



OFFER

FOR INITIAL PRIVATE OFFERING

of

**EUR 30 000 000 Perpetual Non-Cumulative Non-Convertible Additional
Tier 1 Capital Notes**

of

FIRST INVESTMENT BANK AD
(incorporated as a joint stock company in Bulgaria)

Subscription end day of the total amount – 20 December 2019

6 December 2019
Sofia

Issue price: 100.00 per cent

This document represents an offer (the “**Offer**”) to subscribe up to **EUR 30 000 000** in total perpetual, deeply subordinated, unsecured, non-cumulative Additional Tier 1 Capital Notes (the “**Notes**”) which will be issued by First Investment Bank AD (the “**Issuer**“, the “**Bank**“, and “**Fibank**“) pursuant to resolution of the Managing Board of the Issuer dated 6 December 2019 approved by the Supervisory Board of the Issuer on 6 December 2019 as mandated by Article 18 (3) of the Statute of the Issuer. The Notes will constitute direct, unsecured and deeply subordinated obligations of the Issuer, as described in Condition 4 (Status of the Notes) in “*Terms and Conditions of the Notes*”.

The Notes will bear interest on their Current Principal Amounts (as defined in Condition 5.1 (Interest and interest calculation) in “*Terms and Conditions of the Notes*”) from (and including) 20.12.2019 (the “**Issue Date**“) at the rate of **8 per cent** per cent per annum, payable annually in arrears on 20.12.2019 in each year (each, an “**Interest Payment Date**“).

The Issuer may, at its discretion, at any time, elect to cancel (in whole or in part) any Interest payment on the Notes. In addition, any payment of interest in respect of the Notes will be mandatorily cancelled in certain circumstances. Following any such cancellation of interest in respect of an Interest Period (as defined in Condition 2 (Definitions) in “*Terms and Conditions of the Notes*”), the right of the holders of the Notes (the “**Noteholders**“ and each, a “**Noteholder**“) to receive accrued interest in respect of such Interest Period will terminate and the Issuer will have no further obligation to pay such interest to the Noteholders. See Condition 6 (Interest Cancellation) in “*Terms and Conditions of the Notes*“. The Notes are perpetual securities and have no fixed date for redemption and the Noteholders do not have the right to call for their redemption. Subject as provided herein, the Issuer may, at its option, redeem all, but not some only, of the Notes on the First Call Date or on any Interest Payment Date thereafter at their Current Principal Amount thereof, together with any accrued but unpaid interest on the Notes. As provided herein, the Issuer may, at any time, (i) in case of Tax Law Change, redeem partially or fully the Notes (as specified in Conditions 9.4 (Redemption Due to Occurrence of a Tax Law Change) and (ii) in case of Capital Event, redeem all, but not some only, of the Notes (as specified in Conditions 9.5 (Redemption Due to Occurrence of a Capital Event), both at their Current Principal Amount thereof, together with any accrued but unpaid interest on the Notes. If a Tax Law Change or a Capital Event (as defined in Condition 2 (Definitions) in “*Terms and Conditions of the Notes*“) has occurred or in order to align the terms and conditions to best practices published from time to time by the EBA, the Issuer may, at any time, without the consent of the Noteholders, either (i) substitute new notes for the Notes, or (ii) vary the terms of the Notes, so that the Notes may become or remain compliant with the CRR or such other regulatory capital rules applicable to the Issuer at the relevant time.

The Current Principal Amount of each Note may be Written Down on a *pro rata* basis with the other Notes, if, at any time, the Common Equity Tier 1 Capital Ratio (as defined in Condition 2 (Definitions) in “*Terms and Conditions of the Notes*”) of the Issuer and/or the Group has fallen below 7.000 per cent. Following any such reduction of the Current Principal Amount, the Issuer may, at its discretion, reinstate some or all of the principal amount of the Notes, if certain conditions are met. See Conditions 7 and 8 (Loss Absorption and Reinstatement of the principal amount) in “*Terms and Conditions of the Notes*”.

The Notes will be placed under private subscription, pursuant to Chapter XIV, Section VII of the Commercial Act. The Notes are offered for initial sale to investors – fewer than 150 persons through private offering – and not under the conditions of an initial public offering within the meaning of Article 4, Paragraph 1 of the Public Offering of Securities Act and the applicable legislation.

The Notes will be issued in dematerialised form and cannot be physically delivered. The Notes will be represented exclusively by book entries in the records of the Central Depository AD or any successor thereto (the "Clearing System"). Access to the Clearing System is available through those of its Clearing System participants whose membership extends to securities such as the Notes. Clearing System participants include certain banks, stockbrokers, and Clearstream Banking, société anonyme, Luxembourg ("Clearstream, Luxembourg"). Accordingly, the Notes will be eligible to clear through, and therefore accepted by Clearstream, Luxembourg and investors can hold their Notes within securities accounts in Clearstream, Luxembourg.

Application will be made to the Commission de Surveillance du Secteur Financier (the CSSF) in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities to approve this Offer – which may be subject to certain amendments if and as required by the applicable laws regulating listing of securities on a regulated stock

exchange in the Grand Duchy of Luxembourg, where, in any event, such amendments would not obviate the “Terms and Conditions of the Notes” – as a prospectus. Application will also be made to the Luxembourg Stock Exchange for the listing of the Notes on the Official List of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2014/65 /EU.

This Offer has been prepared to provide information with regard to the Issuer together with its consolidated subsidiaries (the “**Group**”) and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

A key information document relating to the Notes, prepared in accordance with the PRIIPs Regulation (Regulation 2014/1286/EU, as amended), will be provided to any Selected Retail Clients considering an investment in the Notes so as to allow such Selected Retail Clients before being bound by any subscription commitment in respect of the Notes.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the “**Securities Act**”) and are not subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. The Notes may be offered and sold outside the United States to non U.S. persons in reliance on Regulation S (“**Regulation S**”) under the Securities Act.

As at the date of this Offer, the Issuer does not have public credit ratings.

An investment in the Notes involves certain risks. Prospective purchasers of the Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risks and that they consider the suitability of the Notes as an investment in the light of their

own circumstances and financial condition. For a discussion of these risks see “*Risk Factors*” below.

By accepting this Offer for subscription of Notes, the investor shall be bound with its terms.

Lead Manager

FIRST FINANCIAL BROKERAGE HOUSE EOOD

6.12.2019

IMPORTANT INFORMATION

The Issuer accepts responsibility for the information contained in the Offer. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Offer is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer has confirmed to First Financial Brokerage House EOOD (the “**Lead Manager**”, “**FFBH**”) that this Offer does not contain an untrue statement of material fact or omit to state a material fact that is necessary in order to make the statements made herein, in the light of the circumstances under which they were made, not misleading; that there is no other fact or matter omitted from the Offer, which was or is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Group and of the rights attaching to the Notes; and that all reasonable enquiries have been made to verify the foregoing. Certain information in the section entitled “*Description of the Issuer*” has been extracted from publications by the Bulgarian National Bank. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and able to ascertain from information published by those sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Offer is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see “*Documents Incorporated by Reference*”). This Offer shall be read and construed on the basis that those documents are incorporated and form part of this Offer. No representation or warranty is made or implied by the Lead Manager nor the Lead Manger makes any representation or warranty or accepts any responsibility, as to the accuracy or completeness of the information contained in this Offer. Neither the delivery of this Offer nor the offering, sale or delivery of the Notes shall, in any circumstances, create any implication that the information contained in this Offer is true subsequent to the date hereof or that any other information supplied in connection with the Notes is correct at any time subsequent to the

date on which it is supplied or, if different, the date indicated in the document containing the same.

No person is or has been authorised by the Issuer or the Lead Manager to give any information or to make any representation not contained in or not consistent with this Offer or any other information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Lead Manager.

This Offer may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

The distribution of this Offer and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offer comes are required by the Issuer and the Lead Manager to inform them about and to observe any such restrictions.

This offer does not constitute nor should be considered as a recommendation by the Issuer, the Lead Manager or any of them that any recipient of this Offer should subscribe for or purchase the Notes. Each recipient of this Offer shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

All references in this Offer to **Bulgarian lev** or **BGN** are to the currency of Bulgaria, all references to **EUR** or **euro** and **€** are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, of those members of the EU which are participating in the European economic and monetary union.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should: (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offer

or any applicable supplement; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments, i.e. euro, is different from the currency in which such potential investor's financial activities are principally denominated; (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks. The Notes are complex financial instruments and may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

MIFID II PRODUCT GOVERNANCE / RETAIL CLIENTS, PROFESSIONAL CLIENTS AND ELIGIBLE COUNTERPARTIES TARGET MARKET

Solely for the purposes of the product governance requirements set forth in Directive 2014/65/EU (as amended, "**MiFID II**"), the target market assessment made by the manufacturer in respect of the Note has led to the conclusion that: (i) the target market for the Note is eligible counterparties, professional clients and retail clients, each as defined in MiFID II; (ii) the negative target market for the Note is clients that seek full capital protection or full repayment of the amount invested, are fully risk averse/have no risk tolerance or need a fully guaranteed income or fully predictable return profile; (iii) all channels for distribution of the Note to eligible counterparties and professional clients are appropriate; and (iv) the following channels for distribution of the Note to retail clients are appropriate: investment advice, portfolio management, and non-advised sales or execution with appropriateness test, subject to the distributor's (as defined below) suitability and appropriateness obligations under MiFID II, as applicable. Any person subsequently offering, selling or recommending the Note (a "**distributor**") should take into consideration the manufacturer's target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Note (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels. Neither the Lead Manager nor any dealers will be a manufacturer for the purpose of the MiFID Product Governance Rules.

NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA (INCLUDING BULGARIA)

This Offer has been prepared on the basis that any offers of the Notes in the EEA, if and when made, will be made pursuant to an exemption under the Directive 2003/71/EC (as amended, the "**Prospectus Directive**"), as implemented in the member states of the EEA, from the requirement to produce a prospectus under the Prospectus Directive for offers of securities, and in particular, any offer of the Notes will be made pursuant to an exemption set out in Article 3(2) of the Prospectus Directive. Accordingly, any person making or intending to make any offer of the Notes within the EEA should only do so in circumstances in which no obligation arises for the Issuer or the Lead Manager to publish a prospectus under the Prospectus Directive for such offer. Neither the Issuer nor the Lead Manager has authorised, nor do they hereby authorise, the making of any offer of securities through any financial intermediary.

In relation to each member state of the EEA which has implemented the Prospectus Directive (each a "**Relevant Member State**"), an offer to the public of any Note may not be made in that Relevant Member State, except that an offer of the Notes to the public in that Relevant Member State may be made at any time under the following exemptions from the Prospectus Directive, if they have been implemented in that Relevant Member State:

1. to any legal entity which is a qualified investor as defined in the Prospectus Directive;
2. to investors who acquire Notes for a total consideration of at least EUR 10,000 per investor; and/or
3. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

in each case provided that no such offer of the Notes shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or the preparation of a key information document in any language other than English and Bulgarian pursuant to the PRIIPs Regulation by the Issuer or the Lead Manager.

For the purposes of this provision, an "**offer to the public**", in relation to the Notes in any Relevant Member State, means the communication in any form and by any means of sufficient information on the terms of the offer of the Notes to be offered so as to enable an investor to decide to purchase Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

OVERVIEW OF THE NOTES

The following overview contains basic information about the Notes and does not purport to be complete. It does not contain all the information that is important for making a decision to invest in the Notes. For a more complete description of the Notes, please refer to the terms and conditions of the Notes set out in sections "*Terms and Conditions of the Notes*" and "*Risk Factors*" of this Offer. For more information on the Issuer, its business and its financial condition and results of operations, please refer to section "*Description of the Issuer*" of this Offer. Terms used in this overview and not otherwise defined have the meaning given to them in "*Terms and Conditions of the Notes*".

Issuer First Investment Bank AD

Group The Issuer and the other companies included in scope of prudential consolidation of the Issuer.

As at the Issue Date, the Issuer:

- wholly owns First Investment Finance B.V., First Investment Bank – Albania Sh.a., Balkan Financial Services EAD, Turnaround Management EOOD, Creative Investment EOOD, Lega Solutions EOOD, and AMC Imoti EOOD;
- has a 94.79% shareholding interest in Diners Club Bulgaria AD, 70% shareholding interest in Debita OOD, 59.10% shareholding interest in FI Health Insurance AD, and 51% shareholding interest in Realtor OOD.

As at 30 September 2019, the companies included in the consolidated financial statements are: First Investment Finance B.V., Diners Club Bulgaria AD, and First Investment Bank - Albania Sh.a.

Lead Manager First Financial Brokerage House EOOD

Risk Factors There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. These

are set out in section "*Risk Factors*" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Notes; these too are described in detail in section "*Risk Factors*".

Resolution for this Notes issue

This Notes issue is authorized by the Issuer's Managing Board resolution dated 6 December 2019 adopted in compliance with Article 18 (3) of the Statute of the Issuer and approved by the Issuer's Supervisory Board with its resolution of 6 December 2019. The resolution of the Managing Board defines the terms and conditions of the Notes issue in compliance with the applicable legislation and the Issuer's Statute.

Notes

8 per cent perpetual, deeply subordinated, unsecured and non-convertible notes. The Issuer expects the Notes to be included in the AT1 capital of the Issuer.

Issue Price

100%

Form and Denomination

The Notes are issued in uncertificated, dematerialised book-entry form in euro in an aggregate nominal amount of 30 000 000 and denominations of EUR 1 000.

Specified Currency

EUR

The total nominal and issuance value of the Note issue

The total nominal value is equal to the issuance value and is up to EUR 30 000 000 (thirty million euro) and minimum EUR 10 000 000 (ten million euro)

Total number

The maximal number of bonds for the bond issue is

of Notes	30 000 bonds and the minimum number of bonds is 10 000 bonds
No Scheduled Maturity Date	The Notes are perpetual and will have no scheduled maturity date. The Notes will become immediately due and payable only in the event of liquidation or insolvency of the Issuer, subject to the conditions laid down in “ <i>Status of the Notes</i> ”.
Status of the Notes	<p>The Notes constitute direct, unsecured and deeply subordinated obligations of the Issuer and shall, at all times, rank:</p> <ul style="list-style-type: none">(i) <i>Pari passu</i> without any preference among themselves;(ii) <i>Pari passu</i> with the Existing or future AT1 instruments of the Issuer;(iii) Senior to holders of the Issuer’s CET1 instruments (i.e. the share capital of the Issuer) and any other obligations or capital instruments of the Issuer that rank or are expressed to rank junior to the Notes on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer; and(iv) Junior to present or future claims of (a) unsubordinated creditors of the Issuer, including creditors of any senior unsecured non-preferred liabilities expressed to rank senior to the class of obligations fulfilling the conditions set out in (a)-(c) of Article 108 (2) of the BRRD, (b) subordinated creditors of the Issuer including Tier 2 holders, and (c) junior to any present or future claims which are excluded from application of the write-down or conversion powers under the Bail In Tool, other than the present or future claims of creditors that rank or

are expressed to rank pari passu with or junior to the Notes in the event of a liquidation or insolvency of the Issuer.

No security or guarantee of whatever kind is, or shall at any time be, provided by the Issuer or any other person that enhances the seniority of the claims or securing rights of the Noteholders.

No insolvency proceedings against the Issuer are required to be opened in relation to the obligations of the Issuer under the Notes. The Notes do not contribute to a determination that the liabilities of the Issuer exceed its assets; therefore, the obligations of the Issuer under the Notes, if any, will not contribute to the determination of insolvency in accordance with the Bulgarian legislation.

**Original
Principal
Amount**

Means the principal amount (which, for these purposes, is equal to the nominal amount) of the Notes at the Issue Date without regard to any subsequent Write-Down or Write-Up.

**Current
Principal
Amount**

Means the principal amount thereof calculated on the basis of the original principal amount, as such amount may be reduced on one or more occasions pursuant to the application of the loss absorption mechanism and/or reinstated on one or more occasions following a write-up, as the case may be, as such terms are defined in, and pursuant to, conditions in “*Consequences of a Trigger Event*” and “*Write-Up*”, respectively.

**Use of
Proceeds**

The net proceeds from the issue of the Notes will be used by the Issuer for its general funding purposes and to strengthen its capital base.

Interest and

Interest will accrue on each Note at the fixed rate of

**interest
calculation**

8.0% per annum from and including the relevant Issue Date, which interest will be payable, subject as provided herein, annually in arrears on the relevant Interest Payment Dates.

The amount of interest payable is calculated based on the convention ACT/ACT (ICMA) (actual number of days in the period divided by actual number of days in the year). The amount of interest is calculated on the Current Principal Amount of the Notes (i.e. the nominal amount of the Notes as reduced by write-downs and subsequently increased by write-ups to an amount still lower than the Original Principal Amount, so that distributions are based on the reduced amount of the principal).

**Interest
cancellation**

Discretionary cancellation of Interest payments on the Notes

The Issuer may, at its discretion, at any time, elect to cancel (in whole or in part) any Interest payment on the Notes that are scheduled to be paid on an Interest Payment Date for an unlimited period and on a non-cumulative basis. The rights and obligations of the Noteholders in respect of such Interest Payments shall be considered irrevocably cancelled and forfeited. Upon the Issuer electing to cancel (in whole or in part) any Interest payment on the Notes, the Issuer shall give notice of such election to the Noteholders without undue delay and in any event no later than on the Interest Payment Date. Any failure to give such notice shall not affect the validity of the cancellation and shall not constitute a default for any purpose. Such notice shall specify the amount of the relevant cancellation and, accordingly, the amount (if any) of the relevant distributions payment on the

Notes that will be paid on the relevant Interest Payment Date.

Mandatory cancellation of Interest payments on the Notes

Without prejudice to (i) such full discretion of the Issuer under the “*Discretionary cancellation of Interest payments on the Notes*” in the immediate paragraph above and (ii) the prohibition to make payments on the AT1 instruments pursuant to Article 16(2) of Ordinance No 8, as may be amended or supplemented from time to time, or, if repealed, the applicable Bulgarian legislation implementing Article 141(2) of the CRD IV, before the Maximum Distributable Amount is calculated, any payment of Interest on the Notes scheduled to be paid on any Interest Payment Date shall be cancelled, in whole or in part, if and to the extent that:

(a) The amount of such Interest payment on the Notes otherwise due, together with any further Relevant Distributions, any obligation referred to Article 16(2)2 of Ordinance No 8, as may be amended or supplemented from time to time, or, if repealed, the applicable Bulgarian legislation implementing Article 141(2)(b) of the CRD IV, and the amount of any write-ups, where applicable, exceed (in aggregate) the amount of the Maximum Distributable Amount (if any); or

(b) The Interest payment on the Notes would cause, when aggregated together with other Relevant Distributions and any potential write-ups the Distributable Items of the Issuer (as at such Interest Payment Date then applicable to the Issuer)

to be exceeded; or

(c) The Competent Authority orders the Issuer to cancel the relevant Interest payment on the Notes (in whole or in part) scheduled to be paid; or

(d) CET1 capital ratio falls below 7.000 per cent.

Any accrued but unpaid Interest on the Notes up to (and including) a Trigger Event (whether or not such Interest has become due for payment) shall be automatically cancelled. For the avoidance of doubt, any accrued but unpaid Interest from the Trigger Event up to the Write-Down Date shall also be automatically cancelled even if no notice has been given to that effect.

Cancellation of Interest non-cumulative

Any Interest payment on the Notes so cancelled, shall be cancelled definitively and shall not accumulate or be payable at any time thereafter.

No restrictions on the Issuer following any cancellation of interest

Any Interest payment on the Notes (or part thereof) so cancelled shall not constitute a default by the Issuer for any purpose, and the Noteholders shall have no right thereto, whether in the case of bankruptcy or liquidation of the Issuer. Any such cancellation of Interest imposes no restrictions on the Issuer. In the absence of any notice of cancellation (as referred to above) being given, non-payment (in whole or in part) of the relevant Interest payment on the Notes on the relevant Interest Payment Date shall be evidence of the Issuer having elected or being required to cancel such interest payment in whole or in part, as applicable.

Consequences of a Trigger Event

If a Trigger Event occurs at any time, all of the following shall apply:

1. The Issuer shall immediately inform the

Competent Authority of the occurrence of the Trigger Event;

2. The Issuer shall as soon as reasonably practicable notify the Noteholders, in an irrevocable manner, that the Trigger Event has occurred;

3. The Issuer shall without delay, pro rata with the other Notes with the same trigger level and any other Loss Absorbing Instruments, irrevocably and mandatorily operate a Write-Down of the Notes by the relevant Write-Down Amount (a “**Loss Absorption Event**”).

The Write-Down of the Notes shall occur without delay and, in any event, not later than one month (or a shorter period as the Competent Authority may then require) from the occurrence of the relevant Trigger Event (such date being a “**Write-Down Date**”).

Whether a Trigger Event has occurred at any time shall be determined by the Issuer, the Competent Authority and/or the Relevant Resolution Authority and such a calculation and/or determination shall be binding on the Noteholders. To the extent that the Write-Down or conversion of any Loss Absorbing Instrument is not effective for any reason, (i) the ineffectiveness of any such write-down or conversion shall not prejudice the requirement to effect a Write-Down of the Notes and (ii) the write-down or conversion of any Loss Absorbing Instrument that is not effective shall not be taken into account in determining the Write-Down Amount of the Notes.

A Loss Absorption Event may occur on more than one occasion and the Notes may be Written Down

on more than one occasion.

The existing AT1 instruments of the Issuer have a trigger level of 5.125%. In case that all triggers are hit simultaneously (e.g. the CET1 of the institution falls below 5.125% from over 7%), the losses corresponding to the amount required to go back to 5.125% would be absorbed by both the low-trigger (i.e. the existing AT1 instruments of the Issuer) and high-trigger instruments (i.e. the Notes) on a *pro rata* basis. Losses above 5.125% will be supported by only the high-trigger instrument (i.e. the Notes).

Currently, the Group does not have any Tier 2 loss absorbing instrument. Any Write-Down of the Notes shall not constitute an event of default or a breach of the Issuer's obligations or duties, or a failure to perform by the Issuer in any manner whatsoever and shall not entitle Noteholders to petition for the insolvency or dissolution of the Issuer.

Any Write-Down of the Notes shall not constitute an event of default or a breach of the Issuer's obligations or duties, or a failure to perform by the Issuer in any manner whatsoever and shall not entitle Noteholders to petition for the insolvency or dissolution of the Issuer.

Following a Write-Down of all or part of the Current Principal Amount, Noteholders will automatically and irrevocably lose their rights to receive — and no longer have any rights against the Issuer with respect to — Interest on the Notes and repayment of the Write-Down amount (but without prejudice to their rights in respect of any reinstated principal amount following a Write-Up).

**Reinstatement
of principal
amount**

After a write-down has been effected, the Current Principal Amount of each Note, unless previously redeemed or repurchased and cancelled, may be increased up to a maximum of its Original Principal Amount (“Write-up”) on a pro rata basis with any other Loss Absorbing Written-Down Instruments (based on the then prevailing Current Principal Amount thereof), provided that the Maximum Write-Up Amount (as defined in “*Terms and Conditions of the Notes*”) is not exceeded, and is in accordance with the following provisions and with the provisions of Article 21 of the CDR.

Any Write-up of the Notes and any other Loss Absorbing Written-down Instrument or any payment of distributions on the Current Principal Amount of the Notes and any other Loss Absorbing Written-down Instruments, if any, shall be operated at the full discretion of the Issuer and there shall be no obligation for the Issuer to operate or accelerate a write-up under specific circumstances.

In total, the sum of the amounts of the Write-Ups of the Notes and any other Loss Absorbing Instruments—together with the amounts of distributions on CET1 instruments of the Issuer and including distributions on Loss Absorbing Written-down Instruments—shall not exceed the Maximum Distributable Amount.

Write-ups may be made on one or more occasions until the Current Principal Amount of the Notes has been reinstated to the Original Principal Amount.

A Write-up shall not be operated while a Trigger Event has occurred and is continuing. A Write-up shall not be affected in circumstances where such a

Write-up (together with the write-up of all other Loss Absorbing Written- down Instruments) would cause a Trigger Event to occur.

No redemption at the option of the Noteholders

The Notes are securities that are not redeemable at the option of the Noteholders.

Redemption at the Option of the Issuer

Subject to the condition for call, redemption, repayment or repurchase, the Issuer may elect, in its sole discretion, to redeem all (but not some only) of the Notes on the First Call Date or on any Interest Payment Date thereafter at their Redemption Price.

Conditions for call, redemption, repayment or repurchase

Any call, redemption, repayment or repurchase of the Notes in accordance with the conditions related to the Issuer's Call Option, Redemption Due to Taxation or Redemption on the occurrence of Capital Event are subject to the following:

- (i) The Issuer having obtained prior permission of the Competent Authority in accordance with Article 78 of the CRR, where either:
 - a. the Issuer has replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer earlier than, or at the same time as, the call, redemption, repayment or repurchase; or
 - b. the Issuer has demonstrated to the satisfaction of the Competent Authority that the own funds and the eligible liabilities of the Issuer would—following such call, redemption, repayment or repurchase—exceed the minimum capital requirements (including any capital buffer

requirements) laid down in the CRR and the applicable Bulgarian legislation transposing CRD IV and BRRD, by a margin that the Competent Authority considers necessary at such time;

(ii) the Issuer having obtained prior permission of the Relevant Resolution Authority for the redemption or any repurchase in case the Notes no longer fulfil the criteria to be included in the Issuer's own funds, but are eligible for inclusion in the minimum levels of own funds and other eligible liabilities as per the applicable Bulgarian legislation transposing BRRD in accordance with Article 77(2) and 78a of the CRR, if applicable to the Issuer at that point in time, whereas such permission may, inter alia, require that:

a. either the Issuer replaces the Notes with own funds instruments or eligible liabilities of equal or higher quality at terms that are sustainable for the income capacity of the Issuer earlier than, or at the same time as, the redemption or repurchase; or

b. the Issuer has demonstrated to the satisfaction of the Relevant Resolution Authority that the own funds and eligible liabilities of the Issuer would, following such redemption or repurchase, exceed the minimum capital requirements (including any capital buffer requirements) laid down in the CRR and the applicable Bulgarian legislation transposing and the CRD IV and the BRRD by a margin that the Relevant Resolution Authority, in agreement with the Competent Authority considers necessary at such time; or

c. the Issuer has demonstrated to the satisfaction of the Relevant Resolution Authority that the partial or full replacement of the eligible liabilities with own funds instruments is necessary to ensure compliance with the own funds requirements laid down in the CRR and in the applicable Bulgarian legislation transposing the CRD IV for continuing authorisation; and;

(iii) In addition to (i) and (ii), in respect of a redemption prior to the fifth anniversary of the Issue Date, if and to the extent required under Article 78(4) of the CRR:

1. In the case of redemption upon the occurrence of a Tax Law Change, the Issuer has demonstrated to the satisfaction of the Competent Authority that the change in the applicable tax treatment of the Notes is material and was not reasonably foreseeable as at the Issue Date; or

2. In the case of redemption upon the occurrence of a Capital Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the change in the regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date.

For the avoidance of doubt, any refusal of the Competent Authority to grant permission in accordance with the Applicable Supervisory Regulations (as defined in Condition 2 (Definitions) in “*Terms and Conditions of the Notes*”) of the CRR shall not constitute a default for any purpose.

**Redemption
due to a Tax**

In case of a Tax Law Change the Issuer may—subject to the conditions for call, redemption,

Law Change or a Capital Event repayment or repurchase—at any time redeem partially or fully the Notes at their Redemption Price on the relevant date fixed for redemption.

In case of a Capital Event, the Issuer may,—subject to the Conditions for call, redemption, repayment or repurchase—at any time redeem all (but not some only) of the Notes at their Redemption Price on the relevant date fixed for redemption.

Redemption due to refusal to include the Notes in the AT1 capital The Issuer may elect, in its sole discretion, to redeem all (but not some only) of the Notes upon refusal of the Competent Authority to grant permission for inclusion of the Notes in Additional Tier 1 Capital of the Issuer. Such redemption shall not be subject to the Conditions for call, redemption, repayment or repurchase, because the Notes would not be governed by any of the Applicable Supervisory Regulations relevant to additional tier 1 instruments.

Substitution and variation Following the occurrence of a Tax Law Change or Capital Event or in order to align the terms and conditions to best practices published from time to time by the EBA resulting from its monitoring activities pursuant to Article 80 of the CRR, the Issuer may, at any time, without the consent of the Noteholders (and subject to receiving consent from the Competent Authority) either:

(i) Substitute new notes for the Notes whereby such new notes shall replace the Notes; or

(ii) Vary the terms of the Notes, so that the Notes may become or remain compliant with the CRR or such other regulatory capital rules applicable to the Issuer at the relevant time as specified under Capital

Regulations and that such substitution or variation shall not result in terms that are materially less favourable to the Noteholders (as reasonably determined by the Issuer).

**Meetings of
Noteholders**

General meeting of the Noteholders may be convened by the Issuer at any time or by the Noteholders holding at least 10% in nominal amount of the Notes for the time being outstanding. Each Note equals one vote. All decisions relating to the amendment of the material terms and conditions of the Notes (in particular, changing interest payment dates or reduction of the interest rate) must be taken unanimously and will be subject to a minimum quorum of not less than 50% of the nominal amount of the Notes. All other decisions are made by majority vote. Any modifications may only be made to the extent the Issuer has obtained the prior written approval of the Competent Authority. The Issuer has the right to refuse; respectively, the Competent Authority has the right to object to any changes or modifications to the terms and conditions of these Notes, as long as the changes or the modifications may affect the prudential aspects of the instrument.

Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Bulgaria or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If such withholding or deduction is

required by law, the Issuer will - to the extent that this (i) would not exceed the Distributable Items (as defined in “*Terms and Conditions of the Notes*”) and (ii) only relates to withholding tax applicable to interest paid by or on behalf of the Issuer and results from a change in the applicable withholding tax treatment of the Notes based on a decision of the tax, administrative or judicial authority having competence over the Issuer - pay such additional amounts in relation to interest (but not principal) on the Notes as may be necessary in order that the net amounts received by the Noteholders after such withholding or deduction will equal the respective amounts that would otherwise have been receivable in respect of the Notes in the absence of such change.

Governing Law The Notes will be governed by Bulgarian law.

Subscription The Notes are offered through initial private offering to a limited number of selected investors, and have to be paid in cash.

The subscription start date is 6 December 2019.

The subscription end date is 20 December 2019.

The subscription shall be considered successful, and respectively this Notes issue shall be deemed valid, if by the deadline for subscription the subscribed Notes have a total issue price of at least EUR 10 000 000 (ten million euro). The subscription shall also be considered successful, if all issued Notes are subscribed and paid in full, even if the subscription term has not expired yet. All Notes shall be paid in full (partial payments are not allowed).

**Listing and
admission for
trading**

Subsequent listing on the Luxembourg Stock
Exchange, Regulated Market

RISK FACTORS

Prospective investors should consider carefully the risks set forth below and the other information contained in this Offer prior to making any investment decision with respect to the Notes. Prospective investors should note that the risks described below are not the only risks the Issuer faces. The Issuer has described only those risks relating to its business, operations, financial condition or prospects that it considers to be material and of which it is currently aware. There may be additional risks that the Issuer currently considers not to be material or of which it is not currently aware, and any of these risks could have the effects set forth above.

Prospective investors should also read the detailed information set out elsewhere in this Offer and should consult with their own professional advisers (including their financial, accounting, legal and tax advisers) and reach their own views prior to making any investment decision.

Words and expressions defined in the section entitled "*Terms and Conditions of the Notes*" shall have the same meanings in this section "*Risk Factors*".

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE NOTES

Each of the Issuer related risks highlighted below could have a material adverse effect on the Issuer's business, operations, financial condition or prospects which, in turn, could have a material adverse effect on the amount of principal and distributions which investors will receive in respect of the Notes. In addition, each of the Issuer related risks highlighted below could adversely affect the trading price of the Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment.

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purposes of assessing the market risks associated with Notes are described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay distributions, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.

Risks related to the business of Fibank Group

Difficult macroeconomic and financial market conditions may have a material adverse effect on Fibank Group's business, financial condition, results of operations and prospects.

As a result of the global financial crisis from the second half of 2007 until 2009, levels of public sector debt around the world and the perceived and/or actual instability of numerous credit institutions in certain European countries, including, in particular Spain, Greece, Portugal, Italy, Ireland, Cyprus and Slovenia, and - in addition - Ukraine, Russia and Turkey, had a negative impact on macroeconomic conditions. However, by 2017, the European economies were growing strongly again and several countries got upgraded, amongst others Spain, Italy, Ireland, Greece, Portugal and Cyprus in 2016 and 2017. Nevertheless, many European economies continued to face structural challenges as unemployment and structural debt levels remain elevated which constantly results in unusually high political risk and polarization for European standards. In response to the global financial crisis, unprecedented steps have been taken to help stabilise the financial system and increase the flow of credit in the global economy.

As of the date of this Offer the global macroeconomic situation featured a high level of uncertainty in relation to:

(a) the continuing failures to reach acceptable for all parties Brexit deal; (b) the trends of the real economy and specifically the prospects of recovery and consolidation of the economic growth dynamics and the economies in some major countries, like the United States and China; (c) future developments of the monetary policies of the European Central Bank and the U.S. Federal Reserve; (d) a continuous change in the banking sector at global level, and

specifically at European level, which has led to a progressive reduction in the spread between lending and borrowing rates; (e) the sustainability of the sovereign debts of several countries; (f) the high volatility of the global financial markets; (g) the downgrade of the credit ratings of some EU countries; and (h) the potential renegotiation or failed agreement of international commercial agreements.

Fibank Group's performance will continue to be influenced by conditions in the global, and especially European, economy. The outlook for the European and global economy over the near to medium term remains in general favourable, which also impacts prospects for stabilisation and improvement of economic and financial conditions in Central and Eastern Europe. In general, should economic conditions affecting Fibank Group's operating markets become subdued again, Fibank Group's results and operations may be materially and adversely affected.

In the event current resources do not satisfy its needs or need to be refinanced, the Issuer may need to seek additional financing. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the volume of trading activities, the volume of maturing debt that needs to be refinanced, the overall availability of credit to the financial services industry, the Issuer's credit capacity, as well as the possibility that customers or lenders could develop a negative perception of its long- or short-term financial prospects. Similarly, the Issuer's access to funds may be limited if regulatory authorities or rating agencies take negative actions against it. If the Issuer's internal sources of liquidity prove to be insufficient, there is a risk that external funding sources might not be available or available at unfavourable terms.

Disruptions, uncertainty or volatility in the capital and credit markets, such as that experienced over the past few years, including in relation to the ongoing European sovereign debt crisis, may also limit the Issuer's access to capital required to operate its business. Such market conditions may in the future limit the Issuer's ability to raise additional capital to support business growth, or to counter-balance the consequences of losses or increased regulatory capital requirements. This could force the Issuer to (1) delay raising capital, (2)

reduce, cancel or postpone interest payments on its capital securities, (3) issue capital of different types or under different terms than the Issuer would otherwise offer, or (4) incur a higher cost of capital than it would in a more stable market environment. This would have the potential to decrease both the Issuer's profitability and its financial flexibility. The Issuer's results of operations, financial condition, cash flows and regulatory capital position could be materially adversely affected by disruptions in the financial markets.

Adverse capital and credit market conditions may impact the Issuer's ability to access liquidity and capital, as well as the cost of credit and capital

The capital and credit markets have been experiencing ongoing volatility and disruption. Adverse capital market conditions may affect the availability and cost of borrowed funds, thereby impacting the Bank's ability to support or grow its businesses.

The Issuer needs liquidity in its day-to-day business activities. Without sufficient liquidity, the Issuer may be forced to curtail its operations and its business may suffer. Fibank relies on customer deposits to meet a substantial portion of its funding requirements. The majority of Fibank's deposits are retail deposits, a significant proportion of which are demand deposits. Such deposits are subject to fluctuation due to factors outside Fibank's control, and Fibank can provide no assurances that it will not experience a significant outflow of deposits within a short period of time. Because a significant portion of Fibank's funding comes from its deposit base, any material decrease in deposits could have a negative impact on Fibank's liquidity unless corresponding actions were taken to improve the liquidity profile of other deposits or to reduce liquid assets, which may not be possible on economically beneficial terms, if at all.

As credit provider, Fibank is exposed to market liquidity risk, which arises from an inability to easily sell an asset because there is inadequate market liquidity or market disruption. It is also exposed to funding liquidity risk, which is an exposure to losses arising out of a change in the cost of refinancing, or from a spread over a certain horizon and confidence level, or from insolvency of counterparties, which may result in difficulties in meeting future payment obligations, either in full, on time or on economically beneficial terms.

Credit and money markets worldwide have experienced and continue to experience a reluctance of credit institutions to lend to each other because of uncertainty as to the creditworthiness of the borrowing credit institution. Even a perception among market participants that a financial institution is experiencing greater liquidity risk may cause significant damage to the institution, since potential lenders may require additional collateral or other measures that further reduce the financial institution's ability to secure funding. This increase in perceived counterparty risk has led to further reductions in the access of many credit institutions to traditional sources of liquidity, and may be compounded by further regulatory restrictions on funding and capital structures as well as calculation of regulatory capital and liquidity ratios.

In order to maintain a moderate 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 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 ("**CRR**") 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.

Despite the risk control measures the Bank has in place, liquidity problems in the financial services industry in general, could limit the Issuer's access to the funding, required to operate its business. If Fibank has difficulty in securing

adequate sources of short- and long-term liquidity or if there were material deposit outflows this would have a material adverse effect on its business, financial condition and results of operations.

The default of a major market participant could disrupt the markets

Within the financial services industry the severe distress or default of any one institution (including sovereigns) could lead to defaults or severe distress by other institutions. This could cause market declines or volatility. Because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships, a failure by one such institution could lead to a chain of defaults that could adversely affect the Bank and its contract counterparties. Concerns about the creditworthiness of a sovereign or financial institution (or a default by any such entity) could lead to significant liquidity and/or solvency problems, losses or defaults by other institutions. Even the perceived lack of creditworthiness of, or questions about, a sovereign or counterparty may lead to market-wide liquidity problems and losses or defaults by the Bank or by other institutions. This risk is sometimes referred to as systemic risk and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom the Issuer interacts on a daily basis and financial instruments of sovereigns in which the Issuer invests. Systemic risk could have a material adverse effect on the Issuer's ability to raise new funding and on its business, financial condition, results of operations, liquidity and/or prospects. In addition, such a failure could impact future product sales as a potential result of reduced confidence in the financial services industry.

The Issuer believes that despite increased attention recently, systemic risk to the markets in which it operates continue to exist, and dislocations caused by the interdependency of financial market participants continues to be a potential source of material adverse changes to the Issuer's business, financial condition, results of operations, liquidity and/or prospects.

The Issuer operates in highly regulated industries. There could be an adverse change or increased requirements in the financial services laws and/or regulations governing its business.

There are numerous ongoing initiatives for developing new, implementing and amending existing regulatory requirements applicable to European credit institutions, including Fibank Group. Such initiatives which aim to continuously enhance the banking regulatory framework (also in response to the global financial crisis and the European sovereign debt crisis), *inter alia*, include the following:

- *Bulgaria joining the Banking Union, incl. the Single Supervisory Mechanism and the Single Resolution Mechanism through establishing a close cooperation with the European Central Bank.*

In July 2018, the Republic of Bulgaria officially sent a letter for its intent to join the Banking Union by July 2019 through establishing a close cooperation with the European Central Bank within the Single Supervisory Mechanism, which is part of Bulgaria's roadmap for joining the Euro Area and the Bulgarian lev to the European Exchange Rate Mechanism 2 (ERM 2). As at the date of establishing close cooperation with the ECB, a change in the competent authority for banking supervision of the Issuer may occur pursuant to the provisions of Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (the SSM Regulation) and Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (the SSM Framework Regulation) as well the Law on the Credit Institutions.

- *SREP Requirements.*

The Issuer is subject to SREP requirements stipulated, *inter alia*, in Article 73, Article 79c, Article 80 in connection with Article 87 and Article 103, paras. 2 and 13 of the Law on Credit Institutions of Bulgaria ("**LCI**"), implementing, *inter alia*, Articles 97, 98, 104 (1) and 113 CRD IV determined by the annual Supervisory Review and Evaluation Process ("**SREP**") performed by the Bulgarian National Bank (the "**BNB**"). On 8 February 2019, the BNB made a decision on the implementation of the common European framework for SREP, which is provided in the "Guidelines on the revised common

procedures and methodology for the Supervisory Review and Evaluation Process (SREP) and supervisory stress testing, amending EBA/GL/2014/13 of 19 December 2014”, issued by the European Banking Authority (the “**EBA**”) – to be applied as of 31 March 2019. Pursuant to these guidelines, depending on the business model, governance and risk management, capital adequacy and the liquidity situation of a credit institution, the competent authority (i.e. in case of the Issuer, the BNB) may set an individual additional own funds requirement for the Issuer (on an individual and on a prudential consolidated level). This requirement also takes into account results from the latest stress tests and needs to be met by the sort of capital (CET 1 capital, Additional Tier 1 (“**AT 1**”) capital or Tier 2 capital). According to the revised CRD IV (Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures), the SREP requirements have been split into (i) a hard additional own fund requirement, or also referred to as Pillar 2 requirement (“**P2R**”), located above the 8 per cent. minimum own funds Pillar 1 requirement, but below the combined buffer requirement (see below), therefore having an impact on the calculation of the Maximum Distributable Amount, and (ii) a soft additional own fund requirement, or also referred to as a Pillar 2 guidance (“**P2G**”), located above the combined buffer requirement. A breach of the P2G may result in increased non-public supervisory action to improve capitalisation of the Issuer. Imposing and increasing P2G could trigger additional pressure on the capitalisation of the Issuer (on an individual and on a prudential consolidated level) requiring unplanned adaptations. Currently, under Article 438 of CRR, the Issuer is required, upon demand from the Competent Authority, to disclose, amongst other things, the composition of the Pillar 2 additional requirements, if any. 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 (“**CRR2**”) introduced new disclosure requirements for institutions, and a mandate for the EBA to implement them in a way that conveys sufficiently comprehensive and comparable information for market participants to assess the risk profiles of institutions (for reference, see Article 434a of the CRR2). Within its mandate under Article 434a of the CRR2, on 16 October 2019, EBA launched a public consultation on the new comprehensive Implementing Technical Standard (the “**ITS**”) for financial institutions' public disclosure, designed to promote market discipline. The ITS “*implements regulatory changes introduced by the CRR2 and aligns the disclosure framework with international standards*”. The ITS shall set uniform disclosure formats that convey sufficiently comprehensive and comparable information for users of that information to assess the risk profiles of institutions and their degree of compliance with the relevant requirements. Under the published draft ITS, institutions will be obliged - without the need for a prior demand from the Competent Authority - to disclose, amongst other things, the composition of the Pillar 2 additional requirements. The EBA announced that it expects to submit these revised draft ITS to the European Commission in June 2020, while the application of the disclosure requirements will be in June 2021.

- *Combined Buffer Requirements (to be applied on an individual and on a consolidated level).*

Ordinance №8 of the BNB of 24.04.2014 on Banks' Capital Buffers (“**BCBR**”) which implements Articles 128 to 140 of CRD IV into Bulgarian national law requires institutions to maintain in addition to the CET 1 capital maintained to meet the own funds requirements imposed by the CRR and potentially any Pillar 2 additional own funds requirement specific capital buffers to be met with CET 1 capital. The BCBR further stipulates the calculation, determination and recognition of the capital conservation buffer, the bank-specific countercyclical capital buffer, the systemic risk buffer and the buffer for other systemically important institutions (“**O-SIIs**”), and the more precise elaboration of the calculation basis concerning the calculation of the Maximum Distributable Amount.

Article 3 of BCBR requires credit institutions to maintain a capital conservation buffer equal to 2.5% of their total risk exposure amount.

Article 4 of BCBR requires credit institutions to also maintain a bank-specific countercyclical capital buffer. Pursuant to the BCBR, the countercyclical buffer rate is currently set at 0.00% for credit exposures located in Bulgaria. Effective from 1 October 2019, the BNB determined the countercyclical buffer rate for credit exposures located in Bulgaria at 0.5% and effective from 1 April 2020 the countercyclical buffer rate for credit exposures located in Bulgaria is set at 1.0%. In addition, national countercyclical buffers determined by the designated authorities of other Member States and third countries for significant credit exposures located in their respective territories apply. However, if a (national) countercyclical buffer rate has been determined in excess of 2.50%, a rate of 2.50% shall apply, unless the BNB has recognised a rate exceeding 2.50%. The BCBR specifies that the institution specific countercyclical capital buffer rate is a weighted average of all applicable national countercyclical capital buffers based on the respective total risk exposure.

According to Article 11 of the BCBR, the BNB can require of each O-SII on a consolidated or individual level to maintain an O-SII buffer of up to 2% of the total risk exposure amount. The Issuer is identified by the BNB as an O-SII and the following O-SII buffer rates on a consolidated and individual level were set: (2018 – 0.50%, 2019 – 0.75%, 2020 – 1.00%).

Article 12 of BCBR stipulates a systemic risk buffer to be applied for Bulgarian Banks. According to decisions of the Governing Council of the BNB on 24 May 2014 and 31 October 2017 the level of the systemic risk buffer was determined at 3% for all Bulgarian banks. As a result, the combined buffer requirement for the Issuer is the total CET 1 capital required to meet the capital conservation buffer extended by an institution-specific countercyclical buffer, an O-SII buffer and a systemic risk buffer (on an individual and/or on a consolidated level).

- *BCBS' Reviews of Banking Regulatory Framework.*

As part of its continuous effort to enhance the banking regulatory framework, the Basel Committee of Banking Supervision ("**BCBS**") has reviewed different aspects and approaches under the Basel III framework. In this regard, on 7 December 2017, the BCBS announced to have finalised the Basel III

framework reforms. A key objective of the revisions incorporated into the framework is to reduce excessive variability of RWA which will help restoring credibility in the calculation of RWA by: (i) enhancing the robustness and risk sensitivity of the standardised approaches for credit risk and operational risk, which will facilitate the comparability of credit institutions' capital ratios; (ii) constraining the use of internally modelled approaches; and (iii) complementing the risk-weighted capital ratio with a finalised leverage ratio and a revised and robust capital floor. The revised standards will take effect from 1 January 2022 (which will constitute both the implementation and regulatory reporting date for the revised framework) – parts of the reform including the output floor, will be phased in over a period of five years commencing in 2022. As the agreed standards constitute minimum standards, jurisdictions may elect to adopt more conservative standards. Accordingly, the implementation of the amendments to the Basel III framework within the European Union may go beyond the Basel standards and provide for European specificities. Moreover, jurisdictions will be considered compliant with the Basel III framework if they do not implement any of the internally modelled approaches and instead implement the standardised approaches. In addition, BCBS also announced that a high-level task force set up to review the regulatory treatment of sovereign exposures in the Basel III framework and to recommend potential policy options has not reached a consensus at this stage to make any changes to the treatment of sovereign exposures, but for the time being only has published a discussion paper. Therefore, currently no firm conclusions regarding the impact on the future capital requirements and their impact on the capital requirements for the Issuer can be made.

- *Bank Recovery and Resolution Legislation.*

Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit

institutions and investment firms (the “**Bank Recovery and Resolution Directive**” or “**BRRD**”) has been implemented into Bulgarian national law by the Bulgarian Law on the Recovery and Resolution of Credit Institutions and Investment Firms (“**LRRCIIF**”). Institutions, *inter alia*, have to meet, at all times, the MREL set by the resolution authority on a case-by-case basis. Measures undertaken under the LRRCIIF may also have a negative impact on debt instruments (in particular subordinated notes, but under certain circumstances also senior notes) by allowing resolution authorities to order the write-down of such instruments or convert them into CET 1 instruments (see also the risk factor “*The principal amount of the Notes may be reduced (Written Down) to absorb losses, which would reduce any redemption amount and any interest payable on the Notes while the Notes are written down.*”). Apart from potentially being subject to resolution tools and other powers as set out under the LRRCIIF, the Issuer may also be subject to national insolvency proceedings.

- *Single Resolution Mechanism for European Banks.*

The Single Resolution Mechanism (“**SRM**”) which started operationally in January 2016 is one of the components of the Banking Union, alongside the Single Supervisory Mechanism (“**SSM**”) and a common deposit guarantee scheme. The SRM will be applicable to banks in Bulgaria as at the date of establishing close cooperation with the ECB. It is set to centralise key competences and resources for managing the failure of a credit institution in the participating Member States of the Banking Union. Under the SRM, the Single Resolution Board (“**SRB**”) is, in particular, responsible for adopting resolution decisions in close cooperation with the ECB, the European Commission and the national resolution authorities in case of a failing (or likely failing) of a significant entity subject to direct supervision of the ECB, such as the Issuer. The SRM complements the SSM and aims to ensure that if a credit institution subject to the SSM faces serious difficulties, its resolution can be managed efficiently with minimal costs to taxpayers and the real economy.

The SRM is governed by: (i) the “Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and

certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010" (*Single Resolution Mechanism Regulation* – "**SRM Regulation**") covering the main aspects of the mechanism and broadly replicating the BRRD rules on the recovery and resolution of credit institutions; and (ii) an intergovernmental agreement related to some specific aspects of the Single Resolution Fund ("**SRF**").

- *EU Banking Reform Package of the European Commission.*

On 23 November 2016, the European Commission published proposals for the revision of the CRD IV and the CRR as well as of the BRRD and the SRM Regulation. The proposal builds on existing EU banking rules and aims to complete the post-crisis regulatory agenda of the European Commission. The proposals, which have been submitted to the European Parliament and to the Council for their consideration and adoption, include the following key elements: (i) more risk-sensitive capital requirements, in particular in the area of market risk, counterparty credit risk, and for exposures to central counterparties; (ii) a binding leverage ratio to prevent institutions from excessive leverage; (iii) a binding net stable funding ratio to address the excessive reliance on short-term wholesale funding and to reduce long-term funding risk; and (iv) the total loss absorbing capacity ("**TLAC**") requirement for global systemically important banks ("**G-SIBs**") which will be integrated into the MREL logic applicable to all credit institutions. It also proposes a harmonised national insolvency ranking of unsecured debt instruments to facilitate credit institutions' issuance of such loss absorbing debt instruments, including through "Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy" which is in a process of implementation into national law (the Bulgarian Law on Bank Insolvency) but as at the date of this Prospectus is not yet being transposed. Currently, no firm conclusions regarding the impact on the potential future capital requirements and consequently how this will affect the capital requirements for the Issuer can be made.

- *MREL.*

In order to ensure the effectiveness of bail-in and other resolution tools introduced by the BRRD, the BRRD requires that all institutions must meet an individual MREL requirement, currently to be calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities. In this regard, the European Commission issued a Delegated Regulation supplementing the BRRD, which specifies the current criteria for setting MREL ("**MREL Delegated Regulation**"). The MREL Delegated Regulation requires each resolution authority to make a separate determination of the appropriate MREL requirement for each group or institution within its jurisdiction, depending on the institution's resolvability, risk profile, systemic importance and other characteristics. As of the date of the Prospectus, no MREL has been set for the Issuer.

The EU banking reform package of the European Commission published on 23 November 2016 also includes proposals for the revision of the CRR, the BRRD and the SRM Regulation in order to implement the TLAC standard rules by avoiding the application of two parallel requirements. Although TLAC requirement not being directly applicable to the Issuer, some technical amendments to the existing rules on MREL are needed to align them with the TLAC standard regarding inter alia the denominators used for measuring loss-absorbing capacity, the interaction with capital buffer requirements, disclosure of risks to investors, and their application in relation to different resolution strategies.

While the general goal of these proposals is now well understood, it is too early to confirm the exact amendments that will be introduced, the timing of their introduction and consequently the precise impact on the Issuer.

It is possible that the Issuer has to issue additional eligible liabilities, which qualify for MREL purposes (including, potentially, further Tier 2 instruments, other subordinated debt and/or certain other types of debt ranking senior to subordinated notes) in order to meet the additional requirements (see also the risk factor "*The Issuer may not be able to meet the minimum requirement for own funds and eligible liabilities.*").

Moreover, the stacking order suggested under the CRD IV reform proposal of 23 November 2016 provides that an institution shall be considered as failing to

meet the combined buffer requirement for the purposes of Article 141 of the CRD IV where it does not have own funds and eligible liabilities in an amount and of the quality needed to meet at the same time the combined buffer requirement and each of the Pillar 1 own funds requirement, the Pillar 2 additional capital requirement and the MREL. Failure to build up MREL eligible liabilities up to the required levels (or failure to do so in time) could therefore place the Issuer under restrictions to make certain payments or distributions under the rules on the Maximum Distributable Amount including payments on the Notes.

In addition to complying with capital requirements on a consolidated basis of Fibank Group, the Issuer itself is also subject to capital requirements on an unconsolidated basis. Furthermore, members of Fibank Group which are subject to local supervision in their country of incorporation are, on an unconsolidated basis, also required to comply with applicable local regulatory capital requirements and demands. It is therefore possible that individual entities within Fibank Group require additional capital, even though the capital of Fibank Group is sufficient.

Legislative and/or regulatory changes in the current definitions of what is deemed to qualify as own funds could reduce Fibank Group's eligible capital and/or require reducing the RWA of the Issuer or Fibank Group both on an individual and/or a consolidated basis. There can be no assurance that, in the event of any further changes of the applicable rules, adequate grandfathering or transition periods will be implemented to allow Fibank Group to repay or replace such derecognised capital instruments in a timely fashion or on favourable terms. Fibank Group may therefore need to obtain additional capital which may not be available on attractive terms or at all.

Further, any such regulatory development may expose Fibank Group to additional costs and liabilities which may require Fibank Group to change its business strategy or otherwise have a negative impact on its business, the offered products and services as well as the value of its assets. There can be no assurance that Fibank Group would be able to increase its eligible capital (or, thus, its capital ratios) sufficiently or on time. If Fibank Group is unable to increase its capital ratios sufficiently and/or comply with (other) regulatory

requirements, its cost of funding may increase, and/or the competent authorities may impose fines, penalties or other regulatory measures. The occurrence of all such consequences could have a material adverse effect on Fibank Group's business, financial condition and results of operations.

- *Independent Financial Audit Act.*

Since the beginning of 2017, a new Independent Financial Audit Act has entered into force extending the requirements for statutory auditing of the financial statements of enterprises by introducing new requirements for the appointment and rotation of registered auditors and further developing the functions of audit committees in public-interest entities, in accordance with Regulation 537/2014 of the European Parliament and of the Council on specific requirements regarding statutory audit of public-interest entities. Amendments to the Law on Credit Institutions also introduced joint independent financial audit of banks by two audit firms that are registered auditors. As a result, during the year the Bulgarian National Bank and the Commission for Public Oversight of Registered Auditors adopted new uniform criteria for coordinating the selection of auditors.

- *Law on Credit Institutions.*

Amendments to the Law on Credit Institutions were adopted in December 2017 to further develop the requirements for transactions with administrators and other parties related to the bank by extending. The scope of persons covered by the regulation was extended, as well as the exposure definition which also included claims other than credit commitments. The procedure of approval of exposures was also amended to require, apart from unanimous decision of the management body, also prior approval of the bank's supervisory authority in case the exposure amount exceeds certain levels or pre-approved limits.

- *Law on Markets in Financial Instruments.*

In February 2018, a new Law on Markets in Financial Instruments was promulgated, which transposed into national law the new requirements under the European legal framework in the field of financial markets – Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on

markets in financial instruments (“**MiFID2/MiFIR Package**”). The amendments aimed at increasing the protection of investors and improving the behaviour of market participants in trade and clearing with financial instruments, as well as introduction of new standards for disclosure and transparency in relation to investment services and activities.

- *Law on Payments Services and Payment Systems.*

In December 2018, a new Law on Payments Services and Payment Systems (“**LPSPS**”) was promulgated, which, along with the relevant supplementing technical standards and guidelines of the European Banking Authority, aim at transposition into the national legislation of the requirements of Directive (EU) 2015/2366 for payment services in the internal market (“**PSD2**”). Through the new regulations - the amendments related to the evolution of technologies in particular – were introduced new payment services conducted entirely in an internet environment: payment initiation services and account information services, as well as measures and methods to increase security of payments taking place in an internet environment. In this regards, the Bulgarian National Bank adopted new Ordinance No 3 and Ordinance No 16. In 2019, compliance with the requirements related to Commission Delegated Regulation (EU) 2018/389 of 27 November 2017 supplementing Directive (EU) 2015/2366 of the European Parliament and of the Council with regard to regulatory technical standards for strong customer authentication and common and secure open standards of communication remains as a challenge to banks in the field of payment services.

- *EU General Data Protection Regulation.*

Effective since the end of May 2018 have been the requirements of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (“**GDPR**”). It introduced several new requirements, including extension of the definition for personal data, pseudonymisation, data protection by design and data protection by default, profiling, new rules related to data subjects, etc.

- *Ordinance No 37 on the Internal Exposures of Banks.*

In July 2018, the Bulgarian National Bank adopted new Ordinance No 37 on the Internal Exposures of Banks, which provides for (i) the requirements for internal banking rules and procedures regarding the formation, identification, supervision and reporting of internal exposures, (ii) the method for calculating the values of bank's internal exposures, and (iii) the form and content for reporting internal exposures, as well as the procedure for communicating them to the Bulgarian National Bank.

- *Ordinance No 11 on Bank Liquidity Management and Supervision.*

In July 2018, the Bulgarian National Bank adopted amendments to Ordinance No 11 on Bank Liquidity Management and Supervision. The amendments resulted from the entering into force in full of the requirements for liquidity coverage for credit institutions, which ceased the possibility to implement own rules for liquidity coverage on a national level and substituted it with common European reporting templates. The amendments also include the introduction of a maturity ladder as per Commission Implementing Regulation (EU) 2017/2114 of 9 November 2017 amending Implementing Regulation (EU) No 680/2014 as regards templates and instructions.

- *Law on the Measures Against Money Laundering.*

Also in 2018, a new Law on the Measures Against Money Laundering was promulgated, transposing into the Bulgarian legislation the Fourth EU Directive in the field of money laundering, Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing. At the end of the same year, a related Implementing Regulation was adopted, which further detailed and supplemented the regulation in the field.

- *Law on the Bulgarian National Bank.*

In December 2018, the Law on the Bulgarian National Bank was amended thereby regulating the involvement of the European Central Bank (“**ECB**”) in the national framework for supervision over credit institution, which was the result of the announced intention for accession of Bulgaria to the Single Supervisory Mechanism through establishing close cooperation with ECB.

This also led to amendments to the Bulgarian Law on Credit Institutions which amendments enabled ECB to perform macroprudential oversight over banks on a systemic level and incorporated the new requirements as per the EBA Guidelines on internal governance under Directive 2013/36/EU (EBA/GL/2017/11) and the Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU (EBA/GL/2017/12).

- *Stricter and Changing Accounting Standards.*

Prospective changes in accounting standards as well as those imposing stricter or more extensive requirements to carry assets at fair value, could impact Fibank Group's capital needs.

