperforming and forboren exposures (EBA/GL/2018/06). The main goals, on the basis of which the strategy is structured, include:

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



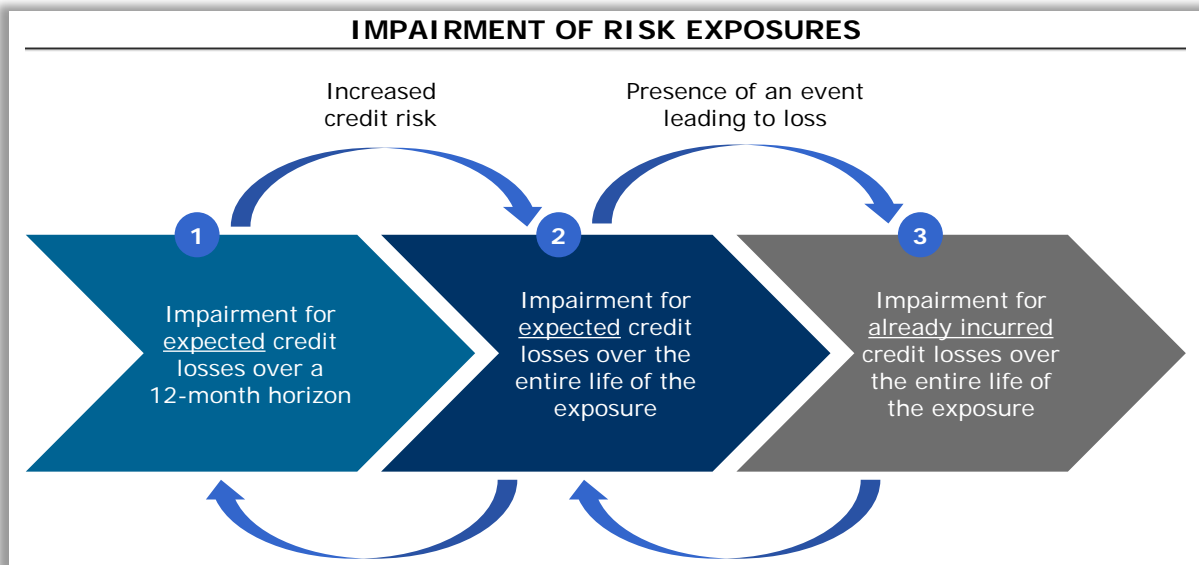
In 2020, First Investment Bank joined the Procedure for deferral and settlement of liabilities payable to banks and their financial institution subsidiaries in connection with the COVID-19 pandemic, prepared by the Association of banks in Bulgaria and approved by the BNB, as well as its extension of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

As at 31 December 2020, the ratio of nonperforming exposures under the FinREP framework decreased by 1.3 percentage points to 15.6% of gross loans and advances and debt instruments, other than held for trading, which the ratio of exposures over 90 days past due – by 0.3 percentage points to 8.1%.

IMPAIRMENT AND PROVISIONING OF RISK EXPOSURES

With respect to **impairment and provisioning** of risk exposures, First Investment Bank applies written rules, which are structured based on the principles of individual and portfolio evaluation of risk exposures, depending on the classification and amount of exposure. For exposures reported as non-performing specific impairment is determined, calculated on the basis of individual cash flows for

individually significant exposures, or on portfolio basis for the others. Regarding exposures reported as performing, the Bank applies impairment on a portfolio basis (taking into account potential losses), grouping exposures with similar credit risk characteristics. According to IFRS9 an allowance for impairment loss is calculated equal to the expected credit losses over the life of the instrument, if the credit risk of the financial instrument has increased significantly since the original recognition. Otherwise, an allowance for impairment losses is calculated equal to the expected credit losses over a 12-month horizon.



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

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

MARKET RISK

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

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

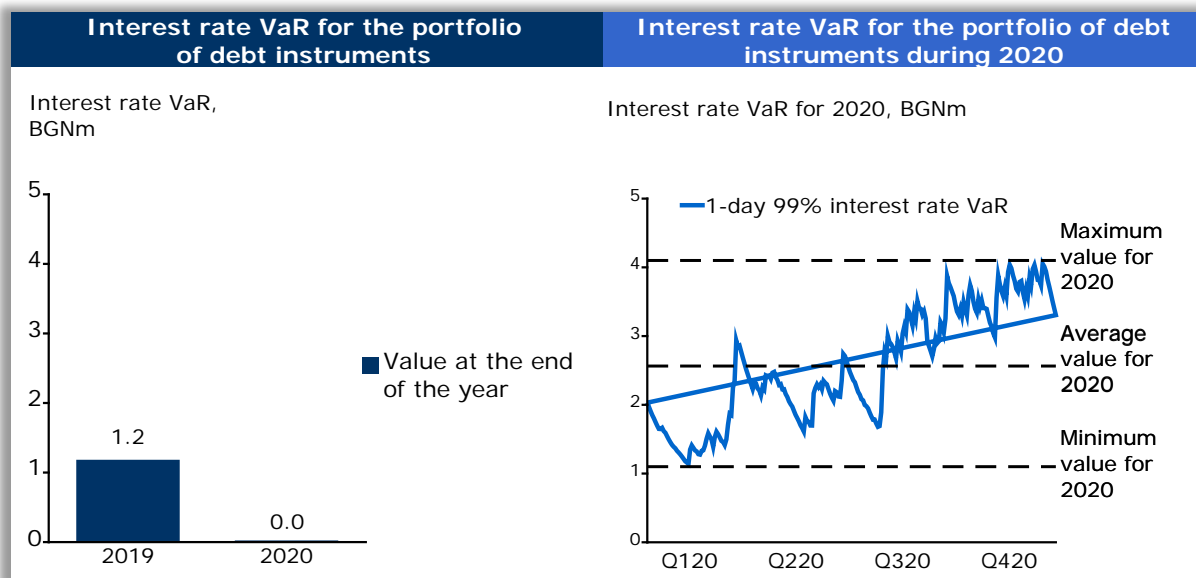
In 2020 the Bank reviewed and updated its limits with respect to investments in debt securities of governments and financial institutions in line with the market conditions developments and the opportunities for generating profitability and return.

INTEREST RATE RISK

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

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

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

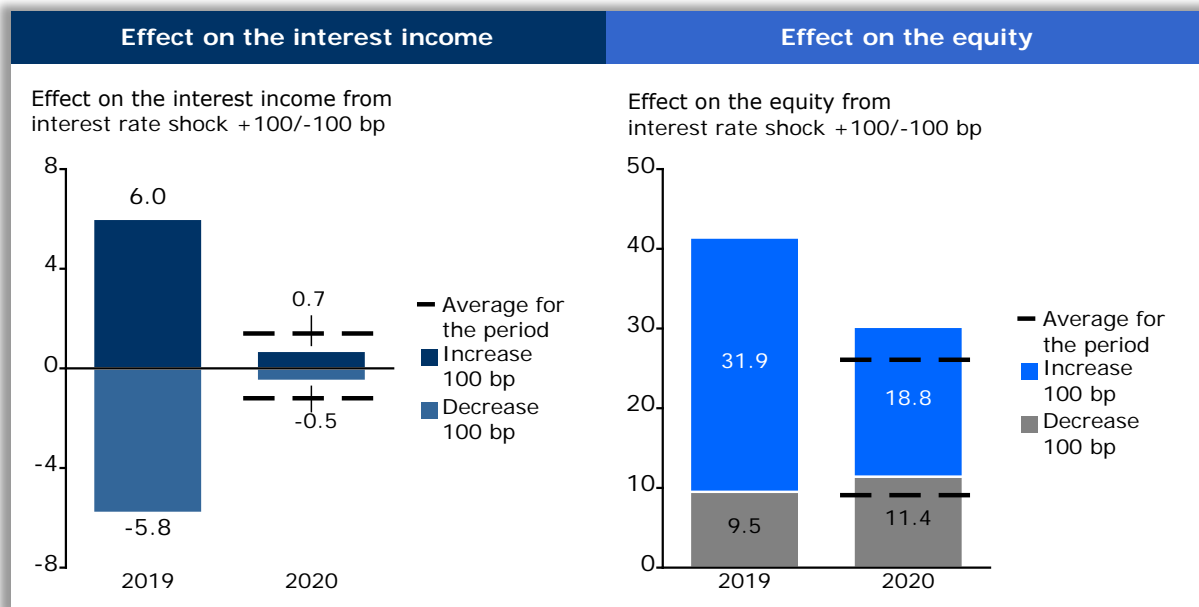


With regards to the interest rate risk in the banking book, First Investment Bank manages this type of risk through written rules, limits and procedures aimed at reducing the mismatch between the interest rate sensitivity of assets and liabilities in compliance with the EBA Guidelines on the management of interest rate risk arising from non-trading book activities (EBA/GL/2018/02) and the requirements of Ordinance No 7 of the BNB on Organisation and Risk Management of Banks. Interest rate risk in the banking book is measured using models that assess the impact of interest rate scenarios on the economic value of the Bank and on net interest income. Evaluation of the impact on the economic value of the Bank is based on models of the duration of interest-bearing assets and liabilities. The evaluation of the impact on net interest income is based on a maturity table of interest-bearing assets and liabilities and the estimated change in interest rates by classes of instruments following a change in market interest rates.

In 2020 the Bank updated and developed its risk framework for assessing interest rate risk in the banking book (IRRBB), taking into consideration the material sources of IRRBB for the Bank, incl. risk of non-compliance and optional risk, as well as the risk from change in the credit spread of financial instruments (CSRBB). The stress scenarios were expanded, taking into account also non-parallel change

in the interest rate curve. Reflected were also and various behavioral particularities in cash flows in the context of the different scenarios, as well as updated the limits for this type of risk.

As at 31 December 2020 the interest rate risk on the economic value of the Bank (IRRBB) following a standardized shock of +100/-100 bp was BGN +18.8/+11.4 million, while on the net interest income one year forward was BGN +0.7/-0.5 million.



CURRENCY RISK

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

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

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

For further information regarding market risk see note 3 "Risk management" of the Individual Financial Statements as at 31 December 2020.



LIQUIDITY RISK

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

First Investment Bank manages liquidity risk through an internal system for monitoring and daily liquidity management, maintenance of a sufficient amount of cash consistent with the currency structure of assets and liabilities and maturity ladder, regular gap analysis of inflows and outflows,

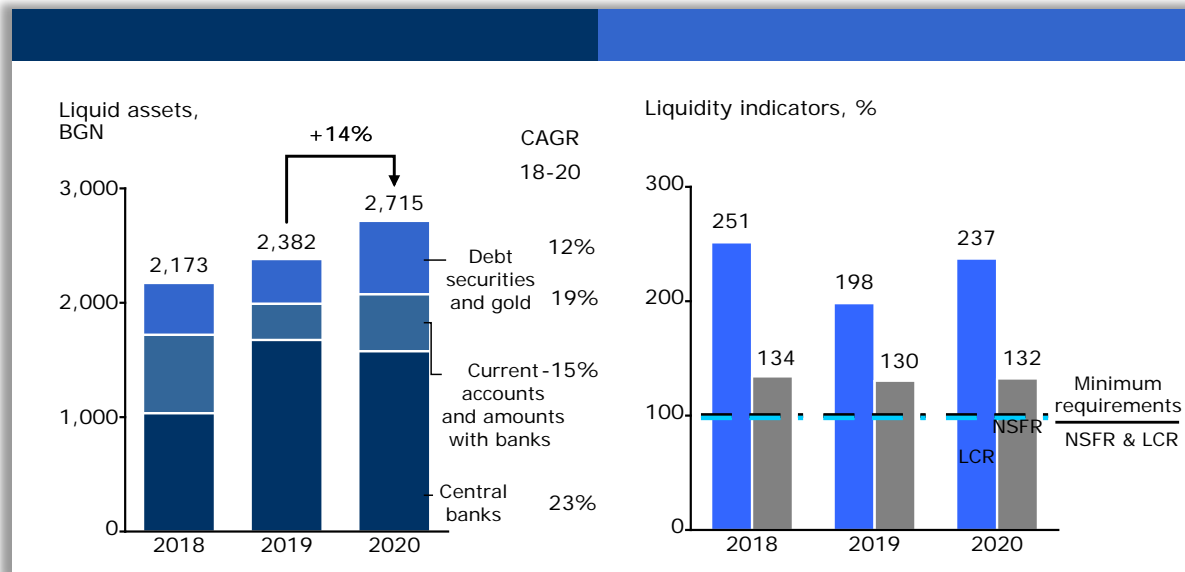
maintaining a low risk portfolio of assets to meet current liabilities, and operations on the interbank market.

In order to maintain a medium-low risk profile, Fibank has established an adequate framework for liquidity risk management. The Bank's policy on liquidity management is designed so as to ensure meeting all obligations even under stress originating from the external environment or from the specifics of banking activity, as well as to maintain an adequate level and structure of liquid buffers and apply appropriate mechanisms for the distribution of costs, profits and risks related to liquidity. The Bank applies a combination of methods, financial models and instruments for assessment and management of liquidity, including the requirements for reporting and monitoring of the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) in compliance with Regulation (EU) No 575/2013 and the applicable delegated regulations of the European Commission. In order to reduce the liquidity risk, preventive measures have been taken aimed to extend the maturity of borrowings from customers, to encourage long-term relationships with clients and to increase customer satisfaction. In order to adequately manage liquidity risk, the Bank monitors cash flows on a daily basis, and also maintains a maturity ladder, which is part of the additional liquidity monitoring indicators and a tool for detailed monitoring of cash inflows and outflows by maturity interval.

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

During the reporting year Fibank maintained an adequate volume of liquid assets, as at 31 December 2020 the ratio of liquid assets covering the attracted funds due to other customers amounted to 29.84%, which was significantly above the BNB recommended level of 20%. According to the regulatory requirements the Bank should maintain a buffer of liquid assets to ensure liquidity coverage of net liquidity outflows over a 30-calendar day stress period with a minimum amount of 100%. At the end of the reporting period, the liquidity coverage ratio (LCR) amounted to 236.84% on an individual basis (2019: 198.25%).

First Investment Bank also calculates a net stable funding ratio (NSFR), which is an instrument introduced to ensure that long-term liabilities are adequately covered by stable financing tools both under normal circumstances and in stress conditions.



At year-end, the net stable funding ratio amounted to 132.35% on an individual basis (2019: 130.38%) and was above the reference value of 100% before its introduction as a binding requirement in 2021 in accordance with Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012.

INTERNAL LIQUIDITY ADEQUACY ASSESSMENT PROCESS

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

In 2020, as part of its annual review process, the Bank updated its ILAAP report, including as regards the results of the applied stress scenarios and stress tests, as well as the composition of the maintained liquidity buffer. The internal liquidity indicators are set in compliance with the requirements for consistency with the Recovery Plan levels, the latter being part of the monitoring and early warning system incorporated in the Bank's risk management framework. With respect to the internal processes and organization on ILAAP the CFO has general responsibility for controlling the process for updating, for making proposals for amendments on the document, as well as ensuring control before presenting for approval from the competent bodies within the Bank.

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

of the deposit base and the sensitivity of the customers. In 2020, the methodology for the assumptions for stress tests was further developed, incl. usage of correcting coefficients of ECB and FED.

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

For further information regarding liquidity risk see note 3 "Risk management" of the Individual Financial Statements as at 31 December 2020.



OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed processes, people or systems, or from external events. In order to mitigate the risks arising from operational events, First Investment Bank applies written policies, rules and procedures that are based on the requirements laid down in Bulgarian and EU legislation and good banking practices. With respect to capital requirements for operational risk, the Bank applies the standardized approach as per requirements of Regulation (EU) 575/2013, incl. methodology for allocation of the indicators as per group activities.

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

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

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

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

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

INFORMATION SECURITY

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

An “Information security” department functions within the Bank under the supervision of the Chief Risk Officer, which coordinates the activities related to information security, defines the requirements towards controls and security of data, as well as organizes the execution of the Management Board’s decisions in this respect.

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

PERSONAL DATA PROTECTION

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

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

BUSINESS CONTINUITY MANAGEMENT

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

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

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

RISK EXPOSURES

As at 31 December 2020 First Investment Bank applied the standardized approach for the calculation of risk exposures for credit risk, in accordance with Regulation (EU) No 575/2013. Due to the limited

volume of financial instruments in the trading book (bonds and other securities) capital requirements are calculated in accordance with the requirements of Regulation (EU) No 575/2013 as applied to the banking portfolio. With respect to capital requirements for operational risk, the Bank applies the standardized approach as per requirements of Regulation (EU) 575/2013, incl. methodology for allocation of the indicators as per group activities.

| In BGN thousand/ % of total | 2020 | % | 2019 | % | 2018 | % |
|-----------------------------|------------------|------------|------------------|------------|------------------|------------|
| For credit risk | 6,518,978 | 92.2 | 6,092,908 | 91.1 | 6,019,548 | 90.4 |
| For market risk | 5,525 | 0.1 | 4,750 | 0.1 | 5,300 | 0.1 |
| For operational risk | 547,363 | 7.7 | 588,925 | 8.8 | 631,550 | 9.5 |
| Total risk exposures | 7,071,866 | 100 | 6,686,583 | 100 | 6,656,398 | 100 |

In 2020 the structure of risk-weighted assets comprised predominantly of those to credit risk at 92.2% of total exposures (2019: 91.1%), following by those for operational risk at 7.7% (2019: 8.8%) and to market risk at 0.1% (2019: 0.1%) The Bank continued to maintain a conservative approach in the risk assessment and risk management.

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

INTERNAL CAPITAL ADEQUACY ANALYSIS

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

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

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



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

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



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

For the purposes of the internal analysis of capital adequacy, Fibank manages the **interest rate risk in its banking book** by managing the structure of investments, controlling the costs and terms of financial liabilities, as well as controlling the interest rate structure of the loan portfolio and the other interest-bearing assets. The approaches of evaluating the effect of interest rates on the net interest income at a one-year horizon, and the effect on the economic value of the Bank are used. For calculating the sufficiency of the economic capital with respect to interest rate risk in the banking book the largest decrease in the economic value of the Bank or the net interest income is defined resulting in a shift of the yield curves in the following scenarios: Parallel shock – parallel increase/decrease of interest rate levels; Short rates shock – increase/decrease in the interest rate levels in the short part of the curve; Steepener – the short part of the yield curve registers decrease, while the long part – increase; Flattener – the short part of the yield curve registers increase, while the long part – decrease.



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

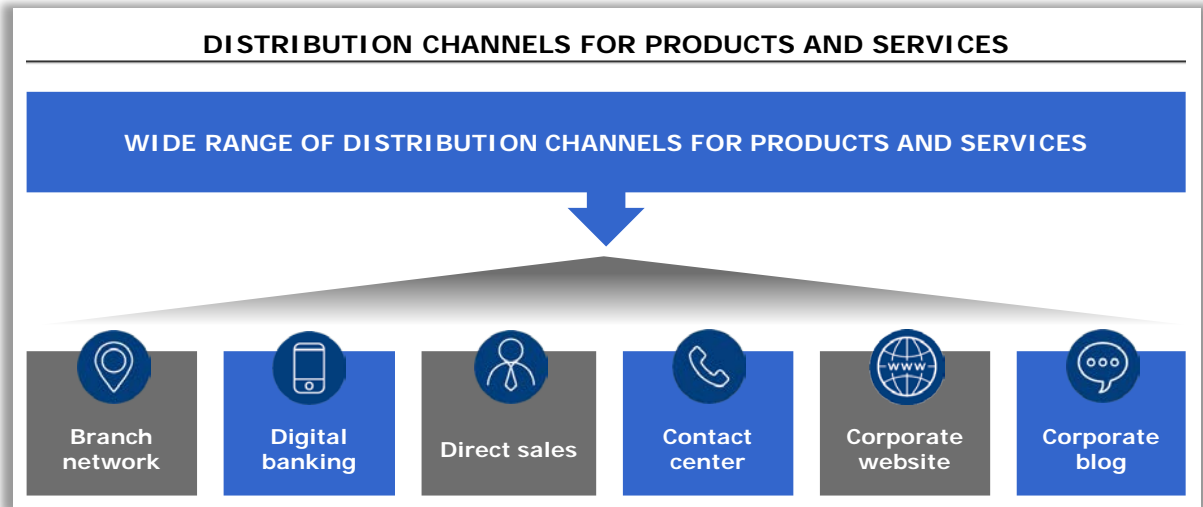


To assess **liquidity risk**, the Bank differentiates the analysis in two directions regarding the risk of insolvency and the risk of providing liquidity. The risk of insolvency is managed and covered by maintaining an appropriate buffer of unencumbered, highly liquid assets, while the risk of providing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

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

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

DISTRIBUTION CHANNELS



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

BRANCH NETWORK

First Investment Bank strives to maintain an adequate balance between a well-developed network of physical locations and the provision of modern remote banking techniques, including in the context of the digital transformation in the banking sector.

In 2020, the Bank optimized its branch network, taking into account the external environment and market conditions, the workload of individual locations and the volumes of activity. Nine offices were closed during the year, four of them in Sofia and five in the rest of the country. As at 31 December 2020, the branch network of First Investment Bank comprised a total of 135 branches and offices on an individual basis (2019: 144), located in 60 cities in Bulgaria: 47 locations in the city of Sofia (2019: 51), 87 branches and offices in the rest of the country (2019: 92), and one foreign branch in Nicosia, Cyprus.

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



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

As part of the ongoing improvement and optimization of processes, the work on the

branch digitization project continue to, aimed at modernization and installing new devices for digital services in the Bank's offices. In the Bank is working a centralized back office, which performs activities related to directing, distributing, processing and archiving customer and payment documents.

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

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

In addition to its well-developed branch network, Fibank also uses

other channels for distribution of products and services: a wide network of ATM and POS terminals, remote access to information and services through its own contact center, direct sales, digital banking.

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



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

In 2020, Fibank's Contact Center functioned as an effective channel for communication and targeted selling of products and services. It also contributed to the attraction of new and retention of current

customers through the provision of services in accordance with the Bank's established standards and business objectives.

In pursuit of its strategic focus on high standards in customer service, Fibank has consistently worked towards developing and diversifying the services offered through the Contact Center in line with customer needs and new technologies. Through the Contact Center, customers may also apply for debit card overdrafts or apply for consumer loans. In connection with the state of emergency and the measures related to the spread of the coronavirus in the country, a process was launched to accept requests for deferral of installments on loans and credit cards of individuals and business customers. They may receive up-to-date and timely information on products and services, the Tariff and interest rates of the Bank, the location of branches and their working hours, as well as adequate and professional assistance by employees in case of questions or problems. Customers may communicate remotely with the Bank by phone, email or online chat in real time through the corporate website of the Bank.



Throughout the year, about 30 outgoing campaigns of different nature and topics were conducted through the Contact Center, including information campaigns, direct marketing of products and services, consumer opinion surveys, as well as campaigns in support of loan collection (soft collection). Over 62,000 outgoing calls were made, with a high response rate achieved.

For the reporting period, the Contact Center received over 110,000 incoming calls, more than 10,000 emails and conducted over 620 chat conversations in relation to various inquiries and requests by existing or potential customers, including on general banking information, card services, contact and reference information, product requests, etc.



CORPORATE WEBSITE - www.fibank.bg

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

The corporate website has a number of features, including visualization elements in line with current digital trends and features for intuitive design and personalized content. They provide an easy way to compare products and services offered by the Bank, allowing customers to quickly select the ones that best meet their needs. Personalization of vision to different types of customers was among the main innovations introduced by Fibank in the development of its corporate website.



CORPORATE BLOG

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

Over the years, the Bank has strived to continuously develop its corporate blog in line with current trends in communication in the Internet environment, while maintaining an intuitive and user-oriented

approach, design and functionality of the platform. It engages in open dialogue and customer feedback, thus enabling the Bank to explore the usability of products and services, as well as customer satisfaction. In addition to the new topics related to products and services of the Bank, incl. in support of individuals and legal entities affected by the situation with COVID-19, the corporate blog presents the diverse range of social and corporate initiatives of the Bank, financial analyzes and studies related to the market of banking products and services in the country, current news on various topics, as well as useful information for customers. It provides an open dialogue and feedback with customers, thus providing an opportunity to study the usability of the Bank's products and services and customer satisfaction.

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

SALES

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

In 2020, First Investment Bank continued to attract new corporate customers from different market segments using direct sales. This approach helps to build long-term relationships with key customers, as well as to obtain direct feedback on the Bank's products and services.

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

DIGITAL BANKING

MY FIBANK ELECTRONIC BANKING

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

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

In line with current trends, in 2020 the process of remote signing of documents was further developed, including the option to apply for credit products (consumer loans, credit cards, etc.) and sign agreements entirely online through the My Fibank platform, without visiting an office of the Bank. A functionality was also



added to allow electronic submission of debit card applications and signing of agreements. In connection with the measures to counteract the spread of COVID-19, in March 2020 a special package of free digital services was launched. The Bank took part in the annual conference organized by the Banker newspaper, entitled "Adaptation and management of digital portfolios, digital banking services and customer contacts in a pandemic crisis."

In compliance with the Strong Customer Authentication (SCA) requirements, First Investment Bank provides the software Fibank Token as a means of signature and identification in the electronic banking system, which includes two-factor authentication and the use of QR code scanning technology. During the year, the Bank added SMS confirmation for transfers made using a hardware token, providing dynamic linking of transactions with specific amounts and recipients.

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

In addition, using the arrangements of PSD2 to expand and integrate its services to customers, First Investment Bank has provided its customers the provision of the new services for account information and payment initiation services, via the My Fibank mobile banking platform. In 2020, Fibank continued to develop its open banking services, making them available to customers not only on Android, but also on iOS devices through My Fibank. *For more information on open banking, see section [Payment services](#).*

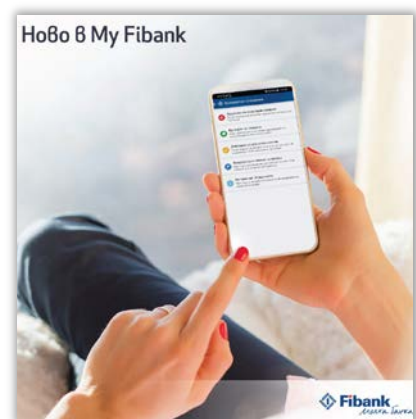
During the period, the integrated e-banking platform My Fibank continued to establish itself as a channel generating a predominant share of the total transfers of the Bank. Growth was reported both in transactions and in the number of customers using the platform.

MY FIBANK MOBILE APPLICATION

The My Fibank mobile application is part of the My Fibank electronic banking providing remote access to the integrated platform through the use of a mobile device. The application is available to customers after installation from the online store for the respective operating system of the device (AppStore, Google Play), and since 2020 from one of the biggest software online store - Huawei AppGallery.

With the mobile application, customers to use the same active and passive banking they are registered for in the electronic platform, subject to limits predetermined by the Bank, or by the customer, as a key innovation done in 2020 provided business customers to use active banking through the mobile application. In addition, the innovative Digital Payments service developed by Fibank allows customers to use a digital bank card through the mobile application and thus to make digital payments with their NFC enabled mobile device at POS terminals supporting contactless payments.

A number of innovations were made during the year, including with respect to the requirements for Strong Customer Authentication (SCA). In addition to the SMS confirmation for transfers made using a hardware token, an option was provided for customers of the mobile application to authenticate their online card transactions with biometric data (fingerprint/facial recognition).



