

**AGENDA**  
for the extraordinary General Meeting of Shareholders  
of First Investment Bank Ad

convened pursuant to Art. 25, Para. 1 and Art. 26, Para. 1 of the Bylaws of First Investment Bank AD, Sofia, and with relation to the provisions of Art. 222 and Art. 223 of the Commercial Law and Art. 115 Paras. 1 and 2 of the Law on the Public Offering of Securities, on September 28<sup>th</sup>, 2009 at 11:00 a.m. in the Royal Hall of Sheraton Sofia Hotel Balkan at 5, Sveta Nedelya Sq., Sofia, Bulgaria:

**1. Adoption of resolution not to pay dividends and not to make any other deductions from the 2009 profit.**

*Draft resolution:* The General Meeting of Shareholders resolves that no dividends shall be paid to the shareholders and no other deductions from the profits of the Bank for the year 2009 shall be made with a view to including the profit as at June 30<sup>th</sup> in the Bank's capital pursuant to Article 3, Paragraph 4 of Ordinance No. 8 of the Bulgarian National Bank on the Capital Adequacy of Credit Institutions.

**2. Approval of the report of the Internal Audit Department**

*Draft resolution:* The General Meeting of shareholders approves the report of the Internal Audit Department.

## POWER OF ATTORNEY

The undersigned .....

.....  
.....  
(full name, personal number ....., holder of ID card No..... issued on ..... by ....., respectively – full name, personal number ....., holder of ID card No..... issued on ..... by ....., in the capacity of proxy representing .....company, number, batch, volume and page in the Commercial Register and Bulstat No. or UIC No., having its seat and management address at ...), in the capacity of shareholder holding ..... (.....*number of shares*) ordinary voting shares with numbers from ..... to ..... (original of deposit certificate No. ....), pursuant to Article 226 of the Commercial Code in relation to Article 116 of the Public Offering of Securities Act

DO HEREBY AUTHORISE .....,  
.....  
.....

(full name, personal number ....., residing at ..., holder of ID card No..... issued on ..... by ....., respectively company name, number, batch and page from the Commercial Register, Bulstat No. or UIC No., having its seat and management address at ...) to represent me jointly/severally at the General Meeting of Shareholders of First Investment Bank Ad which will be held on September 28<sup>th</sup>, 2009 at 11:00 a.m. in the Royal Hall of Sheraton Sofia Hotel Balkan at 5, Sveta Nedelya Sq., Sofia, or, in case of a lack of quorum on 13.10.2009 at 11.00 am, at the same place and under the same agenda, and to vote with all .... (*number*) shares held by me (by the company) on the items on the agenda as indicated below:

1. **Adoption of a resolution not to pay dividends and not to make any other deductions from the 2009 profit.**

*Draft resolution:* The General Meeting of Shareholders resolves that no dividends shall be paid to the shareholders and no other deductions from the profits of the Bank for the year 2009 shall be made with a view to including the profit as at June 30<sup>th</sup> in the Bank's capital pursuant to Article 3, Paragraph 4 of Ordinance No. 8 of the Bulgarian National Bank on the Capital Adequacy of Credit Institutions.

2. **Approval of the report of the Internal Audit Department.**

*Draft resolution:* The General Meeting of shareholders approves the report of the Internal Audit Department.

Voting – (express instructions must be given as to how to vote on each of the proposed draft resolutions on items in the agenda. Where voting instructions are not given for the proposed draft resolutions, the proxy shall have the right, at his/her discretion, to decide whether to vote and how).

The authorization hereunder does not extend/extends to items which are included in the agenda under the terms of Article 231, Paragraph 1 of the Commercial Code and which are not announced or promulgated in accordance with Articles 223 and 223a of the Commercial Code. In the cases under

Article 231, Paragraph 1 of the Commercial Code, the proxy may not / may decide at his/her own discretion whether and how to vote.

Pursuant to Article 116, Paragraph 4 of the Law on Public Offering of Securities, delegation to another person of any of the above listed powers shall be null and void.

Date:

Authorizer(s):

.....2009  
City of .....

\_\_\_\_\_  
  
\_\_\_\_\_

**To The Executive Directors of  
First Investment Bank AD**

**Copies to  
Managing Board  
Supervisory Board  
General Meeting of Shareholders**

# **Report**

on the activities of the Internal Audit  
Department in 2008

April 2009

*Translation from Bulgarian!*

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# **1 Introduction**

## **1.1 Objective**

The object of this report is to present a summary for the activity of Internal Audit Department (the "Department") of First Investment Bank AD for the period from January 01, 2008 to December 31, 2008.

## **1.2 Scope**

The report for the activities of the Department includes:

- review of the fulfilment of the tasks set up for 2008, including review of innovations and improvements;
- analysis and evaluation of the weaknesses found in the activities of the Bank's operational units in 2008;
- goals and tasks for development of the Department in 2009.

## **2 Review of the degree of achievement of goals and objectives for 2008**

The audit approach to audits of the individual structural units of the Bank was modified with relation to the implementation of the new core bank information system Flex cube. Walkthroughs were introduced to provide evidence that all risks relating to a specific process have been identified and that the respective controls are in place to mitigate risks, including those relating to prevention and identification of fraud and misconduct. The operating efficiency of controls is tested in order to review how the controls are applied, in what sequence and by whom.

As part of the audit approach modification the respective audit files under MS Access were optimized, thus facilitating the monitoring process and minimizing the risk for errors in data processing.

The scope of information technologies audit was expanded in 2008 and the audit of each structural unit of the bank included the following procedures:

- Review of access rights for individual user profiles;
- Analysis of log files for traces of unauthorised access;
- Testing of archive copies integrity;
- Spotting of weaknesses in information systems;
- Testing for unauthorised use of software and open ports;
- Review for accuracy of calculations in each module.

