

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

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

Cc:  
The public through x3news

*Re: First Investment Bank AD reports on successful 2019*

Dear Sirs,

At the end of 2019 the assets of First Investment Bank (Fibank) exceed BGN 10 billion on stand-alone basis and increase by 8,9% compared to 2018.

It is expected that at the end of 2019 the Bank will report growth in the loan portfolios of all segments, offsetting the sale of impaired loan portfolios. The net loan book increases by BGN 251 million (4,5%), while deposits increase by BGN 663 million (+8,3%).

During the first half of 2019 the European Central Bank carried out comprehensive assessment of 6 Bulgarian banks with relation to Bulgaria's request to establish close cooperation with the ECB dated 18.07.2018 and the country's willingness to join the Eurozone "waiting room" (ERM II). First Investment Bank, being the largest Bulgarian-owned bank and the second in terms of lending to Bulgarian business, acted responsibly vis-à-vis its customers and shareholders.

During the second half of 2019 the Bank made a detailed review of its loan portfolio for compliance with the ECB methodology (used in the comprehensive assessment) and the International Financial Reporting Standards (mandatory in the preparation of financial reports by banks). As a result, at the end of the year additional impairment costs of BGN 94 million were accrued compared to June 2019. Thus, the impairment costs for 2019 are expected to total at BGN 117 million. In this way the Bank will reflect in its reports the more conservative approach to credit risk assessment following the asset quality review.

The Bank's 2019 profit before impairment and tax will reach BGN 261.6 million, increasing by 11.4% compared to 2018. The income from banking operations increases by BGN 48 million compared to the previous year, driven by higher net fee and commission income, higher trading income and other net operating income. The net profit is expected at approximately BGN 130 million and will be included in the capital after confirmation from the Fibank's independent auditors and by decision of the General Meeting of Shareholders. This will strengthen the Bank's capital position and will provide sufficient funding for growth, in addition to the measures announced in December 2019 – the upcoming capital increase by public offering of shares and the issue of additional Tier 1 capital.

At the beginning of 2018 Fibank announced its new strategy focused on lending to small and medium-sized enterprises (companies whose income from operations does not exceed BGN 15 million) and the retail segment. The Bank's management acknowledges that this has been a step in the right direction, as over the past 24 months these portfolios have grown by more than 35% (retail) and 20% (SMEs). The Managing Board intends to continue with the implementation of the approved strategy in the 2020-2022 period, but also sets goals to be achieved at the end of that period. These goals are related to increasing effectiveness and efficiency, as well as to improving the quality of assets, namely:

- Return on equity (ROE) >12%
- Cost/Income ratio <50%
- Non-interest-bearing assets under 10% at the end of 2022.
- Decrease of non-performing loans at the end of 2022 to under 10%, levels average for the market
- Decrease of the share of repossessed assets in the balance sheet to approximately 2% at the end of 2022.

*Note: The 2019 figures contained herein are preliminary and subject to confirmation by the Bank's independent auditors. The information contained in this statement may not be complete, or may differ from the final information. Some of the forward-looking information represents the Management's view of First Investment Bank's future financial position and does not guarantee future performance which may differ materially from the projections. The Management undertakes no obligation to update these forward-looking statements except as required by the applicable laws.*

Sincerely,

(signed)

Nedelcho Nedelchev  
Chief Executive Officer

(signed)

Svetozar Popov  
Executive Director