During the period, in connection with the digitization of the Bank's cards, including through third-party applications, the range of cards that can be digitized was expanded to include MasterCard and VISA. The option was provided to cardholders, depending on the functionality supported by third-party application (e.g. Apple Pay), to access it through the My Fibank mobile application. *For more information on digitizing cards through external providers see the [Card Payments](#) section.*

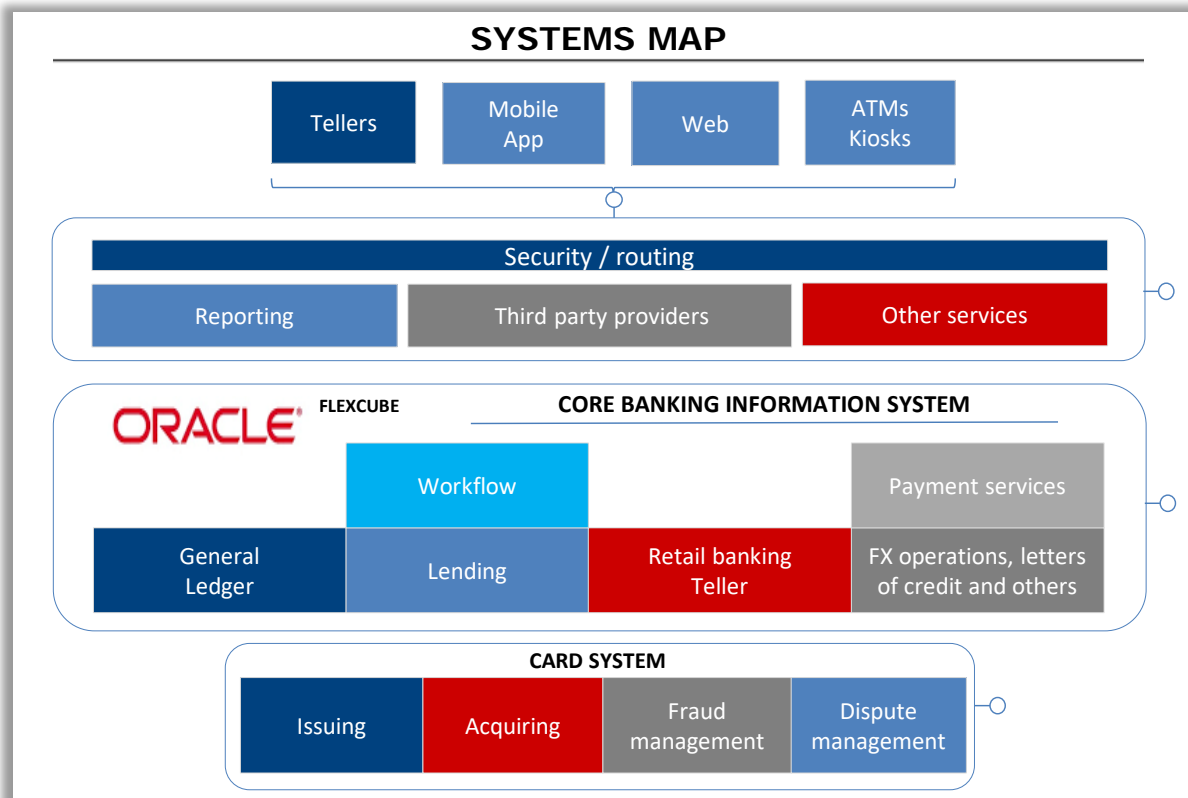
During the year the so-called push notifications were further developed to provide a variety of information to customers, including on transfers ordered via e-banking, debiting and crediting of accounts, card authorizations, credit card payments due, utility payments, account opening, as well as changes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

INFORMATION TECHNOLOGY

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

In 2020, Fibank continued to develop in this direction, consolidating its position among the most technologically advanced and innovative institutions in the Bulgarian banking market. Over the year, First Investment Bank developed further the functionalities of its API portal, e.g. the services offered through the open banking which are accessible for the Bank's clients not only on Android based devices but also on iOS devices through My Fibank. New projects have been started like "Instant payments in BGN" through the BISERA 6 system, operated by BORICA AD, as well as project for participation in the new payments organization – real time settlement Continuous Gross Settlement (CGS) in STEP2-T system, operated by EBA Clearing.

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



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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE

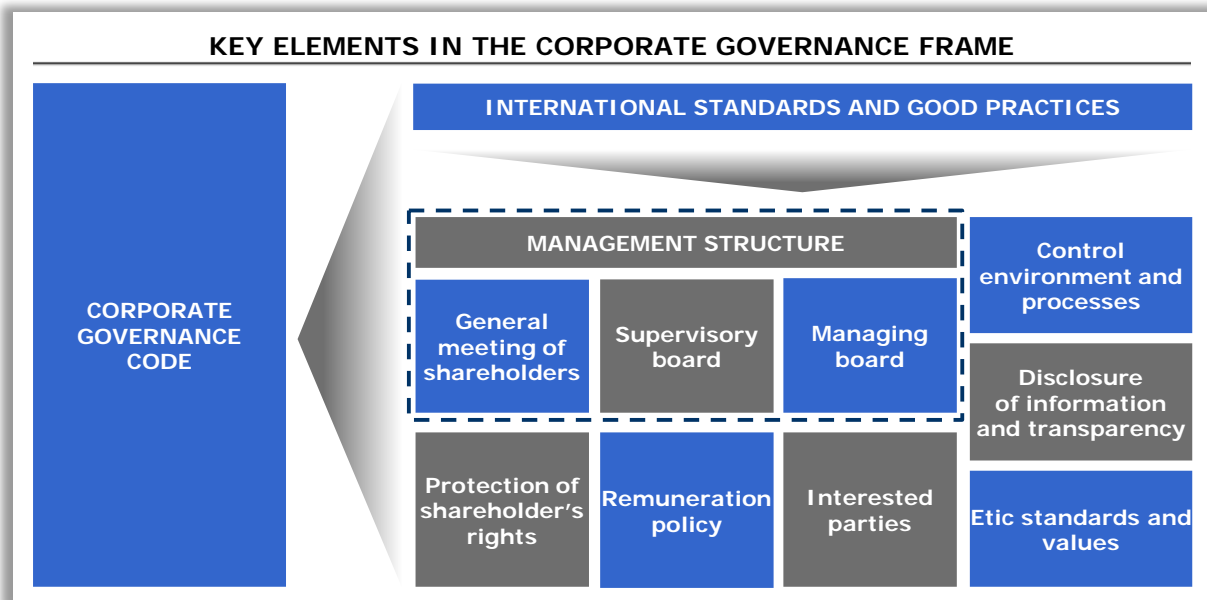
As a public company and public interest entity, First Investment Bank discloses information about its corporate governance practices. This section of the Annual Report represents a

Corporate Governance Statement

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

CORPORATE GOVERNANCE FRAMEWORK

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



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

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

In 2020, the Bank enhanced its policies on internal governance, incl. on managing of conflicts of interest, on suitability assessment of the members of the managing and supervisory bodies and the key function holders, on outsourcing activities, on internal organization and reporting of the independent functions of compliance and internal audit, as well as the policies on internal governance on group level. The amendments were aligned with the requirements of the Law on Credit Institutions, Ordinance No 10 of

the BNB on the Organisation, Governance and Internal Control of Banks, Ordinance No 20 of the BNB on Issuance of Approvals to Members of the Management Board (Board of Directors) and Supervisory Board of a Credit Institution and Performance Requirements for Their Duties, and the EBA Guidelines on internal governance (EBA/GL/2017/11) and joint EBA and ESMA Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2017/12).

CORPORATE GOVERNANCE CODE

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

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

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

In compliance with the requirements of the applicable legislation, First Investment Bank annually discloses information on the corporate governance practices and meeting the requirements set in the Corporate Governance Code of First Investment Bank applying the “comply or explain” principle. Along with its annual report and financial statements, the Bank 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. Both documents are publicly available at the corporate website of the Bank (<https://www.fibank.bg/bg/zananas/korporativno-upravlennie/kodeks-na-korporativno-upravlennie>).

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

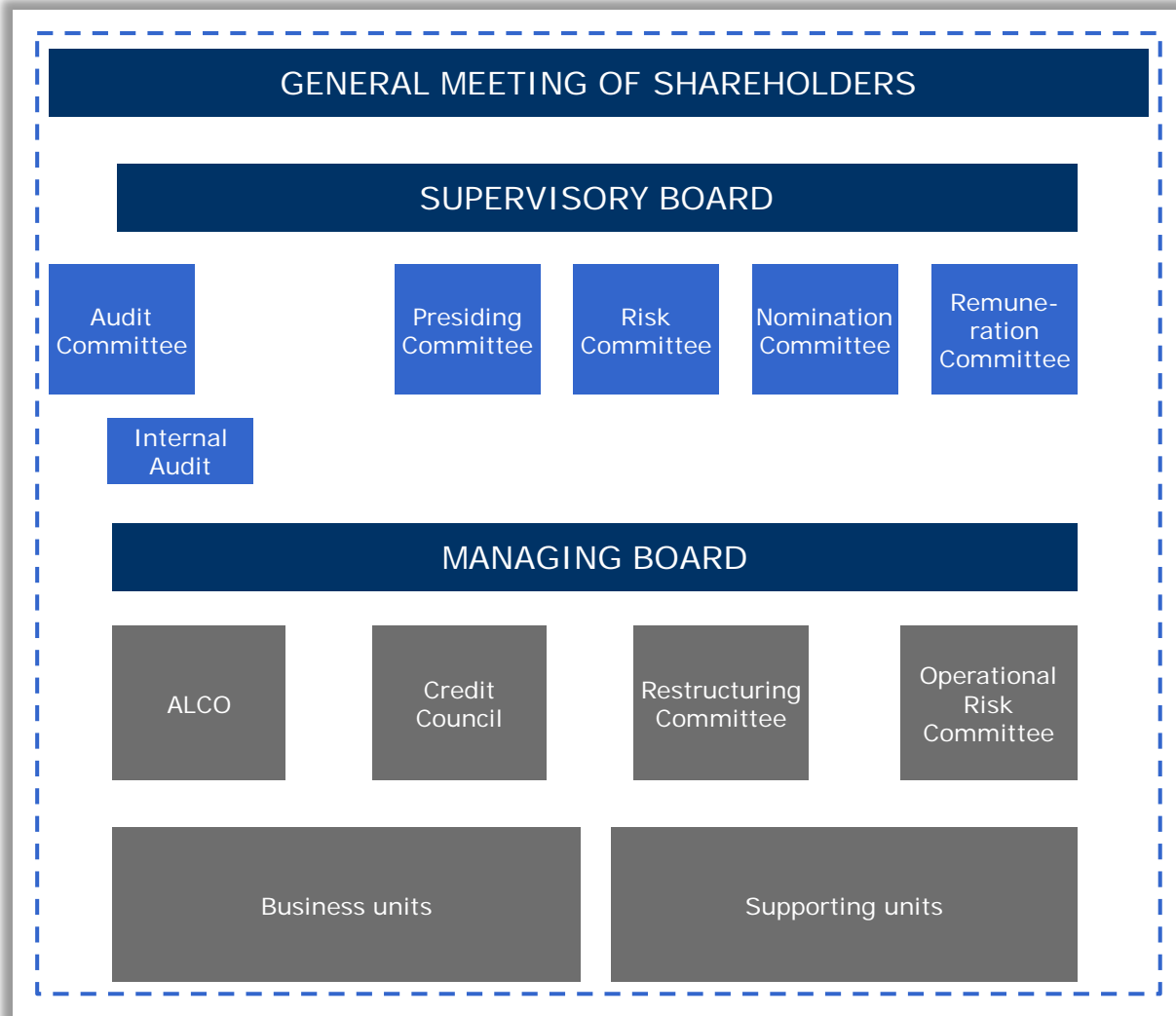
CODE OF CONDUCT AND WHISTLEBLOWING POLICY

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

The Bank, led by the understanding that following a lawful and ethical conduct in relations between managerial staff, employees, customers and partners of the Bank is an important aspect underlying its overall activity, has in place a whistleblowing policy. The Policy aims to systematize the means and procedures for internal sharing of information where there are suspicions of unlawful actions, or

problems related to the work process, thereby ensuring their transparent and fair consideration and resolution. The creation of conditions for reporting in an environment of trust and respect, as well as for carrying out consistent and impartial actions to verify the received reports, is a key element in preserving the Bank's high corporate spirit and reputation.

MANAGEMENT STRUCTURE



SUPERVISORY BOARD

STRUCTURE AND COMPETENCES

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

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

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

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

DIVERSITY POLICY AND INDEPENDENCE

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

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

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

EQUITY SHARE

As at 31 December 2020 the members of the Supervisory Board held a total of 377,106 shares of Fibank and none of them owned more than 1% of the issued share capital.

| Number of shares / % of issued share capital | 2020 | % |
|----------------------------------------------|----------------|-------------|
| Evgeni Krastev Lukanov | 337,139 | 0.23 |
| Maya Lubenova Georgieva | 11,388 | 0.01 |
| Georgi Dimitrov Mutafchiev | 9,454 | 0.01 |
| Radka Vesselinova Mineva | - | - |
| Jordan Velichkov Skortchev | 19,125 | 0.01 |
| Jyrki Ilmari Koskelo | - | - |
| Total | 377,106 | 0.26 |

FUNCTIONS AND RESPONSIBILITIES

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

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

The meetings of the Supervisory Board are scheduled in advance based on an annual activity plan. In 2020 the Supervisory Board addressed issues of its competence at 39 meetings. Focus in the activity throughout the year was set on the exercise of regular oversight on the execution of the risk management strategy and approval of the updated strategy with 3-year horizon and new risk appetite framework of the Bank, in this respect receiving active assistance by the Risk Committee. A regular review during the first seven months of 2020 was performed on the realization of the strategic project for capital increase of the Bank under the conditions of a public offering. Reviewed and discussed regularly were also topics on Bank's development in the COVID-19 pandemic situation, incl. measures for minimizing the consequences and at the end of the year approval of the budget framework for 2021. During the year the Supervisory Board performed oversight on the execution of the business development strategy, as well as of the reliability of financial information and accountability, as well as the internal control framework, receiving active assistance to that effect by the Audit Committee. Regular review was performed on the financial results, market shares and competitive position of the Bank, effectiveness of the branch network, as well as potential spheres for development. The members of the Supervisory Board were also regularly informed about the development and alignment of the activity with new regulatory requirements.

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

exchanged between the members of the Supervisory Board, members of the committees and the Managing Board.

ASSESSMENT OF THE ACTIVITY

Once a year, the Supervisory Board performs an assessment of the effectiveness of its own activities as a collective body and individually, assessment of the governance practices and procedures, as well as of the functioning of the Managing Board and the committees to the Supervisory Board. Such assessment for 2020 was accomplished at the end of the last quarter of the year.

COMMITTEES

The Supervisory Board is supported in its activity by a Presiding Committee, a Risk Committee, a Remuneration Committee, and a Nomination Committee which function according to written competencies, rights and responsibilities in compliance with the applicable regulatory requirements.

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

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

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

During the reporting period, the Risk Committee in relation to its competences held 13 meetings, as reviewed updated plans and regular reports on risk, including the Recovery plan aiming at coordinated execution and consistent application. During the year the committee coordinated and gave recommendations on updated Risk management strategy with 3-year horizon, as well as new risk appetite framework of the Bank. It was regularly informed on and reviewed the execution of the risk strategy, as well as effectiveness of the internal systems for management and control of risk, including the compliance function. During the year the Risk committee gave recommendations with respect to loan deals subject to prior approval by the Supervisory Board, as well as discussed on the expected effect on the loan portfolio as a result of the COVID-19 pandemic.

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

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

The Nomination Committee assists the Supervisory Board in assessing the individual and collective suitability of members of the Supervisory Board and Managing Board, as well as assessing the suitability of the key function holders in compliance with applicable regulations and the Policy of First Investment Bank for nomination and assessment of the suitability of members of the managing and supervisory bodies and persons holding other positions. Chair of the Nomination Committee is Mr. Jordan Skortchev. The Bank fulfills the requirement towards significant banks, the majority of the members of the committee to be independent under the meaning of art.10a, par.2 of LCI.

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

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

First investment Bank fulfills the requirement the majority of the members, incl. the chairman of the Audit Committee to be external and independent from the Bank. The Chair of the Audit Committee is Mr. Georgi Trenchev who possesses high financial competencies as well as the knowledge, professional experience and qualifications in the field of accounting and financial audit necessary for the effective performance of his duties. In July 2020 on the General meeting of shareholders Mrs. Rositsa Asova was re-elected for a new 3-year term as an independent member of the Audit Committee of the Bank.

During the year, the Audit Committee held 15 meetings, addressing various matters of its competence, including developing the internal policies regarding internal control function within the Bank, recommendations on the selection of statutory auditors, ongoing monitoring of financial reporting and independent financial audit, monitoring the effectiveness of the internal audit function and control systems, including through regular meetings held with the Chief Financial Officer, the Director of Internal Audit, as well as with representatives of the statutory auditors of the Bank.

MANAGING BOARD

In 2020 changes were made in the composition of the Managing Board of First Investment Bank. In February 2020 Mr. Nikola Bakalov was elected as new executive director and member of the Managing Board, who subsequently was elected as Chief executive offer and Charmain of the Managing Board of the Bank. In May 2020, Mrs. Ralitsa Bogoeva was elected as new executive director and member of the Managing Board with responsibilities for the retail banking segment, while in June 2020, Mr. Ianko Karakolev was registered as a new member of the Managing Board functioning as Chief Financial Offer. The new members of the Managing Board are long-term employees, taking various managerial positions

within the Bank and/or its subsidiary companies, with large professional experience in the banking and financial sector and with high professional qualifications.

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

STRUCTURE AND COMPETENCES

At the end of 2020 the Managing Board of First Investment Bank AD consisted of six members elected by the Supervisory Board on the recommendation of the Nomination Committee, in accordance with the requirements of applicable law, the Statute of the Bank, and the Policy of First Investment Bank for nomination and assessment of the suitability of members of the managing and supervisory bodies and persons holding other positions.

| Name | Position |
|----------------------------------|---------------------------------------------------------------------------------------------|
| Nikola Hristov Bakalov | Chief Executive Officer (CEO), Chairman of the Managing Board |
| Svetozar Alexandrov Popov | Chief Risk Officer (CRO), Member of the Managing Board and Executive Director |
| Ralitsa Ivanova Bogoieva | Chief Retail Banking Officer (CRBO), Member of the Managing Board and Executive Director |
| Chavdar Georgiev Zlatev | Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director |
| Ianko Angelov Karakolev | Chief Financial Officer (CFO) and Member of the Managing Board |
| Nadia Vasileva Koshinska | Member of the Managing Board and Director of SME Banking Department |

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

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

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

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

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

The composition of the Managing Board is structured so as to ensure effective management of operations, subject to the generally accepted principles of managerial and professional competence and clear separation of duties and responsibilities. The Bank is represented together with each two of the executive members of the Board (executive directors).

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

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

EQUITY SHARE

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

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

FUNCTIONS AND RESPONSIBILITIES

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

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

COMMITTEES AND COUNCILS TO THE MANAGING BOARD

The activity of the Managing Board is supported by collective bodies, including the Credit Council, Assets, Liabilities and Liquidity management Council (ALCO), Restructuring Committee, and the Operational Risk Committee, which function according to written structure, scope of activities and functions – *for more information see section „[Risk Management](#)“*.

Other internal collective bodies also operate in the Bank, e.g. an IT Committee, which as an auxiliary body to the MB, is responsible for monitoring the implementation of the Bank's IT strategic program, and to manage and control the IT project portfolio, the targeted use of resources and the approved budget in this area – *for more information see section „[Information technology](#)“*.

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

As an auxiliary body in the Bank functions also Commission on cash operations, chaired by the Chief Retail Banking Officer, while the rest of the members include directors of the following departments: Vault, Accounting, Branch Network and Analysis and Control of Risk, and the deputy director of Security department.

GENERAL MEETING OF SHAREHOLDERS

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

In July 2020, an Annual General Meeting of Shareholders was held, which represented 86.29% of the share capital and voting rights, at which a decision was taken that the entire net profit of the Bank for 2019 shall be capitalized, and no dividends shall be paid or other deductions made from the profit for 2020, with the aim of its inclusion in the common equity tier 1 capital of the Bank. The General Meeting of Shareholders elected registered auditors for performing independent financial audit of the Bank for 2020 – BDO Bulgaria OOD and Mazars OOD. The companies were elected after prior approval of the Bulgarian National Bank and recommendation from the Audit Committee of the Bank based on criteria for coordination of the selection, approved by the BNB together with the Commission for Public Oversight of Statutory Auditors. Decision were taken on the GMS for re-election of members of the Supervisory Board and of the Audit Committee – *for further information see section „[Supervisory Board](#)“*.

With a view to greater efficiency and facilitating the implementation of certain decisions, the General Meeting of Shareholders with its previous decisions of 19.06.2019, 29.05.2017 and 16.05.2016 authorized the Management Board, with the prior approval of the Supervisory Board, to adopt resolutions for: issuance of mortgage bonds under the Law on mortgage bonds with a general nominal amount of BGN 400,000,000 with maturity up to 10 years from date of issuance and other conditions, defined by the Managing Board (within a period of 5 years as from 23.07.2019); for increase, through

issuance of new shares, of the Bank's capital until it reaches an aggregate nominal amount of BGN 210,000,000.00 (within a period of 5 years as from 23.06.2017), as well as for the issuance of debt instruments, including subordinated term debt and debt/equity (hybrid) instruments, up to the aggregate amount of BGN 2 billion or its equivalence in another currency (within a period of 5 years as from 16.06.2016).

CONTROL ENVIRONMENT AND PROCESSES

The Bank has established and constantly improves a reliable and comprehensive internal control framework which includes control functions with the necessary powers and rights of access, enabling independent performance of duties by the structural and auxiliary units exercising monitoring and control.

The risk management processes, procedures and requirements are structured according to the "three lines of defense" principle, which include the business units, risk management and compliance functions, as well as internal audit. The control functions are independent of the operational business units which they monitor and control, and are also organizationally independent of one another as they perform different functions. *For more information on risk management and compliance functions see section „[Risk Management](#)“.*

In 2020, First Investment Bank continued to further develop its internal policies on internal control framework in compliance with the requirements in this sphere, including Ordinance No 10 of the BNB on the Organisation, Governance and Internal Control of Banks and EBA Guidelines on internal governance (EBA/GL/2017/11). During the period, the Policy for compliance of the activity with the regulatory requirements and standards (compliance) was updated, as well as the Rules for applying the compliance function within the Bank, incl. changes made in the internal organization in compliance function, as well as enhancing the reporting requirements and managing the risk of non-compliance.

First Investment Bank applies written policies and rules regarding the disclosure of conflicts of interest, as in 2020 a new Policy for managing of conflict of interest was adopted, which consolidates the requirements in the applicable internal banking documents and further develops the necessary organization for timely identification, management, avoidance and minimizing present and potential conflicts of interest. In this regard, the Whistleblowing policy was also updated, which aims at systematizing the means and procedures for internal sharing of information where there are suspicions of unlawful actions, or problems related to the work process, whereby to ensure their transparent and fair consideration and resolution.

INTERNAL AUDIT

The internal audit function established in First Investment Bank has broad powers, independence, resource availability and access to the competent management and supervisory bodies. It contributes to the effective management of the Bank, giving reasonable assurance that legal regulations, rules and procedures are adhered to, and appropriate and timely corrective actions are taken, thereby helping to reduce the risk of losses and to achieve the business objectives of the Bank.

The internal audit carries out periodic inspections to ensure the achievement of goals and objectives, the economical and efficient use of resources, adequate control of various risks, protection of assets, reliability and integrity of financial and management information, and compliance of activity with current legislation and the existing policies, plans, internal rules and procedures.

The 2020 General Meeting of Shareholders of First Investment Bank approved the 2019 annual report of the Internal Audit which informs shareholders of the main results of the control activities of internal auditors, the measures taken, and their implementation. During the period the rules related to the audit

function were updated in compliance with the applicable regulatory and other requirements and standards in this sphere.

REGISTERED AUDITORS

The annual financial statements of First Investment Bank are subject to independent financial audit jointly by two audit companies, which are registered auditors pursuant to the Law on Independent Financial Audit and in compliance with the applicable legislation. In order to ensure transparency and to disclose the results of the Bank to all stakeholders, the audited financial statements are published in Bulgarian and English on its corporate website at www.fibank.bg.

The registered auditors are elected by the General Meeting of Shareholders on a proposal by the Supervisory Board and following a recommendation by the Audit Committee of the Bank. The registered auditors are audit companies independent from the Bank, and their selection is also agreed in advance with the Bulgarian National Bank based on criteria for coordination of the selection, approved by the BNB together with the Commission for Public Oversight of Statutory Auditors.

The registered auditors selected to perform independent financial audit of the annual financial statements of the Bank for 2020 are:

- ◆ BDO Bulgaria OOD, UIC: 831255576, entered in the register of registered auditors, maintained by the Commission for Public Oversight of Statutory Auditors under registration № 016; and
- ◆ Mazars OOD, UIC: 204638408, entered in the register of registered auditors, maintained by the Commission for Public Oversight of Statutory Auditors under registration № 169.

In its capacity of a company of public interest in accordance with the Law on the Independent Financial Audit, an Audit Committee functions within the Bank. *For further information on its functions and responsibilities see section „[Supervisory Board](#)“.*

PROTECTION OF SHAREHOLDERS' RIGHTS

The corporate governance of First Investment Bank protects the rights of shareholders, depositors and other customers of the Bank, treating all shareholders of the Bank equally, including minority and foreign shareholders. The governing bodies of First Investment Bank provide shareholders and investors with regular and timely disclosure of information about major corporate events related to the operation and condition of the Bank, ensuring informed exercising of shareholders' rights, and informed investment decision-making by investors.

CONVENING OF GMS AND INFORMATION

The convening of the General Meeting of Shareholders is made by written notice to shareholders in accordance with the Statute of the Bank in order to encourage their participation in the General Meeting, and in such a way as not to impede the voting or make it unnecessarily expensive. The Bank provides shareholders with timely and adequate information for decision-making, taking into account the scope of competence of the General Meeting. The invitation, together with the written materials related to the agenda of the General Meeting, are announced in the Commercial Register to the Registry Agency, submitted to the Financial Supervision Commission, and made available to the public through www.x3news.com at least 30 days before holding the General Meeting. They are also published on the website of the Bank in Bulgarian and English from the time of the announcement until the conclusion of the General Meeting. Upon request, the materials are provided to each shareholder free of charge. As part of the invitation written rules for voting with proxy are included, also requirements related to documents prepared in a foreign language, as well as information on receiving and accepting

notifications, warrants of attorney and other documents through electronic means of communication were also laid down.

In cases where the Bank employees are also its shareholders, the same requirements regarding voting rights that are currently applicable to the other shareholders are applied.

MAIN TRANSFER RIGHTS AND RESTRICTIONS

All shares issued by First Investment Bank AD are ordinary, dematerialized, registered, and each share entitles its holder to one vote at the General Meeting of shareholders, and to a dividend and liquidation share in proportion with its nominal value. The Bank may not issue shares with different nominal values.

The Bank's shares are freely transferable, subject to the requirements of applicable law. Under the regulatory framework, natural or legal persons, or persons acting in concert, may not, without prior approval of the BNB, acquire directly or indirectly shares or voting rights in the Bank if, as a result of such acquisition, their holding becomes qualifying, or if such holding reaches or exceeds the thresholds of 20, 33 or 50 percent of the shares or voting rights, or when the Bank becomes a subsidiary.

No restriction on the rights of individual shareholders holding shares of the same class is allowed, and there are no shareholders of First Investment Bank with special voting rights. Also, the Bank has no knowledge of agreements between shareholders that could lead to restrictions on the transfer of shares, or voting rights.

First Investment Bank maintains a special section on the rights of shareholders on its corporate website at (<https://www.fibank.bg/bg/investitori/korporativno-upravlennie/prava-na-akcionerite>).

In 2020, as part of process for increasing the Bank's capital through the issuance of new shares, rights were issued in accordance with the Law on Public Offering of Securities, which entitle the shareholders to subscribe shares in the increase in proportion to their participation in the Bank's capital before the increase. One right was issued against each one existing share, as every 2.75 rights allowed one new share to be subscribed. Rights could be acquired from third parties as well, in the same proportion and subsequently new shares to be subscribed from the capital increase.

MINORITY SHAREHOLDERS AND INSTITUTIONAL INVESTORS

In accordance with good corporate governance practices, the Bank develops initiatives to engage minority shareholders and institutional investors.

In an effort to maintain an open line of communication with shareholders and investors, First Investment Bank maintains an Investors Club, by registering in which all stakeholders can receive e-mail notifications of any investor information disclosed by the Bank to the public.

The Bank aims to organize and hold meetings with minority shareholders, with a view to furthering transparency and creating an opportunity for open dialogue and feedback between them and the senior management of the Bank, as well as their opportunity to contribute and work actively for the successful development of First Investment Bank AD. In accordance with good corporate governance practices, aiming at equal treatment of respondents, the notice for the regular meetings with minority shareholders, as well as the results from their holding, shall be publicly disclosed through www.x3news.com, as well as on the Bank's website.

INFORMATION DISCLOSURE

Transparency and timely disclosure of information is a key principle in corporate governance. First Investment Bank maintains a system of disclosure in accordance with current regulations, which is aimed at providing timely, accurate and understandable information about significant events, allows for

objective and informed decisions, ensures equal access to information and prevents abuse of insider information.

First Investment Bank has Disclosure policy adopted by the Managing Board and approved by the Supervisory Board that outlines the framework for provision of information to stakeholders, shareholders and investors in accordance with modern practices of good corporate governance and provides an opportunity for making objective and informed decisions and assessments. In disclosing information, the Bank is guided by the principles of accuracy, accessibility, equality, timeliness, integrity and regularity.

In its capacity as a public company and issuer, Fibank discloses to the public (through www.x3news.com) periodic information, including annual financial reports audited jointly by two registered auditors, as well as interim financial and activity reports. The scope of periodic information disclosed by First Investment Bank exceeds the requirements of national legislation, as the Bank has decided to publicly disclose quarterly financial activity reports in compliance with Art. 100n¹, par.7 of LPOS and Art.33a², par.2 of Ordinance №2 of the FSC, which have more detailed content than that of its half-year reports, instead of the more concise public notifications for financial condition for the first, third and fourth quarter.

First Investment Bank prepares its Annual Report in Bulgarian and English. It contains detailed information on the development and competitive position of the Bank and its financial results, implementation of objectives and review of business by type of activity, as well as information on the management structure, the corporate governance framework (Corporate Governance Statement pursuant to the Public Offering of Securities Act and the Accountancy Act), risk management, non-financial information (Non-financial statement within the meaning of the Accountancy Act) and remuneration policy and its implementation (Report on the implementation of the remuneration policy under the meaning of the Public Offering of Securities Act). With respect to the report the registered auditors shall give their opinion whether it corresponds to the financial statements and is prepared in compliance with the applicable regulatory requirements.

