

FIRST INVESTMENT BANK AD
CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 JUNE 2009
WITH INDEPENDENT AUDITOR'S REPORT THEREON



**REPORT
OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF FIRST INVESTMENT BANK AD**

Sofia, 14 October 2009

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of First Investment Bank AD ("the Bank"), which comprise the consolidated statement of financial position as at 30 June 2009, and the consolidated statements of comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, adopted by European Commission. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

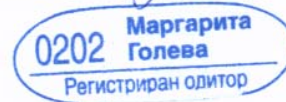
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of First Investment Bank AD as at 30 June 2009, and of its consolidated financial performance and its consolidated cash flows for the period then ended in accordance with International Financial Reporting Standards, adopted by European Commission.

Gilbert McCaul
Authorised representative

KPMG Bulgaria OOD
37 Fridtjof Nansen Str.
1142 Sofia
Bulgaria



Margarita Goleva
Registered auditor



FIRST INVESTMENT BANK AD

Consolidated statement of comprehensive income for the six months ended 30 June 2009

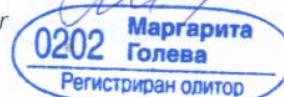
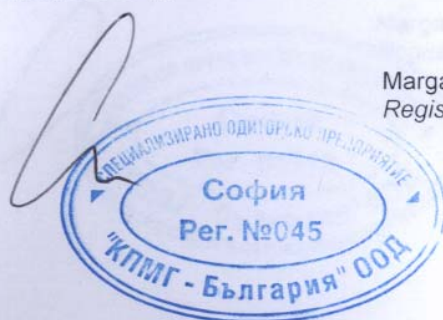
In thousands of BGN

| | Note | Six months ended 30 June 2009 | Six months ended 30 June 2008 |
|--|-----------|-------------------------------------|-------------------------------------|
| Interest income | | 172,595 | 162,656 |
| Interest expense | | (115,774) | (84,125) |
| Net interest income | 6 | 56,821 | 78,531 |
| Fee and commission income | | 29,569 | 34,741 |
| Fee and commission expense | | (3,676) | (4,246) |
| Net fee and commission income | 7 | 25,893 | 30,495 |
| Net trading income | 8 | 4,712 | 1,883 |
| Other operating expenses | 9 | (146) | (2,441) |
| TOTAL INCOME FROM BANKING OPERATIONS | | 87,280 | 108,468 |
| General administrative expenses | 10 | (70,437) | (72,350) |
| Impairment (losses)/loss reversals | 11 | 1,847 | (7,258) |
| Other (expenses)/income, net | | 2,271 | (2,095) |
| PROFIT BEFORE TAX | | 20,961 | 26,765 |
| Income tax expense | 12 | (2,949) | (2,759) |
| GROUP PROFIT AFTER TAX | | 18,012 | 24,006 |
| Other comprehensive income | | | |
| Exchange differences on translating foreign operations | | (893) | (36) |
| Available for sale financial assets | | 7,074 | (151) |
| Other comprehensive income for the period | | 6,181 | (187) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 24,193 | 23,819 |
| Profit attributable to: | | | |
| Owners of the Bank | | 18,208 | 24,025 |
| Minority interests | | (196) | (19) |
| Total comprehensive income attributable to: | | | |
| Owners of the Bank | | 24,389 | 23,838 |
| Minority interests | | (196) | (19) |
| Basic and diluted earnings per share (in BGN) | 13 | 0.17 | 0.22 |

The statement of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 47.

Gilbert McCaul
 Authorised representative
 KPMG Bulgaria OOD

Margarita Goleva
 Registered auditor



FIRST INVESTMENT BANK AD

Consolidated statement of financial position as at 30 June 2009

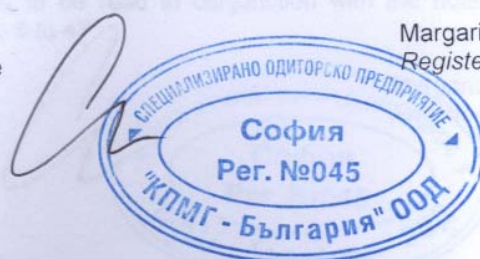
In thousands of BGN

| | Note | 30 June 2009 | 31 December 2008 |
|--|------|------------------|---------------------|
| ASSETS | | | |
| Cash and balances with central banks | 14 | 511,804 | 751,864 |
| Financial assets held for trading | 15 | 27,071 | 9,681 |
| Available for sale investments | 16 | 361,101 | 286,623 |
| Financial assets held to maturity | 17 | 34,024 | 62,395 |
| Loans and advances to banks and financial institutions | 18 | 25,701 | 10,244 |
| Loans and advances to customers | 19 | 3,046,865 | 2,969,984 |
| Property and equipment | 20 | 149,186 | 153,359 |
| Intangible assets | 21 | 5,099 | 5,631 |
| Other assets | 23 | 31,502 | 20,970 |
| TOTAL ASSETS | | 4,192,353 | 4,270,751 |
| LIABILITIES AND CAPITAL | | | |
| Due to credit institutions | 24 | 33,517 | 53,034 |
| Due to other customers | 25 | 2,992,983 | 2,855,327 |
| Liabilities evidenced by paper | 26 | 608,214 | 832,620 |
| Subordinated term debt | 27 | 57,069 | 53,852 |
| Perpetual debt | 28 | 99,653 | 98,658 |
| Deferred tax liability | 22 | 1,861 | 1,729 |
| Other liabilities | 29 | 6,129 | 6,797 |
| TOTAL LIABILITIES | | 3,799,426 | 3,902,017 |
| Issued share capital | 31 | 110,000 | 110,000 |
| Share premium | 31 | 97,000 | 97,000 |
| Statutory reserve | 31 | 39,861 | 39,861 |
| Revaluation reserve on available for sale investments | 31 | 607 | (6,467) |
| Reserve from translation of foreign operations | 31 | (1,706) | (813) |
| Retained earnings | 31 | 147,052 | 129,095 |
| SHAREHOLDERS' EQUITY | | 392,814 | 368,676 |
| Minority interests | 31 | 113 | 58 |
| TOTAL GROUP EQUITY | | 392,927 | 368,734 |
| TOTAL LIABILITIES AND GROUP EQUITY | | 4,192,353 | 4,270,751 |

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 47.

Gilbert McCaul
 Authorised representative
 KPMG Bulgaria OOD

Margarita Goleva
 Registered auditor



FIRST INVESTMENT BANK AD

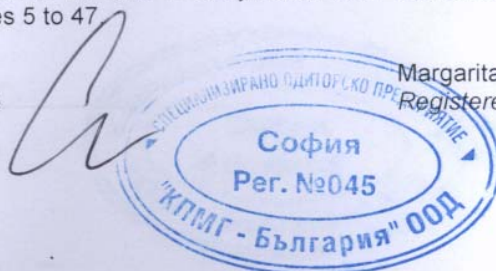
Consolidated statement of cash flows for the six months ended 30 June 2009

In thousands of BGN

| | Six months ended 30 June 2009 | Six months ended 30 June 2008 |
|---|----------------------------------|----------------------------------|
| Net cash flow from operating activities | | |
| Profit for the period | 18,012 | 24,006 |
| Adjustment for non-cash items | | |
| Impairment losses/(loss reversals) | (1,847) | 7,258 |
| Depreciation and amortisation | 9,657 | 7,809 |
| Income tax expense | 2,949 | 2,759 |
| (Profit)/loss from sale and derecognition of tangible and intangible fixed assets | (5,954) | 149 |
| | 22,817 | 41,981 |
| Change in operating assets | | |
| (Increase)/decrease in financial instruments held for trading | (17,390) | 2,202 |
| (Increase)/decrease in available for sale investments | (67,404) | 51,149 |
| (Increase) in loans and advances to banks and financial institutions | (18,636) | (509) |
| (Increase) in loans to customers | (75,034) | (31,363) |
| (Increase) in other assets | (10,532) | (14,661) |
| | (188,996) | 6,818 |
| Change in operating liabilities | | |
| Increase/(decrease) in deposits from banks | (19,517) | 9,840 |
| Increase/(decrease) in amounts owed to other depositors | 137,656 | (138,871) |
| Net (decrease) in other liabilities | (2,846) | (758) |
| | 115,293 | (129,789) |
| Income tax paid | (1,532) | (2,873) |
| NET CASH FLOW FROM OPERATING ACTIVITIES | (52,418) | (83,863) |
| Cash flow from investing activities | | |
| (Purchase) of tangible and intangible fixed assets | (6,610) | (27,750) |
| Sale of tangible and intangible fixed assets | 7,612 | 324 |
| Decrease of investments | 28,371 | 34,642 |
| NET CASH FLOW FROM INVESTING ACTIVITIES | 29,373 | 7,216 |
| Financing activities | | |
| (Decrease) in borrowings | (220,194) | (23,562) |
| NET CASH FLOW FROM FINANCING ACTIVITIES | (220,194) | (23,562) |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | (243,239) | (100,209) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD | 761,914 | 800,665 |
| CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (see note 33) | 518,675 | 700,456 |

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 47

Gilbert McCaul
 Authorised representative
 KPMG Bulgaria OOD



Margarita Goleva
 Registered auditor



FIRST INVESTMENT BANK AD

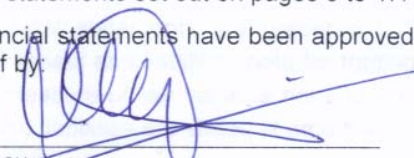
Consolidated statement of changes in equity for the six months ended 30 June 2009

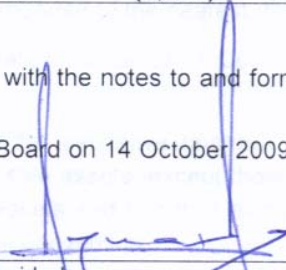
In thousands of BGN

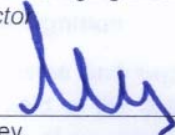
| | Share capital | Share premium | Retained earnings | Revaluation reserve on available for sale investments | Reserve from translation of foreign operations | Statutory reserve | Minority interests | Total |
|---|----------------|---------------|-------------------|---|--|-------------------|--------------------|----------------|
| Balance as at 1 January 2008 | 110,000 | 97,000 | 79,858 | (350) | (515) | 39,861 | 125 | 325,979 |
| Revaluation reserve on available for sale investments | - | - | - | (151) | - | - | - | (151) |
| Reserve from translation of foreign operations | - | - | - | - | (36) | - | - | (36) |
| Profit for the six months ended 30 June 2008 | - | - | 24,025 | - | - | - | (19) | 24,006 |
| Balance as at 30 June 2008 | 110,000 | 97,000 | 103,883 | (501) | (551) | 39,861 | 106 | 349,798 |
| Balance as at 1 January 2009 | 110,000 | 97,000 | 129,095 | (6,467) | (813) | 39,861 | 58 | 368,734 |
| Revaluation reserve on available for sale investments | - | - | - | 7,074 | - | - | - | 7,074 |
| Reserve from translation of foreign operations | - | - | - | - | (893) | - | - | (893) |
| Movement related to the changes in minority interest's shareholding | - | - | (251) | - | - | - | 251 | - |
| Profit for the six months ended 30 June 2009 | - | - | 18,208 | - | - | - | (196) | 18,012 |
| Balance as at 30 June 2009 | 110,000 | 97,000 | 147,052 | 607 | (1,706) | 39,861 | 113 | 392,927 |


The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 47.