Additional, stricter and/or new regulatory requirements may be adopted in the future, and the existing regulatory environment in many markets in which Fibank Group operates continues to evolve. The substance and scope of any such (new or amended) laws and regulations as well as the manner in which they are (or will be) adopted, enforced or interpreted may increase Fibank Group's financing costs and could have an adverse effect on Fibank Group's business, financial condition, results of operations and prospects.

The most significant change in the accounting standards in 2018 was the application of IFRS 9 Financial Instruments which replaced IAS 39 Financial Instruments. The new standard introduced significant changes to the classification and assessment of financial assets and a new model for the expected credit loss from impairment of financial assets. The new model for impairments is based on expected loss, thereby substituting the old model based on incurred loss as per International Accounting Standard 39. The new standard introduced requirements and guidelines also in respect of classification and measurement of the quality of financial assets. In relation to Regulation (EU) 2017/2395 of the European Parliament and the Council, since 2018, banks have been able to opt to implement transitional arrangements to mitigate the effects of the introduction of IFRS 9 to its own funds. In this regards, a five-year phasing-in period was introduced, during which banks may add a certain amount to its CET1 capital calculated on the basis of the so

chosen approach (so called “static approach” or “static approach with a dynamic components”) and in accordance with the following specific coefficients for transitional treatment: 0.96 for 2018, 0.85 for 2019, 0.70 for 2020, 0.50 for 2021 and 0.025 for 2022.

The Group's Management has identified the following areas that are most impacted by the application of IFRS 9: The classification and measurement of the Group's financial assets were reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed. Management holds most financial assets to hold and collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly.

Management expects the majority of held to maturity investments to continue to be accounted for at amortised cost, while others will be recognised at fair value in profit or loss, as the cash flows are not solely payments of principal and interest. Management does not find a significant effect on profit or loss from this change in accounting.

Management expects that some of the financial assets held to maturity to be accounted at fair value in other comprehensive income, because they represent government securities and are held as part of a business model for the purpose of collecting contractual cash flows, as well as of the cash flows from sale of the asset. Besides, the contractual cash flows from these financial instruments give rise only to principal and interest payments.

As of 01.01.2018 a number of available-for-sale financial assets are measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest. The related fair value gains were transferred from the available for sale financial assets reserve to retained earnings on 1 January 2018. Management did not report a significant effect on the equity components from this change in accounting

IFRS 9 requires gains or losses realised on the sale of financial assets at fair value through other comprehensive income no longer to be transferred to profit or loss, but instead to be transferred from reserve to retained earnings.

An expected credit loss-based impairment is recognised on the Group's loans and receivables and investments in debt-type assets previously classified as available for sale and held to maturity unless classified as at fair value through profit or loss in accordance with the new criteria. The Group also recognises impairment on its off-balance sheet commitments on the basis of the expected loss. Based on the assessments undertaken as at 01.01.2018, the Group reported an effect from the initial application of IFRS 9 for the amount of BGN 276 748 thousand (increase of impairment) and BGN 1 611 thousand (increase of securities revaluation reserve).

It will no longer be possible to measure equity investments at cost less impairment. Instead, all such investments will be measured at fair value. Changes in fair value will be presented in current profit or loss, except in case the Group presents them in other comprehensive income without the right to reverse.

At 01.01.2018 the Group intends to present the changes in the fair value of investments in equity instruments in profit or loss, not in other comprehensive income.

The Issuer is subject to the risk of changes in the tax framework.

The future development of the Issuer's assets, financial and profit position, *inter alia*, depends on the tax framework. Every future change in legislation, case law and the tax authorities' administrative practice may negatively impact the Issuer's assets, financial and profit position.

Fibank Group's risk management strategies, techniques and internal control procedures may leave it exposed to unidentified or unanticipated risks.

As with any other bank, Fibank faces various types of risks that may adversely affect it. These include credit, interest rate, currency, liquidity, investment and operational risk. Although the Bank has invested considerable time and effort in developing systems and strategies for risk management, these systems and strategies have not been, and may in the future not be, fully effective in mitigating Fibank Group's risk exposure in all economic market environments or against all types of risks, including risks that it fails to identify or anticipate.

Furthermore, regulatory audits or other regular reviews of the risk management procedures and methods have in the past detected, and may in the future detect, weaknesses or deficiencies in Fibank Group's risk management systems. Some of Fibank Group's quantitative tools and metrics for managing risks are based upon its use of observed historical market behaviour. Fibank Group applies a wide variety of statistical and other tools to these observations to be able to quantify risk exposures. During the global financial crisis, the financial markets experienced unprecedented levels of volatility (rapid changes in price development) and the breakdown of historically observed correlations across asset classes, compounded by extremely limited liquidity. In this volatile market environment, Fibank Group's risk management tools and metrics failed to predict some of the losses it experienced and may in the future under similar conditions of market disruption fail to predict future important risk exposures. In addition, Fibank Group's quantitative modelling does not necessarily take all risks into account and makes numerous assumptions regarding the overall environment and/or the implicit consideration of risks in the quantification approaches, which may or may not materialise. As a result, risk exposures could arise from factors not anticipated or correctly evaluated in Fibank Group's statistical models.

This has limited and could continue to limit Fibank Group's ability to manage its risks. If circumstances arise that Fibank Group did not identify, anticipate or correctly evaluate in developing its statistical models, losses could be greater than the maximum losses envisaged under its risk management system. Furthermore, the quantifications do not take all risks or market conditions into account. If the measures used to assess and mitigate risks prove insufficient, Fibank Group may experience material unanticipated losses, which could have a material adverse effect on its business, financial condition and results of operations.

Fibank's business entails operational risks.

Fibank is exposed to operational risk, which is the risk of loss resulting from inadequate or failed internal processes, people and systems as well as external events, including in particular legal, regulatory, compliance and outsourcing risks. Fibank is susceptible to, among other things, fraud by

employees or outsiders, including unauthorised transactions and operational errors, clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems. Given Fibank's high volume of transactions, fraud or errors may be repeated or compounded before they are discovered and rectified. Consequently, any inadequacy of Fibank's internal processes or systems in detecting or containing such risks could result in unauthorised transactions and errors, which may have a material adverse effect on Fibank's business, financial condition, results of operations and prospects. Fibank may also suffer service interruptions from time to time due to failures by third-party service providers and natural disasters, which are beyond its control.

Such interruptions may result in interruptions in services to Fibank's branches and may impact customer service.

The Issuer is exposed to concentration risk

The Issuer is, to varying degree, exposed to concentration of loan portfolio. As of 30 September 2019 the Group had extended loans, confirmed letters of credit and granted guarantees to 6 individual clients or groups of connected clients with each individual exposure exceeding 10% of the own funds of the Issuer based on the amortized cost of the corresponding credit facility after risk mitigation, regulatory reductions and exemptions in accordance with Regulation 575/2013. The total amount of these exposures was BGN 548.1 million which represented 44.45% of the Group's own funds.

On the liability side, the Issuer is well-diversified as it depends mainly on customer deposits to fund its activities. As of 30 September 2019, the Issuer's 30 largest customers' deposits represented 6.56% of the amount of liabilities due to other customers of the Issuer.

With a substantial percentage of the Issuer's loan portfolio concentrated in a limited number of customers, if any of those customers were to default or to withdraw their custom from the Issuer, then there would be a risk that this would impact on the Issuer's business, results of operations and financial condition and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

Risks concerning borrower credit quality and general economic conditions are inherent in Issuer's business

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks, issued guarantees and letters of credits and investment securities. Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a large part of the Issuer's business. Adverse changes in the credit quality of the Issuer's borrowers or a general deterioration in Bulgarian, European or global economic conditions, or problems arising from systemic risks in the financial systems could reduce the recoverability and value of the Issuer's assets and require an increase in the Issuer's level of provisions for substandard and nonperforming debts.

The Group'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. In addition, the Group is exposed to off-balance sheet credit risk through commitments to extend credits and issue contingent liabilities. 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.

If general economic conditions deteriorate then there is a higher risk that such guarantees and letters of credit may be called in. Nevertheless, the increase in these commitments and contingent liabilities may result in growing provisions and increased credit risk should the eventual payment take place.

The management of the credit risk exposures to borrowers is conducted through regular analysis of the borrowers' credit worthiness. Exposure to credit risk is also managed in part by obtaining collateral and guarantees. The Group'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. The extent of collateral held for guarantees and letters of credit is 100 percent.

Individually significant loans to corporate customers 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 Group requires provision of additional collateral within a certain timeframe.

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

Credit risk management as a comprehensive process is accomplished under the control of the Management Board of the Bank. The Supervisory Board exercises supervision 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.

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 Banking, Retail Banking, Intensive Care and Loan Administration, while the problem assets management is performed by the Impaired Assets Department.

Risks relating to trading and investment activity, resulting from market fluctuations and volatility

As part of its strategy for managing liquidity risk, the Issuer maintains a portfolio of liquid assets, including securities. The Issuer is also exposed to currency risk through its assets and liabilities denominated in foreign currencies, and its foreign currency transactions having long positions. Although the Issuer has imposed strict limits regarding the structure of its securities portfolio, sought to maintain relatively offset currency positions at the level of assets and imposed individual limits, a downturn in some of the markets of bonds, currencies or equity instruments may lead to losses due to decline in the value of the respective assets. In addition, the commercial position of the Issuer may be adversely affected by the degree of volatility in the financial markets such as trade prices varying during a given period and in a given market regardless of market rates.

The competition for experienced employees in the banking sector is intense

First Investment Bank operations and continued success depend on the bank's ability to retain existing management team and its experienced employees and to recruit additional talents with the necessary qualifications and level of experience in banking. The declining labour force in general and the aging population reduce the pool of individuals with the required set of skills. Since the growth strategy of the bank depends on the availability of skilled management, failing to retain and/or hire new key staff and high-quality personnel could have a material adverse effect on the Issuer's business, results of operations and financial condition and therefore on the ability of the Issuer to fulfil its obligations under the Notes. The Issuer has introduced programmes for staff training and development of management skills, but the

intense competition with other financial institutions may also make it more difficult for First Investment Bank to attract and retain qualified employees and may lead to rising labour costs in the future.

Any failure or interruption in or breach of Fibank's information systems, and any failure to update such systems, may result in lost business and other losses

The Issuer is dependent on complex information systems and a potential failure, inefficiency or interruption of these systems could have a material adverse effect on it. Information technology systems in general are vulnerable to a number of problems, such as computer viruses, hacking, physical damage to vital information technology centres, and software or hardware malfunctions. Any failure, interruption or breach in the security of these systems could result in problems or disruptions in customer service, risk management, accounting systems, and systems for servicing of deposits and loans. If the information systems of the Issuer cease to function correctly, even for a short period of time, the Issuer may for a certain period be unable to serve its customers which may result in the loss of customers. Also, a temporary suspension in the functioning of information systems may result in extraordinary expenses for recovery and verification of the information. Furthermore, any failure of the Issuer to update and develop the existing information systems as effectively as its competitors may result in a competitive disadvantage.

Although the Issuer's management believes that the Issuer has adequate security programmes and systems in place for emergencies, there is no guarantee that they will be sufficient to prevent such problems and to ensure that the Issuer's operations will not be significantly disrupted.

Any of these, or other problems associated with the information systems of the Issuer, could have a material adverse effect on the Issuer's business, results of operations and financial condition and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

Risks associated with the level of non-performing loans and repossessed assets and their disposal

The non-performing loans have previously affected negatively Fibank's results of operations as well as the whole banking system. As of 30 September 2019, the NPLs measured as 90+ days overdue exposures on consolidated balance sheet amounted to BGN 1 053.4m, representing 15.7% of gross loan book of Fibank (BGN 837.4m and 13.0%, respectively as of 31 December 2018). As of 30 September 2019, 85% of the 90+ days overdue exposures were secured by mortgages, receivables, machines, goods, securities and others, 12% were unsecured and 3% were credit cards receivables. As of 30 September 2019, the NPL Coverage Ratio was 58.7% (89.5% as of 31 December 2018).

The ability of customers to repay their loans may be affected by the general economic developments in the country, especially the levels of unemployment and the gap between the growth of inflation and the wages, as well as by increasing money market and deposit interest rates if the interest rate of a loan is based on floating rates. Given the present economic recovery and the level of interest rates, it cannot be ruled out that the current negative or low interest rate environment comes to an end. In the case of increasing interest rates, the rate of non-performing loans may increase, the provisioning of which would diminish Fibank's profits and could negatively affect the Capital adequacy. Furthermore, the impairment of loan portfolio might result in a withdrawal of deposits and decreased demand for Fibank's products.

In recent years, the desire of the banking system and the supervisory authorities to reduce the value of non-performing loans has resulted in a revival of the NPL market. In 2018, the activity on the NPL market has increased significantly with total size of sold bank portfolios of above BGN 1.5bn.

Fibank has also taken part of this market with BGN 154m of sold loans in 2018.

First Investment Bank has also made a financial lease transaction with an international investor for a significant portion of the site of the former Kremikovtzi steel plant. The latter was part of the repossessed assets of the bank.

The sale of non-performing loans and repossessed assets are elements of First Investment Bank's strategy until 2021 for management of NPLs, decreasing non-interest bearing assets and further improving the Bank's balance-sheet positions and its financial ratios.

The Issuer may not be able to meet the minimum requirement for own funds and eligible liabilities

Under the SRM, each institution has to ensure that it meets the MREL at all times (on an individual basis and in case of EU parent undertakings (such as Fibank Group) also on a consolidated basis). Such minimum requirement currently shall be determined by the resolution authority and shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds of the institution. There is a risk that the Issuer may not be able to meet the MREL which could result in higher refinancing costs, regulatory measures and, if resolution measures were imposed on the Issuer, could significantly affect its business operations, could lead to losses for its creditors (including the Noteholders) and could result in restrictions on, or materially adversely affect the Issuer's ability to make payments on the Notes.

Risk relating to the need for additional capital

The size of the Issuer's required equity or capital base depends on numerous factors, including growth in assets and earnings, regulatory capital requirements, and potential acquisitions. The management of the Issuer cannot predict the precise timing and amount of these capital requirements. To the extent to which the Issuer deviates from its current business plan, for example, through development of additional products, entering new business segments, faster growth of its loan portfolio or if the Issuer fails to generate sufficient profits to provide the necessary growth of capital through retained earnings, bank debt and capital requirements may increase more than expected. Events beyond the control of the Issuer may also affect the additional funding requirements, including changes in the regulatory capital requirements.

If the Issuer does not have the necessary capital, it may become subject to increased regulatory oversight, or even intervention in its business, and its operating results and financial condition may be adversely affected.

Because the Issuer operates in highly competitive markets, mainly in its home market, it may not be able to increase or maintain its market share, which may have an adverse effect on its results of operations

The markets in which the Bank operates are highly competitive. In its main market Bulgaria, the Bank faces significant competition in all aspects of its business competing with a number of subsidiaries of large international financial institutions and some local competitors. Fibank's main competitors have had historically lower cost of funding due to the lower reliance on local depositors and the support from the parent companies – mainly Eurozone banks. Over the recent years, after the crash of Corporate Commercial Bank, the deposit rates have fallen significantly, thus reducing the divergence between Fibank's cost of funding and its main competitors. However, if Fibank is unable to respond to the competitive environment with product and service offerings that are profitable, it may lose market shares in important parts of its business or incur losses on some or all of its activities.

In addition, the trend towards consolidation in the banking industry has created larger and stronger banks with which it must now compete. The merger of UBB and Cibank in the beginning of 2018 has moved Fibank from number 3 to number 4 position by assets. In November 2019, the merger between Eurobank Bulgaria and Piraeus Bank Bulgaria was also completed and the new entity overtook Fibank as number 4 lender in the domestic banking sector. In addition, DSK bank acquisition of SG Expressbank would create an even larger entity that could move to number 1 in the sector from number 2 currently.

The Bank also faces competition from non-bank competitors, such as non-banking lending institutions, leasing companies, investment funds, and pension funds. The Bank cannot be certain that this competition will not adversely affect its competitive position.

If the Bank is unable to provide competitive product and service offerings, it may fail to attract new customers and/or retain existing customers, experience decreases in its net interest margin, fee and commission income, and/or lose market share, the occurrence of any of which could have a material adverse effect on its business, financial condition and results of operations.

Interest rate volatility and other interest rate changes may adversely affect the Issuer's profitability

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 Group'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.

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 is defined resulting in a parallel shift of the yield curves by up to ± 200 bps.

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 Group following a standardised shock of +100bp/-100bp as of 30 September 2019 is BGN +37.6/-19.9 m.

The interest rate risk on the Bank's net interest income one year forward following a standardised shock of +100bp/-100bp as of 30 September 2019 is BGN 20.6/-11.6 m.

The Issuer's business may be negatively affected by adverse publicity, regulatory actions or litigation with respect to such business, other well-known companies or the financial services industry in general

Adverse publicity and damage to the Issuer's reputation may arise from its failure or perceived failure to comply with legal and regulatory requirements, financial reporting irregularities involving other large and well-known companies, increasing regulatory and law enforcement scrutiny of "know your customer", anti-money laundering, prohibited transactions with countries subject to sanctions, anti-bribery or other anti-corruption measures and anti-terrorist- financing procedures and their effectiveness. In addition, the above factors as well as regulatory investigations of the financial services industry and litigation that arises from the failure or perceived failure by the Issuer to comply with legal, regulatory and compliance requirements, could also result in adverse publicity and reputational harm, lead to increased regulatory supervision, affect the Issuer's ability to attract and retain customers, reduce access to the capital markets, result in cease and desist orders, suits, enforcement actions, fines, civil and criminal penalties, other disciplinary action or have other material adverse effects on the Issuer in ways that are not predictable.

The above factors may have an adverse effect on the Issuer's financial condition and/or results of operations.

RISKS RELATED TO THE MARKET GENERALLY

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally.

The Notes are new securities, which may not be widely distributed and for which there is currently no established trading market, and one may never develop. If a market for the Notes does develop, it may not be liquid. No application has been made for the Notes to be admitted to listing on the Luxembourg Stock Exchange yet. Once such an application is made, there could be no assurance that it will be accepted or that an active trading market will develop on Luxembourg Stock Exchange. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for debt securities that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of debt securities generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity could have an adverse effect on the market value of Notes.

In addition, the market for the Notes may be influenced by the prevailing interest rates, the market for similar securities, the general economic conditions and the financial condition of the Issuer.

Liquidity may be further limited if the Issuer makes large allocations to a limited number of investors.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent

yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal as measured in the Investor's Currency.

Interest rate risks

Investment in fixed rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of fixed rate securities.

The Notes are not expected to be investment grade and are subject to the risks associated with noninvestment grade securities

The Notes are not expected to be investment grade securities upon issue, and, as such, may be subject to a higher risk of price volatility than higher-rated securities. Furthermore, increases in leverage or deteriorating outlooks for the Issuer, or volatile markets, could lead to a significant deterioration in market prices of below-investment grade rated securities such as the Notes.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal and tax advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any of the Notes. Financial institutions should consult their legal and tax advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Risks related to Bulgaria¹

General - Emerging Markets

¹ Sources for the section: NSI, BNB, Employment Agency, Eurostat

Investors in emerging markets such as Bulgaria should be aware that such markets are subject to greater risks than more developed markets, including in some cases significant legal, economic and political risks. In addition, adverse political or economic developments in other Eastern European countries could have a significant negative impact on, among other things, Bulgaria's GDP, foreign trade and economy in general. Investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, an investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved. Investors should also note that a feature of emerging markets is that they are subject to rapid change and the information contained in this Offer may become outdated relatively quickly.

Gross Domestic Product

The results from the Company's operations depend both on the condition of the macroeconomic environment in Bulgaria, and on the overall economic situation on a global scale. In the recent years the economic activity in Bulgaria has been improving under the influence both of the growth in consumption and investments, and of the positive dynamics in the commercial balance.

The real annual growth of GDP in 2018 shrank to 3.1%, but remained above the average level for Europe, as the GDP itself for the year reached BGN 109.7 billion. The factor that contributed the most this year was the domestic demand, which actually increased by 4.6% to BGN 83.5 billion at current prices, but the gross capital formation also increased by 5.4%. The net export for the year declined to BGN 2.8 billion at current prices and to BGN 0.5 billion net imports at inflation adjusted prices.

The preliminary data of NSI revealed that Bulgaria's seasonally adjusted Q3 2019 GDP growth reached 0.8% QoQ and 3.7% YoY to BGN 31.8bn at current prices. The seasonally adjusted GVA (BGN 27.4bn) added 0.6% QoQ and 3.5% YoY. Q3 2019 final consumption growth came to 4.9% YoY (+0.9% QoQ) and accounted for 68.4% of the GDP, whereas the gross fixed capital formation added 1.8% YoY (+0.4% QoQ) and contributed for 16.5% of the national output. Exports grew by 1.3% YoY (4.3% QoQ, 67.5% of GDP), while

imports gained 1.2% YoY (+3.9% QoQ, 53.5% of GDP), which resulted in a positive trade balance of BGN 4.5bn.

The macroeconomic risks for the European economy as a whole and for the domestic economy are arising from the expected tightening of the European Central Bank's monetary policy and the respective increase of interest rates. This could lead to increasing price of the companies' financial resources, reduction of profit margins and free cash flows and the lower investments. Any potential negative developments in the country's economy may have an unfavourable impact on the demand for credit from businesses and individuals, as well as on the creditworthiness of borrowers, which in turn could have an adverse effect on the Issuer's business, results of operations and financial condition.

Inflation

The inflation risk is a risk of devaluation of the local currency and decrease of its purchase power. The risk of an increase of the inflation influences the Issuer, on the one hand, towards decrease of the demand, and on the other hand – it causes an increase of the Bank's costs, which in the absence of growth in the incomes brings about directly a decrease of the financial result.

After 41 months of deflation, prices in Bulgaria reverted to growth in the beginning of 2017 as a result of the intensification of the economic activity. As at the end of October 2019, the average annual harmonized consumer price index amounts to 2.5%. Regardless of the forecasts for continuing growth of the base inflation in the next two years too, the present economic realities in the EU do not support the expectations that it will be excessive. In the same time, Bulgaria is strongly focussed on the inflation requirements for membership in the Eurozone and although the country does not have the standard set of tools of the monetary policy, this clearly defined goal ensures a high level of inflation predictability for the economic subjects.

Fluctuations in inflation in Bulgaria could have an adverse effect on the Issuer's customers and, as a result, on the Issuer's business, results of operations and financial condition.

Labour market

During the global financial crisis, unemployment used to be one of the major problems of the world economy and particularly painful for Bulgaria. However, since the end of 2013, the employment situation in the country started to gradually improve. The positive economic development of the country, the steadily rising turnover in production and services created many new jobs and influenced very positively the labour market. The expectations of both the Ministry of Finance and the European Commission are that unemployment will continue to decline, albeit at a slower pace. Similarly, household disposable income, consumption of goods and services by the population are expected to continue to rise as well and their prices. According to Eurostat, the unemployment rate at the end of September has declined to 3.8%, down by 90 b.p compared to end of 2018.

Any potential deterioration of the labour market and negative developments in the country could have an adverse effect on the creditworthiness of the borrowers of the Issuer and its other clients, which in turn may adversely affect the Issuer's business, results of operations and financial condition.

External sector

The external position of the country also shows positive trends, the most significant of which is the reversal of the current account after 2015 to a surplus. In 2018 the current account ended with EUR 3 billion surplus, compared to EUR 55 million surplus for 2015, mostly due to the improving balance on services. The direct foreign investments in Bulgaria have been fluctuating and in end-2018 amounted EUR 0.5bn. Over the first nine months of 2019 the positive trend continued with current account up to EUR 4.9bn from EUR 2.8bn in the comparable period of 2018, mainly on improving trade balance. FDI increased by EUR 715m, up from EUR 283m increase in Jan-Sept 2018.

Any potential negative developments in the external position of Bulgaria could adversely affect the macroeconomic stability of the country, which could have an adverse effect on the Issuer's business, results of operations and financial condition.

Fiscal sector

The public finances of Bulgaria are characterised by stability and sustainability, in accordance with the balanced fiscal policy and fiscal rules for control of the costs maintained in recent years in order to ensure the long-term sustainability of the fiscal sector. For the period 2009-2013 Bulgaria was among the few countries that managed to shrink their budget deficit below 5% in 2009 and to keep it below 3% in the next years. In 2014 this changed as the country ended up the year with a deficit of 5.4% of GDP. In 2015 the deficit under the consolidated fiscal programme amounted to BGN 1.5 billion (1.7% of GDP), but in 2016 and 2017 the budget managed to return to surplus to 0.1% and 1.1% of GDP, respectively. In the end of 2018 the consolidated fiscal programme was at a level of excess of BGN 1.9bn (1.8% of GDP). The positive results are due both to higher incomes, mostly due to the more effective collection of taxes and the overall economy growth. The expense side has also increased mainly on the growth of the capital expenses and social security and healthcare expenses.

As of end of October 2019, the consolidated fiscal balance on a cash basis amounted to BGN 1.1bn surplus, down by 62% compared to the same period of 2018. The key factors behind it are the higher capital expenditures (mainly implementation of the investment project for the acquisition of a new type of military aircraft for the Bulgarian air forces, as well as under the EU fund accounts) and 10% increase in the public sector wages.

The government debt decreased during 2018 to BGN 23.9bn from BGN 25.6bn after Bulgaria repaid government securities for BGN 1bn in January 2018 and BGN 0.2bn in October 2018. At 22.1% of GDP the debt remained the third lowest in the EU. The government debt continued to decrease in 2019 to BGN 23.4bn (% of GDPe) mainly on repayment of BGN 0.9bn government securities in January and February while new issues amounted to only BGN 0.3bn in the first half of the year.

Any potential negative developments in the public finances of Bulgaria may adversely affect its macroeconomic stability, which may in turn have an adverse effect on the customers and the activity of the Issuer, its operating results and financial condition.

Credit risk

The credit risk of Bulgaria is related to its ability to service its obligations, including any maturing borrowings. Its credit rating from internationally recognised rating agencies provides an indicator to assess the creditworthiness and solvency of the country. As of November 2019, all three rating agencies have assigned Bulgaria an investment grade credit rating - "Baa2" Positive (Moody's), "BBB" Positive (Fitch) and "BBB" Positive (S&P).

A potential downgrade of Bulgaria's credit rating may adversely affect its creditworthiness and ability to attract funding from the international capital markets, which may increase its cost of funding. In addition, the country's credit rating is a ceiling for the credit ratings of the country's credit institutions. Therefore, any negative change in Bulgaria's credit rating can have an adverse effect on the credit ratings of banks in the country.

Currency risk

Since 1997, a currency board arrangement has been in place, whereby the exchange rate of the Bulgarian lev to the euro is pegged at a ratio of 1.95583 levs per euro (EUR/BGN 1.95583). The stability of the currency board, which has been maintained over the years since its launch, minimises to a large extent the currency risk of the lev against the euro. Bulgaria is undergoing a preparation and intends to apply for ERM II and the Banking union by July 2019. Notwithstanding the expectation and commitment that the currency board arrangement will be preserved until the country's accession to the Eurozone, there is no certainty that this will be achieved.

A potential devaluation of the lev can have an adverse effect on the Issuer's customers and, as a result, on the Issuer's business, results of operations and financial condition.

Tax policy

The taxation system in the country is regulated at both state level and local level. The main laws of Bulgaria governing the taxation of profits and income of corporates, as well as the income of individuals, including activity as a sole trader, are the Corporate Income Tax Act of Bulgaria ("**CITA**") and the Personal Income Tax Act of Bulgaria ("**PITA**"). Notwithstanding the harmonisation of tax policy within the EU, potential inconsistent tax practices

at a state or local level may adversely affect the customers and activity of the Issuer, its operating results and financial condition. Investors should also take into consideration that the value of Notes may be adversely affected by changes in tax legislation, including in its interpretation and implementation.

Political risks

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

Despite the financial crisis, in this period Bulgaria achieved real economic growth and financial stability, which even not automatically transforming into political stability have definitely increased the trust and improved the image of the country. The future growth of the economy will still depend on the political will for conduction of economic reforms and the continuing following of the best market practices of the EU. Regardless of all pluses of the Bulgarian membership in the EU, there is no guarantee that the government of the country will conduct the correct economic policy and that it will manage to administer it effectively. If the management of the country fails to create financial security of the predictable environment for the economic subjects in the country, this may have considerable adverse effect on the Issuer's activity, the operating results and its financial position.

The present government was elected by the National Assembly in May 2017 with a mandate of the political party GERB ("Citizens for European Development of Bulgaria Party") after early parliamentary elections the followed the resignation of a government led by the same political formation and its chairperson Boyko Borissov. The current government is a coalition one, as in addition to representatives of GERB, it comprises also representative of the "United Patriots" coalition. As of November 2019, the political environment in the country is relatively stable, and GERB kept its leading position at the last elections (Municipal elections) held in October 2019. Regardless of the certain discrepancies in the governing coalition, there is no immediate risk that it may break up. In the same time, the governmental policy is supported by a stable parliamentary majority. Nevertheless, it is not

certain that factors causing social and political pressure in the country will not appear, bring about considerable and sudden change in the political and economic conditions in the country, which may have a considerable adverse effect on the Issuer's activity, the operating results and its financial position.

The very accession of Bulgaria to the EU, apart from being an act having huge political importance, remains related also to many challenges. They are caused by the continuing reforms in Bulgaria as a part of the process of integration in the Community, but also the dynamics of development of the processes of integration in the EU itself. These processes are related to serious political, economic and institutional changes, which are hard to take into account the interests of all member states. There is no guarantee that these processes will end up successfully or that the national interest of Bulgaria will be guaranteed. There is no guarantee either that the United Kingdom's exiting the EU (Brexit) will not cause deepening of the disintegration attitudes in other EU member states and respectively cause serious political and economic cataclysms for all member states, including Bulgaria.