With a view to improving the knowledge and skills of department staff, several seminars were attended covering topics such as "Information Technologies Audit", "How internal audit can improve the management, control and risk mitigation", and "Operational Risk Management".

## **3 Audit findings for 2008**

### **3.1 General information**

In 2008 we performed 39 full-scale planned audits and 3 unplanned audits in accordance with the Annual Audit Plan of the Internal Audit Department for 2008 (the “Annual Plan”), as follows:

- 20 planned full scope audits of branches;
- 13 planned full-scope audits of departments within the head office of the Bank;
- 1 planned full-scope audit of Diners Club Bulgaria;
- 5 planned audits of reports prepared pursuant to Ordinance 7 on the Large Exposures of Banks, Ordinance 8 on Capital Adequacy of Credit Institutions, Ordinance 9 on the Evaluation and Classification of Risk Exposures of Banks and the Allocation of Provisions to Cover Credit Risk, Ordinance 11 on Liquidity Management and Supervision of Banks and Ordinance 17 on Establishing the Amount of Bank Investment under Article 47 of the Law on Credit Institutions;
- 3 unplanned audits:
  - Audit of Gotse Delchev office;
  - Audit of Petrich office;
  - Review of compliance with the procedure of acceptance and safe-keeping of bank cards of FIBank’s teller’s desks;

All audits were started, performed and reported in strict compliance to the Annual Plan.

The main objectives of the audits of the branches were to verify the adherence to the legal frame, internal rules, regulations and guidelines for the activity of branches of First Investment Bank AD, evaluation of the quality of assets and liabilities, maturity and currency structure of assets and liabilities, structure of the income and expenses, the control environment maintained at the Branch and the fulfilment of the approved budget.

Loans with total balance exposure BGN 514,401 thousands were reviewed in the course of the audits of branches in 2008.

Loans with total balance exposure BGN 926,064 thousand were reviewed in the course of the audits of the Departments “Impaired Loans and Provisioning”, “SME Lending”, “Microlending”, and “Corporate Lending” at the Head Office.

### **3.2 Findings – Corporate Lending**

The Department ascertained that corporate lending at the branches was carried out in compliance with both the Rules for lending in national and foreign currency and the Methodology for impairment of risk exposures of the Bank. Despite of the increase of the corporate loan portfolios of the branches, no deterioration of the quality of the loan exposures was found and the collateralization of loans was ascertained as sufficient with regards to evaluation and insurance coverage. The auditors made no findings with high or medium risk for the bank regarding the administration of loans. The audits found a few loan exposures with collateral insurances not renewed on time, missing licensed valuer's evaluation or missing up-to-date certificate for lack of burden. Most of the findings were addressed by the management in the course of the audits and for the rest of them adequate action plans were drawn up and followed.

### **3.3 Findings – retail lending**

The audit of consumer and mortgage loan portfolios was based on the review and evaluation of the controls defined in the respective credit products. The Department ascertained that loan officers observe the requirements, parameters and stop criteria. The weaknesses found during the audits had low risk for the Bank and mainly related to the completeness of some loan files. A significant part of the findings were acted upon in the course of the audits and for the rest of them adequate action plans were drawn up and followed.

### **3.4 Findings – structural units within Head Office**

In 2008 the Department conducted audits of the activities of the following departments at the Head Office:

- Gold and Numismatics
- Microlending
- SME Lending
- Retail Banking
- Corporate Banking
- Teller's offices
- Marketing, Advertising and PR
- Liquidity
- Treasury
- International Payments

- Impaired Loans and Provisioning
- Information Technologies
- Administrative

The objectives of the audits were to evaluate the adopted procedures regulating the activities of the respective departments and the compliance with them; to evaluate the implementation of the controls integrated in the respective business cycles, to make recommendations for mitigating the identified risks and to improve the control environment.

On the basis of the audits performed we did not make findings with high or medium risk priority for the Bank. The adopted procedures were assessed as adequate to the volume and specific features of the activities of the departments. These procedures establish and maintain an adequate control environment for mitigating the existing risks. The audits ascertained that the procedures were implemented consistently.

## **4 Liaison with Bank's Departments and Other Institutions**

In compliance with the internal rules, all reports of the Department were presented to the Executive Directors, the Managing Board and the Supervisory Board and to the Manager of the audited unit.

In order to minimize the Bank's vulnerability to risk, most of the recommendations were fulfilled in the course of the audits.

With a view to the adequate and timely notification of the risks identified in the course of the audits and the modification of control procedures integrated in the respective bank products, the Department immediately communicated the findings through protected electronic connection to the "Risk Management" department.

## **5 Goals and tasks in 2009**

The main goals and tasks of the Department in 2009 include:

- Assessment of effectiveness of processes and operations and their efficiency in achieving the goals set; identification of possibilities to optimize and/or improve the control environment.
- Cooperation with "Risk Management" department to investigate warnings received through the Hot Line for warnings and suggestions. Since the beginning of 2009 any employee of the Bank having doubts of actions violating the current legislation of the Bank's internal rules, may submit an anonymous warning through a "hot line".
- Review and assessment of the methodology used to collect personal data, of whether such information is used for the intended purpose and of compliance of legislation applicable to the collection, storage and usage of such information.
- Since the beginning of 2009 an integrated system for review of loans has been operating; the monitoring system is fully automated which minimises the risk for errors in data processing. A significant part of audit tests are generated automatically under MS Access. The control cards for review of loans will be updated and improved regularly in order to facilitate the audit process.
- With a view to further improving their knowledge and skills, the staff in the Internal Audit department will attend discussions and seminars covering topical issues in the field of internal audit and financial reporting. All employees in the department will also participate in an internal training module.