The financial statements have been approved by the Managing Board on 14 October 2009 and signed on its behalf by:

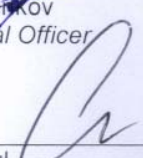

 Matthew Mateev
 Chairman of the Managing Board,
 Executive Director


 Evgeni Lukanov
 Executive Director



 Jordan Skortchev
 Executive Director


 Maya Georgieva
 Executive Director


 Radoslav Mladenkov
 Chief Financial Officer


 Gilbert McCaul
 Authorised representative
 KPMG Bulgaria OOD




 Margarita Goleva
 Registered auditor

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 Margarita Goleva
 Регистриран одитор

FIRST INVESTMENT BANK AD

Notes to the financial statements

1. Basis of preparation

(a) Statute

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

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

As a result of a successful initial public offering (IPO) of new shares on the Bulgarian Stock Exchange – Sofia the Bank is registered as a public company at the Register of the Financial Supervision Commission in accordance with the provisions of the Bulgarian Public Offering of Securities Act on 13 June 2007.

The consolidated financial statements of the Bank as at and for the six months ended 30 June 2009 comprise the Bank and its subsidiaries (see note 36), together referred to as the “Group”.

The Group has foreign operations in Cyprus and Albania.

(b) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Commission.

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

(c) Basis of preparation

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

The Group has made certain reclassifications to the financial statements as of 31 December 2008 in order to provide more clear and precise comparison figures.

The financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held for trading, and available-for-sale assets, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost convention.

2. Significant accounting policies

(a) Income recognition

Interest income and expense is recognised in profit or loss as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

FIRST INVESTMENT BANK AD

Notes to the financial statements

2. Significant accounting policies, continued

(a) Income recognition, continued

Fee and commission income arises on financial services provided by the Group and is recognised when the corresponding service is provided.

Net trading income includes gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading.

(b) Basis of consolidation of subsidiaries

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Special purpose entities are consolidated when the substance of the relationship between the Group and the special purpose entity indicates that the special purpose entity is controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(c) Foreign currency transactions

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Bulgarian leva, which is the Group's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the exchange rates at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation differences on non-monetary items are included in other comprehensive income.

(iii) *Foreign operations*

The assets and liabilities of foreign operations are translated to Bulgarian leva at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Bulgarian leva at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income. The functional currency of the foreign operations in Cyprus is determined by the management to be the Euro. The functional currency of the foreign operations in Albania is determined by the management to be the Albanian lek.

FIRST INVESTMENT BANK AD

Notes to the financial statements

2. Significant accounting policies, continued

(d) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

(iii) *Held-to-maturity*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category shall be reclassified as available for sale.

(iv) *Available-for-sale*

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(v) *Recognition*

Purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on the date of the actual delivery of the assets. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Group has transferred substantially all risks and rewards of ownership.

(vi) *Measurement*

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognised in profit or loss. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, until the financial asset is derecognised or impaired

FIRST INVESTMENT BANK AD

Notes to the financial statements

2. Significant accounting policies, continued

(d) Financial assets, continued

(vi) *Measurement, continued*

at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified in profit or loss.

Interest calculated using the effective interest method is recognised in profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

(vii) *Fair value measurement*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Group calibrates valuation techniques and tests them for validity using prices from observable current market transactions with the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

The next table analyses the financial instruments measured at fair value by valuation models, excluding investments in equity instruments measured at cost.

FIRST INVESTMENT BANK AD

Notes to the financial statements

2. Significant accounting policies, continued

(d) Financial assets, continued

(vii) Fair value measurement, continued

| <i>in thousands of BGN</i> | Observable market prices in active markets | Valuation techniques - using market data | Total |
|-----------------------------------|--|--|----------------|
| 30 June 2009 | | | |
| Financial assets held for trading | 27,071 | - | 27,071 |
| Available for sale investments | 320,796 | 38,267 | 359,063 |
| Total | 347,867 | 38,267 | 386,134 |
| 31 December 2008 | | | |
| Financial assets held for trading | 9,681 | - | 9,681 |
| Available for sale investments | 229,845 | 54,740 | 284,585 |
| Total | 239,526 | 54,740 | 294,266 |

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with central banks and short-term highly liquid investments with maturity of three months or less.

(f) Investments

Investments that the Group holds for the purpose of short-term profit taking are classified as trading instruments. Debt investments that the Group has the intent and ability to hold to maturity are classified as held-to-maturity assets. Other investments are classified as available-for-sale assets.

(g) Securities borrowing and lending business and repurchase transactions

(i) Securities borrowing and lending

Investments lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for assets held for trading or available-for-sale as appropriate. Cash collateral received in respect of securities lent is recognised as liabilities to either banks or customers. Investments borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense.

(ii) Repurchase agreements

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

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

FIRST INVESTMENT BANK AD

Notes to the financial statements

2. Significant accounting policies, continued

(h) Borrowings

Borrowings are recognised initially at 'cost', being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective yield method.

If the Group purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of a liability and the consideration paid is included in other operating income.

(i) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

(j) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(i) Loans and advances

The amount of the loss is determined as the difference between the assets's carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate. If a loan has a variable interest rate, the discount rate is the current effective interest rate determined under the contract. Short-term balances are not discounted. Calculation of the present value of estimated future cash flows includes interest and principal repayments as well as the cash flows that could arise from high-liquid collateral.

Loans and advances are presented net of specific and general allowances for impairment. The carrying amount of the assets is reduced through use of an allowance account. Specific allowances are made against the carrying amount of loans and advances for which objective evidence of impairment exists as a result of past events that occurred after the initial recognition of the asset. Objective evidence of impairment include significant financial difficulty of the obligor; a breach of contract, such as a default or delinquency in interest or principal payments; the borrower will probably enter bankruptcy; observable data indicating that there is a measurable decrease in the estimated cash flows from a group of financial assets. General allowances are maintained to reduce the carrying amount of portfolios of loans and advances with similar credit risk characteristics that are collectively assessed for impairment. The expected cash flows for portfolios of similar assets are estimated on the basis of historical loss experience for assets with characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. Increases in the allowance account are recognised in profit or loss. When a loan is identified to be not recoverable, all the necessary legal procedures have been completed and the final loss has been determined, the loan is written off.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the allowance reversal is recognised in profit or loss.

FIRST INVESTMENT BANK AD

Notes to the financial statements

2. Significant accounting policies, continued

(j) Impairment, continued

(ii) Available for sale financial assets

If there is objective evidence that an impairment loss has been incurred on an equity instrument not carried at fair value, the amount of the loss is measured as the difference between its carrying amount and the present value of estimated future cash flows discounted at the current market rate of return.

When an asset remeasured to fair value through other comprehensive income is impaired, the decline in the fair value of the asset that had been previously recognised in other comprehensive income is reclassified to profit or loss even though the financial asset has not been derecognised.

If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be related to an event after the impairment loss recognition, the impairment loss is reversed and recognised in profit or loss.

(k) Property, plant and equipment

Items of property, plant and equipment are stated in the balance sheet at their acquisition cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight line basis at prescribed rates designed to decrease the cost of fixed assets over their expected useful lives. The following are approximations of the annual rates used:

| Assets | % |
|--------------------------|---------|
| ▪ Buildings | 3 - 4 |
| ▪ Equipment | 10 - 33 |
| ▪ Fixtures and fittings | 10 - 20 |
| ▪ Vehicles | 10 - 20 |
| ▪ Leasehold improvements | 3 - 67 |

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

(l) Intangible assets

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

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

| Assets | % |
|---------------------|---------|
| ▪ Licences | 10 - 20 |
| ▪ Computer software | 10 - 33 |

(m) Provisions

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

FIRST INVESTMENT BANK AD

Notes to the financial statements

2. Significant accounting policies, continued

(n) Acceptances

An acceptance is created when the Group agrees to pay, at a stipulated future date, a draft drawn on it for a specified amount. The Group's acceptances primarily arise from documentary credits stipulating payment for the goods to be made a certain number of days after receipt of required documents. The Group negotiates most acceptances to be settled at a later date following the reimbursement from the customers. Acceptances are accounted for as liabilities evidenced by paper.

(o) Taxation

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

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

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

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

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

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

(i) *Impairment losses on loans and advances*

The Group reviews its loan portfolios to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

FIRST INVESTMENT BANK AD

Notes to the financial statements

2. Significant accounting policies, continued

(p) Critical accounting estimates and judgements in applying accounting policies, continued

(ii) *Income taxes*

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

(q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options.

(r) New standards and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the six months ended 30 June 2009, and have not been applied in preparing these consolidated financial statements. None of these will have an effect on the consolidated financial statements of the Group.

(s) Changes in the accounting policy

- *IAS 1 Presentation of Financial Statements*

The Group applies revised *IAS 1 Presentation of Financial Statements (2007)*, which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied to the financial statements for the six months ended 30 June 2009.

Comparative information has been presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on net profit and earnings per share.

- *IFRS 8 Operating Segments*

As of 1 January 2009 the Group determines and presents operating segments in accordance with *IFRS 8 Operating Segments*. Previously operating segments were determined and presented in accordance with *IAS 14 Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on net profit and earnings per share.

