



Development Priorities 2021-23

FIRST INVESTMENT BANK

25 Fibank
years
My bank

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*More than 25 years, First Investment Bank AD has developed as a **universal credit institution**, having its own image and a brand for superior quality of service, innovative, dynamic bank, preferred by the population and supporting good projects, which competes with the best in the industry.*

OUR BUSINESS

- Retail banking
- Microlending
- SME banking
- Corporate banking
- Card payments
- Digital banking
- Trade financing
- Project financing
- Financing on europrograms
- International payments
- Money and capital markets
- Foreign exchange
- Gold and commemorative coins

BUSINESS PRINCIPLES

- We believe in **long-term** relations.
- We strive for the **best practices** and we have the goodwill and discipline to achieve them.
- We develop and offer **proactive** solutions.
- We are **engaged** in social issues and we make our contribution to their solution.
- We bear **responsibility** for our decisions and actions.

Key guidelines



SUSTAINABLE DEVELOPMENT



CUSTOMER FOCUS



DIGITALISATION

....FOLLOWING OUR MISSION



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.



Challenges of the external environment and forecast macroeconomic data for the period 2021-23

CHALLENGES OF THE EXTERNAL ENVIRONMENT

- The global **COVID-19** pandemic and its aftermath.
- Uncertainty about the pace of **economic recovery** in the EU and the euro area.
- Continuing **low interest rate environment**.
- Withdrawal of the United Kingdom from the European Union (**BREXIT**) and its consequences.
- Intensive development of **information technologies**.

BULGARIA MACROECONOMIC FORECAST

BNB forecast	2021	2022	2023
GDP, real growth	3.8%	3.9%	3.2%
Inflation /HICP, end of period/	3.0%	0.7%	1.3%
Unemployment	5.1%	4.6%	4.4%
Current account,% of GDP	2.0%	3.5%	2.9%
Loans and advances to corporations	1.0%	3.1%	3.5%
Loans and advances to households	5.3%	6.1%	6.5%
Private sector deposits	9.6%	7.8%	7.3%

BNB macroeconomic forecast, March 2021

The external environment is changing at an accelerated pace, creating challenges as well as opportunities

Current achievements and strategic priorities for the period 2021-23

CURRENT ACHIEVEMENTS

- Fifth in **asset size**, with a market share of 8.70%.
- Fifth in **loan portfolio** size, with a market share of 9.91%.
- Fifth in **deposits**, with a market share of 9.06%.
- Among the leading banks in **payment services** and **card business**.
- Advanced development of **digital services**.
- Diverse and attractive portfolio of **products and services**.
- Sound **capital and liquidity** position.
- Established **brand name** in Bulgaria.
- High **corporate responsibility** and social commitment

On individual basis, December 2020

STRATEGIC PRIORITIES

- 1 Universal Bulgarian bank, leading in key segments.
- 2 High quality customer service.
- 3 Focus on digitization and innovation.
- 4 Stable and sustainable business model.
- 5 Return for shareholders.
- 6 Cost optimization



Strategic priorities for the period 2021-23



1 Universal Bulgarian bank, leading in key segments

- Setting a priority on the development of **retail SME segments**.
- Improving **customer loyalty programs**.
- Upgrading the **cross-selling** and transactional business models.
- Offering **new and creative products**, providing customers with convenience and security.



OUR COMPETITIVE ADVANTAGES



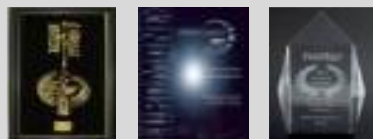
2 High quality customer service

- ◆ Maintaining **highest quality** of customer service by developing motivational programs and training for employees.
- ◆ Speed in customer service by **improving IT systems** and applying customer-oriented approaches.
- ◆ Development of **personalized services**.
- ◆ **Customer satisfaction** monitoring.



