



Corporate governance code of First Investment Bank AD

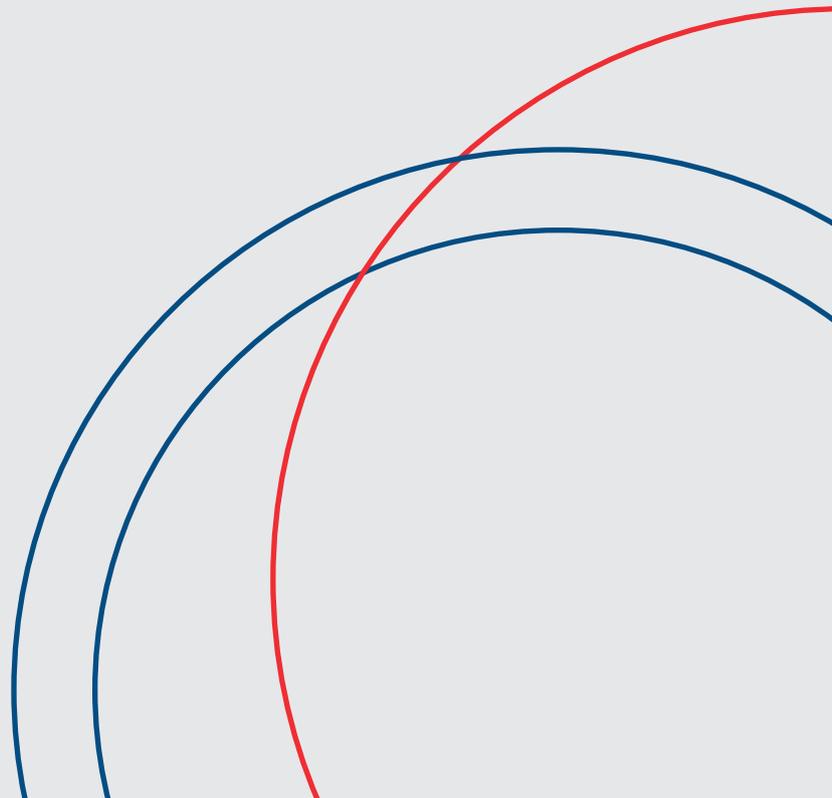


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Introduction

The corporate policy of First Investment Bank AD /Fibank, the Bank/ shall be based on professional and transparent governance in line with the internationally recognized standards and principles for good corporate governance and sustainable development, taking into account the changes in regulations and economic environment, as well as the importance of First Investment Bank to the financial market in the country.

First Investment Bank shall develop and enhance corporate governance as a means to improve efficiency, successfully attain the strategy and plans for long-term development, incl. with respect to sustainability, as well as affirm its reputation.

The purpose of the present Corporate Governance Code /the Code/ shall be to define the main principles and requirements for maintaining and furthering the organization and governance methods of First Investment Bank, aiming at:

- Responsible, accountable and value-based management;
- Effective oversight of management and control;
- Executive body and senior management that act in the best interests of the Bank and seek to enhance shareholder value;
- Timely financial and non-financial information disclosure and transparency;
- Effective system of risk management and internal control.

The purpose of the Code shall be also to outline the governance framework and to structure the key components, functions and responsibilities of the corporate governance system of the Group of First Investment Bank. Following the Code shall contribute to attaining the goals and plans, which are in the interests of the Bank as a whole, the customers, shareholders, creditors, stakeholders in the country and abroad, as well as to facilitate effective oversight, thus fostering more efficient usage of resources.

The present Code shall comply with the National Corporate Governance Code, as well as with the effective legislation in the Republic of Bulgaria, incl. the specific requirements applicable to credit institutions.

The Code shall reflect also the Corporate governance principles for banks of the Basel Committee, the European Banking Authority /EBA/ Guidelines on internal governance, as well as the Organisation for Economic Co-operation and Development /OECD/ Principles of corporate governance.

Corporate status and profile

First Investment Bank is a joint-stock company registered with Sofia City Court pursuant to a ruling dated 8 October 1993. Since 28 February 2008 the Bank has been registered in the Commercial Register at the Registry Agency.

First Investment Bank is a public company registered in the Commercial Register of Sofia City Court by a decision dated 4 June 2007 and in the register of public companies and other issuers held by the Financial Supervision Commission by a decision dated 13 June 2007.

The Bank owns a universal banking license for domestic and international operations.

First Investment Bank is a licensed primary dealer in government securities and is a registered investment intermediary.

In pursuance of the applicable requirements, the Bank has a Legal Entity Identifier (LEI) code 549300UY81ESCZJ0GR95, issued by the Global Markets Entity Identifier (GMEI) Utility.

First Investment Bank has a two-tier governance system consisting of a Supervisory Board and a Managing Board.

First Investment Bank offers a wide range of services in the sphere of corporate banking, lending to companies, servicing individuals, card payments, payment and trade operations on the local and international markets.