An operating segment is a component, that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

FIRST INVESTMENT BANK AD

Notes to the financial statements

3. Risk management disclosures

A. Trading activities

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

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

The Group operates in the condition of a dynamically developing global financial and economic crisis. Its further extension might result in negative implications on the financial position of the Group. The management of the Group performs daily monitoring over all positions of assets and liabilities, income and expenses, as well as the development of the international financial markets, applying the best banking practices. The management based on this analyses profitability, liquidity and the cost of funds and implements adequate measures in respect to credit, market (primarily interest rate) and liquidity risk, thus limiting the possible negative effects from the global financial and economic crisis. In this way the Group responds to the challenges of the market environment, maintaining a stable capital and liquidity position.

(i) **Credit risk**

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

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

(ii) **Market risk**

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

Exposure to market risk is formally managed in accordance with risk limits set by senior management by buying or selling instruments.

In a developing capital market, the prices with which transactions are realised can be different from quoted prices. While management has used available market information in estimating fair value, it may not be fully reflective of the value that could be realised under the current circumstances.

FIRST INVESTMENT BANK AD

Notes to the financial statements

3. Risk management disclosures, continued

A. Trading activities, continued

(ii) *Market risk, continued*

The quantitative measurement of interest rate risk is performed by applying VaR (Value at Risk) approach. The Value at Risk estimates the maximum loss that could occur over specified horizon, under normal market conditions, due to adverse changes in market rates if the positions remain unchanged for the specified time interval. Value at risk is calculated using one day horizon and 99% confidence level, meaning that there is 1% probability that a portfolio will incur a loss in one day greater than its VaR. Parameters of the VaR model are estimated on the basis of exponentially weighted historical price changes of risk factors.

The Value at Risk is calculated and monitored on a daily basis as part of the Group's ongoing risk management. The following table summarises the range of interest rate VaR for all positions carried at fair value that was experienced in the first half of 2009:

| | 30 June | Six months ended 30 June 2009 | | | 31 December |
|----------------------------|---------|-------------------------------|-----|-------|-------------|
| <i>in thousands of BGN</i> | 2009 | average | low | high | 2008 |
| VaR | 973 | 1,715 | 973 | 2,648 | 1,373 |

B. Non-trading activities

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

(i) *Liquidity risk*

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

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

FIRST INVESTMENT BANK AD

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

(i) Liquidity risk, continued

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

Maturity table as at 30 June 2009

| <i>In thousands of BGN</i> | Up to 1 Month | From 1 to 3 Months | From 3 months to 1 year | Over 1 year not defined | Maturity | Total |
|--|--------------------------|-------------------------------|--|------------------------------------|-----------------|------------------|
| Assets | | | | | | |
| Cash and balances with central banks | 511,804 | - | - | - | - | 511,804 |
| Financial assets held for trading | 27,071 | - | - | - | - | 27,071 |
| Available for sale investments | - | 58,583 | 199,825 | 100,655 | 2,038 | 361,101 |
| Financial assets held to maturity | 597 | - | 18,414 | 15,013 | - | 34,024 |
| Loans and advances to banks and financial institutions | 10,782 | - | - | 14,919 | - | 25,701 |
| Loans and advances to customers | 281,128 | 140,952 | 626,143 | 1,998,642 | - | 3,046,865 |
| Property and equipment | - | - | - | - | 149,186 | 149,186 |
| Intangible assets | - | - | - | - | 5,099 | 5,099 |
| Other assets | 31,502 | - | - | - | - | 31,502 |
| Total assets | 862,884 | 199,535 | 844,382 | 2,129,229 | 156,323 | 4,192,353 |
| Liabilities | | | | | | |
| Due to credit institutions | 13,454 | 20,063 | - | - | - | 33,517 |
| Due to other customers | 1,150,832 | 898,840 | 876,375 | 66,936 | - | 2,992,983 |
| Liabilities evidenced by paper | 116,607 | 127,946 | 248,346 | 115,315 | - | 608,214 |
| Subordinated term debt | - | - | - | 57,069 | - | 57,069 |
| Perpetual debt | - | - | - | - | 99,653 | 99,653 |
| Deferred tax liability | - | - | - | - | 1,861 | 1,861 |
| Other liabilities | 6,129 | - | - | - | - | 6,129 |
| Total liabilities | 1,287,022 | 1,046,849 | 1,124,721 | 239,320 | 101,514 | 3,799,426 |
| Net liquidity gap | (424,138) | (847,314) | (280,339) | 1,889,909 | 54,809 | 392,927 |

FIRST INVESTMENT BANK AD

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

(i) Liquidity risk, continued

Maturity table as at 31 December 2008

| <i>In thousands of BGN</i> | Up to 1 Month | From 1 to 3 Months | From 3 months to 1 year | Over 1 year not defined | Maturity | Total |
|--|------------------|-----------------------|-------------------------------|----------------------------|----------------|------------------|
| Assets | | | | | | |
| Cash and balances with central banks | 751,864 | - | - | - | - | 751,864 |
| Financial assets held for trading | 9,681 | - | - | - | - | 9,681 |
| Available for sale investments | 58,599 | 78,053 | 58,288 | 89,645 | 2,038 | 286,623 |
| Financial assets held to maturity | 8,858 | 10,645 | 2,800 | 40,092 | - | 62,395 |
| Loans and advances to banks and financial institutions | 10,244 | - | - | - | - | 10,244 |
| Loans and advances to customers | 264,034 | 231,804 | 533,501 | 1,940,614 | 31 | 2,969,984 |
| Property and equipment | - | - | - | - | 153,359 | 153,359 |
| Intangible assets | - | - | - | - | 5,631 | 5,631 |
| Other assets | 20,970 | - | - | - | - | 20,970 |
| Total assets | 1,124,250 | 320,502 | 594,589 | 2,070,351 | 161,059 | 4,270,751 |
| Liabilities | | | | | | |
| Due to credit institutions | 53,034 | - | - | - | - | 53,034 |
| Due to other customers | 1,130,154 | 569,565 | 1,077,328 | 78,280 | - | 2,855,327 |
| Liabilities evidenced by paper | 60,594 | 62,929 | 627,241 | 81,856 | - | 832,620 |
| Subordinated term debt | - | - | - | 53,852 | - | 53,852 |
| Perpetual debt | - | - | - | - | 98,658 | 98,658 |
| Deferred tax liability | - | - | - | - | 1,729 | 1,729 |
| Other liabilities | 6,797 | - | - | - | - | 6,797 |
| Total liabilities | 1,250,579 | 632,494 | 1,704,569 | 213,988 | 100,387 | 3,902,017 |
| Net liquidity gap | (126,329) | (311,992) | (1,109,980) | 1,856,363 | 60,672 | 368,734 |

As at 30 June 2009 the thirty largest non-bank depositors represent 13.73% of total deposits from other customers (2008: 23.38%).

FIRST INVESTMENT BANK AD

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

(i) Liquidity risk, continued

The following table provides a remaining maturities analysis of the financial liabilities of the Group as at 30 June 2009 based on the contractual undiscounted cash flows.

| <i>In thousands of BGN</i> | Up to 1 month | From 1 to 3 months | From 3 months to 1 year | Over 1 year | Maturity not defined | Total |
|------------------------------------|--------------------------|-------------------------------|--|------------------------|---------------------------------|------------------|
| Due to credit institutions | 13,459 | 20,310 | - | - | - | 33,769 |
| Due to other customers | 1,152,464 | 910,731 | 918,915 | 77,533 | - | 3,059,643 |
| Liabilities evidenced by paper | 116,854 | 129,049 | 256,352 | 133,168 | - | 635,423 |
| Subordinated term debt | - | - | - | 115,946 | - | 115,946 |
| Perpetual debt | - | 6,601 | 4,775 | 68,254 | 93,880 | 173,510 |
| Total financial liabilities | 1,282,777 | 1,066,691 | 1,180,042 | 394,901 | 93,880 | 4,018,291 |

(ii) Market risk

Interest rate risk

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 Group is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as the Bulgarian Base Interest Rate, the LIBOR and EURIBOR, although these indices tend to move in high correlation. In addition, the actual effect will depend on a number of other factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within repricing periods and among currencies.

In order to quantify the interest rate risk of its non-trading activities, the Group measures the impact of a change in the market rates both on net interest income and on the Group'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 at 30 June 2009 is BGN +2.3/-2.3 Mio. The interest rate risk on the Group's net interest income one year forward following a standardised shock of +100bp/-100bp as at 30 June 2009 is BGN +0.8/-0.8 Mio.

FIRST INVESTMENT BANK AD

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

(ii) Market risk, continued

Interest rate risk, continued

The following table indicates the effective interest rates at 30 June 2009 and the periods in which financial liabilities and assets reprice.

| <i>In thousands of BGN</i> | Fixed rate instruments | | | | | | |
|--|-------------------------------|--|---------------------------|-------------------|------------------------------|-----------------------------|------------------|
| | Total | Weighted average effective interest rate | Floating rate instruments | Less than 1 month | Between 1 month and 3 months | Between 3 months and 1 year | More than 1 year |
| Assets | | | | | | | |
| Cash and balances with central banks | 179,157 | 0.20% | 23,950 | 155,207 | - | - | - |
| Financial assets held for trading | 23,828 | 5.01% | - | - | - | 13,156 | 10,672 |
| Available for sale investments | 359,063 | 2.11% | 44,883 | - | 58,583 | 199,825 | 55,772 |
| Financial assets held to maturity | 34,024 | 3.25% | 8,302 | 597 | - | 18,414 | 6,711 |
| Loans and advances to banks and financial institutions | 22,599 | 6.07% | 7,529 | 6,959 | - | - | 8,111 |
| Loans and advances to customers | 3,028,665 | 12.10% | 2,491,128 | 72,859 | 29,099 | 137,278 | 298,301 |
| Non-interest earning assets | 545,017 | - | - | - | - | - | - |
| Total assets | 4,192,353 | | 2,575,792 | 235,622 | 87,682 | 368,673 | 379,567 |
| Liabilities | | | | | | | |
| Due to credit institutions | 33,516 | 4.30% | 1,219 | 12,234 | 20,063 | - | - |
| Due to other customers | 2,976,855 | 6.39% | 1,296,721 | 311,373 | 762,219 | 580,131 | 26,411 |
| Liabilities evidenced by paper | 608,150 | 5.06% | 316,835 | 116,542 | 124,945 | 19,978 | 29,850 |
| Subordinated term debt | 57,069 | 13.50% | - | - | - | - | 57,069 |
| Perpetual debt | 99,653 | 12.51% | - | - | - | - | 99,653 |
| Non-interest bearing liabilities | 24,183 | - | - | - | - | - | - |
| Total liabilities | 3,799,426 | | 1,614,775 | 440,149 | 907,227 | 600,109 | 212,983 |

FIRST INVESTMENT BANK AD

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

(ii) Market risk, continued

Interest rate risk, continued

The following table indicates the effective interest rates at 31 December 2008 and the periods in which financial liabilities and assets reprice.