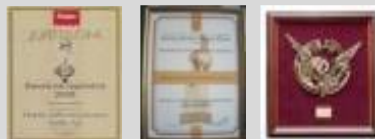
AWARDS

*Bank of the Year
and the best bank in
Bulgaria*



*Euromoney, Global
Banking & Finance,
Асоциация банка на
годината*

*Bank of the Customer
and best customer
service*



*Pari Newspaper;
Banks, Investment
and Money; Bank of
the Year Association*

*Strongest brand on the Bulgarian
market and favorite brand among
financial institutions*



*Superbrands,
My Love Marks,
Global Brand
Manager*




*Product innovation and
financial product of the
year*



*OSCARD, Global Banking &
Finance, Mastercard, VISA,
EFMA Accenture DMI, Forbes,
Webit awards*



3 Focus on digitization and innovation

-  Implementation of **technological innovations**.
-  Development of **digital services**, mobile applications and online banking.
-  **Optimization** of IT and business processes in line with innovation in banking.



LATEST INNOVATIONS AND SERVICES

Launching services such as Apple pay, FitBit, Garmin pay, Google pay

Fully completed online process for granting loans and issuing credit cards to individuals. Video consultation service.

Open banking, API portal, new services for payment initiation and account information under PSD2



4 Stable and sustainable business model

- ◆ Ensure **sound capital position** and effective liquidity management.
- ◆ Maintain **optimal asset structure** and offer capital-efficient products with lower risk weight.
- ◆ Decrease **non-interest earning assets**.
- ◆ Reduce **loan portfolio risk**.
- ◆ Increase **non-interest income**.
- ◆ Offer products and finance projects aimed at **sustainability and supporting the green idea**, as well as implement environmentally friendly internal processes



Strategic priorities for the period 2021-23



Return for shareholders and cost optimization

- ❖ Achieve **return on equity** of over 8% in the three-year horizon, with a long-term target of 12%.
- ❖ Maintain balance between **measured risk** and business growth.
- ❖ Invest in profitable securities.
- ❖ Achieve a sustainable cost-to-income ratio **below 50%**.
- ❖ **Optimize** distribution channels.
- ❖ Diversify revenues through development of **new sources of income**.



Strategic priorities for the period 2021-23



Non-performing exposures strategy: Reduction to <7.7% by the end of 2023

KEY MEASURES PLANNED



Secondary asset market



Restructuring



Provisioning and write-off

QUANTITATIVE TARGET LEVELS

2020

15.6%

2023

<7.7%

**Non-performing exposures ratio under the FinREP financial reporting framework, calculated as % of gross loans and advances and debt instruments other than held for trading*

