



**FIRST INVESTMENT BANK AD**

**PROGRAM**

**FOR APPLICATION OF THE INTERNATIONALLY RECOGNIZED  
GOOD CORPORATE GOVERNANCE STANDARDS**

**2012**

## I. Introduction

1. This program aims at outlining the guidelines, main principles and requirements for maintenance and improvement of the efficiency, the organization and the methods of management of First Investment Bank AD (Fibank and/or the Bank) in compliance with the internationally recognized standards of good corporate governance, taking into consideration the changes in the regulatory and the economic environment, and the increased capacity and significance of Fibank on the Bulgarian financial market.
2. This program should help to promote the implementation of the objectives and plans, which are in the best interests of the Bank, its creditors, shareholders, etc. and to facilitate effective supervision, thus contributing to the more efficient use of resources.
3. The corporate governance of the Bank is a system with clearly defined functions, rights and responsibilities on all levels: Supervisory Board, Management Board, and structural units at the Head Office and at the branches and service centers of the bank.
4. The corporate governance of Fibank is based on the corporate governance principles of the Organization of Economic Co-operation and Development (OECD), approved by the Financial Supervision Commission, including the following principles:
  - transparency;
  - publicity;
  - objectivity;
  - fairness;
  - trustworthiness;
  - independence.
5. The program is in compliance with the requirements of the effective Bulgarian legislation, including the Commercial Code, the Law on Credit Institutions, the Law on Public Offering of Securities, the Markets in Financial Instruments Act, the Law on Measures Against Market Abuse with Financial Instruments and the statutory instruments thereof, the Accounting Act, the Independent Financial Audit Act, the National Corporate Governance Code, the Instruction of Basel Committee of Bank Supervision for the Improving of Banks' Corporate Governance (the Instruction), By-Laws of First Investment Bank AD, the Code of Conduct, as well as with the provisions of adopted internal rules and procedures promoting its implementation.

## **II. Shareholders' and Clients' Rights**

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

1. The goal of First Investment Bank's corporate governance is to protect the rights of the shareholders, *the depositors and the other Bank's clients* by applying a system of rules and procedures, including, but not limited to the following:
  - 1.1. secure methods of ownership registration;
  - 1.2. conveyance or transfer of shares in compliance with the law;
  - 1.3. regular and timely disclosure and announcement of information concerning the company, including the financial information;
  - 1.4. participation and voting right in the General Meeting of Shareholders;
  - 1.5. participation of the shareholders in the distribution of the company's profits.
2. First Investment Bank operates in accordance with the currently effective legal framework and the provisions of the bank's By-Laws ("the By-Laws"), which govern such issues as the rights of the shareholders, registration of ownership, conveyance or transfer of shares, regular compilation and disclosure of information about the financial position and the corporate governance of the company, and participation in the profit distribution.
3. The Central Depository AD keeps the Fibank's shareholder register where all shareholders and all changes in ownership are recorded.
4. The shares of the Bank may be disposed of in compliance with the provisions of the By-Laws; and any issues, which are not covered therein, are governed by the applicable effective legislation.
5. Right to receive information – the operations of First Investment Bank are organized in a manner to ensure that the key executives, the collective governing bodies – Management Board, Supervisory Board and its shareholders receive complete and updated information in a timely manner.

## **III. Disclosure of Information and Transparency**

*The corporate governance framework should ensure timely and accurate disclosure of information about all company-related issues such as the company's financial situation, performance, financial and operating results, ownership and governance.*

1. The Bank is obliged to regularly draft and submit reports as follows:
  - to the Bulgarian National Bank (pursuant to the Law on Credit Institutions and the subsidiary legislation thereto);
  - to the Financial Supervision Commission and the Bulgarian Stock Exchange (pursuant to the Law on Public Offering of Securities, the Markets in Financial Instruments Act and the subsidiary legislation thereto);
  - to other external institutions and entities as provided for in the applicable legislation and in contract obligations.