The Bank operates mainly on the Bulgarian financial market, as well as performs banking activity in abroad throughout its branch in Cyprus and the subsidiary bank in Albania /First Investment Bank – Albania Sh.a./.

First Investment Bank is among the leading credit institutions in the Republic of Bulgaria.

Mission

First Investment Bank AD aspires to continue to be one of the best banks in Bulgaria, recognized as a rapidly growing, innovative, customer-oriented bank, offering outstanding products and services to its customers, ensuring excellent careers for its employees, and contributing to the community. The Bank shall continue to develop high-technological solutions providing its customers with opportunities for banking from any place around the world at any time.

Scope and application

The corporate governance of First Investment Bank shall be a system of policies, rules, procedures and practices, through which the Bank is managed and controlled under clearly defined functions, rights and responsibilities at all levels – General Meeting of Shareholders, Supervisory Board and committees to it, Managing Board and committees and councils to it, Internal Audit, structures in the Head Office, branches and offices.

The corporate governance of First Investment Bank shall be based on the corporate governance principles of the Basel Committee on Banking Supervision /the Basel Committee/, of the European Banking Authority /EBA/ and of the Organisation for Economic Co-operation and Development /OECD/, including the principles for:

- transparency;
- publicity;
- objectivity;
- fairness;
- trustworthiness;
- independence;
- sustainability.

The risk governance system shall be organized in line with “the three lines of defence”:

- **The business units shall be the first line of defence**, which shall acknowledge and manage the risks that they incur in conducting their activities.
- **The Risk management function and the Compliance function shall comprise the second line of defence**, which shall be responsible for further identifying, measuring, monitoring and reporting risk on a Bank-wide basis, independently from the business units.
- **The Internal audit function shall be charged with the third line of defence**, conducting risk-based audits and reviews to provide assurance to the Supervisory Board that the overall corporate governance framework of the Bank, including the risk governance framework, is effective and that appropriate policies, systems and processes are in place and consistently applied.

The members of the Supervisory Board and of the Managing Board, the senior management and all employees shall accept the present Code as a joint responsibility and apply the requirements set forth and its spirit in fulfilling their obligations.

Application at group level. The competent management bodies of the subsidiary companies shall follow the guidelines and principles of the present Code, unless any legal or supervisory acts require otherwise.

Aiming at exercising adequate control over subsidiary companies, the corporate governance structure of First Investment Bank shall adopt and apply appropriate instruments for monitoring of all risks that may affect the group. The Bank shall apply policies on internal governance at a group level, thus contributing to effective control over the subsidiary companies, clear levels of reporting and securing the necessary resources for applying the group and local governance standards.

Organizational framework

According to the principles of the Basel Committee

The Supervisory Board should define appropriate governance structures and practices for its own work, and put in place the means for such practices to be followed and periodically reviewed for ongoing effectiveness.

The following governance bodies and key structures shall function within the Bank:

General Meeting of Shareholders - the highest governance body, allowing the shareholders to take decisions on principle matters relating to the existence and the activity of the Bank.

Supervisory Board /SB/ - shall define the strategy for development and exercises oversight of the management of the Bank. The Supervisory Board shall be supported in its activity by committees.

Managing Board /MB/ - shall manage the Bank by resolving all issues within its scope of activity, except those within the exclusive competence of the General Meeting of Shareholders or the Supervisory Board. It shall carry out the strategy for development of the Bank, adopted by the Supervisory Board. The Managing Board shall be supported in its activity by committees and councils.

Risk management function – shall identify, measure and manage all material risks to the Bank in compliance with the policies adopted by the Supervisory Board and the Managing Board.

Compliance function - shall manage the risk from non-compliance or violation of legal regulations, ethical standards, rules and procedures in accordance with the policies adopted by the Supervisory Board and the Managing Board.

Internal audit - shall support the Supervisory Board and the Managing Board by providing an independent and objective assessment on the effectiveness of the risk management, control and governance processes.

Principal bodies and functions in corporate governance

Supervisory Board

According to the principles of the Basel Committee

The Supervisory Board exercises supervision and where necessary advises the Managing Board, and provides oversight of the general activity of the Bank, including approving and overseeing the implementation of the Bank's strategic objectives, corporate governance framework and corporate culture.

The Supervisory Board of First Investment Bank shall function in line with the principles of the Basel Committee and with the EBA guidelines. In the By-Laws of the Bank the following principal functions are defined:

Functions

- Exercises supervisory functions and represents the Bank in its relations with the Managing Board;
- Defines the general objectives of the Bank activity, as well as the attainment strategy, incl. in the context of sustainable development;
- Approves decisions of the Managing Board that are within the competence of the Supervisory Board in compliance with the By-Laws of the Bank, the By-Laws of the Supervisory Board and the law;
- Approves the general corporate governance framework of the Bank.

Setting corporate culture, sustainability and ethical values

By applying high ethical standards and corporate values for business behavior, the Supervisory Board shall establish high corporate culture and business ethics by applying "tone at the top". The Supervisory Board shall ensure the exercise of control over the compliance of ethical standards, set forth in the Code of Conduct of the Bank, as well as for establishing a sustainability culture within the Bank.