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

The Issuer is also vulnerable to the foreign political risks and their direct effects on the economy of the country.

Risks relating to the banking system

Over the past four years, the banking system in Bulgaria has been characterised by stability and restoration of confidence, and has demonstrated financial performance, liquidity and capital positions which are consistent with the conditions of the external environment. The banking sector in Bulgaria, under the supervision of the BNB, has continued to generate added value for the economy and contribute to the macroeconomic stability of the country.

2018 was marked by very strong performance of the sector as both lending activity and sector profits reached new highs.

The Issuer is dependent on the development of the banking sector in the country. Any fluctuations in the main indicators of the banking system may adversely affect the stability of the sector, which in turn may have an adverse effect on the Issuer's business, results of operations and financial condition and therefore on the ability of the Issuer to fulfil its obligations under the Notes.

RISKS RELATED TO THE NOTES

The Notes are complex instruments that may not be suitable for all investors

The Notes are complex financial instruments that involve a high degree of risk and are not suitable or appropriate investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- i. has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offer or in any applicable supplement, taking into account that the Notes may only be a suitable investment for professional or institutional investors;
- ii. has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- iii. has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including the possibility that the entire principal amount of the Notes could be lost and that the currency for payments in respect of the Notes could be different from the potential investor's currency;

- iv. understands thoroughly the terms of the Notes, including the provisions relating to the payment and cancellation of Distributions, and is familiar with the behaviour of financial markets; and
- v. is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Notes unless it has the expertise (either alone or with its financial and other professional advisers) to evaluate how the Notes will perform under changing conditions, the resulting effects on the likelihood of cancellation of Interest Amount or a Write-Down and the market value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes constitute deeply subordinated obligations of the Issuer

The obligations of the Issuer under the Notes constitute direct, unsecured and subordinated obligations of the Issuer. In the insolvency or liquidation of the Issuer, the obligations of the Issuer under the Notes will rank:

- i. junior to all present or future: (a) unsubordinated instruments or obligations of the Issuer; and (b) obligations under any Tier 2 Instruments; and (c) all other instruments or obligations of the Issuer ranking or expressed to rank subordinated to the unsubordinated obligations of the Issuer (other than instruments or obligations ranking or expressed to rank pari passu with or subordinated to the Notes);
- ii. pari passu: (a) among themselves; and (b) with all other present or future instruments or obligations ranking or expressed to rank pari passu with the Notes; and
- iii. senior to all present or future: (a) ordinary shares of the Issuer and any other CET 1 Instruments; and (b) all other subordinated instruments or obligations of the Issuer ranking or expressed to rank: subordinated to the obligations of the Issuer under the Notes; or pari passu with the ordinary shares of the Issuer and any other CET 1 Instruments.

In the event of liquidation or bankruptcy of the Issuer, payment of any remaining principal amount not so written down to a Noteholder will, by virtue of such subordination, only be made after all obligations of the Issuer resulting from higher-ranking deposits, unsubordinated claims with respect to the repayment of borrowed money, other unsubordinated rights and claims and higher ranking subordinated claims have been satisfied in full. If any such event occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due and payable under the Notes.

Furthermore, Noteholders are not permitted to any set-off, netting or compensation rights against any right, claim, or liability the Bank has, may have or acquire against any Noteholder, directly or indirectly, howsoever arising. As a result, Noteholders will not at any time be entitled to set-off the Bank's obligations under the Notes against obligations owed by them to the Bank. A Noteholder may therefore recover less than the holders of deposit liabilities or the holders of unsubordinated or prior ranking subordinated liabilities of the Issuer.

Although the Notes may pay a higher rate of distributions than other debt instruments which are not subordinated, there is a substantial risk that investors in subordinated notes such as the Notes will lose all or some of their investment, should the Issuer become insolvent or, following a Write-down, either have insufficient profit to write up the Notes or decide in its sole discretion to not (or not fully) write up its Notes at all.

The Issuer is not prohibited from issuing further debt, which may rank pari passu with or senior to the Notes

The Terms and Conditions of the Notes place no restriction on the amount of debt that the Issuer may issue or guarantee that ranks senior to, or pari passu with, the Notes. The issue or guaranteeing of any such debt instruments may reduce the amount recoverable by Noteholders upon the Issuer's insolvency. If the Issuer's financial condition were to deteriorate, the Noteholders could suffer direct and materially adverse consequences, including cancellation of distributions and reduction of the principal amount of the Notes and, if the Issuer were liquidated, the Noteholders could suffer loss of their entire investment (total loss).

In addition, the Issuer is not prohibited from issuing or guaranteeing other instruments that share in, or which depend upon, Distributable Items, thereby reducing the amount available for distributions under the Notes. This could result in distributions on the Notes being either reduced or even cancelled entirely.

In certain circumstances, the Issuer may decide not to pay interest on the Notes or be required not to pay such interest

The Issuer may, at its discretion, at any time, elect to cancel (in whole or in part) any Interest payment on the Notes that are scheduled to be paid on an Interest Payment Date for an unlimited period and on a non-cumulative basis. The rights and obligations of the Noteholders, in respect of such Interest Payments, shall be considered irrevocably cancelled and forfeited. In the event that the Issuer exercises its discretion not to pay interest or is prohibited from paying interest on any Interest Payment Date, it will not give rise to any contractual restriction on the Issuer making distributions or any other payments to the holders of any securities ranking *pari passu* with, or junior to, the Notes. The Issuer might also be required by any relevant authority responsible for the Issuer to cancel the relevant distribution payment scheduled to be paid in whole or in part.

Without prejudice to (i) such full discretion of the Issuer under the Discretionary cancellation of Interest payments on the Notes and (ii) the prohibition to make payments on the AT1 instruments pursuant to Article 16(2) of Ordinance No 8, as may be amended or supplemented from time to time, or, if repealed, the applicable Bulgarian legislation implementing Article 141(2) of the CRD IV, before the Maximum Distributable Amount is calculated, any payment of Interest on the Notes scheduled to be paid on any Interest Payment Date shall be cancelled, in whole or in part, if and to the extent that:

- i. The amount of such Interest payment on the Notes otherwise due, together with any further Relevant Distributions, any obligation referred to Article 16(2)2 of Ordinance No 8, as may be amended or supplemented from time to time, or, if repealed, the applicable Bulgarian legislation implementing Article 141(2)(b) of the CRD IV, and the amount

- of any write-ups, where applicable, exceed (in aggregate) the amount of the maximum distributable amount (if any); or
- ii. The Interest payment on the Notes would cause, when aggregated together with other Relevant Distributions and any potential write-ups the Distributable Items of the Issuer (as at such Interest Payment Date then applicable to the Issuer) to be exceeded; or
 - iii. The Competent Authority orders the Issuer to cancel the relevant Interest payment on the Notes (in whole or in part) scheduled to be paid; or
 - iv. CET1 capital ratio falls below 7.000 per cent.

The Maximum Distributable Amount is a concept which applies when the combined capital buffer requirements are not (or not fully) met, and its determination is subject to considerable uncertainty. Under Article 141 of the CRD IV Directive, EU Member States must require that institutions that fail to meet the combined buffer requirement (broadly, the combination of the capital conservation buffer, the institution-specific counter-cyclical buffer, the systemic risk buffer, the global systemically important institutions buffer and, in general, the other systemically important institution buffer, in each case as applicable to the institution) will be subject to restricted “discretionary payments” (which are defined broadly by CRD IV as distributions in connection with Common Equity Tier 1 Capital, payments on Additional Tier 1 Capital instruments and, under certain conditions, payments of variable remuneration). The restrictions will be scaled according to the extent of the breach of the combined buffer requirement and calculated as a percentage of the profits of the institution since the most recent decision on the distribution of profits or discretionary payment. Such calculation will result in a “maximum distributable amount” in each relevant period.

The Distributable Items of the Issuer will, inter alia, depend on its profits and those of its subsidiaries, including the dividends that it receives from its subsidiaries. If the Issuer's profits are weak, and/or if it does not receive any (or only small) dividends from its subsidiaries, the Distributable Items may not be sufficient for full (or any) payment of distributions on the Notes.

The Distributable Items will be determined on the basis of (i) the audited annual financial statements of the Issuer, prepared in accordance with accounting provisions applied by the Issuer and accounting regulations then in effect, for the latest financial year of the Issuer ended prior to the relevant Interest Payment Date; or (ii) if such audited annual financial statements of the Issuer are not available at the relevant Interest Payment Date, unaudited financial statements of the Issuer, prepared in accordance with accounting provisions applied by the Issuer in relation to its annual financial statements and accounting regulations then in effect in relation to the Issuer's annual financial statements.

There is however a risk, that these unaudited financial statements may deviate substantially from the audited financial statements for the same accounting period, and the Noteholders are therefore exposed to the risk that they will not receive any interest even if the audited financial statements show sufficient Distributable Items to make payments on the Notes.

Any Interest payment on the Notes so cancelled, shall be cancelled definitively and shall not accumulate or be payable at any time thereafter.

Any accrued but unpaid Interest on the Notes up to (and including) a Trigger Event (whether or not such Interest has become due for payment) shall be automatically cancelled. For the avoidance of doubt, payment of any accrued but unpaid Interest from the Trigger Event up to the Write Down Date shall also be automatically cancelled even if no notice has been given to that effect.

Any Interest payment on the Notes (or part thereof) so cancelled shall not constitute a default by the Issuer for any purpose, and the Noteholders shall have no right thereto, whether in the case of bankruptcy or liquidation of the Issuer. Any such cancellation of Interest imposes no restrictions on the Issuer.

Any actual or anticipated cancellation of interest payments on the Notes will likely have an adverse effect on the market price of the Notes. In addition, as a result of the distribution cancellation provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which interest accrue that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's

financial condition. Likewise, as the Maximum Distributable Amount is linked to the combined capital buffer requirements, any indication that the Issuer may not (or not fully) meet such combined buffer capital requirement may have an adverse effect on the market price of the Notes.

The principal amount of the Notes may be reduced (Written Down) to absorb losses, which would reduce any redemption amount and any interest payable on the Notes while the Notes are written down.

The Notes are issued in order to meet prudential capital requirements with the intention and purpose of being eligible as own funds of the Issuer. The Notes shall constitute AT 1 Instruments of the Issuer upon issue, i.e. Additional Tier 1 instruments pursuant to Article 52 CRR of the Issuer on an individual basis as well as on a consolidated basis. Such eligibility depends on a number of statutory conditions being satisfied. One of these conditions relates to the ability of the Notes and the proceeds of their issue to be available to absorb any losses of the Issuer. Accordingly, under the Terms and Conditions of the Notes, if a Trigger Event has occurred, the Issuer will reduce the then Current Principal Amount (as defined in the Terms and Conditions) of each Note by the relevant Write-Down Amount. Such Trigger Event occurs at any time: (i) the Group CET 1 Capital Ratio (i.e. the Common Equity Tier 1 capital ratio pursuant to Article 92 (2) (a) CRR of the FIBank Group on a consolidated basis); and/or (ii) the Issuer CET 1 Capital Ratio (i.e. the Common Equity Tier 1 capital ratio pursuant to Article 92 (2) (a) CRR of the Issuer on an individual basis) is lower than 7.000 per cent.

Noteholders should be aware that the composition of the FIBank Group, which among other things is relevant for determining whether a Trigger Event has occurred, may change from time to time for reasons such as any future changes in the Applicable Supervisory Regulations dealing with the requirements for prudential consolidation or corporate actions related to the FIBank Group.

For the avoidance of doubt, a Trigger Event may be determined at any time and may occur on more than one occasion and each Note may be subject to a Write-Down on more than one occasion. The occurrence of a Trigger Event, which would result in a Write-Down of the Current Principal Amount of the

Notes, is inherently unpredictable and depends on a number of factors, many of which may be outside the Issuer's control. A Trigger Event could occur at any time.

The Write-down amount of the Current Principal Amount of all Notes outstanding on the Effective Date, shall be no less than the lower of: (i) The amount (together with the Write-Down of the other Notes and the write-down or conversion of any Loss Absorbing Instruments) required to restore the CET1 ratio capital pursuant to Article 50 CRR of the Issuer and the Group to 7.000 per cent, provided that, with respect to each Loss Absorbing Instrument, (if any) such pro rata write-down or conversion is only taken into account to the extent required to restore the CET1 ratio to the lower of (a) such Loss Absorbing Instrument's trigger level and (b) the trigger level in respect of which a Trigger Event has occurred; and (ii) The whole Current Principal Amount — provided, however, that the principal amount of a Note shall never be reduced to below that Write-Down (together with the Write-Down of the other Notes and the Write-Down or conversion of any Loss Absorbing Instruments) would be insufficient to restore the CET1 ratio as specified in (i).

Such reduction shall be applied to each Note pro rata on the basis of its Current Principal Amount prevailing immediately prior to the Write-Down and "Write-Down Amount" shall mean, in respect of each Note, the amount by which the Current Principal Amount of such Note is to be written down accordingly.

Following a Write-Down of all or part of the Current Principal Amount, the Noteholders will automatically and irrevocably lose their rights to receive — and no longer have any rights against the Issuer with respect to — Interest on the Notes and repayment of the Write-Down amount (but without prejudice to their rights in respect of any reinstated principal amount following a Write-Up).

If a Write-Down, pursuant to the Terms and Conditions, occurs during any Interest Payment Period, accrued but unpaid interest on the Current Principal Amount to but excluding the Effective Date (as defined in the Terms and Conditions) are cancelled. In accordance with the Terms and Conditions, the Notes shall bear interest on the adjusted Current Principal Amount from and including the Effective Date. Any Write-Down of the Notes shall not constitute

an event of default or a breach of the Issuer's obligations or duties, or a failure to perform by the Issuer in any manner whatsoever and shall not entitle Noteholders to petition for the insolvency or dissolution of the Issuer.

Noteholders may lose all or some of their investment as a result of a Write-Down. If the Issuer is liquidated or becomes insolvent prior to the Notes being written up in full (if at all) pursuant to the Terms and Conditions, Noteholders' claims for principal (and interest, if any) will be based on the reduced Current Principal Amount of the Notes.

The market price of the Notes is expected to be affected by fluctuations in the Common Equity Tier 1 capital ratio of both the Issuer and the FIBank Group. Any indication that the Issuer CET 1 Capital Ratio and/or the Group CET 1 Capital Ratio are approaching the level that would trigger a Trigger Event may have an adverse effect on the market price of the Notes.

The regulatory classification of the Notes as Additional Tier 1 instruments may be changed

The Notes are issued with the intention to qualify as Additional Tier 1 instruments pursuant to Article 52 CRR upon issue. There is the risk of a change in the regulatory classification of the Notes under the Capital Regulations that was not reasonably foreseeable at the time of the Notes issuance and that would be likely to result in their exclusion in full or in part from the Issuer's own funds (other than as a consequence of write-down or conversion, where applicable) or in reclassification as a lower quality form of the Issuer's own funds and that the Competent Authority considers to be sufficiently certain. If that is the case, this can have a negative impact on the capitalisation of the Issuer.

The Issuer is under no obligation to reinstate any written down amounts

The Issuer is under no obligation to reinstate any principal amounts which have been subject to any Write-Down up to a maximum of the Original Principal Amount, even if certain conditions that would permit the Issuer to do so, were met. Any Write-Up of the Notes is at the sole discretion of the Issuer and there shall be no obligation for the Issuer to operate or accelerate a write-up.

Moreover, the Issuer will, inter alia, only have the option to Write-Up the Current Principal Amount of the Notes subject to certain limitations set forth in the Terms and Conditions and if the Maximum Distributable Amount (if any) would not be exceeded when operating a Write-Up.

No assurance can be given that these conditions will ever be met or that the Issuer will ever write up (fully or partially) the principal amount (i.e. the then Current Principal Amount) of the Notes following a Write-Down.

Furthermore, any Write-Up must be undertaken on a pro rata basis with all Notes and among any Loss Absorbing Written Down Instruments (as defined in the Terms and Conditions).

Noteholders are exposed to the risk that the price of the Notes falls as a result of changes in the market interest rate.

The Notes bear a fixed interest rate which exposes the Noteholders to the risk that the price of the Notes falls as a result of changes in the market interest rate. While the nominal interest rate of Notes is fixed, the current interest rate on the capital market (market interest rate) for issues of the same maturity typically changes on a daily basis. As the market interest rate changes, the market price of the Notes also changes, but in the opposite direction. If the market interest rate increases, the market price of the Notes typically falls, until the yield of such Notes is approximately equal to the market interest rate. Additionally, even expected future changes of interest rates could cause a change of current market prices of the Notes.

The Issuer CET1 Ratio and the Group CET1 Ratio will be affected by a number of factors, many of which may be outside the Issuer's control, as well as by its business decisions and, in making such decisions, the Issuer's interests may not be aligned with those of the investors

The market price of the Notes is expected to be affected by fluctuations in the Issuer CET1 Ratio and/or the Group CET1 Ratio. Any indication that the Issuer CET1 Ratio and/or the Group CET1 Ratio is trending towards the Trigger Event may have an adverse effect on the market price of the Notes. The level of the Issuer CET1 Ratio and/or the Group CET1 Ratio may significantly affect the trading price of the Notes.

The occurrence of a Trigger Event is inherently unpredictable and depends on a number of factors, any of which may be outside the Issuer's control. Because the Issuer CET1 Ratio and the Group CET1 Ratio may be calculated as at any date, a Trigger Event could occur at any time. The calculation of the Common Equity Tier 1 capital ratios of the Issuer and/or of FIBank Group could be affected by a wide range of factors, including, among other things, factors affecting the level of earnings or dividend payments, the mix of its businesses, its ability to effectively manage the risk-weighted assets in its ongoing businesses, losses in the context of its banking activities or other businesses, changes in FIBank Group's structure or organization. The Issuer CET1 Ratio and the Group CET1 Ratio will also depend on the Issuer's decisions relating to its businesses and operations, as well as the management of its capital position, and may be affected by changes in applicable accounting rules or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules. For example, the Issuer may decide not to, or not be able to, raise capital at a time when it is feasible to do so, even if that would result in the occurrence of a Trigger Event. Moreover, the Issuer CET1 Ratio, the Group CET1 Ratio, Distributable Items and any Maximum Distributable Amount will depend in part on decisions made by the Issuer relating to its businesses and operations, as well as the management of its capital position.

Investors will not be able to monitor movements in the Issuer CET1 Ratio and/or the Group CET1 Ratio or any Maximum Distributable Amount on a continuous basis and it may therefore not be foreseeable when a Trigger Event may occur or whether interest payments must be cancelled. The Issuer will have no obligation to consider the interests of investors in connection with its strategic decisions, including in respect of its capital management. Investors will not have any claim against the Issuer relating to decisions that affect the business and operations of the Issuer, including its capital position, regardless of whether they result in the occurrence of a Trigger Event. Such decisions could cause investors to lose all or part of the value of their investment in the Notes.

The usual reporting cycle of the Issuer is for the Issuer CET1 Ratio and the Group CET1 Ratio to be reported on a quarterly basis in conjunction with the Issuer's quarterly financial reporting, which may mean investors are given limited warning of any deterioration in the Issuer CET1 Ratio and/or the Group CET1 Ratio. Investors should also be aware that the Issuer CET1 Ratio and the Group CET1 Ratio may be calculated as at any date.

The factors that influence the Issuer CET1 Ratio may not be the same as the factors that influence the Group CET1 Ratio. At the date of this Offer, the capital instruments eligible as own funds of the Issuer are the same as the capital instruments eligible as own funds of Group, but the risk-weighted assets and deductions of the own funds of the Issuer differ from the risk-weighted assets and deductions of the own funds of Group.

Since a Trigger Event will occur if there is a breach in the threshold for any one of the CET1 ratios (whether on an individual or a group level), regardless of whether or not the other CET1 ratio threshold is breached, the additional uncertainties resulting from differences in the factors affecting the two CET1 ratios may have an adverse impact on the market price or the liquidity of the Notes.

Due to the uncertainty regarding whether a Trigger Event will occur, it will be difficult to predict when, if at all, the Prevailing Principal Amount of the Notes may be written down. Accordingly, the trading behaviour of the Notes may not necessarily follow the trading behaviour of other types of subordinated securities. Any indication that the Issuer CET1 Ratio and/or the Group CET1 Ratio is trending towards the minimum applicable combined capital buffer may have an adverse effect on the market price of the Notes. Under such circumstances, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to more conventional investments.

CRD IV includes capital requirements that are in addition to the minimum regulatory CET1 capital requirement. These additional capital requirements will restrict the Issuer from making interest payments on the Notes in certain circumstances, in which case the Issuer will automatically cancel such interest payments

A minimum combined buffer requirement is imposed on top of the minimum regulatory capital requirement of the Issuer's total risk exposure amount of 4.5 per cent for CET1, 6 per cent for Tier 1 and 8% for total capital as calculated in accordance with Article 92 of the CRR.

The combined buffer requirement consists of the following elements:

- i. Capital conservation buffer: set at 2.5 per cent of total risk exposure amount;
- ii. Systemic risk buffer: set as an additional loss absorbency buffer to prevent and mitigate long term non-cyclical systemic or macro prudential risks not covered in CRD IV, currently at 3 per cent of total risk exposure amount. The buffer rate is reviewed and set by the Competent Authority;
- iii. Buffer for other systemically important institutions (O-SII buffer). The buffer rate is reviewed annually by the Competent Authority and it is currently at 0.75 per cent for the Issuer. The buffer is set to increase to 1 per cent for the Issuer as of 1 January 2020;
- iv. Institution-specific countercyclical capital buffer, applicable to credit risk exposures in Bulgaria: The Competent Authority sets the buffer rate on a quarterly basis, currently being 0 per cent, and it is set to increase to 0.5 per cent as of 1 October 2019 and to 1.00 per cent as of 1 April 2020.

At the date of this Offer, the Issuer is subject to all of the above capital buffers except for the institution-specific countercyclical capital buffer, applicable to credit risk exposures in Bulgaria. The combined buffer requirement for the Issuer amounts to 6.25 per cent, which is to increase to 6.75 per cent as of 1 October 2019, to 7 per cent as of 1 January 2020 and to 7.50 per cent as of 1 April 2020.

Many aspects of the manner in which CRR/CRD IV will be interpreted remain uncertain and may be subject to change

Many of the defined terms in the Terms and Conditions of the Notes depend on the final interpretation and implementation of CRR/CRD IV. CRR/CRD IV is

a complex set of rules and regulations that impose a series of new requirements, some of which are still subject to transitional provisions and others are likely to be amended in the near future. Although the CRR is directly applicable in each EU Member State, the CRR provides for important interpretational issues to be further specified through binding technical standards and/or delegated legal acts and through guidelines and leaves certain other matters to the discretion of the Competent Authority.

Furthermore, any change in the laws or regulations, Applicable Banking Regulations or any change in the application or official interpretation thereof may in certain circumstances result in the Issuer having the option to redeem the Notes in whole but not in part. If so redeemed, the Notes would cease to be outstanding, which could materially and adversely affect investors and frustrate their investment strategies and goals.

Such legislative and regulatory uncertainty could affect an investor's ability to value the Notes accurately and therefore affect the market price of the Notes given the extent and impact on the Notes of one or more regulatory or legislative changes.

A Noteholder may lose all of its investment in the Notes, including the principal amount plus any accrued but unpaid interest, as a result of the powers exercised by a resolution authority

In addition to being subject to a possible write-down as a result of the occurrence of a Trigger Event in accordance with the Terms and Conditions of the Notes, the Notes may also be subject to a permanent write-down or conversion (in whole or in part) in circumstances where the competent Resolution Authority (Bulgarian National Bank) would, in its discretion, determine that the Issuer has reached the point of non-viability.

Recovery and resolution plans

The Issuer is required to draw up and maintain a recovery plan providing for actions and measures to be taken by the institution to restore its financial situation in the event of significant financial difficulties. The Issuer must submit the plan to the competent supervisory authority for review and update the plan at least annually or after a change in its legal form, governance structure or

organisational structure, its business or its financial position, which could have a material effect on the recovery plan or may require a change in it. Keeping the recovery plan up to date will require monetary and management resources.

The Resolution Authority responsible for a resolution in relation to the Issuer shall adopt a resolution plan in respect of the Issuer providing for resolution actions it may take if the Issuer would fail or would be likely to fail. When drawing up the Issuer's resolution plan, the Resolution Authority shall identify any material impediments to resolvability and, where necessary and proportionate, outline relevant actions for how those impediments could be addressed. When necessary, the Resolution Authority may require the Issuer to present a proposal for possible measures to address or remove these impediments. This may lead to changes to legal or operational structures of the Issuer or of any group entity, which could lead to high transaction costs, or could make the Issuer's business operations or its funding mix to become less optimally composed or more expensive. The Resolution Authority may also require the Issuer to issue additional liabilities at various levels within the Issuer or concentrated at the level of the Group. This may result in higher capital and funding costs for the Issuer, and as a result adversely affect the Issuer's profits and its possible ability to pay dividends and/or interest on the Notes. The Resolution Authority may also require the Issuer to limit or cease specific existing or proposed activities or to restrict or prevent the development of new or existing business lines or sale of new or existing products. This may also reduce potential Issuer's profits and its possible ability to pay dividends and/or interest on the Notes.

Early intervention

If the Issuer would infringe in the near future the requirements of Regulation (EU) No 575/2013, the Law on Credit Institutions, the Law on Markets in Financial Instruments or their implementing acts due to the rapidly deteriorating financial condition of the institution, including as a result of the threatened liquidity, a rapidly increasing level of leverage, of non-performing loans or of credit concentrations, the Competent Authority will have the power to impose early intervention measures. Intervention measures include the

power to require changes to the legal or operational structure of the institution, changes to the management body, institutions' business strategy, the Issuer's managing board to convene a general meeting of shareholders, set the agenda and require certain decisions to be considered for adoption by the general meeting, the institution to draw up a plan for negotiation of debt restructuring with a particular creditor or all of its creditors according to the recovery plan.

Resolution tools

If the resolution authority decides that the Issuer is failing or likely to fail, it may apply resolution measures. These measures include write down and cancelation of shares, and the write down or conversion of capital instruments (such as the Notes) into shares. A write down or conversion of capital instruments into shares could adversely affect the rights and effective remedies of the Noteholders and the market value of their Notes could be negatively affected.

The LRRCIIF provides resolution authorities with broader powers to implement resolution measures with respect to banks which meet the conditions for resolution, which may include (without limitation) the sale of the bank's business, the separation of assets, the replacement or substitution of the bank as obligor in respect of debt instruments, modifications to the terms of debt instruments and discontinuing the listing and admission to trading of financial instruments, appointment of special management. Furthermore, the LRRCIIF provides Resolution Authority the power to ensure that capital instruments (such as the Notes) and certain eligible liabilities absorb losses when the issuing institution meets the conditions for resolution, through the write-down or conversion to equity of such instruments (the Bail-In Tool).

These powers and tools are intended to be used prior to the point at which any insolvency proceedings with respect to the Issuer could have been initiated. Although the applicable legalisation provides for conditions to the exercise of any resolution powers and EBA guidelines set out the objective elements for determining whether an institution is failing or likely to fail, it is uncertain how the Resolution Authority would assess such conditions in any particular pre-insolvency scenario affecting the Issuer and in deciding whether to exercise a

resolution power. The Resolution Authority is also not required to provide any advance notice to the Noteholders of its decision to exercise any resolution power. Therefore, the Noteholders may not be able to anticipate a potential exercise of any such powers nor the potential effect of any exercise of such powers on the Issuer or the Holders' rights under the Notes.

When applying the resolution tools and exercising the resolution powers, including the preparation and implementation thereof, the resolution authorities are not subject to (i) requirements to obtain approval or consent from any person either public or private, including but not limited to the holders of shares or debt instruments, or from any other creditors, and (ii) procedural requirements to notify any person including any requirement to publish any notice or Offer or to file or register any document with any other authority, that would otherwise apply by virtue of applicable law, contract, or otherwise. In particular, the resolution authorities can exercise their powers irrespective of any restriction on, or requirement for consent for, transfer of the financial instruments, rights, assets or liabilities in question that might otherwise apply.

The Resolution Authority can only exercise resolution powers, such as the Bail-In Tool, when it has determined that the Issuer meets the conditions for resolution. The point at which the Resolution Authority determines that the Issuer meets the conditions for resolution is defined as:

- (a) the Issuer is failing or likely to fail, which means (i) the Issuer infringes or there are objective elements to support a determination that the Issuer will infringe the conditions of the license under the Law on Credit Institutions, the Law on Markets in Financial Instruments, respectively, including, but not limited, because the Issuer has incurred or is likely to incur losses that will deplete all or a significant amount of its own funds, and/or (ii) the value of the assets of the Issuer is less than the value of its liabilities or may be reasonably assumed that in the near future the value of its liabilities will exceed the value of its assets, and/or (iii) the Issuer is/will be in the near future unable to pay its debts or other liabilities to its creditors as they fall due, and/or (iv) the Issuer requires public financial support (except in limited circumstances);

- (b) there is no reasonable prospect that any alternative private sector measures, or supervisory actions and early intervention measures or the write down or conversion of relevant capital instruments taken in respect of the Issuer, would prevent the failure within a reasonable timeframe; and
- (c) a resolution action is necessary in the public interest.