The Bank also immediately discloses ad hoc information on important events related to its activity. Information is also published on the website of Fibank: www.fibank.bg, Investors section.

Since 2016, First Investment Bank has participated in the EU-wide transparency exercise conducted by the European Banking Authority (EBA), which includes aggregated and detailed bank-level information on capital position, risk exposures, leverage and asset quality. The exercise is part of EBA's actions aimed at promoting transparency and market discipline in the EU financial market. In 2020, 129 banks and banking groups from 26 countries from the EU and EEA, as well as 6 banks from the United Kingdom, took part in the exercise. Information on the results of First Investment Bank are publicly available on the website of EBA at <https://eba.europa.eu/risk-analysis-and-data/eu-wide-transparency-exercise>.

First Investment Bank maintains a corporate website, including an English-language version, with established content and scope of the information disclosed therein. It provides information about the products and services of the Bank, as well as essential trading and corporate information about the Bank, including on shareholder structure, management and supervisory bodies and their committees, financial reporting and activity reports, as well as the other information required under the regulatory requirements and the National Corporate Governance Code. A special, easily accessible Investors section is maintained on the website, featuring detailed and updated corporate governance information, stock information, financial information, news for investors, general meetings of shareholders, etc.

In addition, Fibank publishes information on the Bank in the form of presentations and interviews with senior management, press releases, journals (e.g. Fibank News), discloses detailed information on the products and services of the Bank, the applicable terms and conditions and the Tariff and any

amendments thereto, as well as non-financial information on events and initiatives conducted as part of its corporate social responsibility policy.

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

INVESTOR RELATIONS DIRECTOR

With a view to establishing an effective relationship between First Investment Bank and its shareholders and persons that have interest in investing in financial instruments issued by the Bank, an Investor Relation Director is appointed within First Investment Bank – Mrs. Vassilka Momchilova Stamatova.

The Investor Relations Director of First Investment Bank has the necessary qualifications and professional experience for performing her obligations and responsibilities. The director is responsible for the timely disclosure of all needed reports, notifications and information the Bank is required to disclose to the Financial Supervision Commission, the Bulgarian Stock Exchange, the Central Depository and the public, as well as to keep a register of all sent materials.

In execution of the applicable regulatory requirements, in July 2020 the Investor Relations director of the Bank reported her activity during 2019 at the Annual General Shareholders' Meeting and her report was adopted by the shareholders unanimously.

The business address of the Investor Relations Director is 37, Dragan Tsankov Blvd., 1797 Sofia, tel. +359 2 / 81 71 430, email: vasilka.stamatova@fibank.bg / ir@fibank.bg.

First Investment Bank has a mobile investor relations application providing quick access to financial information, the financial calendar of the Bank, as well as other data and news of interest to investors.

STAKEHOLDERS

First Investment Bank applies a policy of providing information to stakeholders about its activity. Those include persons who are not shareholders but are interested in the economic development of the company, such as creditors, bondholders, customers, employees, the general public, and others.

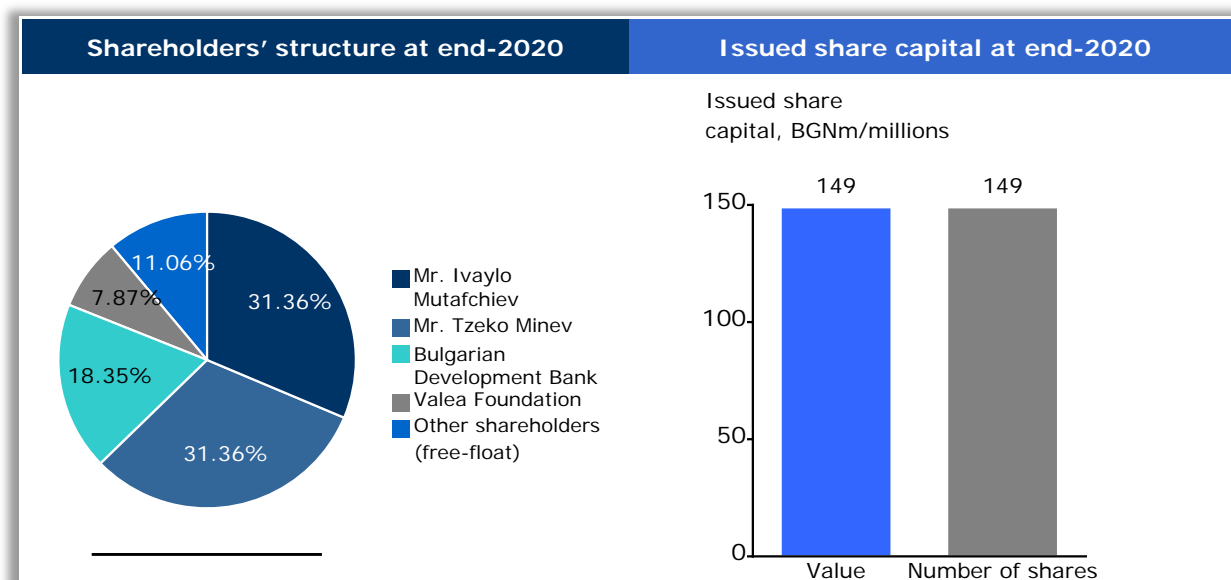
Periodically, in accordance with legal requirements and best practices, First Investment Bank discloses information of a non-financial nature, including on the social responsibility of the Bank and its participation in the social life of the country. The Bank supports socially significant projects and initiatives, provides sponsorship and develops donation programs directed primarily towards disadvantaged people, talented children, supporting Bulgarian sport, culture and education. *For more information, see section „Social Responsibility“.*

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

SHAREHOLDERS' STRUCTURE

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

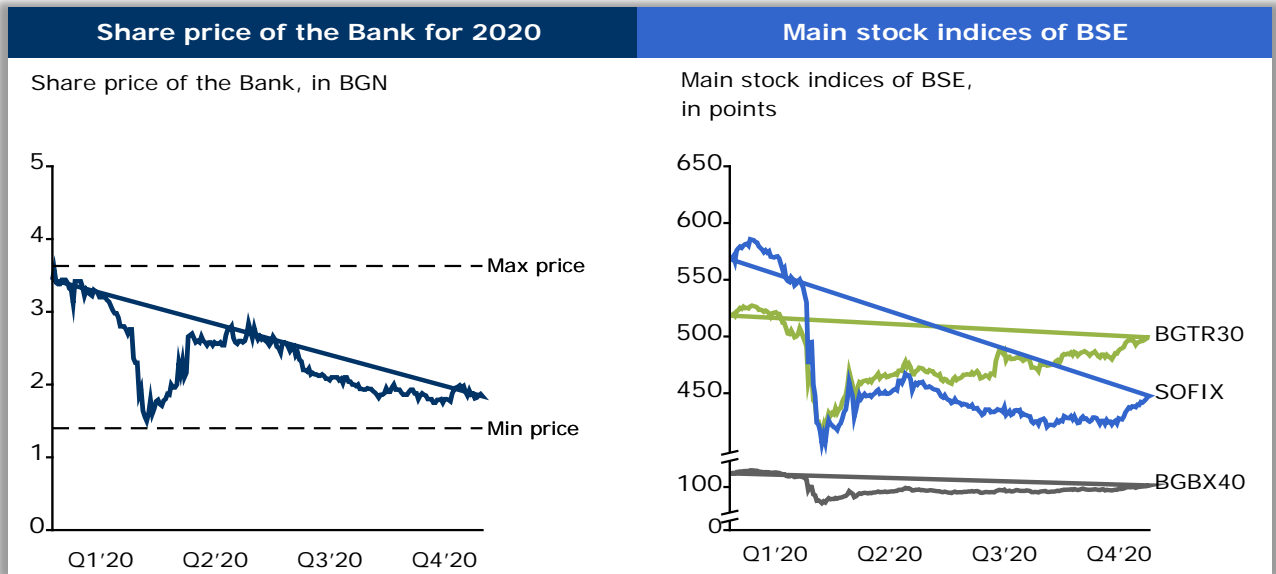
As at 31 December 2020 the shareholder structure of First Investment Bank included the following shareholders: Mr. Tzeko Minev (31.36%), Mr. Ivaylo Mutafchiev (31.36%), Bulgarian Development Bank AD (18.35%) and Valea Foundation (7.87%). The remaining 11.06% of the Bank's issued share capital (BGN 16.5 million) was owned by other shareholders, holding shares subject to free trade on the Bulgarian Stock Exchange (free-float). At the end of the year the total number of shareholders was over 1,900 which include both individuals and legal entities, including institutional investors.



During the reporting period First Investment Bank did not acquire or transfer own shares, and at the end of the reporting period the Bank did not have own shares.

SHARE PRICE AND MARKET CAPITALISATION

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



As at 31 December 2020, the shares of the Bank were traded on the Main Market BSE, Premium Equities Segment of the Bulgarian Stock Exchange and were included in three stock exchange indices – SOFIX, BGBX40 and BGTR30, which bring together the largest, most traded and most liquid companies on the stock exchange in Bulgaria.

HUMAN CAPITAL

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

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

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

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

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

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

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



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

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



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

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

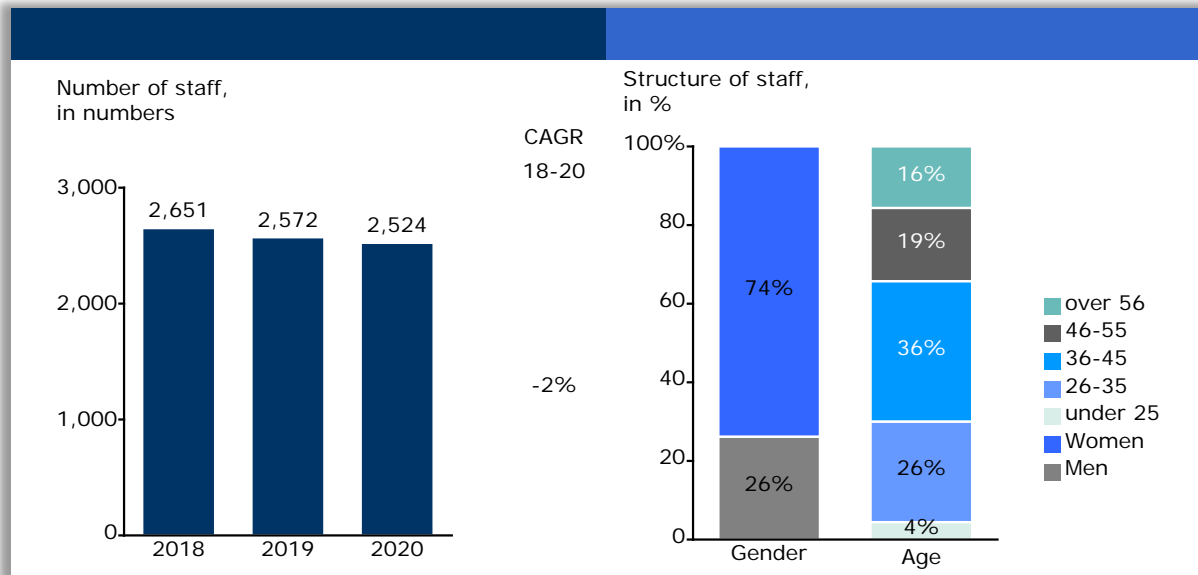
In 2020, significant training initiatives and projects with long - term impact on the working environment and the results of the activity of the employees and teams in the Bank as follows:

- ◆ Implementation of the Program for development of internal trainers – within the Program, through various activities to increase knowledge and 45 in-house trainers went through the development of training skills, leading group trainings and 90 mentors training their colleagues on work place. The program was implemented in the cities of Sofia, Plovdiv, Varna and Veliko Tarnovo with the assistance of a consulting company with proven successful experience in the implementation of similar training projects.



- ◆ Complete reorganization of the learning process with a focus on conducting of e-learning, given the anti-epidemic measures introduced. During the year over 1200 employees undergo e-training for development of knowledge and skills in various fields such as lending to legal entities and individuals, foreign currency payments, changes in internal regulations and development of the organization of work and interaction between different units in the Bank.
- ◆ Continuation of the practice of investing in the development of the qualification and motivation of the employees through participation in a master's degree programs - funding the training of

employees with high potential for development in the master's program "Finance, Banking & Real Estate" of the SDA Bocconi School of Management and American University in Bulgaria. Also, during the year 12 employees of the Bank successfully graduated in the master's program "Banking Management and Investment Activity", which is being developed jointly with the Higher School of Insurance and Finance and is aimed at building partnerships and lasting integrating business with education.



As of 31.12.2020 the number of staff of First Investment Bank on an unconsolidated basis amounted to 2524 employees compared to 2572 a year earlier. At the end of the year, 30% of the Bank's staff were employees at the age of up to 35 years, and the share of those up to 45 years was 66% of the total staff. According to the general trends the majority of the Bank's employees are women.

REMUNERATION POLICY

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

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

MAIN PRINCIPLES AND OBJECTIVES

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

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

ENFORCEMENT AND CONTROL AUTHORITIES

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

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

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

IDENTIFIED STAFF

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

For 2020 the number of identified staff of First Investment Bank on an individual basis amounts to 77 employees, which include members of the Supervisory Board and the Managing Board, as well as other persons, whose activities are related to risk-taking, incl. in the field of lending and the main business lines, as well as those related to independent control and other corporate functions. They are defined in accordance with the internal methodology for evaluation and determination of the categories of employees by the identified staff, developed according to the qualitative and quantitative criteria of Delegated Regulation (EU) № 604/2014 to identify the categories of staff whose professional activities have a significant impact on the risk profile of the Bank.

FIXED REMUNERATION

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

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

RATIO BETWEEN FIXED AND VARIABLE REMUNERATION

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

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

CRITERIA FOR EVALUATION AND IMPLEMENTATION OF THE ACTIVITY

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

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

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

SPECIFIC REQUIREMENTS FOR DEFERRATION, PAYMENT IN INSTRUMENTS AND RETENTION OF VARIABLE REMUNERATION

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

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

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

LEAVE BENEFITS

According to the concluded contracts for management and control in case of unilateral termination by the Bank, without notice, the members of the Managing Board are entitled to compensation in the amount of up to 6 monthly remunerations under the contract, and the branch managers - 2 months. According to the concluded agreements between the Bank and the members of the Supervisory Board, upon termination of the contract the members of the Supervisory Board are due compensation up to 12 monthly remunerations, and in special cases the compensation is up to 24 monthly remunerations. The employment contracts of the Bank's employees comply with the applicable provisions of the Labor Code and do not contain clauses that differ from the provisions of the law and the usual practice.

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

SUMMARY OF QUANTITATIVE INFORMATION

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

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

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

POLICY FOR NOMINATION AND SUITABILITY ASSESSMENT

In 2020, First Investment Bank further developed its Policy of First Investment Bank for nomination and assessment of the suitability of members of the managing and supervisory bodies and persons holding other positions, mainly in terms of its practical implementation, incl. developed internal tools, questionnaires and matrices for individual and collective suitability assessment, as well as in the initial suitability assessment (in case of appointment of new members / persons) and in the subsequent suitability assessment, which is carried out regularly, not less than once a year. The changes are in line with the requirements and good practices in this area, incl. the Law on Credit Institutions, Ordinance No 20 of the BNB on Issuance of Approvals to Members of the Management Board (Board of Directors) and Supervisory Board of a Credit Institution and Performance Requirements for Their Duties and the joint EBA and ESMA Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2017/12).

The Policy sets out the basic requirements, principles, guidelines and criteria for selection and assessing the individual and collective suitability of members of the bodies of First Investment Bank who have management and supervisory functions, as well as with regards to the key function holders within the Bank. The Policy structures and identifies the essential fit and proper requirements and criteria (incl. with respect to needed knowledge, skills and experience; reputation, honesty and integrity; independence and allocation of enough time for performing of duties; as well as the practices for encouraging diversity, succession planning and training), so that they to a maximum extent meet the high standards applied by the Bank with a view to making an adequate contribution to the realization of its objectives and strategy.

The Bank applies a policy for encouraging diversity with respect to Supervisory Board and Managing Board in order to maintain a diverse group of board members and to provide diverse views and experience to facilitate independent opinions/decisions and sound governance, which includes various aspects such as work experience, educational qualifications, gender, age, geographical diversity. With respect to the composition of the bodies, the Bank seeks to maintain a target level of 30% of the members of the Supervisory Board and of the Managing Board to be from the underrepresented gender, as if necessary rounding off (down) to an integer. As of 31 December 2020, the Bank fulfilled the set target in the policy. *For further information regarding diversity, see sections [Supervisory Board](#) and [Managing Board](#).*

SOCIAL RESPONSIBILITY

Non-financial statement

within the meaning of Art. 48 of the Accountancy Act.

In 2020, First Investment Bank maintained its image as a socially responsible institution implementing various projects in the spheres of education, culture and sport as part of its corporate social responsibility program.

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

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



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



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

During the year, First Investment Bank supported other projects with educational and scientific orientation, incl. provided

diplomas, cash prizes and special gifts for the excellent students from the class of 2020 of the Profiled High School of Natural Sciences and Mathematics in Lovech, as well as support for the initiative - Student Media Forum for Southwestern Bulgaria, addressing important public issues and realization for young people, which was organized in the campus of the American University in Bulgaria.

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



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

Използвайте Вашата Mastercard® в платформата за поръчка на обяд за ученици healthy.school.orak365.net между 15 октомври и 31 декември 2020 г. и част от сумата на всяка трансакция ще бъде дарена на WFP за хуманитарна помощ на семейства с деца в предучилищна и училищна възраст.

As part of the initiatives for less harmful emissions and environmental protection, First Investment Bank joined during the period through its subsidiary MyFin, which officially started its activities in November 2020. In addition to the main focus on payments with digital and virtual cards issued by the company, the physical plastics offered to customers were developed from an innovative material made of 100% biodegradable plastic, which is produced in partnership with the company Austriacard. A commitment has been made to plant one tree for every 100 MyFin cards issued, thus increasing the number of trees planted by the company as MyFin users grow.

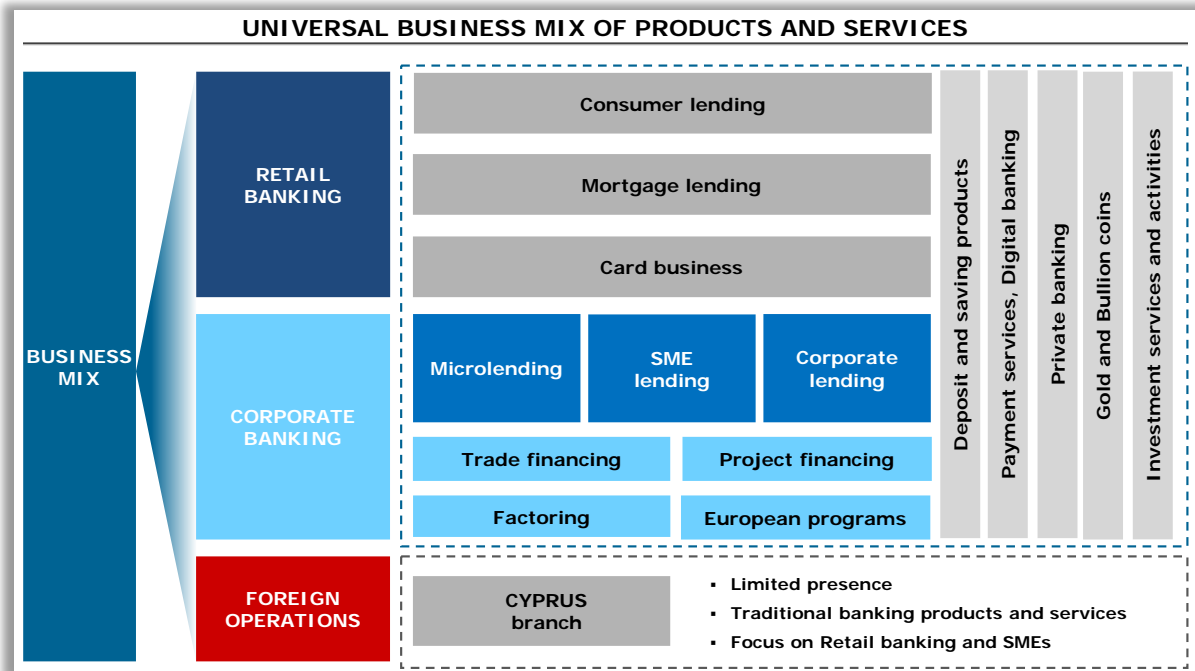


The development of Bulgarian sports and the support of young talents is among the important causes that First Investment Bank strives to maintain in the implementation of its social responsibility program. During the year, the Bank continued to support initiatives in its capacity as general sponsor of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

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

In accordance with legal regulations and good practices, First Investment Bank discloses in its Annual Reports non-financial information that represents a *Non-financial statement* within the meaning of Art. 48 of the Accountancy Act, including with regard to the corporate social responsibility policies of the Bank and its participation in the public life of the country, as well as matters related to employees, diversity policies in place, description of business development and products, corporate governance practices and development objectives. *For more information, apart from the Social Responsibility section, see also sections [Mission](#), [Bank profile](#), [Highlights 2020](#), [Distribution channels](#), [Information technology](#), [Corporate governance](#), [Human capital](#), [Business overview](#), [Goals for development during 2021](#).*

BUSINESS REVIEW



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

RETAIL BANKING

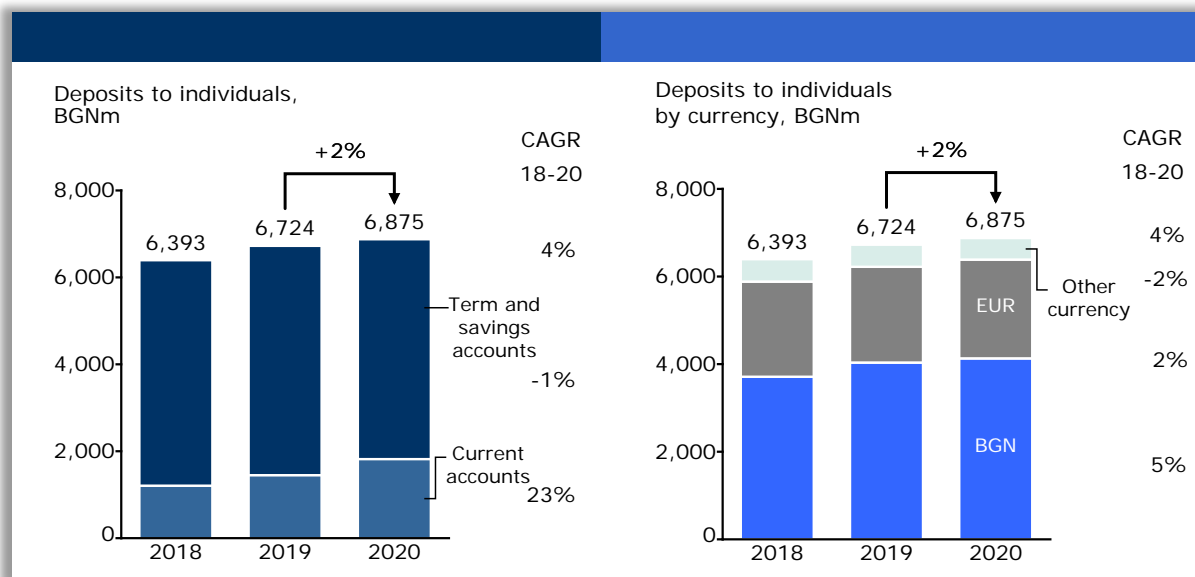
DEPOSITS

In 2020, attracted funds from individuals increased and reached BGN 6,875,257 thousand compared to BGN 6,723,937 thousand a year earlier, mainly driven by the 25.6% increase in current accounts which reached BGN 1,819,473 thousand (2019: BGN 1,448,789 thousand). Such results were determined by the consistent policy of the Bank for establishing long-term customer relationships, while developing cross-selling and transaction business.

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

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

By the end of the year, term deposits and savings accounts were in the amount of BGN 5,055,784 thousand (2019: BGN 5,275,148 thousand), with borrowings from individuals retaining a major share at 73.5% (2019: 78.5%). With a view to diversifying its sources of funds, the Bank participates in the international platform WeltSparen by Raisin aimed at attracting deposits from foreign persons.



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

LOANS

The gross loan portfolio of households increased with 5.7% to BGN 2,036,996 thousand compared to BGN 1,926,283 thousand for the previous year, as a result of an increase in consumer and mortgage product lines.

| In BGN thousand/ % of total | 2020 | % | 2019 | % |
|--------------------------------------|------------------|------------|------------------|------------|
| Consumer loans | 951,254 | 46.7 | 880,581 | 45.7 |
| Mortgage loans | 918,117 | 45.1 | 863,028 | 44.8 |
| Credit cards | 162,527 | 8.0 | 177,576 | 9.2 |
| Other programs and secured financing | 5,098 | 0.3 | 5,098 | 0.3 |
| Total retail loans | 2,036,996 | 100 | 1,926,283 | 100 |

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

CONSUMER LOANS

Consumer loans increased by 8.0% to BGN 951,254 thousand (2019: BGN 880,581 thousand), contributors being the competitive terms offered by the Bank, the easy loan application procedure and the development of new products and programs, including seasonal offerings, in line with customer needs and market necessities.

During the year, First Investment Bank was among the most active banks in providing loans under the Program of the Bulgarian Development Bank (BDB) to guarantee interest-free loans for people deprived of employment due to the COVID-19 pandemic. Fibank was also among the first banks in the country to

allow rescheduling of payments to borrowers experiencing difficulties in connection with the state of emergency and the COVID-19 pandemic.

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

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

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

CREDIT CARDS

The utilized limits on credit cards were in the amount of BGN 162,527 thousand at the end of the period (2019: BGN 177,576 thousand). Fibank develops various and innovative card products and services, including thematic campaigns to promote and attract new customers, which were organized in implementation of the Bank's consistent and long-term policy for stimulating these non-cash payments. The relative share of loans utilized through credit cards in the total loan portfolio to individuals amounted to 8.0% (2019: 9.2%).

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

In pursuance of its strategic plans, the Bank continued to develop its operations with a view to more effective management of the customer portfolio and targeting individual customer groups, as well as identifying additional cross-selling opportunities. *For further information see section [Cart payments](#).*



MORTGAGE LOANS

As at the end of December 2020, mortgage loans increased by 6.4% to BGN 918,117 thousand compared to BGN 863,028 thousand a year earlier, forming a 45.1% share in the portfolio of loans to households (2019: 44.8%). As at 31 December 2020, the market share of the Bank in this segment was 6.68% (2019: 6.91%), as Fibank was placed sixth among banks in the country on an individual basis (2019: sixth).

Throughout the year in implementation of its strategy for development of the retail banking segment, Fibank continued to offer mortgage loans under competitive conditions as well as to organize promotional campaigns, aiming to stimulate sales, including offering a bonus upon approval of a new loan – in the form of debit card



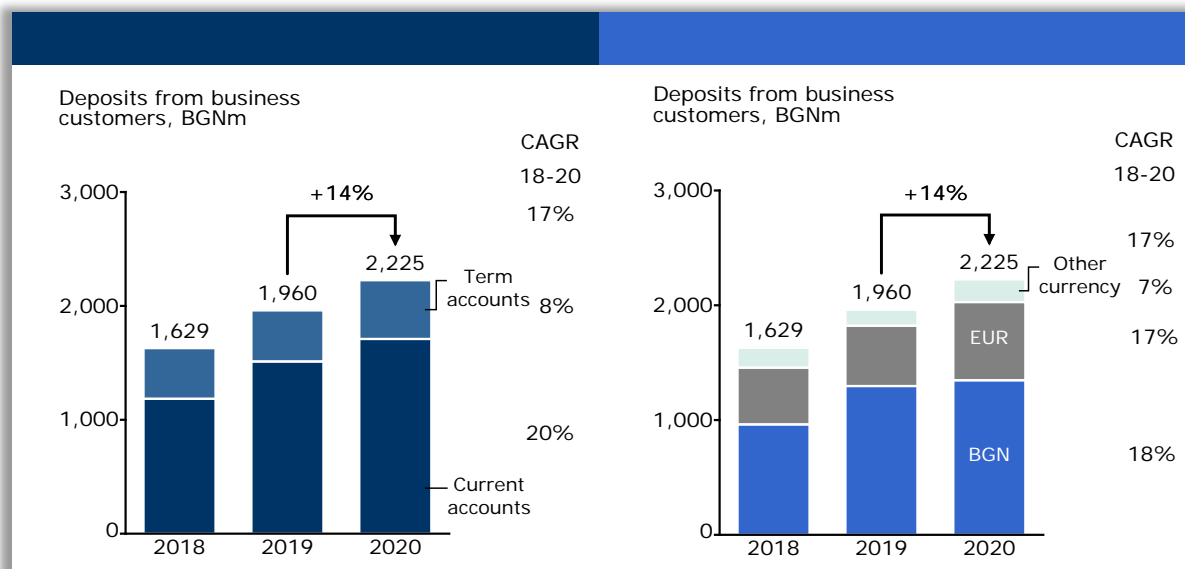
overdraft in the amount of up to three month salaries and with no interest for the first year. For all applications submitted by the end of 31.03.2021 is provided an opportunity to postpone payment of the up to the first three months installments.