Risk tolerance/appetite, management and control

The Supervisory Board shall be responsible for overseeing the risk governance framework, the risk appetite; the internal system for management and control of all types of risk, including ESG risks, by demanding strong risk culture among its employees.

Oversight of Managing Board activity and of senior management

The Supervisory Board shall exercise oversight of the collective and individual performance of Managing Board members and senior management, as well as of attaining the targeted objectives in a sustainable way.

Committees

The Supervisory Board shall be supported in its activity by a Presiding Committee, a Risk Committee, a Remuneration Committee, and a Nomination Committee which shall function according to written competencies, rights and responsibilities.

The Presiding Committee shall be responsible for overseeing the activities of the Managing Board on important strategic decisions, including the issue of new shares, bonds, hybrid instruments, the adoption of programs and budgets relating to the activity of the Bank, as well as overview and control over the activity of the subsidiaries.

The Risk Committee shall assist the supervision over the risk management activities of the Managing Board, as well as the broad strategic and tactical supervision of the risk management function in the Bank. The committee shall advise the Supervisory Board regarding the overall current and future strategy on the compliance with risk policy and risk limits, risk appetite and the control over its performance by the senior management.

The Remuneration Committee shall assist the Supervisory Board in the implementation of the Remuneration policy of the Bank and its subsequent amendments, as well as in any other matters concerning remuneration, in accordance with the regulatory requirements and best practices in the area.

The Nomination Committee shall assist the Supervisory Board in assessing the suitability of candidates or active members of the Supervisory Board and of the Managing Board, as well as of the key function holders in the Bank, in compliance with the applicable regulatory provisions and internal regulations in this sphere.

The Supervisory Board and its committees shall function according to written rights and responsibilities, competences and rules of procedure, defined in the following rules of the Bank: By-Laws of the Supervisory Board, Rules of procedure of the Presiding Committee to the Supervisory Board, Rules of procedure of the Risk Committee to the Supervisory Board, Rules of procedure of the Remuneration Committee to the Supervisory Board, Rules of procedure of the Nomination Committee to the Supervisory Board.

Composition and professional qualification of Supervisory Board members

According to the principles of the Basel Committee

Supervisory Board members are qualified and maintain their high professional qualification during the term of their mandate, individually and collectively, for their responsibilities. Supervisory Board members understand their oversight and corporate governance role and are able to exercise sound, objective judgment about the affairs of the bank.

The Supervisory Board shall consist of three to seven persons, who comply with the requirements set forth in the applicable legislation, the By-Laws of the Bank and the By-Laws of the Supervisory Board.

The composition of Supervisory Board shall include persons with appropriate qualification and professional experience corresponding to the Bank's activities and the main risks the Bank is exposed to.

Supervisory Board members shall be elected by the General Meeting of Shareholders for a term of up to 5 years.

The independent members of the Supervisory Board of First Investment Bank shall conform to independence requirements set forth in the law (LCI, Art.10a, Para.2 and LPOS, Art.116a, Para.2).

First Investment Bank shall maintain a Suitability Matrix of the Supervisory Board with data on the professional qualifications, skills and experience of its members. Each member of the Supervisory Board shall possess experience, knowledge, qualifications and skills for team work, required for the effective performance of his/her duties and ensuring the capability of the Supervisory Board as a collective body to guarantee the attainment of the long-term interests of the Bank.

The Bank shall ensure an orientation program for new members of the Supervisory Board, as well as shall provide access to training courses to all members of the Supervisory Board as a matter of furthering their professional qualifications in the best interest of the functions performed by them, including on the novelty in the spheres of corporate governance and sustainable development. The Nomination Committee shall ensure an annual review and assessment of the qualifications and competences of the members of the Supervisory Board. The Supervisory Board and its committees may use independent experts, if necessary.

Rules of procedure of the Supervisory Board

The Supervisory Board shall meet as often as necessary. The Supervisory Board shall meet at least once every 3 months. If possible, meetings shall be scheduled annually in advance. The Supervisory Board shall meet earlier than scheduled if deemed necessary by the Chair of the Supervisory Board, another member of the Supervisory Board, or the Managing Board.

The Supervisory Board shall function according to written procedures, competencies and norms / By-Laws of the Supervisory Board of First Investment Bank/, and in conformity to the By-Laws of the Bank and the effective legislation.

Minutes shall be kept at all meetings of the Supervisory Board, signed by all members that have attended the meeting.

In order to facilitate the organization of work of the Supervisory Board, the Bank has in place a Chief Secretary. Further to organizing the meetings of the Supervisory Board and keeping minutes, the Secretary shall be responsible for monitoring the compliance of procedures, as well as for ensuring submission and exchange of information between the members of the Supervisory Board, the members of the committees and the Managing Board.

Role of the Chair of the Supervisory Board

The Supervisory Board shall elect a Chair and a Deputy-Chair among its members.