Once it is determined that the Issuer meets the conditions for resolution, the Resolution Authority may apply the Bail-In Tool. When applying the Bail-In Tool, Resolution Authority must apply the following order of priority:

1. CET1 capital instruments;
2. Additional Tier 1 capital instruments (such as Notes qualifying as Additional Tier 1 instruments);
3. Tier 2 capital instruments;

Noteholders may have only very limited rights to challenge and/or seek a suspension of any decision of the Resolution Authority to exercise its resolution powers or to have that decision reviewed by a judicial or administrative process or otherwise. Any write-down or conversion of all or part of the principal amount of any instrument, including accrued but unpaid interest in respect thereof, in accordance with the bail-in tool or the write-down and conversion powers would not constitute an event of default under the terms of the relevant instruments. Consequently, any amounts so written down or converted would be irrevocably lost and the holders of such instruments would cease to have any claims thereunder, regardless whether or not the institution's financial position is restored.

Hence, the Notes may be subject to write-down or conversion into CET 1 which may result in Noteholders losing some or all of their investment in the Notes. The exercise of any such power is highly unpredictable and any suggestion or anticipation of such exercise could materially adversely affect the market price of the Notes.

Investors should be aware that if write-down or conversion powers are exercised by a resolution authority: (i) the amount outstanding of the Notes

may be (permanently) reduced, including to zero; (ii) the Notes may be converted into ordinary shares or other instruments of ownership; and/or (iii) the terms of the Notes may be varied (e.g. the variation of maturity of a debt instrument).

As at the date of this Offer, the Issuer has not received any notice of any recovery and/or resolution measure being taken in respect of it and there has been no indication that any event may occur. However, there can be no assurance that this will not change and/or that Noteholders will not be adversely affected by any event if it does occur.

No scheduled redemption

The Notes are securities that are not redeemable at the option of the Noteholders and have no fixed redemption date. The Issuer is under no obligation to redeem the Notes at any time before its liquidation or insolvency.

The Issuer may at its sole discretion, redeem the Notes at any time upon the occurrence of a Tax Event or a Capital Event at the Redemption Price plus accrued interest, if any. In addition, the Issuer may at its sole discretion redeem the Notes, on the fifth anniversary of the Issue Date and each Interest Payment Date thereafter at the applicable Redemption Price plus accrued interest, if any. Such optional redemption features are likely to limit the market price of the Notes, as during any period when the Issuer may decide to redeem the Notes, the market price of the Notes generally will not rise substantially above the price at which they can be redeemed.

Any such redemption is subject to the conditions set out in Articles 77 and 78 of the CRR being met and not before five years from issuance, except where the conditions set out in Article 78(4) of the CRR are met or, in the case of repurchases for market-making purposes, where the conditions set out in Article 29 of the CDR are met and particularly with respect to the predetermined amount defined by the Competent Authority as per Article 29(3)(b) of the CDR (see conditions for Redemption, Issuer's Call Option, Redemption Due to Taxation and Redemption for Regulatory Purposes).

The Issuer shall not give a notice of redemption after a Write-Down Notice has been given in respect of a relevant Trigger Event until the Effective Date of the

Write-Down. In addition, if the Issuer has given a notice of redemption and, after giving such notice but prior to the relevant redemption date, a Trigger Event has occurred, the relevant redemption notice shall be automatically revoked and be null and void and the corresponding redemption shall not be made.

The Issuer disclaims, and investors should therefore not expect, that the Issuer will exercise any redemption right in relation to the Notes. Noteholders should therefore be aware that they may be required to bear the financial risks of an investment in the Notes perpetually. The Noteholders should not invest in the Notes in the expectation that any redemption right will be exercised by the Issuer.

In addition, if the Issuer redeems the Notes in any of the circumstances mentioned above, a Noteholder is exposed to the risk that, due to such redemption, its investment will have a lower than expected yield. The Issuer might exercise its call right if the yield on comparable notes in the capital markets falls, which means that the Noteholder may only be able to reinvest the redemption proceeds in notes with a lower yield or with a similar yield of a higher risk.

There is variation or substitution risk in respect of the Notes

Following the occurrence of a Tax Law Change or Capital Event or in order to align the terms and conditions to best practices published from time to time by the EBA resulting from its monitoring activities pursuant to Article 80 of the CRR, the Issuer may, at any time, without the consent of the Noteholders (and subject to receiving consent from the Competent Authority) either substitute the Notes with new notes or vary the terms of the Notes so that the Notes may become or remain compliant with the CRR or such other regulatory capital rules applicable to the Issuer at the relevant time as specified under Capital Regulations and that such substitution or variation shall not result in terms that are materially less favourable to the Noteholders (as reasonably determined by the Issuer). Following such variation or substitution the resulting securities must have at least, inter alia, the same ranking, interest rate, interest payment dates, redemption rights, existing rights to accrued interest which has not

been paid. Nonetheless, no assurance can be given as to whether any of these changes will negatively affect any particular investor.

The Competent Authority has discretion as to whether or not it will approve any substitution or variation of the Notes, if such permission is prescribed under the then Applicable Banking Regulations. Any such substitution or variation which is considered by the Competent Authority to be material shall be treated by it as the issuance of a new instrument. Therefore, the Notes, as so substituted or varied, must be eligible as Additional Tier 1 Capital in accordance with the then prevailing Applicable Banking Regulations.

The Notes are subject to modification and waivers

The Terms and Conditions of the Notes contain provisions for convening meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including the Noteholders who did not attend and vote at the relevant meeting and the Noteholders who voted in a manner contrary to the majority.

Therefore, a Noteholder may be subject to the risk of being outvoted by a majority resolution of the Noteholders. As such majority resolution is binding on all Noteholders, certain rights of such Noteholder against the Issuer under the Terms and Conditions may be amended or reduced or even cancelled. It is also possible that any modified Notes will contain Conditions that are contrary to the investment criteria of certain investors. All of the above may have significant negative effects on the market price of the Notes and the return from the Notes.

The Terms and Conditions of the Notes do not provide for events of default allowing acceleration of the Notes

The Terms and Conditions of the Notes do not provide for events of default allowing acceleration of the Notes if certain events occur. Accordingly, if the Issuer fails to meet any obligations due and payable under the Notes (although in any case, interest payments are at the sole discretion of the Issuer) investors will not have a right of acceleration of the Notes. Accrued but unpaid interest will be deemed cancelled. Also, the Notes cannot cross default based on non-payment on other securities, except where such non-payment

on other securities itself results in the winding-up of the Issuer. The sole remedy available to the Noteholders for recovery of amounts owing in respect of due but unpaid obligations will be to demand payment of its claim in the winding-up or liquidation of the Issuer. Notwithstanding the foregoing, the Issuer will not, by virtue of the winding-up or liquidation, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it. Noteholders have limited power to invoke the liquidation of the Issuer and will be responsible for taking all steps necessary for submitting claims in any bankruptcy proceedings or voluntary liquidation in relation to any claims they may have against the Issuer.

Change of law may impact the Notes

No assurance can be given as to the impact of any possible judicial decision or change to European or any applicable laws, regulations or administrative practices after the date of this Offer. Such changes in law may include, but are not limited to, the introduction of, or amendments to, a variety of statutory resolution and loss absorption tools and regulatory and resolution capital requirements which may affect the rights of the Noteholders or the risks attached to an investment in the Notes.

Tax consequences of holding the Notes may be complex

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available in relation to the tax treatment of financial instruments such as the Notes. Potential investors are advised not to rely solely upon the tax summary contained in this Offer but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Notes. Only such adviser is in a position to duly consider the specific situation of the potential investor.

An investor's actual yield on the Notes may be reduced from the stated yield by transaction costs

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may reduce the profit potential of the Notes. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional – domestic or foreign – parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, investors must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of securities (direct costs), investors must also take into account any follow-up costs (such as custody fees). Prospective investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

USE OF PROCEEDS

The net proceeds from the issue of the Notes will be used by the Issuer for its general funding purposes and to strengthen the capital base of the Issuer.

TERMS AND CONDITIONS OF THE NOTES

1. Description of the Notes

The 8 per cent perpetual, deeply subordinated, unsecured and non-convertible notes (the “Notes”) are issued by First Investment Bank AD (the “Issuer”).

2. Definitions

“Administrative Action” means any judicial decision, administrative pronouncement, and regulatory procedure affecting taxation.

“Applicable Supervisory Regulations” means, at any time, any requirements of Bulgarian law or contained in the regulations, requirements, guidelines or policies of the Competent Authority, the European Parliament and/or the European Council, then in effect in the Republic of Bulgaria and applicable to the Issuer, including but not limited to the provisions of the Law on Credit Institutions, the CRD, the CRR, and the CDR, in each case as amended from time to time, or such other law, regulation or directive as may come into effect in place thereof.

“AT1 instruments” has the meaning given to additional Tier 1 instruments in the Capital Regulations.

“Bail-in and Loss Absorption Powers” means any loss absorption, write-down, conversion, transfer, modification, suspension or similar or related power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the Republic of Bulgaria, relating to (i) the transposition of the BRRD as amended or replaced from time to time and (ii) the instruments, rules and standards created thereunder, pursuant to which any obligation of the Issuer (or any affiliate of the Issuer) can be reduced, cancelled, modified, or converted into shares, other securities or other obligations of the Issuer or any other person (or suspended for a temporary period).

“Bail-in Tool” has the meaning given to it in the BRRD.

"BRRD" means the Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing the framework for the recovery and resolution of credit institutions and investment firms, as the same may be amended or replaced from time to time.

"Capital Regulations" means any requirements of Bulgarian law or contained in the relevant rules of EU law that are then in effect at the Issue Date in the Republic of Bulgaria relating to capital adequacy and applicable to the issuer, including but not limited to the CRR, national laws and regulations transposing or implementing the CRD IV and the BRRD, delegated or implementing acts adopted by the European Commission and guidelines issued by the EBA, as amended from time to time, or such other acts as may come into effect in place thereof.

"Capital Event" is deemed to have occurred if there is a change in the regulatory classification of the Notes under the Capital Regulations that was not reasonably foreseeable at the time of the Notes issuance and that would be likely to result in their exclusion in full or in part from the Issuer's own funds (other than as a consequence of write-down where applicable) or in reclassification as a lower quality form of the Issuer's own funds and that the Competent Authority considers to be sufficiently certain.

For the avoidance of doubt, partial de-recognition from AT1 capital owing to write-down shall not constitute a Capital Event.

For the avoidance of doubt, potential changes in the regulatory assessment are not considered as a Capital Event.

"CDR" means Commission Delegated Regulation (EU) No 241/2014 of 7 January 2014 supplementing the CRR with regard to the RTS for Own Funds requirements for institutions (Capital Delegated Regulation), as amended from time to time.

"CET1 instrument(s)" has the meaning given to it in the Capital Regulations.

“**CET1 capital ratio**” means, with respect to the Issuer and the Group, at any time, the CET1 capital as of such time expressed as a percentage of the total risk exposure amount of the Issuer or the Group, respectively.

“**Common Equity Tier (CET1) capital**” has the meaning given to it in Article 50 of the CRR.

“**Competent Authority**” means the Bulgarian National Bank (the “**BNB**”) or such other or successor authority that is responsible for prudential supervision and/or empowered by national law to supervise the Issuer as part of the supervisory system in operation in the Republic of Bulgaria.

“**CRD IV**” means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directive 2006/48/EC and 2006/49/EC, amended from time to time, or such other directive as may come into effect in place thereof.

“**CRR**” means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, amended from time to time, or such other regulation as may come into effect in place thereof and any references in these Terms and conditions to relevant articles of the CRR include references to any applicable provisions of law amending or replacing such articles from time to time.

“**Current Principal Amount**” means:

- (i) with respect to the Notes or a Note (as the context requires), the principal amount thereof calculated on the basis of the original principal amount, as such amount may be reduced on one or more occasions pursuant to the application of the loss absorption mechanism and/or reinstated on one or more occasions following a write-up, as the case may be, as such terms are defined in, and pursuant to, conditions in ‘Consequences of a Trigger Event’ and ‘Write-Up’ respectively; or

- (ii) with respect to any other Loss Absorbing Instrument, the principal amount thereof (or amount analogous to a principal amount) calculated on a basis analogous to the calculation of the Current Principal Amount of the Notes.

"Day Count Fraction" means, in respect of the calculation of an amount of distributions on any Note for any period of time (including the first such day to but excluding the last) (the "Calculation Period") the number of calendar days in such Calculation Period divided by 360.

"Distributable Items" means the amount of the profits at the end of the latest financial year, plus any profits brought forward and reserves available for that purpose before distributions to holders of own funds instruments (excluding, for the avoidance of doubt, any Tier 2 instruments), minus any losses brought forward, profits that are non-distributable pursuant to provisions in Bulgarian legislation or the Issuer's by-laws or statute, and sums placed to non-distributable reserves in accordance with applicable Bulgarian law or the Issuer's by-laws or statutes, those losses and reserves being determined on the basis of the individual accounts of the Issuer and not on the basis of the (sub)consolidated accounts.

"Existing AT1 instruments of the Issuer" means the notes issued by the Issuer in the total amount of EUR 100 000 000, fully subscribed, recognized and treated as additional tier 1 instruments of the Issuer, in particular:

- (i) note issue broken down over three tranches, each of which in the amount of EUR 20 000 000, with a total amount of EUR 60 000 000 and
- (ii) note issue broken down over two tranches, each of which in the amount of EUR 20 000 000, with a total amount of EUR 40 000 000.

"First Call Date" means 20 December, 2024

"Interest Amount" means the amount of interest payable on the Notes for any Interest Period.

Interest Payment Date means 20 December in each year, with the first Interest Payment Date falling on 20 December 2020.

“Interest Period” means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date.

“Issue Date” means 20 December 2019.

“Loss Absorption Event” has the meaning given to it under item 7 (3) of the Terms and Conditions of the Notes.

“Loss Absorbing Instrument” refers to, at any time, any AT1 instrument (other than the Notes) of the Issuer that may have all or some of its principal amount written down (whether on a permanent or temporary basis) or converted (in each case, in accordance with its conditions or otherwise) on the occurrence or as a result of the Issuer’s CET1 Ratio falling below a certain trigger level.

“Loss Absorbing Written down Instrument” refers to, at any time, any AT1 instrument (other than the Notes) of the Issuer or, as applicable, any instrument issued by a member of the Group and qualifying as AT1 instrument of the Issuer and/or the Group, that, at the point in time falling immediately prior to any Write-Up of the Notes, is outstanding and has a prevailing principal amount that is less than its original principal amount because all or some of its principal amount has been written down on a temporary basis, and that has terms permitting a principal write-up to occur on a basis similar to that provided in Condition 8 of these Terms and Conditions of the Notes in the circumstances existing on the relevant Write-Up Date.

“Maximum Distributable Amount” means any maximum distributable amount required to be calculated in accordance with Article 16(3) of Ordinance No 8, as may be amended or supplemented from time to time, or, if repealed, the applicable Bulgarian legislation transposing or implementing Article 141 of the CRD IV.

“Maximum Write-Up Amount” has the meaning given to it under item 8 of the Terms and Conditions of the Notes.

“Net Profit” means the lower amount of the net profit calculated on a consolidated/individual basis, after a formal decision confirming the final profits has been taken.

“Ordinance No 8” means Ordinance No 8 of the BNB of 24 April 2014 on Banks’ Capital Buffers.

“Original Principal Amount” means the principal amount (which, for these purposes, is equal to the nominal amount) of the Notes at the Issue Date without regard to any subsequent Write-Down or Write-Up.

“Relevant Resolution Authority” means the resolution authority with the ability to exercise any Bail-in and Loss Absorption Powers in relation to the Issuer and/or the Group.

“Redemption Price” means, in respect of each Note, the then Current Principal Amount thereof together with any accrued but unpaid distributions on the Notes (if any).

“Relevant Distributions” means the sum of:

- (i) Any distributions on the Notes made or scheduled to be made by the Issuer in the then current financial year of the Issuer; and
- (ii) Any distributions made or scheduled to be made by the Issuer on other CET1 instruments or AT1 instruments in the then current financial year of the Issuer.

“Tax Law Change” means:

- (i) Any amendment to, or clarification of, or change in the laws or treaties (or any regulations promulgated thereunder) of the Republic of Bulgaria or any political subdivision or tax authority thereof or therein;
- (ii) Any Administrative Action; or
- (iii) Any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or any interpretation or pronouncement that provides for a position with respect to such

Administrative Action that differs from the theretofore generally accepted position (in each case) by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective, or which pronouncement or decision is announced, on or after the Issue Date,

where, in any of the above cases from (i) to (iii), this results in a material and non-foreseeable change in the applicable tax treatment of the Notes.

For the avoidance of doubt, mere changes in the applicable accounting standards, in particular where this change would not trigger a change in the applicable tax treatment, or potential changes in the regulatory assessment are not considered as a Tax Law Change.

“**Tier 2 (T2) instrument (s)**” has the meaning given to it in the Capital Regulations.

“**Trigger Event**” means at any time that CET1 Capital Ratio of the Issuer or the Group is below 7.000 per cent. Whether a Trigger Event has occurred at any time shall be determined by the Issuer or, the Competent Authority and such a calculation shall be binding on the Noteholders.

“**Write-Down**” means a reduction of the Current Principal Amount of each Note by the relevant Write-Down Amount and ‘Written Down’ shall be construed accordingly.

“**Write-Down Amount**” means, on any Write-Down Date, the amount by which the then Current Principal Amount of each outstanding Note is to be written down on such date, which shall be no less than the lower of:

- (i) The amount (together with the Write-Down of the other Notes and the write-down or conversion of any Loss Absorbing Instruments with the same trigger level) required to restore the CET1 ratio of the Issuer to 7.000 per cent, provided that, with respect to each Loss Absorbing Instrument, (if any) such pro rata write-down or conversion is only taken into account to the extent required to restore the CET1 ratio to the lower

of (a) such Loss Absorbing Instrument's trigger level and (b) the trigger level in respect of which a Trigger Event has occurred;

- (ii) The whole Current Principal Amount — provided, however, that the principal amount of a Note shall never be reduced to below that Write-Down (together with the Write-Down of the other Notes and the Write-Down or conversion of any Loss Absorbing Instruments) would be insufficient to restore the CET1 ratio as specified in (i).

“**Write-Down Date**” has the meaning given to it under item 7 (3) of the Terms and Conditions of the Notes.

3. Form, Denomination and Title

The Notes are issued in dematerialised book-entry form, in the denominations of EUR 1 000 and an aggregate amount of EUR 30 000 000.

The Current Principal Amounts may be adjusted as provided in Condition 7 (Loss absorption) or as otherwise required by then current legislation and/or regulations applicable to the Issuer. Any such adjustment to the Current Principal Amounts will not have any effect on the denominations of the Notes.

The Notes will be registered in the Bulgarian register of book-entry securities held at the Central Depository AD. Access to the Clearing System is available through those of its Clearing System participants whose membership extends to securities such as the Notes. Clearing System participants include certain banks, stockbrokers and Clearstream, Luxembourg. Accordingly, the Notes will be eligible to clear through, and therefore accepted by Clearstream, Luxembourg and investors can hold their Notes within securities accounts in Clearstream, Luxembourg.

Title to the Notes is evidenced by book entries, and each person shown in the Bulgarian register of book-entry securities held at the Central Depository AD and in the registries maintained by the Clearing System Members as having an interest in the Notes shall be considered the holder of the principal amount of the Notes recorded therein.

Transfers of interests in the Notes will be effected between Clearing System participants in accordance with the rules and operating procedures of the Clearing System. Transfers between investors will be effected in accordance with the respective rules and operating procedures of the Clearing System participants through which they hold their Notes.

The Notes are issued without any restrictions on their transferability. Consequently, the Notes may be transferred and title to the Notes may pass (subject to Bulgarian law and to compliance with all applicable rules, restrictions and requirements of the Central Depository AD or, as the case may be, the relevant Clearing System Member) upon registration in the relevant registry of each Clearing System Member and/or Central Depository AD itself, as applicable.

4. Status of the Notes

The issuer expects the Notes to be AT1 Instruments of the Issuer.

The Notes constitute direct, unsecured and deeply subordinated obligations of the Issuer and shall, at all times, rank:

- (i) *Pari passu* without any preference among themselves;
- (ii) *Pari passu* with all present or future AT1 instruments of the Issuer, including the Existing AT1 instruments of the Issuer (as defined below) and any other obligations or capital instruments of the Issuer that rank or are expressed to rank equally with the Notes in the event of liquidation or insolvency of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer;
- (iii) Senior to holders of the Issuer's CET1 instruments (i.e. the share capital of the Issuer, as defined in Condition 2 (Definitions) of the "*Terms and Conditions of the Notes*") and any other obligations or capital instruments of the Issuer that rank or are expressed to rank junior to the Notes on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer; and

- (iv) Junior to present or future claims of (a) unsubordinated creditors of the Issuer and, including creditors of any senior unsecured non-preferred liabilities expressed to rank senior to the class of obligations fulfilling the conditions set out in (a)-(c) of Article 108 (2) of the BRRD, (b) subordinated creditors of the Issuer including Tier 2 holders, and (c) junior to any present or future claims which are excluded from application of the write-down or conversion powers under the Bail In Tool, other than the present or future claims of creditors that rank or are expressed to rank pari passu with or junior to the Notes in the event of liquidation or insolvency of the Issuer.

Claims of the Issuer are not permitted to be set-off or netted against payment obligations of the issuer under the Notes. No contractual collateral may be provided by the Issuer or by any third person for the liabilities constituted by the Notes.

No security or guarantee of whatever kind is, or shall at any time be, provided by the Issuer or any other person that enhances the seniority of the claims or securing rights of the Noteholders.

The Notes are not subject to any arrangement, contractual or otherwise, that enhances the seniority of the claim under the Notes in insolvency or liquidation.

No insolvency proceedings against the Issuer are required to be opened in relation to the obligations of the Issuer under the Notes. The Notes do not contribute to a determination that the liabilities of the Issuer exceed its assets; therefore, the obligations of the Issuer under the Notes, if any, will not contribute to the determination of insolvency in accordance with the Bulgarian legislation.

5. Interest and interest calculation

5.1. Interest rate

Interest will accrue on each Note at the fixed rate of 8.0% per annum from and including the relevant Issue Date, which interest will be payable, subject as provided herein, annually in arrears on the relevant Interest Payment Dates.

5.2. Accrual of interest

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of the Current Principal Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition until whichever is the earlier of:

- (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and
- (ii) the day on which the Fiscal Agent has notified the Noteholders in accordance with Condition 16 (Notices) that it has received all sums due in respect of the Notes up to such day.

5.3. Calculation of interest amount

The amount of interest payable is calculated based on the convention ACT/ACT (ICMA) (actual number of days in the period divided by actual number of days in the year). The amount of interest is calculated on the Current Principal Amount of the Notes (i.e. the nominal amount of the Notes as reduced by write-downs and subsequently increased by write-ups to an amount still lower than the Original Principal Amount, so that distributions are based on the reduced amount of the principal).

Interest under the Notes shall be paid out of the Distributable Items on the basis of a decision of the Managing Board of the Issuer.

5.4. Calculation of interest amount in case of write-down

Subject to Condition 6 (Interest cancellation), in the event that a Write-Down occurs during an Interest Period, any accrued and unpaid interest shall be cancelled pursuant to Condition 7 (Loss absorption) and the Interest Amount payable on the Interest Payment Date immediately following such Interest Period shall be calculated in accordance with Condition 5.3 (Calculation of

interest amount), provided that the Day Count Fraction shall be determined as if the Interest Period started on, and included, the Write-Down Effective Date.

5.5. Calculation of interest amount in case of write-up

Subject to Condition 6 (Interest cancellation), in the event that a Write-Up occurs during an Interest Period, the Interest Amount payable on the Interest Payment Date immediately following such Interest Period shall be calculated as the sum of the following:

- (i) the product of the Interest rate, the Current Principal Amount before such Write-Up, and the Day Count Fraction (determined as if the Interest Period ended on, but excluded, the date of such Write-Up); and
- (ii) the product of the Interest rate, the Current Principal Amount after such Write-Up, and the Day Count Fraction (determined as if the Interest Period started on, and included, the date of such Write-Up).

6. Interest cancellation

6.1. Discretionary cancellation of Interest payment on the Notes

The Issuer may, at its discretion, at any time, elect to cancel (in whole or in part) any Interest payment on the Notes that are scheduled to be paid on an Interest Payment Date for an unlimited period and on a non-cumulative basis. The Issuer may use such cancelled payment without restrictions to meet its obligations as they fall due. The rights and obligations of the Noteholders in respect of such Interest Payments shall be considered irrevocably cancelled and forfeited. Upon the Issuer electing to cancel (in whole or in part) any Interest payment on the Notes, the Issuer shall give notice of such election to the Noteholders without undue delay and in any event no later than on the Interest Payment Date. Any failure to give such notice shall not affect the validity of the cancellation and shall not constitute a default for any purpose. Such notice shall specify the amount of the relevant cancellation and, accordingly, the amount (if any) of the relevant distributions payment on the Notes that will be paid on the relevant Interest Payment Date.

In the event that the Issuer exercises its discretion not to pay interest on any Interest Payment Date, it will not give rise to any contractual restriction on the Issuer making distributions or any other payments to the holders of any securities ranking *pari passu* with, or junior to, the Notes.

6.2. Mandatory cancellation of Interest payments on the Notes

Without prejudice to (i) such full discretion of the Issuer under the Discretionary cancellation of Interest payments on the Notes and (ii) the prohibition to make payments on the AT1 instruments pursuant to Article 16(2) of Ordinance No 8, as may be amended or supplemented from time to time, or, if repealed, the applicable Bulgarian legislation implementing Article 141(2) of the CRD IV, before the Maximum Distributable Amount is calculated, any payment of Interest on the Notes scheduled to be paid on any Interest Payment Date shall be cancelled, in whole or in part, if and to the extent that:

- (i) The amount of such Interest payment on the Notes otherwise due, together with any further Relevant Distributions, any obligation referred to Article 16(2) of Ordinance No 8, as may be amended or supplemented from time to time, or, if repealed, the applicable Bulgarian legislation implementing Article 141(2)(b) of the CRD IV, and the amount of any write-ups, where applicable, exceed (in aggregate) the amount of the Maximum Distributable Amount (if any); or
- (ii) The Interest payment on the Notes would cause, when aggregated together with other Relevant Distributions and any potential write-ups the Distributable Items of the Issuer (as at such Interest Payment Date then applicable to the Issuer) to be exceeded; or
- (iii) The Competent Authority orders the Issuer to cancel the relevant Interest payment on the Notes (in whole or in part) scheduled to be paid; or
- (iv) CET1 capital ratio falls below 7.000 per cent.

6.3. Cancellation of Interest non-cumulative

Any Interest payment on the Notes so cancelled, shall be cancelled definitively and shall not accumulate or be payable at any time thereafter.

Any accrued but unpaid Interest on the Notes up to (and including) a Trigger Event (whether or not such Interest has become due for payment) shall be automatically cancelled. For the avoidance of doubt, any accrued but unpaid Interest from the Trigger Event up to the Write-Down Date shall also be automatically cancelled even if no notice has been given to that effect.

6.4. No default

Any Interest payment on the Notes (or part thereof) so cancelled shall not constitute a default by the Issuer for any purpose, and the Noteholders shall have no right thereto, whether in the case of bankruptcy or liquidation of the Issuer. Any such cancellation of Interest imposes no restrictions on the Issuer. In the absence of any notice of cancellation (as referred to above) being given, non-payment (in whole or in part) of the relevant distributions payment on the Notes on the relevant Interest Payment Date shall be evidence of the Issuer having elected or being required to cancel such interest payment in whole or in part, as applicable.

1. Consequences of a Trigger Event

If a Trigger Event occurs at any time, all of the following shall apply:

1. The Issuer shall immediately inform the Competent Authority of the occurrence of the Trigger Event;
2. The Issuer shall as soon as reasonably practicable notify the Noteholders, in an irrevocable manner, that the Trigger Event has occurred;

The Issuer shall not give a notice of redemption if a Trigger Event has occurred.

If the Issuer has given a notice of redemption and, after giving such notice but prior to the relevant redemption date, a Trigger Event has occurred, the relevant redemption notice shall be automatically revoked and be null and void and the corresponding redemption shall not be made.

3. The Issuer shall without delay, pro rata with the other Notes and any other Loss Absorbing Instruments with the same trigger level, irrevocably and mandatorily operate a Write-Down of the Notes by the relevant Write-Down Amount (a “**Loss Absorption Event**”).

The Write-Down of the Notes shall occur without delay and, in any event, not later than one month (or a shorter period as the Competent Authority may then require) from the occurrence of the relevant Trigger Event (such date being a “**Write-Down Date**”).

To the extent that the Write-Down or conversion of any Loss Absorbing Instrument is not effective for any reason, (i) the ineffectiveness of any such write-down or conversion shall not prejudice the requirement to effect a Write-Down of the Notes and (ii) the write-down or conversion of any Loss Absorbing Instrument that is not effective shall not be taken into account in determining the Write-Down Amount of the Notes.

A Loss Absorption Event may occur on more than one occasion and the Notes may be Written Down on more than one occasion.

The Existing AT1 instruments of the Issuer have a trigger level of 5.125%. In case that all triggers are hit simultaneously (e.g. the CET1 of the institution is to below 5.125% from over 7%), the losses corresponding to the amount required to go back to 5.125% would be absorbed by both the low-trigger (i.e. the Existing AT1 instruments of the Issuer) and high-trigger instruments (i.e. the Notes) by means of Write-Down on a pro rata basis. Losses above 5.125% will be supported by only the high-trigger instrument (the “Notes”).

Currently, the Group does not have any Tier 2 loss absorbing instrument.

Any Write-Down of the Notes shall not constitute an event of default or a breach of the Issuer’s obligations or duties, or a failure to perform by the Issuer in any manner whatsoever and shall not entitle Noteholders to petition for the insolvency or dissolution of the Issuer.

