

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

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

Cc:
Central Depository
6 Tri Ushi Str.
Sofia

Cc:
The public via *x3news*

23 April 2020

Re: Changes in the key parameters of a new issue of shares for capital increase of First Investment Bank's AD via public offering and confirmation from the Financial Supervision Commission of the prospectus for public offering of shares

Dear Sirs,

We hereby inform you that on 22 April the Management Board of First Investment Bank AD (the Bank), with the approval of the Supervisory Board of the same date, made a resolution to change the key parameters of a new issue of shares via public offering, as it was approved by the Management Board on 12.12.2019 and 09.04.2020 and endorsed by the Supervisory Board, respectively on 19.12.2019 and 15.04.2020, in accordance with the authorisation granted by the General Meeting of Shareholders under Article 17, Para 5 of the By-Laws of First Investment Bank AD. The change in parameters was reflected in an updated prospectus for the public offering of shares.

Also today, by its resolution No. 281 – E/23.04.2020, the Financial Supervision Commission confirmed the prospectus for public offering of up to 40 000 000 (forty million) ordinary, registered, dematerialized shares, each with one voting right in the general meeting, nominal value of BGN 1, and issue value of BGN 5.00 each, with ISIN code BG1100106050, which will be issued as a result of the capital increase of First Investment Bank in accordance with the resolutions mentioned above.

The Financial Supervision Commission has registered the share issue which is being issued and is subject to the initial public offering, in the register of public companies and other issuers of securities kept by the Commission in accordance with Article 30(1)(3) of the Law on the Financial Supervision Commission.

The confirmed prospectus has been published on the internet page of the Financial Supervision Commission.

Pursuant to the Management Board resolution which was approved by the Supervisory Board on 22 April 2020, First Investment Bank AD plans to increase the total nominal amount of its capital from BGN 110 000 000, distributed in 110 000 000 ordinary, registered, dematerialized shares, each with one voting right in the general meeting and nominal value of BGN 1, to up to BGN 150 000 000, distributed in 150 000 000 ordinary, registered, dematerialized shares, each with one voting right in the general meeting, and with nominal value of BGN 1, through the issue of up to 40 000 000 (forty million) new ordinary, registered, dematerialized shares, each with one voting right in the general meeting, with nominal value of BGN 1 (one), and issue value of BGN 5.00 (five).

The Bank decided to change the emission price to BGN 5 based on complex analysis made by the investment intermediary servicing the issue – First Investment Brokerage House. The major applicable arguments taken into consideration were the market price of shares, as well as transactions with majority shareholding of other banks on the domestic market in recent years. The analysis also intended to attract the widest circle of investors.

The Management Board, at its meeting held on 22.04.2020, reviewed thoroughly the analysis and motivation and found the following: the analysis achieves a balance between the need to guarantee investor protection and the pure market efficiency of the capital increase. The key risks that are specific to securities have been covered, along with those that are specific and typical for the issuer and the issuer's sector.

The capital of First Investment Bank AD will increase only if at least 4 000 000 shares with nominal value of BGN 1 and issue value of BGN 5 each are subscribed and paid, and in that case the capital will increase only with the value of the shares subscribed. The threshold of the announced amount of capital increase to be subscribed may not be exceeded. All shares issued by First Investment Bank AD, as well as the shares from the new issue shall be of the same class.

In the Bank's capital increase, rights will be issued in accordance with POSA, entitling shareholders to subscribe shares proportionate to their stakes in the capital prior to the increase. One right shall be issued against each existing share. Every 2.75 rights entitle for subscription of 1 new share.

The capital increase will take place through the public offering of newly issued shares, in accordance with the prospectus approved by the Financial Supervision Commission and prepared in accordance with the legal requirements. The relevant provisions of POSA on increasing the capital of a public company will be applicable to the issue.

First Investment Bank intends to use the capital increase in order to ensure the implementation of its strategy for expanding the market presence in retail banking and lending to small and medium-sized enterprises.

In 2019 the Bank increased its balance sheet figure by over one billion levs, and the total assets reached BGN 10,660 million on consolidated basis. The regulatory own funds reached BGN 1,284 million with an increase of BGN 176 million in 2019. Over the year, the Bank managed to achieve growth in deposits by BGN 761 million, and thus attracted funds from other customers exceeded BGN 9,104 million. In December 2019 the Bank issued successfully a debt

capital instrument with a total value of EUR 30 million; after permission from the Bulgarian National Bank it was included in the Bank's additional Tier 1 capital. The profit for 2019 on consolidated basis was BGN 137.9 million, and the profit before impairment was BGN 257.7 million. At the end of 2019, through capital enhancement and risk mitigation measures the Bank formed an additional capital buffer amounting to over EUR 197 million.

On consolidated basis as at 31 December 2019, the capital adequacy ratio of First Investment Bank AD reached 18.34 %, the Tier 1 capital ratio was 18.28%, while the CET1 ratio was 14.65%. The liquidity coverage ratio reached 221,64 % and was significantly above the requirements of the regulator. In 2019 the Bank's loan portfolio in the *Small and Medium-Sized Enterprises* sector grew by BGN 64,5 million, or 7,7%, while the loan portfolio in the *Retail Banking* segment grew by BGN 281.3 million, or 17,5%.

In the first quarter of 2020 the Bank's capital position was strengthened further after, following permission from the Bulgarian National Bank, the 2019 profit was included in the own funds. As at 31 March 2020 the capital adequacy ratio of First Investment Bank was 19.09 %, the Tier 1 capital ratio was 19.03 %, the CET1 ratio was 15.48 %, and the regulatory own funds reached BGN 1,365 million. In the first quarter of 2020 the profit before impairment was BGN 30.9 million. The liquidity coverage ratio was 273.87%, showing a stable liquidity position. Over the first three months of 2020 the Bank's loan portfolio in the *Small and Medium-Sized Enterprises* sector grew by BGN 13,8 million, i.e. 7,2% on annual basis, while the loan portfolio in the *Retail Banking* segment grew by BGN 47,3 million, or 10,4% on annual basis.

Sincerely,

(signed)

Nikola Bakalov
Chief Executive Officer

(signed)

Chavdar Zlatev
Executive Director