- 1.1. In addition to the reports under the previous item, the Central Office of the Bank releases various monthly and quarterly reports and data when is necessary and more often, including matters concerning management, risk etc. and promptly submits them to the executive directors, the members of the Management Board and of the Supervisory Board, and to the members of the top management and administration.
2. The financial statements are prepared by applying the International Financial Reporting Standards (IFRS) and in accordance with the requirements of the Accounting Act. The information presented in the financial statements should comply with the following criteria:
  - 2.1. understandability – it should be useful for users upon taking economic decisions;
  - 2.2. relevance– it should enable users to evaluate past, present and future events and to confirm or amend previous evaluations while taking economic decisions;
  - 2.3. reliability – it must be free from material errors or bias;
  - 2.4. comparability – to provide the facility for comparison of the performance over time and for comparison with the information from other financial institutions in order to evaluate the effectiveness and the financial position and the changes therein;
3. First Investment Bank has its annual and six-month financial statements audited by an independent auditor, complying with the principle for rotation of the key auditor in accordance with the Independent Financial Audit Act. In order to ensure transparency and to inform all shareholders about the Bank’s performance, Fibank's audited financial statements are published in Bulgarian and English on its web site ([www.fibank.bg](http://www.fibank.bg)).
4. First Investment Bank prepares annual and half-year reports in Bulgarian and English on the Bank’s management, the implementation of its corporate development programs and its strategy, and releases these reports for publication, together with the audited financial statements, in a special publication of the Bank (“Annual Report”/“Half-year Report”). These reports are also published on the web site of the Bank.
5. As issuer of financial instruments, Fibank prepares an annual report and submit it to the Financial Supervision Commission, the Bulgarian Stock Exchange and to the public within 90 days after the end of the fiscal year.
6. Being an issuer of financial instruments, Fibank prepares and presents at the regulated market on which the financial instruments are traded prospectuses providing shareholders with financial information and data about the Bank’s financial position and the trends in its development and with information about the members of the Bank’s governing bodies, structure, plans for further development and good corporate governance.
7. Fibank discloses information of every substantial fact or change which may exert influence on Bank’s activities in compliance with the requirements of the Law on Credit Institutions, the Law on Public Offering of Securities, the Markets in Financial Instruments Act and procedures promoting their implementation and regularly notifies the Bulgarian National Bank, the Financial Supervision Commission and the Bulgarian Stock Exchange and publish the information through [www.x3news.com](http://www.x3news.com) and on the Bank’s web site – [www.fibank.bg](http://www.fibank.bg) .
8. First Investment Bank has been evaluated by internationally recognized credit rating agency (Fitch Ratings) and has received credit ratings which are published on the web site of the credit agency and the web site of the Bank and in Bulgarian and foreign financial journals.
9. The information disclosed by the Bank includes, without being limited to, the following:

9.1. annual financial statements audited by an independent registered auditor on consolidated and unconsolidated base;

9.2. quarterly financial statements on consolidated and unconsolidated base;

9.3. annual activity report with regulatory defined content on consolidated and unconsolidated base;

9.4. interim activity report with regulatory defined content for each quarter;

9.5. data about the members of the management and the supervisory boards of the Bank;

9.6. data about the persons/entities holding 5% or more than 5% of the total voting rights or who/which can exercise effective control over the General Meeting;

9.7. amendments and modifications in the By-Laws of the Bank;

9.8. changes in the managing and the supervisory bodies;

9.9. resolutions on reorganization of the company;

9.10. all material facts and circumstances.

10. With a view to accomplish an effective relationship between the Bank managing body and its shareholders and people who intend to invest in financial instruments, issued by the Bank, an Investor Relations Director is hired in Fibank.

10.1. The Investor Relations Director has functions to maintain and submit information for the current financial and business condition of the Bank and all other information which the shareholders and people who intend to invest in Bank's financial instruments wish and have a right to receive under the law as being shareholders and investors.