Fixed rate instruments

In thousands of BGN

| | Total | Weighted average effective interest rate | Floating rate instruments | Less than 1 month | Between 1 month and 3 months | Between 3 months and 1 year | More than 1 year |
|--|------------------|--|---------------------------|-------------------|------------------------------|-----------------------------|------------------|
| Assets | | | | | | | |
| Cash and balances with central banks | 155,873 | 1.99% | 47,625 | 108,248 | - | - | - |
| Financial assets held for trading | 5,476 | 4.31% | - | - | - | - | 5,476 |
| Available for sale investments | 284,585 | 3.08% | 45,797 | 58,599 | 78,053 | 58,288 | 43,848 |
| Financial assets held to maturity | 62,394 | 3.37% | 18,197 | 8,858 | 10,644 | 2,800 | 21,895 |
| Loans and advances to banks and financial institutions | 6,231 | 2.84% | 1,674 | 4,557 | - | - | - |
| Loans and advances to customers | 2,932,968 | 10.89% | 2,503,319 | 21,745 | 11,540 | 161,697 | 234,667 |
| Non-interest earning assets | 823,224 | - | - | - | - | - | - |
| Total assets | 4,270,751 | | 2,616,612 | 202,007 | 100,237 | 222,785 | 305,886 |
| Liabilities | | | | | | | |
| Due to credit institutions | 53,034 | 4.68% | 1,379 | 51,655 | - | - | - |
| Due to other customers | 2,844,371 | 5.32% | 1,905,735 | 82,127 | 154,150 | 215,716 | 486,643 |
| Liabilities evidenced by paper | 832,619 | 7.05% | 439,142 | 60,594 | 62,929 | 264,060 | 5,894 |
| Subordinated term debt | 53,852 | 13.10% | - | - | - | - | 53,852 |
| Perpetual debt | 98,658 | 12.51% | - | - | - | - | 98,658 |
| Non-interest bearing liabilities | 19,483 | - | - | - | - | - | - |
| Total liabilities | 3,902,017 | | 2,346,256 | 194,376 | 217,079 | 479,776 | 645,047 |

FIRST INVESTMENT BANK AD

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

(ii) Market risk, continued

Currency risk

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

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

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

| <i>In thousands of BGN</i> | 30 June 2009 | 31 December 2008 |
|-----------------------------|---------------------|-------------------------|
| Monetary assets | | |
| Euro | 2,354,552 | 2,179,633 |
| US dollar | 276,922 | 241,828 |
| Other | 72,252 | 49,266 |
| Gold | 7,518 | 7,848 |
| Monetary liabilities | | |
| Euro | 2,170,287 | 2,151,577 |
| US dollar | 279,540 | 241,744 |
| Other | 73,552 | 52,386 |
| Gold | - | - |
| Net position | | |
| Euro | 184,265 | 28,056 |
| US dollar | (2,618) | 84 |
| Other | (1,300) | (3,120) |
| Gold | 7,518 | 7,848 |

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

FIRST INVESTMENT BANK AD

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iii) Credit risk

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

The 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. These exposures are as follows:

| 30 June 2009 | | <i>In thousands of BGN</i> |
|--------------------------|--|---|
| Class of exposure | Gross amount of loans and advances to customers | Carrying amount of loans and advances to customers |
| Collectively impaired | | |
| Standard | 2,950,439 | 2,947,274 |
| Individually impaired | | |
| Watch | 52,657 | 50,289 |
| Nonperforming | 31,868 | 26,186 |
| Loss | 75,914 | 23,116 |
| Total | 3,110,878 | 3,046,865 |

| 31 December 2008 | | <i>In thousands of BGN</i> |
|--------------------------|--|---|
| Class of exposure | Gross amount of loans and advances to customers | Carrying amount of loans and advances to customers |
| Collectively impaired | | |
| Standard | 2,911,251 | 2,907,981 |
| Individually impaired | | |
| Watch | 27,620 | 26,379 |
| Substandard | 19,062 | 12,114 |
| Nonperforming | 79,800 | 23,510 |
| Total | 3,037,733 | 2,969,984 |

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

FIRST INVESTMENT BANK AD

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iii) Credit risk, continued

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

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

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

| <i>In thousands of BGN</i> | 30 June 2009 | 31 December 2008 |
|-------------------------------|---------------------|-------------------------|
| Trade | 680,363 | 649,185 |
| Industry | 724,718 | 708,836 |
| Services | 189,950 | 187,411 |
| Finance | 13,522 | 13,280 |
| Transport, logistics | 188,769 | 148,266 |
| Communications | 49,179 | 46,836 |
| Construction | 152,127 | 145,293 |
| Agriculture | 75,498 | 85,620 |
| Tourist services | 107,502 | 112,973 |
| Infrastructure | 105,523 | 106,212 |
| Private individuals | 770,667 | 780,481 |
| Other | 53,060 | 53,340 |
| Less allowance for impairment | (64,013) | (67,749) |
| Total | 3,046,865 | 2,969,984 |

The Group has extended loans to enterprises involved in different types of activities but within the same economic sector - industry. As such the exposures share a similar industry risk. There are three such groups of enterprises at 30 June 2009 with total exposures amounting to BGN 40,962 thousand (2008: BGN 40,968 thousand) - ferrous and non-ferrous metallurgy, BGN 78,440 thousand (2008: BGN 77,149 thousand) - mining industry and BGN 105,509 thousand (2008: BGN 107,972 thousand) - power engineering.

The Group has extended loans and issued contingent liabilities to 15 individual clients or groups (2008: 16) with each individual exposure exceeding 10% of the capital base of the Group and based on the book value of the corresponding credit facility. The total amount of these exposures is BGN 1,009,980 thousand which represents 207.17% of the Group's capital base (2008: BGN 1,109,642 thousand which represented 245.86% of capital base) of which BGN 858,151 thousand (2008: BGN 938,241 thousand) represent loans and BGN 151,829 thousand (2008: BGN 171,401 thousand) represent guarantees, letters of credit and other commitments. Exposures secured by cash have been excluded from the calculation of the large exposures.

FIRST INVESTMENT BANK AD

Notes to the financial statements

3. Risk management disclosures, continued

B. Non-trading activities, continued

(iii) Credit risk, continued

The loans extended in Cyprus amount to BGN 173,774 thousand (2008: BGN 130,871 thousand) and in Albania – BGN 22,197 thousand (2008: BGN 23,419 thousand).

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

The Group's policy is to require suitable collateral to be provided by 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 Group's obligations. The extent of collateral held for guarantees and letters of credit is 100 percent.

Collateral for loans, guarantees, and letters of credit is usually in the form of mortgage, cash, pledge of inventory, listed investments or other property.

The table below shows a breakdown of total loans and advances extended to customers by the Group by type of collateral, excluding credit cards in the amount of BGN 168,219 thousands (2008: BGN 160,963 thousands):

| <i>In thousands of BGN</i> | 30 June 2009 | 31 December 2008 |
|---------------------------------|---------------------|-------------------------|
| Mortgage | 1,321,839 | 1,364,319 |
| Pledge of receivables | 214,891 | 416,239 |
| Pledge of commercial enterprise | 487,531 | 286,287 |
| Securities | 64,398 | 144,981 |
| Bank guarantee | 3,516 | 2,135 |
| Other guaranties | 247,822 | 130,084 |
| Pledge of goods | 143,515 | 111,366 |
| Pledge of machines | 256,186 | 229,057 |
| Money deposit | 31,162 | 38,735 |
| Stake in capital | 26,554 | 36,559 |
| Gold | 18 | 33 |
| Other collateral | 136,365 | 100,752 |
| Unsecured | 8,862 | 16,223 |
| Total | 2,942,659 | 2,876,770 |

Other collateral position includes insurance policies limited up to the insurance amount, future money transfers to account, other proceeds as salaries transfers and other.

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Notes to the financial statements

3. Risk management disclosures, continued

C. Capital adequacy

The Group's lead regulator, the Bulgarian National Bank (BNB) sets and monitors capital requirements both on consolidated and stand-alone basis. Individual banking operations are directly supervised by their local regulators. BNB issued Ordinance 8 on Capital Adequacy of Credit Institutions effective from 1 January 2007 that is the Bulgarian supervisory implementation of the International Convergence of Capital Measurement and Capital Standards (Revised Framework), known as Basel II and complies with EU Directives 2006/48/EC and 2006/49/EC and their amendments. In implementing current capital requirements the Group is required to maintain a minimum prescribed ratio of 12% of total capital to total risk-weighted assets. Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group calculates requirements for credit risk for its exposures in banking and trading portfolios based on standardised approach defined by the BNB. Exposures are taken into account using their balance sheet amount. Off-balance-sheet credit related commitments are taken into account by applying different categories of conversion factors (0%, 20%, 50%, 100%), designed to convert these items into balance sheet equivalents. The resulting equivalent amounts are then weighted for risk using different percentages (0%, 20%, 50%, 100%) depending on the class of exposure and its credit rating assessment. Various credit risk mitigation techniques are used, for example collateralised transactions and guarantees. Forwards and options based derivative instruments are weighted for counterparty credit risk.

In addition, the Group is required to hold capital for operational risk. The basic indicator approach is used. Required capital is equal to the average gross annual income over the previous three years multiplied by a fixed percentage (15%). Respective risk weighted assets are calculated by further multiplication by 12.5.

The Group's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, statutory reserve, other general reserves, retained earnings from past years, current half-year audited profit, translation reserve and minority interests after deductions for goodwill and other intangible assets and unrealised loss from available for sale investments.
- Tier 2 capital, which includes qualifying subordinated liabilities, namely perpetual debt and subordinated term debt.

Following limits are applied to elements of the capital base. Qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. Deductions from capital base include specific provisions for credit risk.

The Group has complied with all capital requirements.