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

CORPORATE BANKING

DEPOSITS

Attracted funds from corporates and institutions in 2020 increased with 13.5% to BGN 2,224,898 thousand (2019: BGN 1,960,064 thousand). The increase in volume reflected mainly in the current accounts reaching BGN 1,709,538 thousand at the end of 2020 (2019: BGN 1,511,780 thousand) and forming 76.8% of the attracted funds from business customers and institutions (2019: 77.1%).



Term accounts increased as well and reached BGN 515,360 thousand (2019: 448,284 thousand) at the end of the period, forming 23.2% of the attracted funds from corporates and institutions (2019: 22.9%). First Investment Bank offers a variety of deposit and savings accounts, and package programs for business customers which constantly adapt to market conditions and specific company requirements.

As at 31 December 2020, funds attracted by the thirty biggest non-banking clients represented 6.17% of the total amount due to other customers (2019: 7.42%).

LOANS

CORPORATE LENDING

The portfolio of loans to corporates increased with 3.7% to BGN 4,512,772 thousand at the end of 2020, compared to BGN 4,350,125 thousand a year earlier as result of increasing the share of micro, small and

large corporate portfolios. Based on the EU criteria¹¹ for segmentation of customers, the microenterprises form a part of 7.7% (2019: 7.4%) of all business lines, small enterprises – 11.2% (2019: 11.4%), medium – 23.0% (2019: 25.0%) and the large enterprises – 58.0% (2019: 56.1%), in these segments.

| In BGN thousand/ % of total | 2020 | % | 2019 | % |
|----------------------------------|------------------|------------|------------------|------------|
| Microenterprises | 349,338 | 7.7 | 323,850 | 7.4 |
| Small enterprises | 505,348 | 11.2 | 496,059 | 11.4 |
| Medium enterprises | 1,039,260 | 23.0 | 1,088,347 | 25.0 |
| Large enterprises | 2,618,826 | 58.0 | 2,441,869 | 56.1 |
| Total loans to corporates | 4,512,772 | 100 | 4,350,125 | 100 |

First Investment Bank provides various financing for business clients, including under the form of working capital loans, investment loans, guarantees, financing under the programs and funds of the EU, under the National Guaranteed Fund, factoring services and others.

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

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

During the year, the Bank continued to offer factoring services to existing and potential business customers, including companies delivering of goods or providing services with deferred payment in the country or abroad. First Investment Bank is a member of Factors Chain International (FCI), a global network of leading commercial finance companies and can provide export factoring without recourse, as well as import factoring.

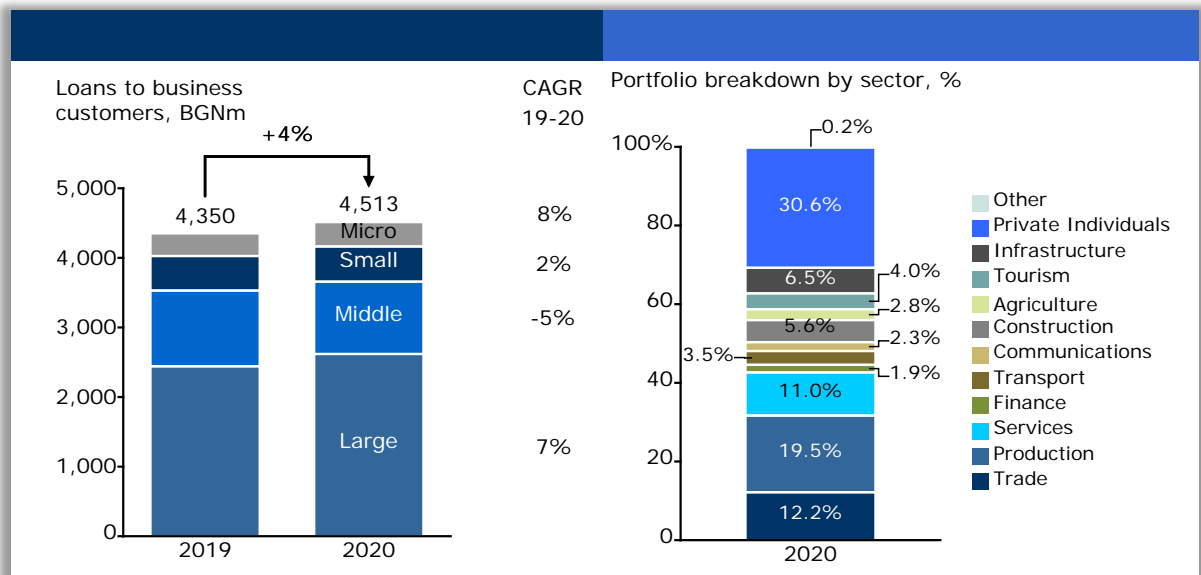
The Bank also maintains co-operation with leading factoring insurance companies in the area of commercial finance First Investment Bank has signed to the framework agreement with the Taiwan export insurance agency Eximbank Taiwan for financing deliveries of goods from Taiwanese suppliers to customers of First Investment Bank in Bulgaria or abroad.

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

As at 31.12.2020, loans to the manufacturing sector had a leading share in the portfolio structure (2020: BGN 1,277,091 thousand, 2019: BGN 1,133,840 thousand), followed by the trade sector (2020: BGN 797,401 thousand, 2019: BGN 844,380 thousand,) and the services sector (2020: BGN 718,263 thousand; 2019: BGN 691,080 thousand), forming respectively 19.5%, 12.2% and 11.0% of total loans (2019: 18.1%, 13.5% and 11.0%). Such dynamics reflected the positive trends of economic activity in the country and the consequences of the COVID-19 crises in different areas, mainly in trend, in line with the Bank's development goals and diversification of the activity. An increase was also reported in the sectors of construction – up to BGN 367,674 thousand (2019: BGN 336,886 thousand) tourism, which reached

¹¹ According to Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises determined on the basis of annual turnover as follows: microenterprises - up to BGN 3.9 million; small enterprises - up to BGN 19.5 million; medium-sized enterprises - up to BGN 97.5 million.

2020: BGN 264,840 thousand (2019: BGN 255,881 thousand), transport (2020: BGN 229,666 thousand; 2019: BGN 217,938 thousand), infrastructure (2020: BGN 425,495 thousand; 2019: BGN 408,558 thousand) and the finance (2020: 126,931; 2019: 112,944). Loans in agriculture remained on levels close to the previous year (2020: BGN 180,456 thousand; 2019: BGN 180,014 thousand). Loans in communications decreased to BGN 147,613 thousand (2019: BGN 190,441 thousand).

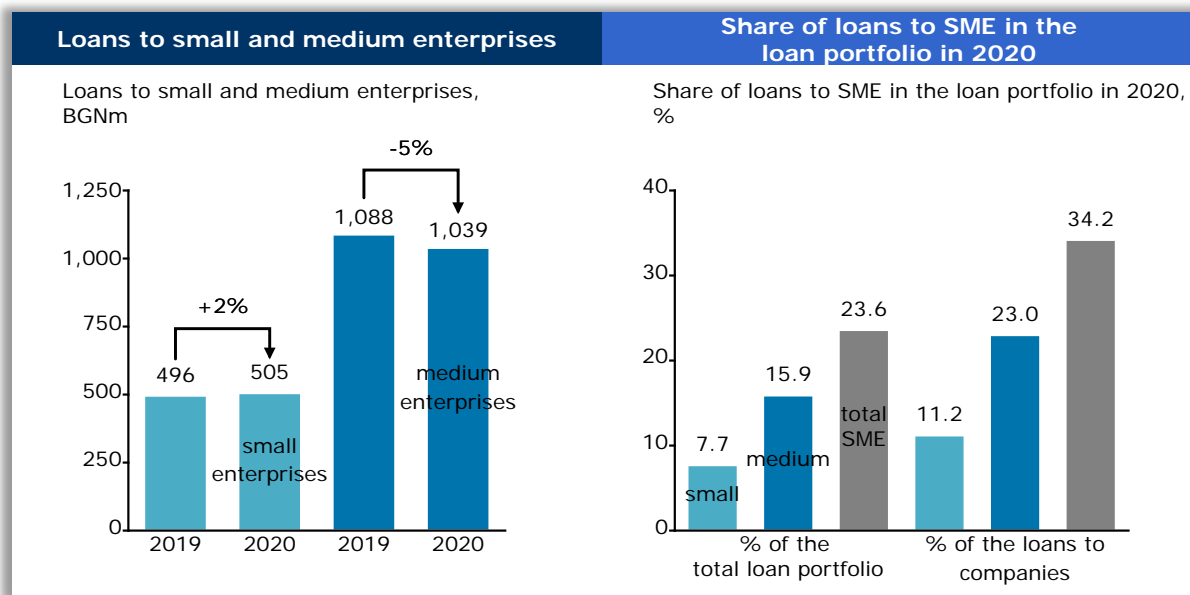


During the period, the Bank affirmed its cooperation with the Bulgarian Export Insurance Agency (BAEZ), by continuing its activity on the agreement for portfolio insurance with the agency, used as part of the techniques for mitigating credit risk.

SME BANKING

In 2020, loans to small and medium enterprises¹² amounted to BGN 1,544,608 thousand (2019: BGN 1,584,406 thousand) or 34.2% of the business loans, from which to small enterprises were BGN 505,348 thousand (2019: BGN 496,059 thousand), and loans to middle enterprises – BGN 1,039,260 thousand (2019: BGN 1,088,347 thousand). For the bank’s policy on this segment contributed the developed loan products and competitive terms offered in the products for SME clients, as well as the various solutions related to the programs and funds of the EU and the other guarantee schemes and financing.

¹² Enterprises with annual income of sales regarding the EU criteria as follows: small enterprises (between BGN 3.9-19.5 million) and medium-sized enterprises (between BGN 19.5-97.5 million).



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

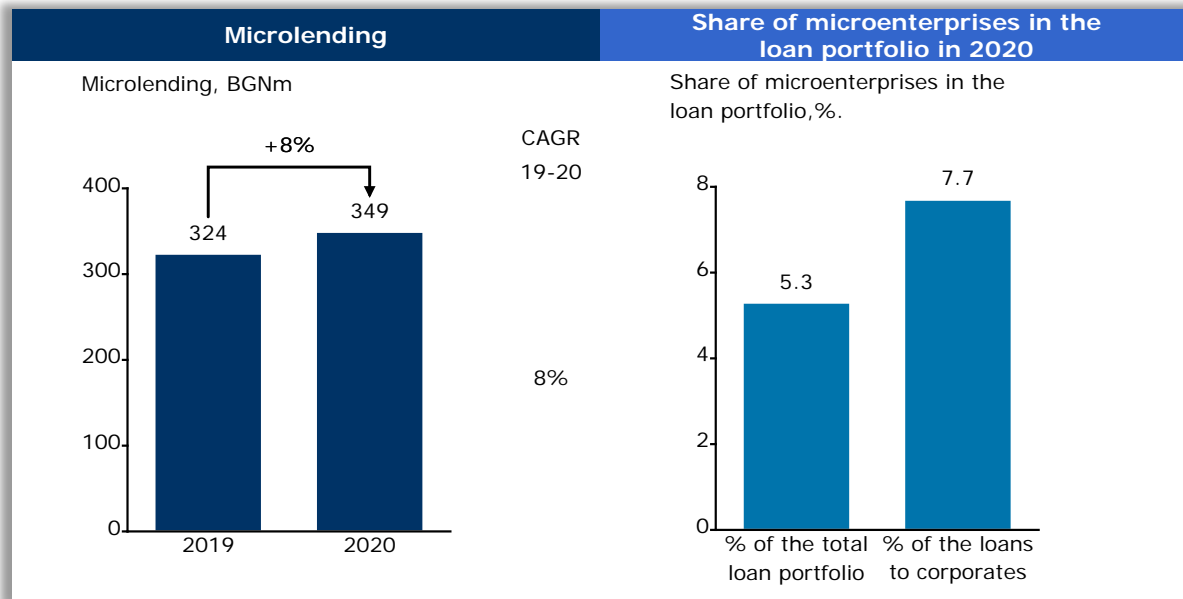
During the year started the activity under the signed agreement with Fund Manager of financial instruments in Bulgaria (FMFIB) for the instrument “Portfolio guarantee with limit of loss for overcoming the consequences of the COVID-19 pandemic, financed by FMFIB and implemented under operational program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

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

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

MICROLENDING

In 2020, the microlending portfolio grew by 7.9% reaching BGN 349,338 thousand compared to BGN 323,850 thousand a year earlier. The Bank continued its targeted efforts for development with priority in this segment.



The Microlending Program¹³ of First Investment Bank covers a wide range of retailers, manufacturers, farmers, freelancers, including start-ups and companies with less market experience. The Bank offers specialized products for microenterprises including investment loans, working capital loans, business credit cards and overdraft facilities at competitive terms.

In 2020, an emphasis in microlending activity is proposal of a loans under the program of Bulgarian development bank and Fund manager in Bulgaria into the support of enterprises affected by the COVID-19 pandemic.

The Bank continued its activity offering investment and working capital loans under the program “Shared risk microlending“, financed by Human Resource Development Operational Program 2014-2020 and co-financed by European Social Fund and Youth Employment Initiative, as well as succeed in negotiating a relaxing conditions under the on-landing program. The instrument supports starting-up companies and businesses focused on social activities and generate positive social impact.

First Investment bank has its Smart lady program and constantly develops it. The program mainly targets companies managed or owned by women, as well as businesses producing goods or providing services for women. During the period, the Bank continued to support agricultural producers, offered tailored financing solutions to individual sectors or business areas with high development potential, incl., IT companies, medical and dental practices.

¹³ Enterprises with annual turnover/income of sales up to BGN 3.9 million regarding the EU criteria for segmentation of customers.

EUROPROGRAMS

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

In order to provide integrated customer assistance in the absorption of EU funds, the Bank offers support in the preliminary study of the administrative and financial eligibility of the project idea, expert advice in project development, as well as comprehensive servicing of the implementation phase following approval.

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

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

In the beginning of July 2020 an agreement with Bulgarian Development Bank AD was signed for granting loans under Program for portfolio guarantees supporting the liquidity of micro, small and medium enterprises that have suffered from the emergency situation and COVID-19 pandemic. At the end of the year an annex was signed to prolong the term of the program and to extend its scope with inclusion of large enterprises.

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



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

PAYMENT SERVICES

In 2020 First Investment Bank was a member and participant in payment systems and agent of other payment service providers, as follows:

- ◆ Bank Integrated System for Electronic Transactions (BISERA);
- ◆ Real-Time Gross Settlement System (RINGS);
- ◆ System for Servicing of Clients Transfers in Euro (BISERA7-EUR);
- ◆ Trans-European Automated Real-Time Gross Settlement Express Transfer system (TARGET2);
- ◆ Pan-European system for payments in Euro (STEP2 SEPA Credit Transfer), as a direct participant through EBA Clearing;
- ◆ Bank Organisation for Payments Initiated by Cards (BORICA);
- ◆ Agent of Western Union;
- ◆ Agent of Easy pay.

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

OPEN BANKING

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

Accent in the activity related to the above-mentioned during the period was put on providing wider awareness for the customers and description of these type of services, e.g. through creating new Terms for Access and Use of First Investment Bank’s API Portal as well as updating the current applicable General Terms and Conditions – where both securing access for Third Party Providers to accounts of customers held in Fibank and Payment Initiation and Account Access Information services provided by Fibank were described. In 2020 the Bank expanded its scope of activities as successfully realized an integration process with several of the biggest banks, participating in the Bulgarian market. Moreover, the services offered through the Open Banking became accessible in the Mobile Application *My Fibank* not only through Android but also through iOS devices.

CARD PAYMENTS

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

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

- ◆ Confirmation through combination of dynamic password, sent on SMS and static password;

- ◆ Confirmation through biometric data – fingerprint/face ID, performed on registered mobile device.

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

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

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

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

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

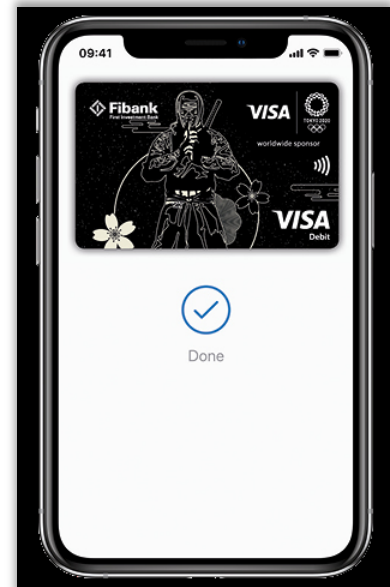
In 2020 the Bank's ATM network counted 649 units in the end of the year (2019: 649 units) while the Bank's POS terminals network consisted of 8,694 units (2019: 9,550).

INTERNATIONAL PAYMENTS

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

In 2020, the Bank reported an increase of 6% in incoming and 18% in outgoing foreign currency transfers due to the increased customer base, the competitive conditions offered by the Bank and the high quality of customer service.

First Investment Bank has a wide network of correspondent banks, through which it carries out international payments and trade financing operations in almost all parts of the world. The Bank executes cross-border currency transfers through SWIFT, and since September 2019 also through the platform SWIFT gpi (Global payment initiative) which improves the speed and the traceability of the cross-border transfers. Fibank executes transfers through the following payment systems as well: TARGET2 and BISERA7-EUR and since April 2017 the Bank executes credit transfers as a direct participant in the system STEP2 operated by EBA Clearing. Fibank operates in receiving and issuing of checks and performing various documentary transactions.



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

For the period the Bank had framework agreement with the Taiwan export insurance agency Eximbank Taiwan for financing deliveries of goods to clients of First Investment Bank in Bulgaria or other countries where the Bank has branches or subsidiaries. Under the agreement, Fibank can provide financing under amount of every individual credit - up to 100% of the value of the contract but not exceeding USD 2 million, with a period of utilization up to 6 months after the first shipment and a repayment term of 6 months to 5 years irrespective of the type of the goods (consumer or non-consumer).

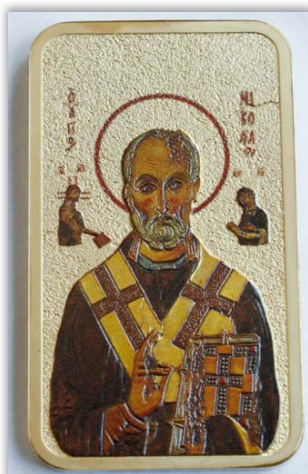
In support of its clients with international business First Investment Bank continued to cooperate in issuing internationally acknowledged guarantees and letters of credit, incl. through a wide network of partner banks and institutions. During the reporting period, the letters of credit and bank guarantees in foreign currency issued by the Bank to guarantee the performance of its customers to third parties amounted to BGN 73,005 thousand (2019: BGN 70,604 thousand), forming 9,6% of the off-balance sheet commitments of the Bank (2019: 8.2%).

GOLD AND COMMEMORATIVE COINS

In 2020, First Investment Bank retained its leading positions in Bulgaria in terms of transactions related to investment gold and other precious metal products. Fibank continued to develop its Gold & Silver online selling platform by constantly updating individual sections and adding new products.

For the reporting period, revenues from sales of gold and precious metal products amounted to BGN 1977 thousand compared to BGN 769 thousand a year earlier, reflecting the higher demand and the deals carried out for the period in terms of insecure external environment and challenges coming from COVID-19 pandemic, as well as reflecting dynamics in the price of the precious metals, especially the increase of the gold price in the international markets.

First Investment Bank offers its customers products of investment gold and other precious



metals since 2001. Over the years, it has built successful cooperation with a number of leading financial institutions from around the world: the renowned Swiss refinery PAMP (Produits Artistiques de Métaux Précieux), the banks UBS and Credit Suisse, the New Zealand Mint, the National Bank of Mexico, the Austrian Mint, the British Royal Mint, and others.

Along the lines of traditional cooperation with the New Zealand Mint, a new silver coin was designed dedicated to the Year of the Ox, as well as new gold and silver bars, exclusively offered in Fibank's offices.

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

"Heart in heart" and "Heart-waves".

Fibank by agreement with the Bulgarian National Bank, successfully distributed Bulgarian commemorative coins and coin sets issued by the central bank.

In carrying out transactions in gold and precious metals, First Investment Bank invariably complies with all quality criteria of the London Metal Exchange and international ethical trading standards.

PRIVATE BANKING

First Investment Bank offers private banking to individuals since 2003, and to corporate clients since 2005. Private banking features servicing by a designated personal officer, who is responsible for the overall banking solutions provided to a customer.



In 2020, the Bank developed its private banking activities, with a view to attract more customers from this segment, as well as increasing the amount of the attracted funds and the operating income.

A highlight in private banking for 2020 was the offering of a service “Personal banking”, that is targeted to a single customer segment, meeting certain minimum financial criteria and was carried out through the branch network of First Investment Bank. With this service, the customers of the Bank have the opportunity to benefit from a number of products with personalized service. The service included the use of package offers (“Premium” and “Premium plus”), containing specialized terms and conditions for traditional banking products and services. The service was offered in certain locations, where the customers may count on a constant contact and individual service by the personal banker, who provided prompt and competent assistance in carrying out of all banking operations. For the year, Fibank reported 23 % increase in a number of customers served on an annual basis.

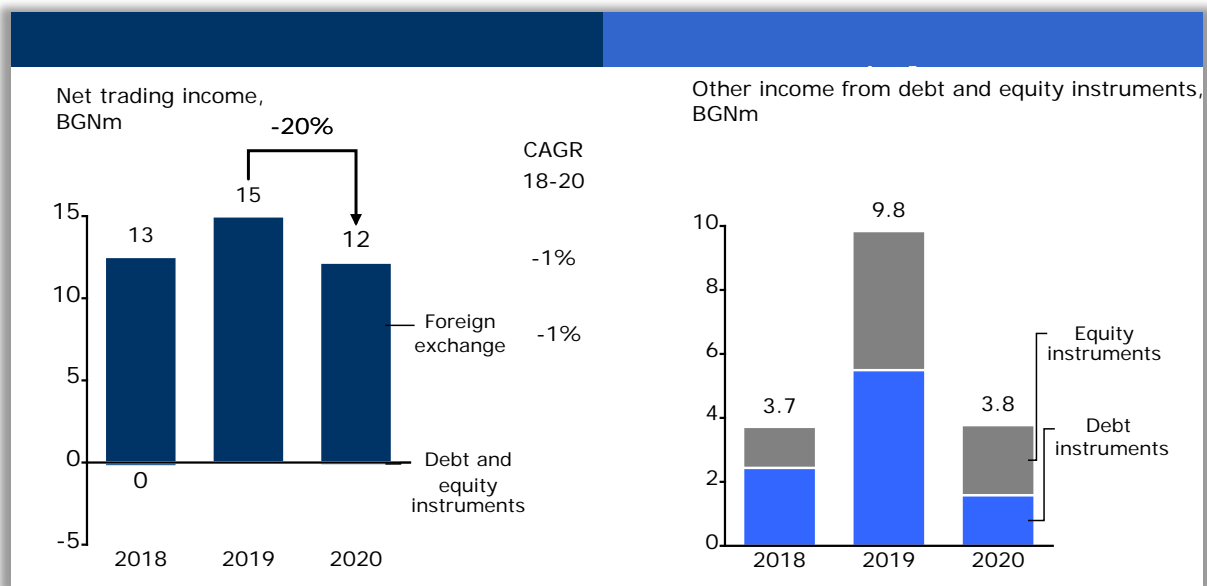
In the conditions of low interest rates and in order to provide greater choice to customers in diversifying their investments, the successful cooperation with E.I. Sturdza Strategic Management Limited and with Erste Asset Management, part of Erste Bank, Austria regarding the distribution of their mutual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

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

CAPITAL MARKETS

In 2020 net trading income amounted to BGN 11,991 thousand (2019: BGN 14,929 thousand), mainly as a result of the higher income from trade operations related to exchange rates. Other net operating incomes, arising from debt and capital instruments, amounted to BGN 3,771 thousand compared to BGN 9,839 thousand a year earlier.

The securities portfolio at the end of the year amounted to BGN 1,132,106 thousand, compared to BGN 843,378 thousand a year earlier, of which BGN 668,385 thousand measured at fair value through other comprehensive income (2019: BGN 565,818), BGN 263,891 thousand measured at fair value through profit or loss (2019: BGN 265,555 thousand) and BGN 199,830 thousand measured at amortized cost (2019: BGN 12,005 thousand).



First Investment Bank applies the business model requirements and criteria for classifying financial assets in the Bank's portfolios according to IFRS 9. Depending on the purpose of financial asset management, those include: 1) a business model whose objective is to hold assets in order to collect the contractual cash flows (hold to collect); 2) a business model whose objective is to both collect contractual cash flows and sell of financial assets (hold to collect and sell); 3) another business model, where the purpose is different from the two above business models (other business model), where assets held for trading are also included.

The Bank's activity is organized in compliance with the regulatory requirements arising from the European legal framework in the field of financial markets – Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments, as well as in line with the Markets in Financial Instruments Act, the regulations within the scope of market abuses in financial instruments and the other applicable law.

In pursuance of the requirements arising from Regulation (EC) № 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories (EMIR), the Bank has a Legal Entity Identifier (LEI) code 549300UY81ESCZJ0GR95, issued by the Global Markets Entity Identifier (GMEI) Utility.

In 2020 Fibank continued the activities under the project for implementation of new technological solutions in order to provide to its clients a real time remote access to trading platforms on regulated markets. The new system's functionalities include the opportunity for submission of orders for purchase or sale of financial instruments, as well as the possibility for generation of different types of reports and direct communication between the client and his broker.

In connection with the automation of the processes related to concluding transactions and performing operations with financial instruments on foreign markets, during the year were implemented the activities for integration between the main banking information system of the Bank and the used system for automation of the specific activity as an investment intermediary, connectivity to electronic trading platforms, communication with trading venues and securities depositories and other external institutions.

In its capacity as an investment intermediary and a primary dealer of government securities, First Investment Bank carries out transactions with financial instruments in the country and abroad including transactions in government securities, shares, corporate and municipal bonds, compensatory instruments as well as money market instruments. The Bank also offers trust portfolio management,

investment consultation, as well as depositary and custodian services to private individuals and corporates, including maintaining registers of investment intermediaries, of accounts of securities, income payments and servicing payments under transactions in financial instruments. As part of the Compliance function, the Bank has a specialized unit “Compliance – Investment Services and Activities” which controls and ensures observance of the requirements related to Fibank’s activity as an investment intermediary.

Orders for the subscription/redemption of units in four mutual funds (FIB Garant Mutual Fund, FIB Classic Mutual Fund, FIB Avangard Mutual Fund and FFBH Vostok Mutual Fund, managed by the Management company FFBH Asset Management AD) can be accepted in Fibank’s offices which are registered with the Financial Supervision Commission. At these locations, distribution is also carried out of four mutual funds managed by Erste Asset Management (ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H): ERSTE Bond Euro Corporate, YOU INVEST Portfolio 30, ERSTE Stock Europe и ERSTE Stock Global.