Following a Write-Down of all or part of the Current Principal Amount, Noteholders will automatically and irrevocably lose their rights to receive —

and no longer have any rights against the Issuer with respect to — Interest on the Notes and repayment of the Write-Down amount (but without prejudice to their rights in respect of any reinstated principal amount following a Write-Up).

2. Reinstatement of principal amount

After a write-down has been effected, the Current Principal Amount of each Note, unless previously redeemed or repurchased and cancelled, may be increased up to a maximum of its Original Principal Amount (“Write-up”) on a pro rata basis with any other Loss Absorbing Written-Down Instruments (based on the then prevailing Current Principal Amount thereof), provided that the Maximum Write-Up Amount is not exceeded, and is in accordance with the following provisions and with the provisions of Article 21 of the CDR.

The “**Maximum Write-Up Amount**” to be attributed to the sum of the Write-Up, together with the payment of Interest on the Current Principal Amount of Notes and any other Loss Absorbing Write-Down Instruments, if any, is the Net Profit (i) multiplied by the aggregate issued Original Principal Amount of all written-down AT1 instruments of the Issuer and (ii) divided by the Tier 1 Capital of the Issuer as at the date when the write-up is operated. Any Write-up of the Notes and any other Loss Absorbing Written-down Instrument or any payment of distributions on the Current Principal Amount of the Notes and any other Loss Absorbing Written-down Instruments, if any, shall be operated at the full discretion of the Issuer and there shall be no obligation for the Issuer to operate or accelerate a write-up under specific circumstances.

In total, the sum of the amounts of the Write-Ups of the Notes and any other Loss Absorbing Instruments—together with the amounts of distributions on CET1 instruments of the Issuer and including distributions on Loss Absorbing Written-down Instruments—shall not exceed the Maximum Distributable Amount.

Write-ups may be made on one or more occasions until the Current Principal Amount of the Notes has been reinstated to the Original Principal Amount.

A Write-up shall not be operated while a Trigger Event has occurred and is continuing. A Write-up shall not be affected in circumstances where such a

Write-up (together with the write-up of all other Loss Absorbing Written- down Instruments) would cause a Trigger Event to occur.

3. Redemption and repurchase

3.1. No scheduled redemption

The Notes are securities that are not redeemable at the option of the Noteholders and have no fixed redemption date, and the Issuer shall have the right to call, redeem, repay or repurchase them only in accordance with (and subject to) the conditions set out in Articles 77, 78 and 78a of the CRR being met and not before five years from issuance, except where the conditions set out in Article 78(4) of the CRR are met or, in the case of repurchases for market-making purposes, where the conditions set out in Article 29 of the CDR are met and particularly with respect to the predetermined amount defined by the Competent Authority as per Article 29(3)(b) of the CDR (see conditions for Redemption, Issuer's Call Option, Redemption Due to Taxation and Redemption for Regulatory Purposes).

The instrument shall become immediately due and payable only in the event of liquidation or bankruptcy of the Issuer, subject to the conditions in the Status of the Notes.

3.2. Conditions for call, redemption, repayment or repurchase

Any call, redemption, repayment or repurchase of the Notes in accordance with the conditions related to the Issuer's Call Option, Redemption Due to Taxation or Redemption on the occurrence of Capital Event are subject to the following:

- (i) The Issuer obtaining prior permission of the Competent Authority in accordance with Article 78 of the CRR, where either:
 - a. the Issuer has replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer earlier than, or at the same time as, the call, redemption, repayment or repurchase; or

- b. the Issuer has demonstrated to the satisfaction of the Competent Authority that the own funds and the eligible liabilities of the Issuer would—following such call, redemption, repayment or repurchase—exceed the minimum capital requirements (including any capital buffer requirements) laid down in the CRR and the applicable Bulgarian legislation transposing CRD IV and BRRD, by a margin that the Competent Authority considers necessary at such time;
- (ii) the Issuer having obtained prior permission of the Relevant Resolution Authority for the redemption or any repurchase in case the Notes no longer fulfil the criteria to be included in the Issuer's own funds, but are eligible for inclusion in the minimum levels of own funds and other eligible liabilities as per the applicable Bulgarian legislation transposing BRRD in accordance with Article 77(2) and 78a of the CRR, if applicable to the Issuer at that point in time, whereas such permission may, inter alia, require that:
- a. either the Issuer replaces the Notes with own funds instruments or eligible liabilities of equal or higher quality at terms that are sustainable for the income capacity of the Issuer earlier than, or at the same time as, the redemption or repurchase; or
 - b. the Issuer has demonstrated to the satisfaction of the Relevant Resolution Authority that the own funds and eligible liabilities of the Issuer would, following such redemption or repurchase, exceed the minimum capital requirements (including any capital buffer requirements) laid down in the CRR and the applicable Bulgarian legislation transposing and the CRD IV and the BRRD by a margin that the Relevant Resolution Authority, in agreement with the Competent Authority considers necessary at such time; or

- c. the Issuer has demonstrated to the satisfaction of the Relevant Resolution Authority that the partial or full replacement of the eligible liabilities with own funds instruments is necessary to ensure compliance with the own funds requirements laid down in the CRR and in the applicable Bulgarian legislation transposing the CRD IV for continuing authorisation; and
- (iii) In addition to (i) and (ii), in respect of a redemption prior to the fifth anniversary of the Issue Date, if and to the extent required under Article 78(4) of the CRR:
- a. In the case of redemption upon the occurrence of a Tax Law Change, the Issuer has demonstrated to the satisfaction of the Competent Authority that the change in the applicable tax treatment of the Notes is material and was not reasonably foreseeable as at the Issue Date; or
 - b. In the case of redemption upon the occurrence of a Capital Event, the Issuer has demonstrated to the satisfaction of the Competent Authority that the change in the regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date.
 - c. Before or at the same time as the call, redemption, repayment or repurchase, the Issuer has replaced the instruments or related share premium accounts referred to in Article 77(1) with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer and the Competent authority has permitted that action on the basis of the determination that it would be beneficial from a prudential point of view and justified by exceptional circumstances;

For the avoidance of doubt, any refusal of the Competent Authority and/or the Relevant Resolution Authority to grant permission in accordance with

Applicable Supervisory Regulations shall not constitute a default for any purpose.

The Issuer shall not give a notice of redemption if a Trigger Event has occurred.

If the Issuer has given a notice of redemption and, after giving such notice but prior to the relevant redemption date, a Trigger Event has occurred, the relevant redemption notice shall be automatically revoked and be null and void and the corresponding redemption shall not be made.

3.3. Issuer's Call Option

Subject to the condition for call, redemption, repayment or repurchase, the Issuer may elect, in its sole discretion, to redeem all (but not some only) of the Notes on the First Call Date or on any Interest Payment Date thereafter at their Redemption Price.

3.4. Redemption Due to Occurrence of a Tax Law Change

In case of a Tax Law Change the Issuer may—subject to the conditions for call, redemption, repayment or repurchase—at any time redeem partially or fully the Notes at their Redemption Price on the relevant date fixed for redemption.

3.5. Redemption Due to Occurrence of a Capital Event

In case of a Capital Event, the Issuer may,—subject to the Conditions for call, redemption, repayment or repurchase—at any time redeem all (but not some only) of the Notes at their Redemption Price on the relevant date fixed for redemption.

3.6. Redemption due to refusal to include the Notes in the AT1 capital

The Issuer may elect, in its sole discretion, to redeem all (but not some only) of the Notes upon refusal of the Competent Authority to grant permission for inclusion of the Notes in Additional Tier 1 Capital of the Issuer. Such redemption shall not be subject to the Conditions for call, redemption,

repayment or repurchase, because the Notes would not be governed by any of the Applicable Supervisory Regulations relevant to additional tier 1 instruments.

4. Taxation

All payments in respect of the Notes by, or on behalf of, the Issuer shall be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Bulgaria or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

If such withholding or deduction is required by law, the Issuer will - to the extent that this (i) would not exceed the Distributable Items and (ii) only relates to withholding tax applicable to interest paid by or on behalf of the Issuer and results from a change in the applicable withholding tax treatment of the Notes based on a decision of the tax, administrative or judicial authority having competence over the Issuer - pay such additional amounts in relation to interest (but not principal) on the Notes as may be necessary in order that the net amounts received by the Noteholders after such withholding or deduction will equal the respective amounts that would otherwise have been receivable in respect of the Notes in the absence of such change.

5. Substitution/Variation Event

Following the occurrence of a Tax Law Change or Capital Event or in order to align the terms and conditions to best practices published from time to time by the EBA resulting from its monitoring activities pursuant to Article 80 of the CRR, the Issuer may, at any time, without the consent of the Noteholders either:

- (i) Substitute new notes for the Notes whereby such new notes shall replace the Notes; or
- (ii) Vary the terms of the Notes, so that the Notes may become or remain compliant with the CRR or such other regulatory capital rules applicable to the

Issuer at the relevant time as specified under Capital Regulations and that such substitution or variation shall not result in terms that are materially less favourable to the Noteholders (as reasonably determined by the Issuer).

6. Payments

All payments under these Terms & Conditions will be carried out directly by the Issuer through Central Depository AD.

7. Meetings of Noteholders

General meeting of the Noteholders may be convened by the Issuer at any time or by the Noteholders holding at least 10% in nominal amount of the Notes for the time being outstanding. Each Note equals one vote. All decisions relating to the amendment of the material terms and conditions of the Notes (in particular, changing interest payment dates or reduction of the interest rate) must be taken unanimously and will be subject to a minimum quorum of not less than 50% of the nominal amount of the Notes. All other decisions are made by majority vote. Any modifications may only be made to the extent the Issuer has obtained the prior written approval of the Competent Authority. The Issuer has the right to refuse; respectively, the Competent Authority has the right to object to any changes or modifications to the terms and conditions of these Notes, as long as the changes or the modifications may affect the prudential aspects of the instrument.

The first General meeting of the Noteholders will be convened within 30 (thirty) days from the Issue Date by the Managing Board of the Issuer. The exact date of the first General meeting of the Noteholders will be specified in the notice for its convocation which will be published in the Commercial Register. During the first General meeting of the Noteholders, the Noteholders shall elect a representative to protect their interests before the Issuer. The applicable provisions of the Commerce Act shall apply with respect to the limitations, powers, remunerations and role in the General meeting of the Noteholders of such representative(s).

The provisions of articles 208 through 214 of the Commerce Act shall apply to the all issues related to the General meetings of the Noteholders and their representation therein.

8. Governing law and submission to jurisdiction

The notes and any non-contractual obligations arising out of or in connection with them will be governed by Bulgarian law.

The courts of Bulgaria are to have jurisdiction to settle any disputes that may arise out of or in connection with the Notes and, accordingly, any legal action or proceedings arising out of or in connection with the Notes (Proceedings) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Noteholder and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

9. Notices

Notices to Noteholders will be deemed to be validly given if published in electronic form on the website of the Issuer (www.fibank.bg) and, as long as the Notes are listed and admitted to trading on the Luxemburg Stock Exchange and the rules of that exchange so permit, on the website of the Luxemburg Stock Exchange.

The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading.

Any notice so given will be deemed to have been validly given on the date of the first such publication. Noteholders will be deemed for all purposes to have

notice of the contents of any notice given to the Noteholders in accordance with this Condition 16.

10. Subscription

The Notes are offered through initial private offering to a limited number of selected investors, and have to be paid in cash.

The subscription start date is 6 December 2019.

The subscription end date is 20 December 2019.

The subscription shall be considered successful, and respectively this Notes issue shall be deemed valid, if by the deadline for subscription the subscribed Notes have a total issue price of at least EUR 10 000 000 (ten million euro). The subscription shall also be considered successful, if all issued Notes are subscribed and paid in full, even if the subscription term has not expired yet. All Notes shall be paid in full (partial payments are not allowed).

There are no restrictions for the number of Notes an investor may subscribe.

This Offer can be accepted by explicit written statement (in accordance with the template provided by FFBH) and depositing the payment document evidencing that the amount equal to the issue price of the subscribed Notes is transferred to the raising account opened with the Issuer.

The place for subscription of the Notes is at First Financial Brokerage House premises at 4th floor of 2 Enos Street, 1408 Sofia or at the offices of other licensed investment intermediaries, or by other remote means.

The identity of the Investors should be explicitly verified by the Investment intermediary.

Investors who wish to subscribe Notes shall identify themselves before the investment intermediary by presenting the following documents:

- (i) in case the investor is a natural person:
 - a. a copy of the ID documents with handwritten text: "true copy of the original", dated and signed by the subscriber/representative;

- b. if the subscription application is submitted by a proxy, an explicit notarised power of attorney shall also be submitted (powers of attorney granted outside Bulgaria shall be accompanied by a duly legalized and certified translation into Bulgarian as per the applicable legislation).
- (i) in case the investor is a legal entity:
- a. a copy of the ID document of the representative with handwritten text: "true copy of the original", dated and signed by the subscriber/representative;
 - b. certified copy of the certificate of good standing, and if the investor is not registered in the register of companies maintained by the Registry Agency, a copy of the BULSTAT registration;
 - c. foreign legal entities shall present a copy of their registration document and certificate of good standing issued by their local registrar of companies; such certificate shall be issued in the respective foreign language, and accompanied by legalized translations into Bulgarian. These documents must clearly state the name of the person, date of issue, country of registration, mailing address and the names of its official representatives;
 - d. if the subscription application is submitted by a proxy, an explicit notarised power of attorney shall also be submitted (powers of attorney granted outside Bulgaria shall be accompanied by a duly legalized and certified translation into Bulgarian as per the applicable legislation).

Investors who wish to subscribe Notes shall present proof and declaration for the origin of the funds and proof and declaration about the Beneficial Owner in accordance with the Bulgarian Measures Against Money Laundering Act.

The investor who wants to place an order for participation in the offering should be client of the respective investment intermediary and the respective provisions of the applicable legislation shall apply.

The request for subscription of Notes is final and irrevocable.

The initial private offering shall be deemed unsuccessful, if after expiry of the registration deadline the minimum portion of the issue is not yet subscribed. In this case, all received proceeds plus the accrued interest shall be refunded to the subscribers by the bank that services the raising account within 5 days of expiry of the subscription deadline.

The Notes issue shall be registered with the Central Depository AD.

Central Depository AD shall maintain the book of Noteholders.

DESCRIPTION OF THE ISSUER

Details of the Issuer

NAME:	First Investment Bank AD
COUNTRY OF INCORPORATION:	Bulgaria
SEAT:	Town of Sofia
MANAGEMENT ADDRESS:	37 Dragan Tsankov Boulevard, 1797 Sofia
HEAD OFFICE ADDRESS:	37 Dragan Tsankov Boulevard, 1797 Sofia
PHONE:	(02) 817 11 00
SWIFT:	FINVBGSF
WEBSITE:	www.fibank.bg

Legal form, registration number and the legislation under which the Issuer operates

The Issuer is a joint stock company incorporated in Bulgaria and established by decision of the Corporate department of the Sofia City Court under company file No. 18045/1993 of 08/10/1993, batch No. 11941, volume 163, register I, page 106, for an unlimited period, and operates under the laws of Bulgaria.

As of 28 February 2008, the Issuer was re-registered with the Commercial Register to the Registry Agency, Sofia, with unique identifier of the company (UIC) 831094393.

The Issuer is a public company, registered with the Commercial Register to the Sofia City Court by decision of 4 June 2007, and with the Register of public companies and other issuers, kept by the Financial Supervision Commission, by decision of 13 June 2007.

The Issuer is a credit institution holding a current universal license for carrying out of banking activity on the territory of Bulgaria and abroad with No. RD22-2257/16.11.2009, issued by the Bulgarian National Bank.

The Issuer is a licensed primary dealer of government securities and a registered investment intermediary.

The Issuer carries out its activities in accordance with the provisions of the banking and commercial legislation applicable in Bulgaria, incl.: the Law on Credit Institutions, the Commercial Law, the relevant provisions of Directive 2013/36/EU and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR) and the relevant legislation resulting from their introduction. In its capacity as a public company, the Issuer carries out its activities in accordance with the provisions of the Bulgarian Law on Public Offering of Securities and the regulations for its implementation.

Principal activity and By-laws

The principal activity of the Issuer in accordance with paragraph 1, article 4, section I of its By-laws and the licence issued by the BNB is to carry out public acceptance of deposits or other repayable funds and to provide loans or other financing for its own account and at its own risk.

Pursuant to paragraph 2, article 4, section I of the By-laws, the Issuer may also carry out the following activities:

1. providing payment services within the meaning of Law on Payment Services and Payment Systems;
2. issuing and administering other means of payment (payment cards, travellers' checks and letters of credit) insofar as this activity is not covered by item 1;
3. accepting valuables on deposit;

4. acting as a depository or custodian institution;
5. financial leasing;
6. guaranteeing transactions;
7. trading for its own account or for account of customers in foreign currency and precious metals with the exception of derivative financial instruments based on foreign currency and precious metals;
8. provision of services and/or carrying out activities under paragraphs 2 and 3, article 6 of the Law on Markets in Financial Instruments;
9. money brokerage;
10. acquisition of receivables arising from provision of loans and other form of financing (factoring, forfeiting and others);
11. acquiring and managing shareholdings;
12. providing safety deposit boxes;
13. collecting and providing information and referrals on customer creditworthiness;
14. issuing electronic money; and
15. other similar activities as determined by an ordinance of the BNB.

Acquisitions, payments and trade in government securities are carried out under the terms and conditions of the Law on Government Debt of Bulgaria and the regulations for its implementation.

The Issuer may not carry out business activities other than those specified in paragraphs 1 and 2, article 4, section I of the By-laws, except where this is necessary for conducting its business or for collecting outstanding debts in relation to loans granted by it. The Issuer may establish or acquire companies for the performance of ancillary services.

Credit rating

As at the date of this Offer, the Issuer does not have public credit ratings.

Brief history and development

The Issuer is a credit institution with a twenty-five-year history in the Bulgarian banking market, operating as a universal bank with a full banking licence.

The Issuer was established on 8 October 1993 in Sofia, initially focusing on providing services to corporate customers, and subsequently developing as a universal bank, offering a diverse range of banking products and services for individuals and businesses. In 1996, the Issuer became the first bank in Bulgaria, to offer its customers banking from the home or office.

Gradually, the Issuer began to establish its reputation in the field of international payments and trade finance. After receiving its first syndicated loan from foreign banks and first credit rating by Thomson Bankwatch Inc., over the years the Issuer has negotiated financing for imports of investment goods guaranteed by export credit agencies, received a number of syndicated loans from leading international banks, issued bonds on the international financial markets, and, the Issuer believes, proved its reputation as popular, reliable and correct partner. By the end of 2018, the Issuer was offering transfers in many currencies, performing a variety of documentary operations, and has agreed credit lines for confirmation of letters of credit and guarantees with first-class banks around the globe. The Issuer has a wide network of correspondent banks, through which it performs international settlements and trade financing operations in almost every part of the world.

In 1997, the Issuer began to develop its retail banking, the process being facilitated by its contractual agreements with international operators of debit and credit cards. In 1997, it was the first bank in Bulgaria to receive a licence for international use of the brands Eurocard, MasterCard, Cirrus, Maestro and Eurocheque. Offering of mortgage loans, consumer loans, retail overdrafts and debit and credit cards began in 1998, with the Issuer considerably expanding its card business and range of products and services for individuals and households over the years. At the end of 2018, the Issuer had a countrywide distribution network consisting of 155 branches and offices, 648 ATMs, and over 10,200 POS terminals.

In 1997, the Issuer established a branch in Nicosia, Cyprus, licensed by the Central Bank of Cyprus to carry out all banking activities. In 1999, the Issuer established a branch in Tirana, Albania which offers a wide range of banking services to Albanian companies and individuals. In 2007, it was transformed into a subsidiary bank, fully licensed under Albanian legislation, which, as at 31 December 2018, is operating with a head office in Tirana and 12 branches in the larger cities of Albania.

In 2001, the Issuer launched the first Virtual Banking Branch in Bulgaria, allowing customers to bank over the internet. The branch enables customers to operate their accounts quickly and easily, order transfers in BGN and foreign currency and make payments, exchange currency, check balances and transactions and open deposit and current accounts. Over the years, the Issuer has developed its digital banking considerably, increasing its speed, functionality and capacity. In 2017, the Issuer launched its integrated e-banking platform “My Fibank” by integrating the existing remote services, including mobile banking into a single customer service omni-channel platform. By the end of 2018, 57% of the total number of outgoing transfers performed by the Issuer, and 64% of their volume, was taking place through the “My Fibank” digital banking.

In 2007, the Issuer realised the largest bank initial public offering of securities in Bulgaria. The Issuer became a public company and increased its share capital from BGN 100 000 000 to BGN 110 000 000.

In 2008, the Issuer migrated its core banking system, successfully launching the retail, corporate and investment banking modules of a new system called FlexCube information system. FlexCube is used by over 350 financial institutions in 120 countries worldwide. In the development of the new system, all fundamental principles of risk-taking were incorporated, including the principle of dual control, which is applied in everyday banking activity. A documentary information system Workflow was integrated to the modules of the system, which serves for forwarding and approval of loan applications, acceptance and registration of foreign currency transfers, and acceptance and authorisation of bank cheques. Over the years, the Issuer has always tried to

be among the most technologically advanced and innovative institutions in the Bulgarian banking market. In 2017, the Issuer has successfully upgraded its core banking IT system, migrating to version Oracle Flexcube 12. The Issuer believes the upgraded system aims to enhance the level of system security, optimizing working processes and increasing productivity, as well as allows faster and easier parameterization of new and more flexible and customized bank products and services, as well as increasing the speed of client service via physical and digital distribution channels.

Over the years, the Issuer has developed its capital base in line with the growth of assets and volume of activity. In addition to the issuance of shares, it has used various equity instruments for capital increase, including subordinated term debt, hybrid capital instruments, and hybrid debt. For the period 2003 – 2005, the Issuer concluded ten agreements with various creditors for subordinated term debt, treated as Tier 2 Capital. In 2005, a transaction of particular significance for the Bulgarian banking system took place, being, the Issuer believes, also one of the first of its kind for Eastern Europe: a company wholly owned by the Issuer. First Investment Finance BV, based in the Netherlands) issued perpetual subordinated bonds in an amount of EUR 27 million, and a further EUR 21 million in 2006. With the permission of the BNB, the funds raised from the two issues were included in Tier 2 Capital of the Issuer. For the period 2011 to 2013, the Issuer issued hybrid debt in an amount of EUR 100 million, in two issues of perpetual subordinated bonds. With the permission of the BNB, both issues are included in the Tier 1 Capital of the Issuer.

The Issuer has actively developed its services relating to assisting the beneficiaries in the absorption of EU funds. In 2012, the Issuer signed an agreement with the European Investment Fund (EIF) for the financing of small- and medium-sized enterprises under the JEREMIE initiative totalling EUR 70 million, and in 2013 it was approved for funding by the EIF under the Risk Sharing Instrument guarantee scheme, aimed at innovative companies. In recent years, the Issuer signed new financings with the Bulgarian Development Bank in support for small- and medium-sized enterprises, including under the COSME+ program.

In 2013, the Issuer acquired 100% of the capital of MKB Unionbank AD from the Hungarian bank, MKB Bank Zrt., a subsidiary of the German bank, Bayerische Landesbank AG. The deal was finalised after obtaining the necessary permissions by the BNB and the Commission for Protection of Competition. At the end of 2013, the Issuer and Unionbank EAD concluded a contract for the transformation of Unionbank EAD by way of its merger into the Issuer. After approval by the competent authorities, on 4 March 2014 the merger was entered into the Commercial Register, by which Unionbank EAD was terminated, and all its rights and obligations passed to the Issuer as a universal successor.

In 2014, the Issuer successfully overcame the pressure on the Bulgarian banking system thanks to its existing liquidity, high professionalism, as well as to the liquidity support pursuant to EC Decisions C(2014) 4554/29.06.2014 and C(2014)8959 of 25.11.2014. In 2016, the Issuer repaid in full the liquidity support. Same year, the Issuer passed the asset quality review (AQR) and the stress test (ST) of the banking system conducted in Bulgaria.

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

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

In H1 2019, First Investment Bank continued its stable development with continuing focus on digitalization and new tech innovations in consumer lending and e-banking. The Bank launched a new cloud qualified electronic signature (QES) as a tool allowing clients for remote signing of retail consumer loans, as well as progressed its API portal for Third Party Providers (TPPs) with regards to account information & payment initiation services under PSD2, by moving from test to production environment. At end-June 2019, Fibank signed with the Bulgarian EU Fund Manager (the Fund of funds) a risk-sharing instrument in support of micro enterprises, incl. starting businesses & social companies.

In July 2019, Fibank passed the AQR & Stress Test exercise, led by ECB, with capital position above the CRR regulatory requirements. Half of the additional capital buffer identified in the adverse scenario has already been secured & the remaining is to be addressed via various eligible measures, incl. through operating profit & de-risking of the corporate portfolio.

Recent events relating to the Issuer which are of significant importance in the assessment of its solvency

Information on the main sources of funding of the Issuer for 9m 2019, 2018, 2017 and 2016 is presented in the table below:

<i>In thousands of BGN</i>	September 2019	2018	2017	2016
Liabilities due to banks	3 468	3 024	8 136	3 348
Liabilities due to other customers	8 805 973	8 342 691	7 583 819	7 911 911
Other borrowed funds	110 165	121 120	127 493	70 367
Hybrid debt	203 018	208 786	208 786	208 740
Subordinated term debt	3 985	-	-	-
Total	9 126 609	8 675 621	7 928 234	8 194 366

Source: Audited consolidated annual financial statements of the Issuer as at 31 December 2016, 31 December 2017 and 31 December 2018 and

unaudited consolidated financial statements of the Issuer as at 30 September 2019

As at 30 September 2019, the Issuer signed agreements and instruments issued for the borrowing of funds, including:

- the Issuer has signed two agreements with the Bulgarian Development Bank AD, as follows: 1) under a joint program with KfW for financing micro, small and medium-sized enterprises and 2) a loan and guarantee agreement under the COSME+ program for supporting micro, small and medium-sized enterprises; The amortised cost of these agreements was BGN 16.1 million as at 30 September 2019.
- the Issuer has signed agreement with the European Investment Fund for the financing of small- and medium-sized enterprises under the JEREMIE 2 initiative. The amortised cost of this agreement was BGN 8.8 million as at 30 September 2019.
- the Issuer has signed on 27.06.2019 three Operational Agreements with the Fund Manager of Financial Instruments in Bulgaria in support of start-ups and social enterprises under the Development of Human Resources Operational Programme 2014-2020, co-financed by the European Social Fund and the Initiative for Youth Employment. The amortised cost of this agreement was BGN 0 million as at 30 September 2019.
- the Issuer has signed agreement with the State Agricultural Fund in support of agricultural producers. The amortised cost of this agreement was BGN 0.02 million as at 30 September 2019.
- in 2017, the Group received debt related to agreements for full swap of profitability through an agreement with J.P.Morgan Securities PLC. The amortised cost of this instrument was BGN 73.4 million as at 30 September 2019.
- in March 2011, the Issuer issued a hybrid instrument (bond issue), under the terms of a private placement, with a total nominal value and issue price of EUR 20 million, representing the first tranche of a bond issue for

up to EUR 40 million. In June 2012, the Issuer issued the second tranche of the instrument, also to the amount of EUR 20 million; and

- in November 2012, the Issuer issued a new hybrid instrument under the terms of a private placement, with a total nominal value of EUR 20 million, representing the first tranche of a bond issue for up to EUR 60 million. In November 2013, the Issuer issued the second and third tranches of the instrument, totalling EUR 40 million. Both issues, following obtaining of permission by the BNB, were included in additional Tier 1 Capital of the Issuer.
- In Apr'19, Fibank Albania issued €2 million subordinated term debt through a private offer, reflected in Group's cons. financials.

Selected financial information

The selected financial information presented below is derived from, and should be read in conjunction with, the audited consolidated financial statements of the Issuer for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 and the unaudited consolidated financial statements of the Issuer as at 30 September 2018 and 30 September 2019, including the statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity, and the notes thereto.