FIRST INVESTMENT BANK AD

Notes to the financial statements

3. Risk management disclosures, continued C. Capital adequacy, continued

Capital adequacy level is as follows:

| <i>In thousands of BGN</i> | Balance sheet/notional amount | | Risk weighted amount | |
|---|-------------------------------|-------------------------|-------------------------|-------------------------|
| | 30 June 2009 | 31 December 2008 | 30 June 2009 | 31 December 2008 |
| Risk weighted assets for credit risk | | | | |
| Balance sheet assets | | | | |
| Exposure class | | | | |
| Central governments and central banks | 557,175 | 714,120 | 10,030 | 10,814 |
| Multilateral development banks | 26,854 | 1,000 | - | - |
| Institutions | 244,697 | 231,482 | 57,101 | 75,068 |
| Corporates | 2,012,616 | 1,910,057 | 1,990,830 | 1,872,264 |
| Retail | 565,911 | 594,829 | 553,019 | 580,142 |
| Claims secured by residential property | 411,226 | 451,855 | 205,613 | 225,928 |
| Past due exposures* | 48,138 | - | 48,138 | - |
| Collective investment undertaking | 1,929 | 1,964 | 1,929 | 1,964 |
| Other items | 308,925 | 346,296 | 183,684 | 179,474 |
| TOTAL | 4,177,471 | 4,251,603 | 3,050,344 | 2,945,654 |
| Off-balance sheet items | | | | |
| Exposure class | | | | |
| Central governments and central banks | 782 | - | - | - |
| Institutions | 19,552 | 17,879 | 4,900 | 8,157 |
| Corporates | 488,021 | 653,005 | 170,307 | 205,413 |
| Retail | 250,640 | 274,811 | 5,266 | 1,078 |
| Claims secured by residential property | 6,672 | 8,069 | 1,635 | 1,963 |
| Other items | - | - | 25 | 28 |
| TOTAL | 765,667 | 953,764 | 182,133 | 216,639 |
| Derivatives | | | | |
| Exposure class | | | | |
| Institutions | 1,517 | 1,359 | 303 | 272 |
| Corporates | 1313 | 19 | 1313 | 19 |
| TOTAL | 2,830 | 1,378 | 1,616 | 291 |
| Total risk-weighted assets for credit risk | | | 3,234,093 | 3,162,584 |
| Risk-weighted assets for market risk | | | 3,712 | 3,250 |
| Risk-weighted assets for operational risk | | | 327,113 | 259,025 |
| Total risk-weighted assets | | | 3,564,918 | 3,424,859 |
| Capital adequacy ratios | Capital | | Capital ratios % | |
| | 30 June 2009 | 31 December 2008 | 30 June 2009 | 31 December 2008 |
| Tier 1 Capital | 362,910 | 328,859 | 10.18% | 9.60% |
| Total capital base | 487,508 | 451,322 | 13.68% | 13.18% |

*new exposure class from March 2009

FIRST INVESTMENT BANK AD

Notes to the financial statements

4. Segment Reporting

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

Measurement and reporting of segment assets and liabilities and segment revenues and expenses are based on the accounting policies set out in the accounting policy note.

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

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

In presenting information on the basis of geographical segments, income and expenses are allocated based on the location of the Group affiliate that generates them. Segment assets and liabilities are allocated based on their geographical location.

| <i>In thousands of BGN</i> | Bulgarian operations | | Foreign operations | | Total | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | Six months ended 30 June 2009 | Six months ended 30 June 2008 | Six months ended 30 June 2009 | Six months ended 30 June 2008 | Six months ended 30 June 2009 | Six months ended 30 June 2008 |
| Interest income | 162,938 | 144,518 | 9,657 | 18,138 | 172,595 | 162,656 |
| Interest expense | (114,749) | (69,767) | (1,025) | (14,358) | (115,774) | (84,125) |
| Net interest income | 48,189 | 74,751 | 8,632 | 3,780 | 56,821 | 78,531 |
| Fee and commission income | 29,064 | 34,068 | 505 | 673 | 29,569 | 34,741 |
| Fee and commission expense | (3,620) | (4,224) | (56) | (22) | (3,676) | (4,246) |
| Net fee and commission income | 25,444 | 29,844 | 449 | 651 | 25,893 | 30,495 |
| General administrative expenses | (67,458) | (69,576) | (2,979) | (2,774) | (70,437) | (72,350) |
| | 30 June 2009 | 31 December 2008 | 30 June 2009 | 31 December 2008 | 30 June 2009 | 31 December 2008 |
| Segment assets | 3,953,449 | 4,069,744 | 238,904 | 201,007 | 4,192,353 | 4,270,751 |
| Segment liabilities | 3,726,658 | 3,852,576 | 72,768 | 49,441 | 3,799,426 | 3,902,017 |

FIRST INVESTMENT BANK AD

Notes to the financial statements

4. Segment Reporting, continued

The following table presents the allocation of assets and liabilities, income and expenses based on business segments as at 30 June 2009 and for the six months then ended:

In thousands of BGN

| Business segment | Assets | Liabilities | Interest income | Interest expense | Net fee and commission income | Net trading income | Other operating expenses |
|-------------------------|------------------|--------------------|------------------------|-------------------------|--------------------------------------|---------------------------|---------------------------------|
| Commercial banking | 2,314,336 | 816,464 | 122,079 | (21,091) | 8,436 | - | - |
| Retail banking | 732,529 | 2,176,519 | 43,674 | (63,170) | 2,908 | - | - |
| International business | - | 764,936 | - | (30,890) | 3,872 | - | - |
| Cards business | - | - | - | - | 6,417 | - | - |
| Liquidity | 954,420 | 33,517 | 6,842 | (577) | 3 | 438 | (146) |
| Dealing | 5,281 | - | - | - | (5) | 4,274 | - |
| Clients services | - | - | - | - | 3,939 | - | - |
| Other | 185,787 | 7,990 | - | (46) | 323 | - | - |
| Total | 4,192,353 | 3,799,426 | 172,595 | (115,774) | 25,893 | 4,712 | (146) |

FIRST INVESTMENT BANK AD

Notes to the financial statements

5. Financial assets and liabilities

Accounting classification and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values as at 30 June 2009.

In thousands of BGN

| | Trading | Held-to-maturity | Loans and receivables | Available for sale | Other amortised cost | Other | Total carrying amount | Fair value |
|--|---------------|------------------|-----------------------|--------------------|----------------------|-------------------|-----------------------|------------|
| ASSETS | | | | | | | | |
| Cash and balances with central banks | - | - | 382,783 | - | - | 129,021 | 511,804 | 511,804 |
| Financial assets held for trading | 27,071 | - | - | - | - | - | 27,071 | 27,071 |
| Available for sale investments | - | - | - | 361,101 | - | - | 361,101 | 361,101 |
| Financial assets held to maturity | - | 34,024 | - | - | - | - | 34,024 | 33,731 |
| Loans and advances to banks and financial institutions | - | - | 25,701 | - | - | - | 25,701 | 25,701 |
| Loans and advances to customers | - | - | 3,046,865 | - | - | - | 3,046,865 | 3,046,865 |
| Other financial assets | - | - | - | - | - | 810 | 810 | 810 |
| | 27,071 | 34,024 | 3,455,349 | 361,101 | -129,831 | 4,007,376 | 4,007,083 | |
| LIABILITIES | | | | | | | | |
| Due to credit institutions | - | - | - | - | 33,517 | - | 33,517 | 33,517 |
| Due to other customers | - | - | - | - | 2,992,983 | - | 2,992,983 | 2,992,983 |
| Liabilities evidenced by paper | - | - | - | - | 608,214 | - | 608,214 | 607,843 |
| Subordinated term debt | - | - | - | - | 57,069 | - | 57,069 | 57,069 |
| Perpetual debt | - | - | - | - | 99,653 | - | 99,653 | 95,700 |
| | - | - | - | - | 3,791,436 | -3,791,436 | 3,787,112 | |

The fair value of cash, cash equivalents, demand and term deposits is approximately equal to the carrying value given, because of their short-term maturity. The fair value of loans and advances to customers is approximately equal to their carrying value due to the fact that main part of the loan portfolio carry floating interest rates which reflect the changes in the market conditions.

FIRST INVESTMENT BANK AD

Notes to the financial statements

5. Financial assets and liabilities, continued

Accounting classification and fair values, continued

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values as at 31 December 2008.

In thousands of BGN

| | Trading | Held-to-maturity | Loans and receivables | Available for sale | Other amortised cost | Other | Total carrying amount | Fair value |
|--|--------------|------------------|-----------------------|--------------------|----------------------|----------------|-----------------------|------------------|
| ASSETS | | | | | | | | |
| Cash and balances with central banks | - | - | 580,519 | - | - | 171,345 | 751,864 | 751,864 |
| Financial assets held for trading | 9,681 | - | - | - | - | - | 9,681 | 9,681 |
| Available for sale investments | - | - | - | 286,623 | - | - | 286,623 | 286,623 |
| Financial assets held to maturity | - | 62,395 | - | - | - | - | 62,395 | 61,485 |
| Loans and advances to banks and financial institutions | - | - | 10,244 | - | - | - | 10,244 | 10,244 |
| Loans and advances to customers | - | - | 2,969,984 | - | - | - | 2,969,984 | 2,969,984 |
| Other financial assets | - | - | - | - | - | 274 | 274 | 274 |
| | 9,681 | 62,395 | 3,560,747 | 286,623 | - | 171,619 | 4,091,065 | 4,090,155 |
| LIABILITIES | | | | | | | | |
| Due to credit institutions | - | - | - | - | 53,034 | - | 53,034 | 53,034 |
| Due to other customers | - | - | - | - | 2,855,327 | - | 2,855,327 | 2,855,327 |
| Liabilities evidenced by paper | - | - | - | - | 832,620 | - | 832,620 | 832,509 |
| Subordinated term debt | - | - | - | - | 53,852 | - | 53,852 | 53,852 |
| Perpetual debt | - | - | - | - | 98,658 | - | 98,658 | 98,332 |
| Other financial liabilities | - | - | - | - | - | 1,336 | 1,336 | 1,336 |
| | - | - | - | - | 3,893,491 | 1,336 | 3,894,827 | 3,894,390 |

FIRST INVESTMENT BANK AD

Notes to the financial statements

6. Net interest income

| <i>In thousands of BGN</i> | Six months ended 30 June 2009 | Six months ended 30 June 2008 |
|--|--|--|
| Interest income | | |
| Accounts with and placements to banks and financial institutions | 1,077 | 3,809 |
| Retail customers | 43,674 | 40,081 |
| Loans to corporate clients | 104,950 | 96,022 |
| Loans to small and medium enterprises | 14,717 | 13,323 |
| Microlending | 2,412 | 2,707 |
| Debt instruments | 5,765 | 6,714 |
| | 172,595 | 162,656 |
| Interest expense | | |
| Deposits from banks | (577) | (306) |
| Deposits from other customers | (84,261) | (44,637) |
| Liabilities evidenced by paper | (21,680) | (30,268) |
| Subordinated term debt | (3,440) | (3,105) |
| Perpetual debt | (5,770) | (5,786) |
| Lease agreements and other | (46) | (23) |
| | (115,774) | (84,125) |
| Net interest income | 56,821 | 78,531 |

For the six months ended 30 June 2009 and 30 June 2008 the recognised interest income on individually impaired financial assets (loans and advances to customers) amounts to BGN 6,051 thousand and BGN 2,233 thousand respectively.