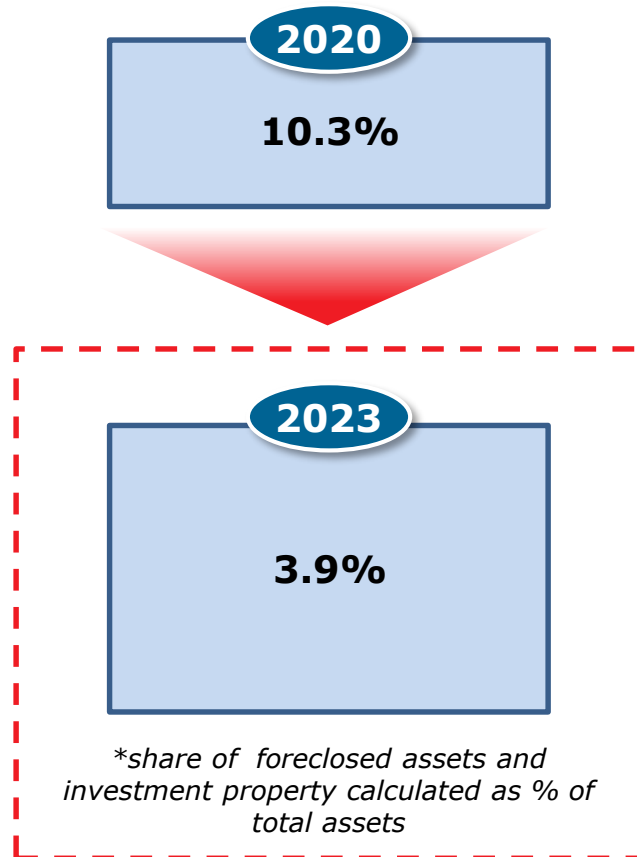
STRATEGIC OBJECTIVES

- Achieve **recovery** of exposures covering the entire life cycle of loans.
- **Improve risk management** practices and processes in order to reach higher recovery rates.
- Improve the ways and methods for **restructuring** exposures aimed at better collections of non-performing loans.
- Reduce the overall **risk profile** of the loan portfolio by applying a conservative approach



Plan for reduction of foreclosed assets: reduction to 3.9% of total assets by 2023

QUANTITATIVE TARGET LEVELS



KEY OBJECTIVES IN THE PLAN FOR REDUCTION OF FORECLOSED ASSETS

- Reduce the **relative weight** of foreclosed assets in the balance sheet of the Bank, with a view to releasing cash resources and minimizing risk;
- Eliminate **complex administration activities**.
- Prepare a **set of portfolios**, grouping assets by economic purpose and liquidity, e.g. high-liquid and low-liquid.
- Implement a long-term program **for high-liquid portfolios** that may generate positive cash flows, aimed at subsequent marketing and sale directly by the Bank, or through intermediaries.
- Distribute **low-liquid portfolios** among portfolio managers, for the purpose of negotiation with specialized funds for acquisition and management of distressed assets.



Actions related to COVID-19 challenges.

ACTIONS TAKEN RELATED TO THE SPREAD OF THE CORONAVIRUS AND THE CONSEQUENCES OF THE COVID-19 PANDEMIC

- 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 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.

First Investment Bank will continue to provide support for the clients in line with the challenges and external environment.



Challenges related to the regulatory environment

Forthcoming implementation of the CRD5/CRR2 package regarding capital and prudential requirements (Basel IV)

Forthcoming implementation of BRRD2/SRMR2 on recovery and restructuring requirements, including the minimum requirement for own funds and eligible liabilities (MREL) and reaching the set target levels by 1 January 2024.

Forthcoming implementation of EBA Guidelines on loan origination and monitoring (EBA/GL/2020/06)

First Investment Bank will continue to strictly comply with the regulatory requirements arising from local and European legislation.



Balanced growth and stable capital and liquidity position. Revenue and profit growth for 2021-23

KEY ITEMS AND RATIOS

<i>BGN million/%</i>	2020	FORECAST DATA
Gross loan portfolio	6,550	3.8% CAGR for the period 2020-23
Loan/deposit ratio	66.4%	81.5% by the end of 2023
Common Equity Tier 1 /CET1/	18.2%	17.9% by the end of 2023
Total capital adequacy	21.8%	21.6% by the end of 2023
Total operating income	351	6.6% CAGR for the period 2020-23
Administrative costs	182	2.0% CAGR for the period 2020-23
Net profit	39	44.2% CAGR for the period 2020-23

On individual basis

COMMENTS AND ASSUMPTIONS

- **Balanced loan portfolio growth** in line with economic recovery and demand from corporates and households.
- **High levels of capital adequacy** around 18% CET1 by the end of 2023, following a policy of balanced growth and credit risk reduction.
- Effective management of the **liquidity position**, including reaching a loan/deposit ratio of over 81% by the end of 2023
- Growth in total **operating income** up to > BGN 420 million by 2023, with projected compound annual growth rate /CAGR/ of +6.4% in net interest income and +7.1% in fee and commission income for the period 2020-2023 .
- **Administrative costs** limited within 2% CAGR over the period, with optimized distribution channels.
- Conservative **credit risk policy**.
- CAGR of over 44% in **net profit**, reaching around BGN 120 million by 2023.



Conclusion



Fibank is successfully adapting to current challenges in the external environment thanks to its customer-oriented strategy, conservative risk policy, experienced management, and high corporate governance standards incorporated in day-to-day operations.