MEETING THE 2020 GOALS

| N | Goals | Achievement |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| STABILITY AND RETURN | | |
| 1 | To maintain a sustainable business model and return for shareholders | <ul style="list-style-type: none"> ❖ First Investment Bank reported a steady growth of assets, which reached BGN 10,832,829 thousand at the end of 2020 (2019: BGN 10,200,031 thousand), according to the challenges of the environment and the COVID-19 pandemic. Return on equity (ROE) after taxes amounted to 3.69% on an individual basis. ❖ During the year, a new framework for risk appetite was structured, aiming at maintaining a moderately low level of risk and applying a conservative approach to managing the inherent risks. The Bank continued to develop its activities primarily in the segments of retail banking and SMEs. ❖ The deposit base increased to BGN 9,100,155 thousand at the end of the period (2019: BGN 8,684,001 thousand), which reflected the trust of the clients and the high quality of customer service. The total loan portfolio increased and reached BGN 6,038,889 thousand (2019: BGN 5,776,915 thousand). <p><i>For more information, see the section "Financial Review"</i></p> |
| 2 | To implement capital levers in order to maintain stable capital ratios and a conservative approach to risk management | <ul style="list-style-type: none"> ❖ First Investment Bank successfully increased its capital by BGN 195,424 thousand. New shareholders are Bulgarian Development Bank AD with 18.35% share and Valea Foundation - with 7.87%. ❖ Following permission from the BNB, First Investment Bank included in its Additional Tier 1 capital (AT1) the amount of EUR 30 million raised through a capital-hybrid instrument (bond issue) issued by the Bank. ❖ The Bank's net annual profit for 2019 was included in the Common Equity Tier 1 (CET1), after obtaining permission from the BNB in March 2020. ❖ At the end of 2020, the capital indicators of the Bank increased to: Common Equity Tier 1 capital - 18.18%, tier 1 capital - 21.78% and total capital adequacy - 21.78% <p><i>For more information, see the section "Capital"</i></p> |
| 3 | To optimize balance sheet items, incl. by improving asset quality and reducing non-interest-bearing assets | <ul style="list-style-type: none"> ❖ The Bank continued to pursue its objectives of reducing non-performing exposures and acquired assets, taking into account the difficulties of the environment and investors' interest as a result of the COVID-19 pandemic. ❖ At the end of the year the acquired assets decreased to BGN 706,042 thousand, incl. as a percentage of total assets - up to 6.5%. Non-performing exposures also decreased relative to the total loan portfolio. ❖ During the year the Bank joined the approved Procedure for deferral and settlement of due liabilities to banks in connection with COVID-19 (private moratorium). ❖ During the year a new Strategy for reduction of non-performing |

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| | | <p>exposures and acquired assets for the period 2021-2023 and an operational plan for its implementation were adopted.</p> <p><i>For more information, see the section "Risk Management".</i></p> |
| <p>BUSINESS MIX AND PRODUCTS</p> | | |
| 4 | <p>To continue to develop its activity with a priority focus on the segments of retail banking and services for small and medium business</p> | <ul style="list-style-type: none"> ◆ The portfolios to households, micro and small enterprises registered an increase - up to BGN 2,037 million, BGN 349 million, and BGN 505 million, and the medium ones - reached BGN 1,039 million by the end of 2020, occupying 31.1%, 5.3%, 7.7% and 15.9% in the total portfolio. ◆ During the year, First Investment Bank provided loans under the BDB Program to guarantee interest-free loans in protection of people deprived of the opportunity to work due to the COVID-19 pandemic. ◆ The Bank managed to negotiate easing of the eligibility conditions under the Microcredit with Shared Risk program, in support of start-ups and businesses developing social activities. ◆ The granting of loans under the programs of BDB and Fund Manager of Financial Instruments in Bulgaria for portfolio guarantees in support of micro, small and medium enterprises affected by the emergency situation and the epidemic of COVID-19 has started. <p><i>For more information, see the section "Business Overview".</i></p> |
| 5 | <p>Introduce new products with a focus on the transaction business and cross-selling</p> | <ul style="list-style-type: none"> ◆ Fibank offered a bonus upon approval of a new consumer or mortgage loan - in the form of an overdraft on a debit card in the amount of up to 3 salaries and without interest for the first year. ◆ A specialized loan product was developed for agricultural producers – "Agropodkrepa" loan, in the form of a revolving loan or overdraft with financing of up to BGN 80 per decare for arable land and a repayment period of up to 10 years. ◆ Development of digital services in all areas of banking, both in credit services and savings products, and payment services. <p><i>For more information, see the section "Business Overview".</i></p> |
| 6 | <p>To develop personalized services and maintain high quality customer service</p> | <ul style="list-style-type: none"> ◆ The offering of a new service - "Video consultation" for individuals on credit products, available through the corporate website, digital and mobile banking, started. ◆ The personal banking service, aimed at a certain segment of customers and minimum financial criteria, contributed to a 23% growth in the serviced customers of private banking. ◆ Recognition for the maintained high quality of customer service were the awards for the best credit institution in the competition "Company of the Year 2020", organized by Business Lady magazine, as well as "Favorite Brand 2020" of the Bulgarian consumer among the financial institutions of the consumer ranking "My Love Marks". <p><i>For more information, see the section "Awards 2020".</i></p> |
| <p>DIGITALISATION AND TECHNOLOGY</p> | | |
| 7 | <p>To introduce high-tech solutions in accordance with the development of</p> | <ul style="list-style-type: none"> ◆ During the year First Investment Bank expanded the range of cards that can be digitized - Mastercard and VISA. |

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| <p>new technologies and digital services</p> | <ul style="list-style-type: none"> ❖ Customers with an issued VISA debit or credit card were provided with the opportunity to use the Apple Pay service for payment with iPhone and / or Apple Watch. ❖ In 2020, the services for providing account information and initiating payment were available on iOS devices through My Fibank mobile banking. ❖ The issuance of an innovative card product with the possibility of paying equal installments, as well as participation in a loyalty program started. <p><i>For more information, see the section "Card Payments"</i></p> |
| <p>8 To improve distribution channels with priority development of remote banking, incl. by applying an innovative approach and collaborating with fintech companies</p> | <ul style="list-style-type: none"> ❖ A new subsidiary was established - MyFin EAD, which started its activity by offering a digital platform for fast money transfers and online payments, issuing digital cards, as well as innovative services, incl. ordering transfers (peer-to-peer), payment by link, etc. ❖ From 2020, the My Fibank mobile application was available from another major online store - Huawei AppGallery. ❖ The opportunity was provided to the clients - legal entities to perform active operations through the mobile application My Fibank. The action of the so-called Push notifications was expanded. ❖ Efforts were made to further develop distribution channels, incl. through the use of intermediaries. <p><i>For more information, see the section "Distribution Channels"</i></p> |
| <p>9 Implement new solutions to optimize the efficiency of operations in accordance with the changing environment and future developments</p> | <ul style="list-style-type: none"> ❖ The methods for in-depth identification of the customer (SCA) for card payments on the Internet, incl. new confirmation methods: by a combination of a dynamic password sent by SMS and a static password, as well as by biometric data. ❖ A new option was introduced for rescheduling in equal monthly installments, the repayment of the utilized credit limit for payments made with credit cards at a POS terminal, incl. virtual. ❖ The implementation of a software solution for organizing and storing electronic credit files was implemented. ❖ The works on the projects - Branch digitalization and for improvement of the workflow systems of the Bank continued. <p><i>For more information, see the section "Information Technology"</i></p> |
| <p>HIGH STANDARDS AND RESPONSIBILITY</p> | |
| <p>10 To develop standards for corporate and internal governance in accordance with applicable European guidelines and international practices</p> | <ul style="list-style-type: none"> ❖ In 2020, the Bank improved its corporate governance policies, incl. on the management of conflicts of interest, the assessment of suitability, the outsourcing of activities, the internal organization and accountability of independent compliance and internal audit functions, and internal management policies at group level. The changes were in line with national requirements as well as EBA guidelines in these areas. ❖ The internal information security policies were updated in order to apply an improved approach, incl. with regard to the requirements for remote access to information resources, password management, as well as monitoring, evaluation and testing of the security of |

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| | | <p>information systems, networks and databases. <i>For more information, see the section "Corporate Governance"</i></p> |
| 11 | <p>To develop human capital management through the implementation of projects aimed at upgrading the skills and professional development of employees, increasing the efficiency of processes and establishing the Bank as a preferred employer</p> | <ul style="list-style-type: none"> ❖ Implementation of the Program for development of internal trainers, within which, through various activities for increasing the knowledge and development of training skills, 45 in house trainers, leading group trainings and 90 mentors, training their colleagues at the workplace. ❖ During the year over 1200 employees undergo e-training for the development of knowledge and skills in various fields such as lending, foreign exchange payments, changes in internal regulations and more. ❖ In 2020, two new corporate motivational programs (FiSales Pro and Most Valuable Team) were initiated and launched, enabling employees and teams to excel with ambition, proactivity and ability to achieve maximum results and usefulness in work. ❖ Funding for the training of employees with high potential for development in the master's programs of the SDA Bocconi School of Management and the American University in Bulgaria, as well as the Higher School of Insurance and Finance, continued. <p><i>For more information, see the section "Human Capital"</i></p> |
| 12 | <p>To continue its socially responsible policy, supporting socially significant projects and initiatives</p> | <ul style="list-style-type: none"> ❖ First Investment Bank organized a charity event in support of the Bulgarian Federation for Children Deprived of Parental Care (BFDLRG), which raised funds of over BGN 65,000 for the social cause. ❖ For the second year in a row, Fibank and Mastercard supported the global World Food Program (WFP), through which part of the transaction amount was donated for humanitarian aid to families with children of preschool and school age. ❖ The bank was involved in the donation campaign in the fight against the spread of coronavirus in the country, donating 1,000 tests for free testing of COVID-19. ❖ First Investment Bank also supported initiatives for less harmful emissions and environmental protection through its subsidiary MyFin, and the cards it issues from an innovative material made of 100% biodegradable plastic. <p><i>For more information, see the section "Social responsibility"</i></p> |

SUBSEQUENT EVENTS

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

For further information, see the Individual Financial Statements for the year ended December 31, 2020.

 **DEVELOPMENT GOALS IN 2021**

- ◆ To be among the leading banks in the country, with a priority focus for development on the segments of retail banking and services for small and medium businesses.
- ◆ To continue its development as a customer-oriented bank, with high quality service, preferred by the population and business customers.
- ◆ To invest in the creation of new, creative products and in the development of digital services, providing its customers with competitive advantages.
- ◆ To develop a sustainable business model.
- ◆ Achieving good financial results, incl. in terms of return on capital and cost / income ratio.

OTHER INFORMATION

MEMBERS OF THE SUPERVISORY BOARD

Evgeni Lukanov - Chairman of the Supervisory Board

Mr. Lukanov joined First Investment Bank AD in 1998 as Deputy Director, and later as Director and General Manager of the Tirana Branch, Albania. From 2001 to 2003 he was Director of the Bank's Vitosha Branch (Sofia).

Mr. Lukanov has occupied a number of senior positions with First Investment Bank AD. From 2003 to 2007 he was Director of the Risk Management Department and Member of the Managing Board. From 2004 to 2012 - Executive Director and Member of the Managing Board of First Investment Bank AD.

During his years of work in First Investment Bank AD, Mr. Lukanov has been Chairman of the Credit Council and the Liquidity Council of the Bank. He has been in charge of the following departments: Risk Management, Impaired Assets and Provisioning, Loan Administration, Specialized Monitoring and Control, Retail Banking, Methodology, and Liquidity.

Mr. Lukanov has also been member of the Managing Board of First Investment Bank – Albania Sh.a.

At the beginning of February 2012, Mr. Lukanov was elected as Chairman of the Supervisory Board of First Investment Bank AD. For the period 2012-2019 he was Chairman of the Risk Committee to the Supervisory Board of the Bank and since May 2019 was elected as Chairman of the Remuneration Committee to the Supervisory Board of the Bank.

Mr. Lukanov holds a Master's Degree in Economics from the University of National and World Economy, Sofia. Prior to joining First Investment Bank AD, Mr. Evgeni Lukanov worked as currency broker with First Financial Brokerage House OOD.

Besides his position on the Supervisory Board of the Bank, Mr. Lukanov is also Chairman of the Board of Directors of Fi Health Insurance AD. He is owner of ET Imeksa-Evgeni Lukanov and holds more than 10% of the capital of Avea OOD.

Maya Georgieva - Deputy Chair of the Supervisory Board

Prior to joining First Investment Bank, Ms. Maya Georgieva worked with the Bulgarian National Bank for 19 years where she gained considerable experience in international banking relationships and payments, banking statistics and firm crediting. Her last appointment with BNB was as Head of the Balance of Payments Division.

Ms. Maya Georgieva joined First Investment Bank AD in 1995 as Director of the International Department. From 1998 to 2012 she served as Executive Director of First Investment Bank and Member of the Managing Board. During her years of work in the Bank she has been responsible of the following departments: International Payments, Letters of Credit and Guarantees, SME Lending, Human Capital Management, Administrative Department, Sales Department, Retail Banking, Marketing, Advertising and PR, Branch Network, Private Banking and the Vault.

Alongside her responsibilities at the Bank, Ms. Georgieva has also occupied a number of other senior executive positions. From 2003 to 2011 she chaired the Supervisory Board of CaSys International - a Northern Macedonia-based card processing company servicing card payments in Bulgaria, Northern Macedonia and Albania.

From 2009 to 2011 she was Chair of the Board of Directors of Diners Club Bulgaria AD - a franchise company of Diners Club International, owned by First Investment Bank. In this capacity, she inspired the launch of a number of products, including the first female-oriented credit card. From 2006 to 2011 she

was also member of the Managing Board of First Investment Bank - Albania Sh.a., a subsidiary of First Investment Bank.

In the beginning of February 2012, Ms. Georgieva was elected as Deputy Chair of the Supervisory Board of First Investment Bank AD and Chair of the Presiding Committee to the Supervisory Board of First Investment Bank AD.

Ms. Georgieva holds a Masters Degree in Macroeconomics from the University of National and World Economy in Sofia and has post-graduate specializations in International Payments and Balance of Payments with the International Monetary Fund and Banking from Specialized postgraduate course of BNB joint with the Bulgarian Union of Science and Technology.

She was granted several times with the "Banker of the Year" award of the Bulgarian financial weekly "Banker" - in 2001 and 2011, as well as in 2018 for overall contribution to the development of the banking system.

Georgi Mutafchiev, Ph.D. - Member of the Supervisory Board

Mr. Mutafchiev began his career in 1985 as an expert, and later as a senior expert on development of the system for management and coordination of enterprises of the Electronic Industry Association. In 1987, he joined Techno-Import-Export Foreign Trade Company as a senior expert with the Department of Coordination and Development under the Executive Director.

In 1991 Mr. Georgi Mutafchiev started work at the Bulgarian National Bank as Head Reserve Manager with the Foreign Currency Operations Department. During his six-year experience with the National Bank, he was responsible for the investment of foreign currency reserve and controlled the management thereof.

From 1998 to 2011 he was Executive Director of Flavia AD and Flavin AD. Up to 2015 he was member of the Board of Directors of Flavia AD.

Along with its responsibilities in Flavia, in 2000 Mr. Mutafchiev was elected as Member of the Supervisory Board of First Investment Bank. For the period 2014-2019, he was Chairman of the Nomination Committee to the Supervisory Board of First Investment Bank. Since May 2019, Mr. Mutafchiev was elected as Member of the Presiding Committee to the Supervisory Board of First Investment Bank.

Mr. Mutafchiev graduated in law at the Sofia University St. Kliment Ohridski in 1982. From 1982 to 1984 he studied at the Sorbonne in Paris, where he received a PhD degree in Business Law. The same year Mr. Mutafchiev also acquired an MBA degree from the Schiller University, Paris.

Mr. Mutafchiev is not an owner and does not own controlling share in companies.

Radka Mineva - Member of the Supervisory Board

Prior to joining First Investment Bank AD, Ms. Mineva worked as a capital markets dealer at the Bulgarian National Bank where she gained considerable experience in banking. During the time spent with the Central Bank, she specialized at the Frankfurt Stock Exchange and the London Stock Exchange as a capital markets dealer.

Ms. Mineva started her career with the foreign trade enterprise Main Engineering Office, where she worked for 9 years; she also spent three years as an expert at RVM Trading Company.

Since 2000, Ms. Mineva has been a Member of the Supervisory Board of First Investment Bank AD. Since May 2019, she was elected as Member of the Presiding Committee to the Supervisory Board of First Investment Bank.

She is a graduate of the University of National and World Economy in Sofia, with a degree in Trade and Tourism.

Besides her position on the Supervisory Board of the Bank, Ms. Mineva is Manager of Balkan Holidays Services OOD - a company with activities in the sphere of tourism, transportation, hotel business, tour operation, and tour agency services. Ms. Mineva is also Manager of Balkan Holidays Partners OOD - a company engaged in international and domestic tourism services, foreign economic transactions, and financial management. Ms. Mineva owns more than 25% of the capital of Balkan Holidays Partners OOD. She is also Member of the Managing Board of the non-profit organization "National Board of Tourism" and of the non-profit organization "Union of investors in tourism".

Jordan Skortchev - Member of the Supervisory Board

Before joining First Investment Bank AD, Mr. Jordan Skortchev worked for two years with the Central and Latin America Department of the foreign trade organization Intercommerce, followed by five years with First Private Bank, Sofia as an FX Dealer and Head of the Dealing Division.

Mr. Skortchev joined First Investment Bank in 1996 as Chief Dealer, FX Markets. From 2001 to 2012 Mr. Skortchev was Member of the Managing Board and Executive Director of the Bank. During his years of work in the Bank, Mr. Skortchev has been responsible for the following departments: Card Payments, Operations, Gold and Numismatics, Internet Banking, Dealing, Security and Office Network-Sofia.

Alongside his responsibilities at the Bank, Mr. Skortchev has also occupied other senior executive positions. Mr. Skortchev has been Chairman of the Supervisory Board of UNIBank AD, Republic of Northern Macedonia, member of the Supervisory Board of CaSys International, Republic of Macedonia, member of the Board of Directors of Diners Club Bulgaria AD, member of the Board of Directors of Bankservice AD, member of the Board of Directors of Medical center FiHealth AD, and Manager of FiHealth OOD.

In the beginning of February 2012, Mr. Skortchev was elected as a Member of the Supervisory Board of the Bank. For the period 2012-2019, he was Chairman of the Remuneration Committee to the Supervisory Board of First Investment Bank AD. Since May 2019, Mr. Skortchev was elected as Chairman of the Nomination Committee to the Supervisory Board of First Investment Bank AD.

Mr. Skortchev holds a Masters Degree in International Economic Relations from the Higher Institute of Economics (now the University of National and World Economy) in Sofia. He has specialized in banking in Luxembourg, in swap deals at Euromoney, and in futures and options at the Chicago Stock Exchange.

Mr. Skortchev holds more than 10% of the capital of Investment intermediary Delta Stock AD.

Jyrki Koskelo – Member of the Supervisory Board

Mr. Jyrki Koskelo was elected as member of the Supervisory Board of First Investment Bank AD in June 2015. In his capacity as an independent member Mr. Koskelo supports the Supervisory Board in setting up the business objectives and the strategy of the Bank, the corporate culture and values, as well as in overseeing good corporate governance practices and effective risk management. As at 31 December 2019, he is Chairman of the Risk Committee to the Supervisory Board of First Investment Bank AD. Mr. Koskelo has long-term experience in banking and global financial markets, as well as wide professional practice in different geographical regions.

Mr. Koskelo worked in the International Finance Corporation (IFC - a member of the World Bank Group) for 24 years, from 1987 to late 2011. The first 13 years he worked as an Investment Officer covering the Central and Eastern Europe and Africa regions. In 2000, he was appointed as Director Work-out Loans and in 2004 he became Director Global Financial Markets. In 2007, he was appointed as Vice President (reporting to the CEO) and a member of the IFC's Management Committee. Mr. Koskelo led the

formulation and implementation of the IFC's investment strategy, policies, and practices across industries and regions, including in Central and Eastern Europe, Latin America and Africa. His major legacies include IFC's entry to Global Trade Finance Programs, decentralization of the organization with significant staffing across emerging markets, IFC's leading role in private sector side of Vienna Initiative to support Central Europe banks after Lehman Crisis and establishment of IFC's Asset Management subsidiary's first \$3 billion fund for capitalization of weak banks in poor countries.

Prior to joining the IFC, he spent close to 10 years in senior management positions in the private sector in the Middle East and in USA.

Mr. Koskelo currently holds a number of senior and advisory positions in European and African organizations and financial institutions including:

- AATIF (a KfW & EU sponsored Africa Agriculture and Trade Investment Fund), Luxemburg – Member of the Board of Directors, Chairman of the Investment Committee;
- EXPO Bank, Czech Republic – Member of the Supervisory Board;
- Invest Solar Africa, Botswana – Chairman of the Board of Directors.

During the period 2012 – up to 2019 Mr. Koskelo acted in multiple Supervisory Board and advisory positions including in the Africa Development Corporation, Germany; African Banking Corporation, Botswana; RSwitch, Rwanda; EXPO Bank, Latvia, AtlasMara Co-Nvest LLC, UK, and in Al Jaber Group, UAE.

Mr. Koskelo holds a Master of Science (M.Sc.) degree in Civil Engineering from the Technical University of Helsinki, Finland and a Master of Business Administration (MBA) in International Finance from the Massachusetts Institute of Technology (MIT), Sloan School of Management in Boston, USA.

MEMBERS OF THE MANAGING BOARD



Nikola Bakalov – Chief Executive Officer (CEO) and Chairman of the Managing Board

Mr. Nikola Bakalov has extensive experience in the banking and insurance sector in Bulgaria, combined with proven professional and managerial skills. From December 2000 to September 2011, he worked at First Investment Bank AD, taking increasing responsibilities from Card Services Specialist to Director of the Card Payments Department, which position he held for almost 6 years. During this period he was also elected as member of the executive committees of Mastercard Bulgaria and VISA Bulgaria.

In the period December 2011 - August 2012, Mr. Bakalov was member of the Managing Board of Allianz Bank Bulgaria AD, where he served as Executive Director, and subsequently as Chief Executive Officer.

From 2013 to August 2020, Mr. Bakalov was Executive Director of FiHealth Insurance AD, where he acquired significant experience in the field of insurance.

At the beginning of 2020, he was elected as Chief Retail Banking Officer (CRBO), Member of the Managing Board and Executive Director of First Investment Bank AD, responsible for the retail banking business lines within the Bank.

Since April 2020 Mr. Bakalov has been elected as Chief Executive Officer (CEO) and Chairman of the Managing Board of First Investment Bank AD.

Responsibilities in the Bank – Compliance function, Legal Department, Corporate Communications Department, Marketing and Advertising Department, Human Capital Management Department, Administrative Department, Asset Management Department, Information Technologies Department and Protocol and Secretariat Department.

Mr. Bakalov holds a Master's degree in International Economic Relations from the University of National and World Economy in Sofia, and has additional specializations in card payments, finance retail services and corporate governance.

Apart from his position at the Bank, Mr. Bakalov is Deputy chairman of the Board of Directors of FiHealth Insurance AD and a member of the Board of Directors of Balkan Financial Services EAD.



Svetozar Popov – Chief Risk Officer (CRO), Member of the Managing Board and Executive Director

Mr. Svetozar Popov joined First Investment Bank AD in 2004 as part of the Risk Management Department, and was shortly thereafter promoted to Head of the Credit Risk Division. From 2006 to 2008 he was Deputy Director of Risk Management, during which period he also chaired the Bank's Credit Council. From 2016 to 2017, Mr. Popov held the office of Chief Compliance Officer (CCO), and in May 2017 he was appointed as Chief Risk Officer (CRO), Member of the Management Board and Executive Director of First Investment Bank AD.

From 2008 to 2015, Mr. Popov was member of the Managing Board and Executive Director of UNIBank AD, Northern Macedonia, where he gained significant management experience and was responsible for

the areas of risk management, credit administration, and finance. Prior to joining First Investment Bank AD, Mr. Popov worked at Raiffeisenbank (Bulgaria) EAD as an SME loan officer.

Mr. Popov holds a Masters degree in Finance from the University of National and World Economy in Sofia, and has obtained additional qualifications in the field of financial analysis from the European Bank for Reconstruction and Development (EBRD) and other internationally recognized institutions, as well as practical experience in foreign banks.

In the Bank he is responsible for the Risk Analysis and Control Department, the Credit Risk Management, Monitoring and Provisioning Department, the Impaired Assets Department, the Loan Administration Department, Security Department, Information Security Department and the specialized unit Strategic Risk Management.

Besides his position in the Bank, Mr. Popov is a Chairman of the Supervisory Board of UNIBank, Republic of Northern Macedonia, Chairman of the Board of Directors of MyFin EAD and a Manager of Debita OOD.



Chavdar Zlatev - Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director

Mr. Chavdar Zlatev joined the team of First Investment Bank AD in 2004 as Chief specialist in the SME Lending Department. Soon afterwards he was promoted to Deputy Director of the Department. From 2006 to 2009 he was manager of the Vitosha branch of First Investment Bank AD. He was subsequently appointed Deputy Director of the Branch Network Department, and in 2010 promoted to Director of the Department. In early 2011, he was appointed Director of the Corporate Banking Department, and has participated in the development and implementation of a number of banking products. In November 2014 Mr. Zlatev was elected member of the Managing Board of First Investment Bank AD, and from February 2018 was appointed as Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director.

Alongside his responsibilities in the Bank for the period during 2011-August 2020 he was member of the Board of Directors of FiHealth Insurance AD.

Prior to joining First Investment Bank AD, Mr. Zlatev worked in CB Unionbank AD as a senior bank officer, Corporate clients. He holds a Master's degree in Macroeconomics from the University of National and World Economy in Sofia. He has specialized loan products and practices in Bank of Ireland, as well as contemporary banking practices in Banco Popolare di Verona.

Responsibilities in the Bank – Corporate Banking Department, Corporate Sales and Public Procurements Department.

Besides his position with the Bank, Mr. Zlatev is a member of the Management Board of First Investment Bank – Albania Sh.a. He is manager and sole owner of Elea Property EOOD.



**Ralitsa Bogoeva – Chief Retail Banking Officer (CRBO),
Member of the Managing Board and Executive Director**

Ms. Ralitsa Bogoeva has been Chief Retail Banking Officer, Member of the Managing Board and Executive Director of First Investment Bank AD since May 2020. She has extensive professional experience in various fields of banking.

Ms. Ralitsa Bogoeva joined the team of First Investment Bank AD in 2002 as a Retail Loan Officer and a year later was promoted to Deputy Director of the Retail Banking Department, a position she held for eight years. From 2011 to 2018 she was Director, Internal Audit of Fibank. From June 2018 to 2020, Ms. Bogoeva held the position of Chief IT and Operations Officer at the Bank. During her professional career, Ms. Bogoeva has managed various projects in the fields of finance, the development and administration of products for individuals and businesses, as well as innovative projects in the field of information technology and digitalization of banking.

Ms. Bogoeva has a Master's degree in Accounting and Control from the University of National and World Economy in Sofia, as well as a number of additional qualifications in the areas of banking, international auditing standards, planning and project management.

Responsibilities in the Bank – Retail Banking Department, Private Banking Department, Digital Banking Department, Card Payments Department, Branch Network Department, Organisation and Control of Customer Service Department, Gold and Commemorative Coins Department, the Vault.

In addition to her position in the Bank, Ms. Bogoeva is a member of the Board of Directors of Diners Club Bulgaria AD, a member of the Board of Directors of MyFin EAD and a member of the Supervisory Board of UNIBanka AD, Northern Macedonia. She owns 25% of the capital of Raya Homes OOD.



**Ianko Karakolev – Chief Financial Officer (CFO) and
Member of the Managing Board**

Mr. Ianko Karakolev was elected Chief Financial Officer (CFO) and Member of the Managing Board of First Investment Bank AD in June 2020. He is a longtime financial analyst and staff member of First Investment Bank AD.

Mr. Karakolev joined the Bank's team in 1999 as an accountant-controller in the Financial and Accounting Department and soon became Director of the Internet Branch. In the period 2002-2007 he was promoted from Head of the Financial Statements, Analyzes and Budgeting unit to Deputy Chief Accountant. After that, until 2011, he held the position of Deputy Director of the Finance and Accounting Department. From 2011 to 2014 he was Chief Financial Officer and Director of the Finance and Accounting Department, and in the period 2014-2020 was Director of the Finance Department. During his professional career, Mr. Karakolev has participated in the management of many innovative projects contributing to the implementation of international standards and the development of banking, as well as in corporate actions such as the acquisition of MKB Unionbank and its subsequent merger with First Investment Bank AD.

Prior to joining the team of First Investment Bank AD, Mr. Karakolev worked at Bulgarian Commercial and Industrial Bank AD as an accountant. He holds a Master's degree in Finance from the University of

National and World Economy in Sofia and has professional certificates and qualifications in the fields of international financial and accounting standards, the European regulatory framework on banking and reporting, management and business planning.

Responsibilities in the Bank – Finance Department, Accounting Department, Treasury Department, Investor Relations Department, Financial Institutions and Corresponding Banking Department and Intensive Loan Management Department.

In addition to his position in the Bank, Mr. Karakolev is a member of the Audit Committee of First Investment Bank - Albania Sh.a., member of the Board of Directors of Balkan Financial Services EAD and member of the Supervisory Board of UNIBanka AD, Northern Macedonia.



Nadia Koshinska – Member of the Managing Board and Director of SME Banking Department

Ms. Nadia Koshinska joined Fibank in 1997 as a corporate loan expert. In 2002, she was appointed Deputy Director Loan Administration and held this position until 2004. In 2004 Nadia Koshinska was appointed Director SME Lending Department responsible for increasing the market share of the Bank through implementing special programs and dedicated products for SMEs. Also in 2004, she was appointed as a member of the Credit Council. At the end of 2015, Ms. Koshinska was elected as Chief Retail Banking Officer (CRBO) and Member of the Managing Board, while since September 2017 is a Member of the Managing Board and Director of SME Banking Department.

Prior to joining First Investment Bank AD she worked in the balance of payments and foreign debt division in Bulgarian National Bank.

Ms. Nadia Koshinska holds a Masters degree in Accounting and Control from the University of National and World Economy in Sofia.

In the Bank she is responsible for the SME Banking Department.

Ms. Koshinska does not hold outside professional positions.

The present Individual Activity report for 2020 was approved by the Managing Board of First Investment Bank AD in accordance with the Bank's internal regulations at a meeting dated 02 April 2021.

Signed

Nikola Bakalov
*Chief Executive Officer,
Chairman of the Managing Board*

Signed

Svetozar Popov
*Executive Director,
Chief Risk Officer,
Member of the Managing Board*

Signed

Ianko Karakolev
*Chief Financial Officer,
Member of the Managing Board*



INFORMATION

ON

FIRST INVESTMENT BANK AD

FOR 2020

The present information is prepared pursuant to Art.32, par. 1, p. 4 from Ordinance No.2 of the Financial Supervision Commission on the prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market and on disclosure of information.

1. Structure of the company's capital including the securities that have not been admitted to trading on a regulated market in the Republic of Bulgaria or another Member State, with indication of the different classes of shares, the rights and liabilities attaching to any of the classes of shares and the portion of the total capital which each individual class constitutes.