The Chair shall ensure that the Supervisory Board decisions are taken on a sound and well informed basis. The Chair shall encourage and promotes open and critical discussion and ensures that dissenting views can be freely expressed and discussed within the decision-making process.

The Deputy-Chair shall substitute and take over the execution of the rights and obligations of the Chair in his or her absence.

Conflicts of interest of the members of the Supervisory Board

The members of the Supervisory Board shall be responsible for performing their duties objectively, critically and independently by avoiding conflicts of interest and where this is not possible for disclosing them in a timely manner.

Each member of the Supervisory Board shall immediately report to the Chair of the Supervisory Board any conflict of interest or potential conflict of interest and shall provide all relevant information. The Supervisory Board member concerned shall not take part in the assessment by the Supervisory Board of whether a conflict of interest exists. The members of the Supervisory Board shall declare in writing the existence of conflicts of interest.

Self-assessment of the activity of the competent governance body

At least once a year, the Supervisory Board shall perform assessment of the effectiveness of its own activities, individually and collectively, assessment of the governance practices and procedures, suitability, as well as of the functioning of the Managing Board and the committees to the Supervisory Board.

Managing Board

According to the principles of the Basel Committee

Under the direction and oversight of the Supervisory Board, the Managing Board carries out and manages the bank's activities in a manner consistent with the business strategy, risk appetite, incentive compensation and other policies approved by the Supervisory Board.

The Managing Board shall manage the Bank independently and responsibly in a manner consistent with the established mission, objectives and strategies of First Investment Bank, as well as with the priorities related to sustainable development.

The Managing Board shall function according to its By-Laws, approved by the Supervisory Board, as its principle functions shall be to:

- Manage and represent the Bank, by resolving all issues within its scope of activity, except those within the exclusive competence of the General Meeting of Shareholders or the Supervisory Board – in compliance with the law and the By-Laws of the Bank;
- Organize the execution of the decisions of the General Meeting of Shareholders and these of the Supervisory Board;

- Report on its activity to the Supervisory Board at least once every 3 months and to immediately inform the Chair of the Supervisory Board or his or her deputy for all circumstances of material importance to the Bank;
- Perform all other functions, delegated to it by the General Meeting of Shareholders or the Supervisory Board and the law.

Committees and Councils

The Managing Board shall be assisted in its activities by a Credit Council, an Assets, Liabilities and Liquidity Council, a Restructuring Committee, an Operational Risk Committee, IT Committee, which all shall function in accordance with defined written structure, scope of activities and functions.

The Credit Council shall support the management of the credit risk undertaken by the Bank by issuing opinions on loan transactions in accordance with the authority level assigned thereto.

The Assets, Liabilities and Liquidity Council (ALCO) – shall manage on an ongoing basis the Bank's assets, liabilities and liquidity. It shall conduct systemic analyses of the interest structure of assets and liabilities, the maturity ladder and of liquidity indicators.

The Restructuring Committee shall act as a specialized body for monitoring, assessment, classification, impairment and provisioning of risk exposures and commitments. It shall give motivated written proposals to the Managing Board, respectively shall take decisions for restructuring of exposures in accordance with the authority level assigned thereto.

The Operational Risk Committee shall be a consultative body established to facilitate the adequate management of operational risk by monitoring and analyzing operating events. The committee shall propose measures for the minimizing of operational risks, as well as preventive measures.

The IT Committee shall be an auxiliary body, responsible for monitoring the implementation of the Bank's IT strategic program, and to manage and control the IT project portfolio, the targeted use of resources and the approved budget in this area.

The internal regulations defining the committees and councils' activity, their rights and responsibilities, competences and rules of procedure are the following: Rules for the organisation and operation of the Assets, Liabilities and Liquidity Council (ALCO), Rules for the operation of the Restructuring Committee of First Investment Bank, Rules for the operation of the Credit Council of First Investment Bank, Rules of procedure of the Operational Risk Committee of First Investment Bank, Rules for the organisation and operation of the IT Committee.

The Managing Board shall submit information to the Supervisory Board in a timely manner in respect to:

- Changes in the business strategy execution, risk appetite;
- Attainment of the objectives;

- Breaches of risk limits or compliance rules;
- Material internal control system failures;
- Legal or regulatory concerns.

Composition and professional qualification of Managing Board members

The Managing Board shall consist of three to nine legally capable physical persons, elected by the Supervisory Board after recommendation from the Nomination Committee. They shall comply with the requirements of the effective legislation, the By-Laws of the Bank and the Policy for Nomination and Suitability Assessment of the Members of the Managing and Supervisory Bodies and of the Key Function Holders of First Investment Bank. The Managing Board members shall be established professionals with proven leadership skills being a prerequisite for attaining the Bank's objectives. All Managing Board members shall have the:

- Trust of the Supervisory Board members, the senior management of the Bank and its employees;
- Ability to relate to the interests of all shareholders and the Bank, as well as to make well-reasoned decisions;
- Professional expertise and education to be effective managers;
- Business experience, knowledge of national issues and trends and knowledge of the market, products and competitors;
- Capacity to translate knowledge and experience into solutions that can be applied to the practices in the Bank.