7. Net fee and commission income

| <i>In thousands of BGN</i> | Six months ended 30 June 2009 | Six months ended 30 June 2008 |
|--------------------------------------|--|--|
| Fee and commission income | | |
| Letters of credit and guarantees | 3,565 | 5,901 |
| Payments transactions | 3,753 | 5,244 |
| Customer accounts | 4,588 | 4,629 |
| Cards business | 9,181 | 9,277 |
| Other | 8,482 | 9,690 |
| | 29,569 | 34,741 |
| Fee and commission expense | | |
| Letters of credit and guarantees | (421) | (941) |
| Correspondent accounts | (440) | (412) |
| Cards business | (2,764) | (2,623) |
| Other | (51) | (270) |
| | (3,676) | (4,246) |
| Net fee and commission income | 25,893 | 30,495 |

FIRST INVESTMENT BANK AD

Notes to the financial statements

8. Net trading income

| <i>In thousands of BGN</i> | Six months ended 30 June 2009 | Six months ended 30 June 2008 |
|--|--|--|
| Net trading gains/(losses) arise from: | | |
| - Debt instruments | 438 | (13) |
| - Equities | (580) | (2,300) |
| - Foreign exchange | 4,854 | 4,196 |
| Net trading income | 4,712 | 1,883 |

9. Other operating expenses

Other operating expenses represent net losses from disposal of financial instruments not carried at fair value through profit or loss.

| <i>In thousands of BGN</i> | Six months ended 30 June 2009 | Six months ended 30 June 2008 |
|---|--|--|
| Other operating income/(expenses) arise from: | | |
| - Debt instruments | (31) | (2,471) |
| - Other | (115) | 30 |
| Other operating expenses | (146) | (2,441) |

10. General administrative expenses

| <i>In thousands of BGN</i> | Six months ended 30 June 2009 | Six months ended 30 June 2008 |
|--|--|--|
| General and administrative expenses comprise: | | |
| - Personnel cost | 21,571 | 24,423 |
| - Depreciation and amortisation | 9,657 | 7,809 |
| - Advertising | 4,282 | 8,659 |
| - Building rent expense | 10,891 | 7,143 |
| - Telecommunication, software and other computer maintenance | 6,092 | 4,832 |
| - Unclaimable VAT | 4,670 | 4,335 |
| - Administration, consultancy and other costs | 13,274 | 15,149 |
| General administrative expenses | 70,437 | 72,350 |

Personnel costs include salaries, social and health security contributions under the provisions of the local legislation. At 30 June 2009 the total number of employees of the Group is 2,476 (30 June 2008: 2,509).

FIRST INVESTMENT BANK AD

Notes to the financial statements

| | | | |
|---|--|--|--|
| 11. Impairment losses | | | |
| <i>In thousands of BGN</i> | | Six months ended 30 June 2009 | Six months ended 30 June 2008 |
| Write-downs | | | |
| Loans and advances to customers | | (15,177) | (15,630) |
| Reversal of write-downs | | | |
| Loans and advances to customers | | 17,024 | 8,372 |
| Net impairment (losses)/loss reversals | | 1,847 | (7,258) |
| 12. Income tax expense | | | |
| <i>In thousands of BGN</i> | | Six months ended 30 June 2009 | Six months ended 30 June 2008 |
| Current taxes | | (2,817) | (2,561) |
| Deferred taxes (see note 22) | | (132) | (198) |
| Income tax expense | | (2,949) | (2,759) |

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

| | | | |
|--|--|--|--|
| <i>In thousands of BGN</i> | | Six months ended 30 June 2009 | Six months ended 30 June 2008 |
| Accounting profit before taxation | | 20,961 | 26,765 |
| Corporate tax at applicable tax rate (10% for 2009 and 10% for 2008) | | 2,096 | 2,677 |
| Effect of tax rates of foreign subsidiaries and branches | | 136 | 15 |
| Tax effect of permanent tax differences | | 585 | (131) |
| Tax effect of reversals of temporary differences | | 132 | 198 |
| Income tax expense | | 2,949 | 2,759 |
| Effective tax rate | | 14.07% | 10.31% |

| | | | |
|--|--|--|--|
| 13. Earnings per share | | | |
| | | Six months ended 30 June 2009 | Six months ended 30 June 2008 |
| Net profit attributable to shareholders (<i>in thousands of BGN</i>) | | 18,208 | 24,025 |
| | | 110,000 | 110,000 |
| Weighted average number of ordinary shares (<i>in thousands</i>) | | | |
| Earnings per share (in BGN) | | 0.17 | 0.22 |

The basic earnings per share, calculated in accordance with IAS 33, are based on the profit attributable to ordinary equity holders of the Bank. In the six months ended 30 June 2009 as in the previous year, no conversion or option rights were outstanding. The diluted earnings per share, therefore, correspond to the basic earnings per share.

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Notes to the financial statements

14. Cash and balances with central banks

| <i>In thousands of BGN</i> | 30 June 2009 | 31 December 2008 |
|---|---------------------|-------------------------|
| Cash on hand | | |
| - In Bulgarian leva | 75,901 | 105,281 |
| - In foreign currencies | 45,602 | 58,216 |
| Gold bullion | 7,518 | 7,848 |
| Balances with central banks | 210,483 | 432,349 |
| Current accounts and amounts with local banks | 3 | 30,118 |
| Current accounts and amounts with foreign banks | 172,297 | 118,052 |
| Total | 511,804 | 751,864 |

15. Financial assets held for trading

| <i>In thousands of BGN</i> | 30 June 2009 | 31 December 2008 |
|--|---------------------|-------------------------|
| Bonds, notes and other instruments issued by: | | |
| Bulgarian government, assessed with BBB or BBB-rating: | | |
| - denominated in Bulgarian leva | 4,684 | 5,476 |
| - denominated in foreign currencies | 134 | - |
| Foreign banks, assessed with AAA rating | 19,010 | - |
| Other issuers – equity instruments (unrated) | 3,243 | 4,205 |
| Total | 27,071 | 9,681 |

16. Available for sale investments

| <i>In thousands of BGN</i> | 30 June 2009 | 31 December 2008 |
|--|---------------------|-------------------------|
| Bonds, notes and other instruments issued by: | | |
| Bulgarian government | | |
| - denominated in Bulgarian leva | 32,550 | 27,872 |
| - denominated in foreign currencies | 5,469 | 6,033 |
| Foreign governments | | |
| - short term | 272,541 | 194,940 |
| - long term | - | - |
| Foreign banks | 48,503 | 55,740 |
| Other issuers | 2,038 | 2,038 |
| Total | 361,101 | 286,623 |

FIRST INVESTMENT BANK AD

Notes to the financial statements

17. Financial assets held to maturity

Long-term securities held to maturity represent debt investments that the Group has the intent and ability to hold to maturity.

| <i>In thousands of BGN</i> | 30 June 2009 | 31 December 2008 |
|---|---------------------|-------------------------|
| Securities held to maturity issued by: | | |
| Bulgarian government | 21,858 | 42,196 |
| Foreign governments | 3,863 | 2,002 |
| Foreign banks | 8,303 | 18,197 |
| Total | 34,024 | 62,395 |

18. Loans and advances to banks and financial institutions

(a) Analysis by type

| <i>In thousands of BGN</i> | 30 June 2009 | 31 December 2008 |
|---|---------------------|-------------------------|
| Placements and other amounts due from banks | 18,793 | 6,231 |
| Receivables under repurchase agreements (see note 30) | 3,912 | - |
| Other | 2,996 | 4,013 |
| Total | 25,701 | 10,244 |

(b) Geographical analysis

| <i>In thousands of BGN</i> | 30 June 2009 | 31 December 2008 |
|---|---------------------|-------------------------|
| Domestic banks and financial institutions | 4,666 | 625 |
| Foreign banks and financial institutions | 21,035 | 9,619 |
| Total | 25,701 | 10,244 |

FIRST INVESTMENT BANK AD

Notes to the financial statements

19. Loans and advances to customers

| <i>In thousands of BGN</i> | 30 June 2009 | 31 December 2008 |
|-------------------------------|---------------------|-------------------------|
| Retail customers | | |
| - Consumer loans | 219,100 | 229,858 |
| - Mortgage loans | 374,726 | 380,141 |
| - Credit cards | 168,219 | 160,963 |
| Small and medium enterprises | 241,519 | 267,158 |
| Microlending | 34,445 | 41,196 |
| Corporate customers | 2,072,869 | 1,958,417 |
| Less allowance for impairment | (64,013) | (67,749) |
| Total | 3,046,865 | 2,969,984 |

(a) Movement in impairment allowances

In thousands of BGN

| | |
|----------------------------------|---------------|
| Balance at 1 January 2009 | 67,749 |
| Additional allowances | 15,177 |
| Amounts released | (17,024) |
| Write - offs | (1,889) |
| Balance at 30 June 2009 | 64,013 |

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Notes to the financial statements

20. Property and equipment

| <i>In thousands of BGN</i> | Land and buildings | Fixtures and fittings | Motor vehicles | Assets under construction | Leasehold improvements | Total |
|----------------------------|---------------------------|------------------------------|-----------------------|----------------------------------|-------------------------------|----------------|
| Cost | | | | | | |
| At 1 January 2009 | 12,367 | 97,196 | 6,261 | 60,104 | 39,468 | 215,396 |
| Additions | - | 279 | - | 6,280 | 13 | 6,572 |
| Disposals | (1,538) | (3,136) | (238) | (27) | (57) | (4,996) |
| Transfers | - | 3,317 | 6 | (3,595) | 122 | (150) |
| At 30 June 2009 | 10,829 | 97,656 | 6,029 | 62,762 | 39,546 | 216,822 |
| Depreciation | | | | | | |
| At 1 January 2009 | 3,603 | 44,641 | 3,632 | - | 10,161 | 62,037 |
| Charge for the year | 193 | 6,495 | 431 | - | 1,835 | 8,954 |
| On disposals | (571) | (2,584) | (200) | - | - | (3,355) |
| At 30 June 2009 | 3,225 | 48,552 | 3,863 | - | 11,996 | 67,636 |
| Net book value | | | | | | |
| At 30 June 2009 | 7,604 | 49,104 | 2,166 | 62,762 | 27,550 | 149,186 |
| At 1 January 2009 | 8,764 | 52,555 | 2,629 | 60,104 | 29,307 | 153,359 |