10.2. The Investor Relations Director reports on his/hers activity at the General Meeting of Shareholders once a year.

11. A special and accessible section "Investors" is kept on the Bank's web site ([www.fibank.bg](http://www.fibank.bg)) with detailed and updated information for the Bank, including:

11.1. Corporate Governance;

11.2. Stock exchange Information;

11.3. Financial Highlights;

11.4. Information for investors;

12. Financial calendar of Fibank for 2012.

In 2011 First Investment Bank shall prepare and present to the Financial Supervision Commission, the Bulgarian National Bank and the public financial reports, as follow:

12.1. According to the Accounting Act, the Law on Public Offering of Securities and Ordinance № 2 of the Financial Supervision Commission on the prospectuses upon public offering of securities and admittance for trading on a regulated market and on disclosure of information by the public companies and the other issuers of securities (Ordinance № 2 of FSC):

- Annual unconsolidated financial report for 2011, certified by an independent registered auditor, including annual activity report – in 90 days' term after the end of the financial year;
- Annual consolidated financial report for 2011, certified by an independent registered auditor, including annual consolidated activity report – in 120 days' term after the end of the financial year;

- Quarterly unconsolidated financial reports, including interim activity reports – in 30 days` term after the end of each quarter;
- Quarterly consolidated financial reports, including interim activity reports – in 60 days` term after the end of each quarter;
- Half-year unconsolidated and consolidated financial report, including activity report, certified by an independent registered auditor;
- Other reports, presented to the FSC, the BNB and other institutions.

12.2. Dates and information for other events and reports, which Fibank is bound to disclose to the public shall be announced within the required time limit set by law.

#### **IV. Equitable Treatment of Shareholders**

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

1. First Investment Bank treats all its shareholders equally, including the minority shareholders and the foreign shareholders.
2. The Fibank`s managing bodies ensure regularly and timely disclosure to the shareholders and investors of information regarding corporate events, in relation to the Bank`s activities and business condition.
  - 2.1. The managing bodies of the Bank make their best efforts for providing an easy and timely access to the above mentioned information with the aim of informed exercising of the shareholders` rights and making an informed decision for investing by investors.
3. All shareholders holding shares of one and the same class are treated equally.
4. The general meetings are convened by written notice to the shareholders in compliance with the provisions of the bank`s By-Laws with the aim for encouraging their participation in the General Meeting in a way that does not impede or makes the voting unnecessary more expensive.
  - 4.1. The Bank provides the shareholders with timely and sufficient information about the resolutions to be taken, considering the scope of competencies of the General Meeting of Shareholders.
  - 4.2. The notice together with the written materials, concerning the agenda of the General Meeting are announced in the Commercial Register at the Registry Agency, are presented to the Financial Supervision Commission and are made available to the public through [www.x3news.com](http://www.x3news.com) at least 30 days prior to the taking place of the General Meeting. They are published also on the Bank`s web site both in Bulgarian and in English for the period from the announcement to the conclusion of the General Meeting. Upon request, the materials are provided to each shareholder for free.

## **V. Disclosure of Information.**

### **Prevention of Conflict of Interests**

*The members of the boards and administrators are required to disclose whether they have a material interest in any transaction or matter affecting the company.*

1. The members of the Supervisory Board and the Management Board and the other key executives (administrators) within the meaning of §1, Paragraph 1 of the Additional Provisions of the Law on Credit Institutions, declare in writing the following:
  - 1.1. any material commercial, financial or other business interest, which they or members of their family have with respect to entering into a transaction with the Bank;
  - 1.2. the names and addresses of all persons with whom/which they or members of their families are economically connected and the business interests of such persons in the Bank as at the time of filing of the declaration.
  - 1.3. at every change of declared circumstances the administrator is obliged to file a new declaration in 7-days term at the beginning of a change.
2. An administrator, who has a business interest in the completion of a certain transaction with the Bank, should not participate in the process of negotiating, discussing and resolving on the closing of the transaction.
3. While performing their official duties the administrators and the other employees of Fibank must put the interests of the Bank and its clients above their own interests.
4. The Bank's operations are organized in a way as to prevent harming the interest of a client to the benefit of another client, administrator or employee of the Bank, or violation of the Bank's interests to the benefit of any of its administrators or employees.
  - 4.1. In the course of its business the Bank must keep the trade secrets of its clients confidential and protect their commercial reputation. Upon entry into office all members of the Bank's governing bodies and all employees sign a Bank secret non-disclosure statement.
  - 4.2. In the course of conducting transactions with financial instruments, the Bank must act in good faith and in due diligence in protecting the interests of its clients, putting their own interests above the interests of the Bank and notifying them of the risks related to transactions with such financial instruments.
  - 4.3. The Bank does not offer advices or consultations to its clients if they are not been required by clients.
  - 4.4. The terms and conditions of the banking products and services are displayed at a place in the premises of the Bank to which clients have access, and are published on the Bank's web site.
5. The members of the management and controlling bodies of Fibank; the entities holding directly or indirectly capital share or voting share in the Bank's General Meeting; and the employees of the Bank who, by reason of their official duties, have access to or are aware of any insider information as per the meaning of Art. 4 of the Law on Measures Against Market Abuse with Financial Instruments, may not use this information and:

- 5.1. acquire or dispose on their own or on another person's behalf any financial instruments about which they have insider information.
  - 5.2. disclose such insider information to another person except if its disclosure is in their regular business and professional obligations;
  - 5.3. give advice to another person to acquire or transfer on their own or on another person's behalf financial instruments the insider information refers to;
6. The Bank ensures accurate and timely announcement of information on all issues related to the financial condition, operating and financial results, performance, ownership and governance of the Bank by exerting efforts the announce of insider information to be done simultaneously on all places where the issued by the Bank financial instruments are admitted for trade.

## **VI. Responsibilities of the Governing Bodies**

*The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of the management and the governing bodies' accountability to the company and to the shareholders.*

1. The corporate governance system of Fibank ensures the implementation of the Bank's strategy combined with efficient control of the practices, accountability and loyalty of the management to the Bank and the shareholders.
2. The Bank has a two-tier governance system consisting of a Supervisory Board and a Management Board.
3. The Supervisory Board consists of three to five natural persons and/or legal entities, chosen by the General Meeting, which should abide the rules and comply with the provisions of the applicable legislation, the Bank's By-Laws and the By-Laws of the Supervisory Board of Fibank.
  - 3.1. At least one-third of the members of the Supervisory Board of Fibank are independent entities, which cannot be:
    - a) an employee of the Bank;
    - b) a shareholder, which owns directly or through related parties at least 10% of the votes in the General Meeting or is related to the Bank person;
    - c) a person, permanently bound in trade relations to the Bank;
    - d) a member of a managing or supervisory body, a procurator or an employee of a commercial company or other legal entity on item "b" and "c";
    - e) related person to another member of the Supervisory or Managing Board of the Bank;
    - f) a person that receives financial compensation from the Bank, or an affiliated company, other than for serving as a Supervisory Board member;
    - g) a member of the Managing Board of a company in which a member of the Managing Board of the Bank is a member of the Supervisory Board of the company.
  - 3.2. The Supervisory Board:
    - does not participate in the management of the bank; it supervises the Management Board;
    - elects and removes the members of the Management Board and determines their remuneration; and approves the guidelines for the operation of the Management Board;
    - sets the main business objectives of the Bank and the attainment strategy;

- approves the decisions of the Managing Board, which are in the competence of the Supervisory Board in compliance with the Bank's By-Laws, the By-Laws of the Supervisory Board of Fibank and the legal regulation;
- approves the remuneration policy of the Bank, its activity rules, as well as decides on other matters, when provided by the Bank's by-Laws or by Law;
- may provide for certain transactions to be carried out only subject to their prior consent;
- may set up committees composed of its members in order to support its activities;
- at any time may request of the Managing Board data or reports on any issue affecting the Bank;
- in the performance of its duties may conduct all necessary inquiries and may use the services of experts.

3.3. A Presiding Committee, a Risk Committee and a Remuneration Committee shall function subject to the Supervisory Board.

4. The Managing Board manages the Bank independently and responsibly in accordance with the Fibank's mission, goals and strategy and with the shareholders' interests.

4.1. The Managing Board consists of three to nine active natural persons, chosen by the Supervisory Board and complying to the provisions of the Bank's By-Laws.