The share capital of First Investment Bank is BGN 149,084,800, divided into 149,084,800 dematerialized, ordinary voting shares with a par value of BGN 1.00 each. Each share gives one voting right at the General Meeting of Shareholders, a right to a dividend and to a liquidation quota, pro rata the share's par value. The shareholders also have other rights as provided for by the Bank's By-laws and the effective legislation.

The structure of the shareholders' capital of First Investment Bank AD as at 31 December 2020 on a standalone basis is as follows:

| BGN thousand | 2020 |
|--------------------------------------------------|------------------|
| Issued share capital | 149,085 |
| Share premium | 250,017 |
| Statutory reserves | 39,861 |
| Revaluation reserve on investments in securities | 15,513 |
| Revaluation reserve on property | 4,500 |
| Other reserves and retained earnings | 718,773 |
| Total shareholders' equity | 1,177,749 |

2. Restrictions on the transfer of securities, such as restrictions on the possession of securities or need to obtain approval from the company or another shareholder.

The Bank's shares are freely transferrable in compliance with the provisions of current legislation. The transfer of dematerialised registered shares becomes effective as of the registration of the transactions in the records of the Central Depository.

Natural or legal persons, or persons acting in agreement, may not without prior approval of the BNB acquire directly or indirectly shares or voting rights if as a result their shareholding becomes qualified or exceeds 20, 33 or 50 per cent of the shares or voting rights, as well as when the Bank becomes a subsidiary. Where the shares under the previous sentence are acquired without prior permission of BNB on public offering of shares on the stock exchange or any other regulated securities market, the transferees may not exercise the voting rights on these shares until receipt of BNB's written permission, for the issuance of which they shall submit an application within one month of occurrence of the relevant fact requiring obtaining of such permission.

3. Information on the direct and indirect holding of 5 per cent or more of the voting rights in the general meeting of the company, including information on the shareholders and the number of shares held.

The shareholders holding 5% or more of the share capital of First Investment Bank as at 31 December 2020 are, as follows:

| number / % of total | Number of shares | % held |
|--------------------------------|------------------|--------|
| Mr. Ivailo Dimitrov Mutafchiev | 46,750,000 | 31.36% |
| Mr. Tzeko Todorov Minev | 46,750,000 | 31.36% |
| Bulgarian Development Bank AD | 27,350,000 | 18.35% |
| Valea Foundation | 11,734,800 | 7.87% |

At 31 December 2020 16,500,000 shares (11.06% of share capital) are traded freely at the Bulgarian Stock Exchange AD (free-float).

4. Information on shareholders with special controlling rights and description of such rights.

No shareholders have special controlling rights.

5. System for control on exercising the voting right in cases where the company's employees are also shareholders and control is not exercised directly by them.

The Bank does not have a special system for control on exercising the voting right in cases where the company's employees are also shareholders and control is not exercised directly by them.

6. Restrictions on the voting rights, such as restrictions on the voting rights of shareholders holding a specific percentage or number of votes, deadline for exercising the voting rights or systems in which in cooperation with the company the financial rights related to the shares are separated from the shareholding.

No such restrictions exist.

7. Agreements between shareholders which are known to the company and may lead to restrictions in the transfer of shares or voting rights.

No such agreements are known to the company.

8. Provisions regarding the appointment and dismissal of members of the managing bodies of the company and the amendments of the Company's By-Laws.

Pursuant to the Bank's By-Laws, the Managing Board of First Investment Bank consists of three to nine legally capable physical persons, elected by the Supervisory Board to hold office for up to 5 years. Legal persons or members of the Bank's Supervisory Board may not be elected as members of the Managing Board.

The members of the Managing Board must meet the following requirements:

1. hold Master's degree or higher;
2. have a qualification and professional experience in banking;
3. have not been convicted of a premeditated crime of general nature or for any crime under Article 116a of the Public Offering of Securities Act;
4. in the last two years preceding the insolvency date were not members of governing or controlling bodies or general partners in a company terminated for bankruptcy which has unsatisfied creditors, regardless of whether they have later been reinstated or not;
5. were not, during the last 2 years preceding the date of a court decree for declaring a bank bankrupt, members of its governing or control bodies;
6. have not been deprived of the right to occupy a financially responsible position;
7. are not spouses or relatives up to the third degree, including by direct or collateral line of descent, or in civil partnership with another member of a governing or controlling body of the Bank;
8. are not bankrupt debtors whose rights have not been reinstated;
9. based on data collected about them, no doubts arise regarding their reliability and suitability, or potential conflict of interest, in accordance with the requirements of the Bulgarian National Bank and the Bank's nomination policy for senior management.

Only persons who have been granted preliminary approval by the Bulgarian National Bank may be elected members of the Managing Board.

The members of the Managing Board are dismissed by the Supervisory Board on grounds provided for in the legislation or the Bank's By-Laws, as well as in case it is found that the concerned member of the Managing Board does not meet any of the requirements listed in 3 to 9 above.

The members of the Managing Board may be re-elected for subsequent mandates without limitation.

In accordance with the law First Investment Bank has a Nomination Committee which assists the Supervisory Board in assessing the individual and collective suitability of members of the Supervisory Board and Managing Board, as well as assesses the suitability of the key function holders in the Bank, in compliance with the applicable legal provisions in this sphere.

First Investment Bank has a Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions, which is in compliance with the regulatory requirements. The Policy lays down the main requirements, principles, guidelines and criteria in the process of selection and assessment of the individual and collective suitability of

the members of the governing and supervising bodies of First Investment Bank, as well as of the key function holders in the Bank. The policy also structures and defines the fit and proper requirements and criteria (incl. the needed knowledge, skills and experience; reputation, honesty and integrity; independence and allocation of enough time for performing the duties, as well as the practices for encouraging diversity, continuity and education), ensuring that they correspond to the highest standards applied by the Bank, thus contributing to the achievement of its goals and strategy.

The By-Laws of the company may be amended with a resolution of the General Meeting of Shareholders.

9. Powers of the company's managing bodies, including the right to make decisions regarding the issue or buy-back of shares.

The Managing Board manages and represents First Investment Bank AD by resolving any matters which concern the Bank and are within its scope of business, with the exception of those which are in the exclusive competency of the General Meeting of Shareholders or of the Supervisory Board, which are resolved in compliance with the law and the By-Laws.

More specifically, the Managing Board:

1. ensures implementation of the decisions issued by the General Meeting of Shareholders and the Supervisory Board;
2. adopts programmes and budgets in relation to the activity of the Bank;
3. opens and closes branches and representation offices of the Bank;
4. takes decisions regarding shareholding participation of the Bank in other companies in Bulgaria or abroad;
5. resolves any matters regarding the acquisition and disposal of real properties and real rights thereto;
6. prepares the annual financial statements of the Bank and put them forward for approval by the General Meeting of Shareholders;
7. carries out any other functions assigned to it by the General Meeting or the Supervisory Board or by law.

The resolutions of the Managing Board referred to in 2, 4 and 6 above, and in the other cases as provided for by law and the By-Laws, shall have legal force with respect to the Bank after their approval by the Supervisory Board. The decisions referred to in 5 above shall require the approval of the Supervisory Board, where the transaction is for an amount above BGN 5 million or its equivalent in foreign currency, unless the transaction relates to acquisition of real properties and real rights thereto for repaying debt due on a credit deal or to the disposal of such real properties or real rights thereto, and/or unless for the entering into the transaction an express authorisation by the General Meeting of Shareholders pursuant to the Law on Public Offering of Securities is also required.

The decisions to increase or decrease the capital are within the powers of the General Meeting of Shareholders. For a period of 5 years, as from 23 June 2017, as decided by the General Meeting of Shareholders on 29 May 2017, the Managing Board, with the approval of the Supervisory Board, may decide to increase the Bank's capital to a total nominal value of BGN 210 000 000 by issue of new

shares. The Managing Board, with the approval of the Supervisory Board, may decide on all other terms and conditions for effecting the increase of capital and to carry out all necessary legal and other steps to this end, including, but not only, to determine the issue value of the shares, appoint an investment intermediary, and reflect the change in capital and number of shares in the By-Laws, all in compliance with the applicable legislation.

Decisions to issue bonds are within the powers of the General Meeting of Shareholders. For a period of 5 years, as from 16.06.2016, as decided by the General Meeting of Shareholders on the General Meeting of Shareholders on 16.05.2016, the Managing Board, with the approval of the Supervisory Board, may decide to issue other types of bonds and other debt securities, including subordinated term debt and hybrid instruments in a total amount of up to BGN 2,000,000,000 or the equivalent in a foreign currency. The terms and conditions of the bond or other debt securities shall be determined by of the Managing Board in compliance with the applicable legislation and the By-Laws.

For a period of 5 years, as from 23.07.2019, as decided by the General Meeting of Shareholders on the General Meeting of Shareholders on 19.06.2019, the Managing Board, with the approval of the Supervisory Board, may decide to issue mortgage bonds pursuant to the Law on mortgage bonds with a total nominal amount up to BGN 400,000,000, maturity up to 10 years from the date of issuance and other conditions defined by the Managing Board.

10. Significant contracts signed by the company which require action or which are amended or terminated due to a change in control of the company when carrying out a mandatory tender offer, and the consequences thereof, except where the disclosure of such information may cause serious damage to the company; this exception shall not apply where the company is obliged to disclose such information by law.

No such contracts exist.

11. Agreements between the company and its managing bodies or employees for payment of compensation in case of leaving, or dismissal without legal grounds, or termination of employment relations due to a tender offer.

Pursuant to the signed management and control agreements, in case of unilateral termination by the Bank without prior notice, the members of the Managing Board shall be entitled to compensation amounting up to 6 monthly remunerations under the agreement, while the branch managers – to 2 monthly remunerations. Pursuant to the signed agreements between the Bank and the members of the Supervisory Board in case of termination of the agreement a compensation is due up to 12 monthly remunerations, as in extraordinary circumstances the compensation due is up to 24 monthly remunerations. The employment contracts of the Bank's employees are in compliance with the Labour Code and do not contain clauses differing from the provisions of the law and the usual practice.

Scorecard / Evaluation form for Corporate governance in Bulgaria

Evaluation's method for the companies with two tier governance structure

Based on the Methodology, developed by Christian Strenger

Notes about the methodology

Based on the National code for corporate governance in its' version from April 2016

The detached criterias refer to the corresponding chapters of the code

The execution's degree of every point is determined by marking in the field column (1)

Weight of the questions: Standart evaluation is checked in column (2)

The summarized results are described as a value of different criteria with common result in (3)

In case of need the source of information should be noticed in column "Source of information"

The astonishing before every criteria disappear, when it is marked the corresponding field in column (1)

The card is developed in 2 types depending on the governance system, as the company fulfills the type, which corresponds to its governance system

The card has to be signed by personality with representing authority in the company

Name of the issuer:

Date of completion

Chose the governance system of the company [One tier system](#) [Two tier system](#)

Scorecard / Evaluation form for Corporate governance in Bulgaria
Evaluation's method for the companies with two tier governance structure

| Execution (1) | | | Standart note (2) | Number of points (3) = (1) × (2) Standart note |
|---------------|---------|----|-------------------|---------------------------------------------------|
| 1 | 0.5 | 0 | | |
| yes | partial | no | | |

| Source of information |
|--------------------------------------------------------------------------------------------------------------------------------|
| Please, point the way of the requirement's execution When the execution is not in full compliance, please point the reasons |

Criteria

I. Management board

10%

| Criteria | Execution (1) | Standart note (2) | Number of points (3) = (1) × (2) | Standart note |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------------|----------------------------------|---------------|
| I.1 Do the structure and the distribution of the tasks to the members on the Management Board guarantee the effective performance of the company? | 1 | | 10% | 10.0% |
| I.2 Do the compliance principles observed for competence level of the candidates, by offer of choice of new members of the Management Board, with the character of the company' s activity? | 1 | | 15% | 15.0% |
| I.3 In the contracts for assignment of the management, concluded with the members of the Management board are determined their obligations and tasks, the criteria of the size of their remuneration, their obligations for loyalty to the company and the reasons for release? | 1 | | 15% | 15.0% |
| I.4 Does the remuneration of the members of the Management Board consist of basic salary and variable incentives? | 1 | | 15% | 15.0% |
| I.5 Are the additional incentives for the members of Management board concrete appointed / appointable? | 1 | | 15% | 15.0% |
| I.6 Are the additional incentives for the members of Management board bound by clear and concrete criteria and indicators for the results of the company and / or by the achievement of preliminary determined by the Supervisory board goals? Describe the connection between the additional incentives for the members of the Management board and the achieved results of the company or other criteria and/or aims determined by the Supervisory board. | 1 | | 15% | 15.0% |
| I.7 Is provided to the share holders approach to the information for deals between the company and the members of Management board and connected with it persons? Indicate the concrete place and the order, eventual - the web page of the company, on which it can obtain the above described information. | 1 | | 15% | 15.0% |
| | | | 100% | 100% |

The members and functions of MB are structured according to the statutes and Corporate governance code. First investment bank functions with an organizational structure, built in accordance with the good international standards in the area of corporate governance, the EBA Guidelines and the principles of Basel committee in this area.

First investment bank has a Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions, which is in compliance with the regulatory requirements, activities of the bank and development plans. In the bank works a Nomination Committee, which assists the Supervisory Board in assessing the individual and collective suitability of members of the Supervisory Board and Managing Board, as well as assesses the suitability of the key function holders in the Bank, in compliance with the applicable legal provisions in this sphere

In the contracts are included the total obligations, stipulated is the fixed remuneration, as well as the payed expense in connection with the activity, incl. such as health insurance, insurance, compensations and with respect to the additional remunerations they are referred to the internal policies and rules of the Bank. There are stipulated also the principles of loyalty, as well as the reasons for termination of the contract.

First investment bank applies a Remuneration policy in compliance with the regulating requirements, where the main principles in formation of remunerations are regulated, as the goal of the Bank is the optimal structuring in accordance with the functions and depending on the staff categories.

The principles for formation of remunerations in the Bank are structured so, that they contribute to resonable and prudent corporate governance and reliable and effective risk management.

In compliance with the Remuneration policy the variable remuneration, if such is payed, is based on the results of the activity and achieved goals, having in mind the economic cycle, the level of time horizon of the undertaken risks, the price of capital and the necessary liquidity. It is given on the base of evaluation criteria for the execution of the activity, which includes the appropriate combination of financial (quantitative) and non-financial (qualitative) criteria, incl. execution of the budget, achievement of purpose levels of profit, capital adequacy and effectiveness, achievement of strategic goals, hold up to the Bank risk management policy, customers satisfaction, observing of internal rules, initiative, motivation and others.

Information for deals with connected persons, incl. persons that control or manage the Bank is published in the financial reports, which are published on the corporate webpage of the Bank: www.fibank.bg

II. Supervisory board

10%

| | | | | | | | |
|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|--|---|-----|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| II.1 | Is regulated in the organization acts the number of independent members and the tasks' distribution between them? | 1 | | | 10% | 10.0% | The requirements for independent members of Supervisory board are regulated in the Statute, Corporate governance code and Rules for the activity of Supervisory board, as the requirement for 1/3 of the members of the Supervisory Board to be independent members, which is applicable to significant banks and public companies is met. |
| II.2 | Are there appointed requirements for suitable knowledge and experience for the members of Supervisory board, corresponding to the position, which they hold? Indicate the specific place and order, possibly - the webpage of the company, in which are determined the requirements for suitable knowledge and experience to the members of Management board. | 1 | | | 10% | 10.0% | The requirements for suitable knowledge and experience, reliability and suitability to the members of Supervisory board are regulated in the Statute, Corporate governance code, Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions and Rules for the activity of Supervisory board in compliance with the regulatory requirements. The Statute and Corporate governance code are published on the corporate webpage of the Bank: www.fibank.bg |
| II.3 | Do exist any determined requirements for observing the principles of continuity and stability of work of Supervisory board by the elections of its members? | 1 | | | 5% | 5.0% | The requirements for continuity and stability in the elections of members of SB are regulated in the Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions and the Rules for the activity of SB. In succession planing the Bank takes into account the principles for avoiding simultaneous replacement of too many members, applying phasing out practices, compliance with temporary appointment requirements and taking into account the diversity policy. |
| II.4 | Is limited the number of consecutive mandates of the independent members? | | | 1 | 5% | 0.0% | Pursuant to the Bank's Statute, the members of SB could be re-elected for next mandates without restrictions. |
| II.5 | Is there at least one member of the Supervisory board, who has financial competence? Point the webpage of the company, where could be found information for the competency of every member of the supervisory board. | 1 | | | 10% | 10.0% | The SB members have high professional, incl. financial competences. Information for the professional experience and competences of the members of Supervisory board is included in the Annual activity report, as well as on the corporate webpage of the Bank: www.fibank.bg |
| II.6 | Is there established praxis the new members of the Supervisory board to be introduced with the basic legal and financial questions, connected with the activity of the company? | 1 | | | 10% | 10.0% | Pursuant to the Rules for activity of Supervisory board when elected, every member of the Supervisory Board participates in introductory program, which includes the common financial and legal questions, the financial reporting on behalf of the Bank, concrete specifics for the Bank and its economic activity, as well as the responsibilities of every member of Supervisory Board. Requirements in respect of introductory and training policies to the members of the bodies are specified in the Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions. |
| II.7 | Does the education of the members of Supervisory board encouraged? Indicate the actions, connected with increasing qualification of someone or every members of the Supervisory board during the last year? | 1 | | | 10% | 10.0% | In accordance with the Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions, based on suitability assessment (individual and collective) the areas with need of training shall be targetted, as well as taken into account the changes in management, strategic changes, new products and technologies, changes in applicable regulations and market development. During 2020 presentations have been organized related to changes in regulatory requirements, incl. on suitability policies and internal governance, as well as participations in events on new trends on the financial services markets and technological development. |
| II.8 | Is in the organizational acts of the company regulated the number of companies in which the members of Supervisory board could hold management positions? Point the document and the specific text, in which are determined the requirements for the number of companies, in which the members of the Supervisory board hold management positions. | 1 | | | 10% | 10.0% | As per the Rules for the activity of SB, the members of Supervisory Board shall limit the holding of other positions, so to guarantee, that they can fulfill their obligations as members of the Supervisory Board. Without the approval of the Supervisory Board they shall not have the right to have more than a specific number of memberships in boards in other companies. Pursuant to the Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions, limitations are included on the number of directorship positions as specified in the Ordinance No 20 of the BNB of 24 April 2019 on Issuance of Approvals to Members of the Management Board (Board of Directors) and Supervisory Board of a Credit Institution and Performance Requirements for Their Duties. |
| II.9 | Do the independent members of Supervisory board receive only basic remuneration without additional incentives? | 1 | | | 5% | 5.0% | Pursuant to the Remuneration policy, the members of Supervisory board receive predominantly fixed remuneration. |

| | | | | | | | |
|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|--|--|------|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| II.10 | Does the remuneration of the independent members of Supervisory board influence their participation in meetings, the fulfillment of their tasks to control the actions of executive management and their effective participation in the activity of the company? Indicate the specific place and order, possibly the webpage of the company, describing the connection between the remuneration of independent directors and the functions executed by them. | 1 | | | 5% | 5.0% | The remuneration of the members of Supervisory Board is defined by the General meeting of the shareholders in compliance with the Remuneration policy of the Bank, as the participation in committees and the execution of the duties is taken into account when determining of individual remunerations. |
| II.11 | Does the company follows the principle of non-compensation of the members of Supervisory board with shares and options? | 1 | | | 5% | 5.0% | The remuneration of the members of Supervisory Board is structured in compliance with the applicable regulations for credit institutions and the Remuneration policy of the Bank, with the members of the Supervisory Board receiving predominantly fixed remuneration. |
| II.12 | Is ensured access for the shareholders to information for deals between the company and the members of Supervisory board and connected persons with it? Describe the procedure and the place, possibly the webpage of the company, where could be obtained information for the deals between the company and the members of Supervisory board and the connected with it persons. | 1 | | | 10% | 10.0% | The information for deals with connected persons, incl. the persons that control or manage the Bank, is published in the financial reports, which are published on the corporate webpage: www.fibank.bg |
| II.13 | Does the procedures for elections of new members report the requirements for continuity and stability of functioning of Supervisory board? | 1 | | | 5% | 5.0% | The requirements for continuity and stability in the elections of members of SB are regulated in the Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions and the Rules for the activity of SB. In succession planing the Bank takes into account the principles for avoiding simultaneous replacement of too many members, applying phasing out practices, compliance with temporary appointment requirements and taking into account the diversity policy. |
| | | | | | 100% | 95% | |

III. Collaboration between the Management and Supervisory board 10%

| | | | | | | | |
|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|--|--|-----|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| III.1 | Are there any incide for the company rules, regulating the regular, timely and comprehensive exchange of information between the Management and Supervisory board? | 1 | | | 20% | 20.0% | In compliance with the principles for good corporate governance, an opened dialogue is maintained between SB and MB. Except for the regular reporting on the execution of the assigned goals, general meetings are carried out. The members of Supervisory Board have the right to direct contact with the management and the Bank employees. The secretary has a key role for the entire support of this process. The interaction between the SB and MB is regulated in the Corporate governance code and the Rules for the activity of the MB and SB. |
| III.2 | Did the Corporate governances establish policy of the company regarding the disclosure of information and the connections with the investors? Indicate the specific place and order, possibly the webpage of the company, where could be an access to the above described information. Indicate the date on which last are inspected and / or updated the accepted policy. | 1 | | | 20% | 20.0% | First investment bank applies a Disclosure policy as a document, which is publicly available on the corporate webpage www.fibank.bg . The Disclosure policy was last updated with a decision of MB of 26.01.2021, approved by a decision of SB of 17.02.2021. |
| III.3 | Are the procedures of run away or disclose of conflict of interests regulated in the regulation acts of the company? Indicate the specific place and order, possibly the webpage of the company, where could be an access to the above described information. Indicate the date on which last are inspected and / or updated the accepted procedures. | 1 | | | 20% | 20.0% | The requirements for avoiding and disclose of conflict of interests are regulated in the Corporate governance code, the Code of conduct, the Statute of the Bank, the Policy for managing of conflicts of interest. The Statute and the Corporate governance code are published on the corporate webpage: www.fibank.bg |

| | | | | | | | |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|--|--|------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| III.4 | Are there definite requirements for observing the principles of continuity and stability in the work of Management board, when nominating and dismissing its members? | 1 | | | 20% | 20.0% | The requirements for continuity and stability in the elections of members of MB are regulated in the Policy for nomination and assessment of the suitability of the members of the managing and supervisory bodies and persons holding other positions and the Rules for the activity of SB. In succession planing the Bank takes into account the principles for avoiding simultaneous replacement of too many members, applying phasing out practices, compliance with temporary appointment requirements and taking into account the diversity policy. |
| III.5 | Did the corporate directions accepted and observe the Ethic code? Indicate the specific place and order, possibly the webpage of the company, where could be an access to the above described information. Indicate the date on which last are inspected and / or updated the accepted the code and describe if there are cases in the last year, requiring the execution of the principles, set in the code. | 1 | | | 20% | 20.0% | Aiming at recognition of professional and ethic standards, applicable and executable towards the Bank as a company, working environment and credit institution, Fibank has a Code of Conduct, which defines the main principles, ethic norms and corporate values, on which are build the policies and business plans, rules, procedures and daily operative work. The Code of conduct is last updated with a decision of MB of 12.09.2017, approved with a decision of SB on 28.09.2017. |
| | | | | | 100% | 100% | |
| IV. Audit and internal control | | | | | | 20% | |
| IV.1 | Has the company build up a system for internal control, which including to identify the risks, concomitant the activity of the company and to support their effective management? | 1 | | | 25% | 25.0% | First Investment Bank builds up and develops a sound and comprehensive internal control framework, which includes independent control functions (the functions of risk management, compliance and internal audit) structured in line with the principle of "three lines of defence". The requirements in this area are regulated in the Corporate governance code, the Policy of internal audit, the Rules for internal audit and the Ethical code of the internal auditor in Fibank, the Policy for risk management and capital adequacy, the Rules for applying risk management function, the Compliance policy, the Charter for implementing the compliance function. |
| IV.2 | Does the system for internal control guarantee the effective functioning of the systems for book-keeping and disclosure of information? | 1 | | | 25% | 25.0% | The system for internal control includes control functions with the necessary rights and access for independent execution of obligations, as well as control bodies, incl. Audit committee, which observes the financial reporting and the independent financial audit. The control functions and bodies contribute to the effective management of the Bank, as they give reasonable confidence, that the normative regulations, rules and procedures are strictly adhered to and there are appropriate and timely correcting actions undertaken, as in this way it helps for minimizing risk of losses and achiving the business goals of the Bank |
| IV.3 | Is the corporate management supported for its activity by the audit committee? | 1 | | | 25% | 25.0% | In its capacity of a company of public interest, pursuant to the Law on the independent financial audit, an Audit committee functions within the Bank, which is responsible for the observing of the financial reporting and independent financial audit, as well as the effectiveness of the internal audit function and the systems for control and risk management in the Bank. The committee recommends the selection of the external registered auditor, which is to execute an independent financial audit of the Bank and observes its independence in compliance with the requirements of the law, Regulation 537/2014 and the Ethical code of the professional accountants. |
| IV.4 | Does the principle for rotation implies by the proposals and the election of external auditor? Point the external auditors of the company in the last three years. | 1 | | | 25% | 25.0% | First investment bank applies the requirements for rotation of the registered auditors, applicable to the companies of public interest pursuant to the Law on the independent financial audit. The registered auditors of the Bank in the last three years are as follows: for 2018, 2019 and 2020 joint audit by two audit companies - BDO Bulgaria OOD and Mazars OOD. |
| | | | | | 100% | 100% | |

V. Protection of shareholders' rights
20%

| V.1 | Are all shareholders treated equally, incl. the minority shareholders and foreign? | 1 | | | 10% | 10.0% | The requirements for equal treatment of the shareholders, incl. minority and foreign are regulated in the Corporate governance code of Fibank and Statute of FIBank. |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|--|--|------|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| V.3 | Has the corporate bodies developed rules for the organizing and the conducting of regular and extraordinary General meetings of the shareholders of the company, which guarantee the equal treatment of all shareholders and the right of every shareholder to express his opinion on the items of the agenda of the General meeting? Indicate the specific place and order, possibly the webpage of the company, where the above described information could be accessed. Indicate the date on which are inspected and updated the accepted rules. | 1 | | | 15% | 15.0% | The requirements for calling and conducting General meetings of the shareholders are regulated in the Statute of the Bank and in the Corporate governance code of Fibank. The documents are published on the corporate webpage www.fibank.bg . The Statute is last updated by the General meeting of the shareholders on 19.06.2019, as well as reflected by MB decision from 07.07.2020, approved by SB decision from 10.07.2020 with respect to the capital increase registered in the Commercial Register on 31.07.2020. The corporate governance code is last updated with a decision of MB of 18.04.2019 and is approved by SB with a decision of 24.04.2019. |
| V.4 | Do the corporate bodies organize procedures and order for conduct of General meeting of shareholders in a way, which does not encumber or make more expensive and unnecessary the voting? | 1 | | | 10% | 10.0% | The place of conducting the General meeting is easy accessible for the majority of shareholders. The registration procedures are convenient and enable fast and easy approach. The Bank makes the necessary efforts to ensure easier participation in the voting of the items in the agenda of the General meeting of the shareholders. |
| V.5 | Do the corporate bodies undertake actions for encouragement the participation of the shareholders in the General meeting of the shareholders and what? | 1 | | | 10% | 10.0% | The Bank has undertaken a number of initiatives for additional enagement of the shareholders, incl. maintenance of an Investors' club, with registration in which all interested persons could receive notification on their e-mail about every disclosed information by the Bank to the public, concerning the investors, as well as regular meetings with minority shareholders. A mobile IR Fibank application is developed for investors. |
| V.6 | Are there presented in the materials of General meetings of the shareholders all proposals about the basic corporate events as separate points in the agenda of the General meeting (incl. the proposals for distribution of the profit)? Indicate the address of the section on the webpage of the company, where the above described information and documents represented to the shareholders on the last General meeting of the company could be found. | 1 | | | 10% | 10.0% | Each proposal is structured in a separate point. The information on the General meeting of shareholders is in section Investors / General meetings of the shareholders on the corporate webpage www.fibank.bg |
| V.7 | Does the company maintains on its corporate website a special section on shareholders' rights and their participation in the General meeting of shareholders? Please, specify the address of the section of this information is presented. | 1 | | | 10% | 10.0% | The section on shreholders' rights is in section Investors/ Corporate governance/ Shareholders' rights at the corporate website www.fibank.bg |
| V.8 | Is there a mechanism ensured for supprting shareholders with rights in accordance with the effective legislation to include additional questions and propose decisions on already included questions in the agenda of the General meeting? Please describe the mechanism. | 1 | | | 10% | 10.0% | The shareholders are provided with an information on their rights, incl. to propose additional questions in the agenda of the GMS. The information is structured in the section Investors/ Corporate governance/ Shareholders' rights at the corporate website www.fibank.bg . Information on shareholders' rights is included also in the Invitation for convening of GMS. |
| V.9 | Are shareholders informed on the results from the general meeting of shareholders through internet in the specified term? Please, indicate the section in which the relevant information is present at the website of the company. | 1 | | | 15% | 15.0% | The results from the general meeting of shareholders are in section Investors/ General meeting of shareholders at the corporate website www.fibank.bg |
| V.10 | Are all members of the corporate bodies present at the General meeting of shareholders of the company? Specify how many members were present at the last GMS of the company. | 1 | | | 10% | 10.0% | An opportunity is ensured for the members of the Manging Board and the Supervisory Board to be present at the General meeting of shareholders (unless important reasons require their absence). At the last Regular GMS four members of the Managing Board and two members of the Supervisory Board were present, incl. the chairs of the SB and MB. |
| | | | | | 100% | 100% | |