The Bank shall ensure an orientation program for new members of the Managing Board, as well as shall provide access to training courses in accordance with the functions performed by them, including on the novelty in the spheres of corporate governance and sustainable development.

Rules of procedure of the Managing Board

The Managing Board shall conduct meetings regularly, the agenda of which is prepared in advance. The meetings of the Managing Board shall be conducted by a chairperson, elected by the Managing Board. Minutes shall be kept at all meetings of the Managing Board, signed by all members that have attended the meeting.

The rules of procedure of the Managing Board are described in detail in the By-Laws of the Managing Board of First Investment Bank.

Conflicts of interest

The members of the Managing Board shall be responsible for avoiding actions that can lead to conflicts of interest between their interests and those of the Bank. In case such conflict appears, they should disclose it and not take part in the discussion and the taking of the respective decision. The members of the Managing Board shall declare in writing the existence of conflicts of interest.

Interaction between Supervisory Board and Managing Board

The Supervisory Board and the Managing Board shall keep an open dialogue in accordance with the good corporate governance principles. Except for regular reports on the implementation of the set objectives, general meetings shall also be conducted. The members of the Supervisory Board shall have unrestricted access to the management and the employees of the Bank. The Chief Secretary shall play a key, overall role in facilitating this process.

The Chief Secretary shall be employed on a full-time basis and shall possess the necessary qualifications and skills to ensure that the governing bodies follow internal rules and external regulations, shall facilitate the communication between them, and shall keep the Supervisory Board members and the key officers abreast of the latest corporate governance developments.

Senior management shall be presented with ample opportunity to present during Managing Board meetings, as well as during reporting to the Supervisory Board, which shall contribute to obtain direct information and better gauge the next generation of managers and future leaders.

Remuneration policy in the Bank

According to the principles of the Basel Committee

The bank's remuneration structure supports sound corporate governance and risk management.

The remuneration principles in the Bank shall comply with the business strategy, objectives, values and long-term interests of the Bank, and promote sound and effective risk management so as not to encourage risk-taking above the acceptable levels for the Bank.

The Bank shall apply clear, dully-documented and disclosed among all employees procedures for determining remunerations that are defined in the Remuneration Policy of First Investment Bank and the Rules for determining and development of remunerations.

The policy is aimed at attracting and retaining highly qualified employees, and motivating them towards achieving high results at a moderate level of risk, and in accordance with the long-term interests of the Bank and its shareholders.

In determining remunerations considered are not only the financial results, but also the ethical standards and corporate values underlying the Code of Conduct of the Bank, as well as the sound and effective risk management and sustainable development.

Control Environment and Processes

The Bank shall establish and promote a reliable and comprehensive internal control framework, with the necessary powers and rights of access enabling independent performance of duties by the structural and auxiliary units exercising monitoring and control.

Improvement of the efficiency of risk management processes shall be achieved by both top-down board leadership, and bottom-up involvement of management at all levels. While determination of risk appetite may be initiated by the Managing Board, its successful implementation shall depend upon the effective interaction between the Supervisory Board, the Managing Board, the risk function, the CFO and the operational businesses units.

The risk management processes, procedures and requirements shall be structured in accordance with “the three lines of defense” principle.

- First line of defense: the business units. Constituting the front line of risk taking, those are responsible for management of risks including identifying, assessing and reporting according to the limits, procedures and controls currently in force in the Bank.
- Second line of defense: the Risk Management and Compliance functions. Those shall be independent from the first line of defense. The Risk Management function carries out monitoring, assessment and reporting of risks independently of the first line.
- This second line of defense also includes the independent Compliance function which monitors and controls the compliance of internal bank regulations with the applicable legislation.
- Internal audit function: independently from the first and the second lines of defense, assures independent review of the quality and effectiveness of the risk management framework, including strategic and business planning, and internal processes and procedures.

The control functions shall be independent from the operational business units monitored and controlled by them, as well as organizationally independent from one another insofar as they perform different functions.

Risk Management and Risk Control

Risk Management

According to the principles of the Basel Committee

The Bank should have an effective independent risk management function, under the direction of Chief Risk Officer (CRO), with sufficient stature, independence, resources and access to the board.

First Investment Bank shall establish, maintain and develop an effective risk management system ensuring timely identification of material risks to the Bank, their monitoring and assessment, introducing of control measures and risk mitigation procedures, as well as regular and comprehensive reporting to the Managing Board and the Supervisory Board.

The general risk profile of the Bank shall be managed through ensuring of balance between risks incurred, return, and capital adequacy.

The Bank shall apply a written Policy for Risk Management and Capital Adequacy which shall provide the framework for identification, assessment, management and internal analysis of risks and capital adequacy. Along with the Policies for management of credit, market, operational and other types of risks, the Policy for management of assets, liabilities and liquidity, and the internal rules, guidelines and instructions related thereto, it shall form the overall risk management framework of the Bank.