<i>(in thousands of BGN)</i>	9 months ended 30 September		Year ended 31 December		
	2019	2018	2018	2017	2016
Data from the statement of comprehensive income					
Net interest income	185 801	201 139	267 088	260 926	319 179
Net fee and commission income	74 486	71 212	97 111	102 146	92 163
Net trading income	11 202	7 416	10 809	15 326	13 937
Other net operating income	12 771	11 866	16 321	28 191	46 291
Total income from banking operations	284 260	291 633	391 329	406 589	471 570
Administrative expenses	-166 756	-154 910	-212 066	-204 698	-192 307
Impairment losses, net	-91 552	-68 980	-83 378	-78 850	-156 120

Other income/(expenses), net	53 665	-3 255	65 127	-20 431	-13 030
Profit before tax	79 617	64 488	161 012	102 610	110 113
Income tax	-8 623	3 296	10 534	-10 365	-11 302
Group profit after tax	70 994	67 784	171 546	92 245	98 811
Profit attributable to owners of the Bank	70 606	67 652	171 388	92 175	98 708
Profit attributable to non-controlling interests	388	132	158	70	103
Data from the statement of financial position	30 September 2019	2018	2017	2016	
Total assets	10 073 982	9 586 681	8 921 198	9 089 855	
Loans and advances to banks and financial institutions	76 449	125 483	54 402	51 863	
Loans and advances to customers	6 101 926	5 716 062	5 162 907	5 044 850	
Due to other customers	8 805 973	8 342 691	7 583 819	7 911 911	
Other borrowed funds	110 165	121 120	127 493	70 367	
Total Group equity	918 393	846 272	947 350	856 836	

Data for the key financial indicators	30 September 2019	2018	2017	2016
Return on assets (%) (1)	0.97	1.87	1.03	1.12
Return on equity (%) (2)	10.60	19.24	10.24	12.17
Earnings per share (in BGN) (3)	0.64	1.56	0.84	0.9
Cost/income ratio (%) (4)	49.35	46.46	53.01	41.94
Regulatory capital (transitional requirements)				
Total Own Funds	1 232 937	1 107 671	1 026 205	934 895
Tier 1 capital	1 229 025	1 107 671	1 025 305	933 095
Common equity Tier 1 capital (CET 1)	1 033 442	912 088	831 161	741 802
Total capital ratio (%) (5)	17.65	16.15	15.89	15.13
Tier 1 capital ratio (%) (5)	17.59	16.15	15.87	15.1
CET 1 capital ratio (%) (5)	14.79	13.30	12.87	12.01
CET 1 capital ratio (%) unconsolidated (5)	15.07	13.37	13.08	12.2
Regulatory capital (fully loaded)				
Total Own Funds	1 021 195	844 760	1 030 507	943 329
Tier 1 capital	1 017 283	844 760	1 030 507	943 329
Common equity Tier 1 capital (CET 1)	821 700	649 177	834 925	747 746
Total capital ratio (%) (5)	15.01	12.82	15.96	15.27

Tier 1 capital ratio (%) (5)	14.96	12.82	15.96	15.27
CET 1 capital ratio (%) (5)	12.08	9.85	12.93	12.1
CET 1 capital ratio (%) unconsolidated (5)	12.23	9.81	13.13	12.29
Other prudential ratios (%), consolidated				
Leverage ratio - fully loaded (5)	9.97	8.45	11.34	10.21
Leverage ratio - transitional (5)	11.83	11.08	11.28	10.11
Liquidity coverage ratio (5)	225.22	269.21	334.85	327.37
Credit quality				
NPEs	1 768 301	1 415 366	1 250 210	1 436 500
Total provisions	618 219	749 322	601 861	834 339
NPE coverage ratio (%)	34.96%	52.94%	48.14%	58.08%

Source: Audited consolidated annual financial statements of the Issuer as at 31 December 2016, 31 December 2017 and 31 December 2018 and calculations of the Issuer. Unaudited consolidated financial statements of the Issuer as at 30 September 2018 and 30 September 2019.

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- (1) Return on assets is calculated by dividing the Group's after tax profit for the period by the average amount of assets for the respective year.
 - (2) Return on equity is calculated by dividing the Group's after tax profit for the period by the average amount of equity for the respective year.
 - (3) Earnings per share is calculated by dividing the net profit attributable to holders of ordinary shares by the weighted average number of ordinary shares. The weighted average number of ordinary shares outstanding for each of the last three years is 110 000 000.
 - (4) The cost/income ratio is calculated by dividing the administrative expenses for the period by the total income from banking operations and other income for the period.
 - (5) According to the requirements set out in applicable legislation.

MAIN ACTIVITIES AND OPERATIONS AND NEW PRODUCTS OVER THE PAST THREE YEARS

The Issuer is a universal credit institution offering a wide range of banking products and services for both individuals and corporate clients.

Corporate banking²

The Issuer offers its corporate clients a variety of products and services. It provides various forms of financing, such as investment loans, working capital loans, guarantees, business credit cards, factoring services. The Issuer offers financing for projects relating to the utilisation of European Union funds, both under the EU operational programmes and under other EU initiatives, including the JEREMIE and COSME initiatives.

As at 30 September 2019, loans granted to corporate customers amounted to BGN 3 653 million on a consolidated basis (31 December 2018: BGN 3 735 million; 31 December 2017: BGN 3 382 million; 31 December 2016: BGN 3 705 million).

A variety of accounts are offered to legal entities: current accounts, deposit accounts, special accounts such as escrow accounts, accounts for lawyers, insurance agents, brokers, private enforcement agents, notaries and others.

Over the past three years, the Issuer's strategy included defending its market shares in the segment of corporate lending. Successful cooperation with the Bulgarian Export Insurance Agency (BAEZ) was affirmed, including through a newly concluded agreement for portfolio insurance with the agency, as part of the techniques for mitigating credit risk. In 2018, the Issuer focused on promoting its factoring services among existing and potential clients. The Issuer is member of the global network of factoring companies Factors Chain International (FCI) and in this capacity, can offer export factoring with guarantee payment, as well as import factoring. The Issuer maintains relations with leading financial institutions in factoring insurance.

Small- and medium-sized enterprises

The Issuer has developed specialised programmes for lending to SMEs since April 2004. The Issuer offers credit products and appropriate schemes for

² Business loan portfolio breakdown is according to Fibank internal definition.

financing SMEs which support their development and growth. The credit products include investment loans, working capital loans, overdrafts, guarantee programs and products. The Issuer has successfully cooperated with the Bulgarian National Guarantee Fund and the Bulgarian Export Insurance Agency and has used guarantee schemes from them. The Issuer actively supports, through flexible finance schemes, the beneficiary companies under the programmes relating to the absorption of EU structural and cohesion funds, including under the EU programmes. The Issuer supports agricultural producers by providing them with financing and access to specialised programmes, including loans for the purchase of land, machinery and equipment, as well as under the EU's Single Area Payment Scheme ("SAPS").

As at 30 September 2019, the SME loan portfolio was BGN 963 million on a consolidated basis (31 December 2018: BGN 879 million; 31 December 2017: BGN 753 million; 31 December 2016: BGN 612 million) or 14.3% of the total loan portfolio of the Issuer (2018: 13.6%; 2017: 13.1%, 2016:10.4%).

Over the past three years, new credit solutions were offered in connection with the implementation of investment projects funded through the programs under the structural funds of EU – a new loan "European Development"), as well as for the payment of expenses for VAT for such projects – a new VAT overdraft. New credit products were also developed for the purchase / repair of an office or for working capital, specially designed for companies operating in the field of information technology, as well as new credit facilities for purchase and building hotels. In 2018, the Issuer started offering investment and working capital loans to SMEs under the COSME guarantee scheme, as well as financings under a new on-lending program with the Bulgarian Development Bank, jointly with KfW.

Microlending

The Issuer has developed specialised microlending programmes since 2005, taking into account the financing needs of merchants, manufacturers, farmers, professionals and freelancers, including start-ups and companies with limited market experience. Loans are tailored to the specifics of the businesses and

include investment and working capital loans, overdrafts, as well as business credit cards.

As at 30 September 2019, the microlending portfolio was BGN 170 million on a consolidated basis (31 December 2018: BGN 140 million; 31 December 2017: BGN 122 million; 31 December 2016: BGN 109 million) or 2.5% of the total loan portfolio of the Issuer (2018: 2.2%; 2017: 2.1%; 2016: 1.8%).

Over the past three years, new loan products for micro-enterprises were offered, including for the purchase / repair of an office or for working capital, specially designed for IT companies, as well as new credit facilities (incl. overdraft account and investment loan), specially designed for doctors and dentists. In 2018, a New Smart Lady Program was launched, specifically designed to support women in micro business (entrepreneurs). The program targets micro & SMEs managed/owned by women, as well as businesses that produce products or services for women. Lending solutions under the program included investment loans and working capital loans with loan amount: up to 80-90% of market value of collateral and maximum tenor of 15 years for investment loans and 5 years for working capital loans. Additional package products were included as well, incl. credit cards, health insurance, children savings account & debit card for kids/teen.

At end-June 2019, Fibank signed with the Bulgarian EU Fund Manager (the Fund of funds) a risk-sharing instrument in support of micro enterprises, incl. starting businesses & social companies.

Retail banking

The Issuer offers a range of accounts for individuals, including current and deposit accounts (time deposits) in different currencies and with different terms, savings accounts and more. In recent years, the Issuer has continued to adapt its savings products to the market conditions and customer needs, while striving to maintain high standards of customer service. New banking packages for individuals were offered, including youth bank programs „Digital Me“ and „Digital Me+“, targeting individuals between the age of 18 and 30. In 2018, new e-deposit “My Deposit” was developed that can be opened and

managed fully online through the digital banking “My Fibank”. A new “Income account” was launched, as well – a current account linked to a term deposit with interest on it dependable on the turnover volumes of the current account.

The Issuer provides its individual clients with mortgage loans, consumer loans, debit card overdrafts, as well as credit limits on credit cards. The Issuer has developed and offers special loan programmes for the purchase and construction of real estate, loans for students, and others.

As at 30 September 2019, the retail loan portfolio was BGN 1 934 million on a consolidated basis (31 December 2018: BGN 1 711 million; 31 December 2017: BGN 1 507 million; 31 December 2016: BGN 1 454 million) or 28.8% of the total loan portfolio of the Issuer (2018: 26.5%; 2017: 26.1%; 2016: 24.7%).

Over the past three years, the Issuer has been developing and expanding its consumer and mortgage lending by offering new and flexible products at competitive terms. Among these new credit products are a new loan for purchasing goods (commodity credit), a new lending program for students and postgraduates using state financial support, as well as a new “Restart loan” for refinancing and integration of obligations to customers. The Issuer developed a full online application for consumer loans on its website at www.credit.fibank.bg, as the process is integrated into the automated Workflow system of the Issuer. In 2018, the mortgage lending programme was expanded by promotional campaigns and new and better conditions on the “Right of choice” mortgage loan with fixed interest for the first 12 months and no commission for disbursement and management. In H1 2019, the Bank launched a new cloud qualified electronic signature (QES) as a tool allowing clients for remote signing of retail consumer loans.

Card business

The Issuer is among the leaders in the field of card business in the country, offering credit and debit cards since 1996. The Issuer is a licensed member of MasterCard and VISA. In 2007 the Issuer was among the pioneers in Bulgaria in relation to the introduction of chip technology in the issuance of debit and credit cards. As at 31 December 2018, the total number of cards issued by the

Issuer exceeded 550 thousand. The Issuer has launched a "YES" loyalty programme, encompassing a partner network of merchants throughout the country. It was the first bank in Bulgaria to start issuing and servicing the contactless cards MasterCard PayPass (since 2010) and Visa payWave (since 2012).

In recent years, the Issuer has expanded its card products and services, focusing on the provision and promotion of contactless payments and digital payments. A new innovative service: Digital Payments was developed allowing customers to manage digital bank cards through the mobile application My Fibank on their smart phones supporting NFC technology for contactless payments. The Issuer started offering new contactless debit cards especially designed for children and teenagers aged 7 to 18, aimed at building and enhancing financial literacy among adolescents and young people. In addition, an innovative microcard, issued as an additional debit card to the kids and teen cards was launched, being integrated in a special accessory (bracelet or key holder) with a function supporting contactless payment. In 2018, the Issuer and Diners Club Bulgaria (its subsidiary) launched together with MasterCard a new innovative credit card product Evolve, which joins three brands into one single credit solution. A new cash-in service for customers via ATM terminals was launched as well, allowing customers to deposit funds and repay obligations through ATM terminal to their credit cards issued by the Issuer. In H1 2019, the Bank continued its work on the development and offering of new innovative payment solutions based on NFC technology.

By the end of September 2019, the Issuer maintained a network of over 9 797 POS terminals (2018: 10 200; 2017: 9 887; 2016: 10 212), and 646 ATM terminals (2018: 648; 2017: 641; 2016: 624).

Digital banking

The Issuer has successfully developed and offered e-banking since 2001, and is a pioneer in this field in the country. The Issuer provides its customers with a modern, fast, cheap and safe way to use a wide range of banking products and services. Digital banking services include e-banking and mobile banking integrated into the unified e-banking platform "My Fibank".

Over the past three years, the Issuer has been developing its services relating to digital banking according to customer needs and digitalisation, with a view to diversifying and adding new functionalities. In 2016, the Issuer developed a new service: Digital Payments, which allows customers to manage their digital bank card through the mobile banking application on their phones and thus make digital payments. In 2017, all existing remote services were integrated into a single customer service omni-channel platform for digital banking “My Fibank”. In 2018, a new software token “Fibank Token” was launched as a mean for signing and identification in e-banking platform, using two-factor authorisation and use of QR code scanning technology.

Outgoing transfers through the Virtual Banking Branch have steadily increased, and as at 31 December 2018 reached 57% of the number, and 64% of the amount of all such transfers performed through the Issuer.

International payments

The Issuer has established a wide network of correspondent banks through which it carries out international payments in almost every part of the world. The Issuer performs transfers in over 140 foreign currencies. Over the years, the Issuer believes it has built the reputation of a popular, reliable and honest partner among the international financial institutions and has accumulated valuable experience and knowhow from its interaction with numerous foreign business partners, investors, clients and counterparties. The Issuer executes cross-border currency transfers through SWIFT, as well as the TARGET2 and BISERA7-EUR payment systems and since April 2017 it has also executed SEPA compatible credit transfers as a direct participant in the system STEP2 SCT (SEPA Credit Transfer), operated by EBA Clearing. In 2018, In 2018, the world largest bank in terms of assets Industrial and Commercial Bank of China (ICBC) has opened a correspondent account with the Issuer in CNY via its Luxembourg branch. The Issuer believes this creating new opportunities for business & international settlements in CNY, which is gaining importance in global trade. A new project for monitoring of cross-border settlements via the SWIFT global payments innovation (gpi) platform was started, as well.

At the end of 2018, an extension was signed to the framework agreement with the Taiwan export insurance agency Eximbank Taiwan for financing deliveries of goods from Taiwanese suppliers to clients of the Issuer in Bulgaria. Under the agreement, the Issuer can provide financing under increased 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 to 5 years irrespective of the type of goods (consumer or non-consumer).

Gold and numismatics

The Issuer considers itself to be among the leading banks in the country in terms of business with investment products from gold and other precious metals. The Issuer has established successful cooperation with leading financial institutions such as the Swiss refinery PAMP (Produits Artistiques de Métaux Précieux), UBS, Credit Suisse, the New Zealand Mint, and others.

The Issuer offers a wide range of products including bullion bars, medallion bars, coins, BNB commemorative coins, medals, investment diamonds and other goods.

Over the last three years, the Issuer has developed its business with products from gold and other precious metals by offering articles that are new and unique for the Bulgarian market, by conducting promotional campaigns, and by introducing of new services, such as the system for redemption of investment bars and coins, and the online sales of products from investment gold and other precious metals.

Payment services

The Issuer carries out its activity in relation to funds transfers and other payment services in accordance with Bulgarian and European legislation, including the Law on Payment Services and Payment Systems of Bulgaria and Ordinance No. 3. The Bulgarian regulatory framework in this area is synchronised with that of the European Community with respect to the Payment Services Directive and reflects the contemporary European trends for creation of a single European market for payment services.

The Issuer is a member and participant in payment systems, and an agent of other payment service providers, as follows:

- Bank Integrated System for Electronic Payments (BISERA);
- Real-Time Interbank Gross Settlement System (RINGS);
- System for Servicing Customer 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; and
- Agent of Easy pay.

In April 2017, the Issuer joined as a direct participant in the Pan-European system for payments in Euro STEP2 SCT (SEPA Credit Transfer), operated by EBA Clearing. By the date of this Offer, it is the only bank in Bulgaria registered as a direct participant in the EBA Clearing system for executing SEPA compatible credit transfers. In 2019, the Bank has started its API portal for Third Party Providers (TPPs) with regards to account information & payment initiation services under PSD2, by moving from test to production environment.

Capital markets

As an investment firm and a primary dealer in government securities the Issuer performs transactions in financial instruments in the country and abroad, including transactions in government securities, equities, corporate and municipal bonds, compensatory instruments, as well as money market instruments. The Issuer also offers discretionary portfolio management, investment advice, and depository and custodian services to individuals and companies, including, maintaining registers of investment intermediaries, of

securities accounts, payments of earnings and servicing of payments under transactions in financial instruments. The Issuer's activities are in compliance with MiFID2/MiFIR regulatory package, with MiFID2 transposed into the Bulgarian Law on Markets in Financial Instruments, thus enhancing investor protection, improving performance of market participants in trading and clearing of financial instruments, as well as in terms of disclosure and transparency standards. The Issuer has a specialised unit for the control of investment services and activities, which ensures observing of the requirements relating to the Issuer's activity as an investment intermediary.

Over the past three years, the Issuer has developed its investment services and activities with an emphasis on discretionary portfolio management, investment advice, and services related to its activity as a registration agent.

Private banking

The Issuer has offered private banking for individuals since 2003, and for corporate clients since 2005. Private banking allows for individual servicing by a personal officer, who is responsible for the overall banking solutions provided to a client.

Over the past three years, the Issuer has developed its private banking products and services, including through offering of new lending programs with segments with preapproved credit limits and cross-sale additional products e.g. life insurance. In 2018, private banking business was focused in offering new investment products. In this respect, in June 2018, the Issuer signed agreement with Erste Asset Management (Erste-Sparinvest Kapitalanlagegesellschaft m.b.H) for the offering by the Issuer of new for the Bulgarian market four mutual funds, managed by the Austrian company: ESPA Bond Euro Corporate, ESPA Portfolio Balanced 30, ESPA Stock Europe, ESPA Stock Global.

Branch network

The Issuer uses a diverse set of channels for the distribution of its products and services. It has a well-developed branch network, a wide network of ATMs

and POS terminals, remote access to information and services through its own contact centre, direct sales and digital banking.

The branch network is the main channel for distribution of banking products and services for the Issuer. Over the past three years, the Issuer has worked towards increasing the efficiency of and optimising its branch network, taking into account the external environment and the volumes of activity. In execution of its strategic goals for development in the retail banking segment, in 2017, the Issuer realised the first part of the project for reorganization of the bank offices in Sofia, structured under the model of branches and offices in the country, proven as successful throughout the years. As a result, 5 functional branches were created – Central, East, West, North and South with distributed offices to each one of these based on territory location and business indicators. The new structure aims at introducing a unified and single organizational model in the branch network of the Bank, more effective allocation of budget targets in line with market potential and geographic location of point of sales, as well as focusing on attracting new customers and cross sales.

As at 30 September 2019, the branch network of the Issuer consisted of 152 branches and offices (2018: 155; 2017: 156; 2016: 158) which includes 51 locations in Sofia, 100 branches and offices in the rest of Bulgaria and one foreign branch in Cyprus. On a consolidated basis, at the end of September 2019 the branch network of the Issuer also included the branches of its subsidiary bank First Investment Bank - Albania Sh.a. (Albania), which comprised a head office in Tirana and 13 branches in the bigger cities of Albania.

At the end of September 2019, the number of staff of the Issuer on a consolidated basis amounted to 2 864 employees (2018: 2 868 2017: 3 221; 2016: 3 322).

MAIN MARKETS AND COMPETITIVE POSITION OF THE ISSUER

Main markets in which the Issuer operates

The Group operates principally in Bulgaria, but also has operations in Cyprus and Albania.

Information on the sources of income of the Issuer by type on a consolidated basis is presented in the table below:

<i>In thousands of BGN</i>	September 2019	September 2018	2018	2017	2016
Net interest income	185 801	201 139	267 088	260 926	319 179
Net fee and commission income	74 486	71 212	97 111	102 146	92 163
Net trading income	11 202	7 416	10 809	15 326	13 937
Other net operating income/expense	12 771	11 866	16 321	28 191	46 291
Total income from banking operations	284 260	291 633	391 329	406 589	471 570

Source: Audited consolidated annual financial statements of the Issuer as at 31 December 2016, 31 December 2017 and 31 December 2018 and calculations of the Issuer. Unaudited consolidated financial statements of the Issuer as at 30 September 2018 and 30 September 2019

Information on the sources of income of the Issuer by geographical segment on a consolidated basis is presented in the table below:

<i>In thousands of BGN</i>	September 2019	September 2018	2018	2017	2016
Operations in Bulgaria					
- Net interest income	174 482	189 800	251 378	248 193	306 276
- Net fee & commission income	69 750	67 426	91 790	98 363	88 611
Operations abroad					
- Net interest income	11 319	11 339	15 710	12 733	12 903
- Net fee & commission income	4 736	3 786	5 321	3 783	3 552

Source: Audited consolidated annual financial statements of the Issuer as at 31 December 2016, 31 December 2017 and 31 December 2018 and calculations of the Issuer. Unaudited consolidated financial statements of the Issuer as at 30 September 2018 and 30 September 2019

Information about the competitive position of the Issuer

The Issuer believes it is among the leading credit institutions in Bulgaria, with good market positions in the key business areas. Summary information on the market shares and positions of the Issuer by key segment is presented in the table below:

<i>In thousands of BGN</i>	Market position (№)				Market share (%)			
	Sep-19	2018	2017	2016	Sep-19	2018	2017	2016
Assets	4	4	3	3	8.63	8.82	8.84	9.61
Loans, including:	3	3	3	3	10.46	10.69	10.29	10.49
- Corporate loans	2	2	2	2	12.23	12.82	12.10	12.23
- Consumer loans	5	5	4	6	8.73	9.27	9.72	8.78
- Mortgage loans	6	6	7	6	6.93	6.68	6.39	6.28
Deposits, including:	4	4	3	3	9.44	9.57	9.45	10.38
- Deposits from individuals	3	3	3	3	11.73	11.98	12.28	13.51
Net profit	7	5	6	7	5.10	9.33	7.28	7.14

Source: BNB, unconsolidated unaudited data for banks and branches of foreign banks as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 September 2019.

Over the past three years, the Issuer considers that it has demonstrated sustainable development and increased competitiveness in the key strategic segments in consumer and mortgage loans. Despite ongoing consolidation in the sector and notwithstanding the increased competition in the market of banking products and services, as shown in the table above, the Issuer has maintained its market standing with third position in terms of loans and deposits. Also, as at the end of September 2019, the Issuer ranked seventh among banks in the country in terms of net profit (2018: fifth; 2017: sixth; 2016: seventh).

MANAGEMENT AND CORPORATE GOVERNANCE

Members of the supervisory and management bodies of the Issuer

The Issuer is a company with a two-tier board system which includes the Managing Board and the Supervisory Board.

Members of the Supervisory Board are:

- Evgeni Krastev Lukanov – Chair of the Supervisory Board;
- Maya Lyubenova 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; and
- Jyrki Ilmari Koskelo – Member of the Supervisory Board.

The business address of all members of the Supervisory Board is 37 Dragan Tsankov Boulevard, 1797 Sofia, Bulgaria.

Members of the Managing Board are:

- Nedelcho Vasilev Nedelchev – Chief Executive Officer (CEO), Chairman of the Managing Board;
- Svetozar Alexandrov Popov – Chief Risk Officer (CRO), Member of the Managing Board and Executive Director;
- Chavdar Georgiev Zlatev – Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director;
- Jivko Ivanov Todorov – Chief Financial Officer (CFO) and Member of the Managing Board; and
- Nadia Vasileva Koshinska – Member of the Managing Board and Director of SME Banking Department.

The business address of all members of the Managing Board is 37 Dragan Tsankov Boulevard, 1797 Sofia, Bulgaria.

As at the date of this Offer, the Managing Board has not authorised a procurator or another commercial representative.

Information about the members of the Supervisory Board

Evgeni Lukanov – Chair of the Supervisory Board

Mr. Lukanov joined the Issuer 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 Issuer's Vitosha Branch (Sofia).

Mr. Lukanov has occupied a number of senior positions with the Issuer. 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 the Issuer. During his years of experience with the Issuer, 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 the Issuer and as Chairman of the Risk Committee to the Supervisory Board of the Issuer. Since May 2019, he has been elected Chairman of the Remuneration Committee to the Supervisory Board of the Issuer.

Mr. Lukanov holds a Master's Degree in Economics from the University of National and World Economy, Sofia. Prior to joining the Issuer, Mr. Evgeni Lukanov worked as currency broker with First Financial Brokerage House EOOD.

Besides his position on the Supervisory Board of the Issuer, 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 the Issuer, Ms. Georgieva worked for 19 years with the BNB where she gained considerable experience in international banking relationships and transactions, bank statistics and corporate lending. Her last appointment with the BNB was as Head of the Balance of Payments Division.

Ms. Georgieva joined the Issuer in 1995 as Director of the International Department. From 1998 to 2012 she was an Executive Director of the Issuer and a member of the Managing Board. During her years of experience with the Issuer she has been responsible for the following departments: SME Lending Department, HR Department, Administrative Department, Sales Department, Retail Banking, Marketing, Advertising and PR, Branch Network, Private Banking and Cash Department.

Alongside her responsibilities, Ms. Georgieva has also occupied a number of other senior executive positions. From 2003 to 2011 she chaired the Supervisory Board of CaSys International – a Macedonia based card processing company servicing card payments in Bulgaria, Macedonia and Albania. From 2009 to 2011 she was Chair of the Board of Directors of Diners Club Bulgaria AD – a franchise company of Diners Club International, owned by the Issuer. 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 a member of the Managing Board of First Investment Bank – Albania Sh.a., a subsidiary of the Issuer.

In the beginning of February 2012, Ms. Georgieva was elected as a member of the Supervisory Board. In the beginning of February 2012, Ms. Georgieva was elected as Deputy Chair of the Supervisory Board, and Chair of the Presiding Committee to the Supervisory Board.

Ms. Georgieva holds a master's degree in macroeconomics from the University of National and World Economy in Sofia, and has post-graduate specialisations in international payments with the International Monetary Fund, and an advanced degree course in banking with the BNB, jointly with the Bulgarian Union of Science and Technology.

She has been several times awarded the prestigious “Banker of the Year” award by the Bulgarian financial weekly "Banker" - in 2001 and 2011, as well as in 2018 – for overall contribution in the development of the banking system in Bulgaria.

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 with 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. Mutafchiev started work at the BNB as Head Currency Reserve Manager with the Foreign Currency Operations Department. During his six years of experience with the BNB, he was responsible for the investment of foreign currency reserve and controlled its management.

From 1997 to 2011 he was Executive Director of Flavia AD and Flavin AD. Flavia AD is one of the largest light industry companies in Bulgaria.

Along with its responsibilities in Flavia AD, in 2000 Mr. Mutafchiev was elected as member of the Supervisory Board. During 2014-2019, he was Chairman of the Nomination Committee to the Supervisory Board. Since May 2019, he has been elected member of the Presiding Committee to the Supervisory Board of the Issuer.

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 earned a PhD degree in business law and received the title of Candidate of

Legal Sciences. The same year Mr. Mutafchiev also acquired an MBA degree from the Schiller University, Paris.

Mr. Mutafchiev is not owner or has controlling shareholdings in companies.

Radka Mineva – Member of the Supervisory Board

Prior to joining the Issuer, Ms. Mineva worked as a capital markets dealer at the BNB where she gained considerable experience in banking. During the time spent with the BNB, she specialised at the Frankfurt Stock Exchange and the London Stock Exchange as a capital markets dealer.

Ms. Mineva started her career as an expert 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. Since May 2019, she has been elected member of the Presiding Committee to the Supervisory Board of the Issuer.

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, 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. Mrs. Mineva is also Manager of Balkan Holidays Partners OOD – a company engaged in international and domestic tourism services, foreign economic transactions, and financial management. She owns more than 25% of the capital of Balkan Holidays Partners OOD. She is also member of the Management Board of the National Tourism Board Association (non-business purpose entity).

Jordan Skortchev – Member of the Supervisory Board

Before joining the Issuer, Mr. Skortchev worked for two years with the Central and Latin America Department of the foreign trade organisation

Intercommerce, followed by five years with First Private Bank, Sofia as an FX Dealer and Head of the Dealing Division.

Mr. Skortchev joined the Issuer in 1996 as Chief Dealer, FX Markets. From 2001 to 2012 Mr. Skortchev was member of the Managing Board and Executive Director of the Issuer. During his years of experience with the Issuer, 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 Issuer, Mr. Skortchev has also occupied other senior executive positions. He has been Chairman of the Supervisory Board of UNIBank, Republic of Macedonia, member of the Supervisory Board of CaSys International, Republic of Macedonia, member of the Board of Directors of Diners Club Bulgaria AD, member of the Board of Directors of Bankservice AD, member of the Board of Directors of Medical centre FiHealth AD, and Manager of FiHealth OOD.

At the beginning of February 2012, Mr. Skortchev was elected as a member of the Supervisory Board and Chair of the Remuneration Committee to the Supervisory Board. Since May 2019, he has been elected Chairman of the Nomination Committee to the Supervisory Board of the Issuer.

Mr. Skortchev holds a master's degree in international economic relations from the Higher Institute of Economics (now the University of National and World Economy) in Sofia. He has specialised 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 Delta Stock AD.

Jyrki Koskelo – Member of the Supervisory Board

Mr. Jyrki Koskelo was elected as member of the Supervisory Board of the Issuer 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 Issuer, the corporate culture and values, as well as in

overseeing good corporate governance practices and effective risk management. Since May 2019, he has been elected Chairman of the Risk Committee to the Supervisory Board of the Issuer. 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 (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; and Invest Solar Africa, Botswana – Chairman of the board.

During the period 2012 - 2017 Mr. Koskelo was a Board Member and advisor in the Africa Development Corporation, Germany; African Banking Corporation, Botswana; RSwitch, Rwanda; EXPO Bank, Latvia, and AtlasMara Co-Nvest LLC, UK, as well as senior advisor in Al Jaber Group, U.A.E.

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.

Information about the members of the Managing Board

Nedelcho Nedelchev – Chief Executive Officer (CEO) and Chairman of the Managing Board

Mr. Nedelcho Nedelchev was appointed Chief Executive Officer (CEO) and Chairman of the Management Board of the Issuer in May 2017. During the 2007-2012 period Mr. Nedelchev was member of the Supervisory Board of the Issuer, and in 2013 he managed the project of acquisition of Unionbank EAD, and was member of its Supervisory Board until its merger into the Issuer.