VI. Disclosure of information
20%

| | | | | | | | |
|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|--|--|------|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| VI.1 | Does the corporate bodies have adopted internal rules which ensure timely disclosure of each material periodic and ad-hoc information for the company, its management, corporate bodies, operating activity and shareholders' structure? | 1 | | | 10% | 10.0% | First Investment Bank applies a Disclosure policy that outlines the framework for provision of information to stakeholders, shareholders and investors and provides an opportunity for making objective and informed decisions and assessments, while complying with the principle of equal treatment of addressees. |
| VI.2 | Does the information disclosure system ensures equally treatment of addressees (shareholders, stakeholders, investment community) and avoids inside information abuse? Describe the main characteristics of the maintained information disclosure system and the way it guarantees equal treatment of addressees. | 1 | | | 10% | 10.0% | In compliance with the Disclosure Policy of Fibank, the Bank discloses information to the public through the electronic X3News system (www.x3news.com), which ensures effective dissemination of information to the widest possible audience, simultaneously and in a non-discriminatory manner. The information is also published at the corporate website of the Bank www.fibank.bg |
| VI.3 | Does the information disclosure system ensures full, timely, fair and understandable information for taking objective and well informed decisions and assessments? | 1 | | | 5% | 5.0% | Fibank discloses information in its capacity of a credit institution, public company and investment intermediary in compliance with its Information Disclosure Policy and its Corporate Governance Code, the applicable regulatory requirements and good practices in this sphere. The Bank maintains also a financial calendar included in the Disclosure Policy of Fibank, which is publicly accessible at the Corporate Governance section of the website of the Bank www.fibank.bg |
| VI.4 | Does the corporate bodies adopted and control the compliance of internal rules for preparing the annual and interim reports and way of disclosing information? | 1 | | | 10% | 10.0% | The requirements are regulated in the Disclosure Policy and the Corporate Governance Code of the Bank, as in addition the Bank has adopted internal Rules on the requirements for disclosure of information that regulate the internal organisation on information disclosure within the Bank. |
| VI.5 | Does the company has an updated corporate website? Please, give the address. | 1 | | | 10% | 10.0% | First Investment Bank has a corporate website www.fibank.bg , with established content, scope and periodicity of the information disclosed therein in compliance with the regulatory requirements and good corporate practices. |
| VI.6 | Does the company discloses on its corporate website the whole information pursuant to Chapter 4, p. 34 of the Code? In case the company does not comply with any of the recommendations please describe the reasons. | 1 | | | 15% | 15.0% | The requested information is publicly accessible through the corporate website www.fibank.bg |
| VI.7 | Does the company has english version of its website with content pursuant to Chapter 4, т. 34 from the Code? | 1 | | | 15% | 15.0% | First Investment Bank has an English version of its corporate website www.fibank.bg , with established content and scope of the information disclosed therein. |
| VI.8 | Does the company informs regularly in accordance with regulatory norms and good international practices information of non-financial character, for economical, social, ecological questions related to stakeholders (e.g.: fight with corruption, work with employees, clients, suppliers, social responsibility, environment protection)? | 1 | | | 10% | 10.0% | Fibank has special sections in the Annual activity report on disclosing information of non-financial character (non-financial declaration under the meaning of art.48 of the Accountancy Act), incl. social initiatives undertaken by the Bank, human capital management, ect. |
| VI.9 | Is there an easy access for shareholders to the company's remuneration policy and information on the Board's annual remunerations and additional stimuluses? | 1 | | | 10% | 10.0% | Information on the Bank's Remuneration Policy and its execution (Report on the execution of the Remuneration policy under the meaning of art.100m of LPOS) is disclosed in the Annual activity reports, as well as quantitative information on the remuneration of the key management personnel received during the year - in the Annual Financial Statements, which are publicly available i.a. through the corporate website www.fibank.bg |
| VI.10 | Does the corporate bodies disclose in a timely manner the structure of capital and agreements that lead to exercise of control in accordance with its rules for disclosure of information? | 1 | | | 5% | 5.0% | The requested information is disclosed in a timely manner and regularly in accordance with the Bank's Disclosure policy and applicable regulatory requirements. The information is disclosed through X3News system as well as on the corporate website www.fibank.bg |
| | | | | | 100% | 100% | |

VII. Corporate governance - engagement (incl. stakeholders)
10%

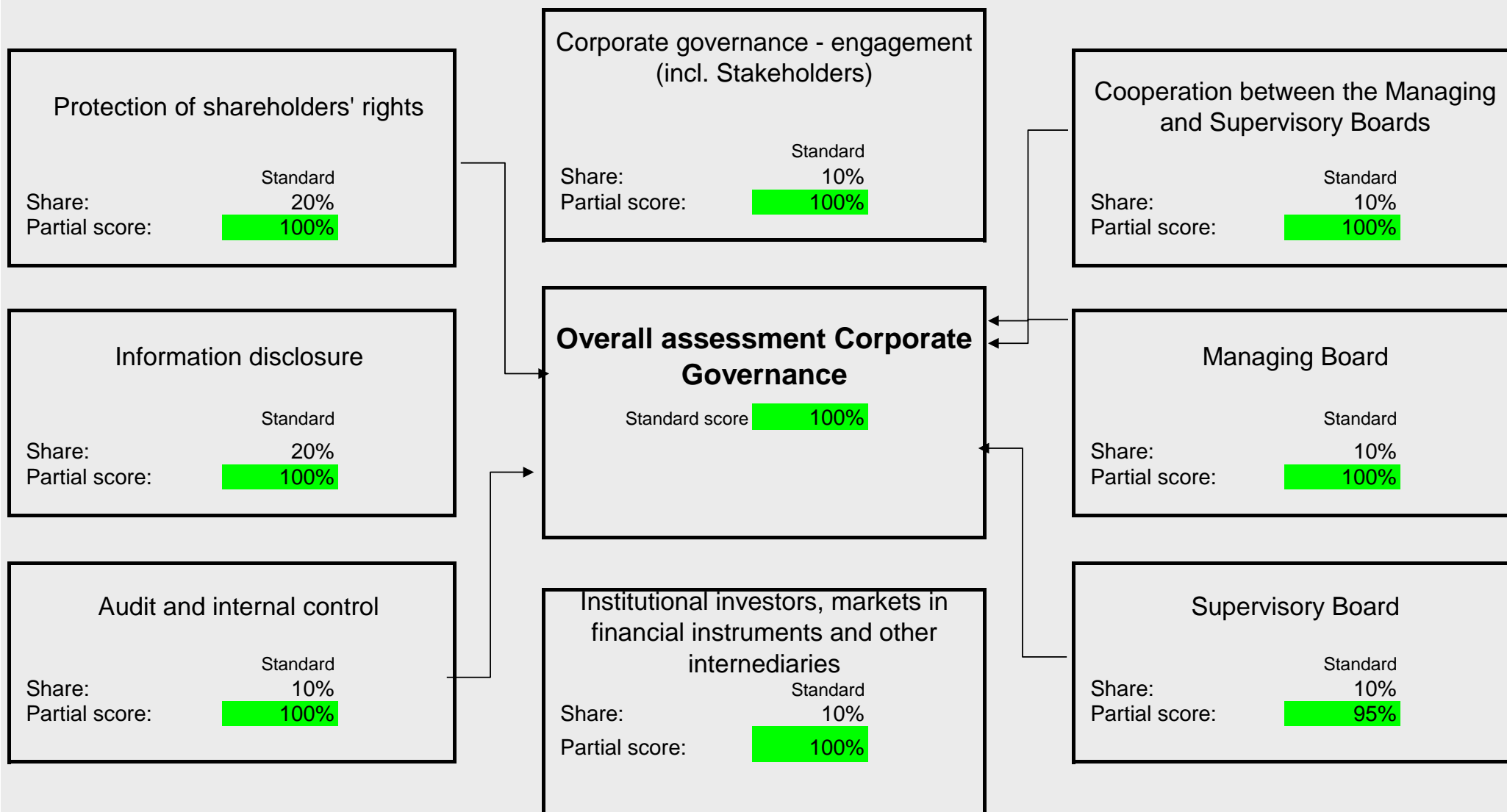
| | | | | | | |
|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|--|--|------|-------|
| VII.1 | Does the company has identified who are the stakeholders with relation to its activity based on their spheres of influence, role and attitude to its sustainable development? | 1 | | | 20% | 20.0% |
| VII.2 | Does the corporate bodies ensure effective cooperation with stakeholders? | 1 | | | 20% | 20.0% |
| VII.3 | Does the company has specific rules for taking into consideration the interests of the stakeholders, which to ensure their attraction for deciding on certain questions that require their position? | 1 | | | 20% | 20.0% |
| VII.4 | Does the corporate bodies ensure enough information to all stakeholders on their legal rights and if yes, how? | 1 | | | 20% | 20.0% |
| VII.5 | Does the corporate bodies guarantee the right of regular and timely access to relevant, sufficient and reliable information on the company when the stakeholders take part in the process of corporate governance and if yes, how? | 1 | | | 20% | 20.0% |
| | | | | | 100% | 100% |

| |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The requirement is regulated in the Corporate Governance Code and the Disclosure Policy of Fibank.</p> |
| <p>First Investment Bank applies a policy of providing information to stakeholders about its activity. Those include persons who are not shareholders but are interested in the economic development of the company, such as creditors, bondholders, customers, employees, the general public, and others. Periodically, in accordance with the legal requirements and best practices, First Investment Bank discloses information of a non-financial nature, as well as maintains and develops a corporate blog which functions for ten years now as a channel of communication aimed at open dialogue in accessible language with customers, partners and other stakeholders.</p> |
| <p>The rules for cooperation with stakeholders are regulated in the Corporate Governance Code of Fibank, the Disclosure Policy and the Code of Conduct of the Bank.</p> |
| <p>Fibank applies a policy of providing information to stakeholders in compliance with applicable regulations as well as the Bank publishes additional information in the form of presentations and interviews with senior management, press releases, specialised journals (e.g. Fibank News), and detailed information on the products and services of the Bank.</p> |
| <p>The requirements are met with adopted by the Bank written policies which application is monitored in accordance with the applicable regulatory and internal requirements.</p> |

VIII. Institutional investors, markets in financial instruments and other intermediaries **10%**

| | | | | | | | |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|--|--|------|-------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| VIII. 1 | Does the corporate bodies ensure effective cooperation between the company and its shareholders - institutional investors, as well as with the regulated markets in financial instruments and the investment intermediaries on those markets and if yes, in what way? | 1 | | | 20% | 20.0% | With a view to creating an effective relation between First Investment Bank and its shareholders and the persons interested in investing in financial instruments issued by the Bank, First Investment Bank has appointed Investor Relation Director. In compliance with best corporate governance practices, the Bank develops initiatives for further engaging with minority shareholders and institutional investors. In addition, in an effort to maintain an open line of communication with shareholders and investors, First Investment Bank maintains an Investors Club as well as organizes and holds regular meetings with minority shareholders, with a view to furthering transparency and creating an opportunity for open dialogue and feedback between them and the senior management of the Bank, as well as their opportunity to contribute and work actively for the successful development of First Investment Bank AD. The Bank has in place a mobile application for investor relations ensuring fast access to financial information and the financial calendar of the Bank, as well as to other data and news related to investors. |
| VIII. 2 | When choosing investment intermediaries and respectively operators of markets on which the financial instruments are traded, does the corporate bodies take into consideration to what extent the actions of these entities are based on market information and principles? | 1 | | | 20% | 20.0% | The Bank acts in relation to these requirements in a way that is compliant with regulatory requirements and good practices. |
| VIII. 3 | Does the corporate bodies coordinate with its investment intermediaries and institutional investors the company's corporate governance policy and practices? | 1 | | | 20% | 20.0% | The reporting on corporate governance policies and procedures are regularly disclosed, incl. the goals for development for the next year and their execution. |
| VIII. 4 | Does the company requires disclosure and limiting conflict of interest from advisors, analysers, brokers, rating agencies and other persons that provide consultations? | 1 | | | 20% | 20.0% | The Bank's policies on avoiding and disclosure of conflicts of interest is in compliance with the regulatory requirements, applicable to the Bank in its capacity of a credit institution, public company and investment intermediary. |
| VIII. 5 | If the company is admitted to trade in a jurisdiction, different from the one it is incorporated in, does it disclose the applicable for this jurisdiction corporate governance rules? | 1 | | | 20% | 20.0% | Fibank conforms its information disclose with the requirements, applicable to the place at which the Bank and its financial instruments are admitted for trade. |
| | | | | | 100% | 100% | |

Corporate Governance Self-evaluation Scorecard[©]
Scorecard/Evaluation form for Corporate governance in Bulgaria
General results for companies with two-tier governance system



**DISCLOSURE POLICY
OF FIRST INVESTMENT BANK AD**

I. GENERAL PROVISIONS

- 1.1. This Policy defines the scope of information subject to disclosure by First Investment Bank AD (Fibank, the Bank) in its capacity as a credit institution, a public company and an investment intermediary.
- 1.2. The Bank discloses and provides easy access to all relevant information, including financial condition, achievement of objectives, shareholding and management structure.
- 1.3. The Policy on disclosure of information complies with, and is applied in accordance with the current regulatory requirements in the Republic of Bulgaria, including with the Law on Credit Institutions (LCI), the Public Offering of Securities Act (POSA), the Markets in Financial Instruments Act (MFIA), the Accountancy Act, the Independent Financial Audit Act (IFAA), the Commerce Act and the regulations for their implementation, with Regulation (EU) № 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (Regulation (EU) № 575/2013), Regulation (EU) № 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Regulation (EU) № 596/2014), the EBA Guidelines on internal governance (EBA/GL/2017/11); the National Corporate Governance Code (NCGC) as of April 2016, as well as with the Principles of Corporate Governance of the Organization for Economic Cooperation and Development (OECD Principles) the Principles of Corporate Governance for banks by the Basel Committee on Banking Supervision (the Basel Committee principles), the Code of Corporate Governance of First Investment Bank AD, and with the relevant internal bank documents.

II. PURPOSE AND PRINCIPLES

- 2.1. The purpose of this Policy is to outline the framework for provision of information to stakeholders, shareholders and investors, with a view to enable making objective and informed decisions and evaluations.
- 2.2. In disclosing information, the Bank shall be guided by the principles of:
 - 2.2.1. Accuracy;
 - 2.2.2. Accessibility;
 - 2.2.3. Equitability;
 - 2.2.4. Timeliness;
 - 2.2.5. Integrity;
 - 2.2.6. Regularity.
- 2.3. First Investment Bank AD shall disclose any relevant information regardless of its nature, subject to the principle of equal treatment.
- 2.4. In certain cases, under the current legislation or the rules of the regulated markets of financial instruments, the disclosure of certain information is not allowed. Such cases are:
 - 2.4.1. when disclosure leads to violation of a law or regulation;
 - 2.4.2. when information is confidential or relates to unfinished negotiations;
 - 2.4.3. when information constitutes official, bank or trade secret (confidential information).

III. INFORMATION CHANNELS

- 3.1.** For the purposes of disclosure First Investment Bank AD uses the following information channels:
- 3.1.1. Electronic system for disclosure of information X3News (www.x3news.com), through which effective dissemination of information is ensured to the widest possible audience, simultaneously and in a non-discriminatory manner;
 - 3.1.2. Corporate website (www.fibank.bg) with validated content, scope and periodicity of disclosed information;
 - 3.1.3. Other channels, including media; the websites of the Financial Supervision Commission (FSC) and the Bulgarian Stock Exchange (BSE), on which the latter publish relevant information.

IV. INVESTOR RELATIONS

- 4.1.** In order to achieve effective liaison between First Investment Bank AD, its shareholders and the persons interested in investing in financial instruments issued by the Bank, First Investment Bank AD has an appointed Investor Relations Director.
- 4.2.** The Investor Relations Director exercises functions of maintaining and provision of information on the current financial position of the Bank, as well as of any other information that the shareholders and persons interested in investing in financial instruments of the Bank wish and are entitled to receive in their capacity as shareholders or investors.
- 4.3.** The Investor Relations Director submits an annual activity report before the General Meeting of Shareholders.
- 4.4.** Information regarding the Investor Relations Director of First Investment Bank AD, including contact information, is available on the website of the Bank (www.fibank.bg).

V. PERIODIC INFORMATION

- 5.1.** The periodic information disclosed by First Investment Bank AD includes but is not limited to:
 - 5.1.1. Annual financial statements on a standalone and consolidated basis certified by registered auditor/s;
 - 5.1.2. Financial statements for the first half of the year, as well as for the first, third and fourth quarter on a standalone and consolidated basis;
 - 5.1.3. Annual activity report on a standalone and consolidated basis;
 - 5.1.4. Annual disclosure of information pursuant to Regulation (EU) № 575/2013;
 - 5.1.5. Interim activity report for the first half of the year, as well as for the first, third and fourth quarter on a standalone and consolidated basis.
- 5.2.** The financial statements of the Bank are prepared applying the International Accounting Standards as required by applicable law. Audited financial statements are published in Bulgarian and English languages on the website of the Bank (www.fibank.bg).
- 5.3.** First Investment Bank AD prepares an Annual activity report in Bulgarian and English languages, which is subject to review by registered auditor/s and contains detailed information about:

- 5.3.1. the development and competitive position of the Bank;
 - 5.3.2. an analysis of the financial results and financial condition of the Bank;
 - 5.3.3. a business overview by main type of activity;
 - 5.3.4. the development objectives of the Bank, as well as information on their implementation;
 - 5.3.5. information on the corporate governance framework, including shareholding and management structure and compliance with the Bank's Corporate Governance Code, as well as information on the members of the management and supervisory bodies of the Bank, as well as on the applied diversity policy (Declaration on corporate governance under the meaning of Art.100m of POSA and Art.40 of Accounting Act);
 - 5.3.6. information on the remuneration policy of the Bank and its implementation (Report on the implementation of the remuneration policy under the meaning of Art.100m of POSA);
 - 5.3.7. information on risk management, including on all material risks to the Bank;
 - 5.3.8. information on corporate social responsibility and other non-financial information (Non-financial declaration under the meaning of Art.48 of Accounting Act);
 - 5.3.9. an analysis of macroeconomic developments and the condition of the banking system the Republic of Bulgaria.
- 5.4. The Annual activity report, along with the audited by register auditor/s financial statements, is published in a special edition of the Bank: "Annual Report", which is also published on the website of the Bank.

VI. INSIDE INFORMATION

- 6.1. First Investment Bank AD shall publicly disclose as soon as possible inside information in accordance with Regulation (EU) № 596/2014.
- 6.2. The inside information disclosed by the Bank shall include but not be limited to:
- 6.2.1. Data on members of the management and supervisory bodies of the Bank;
 - 6.2.2. Persons who hold 5 or more percent of the votes at the General Meeting of Shareholders of the Bank, or are able to control it;
 - 6.2.3. Changes in the Statutes of the Bank;
 - 6.2.4. Changes in the management and supervisory bodies;
 - 6.2.5. Increase or decrease of the issued share capital;
 - 6.2.6. Decisions for transformation of the company;
 - 6.2.7. Any other material circumstances.

VII. OTHER INFORMATION

- 7.1. In connection with holding a General Meeting of Shareholders, First Investment Bank AD shall provide timely information on convening and decision-making.
- 7.2. The invitation together with the written materials related to the agenda of the General Meeting shall be announced and provided in the statutory manner, and made available to the public through the information channels used by the Bank. Upon request, the materials shall be provided to each shareholder free of charge.

- 7.3.** The results of the conducted General Meeting shall be disclosed to the public in the statutory manner and timeframe, including via the corporate website of the Bank.
- 7.4.** In its capacity as an issuer of financial instruments and in order to enable stakeholders, shareholders and investors to familiarize themselves with the financial instruments issued, First Investment Bank AD shall prepare and submit prospectuses (or other documents) to the regulated market on which such instruments are traded.
- 7.5.** The prospectuses shall contain all the required information, including but not limited to:
 - 7.5.1. The purpose and motives for issuance of securities;
 - 7.5.2. Information on the dividend policy;
 - 7.5.3. Information on the financial position, performance results, and trends for development;
 - 7.5.4. Information on the corporate governance, the structure and membership of the governing bodies of the Bank.
- 7.6.** Upon conclusion outside the regulated market or multilateral trading system of transactions in financial instruments admitted to trading on a regulated market the Bank, in its capacity of an investment intermediary, shall publicly disclose information on the type, issue, number, and unit price of the financial instruments subject to the transaction, on the currency of the transaction and the date and time of its conclusion, incl. statement that the transaction was concluded outside the regulated market or multilateral trading system.
- 7.7.** The disclosure pursuant to p.7.6 shall be executed within the timeframe specified in MFIA throughout the respective trading venue, in case such disclosures are permitted or via a licensed operator for approved disclosure data mechanism, the Bank has contract with.
- 7.8.** First Investment Bank AD shall prepare and disclose once per year on its corporate website information on each class of financial instruments for the first five places for execution of orders based on transaction volumes, and for the leading brokers/investment intermediaries through which the Bank has executed client orders during the previous year, as well as on the quality of execution.
- 7.9.** In its capacity of an investment intermediary, First Investment Bank AD shall disclose on its corporate website and other required information as per regulatory requirements, with the aim of informing the potential and existing investors and clients in the area of investment services and activities in financial instruments.
- 7.10.** The scope of information disclosed by First Investment Bank AD shall exceed the requirements of national legislation. In addition, the Bank shall:
 - 7.10.1. Publish information on the Bank in the form of presentations and interviews with senior management;
 - 7.10.2. Publish press releases;
 - 7.10.3. Publish specialized editions (e.g. Fibank News);
 - 7.10.4. Disclose detailed information on the products and services of the Bank, the applicable general terms and conditions and tariff, as well as amendments in them;
 - 7.10.5. Disclose information about events and initiatives as part of the policy for corporate social responsibility of the Bank.
- 7.11.** The internal organization in the Bank, as well as the units responsible with regard to the scope and procedure for disclosure of information, are regulated by the Rules of First Investment Bank AD for implementation of the disclosure requirements.

VIII. CORPORATE WEBSITE

- 8.1. As part of the framework for disclosure of information, First Investment Bank maintains a corporate website (www.fibank.bg) with validated content, scope and periodicity of the information disclosed, in accordance with the regulatory requirements and best corporate practices.
- 8.2. The Bank also maintains an English-language version of the corporate website with identical content.
- 8.3. The information on the corporate website is constantly reviewed, updated and archived. Historical information is also maintained with a view to ensuring transparency and familiarizing all stakeholders, shareholders and investors with the performance of the Bank.
- 8.4. The website of First Investment Bank AD (www.fibank.bg) supports a special, easily accessible “Investors” section with detailed and up-to-date information about the Bank in Bulgarian and English, including:
 - 8.4.1. Corporate governance, including information on shareholders’ rights;
 - 8.4.2. Stock exchange information;
 - 8.4.3. Financial information;
 - 8.4.4. News for investors;
 - 8.4.5. General Meetings of Shareholders.
- 8.5. With a view to maintaining constant communication with shareholders and investors, a Club of investors of First Investment Bank AD has been created. By registering in it, members can receive electronic updates on notifications published by the Bank through its information channels.
- 8.6. Information disclosed through the Bank’s corporate website shall include at least:
 - 8.6.1. Basic commercial and corporate information identifying the Bank;
 - 8.6.2. Updated information on the shareholding structure;
 - 8.6.3. The Statutes of the Bank and documents relating to its activities and functioning, including the Corporate Governance Code of First Investment Bank AD and this Policy on Disclosure of Information;
 - 8.6.4. Information on the structure and composition of the management bodies of the Bank, as well as information about their members, including information about the auxiliary bodies operating to them;
 - 8.6.5. Annual and semi-annual financial statements for at least the last ten years, as well as quarterly financial statements for at least the last five years;
 - 8.6.6. Materials for upcoming General Meetings of Shareholders of the Bank, as well as additional materials submitted following the legal procedures. Information on the resolutions of the General Meetings of Shareholders for at least the last three years;
 - 8.6.7. Information on upcoming events;
 - 8.6.8. Information on shares and other financial instruments issued;
 - 8.6.9. Inside information and notifications pursuant to Regulation (EU) № 596/2014, as well as other important information related to the activities of the Bank;
 - 8.6.10. Information on shareholders’ rights;
 - 8.6.11. Contact information for the Investor Relations Director of the Bank.

IX. FINANCIAL CALENDAR OF FIRST INVESTMENT BANK AD FOR 2021

- 9.1.** In 2021, pursuant to the Accountancy Act, the Public Offering of Securities Act, and Ordinance №2 of the Financial Supervision Commission, First Investment Bank AD shall prepare and present to the Financial Supervision Commission and to the public the following reports:
- 9.1.1. Quarterly standalone financial report for the fourth quarter of 2020, also including interim activity report – until 30.01.2021;
 - 9.1.2. Quarterly consolidated financial report for the fourth quarter of 2020, also including interim activity report – until 01.03.2021;
 - 9.1.3. Annual standalone financial report for 2020, certified by registered auditor/s, also including an annual activity report – until 31.03.2021;
 - 9.1.4. Annual consolidated financial report for 2020, certified by registered auditor/s, also including a consolidated annual activity report – until 30.04.2021;
 - 9.1.5. Quarterly standalone financial report for the first quarter of 2021, also including interim activity report – until 30.04.2021;
 - 9.1.6. Quarterly consolidated financial report for the first quarter of 2021, also including interim activity report – until 30.05.2021;
 - 9.1.7. Semi-annual standalone financial report for the first half of 2021, also including interim activity report – until 30.07.2021;
 - 9.1.8. Semi-annual consolidated financial report for the first half of 2021, also including interim activity report – until 29.08.2021;
 - 9.1.9. Quarterly standalone financial report for the third quarter of 2021, also including interim activity report – until 30.10.2021;
 - 9.1.10. Quarterly consolidated financial report for the third quarter of 2021, also including interim activity report – until 29.11.2021;
 - 9.1.11. Other reports submitted to the Financial Supervision Commission, the Bulgarian National Bank, and other authorities.
- 9.2.** The regular annual General Meetings of Shareholders of First Investment Bank AD shall be held by the end of the first half of the year following the reporting year.
- 9.3.** The dates and information concerning other events and reports that First Investment Bank AD is obliged to publicly disclose shall be announced within the legally prescribed timeframes.

X. ADDITIONAL PROVISIONS

- §1.** For the purposes of this Policy:

Inside information

Information of a precise nature, which has not been made public, relating directly or indirectly to one or more issuers or to one or more financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments, pursuant to Regulation (EU) № 596/2014.

Material information

Information whose omission or misrepresentation could change or influence the assessment or decision of a user relying on that

| | |
|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | information for making economic decisions. |
| Bank secret | Facts and circumstances concerning the balances and transactions on accounts and deposits of the bank's clients. |
| Trade secret | Information whose disclosure would compromise the competitive position of the institution. It may include information on products or systems whose sharing with competitors would reduce the value of investments of the institution in them. |
| Confidential information | Information concerning obligations to customers or other counterparty relationships, under which obligations the institution must maintain the confidentiality of such information. |
| Stakeholders | Persons who are not shareholders but have an interest in the economic development of the company, such as creditors, bondholders, customers, employees, the public, and others. |

XI. FINAL PROVISIONS

§2. This Policy is publicly available on the corporate website of the Bank at: www.fibank.bg.

§3. This Policy shall be reviewed once a year or more frequently if circumstances require it.

§4. This Policy was adopted by the Managing Board of First Investment Bank AD by resolution of 13.10.2015, approved by resolution of the Supervisory Board of 21.10.2015, amended and supplemented by a resolution of MB of 19.01.2016 and approval by SB of 28.01.2016, by a resolution of MB of 17.01.2017 and approval of SB of 24.01.2017, by a resolution of MB of 16.01.2018 and approval of SB of 25.01.2018, by a resolution of MB of 22.01.2019 and approval of SB of 30.01.2019, by a resolution of MB of 07.02.2020 and approval of SB of 11.02.2020, as well as by a resolution of MB of 26.01.2021 and approval of SB of 17.02.2021.

DECLARATION

under Art. 100o, para. 4(4) of the Public Offering of Securities Act (POSA) and Art. 32, para. 1(6) of Ordinance No 2 of the Financial Supervision Commission on the prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market and on disclosure of information

The undersigned Nikola Hristov Bakalov, Chief Executive Officer and Chairman of the Managing Board of First Investment Bank AD, Svetozar Alexandrov Popov, Executive Director and Member of the Managing Board of First Investment Bank AD and Ianko Angelov Karakolev, Chief Financial Officer and Member of the Managing Board at First Investment Bank AD, hereby declare that to the best of our knowledge:

- The financial statements of First Investment Bank AD as at 31 December 2020, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets and liabilities, financial position and profit of First Investment Bank AD.
- The annual report of First Investment Bank AD as at 31 December 2020 contains a fair review of the development and results from the activities of First Investment Bank AD.