The policy followed by the Bank with respect to management of risk and capital adequacy shall be in compliance with the business strategy of the Bank and its product policy, reflecting the applicable for the Bank ESG risks/factors related to sustainable development.

The Risk management and control function shall be organized under the direction of a Chief Risk Officer with sufficient stature, independence, resources and access to the Managing Board, the Risk Committee, and the Supervisory Board.

Risk identification, monitoring and control

According to the principles of the Basel Committee

Risks should be identified, monitored and controlled on an ongoing bank-wide and individual entity basis. The sophistication of the bank's risk management and internal control infrastructure should keep pace with changes to the bank's risk profile, to the external risk landscape and in industry practice.

Risks in the Bank shall be identified, monitored and controlled on an ongoing basis, as well as regularly analyzed. The sophistication of the risk management system and internal control framework shall develop according to changes in the internal and external environment.

Risk identification shall encompass all material risks to the Bank, including risk related to climate change and sustainable development (ESG risks), on- and off-balance sheet items, as well as analysis on portfolio basis and on a business-line level.

In the identification and assessment of risks, the Bank shall utilize tools for preliminary analysis / future-oriented tools/ and tools for subsequent analysis /past-oriented tools, or back-testing/ which shall supplement the monitoring of current risk exposures of the Bank. By using future-oriented tools, the Bank shall identify potential risk exposures under certain adverse circumstances, while by using back-testing the Bank shall review the compliance of its current risk profile with the risk appetite and risk management framework, and carry out appropriate adjustments where necessary.

The tools used shall allow for aggregation of the risk exposures of different business lines, and facilitate the identification of risk concentrations.

The Bank shall consider risks conservatively, and apply rating models which shall be subject to periodic validation.

There is an independent risk control function established in the Bank which guarantees that risks are identified and managed in an appropriate manner by the relevant units within the Bank, and provides the Managing Board and the Supervisory Board with comprehensive review of all risks.

Compliance

According to the principles of the Basel Committee

The bank's Supervisory Board oversees the management of the bank's compliance risk. The Board ensures the establishment of a compliance function and approves the bank's policies and processes for identifying, assessing, monitoring and reporting and advising on compliance risk.

The Supervisory Board of First Investment Bank oversees the management of risk of non-compliance with applicable legislation and internal regulations, as well as ensures implementation of established norms, best practices and ethical standards.

The Compliance function shall be organizationally independent from the business units and has separate hierarchical subordination and line of reporting. The Compliance function advises the Managing and Supervisory Boards on implementation of the applicable legislation, best practices and standards, and assesses the impact of any changes in the legal framework on the Bank's activities.

The Compliance function ensures that all new products of the Bank meet the requirements of the existing legal framework and of any known and upcoming changes in the regulations and supervisory requirements. The Compliance function monitors the Bank's transactions and manages risks deriving from non-standard transactions, thus exercising ongoing control over their compliance with the regulatory requirements and assisting with their implementation.

A written Compliance Policy shall be applied within the Bank. The Compliance function shall ensure implementation of that Policy, and provide the necessary information to the Managing Board, the Risk Committee, and the Operational Risk Committee.

Internal audit

According to the principles of the Basel Committee

The internal audit function provides independent assurance to the board and supports board and senior management in promoting an effective governance process and the long-term soundness of the bank.

For the purpose of achieving the goals and objectives and exercising of efficient control, there is an Internal Audit Department established within the Bank. It conducts regular internal audits in order to ensure:

- achievement of goals and objectives;
- economical and efficient use of resources;
- adequate control of various risks;
- safeguarding of assets;
- reliability and integrity of the financial and management information;
- compliance of the Bank's activity with the regulatory requirements, policies, plans, internal rules and procedures.

The Director of Internal Audit shall submit an annual report on the activity of the Service to the General Meeting of Shareholders, the Supervisory and Managing Board, informing on the main results of the control activities of the internal auditors, of the measures undertaken and their execution.

The Internal Audit shall function according to written rules; it shall conduct, at least on a quarterly basis, working meetings with the Audit Committee; it shall be independent from the audited activities, and have the necessary reputation, competences, resources and powers.

The internal auditors shall adhere to the national and international professional standards for internal audit.

External Auditors (Registered Auditors)

The General Meeting of Shareholders shall decide on the selection of External Auditors upon proposal by the Supervisory Board, and following a recommendation by the Audit Committee. The External auditors shall perform an independent financial audit in order to express an independent auditor's opinion on the fair presentation in all material respects in the financial statements of the financial position, the reported financial results, the cash flows and the equity of the Bank. The external auditors shall be auditing companies independent from the Bank.

Audit Committee

In its capacity as a company of public interest, pursuant to the requirements of the Law on Independent Financial Audit /LIFA/, the Bank has established a functioning Audit Committee which is responsible for monitoring the financial reporting and independent financial audit within the Bank, as well as the effectiveness of the internal audit function and the systems for control and management of risks in the Bank. The Audit Committee makes a recommendation in the selection of registered auditors to perform the independent financial audit of the Bank, and monitors their independence in accordance with the requirements of LIFA and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.