21. Intangible assets

| <i>In thousands of BGN</i> | Software and licences | Goodwill | Total |
|----------------------------|------------------------------|-----------------|--------------|
| Cost | | | |
| At 1 January 2009 | 8,487 | 107 | 8,594 |
| Additions | 38 | - | 38 |
| Disposals | (107) | - | (107) |
| Transfers | 150 | - | 150 |
| At 30 June 2009 | 8,568 | 107 | 8,675 |
| Amortisation | | | |
| At 1 January 2009 | 2,963 | - | 2,963 |
| Charge for the year | 703 | - | 703 |
| On disposals | (90) | - | (90) |
| At 30 June 2009 | 3,576 | - | 3,576 |
| Net book value | | | |
| At 30 June 2009 | 4,992 | 107 | 5,099 |
| At 1 January 2009 | 5,524 | 107 | 5,631 |

FIRST INVESTMENT BANK AD

Notes to the financial statements

22. Deferred Taxation

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

Deferred income tax balances are attributable to the following items:

| <i>In thousands of BGN</i> | Assets | | Liabilities | | Net | |
|-------------------------------------|-------------------------|---------------------------------|-------------------------|---------------------------------|-------------------------|---------------------------------|
| | 30 June 2009 | 31 December 2008 | 30 June 2009 | 31 December 2008 | 30 June 2009 | 31 December 2008 |
| Property, equipment and intangibles | - | - | 2,075 | 1,969 | 2,075 | 1,969 |
| Other items | (261) | (261) | 47 | 21 | (214) | (240) |
| Net tax (assets)/liabilities | (261) | (261) | 2,122 | 1,990 | 1,861 | 1,729 |

Movements in temporary differences for the six months ended 30 June 2009 at the amount of BGN 132 thousand are recognised in the profit for the period.

23. Other assets

| <i>In thousands of BGN</i> | 30 June 2009 | 31 December 2008 |
|----------------------------|---------------------|-----------------------------|
| Deferred expense | 13,844 | 6,174 |
| Other assets | 17,658 | 14,796 |
| Total | 31,502 | 20,970 |

24. Due to credit institutions

| <i>In thousands of BGN</i> | 30 June 2009 | 31 December 2008 |
|----------------------------|---------------------|-----------------------------|
| Term deposits | 31,719 | 51,655 |
| Payable on demand | 1,798 | 1,379 |
| Total | 33,517 | 53,034 |

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Notes to the financial statements

25. Due to other customers

| <i>In thousands of BGN</i> | 30 June 2009 | 31 December 2008 |
|--|---------------------|-------------------------|
| Retail customers | | |
| - payable on demand | 317,012 | 397,890 |
| - term deposits | 1,859,507 | 1,355,671 |
| Corporate, state-owned and public institutions | | |
| - payable on demand | 332,437 | 422,830 |
| - term deposits | 484,027 | 678,936 |
| Total | 2,992,983 | 2,855,327 |

26. Liabilities evidenced by paper

| <i>In thousands of BGN</i> | 30 June 2009 | 31 December 2008 |
|---|---------------------|-------------------------|
| Bonds and notes issued | 19,930 | 19,911 |
| Acceptances under letters of credit | 166,299 | 353,179 |
| Liabilities under repurchase agreements (see note 30) | 88,458 | - |
| Syndicated loans | 228,369 | 354,433 |
| Other term liabilities | 105,158 | 105,097 |
| Total | 608,214 | 832,620 |

Other term liabilities comprise mainly financing obtained from financial institutions through extension of loan facilities.

Bonds and notes issued comprise the following:

| <i>In thousands of BGN</i> | 30 June 2009 | 31 December 2008 |
|------------------------------------|---------------------|-------------------------|
| Mortgage bonds | | |
| EUR 10,000,000, 7%, due 2009 | 19,930 | 19,911 |
| Total mortgage bonds issued | 19,930 | 19,911 |

The mortgage bonds have been listed on the Bulgarian Stock Exchange – Sofia.

FIRST INVESTMENT BANK AD

Notes to the financial statements

27. Subordinated term debt

As at 30 June 2009 the Bank has entered into six separate subordinated Loan Agreements with four different lenders. All these subordinated Loan Agreements are governed by English Law with funds raised outside the Republic of Bulgaria.

Subordinated liabilities can be analysed as follows:

In thousands of BGN

| Lender | Principal amount | Original maturity | Maturity date | Amortised cost as at 30 June 2009 |
|---------------------------|------------------|-------------------|---------------|-----------------------------------|
| Growth Management Limited | 1,956 | 10 years | 17.03.2015 | 3,109 |
| Growth Management Limited | 3,912 | 10 years | 24.02.2015 | 6,324 |
| Hypo-Alpe-Adria Bank | 3,912 | 10 years | 14.04.2015 | 6,104 |
| Growth Management Limited | 5,867 | 10 years | 27.08.2014 | 10,343 |
| Standard Bank London Ltd. | 9,779 | 10 years | 22.04.2015 | 15,417 |
| Hillside Apex Fund Ltd. | 9,779 | 10 years | 01.03.2015 | 15,772 |
| Total | 35,205 | | | 57,069 |

Interest is capitalised annually and is payable at maturity. The treatment of these liabilities for capital adequacy purposes as tier 2 capital is in accordance with the requirements of the local legislation. Any prepayment of subordinated debt prior to its final maturity is subject to written approval from the Bulgarian National Bank.

28. Perpetual debt

In thousands of BGN

| | Principal amount | Amortised cost as at 30 June 2009 |
|--|------------------|-----------------------------------|
| Step-up Guaranteed Perpetual Subordinated Bonds EUR 27 mio | 52,807 | 57,880 |
| Step-up Guaranteed Perpetual Subordinated Bonds EUR 21 mio | 41,073 | 41,773 |
| Total | 93,880 | 99,653 |

The issue of the Step-Up Subordinated Bonds by First Investment Finance B.V., a limited liability company registered under the laws of the Netherlands, a subsidiary 100% owned by the Bank was fully guaranteed by the Bank. The terms and conditions of the Subordinated Bonds fully comply with Ordinance 8 on Capital Adequacy of Credit Institutions issued by BNB. The amounts received for the perpetual subordinated bonds are included in tier 2 capital after respective Permissions by Bulgarian National Bank.

29. Other liabilities

FIRST INVESTMENT BANK AD

Notes to the financial statements

| <i>In thousands of BGN</i> | 30 June 2009 | 31 December 2008 |
|----------------------------|--------------|------------------|
| Liabilities to personnel | 2,330 | 2,350 |
| Current tax liability | 1,356 | 1,084 |
| Other payables | 2,443 | 3,363 |
| Total | 6,129 | 6,797 |

30. Repurchase and resale agreements

The Bank raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate. Repurchase agreements are commonly used as a tool for short-term financing of interest-earning assets, depending on the prevailing interest rates. At 30 June 2009 assets sold under repurchase agreements were as follows:

| <i>In thousands of BGN</i> | Fair value of underlying assets | Carrying amount of corresponding liabilities |
|---------------------------------|---------------------------------|--|
| Bulgarian government securities | 17,896 | 18,445 |
| Other government securities | 77,756 | 70,013 |
| | 95,652 | 88,458 |

At 31 December 2008 there were no outstanding repurchase agreements and therefore no comparatives have been provided.

The Bank also purchases financial instrument under agreements to resell them at future dates ("reverse repurchase agreements"). The seller commits to repurchase the same instruments at an agreed future date. Reverse repurchases are entered into as a facility to provide funds of customers. At 30 June 2009 assets purchased subject to agreements to resell them are as follows:

| <i>In thousands of BGN</i> | Fair value of assets held as collateral | Carrying amount of corresponding receivables |
|---------------------------------|---|--|
| Bulgarian government securities | 3,961 | 3,912 |
| | 3,961 | 3,912 |

At 31 December 2008 there were no outstanding reverse repurchase agreements and therefore no comparatives have been provided.

FIRST INVESTMENT BANK AD

Notes to the financial statements

31. Capital and reserves

(a) Number and face value of registered shares as at 30 June 2009

As at 30 June 2009 the registered share capital of the Bank is BGN 110,000,000 divided into 110,000,000 ordinary dematerialized shares with voting rights of BGN 1 par value each. All the shares have been fully paid-up.

The share capital of the Bank was increased from BGN 100,000,000 to BGN 110,000,000 as a result of the successful IPO of new 10,000,000 dematerialized shares through the Bulgarian Stock Exchange – Sofia and was registered at the Commercial Register of Sofia City Court on 4 June 2007. In order to facilitate the IPO and prior to its launching the par value of the Bank's shares was reduced from BGN 10 to BGN 1 by a decision of the General Meeting of the Shareholders without affecting the aggregate amount of the share capital and the individual shareholdings.

(b) Shareholders

In October 2008 the shareholder Balkan Holidays Limited, London transferred all its FIB shares by splitting them in equal parts between Domenico Ventures Limited, British Virgin Islands and Rafaela Consultants Limited, British Virgin Islands, as a result of which their shareholdings in FIB increased to 9.72% each.

The table below shows those shareholders of the Bank holding shares as at 30 June 2009 together with the number and percentage of total issued shares.

| | Number of shares | % of issued share capital |
|--|-------------------------|--------------------------------------|
| Mr. Ivailo Dimitrov Mutafchiev | 31,830,000 | 28.94 |
| Mr. Tzeko Todorov Minev | 31,830,000 | 28.94 |
| Legnano Enterprise Limited Cyprus | 8,450,000 | 7.68 |
| Domenico Ventures Limited, British Virgin Islands | 10,695,000 | 9.72 |
| Rafaela Consultants Limited, British Virgin Islands | 10,695,000 | 9.72 |
| Other shareholders (shareholders holding shares subject to free trade on the Bulgarian Stock Exchange – Sofia) | 16,500,000 | 15.00 |
| Total | 110,000,000 | 100.00 |

FIRST INVESTMENT BANK AD

Notes to the financial statements

31. Capital and reserves, continued

(b) Shareholders, continued

Currently all newly issued shares plus the part of the existing shares held by First Financial Brokerage House Ltd. sold to new investors under the IPO (a total of 16,500,000 shares) are freely traded on the floor of the Bulgarian Stock Exchange – Sofia.