Signed

Nikola Bakalov
Chief Executive Officer
Chairman of MB

Signed

Svetozar Popov
Executive Director
Member of MB

Signed

Ianko Karakolev
Chief Financial Officer
Member of MB

02 April 2021
Sofia

FIRST INVESTMENT BANK AD

Bank **FINV9150** First Investment Bank AD

Reporting date **31.12.2020**

Basis for application **Individual**

Accounting standard **IFRS**

Reporting currency in BGN '000

1. 1. Balance sheet [statement of financial position]

c010

1.1 Assets

| | | References | Breakdown in table | Carrying amount |
|-----|------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|--------------------|-------------------------------------------|
| | | | | part 1, paragraph 27 of Appendix V 010 |
| 010 | Cash and cash balances with central banks and other deposits payable on demand | Para. 54 (i) of IAS 1 | | 2 067 375 |
| 020 | Cash | part 2, paragraph 1 of Appendix V | | 175 941 |
| 030 | Cash balances with central banks | part 2, paragraph 1 of Appendix V | | 1 620 906 |
| 040 | Other deposits payable on demand | part 2, paragraph 1 of Appendix V | 5 | 270 528 |
| 050 | Financial assets held for trading | Supplement A to IFRS 9 | | 4 324 |
| 060 | Derivatives | Supplement A to IFRS 9 | 10 | 0 |
| 070 | Equity | Para. 11 of IAS 32 | 4 | 4 309 |
| 080 | Debt securities | part 1, paragraph 31 of Appendix V | 4 | 15 |
| 090 | Loans and advances | part 1, paragraph 32 of Appendix V | 4 | 0 |
| 096 | Non-tradable financial assets mandatorily reported at fair value through profit or loss | Para. 8 (a)(ii) of IFRS 7; IFRS 9.4.1.4 | 4 | 259 567 |
| 097 | Equity | Para. 11 of IAS 32 | 4 | 23 083 |
| 098 | Debt securities | part 1, paragraph 31 of Appendix V | 4 | 236 484 |
| 099 | Loans and advances | part 1, paragraph 32 of Appendix V | 4 | 0 |
| 100 | Financial assets at fair value through profit or loss | Para. 8 (a)(i) of IFRS 7; IFRS 9.4.1.5 | 4 | 0 |
| 120 | Debt securities | part 1, paragraph 31 of Appendix V | 4 | 0 |
| 130 | Loans and advances | part 1, paragraph 32 of Appendix V | 4 | 0 |
| 141 | Financial assets at fair value through other comprehensive income | Para. 8 (h) of IFRS 7; IFRS 9.4.1.2A | 4 | 668 385 |
| 142 | Equity | Para. 11 of IAS 32 | 4 | 0 |
| 143 | Debt securities | part 1, paragraph 31 of Appendix V | 4 | 668 385 |
| 144 | Loans and advances | part 1, paragraph 32 of Appendix V | 4 | 0 |
| 181 | Financial assets at amortised cost | Para. 8 (f) of IFRS 7; IFRS 9.4.1.2 | 4 | 6 289 089 |
| 182 | Debt securities | part 1, paragraph 31 of Appendix V | 4 | 199 830 |
| 183 | Loans and advances | part 1, paragraph 32 of Appendix V | 4 | 6 089 259 |
| 240 | Derivatives - hedge accounting | IFRS 9.6.2.1, part 1, paragraph 22 of Appendix V | 11 | 0 |
| 250 | Changes in the fair value of hedged positions when hedging a portfolio for interest rate risk | Para. 89A (a) of IAS 39, IFRS 9.6.5.8 | | 0 |
| 260 | Investments in a subsidiary, jointly-controlled entity or associate | Para. 54 (e) of IAS 1; part 1, paragraph 21 and part 2, paragraph 4 of Appendix V | 40 | 44 872 |
| 270 | Tangible assets | | | 486 993 |
| 280 | Property, Plant and Equipment | Para. 6 of IAS 16; Para. 54 (a) of IAS 1; Para 47 (a) of IFRS 16 | 21, 42 | 72 972 |
| 290 | Investment Property | Para. 5 of IAS 40; Para. 54 (b) of IAS 1; Para. 48 of IFRS 16 | 21, 42 | 414 021 |
| 300 | Intangible assets | Para. 54(c) of IAS 1; Art. 4, Para. 1, item 115 of Reg 575 | | 14 678 |
| 310 | Goodwill | Para. B67, (d) of IFRS 3; Art. 4, Para. 1, item 113 of Reg 575 | | 0 |
| 320 | Other intangible assets | Para. 8 and Para. 118 of IAS 38; Para. 47 (a) of IFRS 16 | 21, 42 | 14 678 |
| 330 | Tax assets | Para. 54 (n)-(o) of IAS 1 | | 0 |
| 340 | Current tax assets | Para. 54(n) of IAS 1; Para. 5 of IAS 12 | | 0 |
| 350 | Deferred tax assets | Para. 54, (o) of IAS 1; Para. 5 of IAS 12; Art. 4, Para. 1, item 106 of Reg 575 | | 0 |
| 360 | Other assets | part 2, paragraph 5 of Appendix V | | 947 585 |
| 370 | Non-current assets and disposal groups classified as held for sale | Para. 54, (j) of IAS 1; Para. 38 of IFRS 5; part 2, item 7 of Appendix V | | 0 |
| 380 | TOTAL ASSETS | Para. 9, (a), IN 6 of IAS 1 | | 10 782 868 |

FIRST INVESTMENT BANK AD

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|-----------------------|------------|--------------------------|
| Bank | FINV9150 | First Investment Bank AD |
| Reporting date | 31.12.2020 | |
| Basis for application | Individual | |
| Accounting standard | IFRS | |

Reporting currency '000

BGN

1. 1. Balance sheet [statement of financial position]

1.2 Liabilities

| | | References | Breakdown in table | Carrying amount part 1, paragraph 27 of Appendix V |
|-----|------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------|----------------------------------------------------------|
| | | | | 010 |
| 010 | Financial liabilities held for trading | Para. 8, (e)(ii) of IFRS 7; BA Para. 6 of IFRS 9 | 8 | 0 |
| 020 | Derivatives | supplement A to IFRS 9, IFRS 9.4.2.1(a), BA, paragraph 7(a) of IFRS 9 | 10 | 0 |
| 030 | Short positions | BA, Paragraph 7(b) of IFRS 9 | 8 | 0 |
| 040 | Deposits | Part 2, item 9 of Appendix 2 to ECB/2013/33; Part 1, item 36 of Appendix V | 8 | 0 |
| 050 | Issued debt securities | part 1, paragraph 37 of Appendix V | 8 | 0 |
| 060 | Other financial liabilities | part 1, paragraph 38-41 of Appendix V | 8 | 0 |
| 070 | Financial liabilities at fair value through profit or loss | Para. 8 (e)(i) of IFRS 7; IFRS 9.4.2.2 | 8 | 0 |
| 080 | Deposits | Part 2, item 9 of Appendix 2 to ECB/2013/33; Part 1, item 36 of Appendix V | 8 | 0 |
| 090 | Issued debt securities | part 1, paragraph 37 of Appendix V | 8 | 0 |
| 100 | Other financial liabilities | part 1, paragraph 38-41 of Appendix V | 8 | 0 |
| 110 | Financial liabilities at amortised cost | Para. 8 (g) of IFRS 7; IFRS 9.4.2.1 | 8 | 9 437 388 |
| 120 | Deposits | Part 2, item 9 of Appendix 2 to ECB/2013/33; Part 1, item 36 of Appendix V | 8 | 9 139 400 |
| 130 | Issued debt securities | part 1, paragraph 37 of Appendix V | 8 | 267 579 |
| 140 | Other financial liabilities | part 1, paragraph 38-41 of Appendix V | 8 | 30 409 |
| 150 | Derivatives - hedge accounting | IFRS 9.6.2.1, part 1, paragraph 26 of Appendix V | 11 | 0 |
| 160 | Changes in the fair value of hedged positions when hedging a portfolio for interest rate risk | Para. 89A (b) of IAS 39, IFRS 9.6.5.8 | | 0 |
| 170 | Provisions | Para. 10 of IAS 37; Para. 54 (l) of IAS 1 | 43 | 1 869 |
| 180 | Pensions and other obligations to pay defined post-employment benefits | Para. 63 of IFRS 19; Para. 78(d) of IAS 1; part 2, item 9 of Appendix V | 43 | 0 |
| 190 | Other long-term employee benefits | Para. 153 of IFRS 19; Para. 78(d) of IAS 1; part 2, item 10 of Appendix V | 43 | 0 |
| 200 | Restructuring | Para. 71 and 84(a) of IAS 37 | 43 | 0 |
| 210 | Pending legal matters and tax-related court cases | IAS 37, addendum B, examples 6 and 10 | 43 | 1 031 |
| 220 | Commitments and guarantees | IFRS 9.4.2.1(c), (d); 9.5.5; 9.C2.5; IAS 37; IFRS 4; part 2, para. 11 of Appendix V | 9 12 43 | 838 |
| 230 | Other provisions | Para. 14 of IAS 37 | 43 | 0 |
| 240 | Tax liabilities | Para. 54 (n)-(o) of IAS 1 | | 21 301 |
| 250 | Current tax liabilities | Para. 54(n) of IAS 1; Para. 5 of IAS 12 | | 12 |
| 260 | Deferred tax liabilities | Para. 54, (o) of IAS 1; Para. 5 of IAS 12; Art. 4, Para. 1, item 108 of Reg 575 | | 21 289 |
| 270 | Share capital payable upon request | IAS 32, illustrative example 33; IFRIC 2; part 2, paragraph 12 of Appendix V | | 0 |
| 280 | Other liabilities | part 2, paragraph 13 of Appendix V | | 144 533 |
| 290 | Liabilities in disposal groups classified as held for sale | Para. 54, (p) of IAS 1; Para. 38 of IFRS 5; part 2, paragraph 14 of Appendix V | | 0 |
| 300 | TOTAL LIABILITIES | Para. 9, (b), IN 6 of IAS 1 | | 9 605 091 |

FIRST INVESTMENT BANK AD

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| Bank | FINV9150 | First Investment Bank AD |
| Reporting date | 31.12.2020 | |
| Basis for application | Individual | |
| Accounting standard | IFRS | |

Reporting currency '000

BGN

1.1. Balance sheet [statement of financial position]

1.3 Total own funds

| | | References | Breakdown in table | Carrying amount |
|-----|----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------------|
| | | | | 010 |
| 010 | Equity | <i>Para. 54(s) of IAS 1; Para. 22 of DOB</i> | 46 | 149 085 |
| 020 | Paid up share capital | <i>Para. 78 (e) of IAS 1</i> | | 149 085 |
| 030 | Not fully paid-up capital | <i>part 2, paragraph 14 of Appendix V</i> | | 0 |
| 040 | Premium reserves | <i>Para. 78(e) of IAS 1; Art. 4, Para. 1, item 124 of Reg 575</i> | 46 | 250 017 |
| 050 | Issued capital instruments other than share capital | <i>part 2, paragraphs 18-19 of Appendix V</i> | 46 | 0 |
| 060 | Component of the share capital in compound financial instruments | <i>Paras. 28 -29 of IAS 32; part 2, item 18 of Appendix V</i> | | 0 |
| 070 | Other issued equity instruments | <i>part 2, paragraph 19 of Appendix V</i> | | 0 |
| 080 | Other own funds | <i>Para. 10 of IFRS 2; part 2, paragraph 20 of Appendix V</i> | | 0 |
| 090 | Accumulated other comprehensive income | <i>Art. 4, para. 1, item 100 of Reg 575</i> | 46 | 20 013 |
| 095 | Items which cannot be reclassified as profit or loss | <i>Para. 89A (a) of IAS 1</i> | | 4 500 |
| 100 | <i>Tangible assets</i> | <i>Paras. 39 -41 of IAS 16</i> | | 4 500 |
| 110 | <i>Intangible assets</i> | <i>Paras. 85-87 of IAS 38</i> | | 0 |
| 120 | <i>Actuarial gains or (-) losses on defined benefit plans</i> | <i>Para. 7, NI 6 of IAS 1; Para. 120(c) of IAS 19</i> | | 0 |
| 122 | <i>Non-current assets and disposal groups classified as held for sale</i> | <i>Para. 38, IN example 12 of IFRS 5</i> | | 0 |
| 124 | <i>Share of the other comprehensive income of subsidiaries, associates and joint ventures</i> | <i>NI 6 of IAS1, paragraph 10 of IAS 28</i> | | 0 |
| 320 | <i>Changes in fair value of capital instruments at fair value in other comprehensive income</i> | <i>Para. 7 (d) of IAS 1; 5.7.5 and B5.7.1 of IFRC 9; part 2, paragraph 21 of Appendix V</i> | | 0 |
| 330 | <i>Inefficiency of hedging in fair value hedging of capital instruments at fair value in other comprehensive income</i> | <i>Para. 7 (d) of IFRS 1; IFRS 9.5.7.5 and 6.5.3; paragraph 24C of IFRS 7, part 2, paragraph 22 of Appendix V</i> | | 0 |
| 340 | <i>Changes in fair value of capital instruments at fair value in other comprehensive income [hedged position]</i> | <i>IFRS 9 5.7.5 and 6.5.8(b); part 2, paragraph 22 of Appendix V</i> | | 0 |
| 350 | <i>Changes in fair value of capital instruments at fair value in other comprehensive income [hedging instrument]</i> | <i>Para. 7 (e) of IFRS 1; IFRS 9.5.7.5 and 6.5.8(a); part 2, paragraph 57 of Appendix V</i> | | 0 |
| 360 | <i>Changes in fair value of financial liabilities at fair value in profit or loss due to changes in credit risk</i> | <i>Para. 7 (f) of IAS 1; IFRS 9.5.7.7; part 2, paragraph 23 of Appendix V</i> | | 0 |
| 128 | Items which can be reclassified as profit or loss | <i>Para. 81A (a)(ii) of IAS 1</i> | | 15 513 |
| 130 | <i>Hedges of net investments in foreign operations [effective portion]</i> | <i>IFRS 9 6.5.13(a); Paragraph 24B(b), items ii) and iii) of IFRS 7; Paragraph 24C(b), items i) and iv), and paragraph 24E(a) of IFRS 7; part 2, paragraph 24 of Appendix V</i> | | 0 |
| 140 | <i>Currency exchange</i> | <i>Para. 52 (b) of IFRC 21; Paras. 32, 38-49 of IAS 21</i> | | 0 |
| 150 | <i>Derivatives from hedging Cash flow hedges [effective portion]</i> | <i>Paragraph 7(e) of IAS 1; paragraph 24B(b), items ii) and iii) of IFRS 7; paragraph 24C(b), item i) and paragraph 24E of IFRS 7; IFRS 9.6.5.11(b); part 2, paragraph 25 of appendix V</i> | | 0 |
| 155 | <i>Changes in fair value of debt instruments at fair value in other comprehensive income</i> | <i>Para. 7 (da) of IAS 1; IFRS 9.4.1.2A and 5.7.10; part 2, paragraph 26 of Appendix V</i> | | 15 513 |
| 165 | <i>Hedging instruments [unreported elements]</i> | <i>Paragraph 7, (g) and (h) of IAS 1; IFRS 9 6.5.15 and 6.5.16; Paragraph 24 E, (b) and (c) of IFRS 7, part 2, Paragraph 60 of appendix V</i> | | 0 |
| 170 | <i>Non-current assets and disposal groups classified as held for sale</i> | <i>Para. 38, IN example 12 of IFRS 5</i> | | 0 |
| 180 | <i>Share of the other comprehensive income of subsidiaries, associates and joint ventures</i> | <i>NI 6 of IAS1, paragraph 10 of IAS 28</i> | | 0 |
| 190 | Retained earnings | <i>Art. 4, para. 1, item 123 of Reg 575</i> | | 0 |
| 200 | Revaluation reserve | <i>Para. 30, D5-D8 of IFRS 1; part 2, item 28 of Appendix V</i> | | 0 |
| 210 | Other reserves | <i>Para. 54 of IAS 1; Para. 78 (e) of IAS 1</i> | | 719 753 |
| 220 | Reserves or losses from investments in a subsidiary, jointly-controlled entity or associate reported via the equity method | <i>Para. 11 of IAS 28; part 2, item 29 of Appendix V</i> | | 0 |
| 230 | Other | <i>part 2, paragraph 29 of Appendix V</i> | | 719 753 |
| 240 | (-) Repurchased own shares | <i>Para. 79 (a)(vi) of IAS 1; Paras. 33-34, IE14, IE36 of IAS 32; part 2, paragraph 30 of Appendix V</i> | 46 | 0 |
| 250 | Profit or loss attributable to the owners of the parent company | <i>Para. 81B (b)(ii) of IAS 1</i> | 2 | 38 909 |
| 260 | (-) Interim dividends | <i>Para. 11 of IAS 32</i> | | 0 |
| 270 | Minority interests [Non-controlling interests] | <i>Para. 54 (r) of IAS 1</i> | | 0 |
| 280 | Accumulated other comprehensive income | <i>Art. 4, para. 1, item 100 of Reg 575</i> | 46 | 0 |
| 290 | Other items | | 46 | 0 |
| 300 | TOTAL SHAREHOLDERS' EQUITY | <i>Para. 9 (c), IN 6 of IAS 1</i> | 46 | 1 177 777 |
| 310 | TOTAL SHAREHOLDERS' EQUITY AND TOTAL LIABILITIES | <i>IN 6 of IAS 1</i> | | 10 782 868 |

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Chief Executive Officer

SVETOZAR POPOV
Executive Director

CHAVDAR ZLATEV
Executive Director

RALITSA BOGOEVA
Executive Director

YANKO KARAKOLEV
Chief Financial Officer

FIRST INVESTMENT BANK AD

Bank **FINV9150**

First Investment Bank AD

Reporting date **31.12.2020**

Basis for

application **Individual**

Accounting IFRS

standard

Reporting currency '000

BGN

2. Profit and Loss Account

| | | References | Breakdown in table | Current period |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|--------------------|----------------|
| | | | | 010 |
| 010 | Interest income | Para. 97 of IAS 1; part 2, paragraph 31 of Appendix V | 16 | 292 160 |
| 020 | Financial assets held for trading | Para. 20, (a)(i), Para. B5, (e) of IFRS 7; part 2, paragraphs 33, 34 of Appendix V | | 121 |
| 025 | Non-tradable financial assets mandatorily reported at fair value through profit or loss | Para. 20, (a)(i), Para. B5, (e) of IFRS 7, IFRS 9.5.7.1 | | 11 799 |
| 030 | Financial assets at fair value through profit or loss | Para. 20, (a)(i), Para. B5, (e) of IFRS 7 | | 0 |
| 041 | Financial assets at fair value through other comprehensive income | Para. 20(b) of IFRS 7; IFRS 9.5.7.10-11, IFRS 9.4.1.2A | | 4 544 |
| 051 | Financial assets at amortised cost | Para. 20(b) of IFRS 7; IFRS 9.4.1.2, IFRS 9.5.7.2 | | 275 696 |
| 070 | Derivatives — hedge accounting, interest rate risk | supplement A to IFRS 9, C.6.6.16, part 2, paragraph 35 of Appendix V | | 0 |
| 080 | Other assets | part 2, paragraph 36 of Appendix V | | 0 |
| 085 | Revenue from interest on liabilities | IFRS 9.5.7.1, part 2, paragraph 37 of Appendix V | | 0 |
| 090 | (Interest expense) | Para. 97 of IAS 1; part 2, paragraph 31 of Appendix V | 16 | 59 511 |
| 100 | (Financial liabilities held for trading) | Para. 20, (a)(i), Para. B5, (e) of IFRS 7; part 2, paragraphs 33, 34 of Appendix V | | 0 |
| 110 | (Financial liabilities at fair value through profit or loss) | Para. 20, (a)(i), Para. B5, (e) of IFRS 7 | | 0 |
| 120 | (Financial liabilities at amortised cost) | Para. 20(b) of IFRS 7; IFRS 9.5.7.2 | | 54 688 |
| 130 | (Derivatives — hedge accounting, interest rate risk) | Para. 9 of IAS 39; part 2, paragraph 35 of Appendix V | | 0 |
| 140 | (Other liabilities) | part 2, paragraph 38 of Appendix V | | 25 |
| 145 | (Interest expense on assets) | IFRS 9.5.7.1, part 2, paragraph 39 of Appendix V | | 4 798 |
| 150 | (Expense for share capital payable upon request) | IFRIC 2, item 11 | | 0 |
| 160 | Dividend income | part 2, paragraph 40 of Appendix V | 31 | 374 |
| 170 | Financial assets held for trading | Para. 20, (a)(i), Para. B5, (e) of IFRS 7; part 2, paragraphs 40 of Appendix V | | 59 |
| 175 | Non-tradable financial assets mandatorily reported at fair value through profit or loss | Para. 20, (a)(i), Para. B5, (e) of IFRS 7; IFRS 9.5.7.1A, part 2, paragraphs 40 of Appendix V | | 315 |
| 191 | Financial assets at fair value through other comprehensive income | Para. 20, (a)(ii) of IFRS 7; IFRS 9.4.1.2A, IFRS 9.5.7.1A, part 2, paragraph 41 of Appendix V | | 0 |
| 192 | Investments in a subsidiary, jointly-controlled entity or associate reported via the equity method | part 2, paragraph 42 of Appendix V | | 0 |
| 200 | Fee and commission income | Para. 20 (c) of IFRS 7 | 22 | 116 250 |
| 210 | (Fee and commission expense) | Para. 20 (c) of IFRS 7 | 22 | 20 401 |
| 220 | Net profits or (-) losses from write-off of financial assets and liabilities which are not accounted at fair value through profit or loss | part 2, paragraph 45 of Appendix V | 16 | 1 843 |
| 231 | Financial assets at fair value through other comprehensive income | IFRS 9.4.12A; IFRS 9.5.7.10-11 | | 1 583 |
| 241 | Financial assets at amortised cost | Para. 20(B)(v) of IFRS 7; IFRS 9.4.1.2, IFRS 9.5.7.2 | | 260 |
| 260 | Financial liabilities at amortised cost | Para. 8 (a)(v) of IFRS 7; IFRS 9.5.7.2 | | 0 |
| 270 | Other | | | 0 |
| 280 | Net profits or (-) losses from financial assets and liabilities held for trading | Para. 20, (a)(i) of IFRS 7; IFRS 9.5.7.1, part 2, items 43, 46 of Appendix V | 16 | -171 |
| 287 | Net profits or (-) losses from non-tradable financial assets and liabilities mandatorily reported at fair value through profit or loss | Para. 20, (a)(i) of IFRS 7; IFRS 9.5.7.1, part 2, items 46 of Appendix V | | 2 188 |
| 290 | Net profits or (-) losses from financial assets and liabilities at fair value through profit or loss | Para. 20, (a)(i) of IFRS 7; IFRS 9.5.7.1, part 2, items 44 of Appendix V | 16, 45 | 0 |
| 300 | Net profits or (-) losses from hedge accounting | part 2, paragraph 47 of Appendix V | 16 | 0 |
| 310 | Net profits or (-) losses from exchange rate differences | Para. 28 and Para 52 (a) of IAS 21 | | 12 162 |
| 330 | Net profits or (-) losses from write-off of non-financial assets | Para. 34 of IAS 1; part 2, paragraph 48 of Appendix V | 45 | 1 347 |
| 340 | Other operating income | part 2, paragraphs 314-316 of Appendix V | 45 | 11 118 |
| 350 | (Other operating expense) | part 2, paragraphs 314-316 of Appendix V | 45 | 3 687 |
| 355 | TOTAL NET OPERATING INCOME | | | 353 672 |
| 360 | (Administrative expenses) | | | 169 376 |
| 370 | (Personnel costs) | Para. 7 of IAS 19; Para. 102, IN 6 of IAS 1 | 44 | 61 877 |
| 380 | (Other administrative expenses) | | 16 | 107 499 |
| 385 | (Cash instalments for restructuring funds and deposit guarantee schemes) | part 2, paragraph 48 (i) of Appendix V | | 34 520 |
| 390 | (Amortisation) | Paras. 102, 104 of IAS 1 | | 12 435 |
| 400 | (Property, Plant and Equipment) | Para. 104 of IAS 1; Para. 73, (e), (vii) of IAS 16 | | 10 276 |
| 410 | (Investment Property) | Para. 104 of IAS 1; Para. 79, (d), (iv) of IAS 40 | | 0 |
| 420 | (Other intangible assets) | Para. 104 of IAS 1; Para. 118, (e), (vi) of IAS 38 | | 2 159 |
| 425 | Net profits or (-) losses from modification | IFRS 9.5.4.3, supplement A to IFRS 9, part 2, paragraph 49 of Appendix V | | 0 |
| 426 | Financial assets at fair value through other comprehensive income | Paragraph 35J of IFRS 7 | | 0 |
| 427 | Financial assets at amortised cost | Paragraph 35J of IFRS 7 | | 0 |
| 430 | (Provisions or (-) reversed provisions) | Para. 59, 84 of IAS 37; Para. 98, (b), (f), (g) of IAS 1 | 9 12 43 | 205 |
| 435 | (Undertaken obligations to make payments for restructuring funds and deposit guarantee schemes) | part 2, paragraph 48 (i) of Appendix V | | 0 |
| 440 | (Commitments and guarantees) | IFRS 9.4.2.1(c), (d); IFRS 9.B2.5; IAS 37; IFRS 4; part 2, para. 50 of Appendix V | | 136 |
| 450 | (Other provisions) | | | 69 |
| 460 | (Impairment or (-) impairment adjustment of financial assets which are not accounted at fair value through profit or loss) | Para. 20, (a)(viii) of IFRS 7; IFRS 9.5.4.4, part 2, items 51, 53 of Appendix V | 12 | 93 524 |
| 481 | (Financial assets at fair value through other comprehensive income) | IFRS 9.5.4.4; IFRS 9.5.5.1; IFRS 9.5.5.2; IFRS 9.5.5.8 | 12 | 0 |
| 491 | (Financial assets at amortised cost) | IFRS 9.5.4.4; IFRS 9.5.5.1; IFRS 9.5.5.2; IFRS 9.5.5.8 | 12 | 93 524 |
| 510 | (Impairment or (-) reversed impairment of investments in a subsidiary, jointly-controlled entity or associate) | Paras. 40-43 of IAS 28 | 16 | 0 |
| 520 | (Impairment or (-) reversed impairment of non-financial assets) | Para. 126(a)-(b) of IAS 36 | 16 | 0 |
| 530 | (Property, Plant and Equipment) | Para. 73, (e), (v)-(vii) of IAS 16 | | 0 |
| 540 | (Investment Property) | Para. 79, (d), (v) of IAS 40 | | 0 |
| 550 | (Goodwill) | B67, (d), (v) of IFRS 3; Para. 124 of IAS 36 | | 0 |
| 560 | (Other intangible assets) | Para. 118, (e), (iv)-(v) of IAS 38 | | 0 |
| 570 | (Other) | Para. 126(a)-(b) of IAS 36 | | 0 |

| | | References | Breakdown in table | Current period |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|--------------------|----------------|
| | | | | 010 |
| 580 | Negative goodwill in profit or loss | B64, (n)(i) to IFRC 3 | | 0 |
| 590 | Share of profit or (-) loss from investments in a subsidiary, jointly-controlled entity or associate reported via the equity method | part 2, paragraph 54 of Appendix V | | 0 |
| 600 | Profit or (-) loss from non-current assets and disposal groups classified as held for sale, which do not meet the requirements for discontinued operations | Para. 37 of IFRS 5, part 2, paragraph 55 of Appendix V | | 0 |
| 610 | PROFIT OR (-) LOSS BEFORE TAX FROM CURRENT OPERATIONS | Para. 102, IN 6 of IAS 1; Para. 33 A of IFRC 5 | | 43 612 |
| 620 | (Tax expense or (-) income relating to the profit or loss from current operations) | Para. 8, (d) of IAS 1; Para. 77 of IAS 12 | | 4 703 |
| 630 | PROFIT OR (-) LOSS AFTER TAX FROM CURRENT OPERATIONS | IN 6 of IAS 1 | | 38 909 |
| 640 | Profit or (-) loss after tax from discontinued operations | Para. 82, (e) of IAS 1; Para. 33(a) and paragraph 33A of IFRC 5; part 2, paragraph 56 of Appendix V | | 0 |
| 650 | Profit or (-) loss before tax from discontinued operations | Para. 33, (b)(i) of IFRC 5 | | 0 |
| 660 | (Tax expense or (-) income related to discontinued operations) | Para. 33, (b)(i) and (iv) of IFRC 5 | | 0 |
| 670 | PROFIT OR (-) LOSS FOR THE YEAR | Para. 81A (a) of IAS 1 | | 38 909 |
| 680 | Relating to minority interests [non-controlling interests] | Para. 81B (b)(i) of IAS 1 | | 0 |
| 690 | Attributable to the owners of the parent company | Para. 81B (b)(ii) of IAS 1 | | 38 909 |

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