Mr. Nedelchev started his career in the Aval In brokerage house. In 1997, he was financial analyst in First Financial Brokerage House EOOD, was soon thereafter promoted to Head of Analysis, and in 2001 became one of its managers. In 2003, he was appointed Deputy Minister of Transport and Communications of the Republic of Bulgaria, and in the 2003-2005 period was also Deputy Chairman and Chairman of the Board of Directors of Bulgarian Telecommunications Company AD. From September 2005 to March 2006, Mr. Nedelchev was an adviser to the Minister of State Administration. During his professional career, he has been involved in the management of a number of companies operating in the energy and telecommunications sector in Bulgaria, as well as in the field of financial consulting.

Mr. Nedelchev holds a Master's degree in International Economic Relations from the University of National and World Economy in Sofia and has professional licenses and certifications in the field of international financial and commodity markets, investment services and activities, management, business planning, issued by internationally recognized institutions such as the World Bank, the Wholesale Markets Brokers' Association (London) and others.

In the Issuer he is responsible for the Compliance function, the Corporate Communication Department, the Marketing and Advertising Department, the Human Capital Management Department, the Administration Department, the Strategic Planning and Development Department, the Asset Management Department, the Protocol and Secretariat Department.

Besides his position in the Issuer, Mr. Nedelchev is Chair of the Managing Board of First Investment Bank – Albania Sh.a., a Member of the Board of Directors of Borica AD and Member of the Board of Directors of Flips Media EAD. He owns more than 25% of the capital of Project Synergy OOD.

Svetozar Popov – Chief Risk Officer (CRO), Member of the Managing Board and Executive Director

Mr. Svetozar Popov joined the Issuer 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 served as Deputy Director of Risk Management, during which period he also chaired the 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 the Issuer.

From 2008 to 2015, Mr. Popov was member of the Managing Board and Executive Director of Universal Investment Bank AD, Macedonia, where he gained significant management experience and was responsible for the areas of risk management, credit administration, and finance. Prior to joining the Issuer, Mr. Popov worked at Raiffeisenbank (Bulgaria) EAD as an SME loan officer.

Mr. Popov holds a Master's 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 Issuer 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, the Security Department and the specialized unit Information Security and Strategic Risk Management.

Besides his position in the Issuer, Mr. Popov is a Chair of the Supervisory Board of Universal Investment Bank AD, Macedonia 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 the Issuer 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 the Issuer. 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 the Issuer, and from February 2018 was appointed as Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director.

Prior to joining the Issuer, 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.

In the Issuer, he is responsible for the Corporate Banking Department and the Sales and Public Tenders Department.

Besides his position with the Issuer, Mr. Zlatev is a member of the Management Board of First Investment Bank – Albania Sh.a. and a member of

the Board of Directors of FiHealth Insurance AD. He is manager and sole owner of Elea Property EOOD.

Jivko Todorov – Chief Financial Officer (CFO) and Member of the Managing Board

Mr. Jivko Todorov joined the Issuer in June 2014 as Chief Financial Officer. At the end of 2015, Mr. Todorov was elected Member of the Managing Board of the Issuer.

Prior to joining the Issuer, Mr. Todorov worked as Chief Financial Officer (CFO) for Alpha Bank Bulgaria (2012-2014) and for ING Bank NV – Sofia Branch (2004-2012), where he started his banking career in 1997.

Mr. Jivko Todorov holds a Master’s degree in Accounting and Control from the University for National and World Economy in Sofia and is an Executive MBA at HULT International Business School, London UK.

In the Issuer, he is responsible for the Finance Department, the Accounting Department, the Treasury Department, the Investor Relations Department, the Financial Institutions and Correspondent Banking Department and the Intensive Loan Management Department.

Mr. Todorov is a member of the CFO Club in Bulgaria. In 2018, he was awarded “CFO of the year 2018” in the contest organized by EY Bulgaria with a first prize for “Strategy for development of the financial function”.

Besides his position in the Issuer, Mr. Todorov is a Member of the Board of Directors of Balkan Financial Services EAD.

Nadia Koshinska – Member of the Managing Board and Director of SME Banking Department

Ms. Nadia Koshinska joined the Issuer 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 Issuer 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 has been a Member of the Managing Board and Director of SME Banking Department.

Prior to joining the Issuer, she worked in the balance of payments and foreign debt division in Bulgarian National Bank.

Ms. Nadia Koshinska holds a Master's degree in Accounting and Control from the University of National and World Economy.

In the Issuer, she is responsible for the SME Banking Department.

Ms. Koshinska does not hold outside professional positions.

Conflict of interests

As at the date of this Offer, there is no potential conflict of interest between the obligations of the members of the Managing Board or the Supervisory Board to the Issuer and their private interests and/or other obligations.

Corporate governance

The Issuer functions in accordance with a Corporate Governance Code adopted by the Managing Board and approved by the Supervisory Board, structured in compliance with the principles of the Basel Committee on Banking supervision, the guidelines of the European Banking Authority, as well as the applicable standards of the Organisation for Economic Cooperation and Development (OECD) in this field, and the recommendations of the Bulgarian National Corporate Governance Code and the statutory requirements, which the Issuer reviews on annual basis in terms of its compliance and efficiency. The Issuer operates in compliance with Bulgaria's corporate governance regime.

For the purpose of establishing the professional and ethical standards required and applicable to the Issuer as a business company, work environment and a credit institution, The Issuer 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 Issuer.

The audit committee

As a company of public interest in accordance with the Bulgarian Law on the Independent Financial Audit, the Issuer has a functioning audit committee, which is one of four committees to assist the Supervisory Board. The audit committee is responsible for monitoring the financial reporting and independent financial audit, as well as of the effectiveness of the systems for internal control and risk management of the Issuer, according to its internally regulated structure, scope of activities and functions. The audit committee also makes a recommendation in the selection and remuneration of the registered auditors to perform the independent financial audit of the Issuer and monitors their independence in accordance with the applicable European and national regulations, as well as with the Code of Ethics for Professional Accountants.

Members of the audit committee are:

- Georgi Stoyanov Trenchev – Chair of the audit committee;
- Rositsa Yordanova Asova – Member of the audit committee; and
- Jordan Velichkov Skortchev – Member of the audit committee.

The members of the audit committee are elected by the shareholders of the Issuer at their general meeting.

The majority of the members of the audit committee have to be independent from the Issuer and at least one of the members should have proven professional experience in accounting or audit.

ORGANISATIONAL STRUCTURE

Group structure

As at the date of this Offer, the Issuer has eleven subsidiary companies, together with which it forms a Group within the meaning of § 1, item 2 of the Additional Provisions of the Bulgarian Accounting Act.

The Issuer exercises control over its subsidiary companies within the meaning of § 1, item 14 of the Supplementary Provisions of the Law on Public Offering of Securities of Bulgaria, on the basis of its participation in their ownership, and is not dependent on them.

Subsidiary companies

As at 31 December 2018 the Group includes, besides the Issuer, the companies set out below.

First Investment Finance B.V.

In April 2003, the Issuer established a special purpose vehicle incorporated in the Netherlands, First Investment Finance BV. The company is wholly owned by the Issuer. It was established to perform a clear and narrowly defined purpose which is to borrow from foreign financial institutions and to attract investors by issuing bonds and other financial instruments guaranteed by the Issuer, the proceeds of which are to be used for financing the operations of the Issuer. The issued and paid up share capital of the company is EUR 18 thousand, divided into 180 issued and paid up shares, each with a nominal value of EUR 100. The Issuer consolidates its investment in the enterprise.

Diners Club Bulgaria AD

In May 2005, the Issuer acquired 80% of the capital of Diners Club Bulgaria AD. The company was incorporated in 1996 and its principal activity is issuing Diners Club credit cards and processing payments with them. In 2010, the company received a licence from the BNB as a payment institution performing

payment transactions with payment cards, issuing payment instruments and accepting payments with them.

As at 31 December 2018, the registered share capital of the company was BGN 610 000, and the Issuer's shareholding was 94.79%. The Issuer consolidates its investment in the enterprise.

First Investment Bank - Albania Sh.a.

In April 2006, the Issuer established First Investment Bank - Albania Sh.a., with a shareholding of 99.9998%.

On 27 June 2007, First Investment Bank - Albania Sh.a. was granted a full banking licence by the Central Bank of Albania, and on 1 September 2007 effectively took over the activity of the former branch. First Investment Bank - Tirana, assuming all its rights and obligations, assets and liabilities. First Investment Bank – Albania Sh.a. offers a full range of banking products and services, aimed at individuals and small and medium enterprises.

As at 31 December 2018, the share capital of First Investment Bank – Albania Sh.a. was EUR 11 975 000 fully paid up, and the Issuer's shareholding was 100%. The Issuer consolidates its investment in the enterprise.

Fi Health Insurance AD

In the second half of 2010, the Issuer acquired a majority stake in 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 of the company was changed to Fi Health Insurance AD and the principal activity is insurance – Disease and Accident.

As at 31 December 2018, the registered share capital of the company was BGN 5 000 000 and the Issuer's shareholding was 59.10%. The Issuer consolidates its investment in the enterprise.

Debita OOD and Realtor OOD

Acting jointly the Issuer and First Financial Brokerage House EOOD (FFBH) set up two new companies Debita OOD and Realtor OOD, which were entered in the Commercial Registry in Bulgaria 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: 1) Debita OOD – 70% or 1 050 shares held by the Issuer and 30% or 450 shares held by FFBH. 2) Realtor OOD – 51% or 765 shares held by the Issuer and 49% or 735 shares held by FFBH.

The companies were established to operate as servicing companies within the meaning of Article 18 of the Special Investment Purpose Companies Act of Bulgaria. The scope of activity of Debita OOD is the acquisition, servicing, management and disposition of claims, and the related consulting activity. Realtor OOD undertakes the management, servicing and maintenance of real estate, organises and carries out construction works and improvements, and provides consultancy services in the field of real estate.

These companies are not included in the consolidated financial statements for the year ended 31 December 2018, as they are considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiaries is reconsidered at each reporting date.

Balkan Financial Services EAD

In February 2011, the Issuer acquired 100 shares, representing 100% of the capital of Balkan Financial Services EOOD. The company is engaged in providing consultancy services related to implementation of financial information systems and software development. In January 2012, the company was transformed into a single member joint stock company (EAD). As at 31 December 2018, the registered share capital of the company was BGN 50,000, and the Issuer's shareholding was 100%.

The company is not included in the consolidated financial statements for the year ended 31 December 2018, as it is considered immaterial to the financial

position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiary is reconsidered at each reporting date.

Turnaround Management EOOD, Creative Investment EOOD and Lega Solutions EOOD

In the first half of 2013, the Issuer established the companies, Turnaround Management EOOD, Creative Investment EOOD and Lega Solutions EOOD as 100% owned by the Issuer. The capital of each of the companies is the minimum required by law (BGN 2), and they are engaged in the production and trade of goods and services in Bulgaria and abroad (in respect of Turnaround Management EOOD, Creative Investment EOOD) and the acquisition, management and sale of assets, information processing and financial advice (in respect of Lega Solutions EOOD), and other activities.

These companies are not included in the consolidated financial statements for the year ended 31 December 2018, as they are considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiaries is reconsidered at each reporting date.

AMC Imoti EOOD

AMC Imoti EOOD was registered in September 2010 and was acquired by the Issuer in 2013 through the purchase of 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 2018 the capital of the company is BGN 500 thousand, and the Issuer is the sole owner.

The company is not included in the consolidated financial statements for the year ended 31 December 2018, as it is considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The

assessment for consolidation of the subsidiary is reconsidered at each reporting date.

Subsidiary companies included in the consolidated financial statements

The assessment for consolidation of the subsidiaries of the Issuer is reconsidered at each reporting date. As at 31 December 2018, the companies included in the consolidated financial statements are: First Investment Finance B.V., Diners Club Bulgaria AD, First Investment Bank - Albania Sh.a. and Fi Health Insurance AD. The remaining subsidiaries, are not included in the consolidated financial statements for the year ended 31 December 2018, as they are considered immaterial to the financial position, financial result and the cash flow of the Group for the year.

SHARE CAPITAL AND MAJOR SHAREHOLDERS

Share capital

As at the date of this Offer, the registered share capital of the Issuer was BGN 110 000 000 divided into 110 000 000 ordinary dematerialised shares with voting rights of BGN 1 par value each. All the shares have been fully paid up.

Major shareholders

As at the date of this Offer, the major shareholders holding over 5% of the Issuer are set out in the table below.

	Number of shares	% of total share capital
Mr. Ivaylo Dimitrov Mutafchiev	46 750 000	42.50
Mr. Tzeko Todorov Minev	46 750 000	42.50

Information about persons exercising direct or indirect control over the Issuer

Mr. Tzeko Minev and Mr. Ivaylo Mutafchiev, who together hold 85% of the total issued share capital of the Issuer, are able to exercise control at general meetings of the shareholders by voting jointly.

Description of any arrangements, known to the Issuer, the operation of which may at a subsequent date result in a change of control of the Issuer

The Issuer is not aware of any arrangements regarding subsequent change of the control of the Issuer.

On 9 January 2014, Mr. Ivaylo Mutafchiev and Mr. Tzeko Minev concluded an agreement for common policy regarding the exercise of their rights as shareholders of the Issuer, through the joint exercise of their voting rights.

On the date of this Offer, the Issuer has not issued any securities with voting rights or giving access to voting rights, other than the shares referred to in this section of the Offer.

TAXATION

Republic of Bulgaria Taxation

The information provided below regarding certain tax considerations under Bulgarian law is based on the laws in force in the Republic of Bulgaria as of the date of this Prospectus and is subject to any changes in law that may take effect after such date. It does not purport to be a comprehensive description of all the considerations that may be relevant to an investment decision and does not purport to deal with the tax consequences applicable to all categories of investors. Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of the Notes under the laws of their country of citizenship, residence, domicile or incorporation.

Bulgarian Tax Residence of the Noteholders

From a Bulgarian tax perspective the mere acquisition, holding or disposal of the Notes would not qualify a foreign corporate or individual Noteholder as a Bulgarian tax resident.

In order to qualify for tax purposes under Bulgarian law as a Bulgarian tax resident a corporate investor should either (i) be registered in the Republic of Bulgaria or (ii) be an entity established under Council Regulation (EC) №2157/2001 or (iii) be a cooperative society established under Council Regulation (EC) 1435/2003, in case its registered office is within Bulgaria and it is entered in a Bulgarian register.

An individual investor will qualify as a Bulgarian tax resident, without regard to its citizenship, in the event that he or she (i) has a permanent address in the Republic of Bulgaria; (ii) resides in the Republic of Bulgaria for more than 183 days during each twelve month period, (iii) has been sent abroad by the Bulgarian state, its authorities or organisations or by Bulgarian enterprises, or (iv) has a centre of vital interest in the Republic of Bulgaria.

Tax Treatment of Interest Income

Non-resident Corporate Noteholders

Corporate Noteholders that are not Bulgarian tax residents and do not have a permanent establishment in Bulgaria ("**Non-resident Corporate Noteholders**") are liable for withholding tax on certain types of income originating from Bulgaria, including interest income.

Pursuant to the provisions of the Bulgarian Law on Corporate Income Taxation where the Notes are admitted to trading on a regulated market in financial instruments (as defined in Directive 2004/39/EC) in Bulgaria or in an EU/the European Economic Area ("EEA") state, such as the Market ("**Regulated Market**"), no withholding tax would apply on the interest income, derived by Non-resident Corporate Noteholders. Alternatively, where the Notes are not traded on a Regulated Market the interest income paid to a Non-resident Corporate Noteholder, irrespective of the place where it is established for tax purposes, is subject to withholding tax in Bulgaria at the rate of 10 per cent, unless treaty relief applies.

Where the interest income stemming from a Bulgarian entity, such as the Issuer is paid to a non-resident corporate entity acting through a permanent establishment in Bulgaria, irrespective of whether or not the Notes are traded on a Regulated Market, the said interest income will be included in the corporate income taxable base of such entity's permanent establishment in Bulgaria and is subject to corporate income tax in Bulgaria at the rate of 10 per cent.

Non-resident Individual Investors outside EU/ EEA

The interest income from Notes, irrespective of whether or not the Notes are traded on a Regulated Market, received by individual investors who are not tax resident of an EU Member State or an EEA state is subject to withholding tax in Bulgaria at the rate of 10 per cent, provided that such individual investors do not have a fixed base in Bulgaria and unless treaty relief applies.

Where no treaty relief or exemption on the interest income is available or no tax clearance is obtained, or where a tax clearance leading to application of a lower tax rate (not full exemption) is effected, the Issuer should withhold the tax on interest income and remit it to the Bulgarian tax authorities. The

statutory term for payment of the tax is until the end of the month following the quarter in which the interest income is accrued. In case the withholding tax is not paid within such deadline an obligation for payment of statutory default interest is triggered. The default interest rate is equal to the aggregate of the base interest rate announced by the Bulgarian National Bank twice a year and 10 per cent per annum. Default interest accrues and is due even where a tax clearance is obtained but following the expiry of the deadline for the payment of the tax under Bulgarian law. The default interest is due on the amount of the withholding tax that would have been due if no tax clearance was made (i.e. default interest on the Bulgarian tax amount until the date on which tax clearance is granted for application of the respective double tax treaty).

Bulgarian resident Corporate Noteholders

Irrespective of whether the Notes are traded on a Regulated Market, the interest income received by a Bulgarian tax resident corporate Noteholder will be treated as a form of business income, and would therefore be included in its financial result. After netting off with business expenses, any resulting profit is subject to general corporate tax at 10 per cent. The Bulgarian Noteholder would be liable for payment of the corporate income tax (provided its annual financial result is a positive figure), as well as for complying with certain reporting obligations under Bulgarian law. The annual corporate income tax, if any, should be paid by 31 March of the following year, otherwise interest for the delay shall accrue thereon.

Individual Investors from Bulgaria and other EU/EEA states

The interest income derived from Notes, irrespective of whether the Notes are traded on a Regulated Market or not, received by a Bulgarian tax resident is tax exempt in Bulgaria. The interest income derived from the Notes by a tax resident of another EU Member State or another EEA state, irrespective of whether the Notes are traded on a Regulated Market or not is tax exempt in Bulgaria. In order to avail of this relief, tax resident EU/EEA individuals should present before the Issuer an official document, issued by the relevant foreign tax administration, evidencing the tax resident status, as well as an affidavit stating that the circumstances qualifying the interest income as tax exempt are

met (in the particular case the affidavit should state that the interest income originates from corporate notes).

If such EU/EEA tax resident individual fails to evidence its tax residency status by submitting relevant documentation to the Issuer, the Issuer should withhold the tax on interest income and remit the tax to the Bulgarian tax authorities.

Special Treatment of Sole Proprietors ("ednolicen targovetz")

An individual who is a Bulgarian tax resident and with regards to the Notes is acting as sole proprietor ("ednolicen targovetz") within the meaning of the Bulgarian Commerce Act, whether registered or not, is subject to taxation as a legal entity. Irrespective of whether the Notes are traded on a Regulated Market, the interest income received by a sole proprietors will be treated as a form of business income, and would therefore be included in its financial result. After netting off with business expenses, any resulting profit is subject to income tax at 15 per cent.

Tax Treatment of Capital Gains

Non-resident Corporate Noteholders

The capital gains from disposal of the Notes realised by Non-resident Corporate Noteholders would be subject to Bulgarian tax at the rate of 10 per cent (unless a reduced treaty rate or treaty exemption is available), levied on the positive difference between the sale price and the documented acquisition price. "Sale price" is defined in the law as the consideration under the transaction, including any in-kind consideration, assessed at market prices as of the date of accrual of the income.

The tax on capital gains realised from disposal of the Notes is due by the Non-resident Corporate Noteholder, which should remit it to the Bulgarian tax authorities. The term for payment of the tax is until the end of the month following the quarter of actual receipt of the capital gains. In case the capital gains tax is not paid within such deadline an obligation for payment of statutory default interest is triggered. Technically, the non-resident shall apply

(either directly or through a resident representative) for registration with the NRA, file a declaration under Art. 201 CITA electronically and then pay tax.

The capital gains realised through disposal of the Notes by a Non-resident Corporate Noteholder acting through a permanent establishment in Bulgaria would be included in the corporate income taxable base of the latter and are subject to corporate income tax in Bulgaria at the rate of 10 per cent.

Non-resident Individual Noteholders

The income of individual investors who are not Bulgarian tax residents realised from transactions with the Notes is subject to Bulgarian tax, at a rate of 10 per cent (unless a reduced treaty rate or treaty exemption is available), levied on the positive difference between the sale price and the documented acquisition price of the Notes. In cases when the sale price is paid partially, the tax is levied on the positive difference between the received part of the sale price and the documented acquisition price of the notes corresponding to such received selling price. The tax is to be paid by the individual investor until the end of the month following the quarter in which the capital gains are actually received. In case the capital gains tax is not paid within such deadline an obligation for payment of statutory default interest is triggered. Technically, the non-resident shall apply (either directly or through a resident representative) for registration with the NRA, file a declaration under Art. 201 CITA electronically and then pay tax.

Bulgarian Corporate Noteholders

The tax treatment of capital gains from the disposal of the Notes, realised by a Bulgarian tax resident corporate Noteholder, will be the same as the tax treatment of the interest income from the Notes described above. The capital gains will be treated as a form of business income of the Bulgarian tax-resident corporate Noteholder and will be included in its financial result. Should the financial result be a positive figure, the Bulgarian investor would be liable for a payment of 10 per cent corporate tax thereon.

Bulgarian Individual Investors

The income of Bulgarian individuals derived from transfer of the Notes shall be subject to personal income tax at 10 per cent, as part of the overall annual income.

Special Treatment of Sole Proprietors ("ednolicen targovetz")

An individual who is a Bulgarian tax resident and with regards to the Notes is acting as sole proprietor ("ednolicen targovetz") within the meaning of the Bulgarian Commerce Act, whether registered or not, is subject to taxation for any capital gains as a legal entity. The capital gains will be treated as a form of business income of the Bulgarian tax-resident corporate Noteholder and will be included in its financial result. Should the financial result be a positive figure, the Bulgarian investor would be liable for a payment of 15 per cent tax on income thereon.

Other Taxes

There is no Bulgarian value added tax, registration tax, stamp duty or any other similar duty payable in Bulgaria as a consequence of the receipt of interest income from the Notes or the holding or disposal of the Notes. Under Bulgarian law, the transfer of the Notes by way of succession (through corporate reorganisation or inheritance) does not trigger separate transfer tax, except for inheritance taxes that may be due in the case of succession by individual Noteholders who are Bulgarian residents.

Application of Double Tax Treaties

Under Bulgarian law reduced treaty rates/exemptions provided by double tax treaties are not directly applicable. In order to avail itself to such reduced rates/exemptions the non-resident Noteholder has to either (i) for interest income exceeding BGN 500,000 - obtain advance approval (clearance) from the Bulgarian revenue authorities, or (ii) for interest income under BGN 500,000 - verify the conditions for application of the double tax treaty before the Issuer (in case of withholding tax on interest income). The conditions for application of a double tax treaty as well as the available relief/exemption may vary from treaty to treaty. However, the general rule under the Bulgarian Code on Tax and Social Procedure is that double tax treaties may only be applied in

respect of Noteholders that are beneficial owners of the realised income. Double tax treaties do not apply to nominal recipients and conduit vehicles. Clearance for the application of a double tax treaty has to be obtained prior to the expiry of the period for payment of the respective tax otherwise, even if obtained, default interest will be charged.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Offer and have been filed with the Financial Supervision Commission (FSC) shall be incorporated by reference into, and form part of, this Offer:

(a) the audited consolidated annual financial statements of First Investment Bank as at and for each of the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018.

(b) the audited non-consolidated annual financial statements of First Investment Bank as at and for the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018.

(c) the unaudited consolidated interim financial statements of as at and for the nine months ended 30 September 2019

(d) the Articles of Association of First Investment Bank.

The financial statements listed above are direct and accurate English translations of the original versions.

If documents which are incorporated by reference in this Offer themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Offer

Copies of documents incorporated by reference in this Offer can be obtained from the registered office of the Issuer and from the website of the Issuer at <https://www.fibank.bg/en/financial-information/page/3725>.

GENERAL INFORMATION

Authorisation

The issue of the Notes has been authorised by resolution of the Managing Board of the Issuer dated 6 December 2019 and approved by the Supervisory Board on 6 December 2019.

Subscription and registration

The Notes are offered through initial private offering to a limited number of selected investors, and have to be paid in cash.

The subscription start date is 06 December 2019.

The subscription end date is 20 December 2019.

There are no restrictions for the maximum number of bonds an investor may subscribe. The total number of Notes subscribed by one subscriber must not be lower than 10.

This Offer can be accepted by virtue of submitting an Application for subscription of Bonds to First Financial Brokerage House EOOD (in accordance with the form provided by First Financial Brokerage House EOOD) or to other licensed investment intermediary and depositing the payment document evidencing that the amount equal to the issue price of the subscribed bonds is transferred to the raising account opened with the Issuer (First Investment Bank AD). All other customary requirements and procedures, as requested by the investment intermediary shall be met. All subscribers shall be identified in compliance with the applicable legislation and shall submit the required documents.

The place for subscription of the Notes is at First Financial Brokerage House premises at 4th floor of 2 Enos Street, 1408 Sofia or at the offices of other licensed investment intermediaries, or by other remote means.

The request for subscription of bonds pursuant to the application as per the preceding paragraph is final and irrevocable.

The initial private offering of the Note Issue shall be deemed unsuccessful, if after expiry of the registration deadline the minimum portion of the issue is not yet subscribed. In this case, all received proceeds plus the accrued interest, if any, shall be refunded to the subscribers, by the bank that services the raising account for the issue within 5 days of expiry of the subscription deadline.

The bond issue shall be registered with the Central Depository AD.

Listing of Notes

Application will also be made to the Luxembourg Stock Exchange for the listing of the Notes on the Official List of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Exchange's regulated market no later than 6 months after the Issue Date.

Documents Available

For so long as the Notes are in existence, copies of the following documents will be available for inspection by Noteholders during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer, 37 Dragan Tsankov Boulevard, 1797 Sofia, Bulgaria:

- (i) the Articles of Association (with an English translation thereof) of the Issuer;
- (ii) the audited consolidated and non-consolidated financial statements of the Issuer in respect of the financial years ended 31st December, 2018, 2017 and 2016 (with an English translation thereof) in each case together with the audit reports prepared in connection therewith;
- (iii) the unaudited consolidated interim financial statements of the Issuer as of and for the nine ended 30th September, 2019 (with an English translation thereof);
- (iv) a copy of this Offer together with any supplements to this Offer;
- (v) a key information document, relating to the Note.

After Notes are being listed, copies of this Offer and any supplement to this Offer will be available on the website of the Luxemburg Stock Exchange.

Clearing Systems

The Notes will apply for clearance to the Central Depository AD. The Notes will be eligible to clear through the clearing system of Clearstream, Luxembourg. The address of Central Depository AD is 6 Tri Ushi Str., Fl. 4, Sofia, Bulgaria.

Indication of yield

The indication of the yield of the Notes is 8.0 per cent per annum and is calculated as at the date of this Offer on the basis of the Issue Price. It is not an indication of future yield.

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer and the Group since 30th September 2019 and there has been no material adverse change in the prospects of the Group since 30th September 2019.

Litigation

The Issuer is a party to various court proceedings inherent to its business activities and in particular to the debt collection processes. The Issuer is not and has not been a defendant in other court or arbitration proceedings in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer.

Auditors

The auditors of the Issuer are BDO Bulgaria OOD and Mazars OOD. The annual financial statement of the Issuer for the financial year ended 31st December 2016 has been audited by BDO Bulgaria OOD (**BDO**). The annual financial statements of the Issuer for the financial years ended 31st December 2017 and 2018 have, in each case, been audited jointly and independently by

BDO and Mazars OOD. BDO is a member of the Institute of Certified Public Accountants in Bulgaria, registered in the Certified Auditors register under No. 016. Mazars is a member of the Institute of Certified Public Accountants in Bulgaria, registered in the Certified Auditors register under No.169. The auditors of the Issuer have no material interests in the Issuer.

Third party sources

Where information in this Offer has been sourced from third parties, this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

Rating

No rating has been assigned to the Notes.

Other relationships

The Lead Manager and the Issuer have the same end beneficiary owners.

The Lead Manager has engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. The Lead Manager may have positions, deal or make markets in the Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Lead Manager may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of its customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. The Lead

Manager may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Registered/Head Office of the Issuer

First Investment Bank AD
37 Dragan Tsankov Boulevard
1797 Sofia
Bulgaria

Lead Manager

First Financial Brokerage House EOOD
2 Enos Street
1408 Sofia
Bulgaria

Paying Agent

First Investment Bank AD
37 Dragan Tsankov Boulevard
1797 Sofia
Bulgaria

Auditors of the Issuer

BDO Bulgaria OOD
51b Bulgaria Boulevard
1404 Sofia
Bulgaria

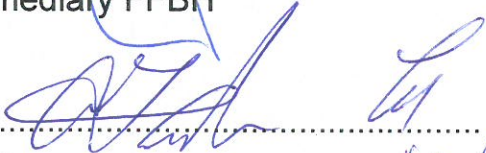
Mazars OOD
2 Bulgaria Tsar Osvoboditel Boulevard
1000 Sofia
Bulgaria

The undersigned persons declare that to the best of their knowledge, the content of the Offer is accurate and complete and the document complies with the law requirements.

For and on behalf of
First Investment Bank AD



For and on behalf of the Investment
Intermediary FFBH



Stoian
Nikolov

Nadejda
Dafincheva