(c) Statutory reserve

Statutory reserves comprise amounts appropriated for purposes defined by the local legislation. Under Bulgarian law, the Bank is required to allocate 1/10 of its annual profit as statutory reserves until their aggregate amount reaches 1/10 of the Banks' share capital.

32. Commitments and contingent liabilities

(a) Memorandum items

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

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table represent the maximum accounting loss that would be recognised at the balance sheet date if counterparts failed completely to perform as contracted.

| <i>In thousands of BGN</i> | 30 June 2009 | 31 December 2008 |
|---------------------------------------|---------------------|-------------------------|
| Bank guarantees | | |
| - in BGN | 141,306 | 202,558 |
| - in foreign currency | 196,524 | 198,695 |
| Total guarantees | 337,830 | 401,253 |
| Unused credit lines | 343,933 | 407,465 |
| Promissory notes | 13,806 | 15,752 |
| Letters of credit in foreign currency | 70,098 | 129,294 |
| Total | 765,667 | 953,764 |

These commitments and contingent liabilities have off balance-sheet credit risk because only organisation fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expire. Most of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

As at the balance sheet date there are no significant commitments and contingencies which require additional disclosure.

At 30 June 2009 the extent of collateral held for guarantees and letters of credit is 100 percent.

FIRST INVESTMENT BANK AD

Notes to the financial statements

33. Cash and cash equivalents

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

| <i>In thousands of BGN</i> | 30 June 2009 | 30 June 2008 |
|--|---------------------|---------------------|
| Cash and balances with central banks | 511,804 | 688,329 |
| Loans and advances to banks and financial institutions with maturity less than 90 days | 6,871 | 12,127 |
| Total | 518,675 | 700,456 |

34. Average balances

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

| <i>In thousands of BGN</i> | Six months ended 30 June 2009 | Six months ended 30 June 2008 |
|--|--|--|
| FINANCIAL ASSETS | | |
| Cash and balances with central banks | 552,913 | 642,943 |
| Financial assets held for trading | 22,739 | 10,489 |
| Available for sale investments | 385,814 | 229,797 |
| Financial assets held to maturity | 43,543 | 88,497 |
| Loans and advances to banks and financial institutions | 33,300 | 44,137 |
| Loans and advances to customers | 3,012,175 | 2,796,220 |
| FINANCIAL LIABILITIES | | |
| Due to credit institutions | 36,681 | 9,024 |
| Due to other customers | 2,920,344 | 2,454,404 |
| Liabilities evidenced by paper | 732,815 | 1,000,525 |
| Subordinated term debt | 55,475 | 52,185 |
| Perpetual debt | 98,804 | 98,589 |

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Notes to the financial statements

35. Related party transactions

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

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

| Type of related party | Parties that control or manage the Bank | | Enterprises under common control | |
|--|---|--------------|----------------------------------|---------------|
| | Six months ended 30 June 2009 | 2008 | Six months ended 30 June 2009 | 2008 |
| <i>In thousands of BGN</i> | | | | |
| Loans: | | | | |
| Loans outstanding at beginning of the period | 2,455 | 2,474 | 11,728 | 8,110 |
| Loans issued during the period | (241) | (19) | 9,154 | 3,618 |
| Loans outstanding at end of the period | <u>2,214</u> | <u>2,455</u> | <u>20,882</u> | <u>11,728</u> |
| Deposits and other financing received: | | | | |
| Deposits at beginning of the period | 6,419 | 1,062 | 4,090 | 3,449 |
| Deposits received during the period | 741 | 5,357 | 16,973 | 641 |
| Deposits at end of the period | <u>7,160</u> | <u>6,419</u> | <u>21,063</u> | <u>4,090</u> |
| Deposits placed | | | | |
| Deposits at beginning of the period | - | - | 11,735 | 11,735 |
| Deposits placed during the period | - | - | (7,823) | - |
| Deposits at end of the period | <u>-</u> | <u>-</u> | <u>3,912</u> | <u>11,735</u> |
| Off-balance sheet commitments issued by the Group | | | | |
| At beginning of the period | 1,475 | 387 | 2,102 | 2,108 |
| Granted | 703 | 1,088 | (264) | (6) |
| At the end of the period | <u>2,178</u> | <u>1,475</u> | <u>1,838</u> | <u>2,102</u> |

The key management personnel of the Bank received remuneration of BGN 1,253 thousand for the first half of 2009 (first half of 2008: BGN 1,135 thousand).

FIRST INVESTMENT BANK AD

Notes to the financial statements

36. Subsidiary undertakings

(a) First Investment Finance B.V.

In April 2003 the Bank created a special purpose entity, incorporated in the Netherlands, First Investment Finance B.V., which is wholly owned by the Bank. Its purpose is to accomplish a narrow and well-defined objective of receiving loans from foreign financial institutions and attracting investors by issuing bonds and other financial instruments, guaranteed by the Bank, the proceeds from which are used to finance the operations of the Bank. The authorised share capital of the company amounts to EUR 90 thousand, divided into 900 common shares of EUR 100 each. Issued and paid up are 180 shares. The Bank consolidates its investment in this company.

(b) Diners Club Bulgaria AD

In May 2005 the Bank acquired 80% of the share capital of Diners Club Bulgaria AD. The company was incorporated in 1996 as a franchise and processing agent of Diners Club International. As at 30 June 2009 the share capital of the company is BGN 6,000 thousand, and the Bank's shareholding is 87.93%. The Bank consolidates its investment in the company.

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

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

In July 2008, First Investment Bank – Albania Sh.a. increased its share capital with EUR 1,000 thousand by issuing new shares. First Investment Bank A.D. was the only contributor. In February 2009 First Investment Bank – Albania Sh.a. registered a new increase of capital with a further EUR 1,000 thousand. First Investment Bank A.D. was the only contributor again by further slightly increasing its shareholding to 99.999838%. As a result as at 30 June 2009 the share capital of First Investment Bank – Albania Sh.a. reached EUR 10,475 thousand, fully paid in.

The Bank consolidates its investment in the company.

37. Post balance sheet events

(a) Prepayment of syndicated loan by the Group

On 3 August 2009, the Group prepaid before maturity EUR 117 million syndicated loan, received by First Investment Finance B.V. and guaranteed by the Bank.

(b) Decrease of the capital of Diners Club Bulgaria AD

In July 2009 in conformity with statutory requirements the capital of Diners Club Bulgaria AD was decreased from BGN 6,000 thousand to BGN 1,360 thousand by cancellation of 4,640 thousand ordinary registered shares with par value of BGN 1 each. The decrease was performed pro rata in respect to individual shareholdings and the percentage of shares owned by the shareholders remained unchanged.

FIRST INVESTMENT BANK AD

Notes to the financial statements

38. Applicable standards

| | |
|--------|--|
| IFRS 1 | First-time Adoption of International Financial Reporting Standards |
| IFRS 2 | Share-based Payment |
| IFRS 3 | Business Combinations |
| IFRS 4 | Insurance Contracts |
| IFRS 5 | Non-current Assets Held for Sale and Discontinued Operations |
| IFRS 6 | Exploration for and Evaluation of Mineral Assets |

38. Applicable standards, continued

| | |
|----------|---|
| IFRS 7 | Financial Instruments: Disclosures |
| IFRS 8 | Operating Segments |
| IAS 1 | Presentation of Financial Statements |
| IAS 2 | Inventories |
| IAS 7 | Statement of Cash Flows |
| IAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors |
| IAS 10 | Events After the Reporting Period |
| IAS 11 | Construction Contracts |
| IAS 12 | Income Taxes |
| IAS 16 | Property, Plant and Equipment |
| IAS 17 | Leases |
| IAS 18 | Revenue |
| IAS 19 | Employee Benefits |
| IAS 20 | Accounting for Government Grants and Disclosure of Government Assistance |
| IAS 21 | The Effects of Changes in Foreign Exchange Rates |
| IAS 23 | Borrowing Costs |
| IAS 24 | Related Party Disclosures |
| IAS 26 | Accounting and Reporting by Retirement Benefit Plans |
| IAS 27 | Consolidated and Separate Financial Statements |
| IAS 28 | Investments in Associates |
| IAS 29 | Financial Reporting in Hyperinflationary Economies |
| IAS 31 | Interests In Joint Ventures |
| IAS 32 | Financial Instruments: Presentation |
| IAS 33 | Earnings Per Share |
| IAS 34 | Interim Financial Reporting |
| IAS 36 | Impairment of Assets |
| IAS 37 | Provisions, Contingent Liabilities and Contingent Assets |
| IAS 38 | Intangible Assets |
| IAS 39 | Financial Instruments: Recognition and Measurement |
| IAS 40 | Investment Property |
| IAS 41 | Agriculture |
| IFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities |
| IFRIC 2 | Members' Shares in Co-operative Entities and Similar Instruments |
| IFRIC 4 | Determining Whether an Arrangement Contains a Lease |
| IFRIC 5 | Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment |
| IFRIC 6 | Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies |
| IFRIC 7 | Scope of IFRS 2 |
| IFRIC 8 | Reassessment of Embedded Derivatives |
| IFRIC 9 | Interim Financial Reporting and Impairment |
| IFRIC 10 | IFRS 2- Group and Treasury Share Transactions |
| IFRIC 11 | Service Concession Arrangements |
| IFRIC 12 | Customer Loyalty Programmes |
| IFRIC 13 | IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |
| IFRIC 14 | Agreements for the Construction of Real Estate |
| IFRIC 15 | Hedges of a Net Investment in a Foreign Operation |
| SIC 7 | Introduction of the Euro |
| SIC 10 | Government Assistance – No Specific Relation to Operating Activities |
| SIC 12 | Consolidation – Special Purpose Entities |
| SIC 13 | Jointly Controlled Entities – Non-Monetary Contributions by Venturers |
| SIC 15 | Operating Leases – Incentives |

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Notes to the financial statements

| | |
|--------|---|
| SIC 21 | Income Taxes – Recovery of Revalued Non-Depreciable Assets |
| SIC 25 | Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders |
| SIC 27 | Evaluating the Substance of Transactions in the Legal Form of a Lease |
| SIC 29 | Service Concession Arrangements |
| SIC 31 | Barter Transactions Involving Advertising Services |
| SIC 32 | Intangible Assets – Website Costs |