The members of the Audit Committee shall be elected by the General Meeting of Shareholders, which shall vote their mandate.

The functions and responsibilities of the Audit Committee are set out in the Rules of Procedure of the Audit Committee (Statute of the Audit Committee, within the meaning of Art. 107, para. 7 of LIFA). The members of the Supervisory Board and Managing Board of Fibank, the committees thereto, as well as all employees of the Bank shall be obliged to assist the Audit Committee in carrying out its activities, including to provide, within a reasonable timeframe, the information requested by it.

The Audit Committee shall report its activities before the General Meeting of Shareholders once a year.

Shareholders' rights and equitable treatment

According to the principles of OECD

The corporate governance framework should protect the rights of the shareholders, the depositors and the other clients of the Bank.

The corporate governance of First Investment Bank protects the rights of the shareholders, the depositors and the other clients of the Bank by applying a system of rules and procedures, including, but not limited to the following:

- secure methods for registration of ownership;
- compliance with legal requirements in conveyance or transfer of shares;
- regular and timely receipt and disclosure of financial and non-financial information relating to the company;
- participation and voting rights in the General Meeting of Shareholders;
- participation of shareholders in the distribution of the company's profit.

First Investment Bank operates in accordance with the current regulations and the By-Laws of the Bank which govern the rights of the shareholders, the registration of ownership, the conveyance or transfer of shares, the regular preparation and disclosure of information concerning the financial position, corporate governance and sustainable development of the company, and the participation in distribution of profits.

Information on all shareholders of the Bank and the shares owned by them shall be recorded in Fibank's shareholder register, kept by the Central Depository AD.

Disposal of shares shall be carried out in accordance with the By-Laws of the Bank; for any outstanding issues the current legislation shall apply.

Right to information: the operations of First Investment Bank are organized in such a way as to ensure timeliness and completeness of information provided to the executive management, the collective bodies of the Bank: Managing and Supervisory Boards, and to its shareholders.

According to the principles of OECD

The corporate governance framework should ensure equitable treatment of all shareholders, including minority shareholders and foreign shareholders.

The corporate governance framework should ensure equitable treatment of all shareholders, including minority shareholders and foreign shareholders.

The Corporate governance of First Investment Bank treats all shareholders equally, including minority shareholders and foreign shareholders.

Fibank's managing bodies ensure regularly and timely disclosure of material corporate information to shareholders and investors, related to the activity and condition of the Bank.

The managing bodies of the Bank shall make best efforts to ensure easy and timely access to the above information, with a view to informed exercising of shareholders' rights, respectively making of informed investment decisions by investors.

No limitations on the rights of individual shareholders holding shares of the same class shall be allowed.

First Investment Bank shall maintain a special section on the shareholders' rights on its corporate website:

<http://www.fibank.bg/bg/prava-na-aktsionerite/page/3598>.

The By-Laws of the Bank provide a detailed description of the rights of shareholders, as well as of the procedures for convening, conducting and decision-making by the General Meeting of Shareholders.

Convening of the General Meeting of Shareholders

The General Meetings shall be convened by written invitation to the shareholders in compliance with the By-Laws of the Bank, with a view to encouraging their participation in the General Meeting and in a way that does not impede, or unnecessarily increase the cost of the vote.

The Bank shall provide shareholders with timely and sufficient information for decision making, considering the scope of competence of the General Meeting of Shareholders.

The invitation, together with the written materials relating to the agenda of the General Meeting, shall be announced in the Commercial Register to the Registry Agency, submitted to the Financial Supervision Commission, and made available to the public through the www.x3news.com internet platform no less than 30 days prior to conducting of the General Meeting. They shall also be published on the Bank's website in both Bulgarian and in English languages for the period from the announcing of the General Meeting to its conclusion. Upon request, the materials shall be provided to each shareholder free of charge.

The Bank shall maintain contact information for its shareholders, having 5 or exceeding 5% of the issued share capital, with the aim for facilitating the communication with them or with person defined by them.

Conducting of the General Meeting of Shareholders

The venue of the General Meeting of Shareholders shall be easily accessible to the majority of shareholders. The registration procedures shall be convenient and allowing for quick and easy access.

The Bank shall make the necessary efforts to facilitate the participation and voting on the items of the agenda by the shareholders attending the General Meeting.

The Bank shall apply a fair and effective procedure for inclusion of items on the agenda of the General Meeting, including of proposals for election of members of the Supervisory Board. No changes to the agenda shall be allowed after its approval by the General Meeting.

Each shareholder shall have the right to take the floor and speak on items from the agenda.

Results

The voting results and other relevant materials shall be distributed to shareholders either at the end of the General Meeting, or in the shortest time possible after its conclusion. The results shall be disclosed to the general public by publishing them on the Bank's website and in the media, and also submitted to the Commercial Register and the supervisory authorities.