4.2. The Managing Board acts in compliance to its activity statute-book, as its main competences and functions are to:

- manage and represent the Bank in all issues concerning the bank's business objects except for those which are within the exclusive authority of the General Meeting of Shareholders or the Supervisory Board, in accordance with the applicable laws and the By-Laws of the Bank;
- organize the implementation of the decisions taken by the General Meeting and by the Supervisory Board;
- adopt programs and a budget in relation to the activity of the bank;
- take decisions on the participation of the Bank in other companies in Bulgaria and abroad and the opening and closing of branches and representative offices of the Bank;
- take decisions on issues related to the acquisition and disposal of tangible fixed assets and the rights thereto;
- define the bank's organizational structure and positions;
- take decisions for substantial change in the Bank's activity, substantial organizational changes, as well as for substantial long-term collaboration for the Bank or termination of such collaboration ;
- prepare and propose for approval by the General Meeting the annual financial statements of the bank;
- report to the Supervisory Board at least quarterly and notifies the chair of the Supervisory Board or his/her deputy of all circumstances which are of material importance to the bank;
- carry out all other functions assigned by the General Meeting of Shareholders or the Supervisory Board and the law.

5. There is an Audit Committee functioning in Fibank as a public-interest entity.

- 5.1. The General Meeting determines the mandate and the number of the members of the Audit Committee.
- 5.2. The Audit Committee performs the following functions:
- monitors the financial reporting process and the independent financial audit within the Bank;
  - monitors the effectiveness of the Bank's internal control systems and of the risk management systems;
  - recommends the choosing of a registered external auditor which is due to make an independent financial audit of the Bank;
  - monitors the independence of the registered auditor of the Bank in accordance with the requirements of law and the Code of Ethics of professional accountants.
- 5.3. The Audit Committee reports on its activity at the General Meeting once a year.
6. The bank has a specialized internal control unit; it monitors the performance of the goals and objectives and exercises efficient control by conducting regular internal audits to ensure:
- accomplishment of the goals and objectives;
  - economic and efficient use of the resources;
  - adequate control of the various risks;
  - safeguarding of the assets;
  - reliability and integrity of the financial and operational information;
  - compliance of the bank's activity with the operative legislation, conformity and adherence to the policies, plans, internal regulations and procedures.
- 6.1. The head of the specialized internal control unit makes available to the General Meeting, to the Supervisory and Managing Board an annual activity report of the unit, thus informing about the main results of the controlling activities of the internal auditors for the measures undertaken and their execution.

### **Additional Provisions**

§1. Within the meaning of this program:

**1. "Corporate governance"** comprises the entire management, direction and control of the Bank on all levels: Supervisory Board and its committees, Management Board, specialized internal control unit, internal councils and committees, including departments, sections, branches and service centers.

**2. "Shareholders"** are not only entities who own shares in the Bank, but also entities who have a stake in the economic development in the company, such as creditors, bondholders, customers, employees, communities, etc.

### **Final Provisions**

§1. This program is developed by virtue of Art. 100m, Paragraph 4, sub-paragraph 3 of the law on Public Offering of Securities. The program is in compliance with the currently effective Bulgarian legislation, the statutory requirements of the Bulgarian National Bank, the Financial Supervision Commission, as well as with the By-Laws of First Investment Bank and the

Bank's Code of Conduct. The program complements the operative policies and rules of the Bank and is an incentive for their improvement.

§2. The underlying principles of this program reflect the economic and political situation in Bulgaria and do not have a permanent nature, they are subject to further development and reassessment in line with the changes in the business environment.

§3. This program is subject to review on an annual basis or more frequently if required by the circumstances, with respect to:

- its observance and the implementation of the specific actions/initiatives set forth therein;
- evaluation of its efficiency;
- keeping track of the developments in the legal framework and legal practice in the field of corporate governance to ensure the company's compliance therewith.

§4. This program was adopted by the Management Board of First Investment Bank on 21 February 2006, amended with decisionons on 27 March 2007, on 12 February 2008, on 27 January 2009, on 09 February 2010, on 25 January 2011 and on 07 February 2012.