Disclosure of information and transparency

According to the principles of OECD

The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

Transparency and timely disclosure of information are key principles in corporate governance. As a public company, First Investment Bank regularly discloses information about its financial situation and any material business or corporate developments, as well as non-financial information, including related to sustainable development. The Bank discloses all shareholders holding more than 5% of its share capital.

Information is disclosed in a way that ensures equal treatment of recipients, enables informed decision making and assessments, and prevents misuse of inside information. Fibank discloses information through:

- the X3News Internet platform (www.x3news.com) thus ensuring effective dissemination of information to the widest possible range of persons simultaneously, and in a way which does not discriminate them;
- its corporate website [/www.fibank.bg/](http://www.fibank.bg/) with established content, scope and frequency of information disclosed therein in accordance with the regulatory requirements and best corporate practices.

Disclosure policy and disclosure practices

In its capacity as a credit institution, public company and investment intermediary, First Investment Bank applies a Disclosure Policy.

The Bank shall disclose and provide easy access to any material information, including with regard to its financial position, achievement of objectives, shareholding and management structure, non-financial information and sustainable development. The Supervisory Board shall adopt the Disclosure Policy detailing the information subject to regular disclosure. The Policy itself shall be disclosed on the corporate website of the Bank.

First Investment Bank shall publish an Annual Report including detailed information on the Bank's development and financial results, achievement of objectives and business overview by type of activity, as well as information on the organizational structure, corporate governance framework, risk management and non-financial information, i.e. on ecological, social, governance and ethical issues.

The Bank shall promptly publish any material information, including on corporate developments, in the investors' section of its corporate website.

Additional provisions

§ 1. As per the Code:

- Risk capacity:** The maximum amount of risk the Bank is able to assume given its capital base, risk management and control measures, as well as its regulatory constraints.
- Control functions:** Those functions that have a responsibility independent from management to provide objective assessment, reporting and/or assurance. This includes the risk management function, the compliance function and the internal audit function.
- Corporate Governance:** A set of relationships between a company's management, its board, its shareholders and other stakeholders which provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance. It helps define the way authority is allocated and how corporate decisions are made
- Stakeholders:** Parties that are not shareholders but are concerned with the economic growth of the bank such as creditors, employees, bond holders, other.
- Risk governance framework:** Part of the overall corporate governance framework, through which: decisions are made with respect to business strategy and risk approach; adherence to risk appetite and limits is monitored vis-à-vis strategy; including risk is identified, measured, managed and controlled.
- Risk appetite framework:** The overall approach, including policies, processes, controls and systems through which risk appetite is established, communicated and monitored. It includes a risk appetite statement, risk limits and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the risk appetite framework. The risk appetite framework should consider material risks to the bank, as well as to its reputation vis-à-vis policyholders, depositors, investors and customers. The risk appetite framework aligns with the strategy.

Risk limits:	Specific quantitative measures or limits based on, for example, forward-looking assumptions that allocate the aggregate risk appetite statement to business lines, legal entities as relevant, specific risk categories, concentrations and, as appropriate, other measures.
Risk profile:	Point in time assessment of the gross (ie before the application of any mitigants) or, as appropriate, net risk exposures (ie after taking into account mitigants) aggregated within and across each relevant risk category based on current or forward-looking assumptions.
Risk appetite:	The aggregate level and types of risk a bank is willing to assume, decided in advance and within its risk capacity, to achieve its strategic objectives and business plan.
ESG risks:	Risks, related to sustainable development, taking into consideration ecological, social and governance factors.
Internal control system/ framework:	A set of rules and controls governing the organizational and operational structure including reporting processes, and functions for risk management, compliance and internal audit.
Risk management:	The processes established to ensure that all material risks and associated risk concentrations are identified, measured, limited, controlled, mitigated and reported on a timely and comprehensive basis.
Sustainable development:	Development of the activity, based on an integrated approach combining economic, social, ecological and governance issues, which are supporting and balancing one another.

Transitional and Final provisions

- §.2.** The Code discontinues the operation of the Program of First Investment Bank for the application of the internationally recognized good corporate governance standards.
- §.3.** The Code is publicly available on the Bank's corporate website: www.fibank.bg
- §.4.** The Code is reviewed annually or more regularly, according to circumstances.
- §.5.** The Corporate Governance Code of First Investment Bank was adopted by the Managing Board of First Investment Bank AD with a decision dated 30 June 2015, approved by the Supervisory Board with a decision dated 21 July 2015 and were amended in compliance with Managing Board resolution of 24 November 2015 to amend the Bank's internal rules and regulations with a view to the updated organizational structure of Fibank approved by the Supervisory Board on 24 November 2015, amended and supplemented with a decision of the Managing Board dated 13 April 2017 and with approval by the Supervisory Board dated 25 April 2017, amended and supplemented with a decision of the Managing Board dated 18.04.2019 and with approval by the Supervisory Board dated 24.04.2019, amended and supplemented with a decision of the Managing Board dated 17.03.2022 and with approval by the Supervisory Board dated 23.03.2022.