



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

Sofia, 3 April 2009

**Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of First Investment Bank AD ("the Bank"), which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

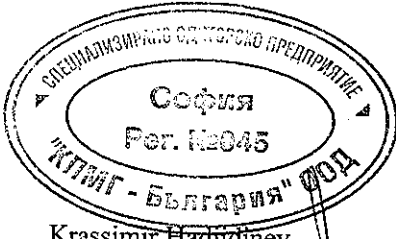
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain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

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

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

*Opinion*

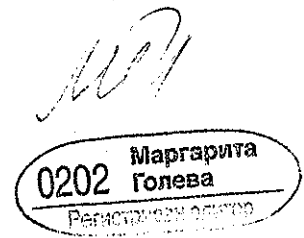
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of First Investment Bank AD as at 31 December 2008, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by European Commission.



Krassimir Hadjidinev  
Registered auditor  
Authorised representative

KPMG Bulgaria OOD  
37 Fridtjof Nansen Str.  
1142 Sofia  
Bulgaria

Margarita Goleva  
Registered auditor



# FIRST INVESTMENT BANK AD

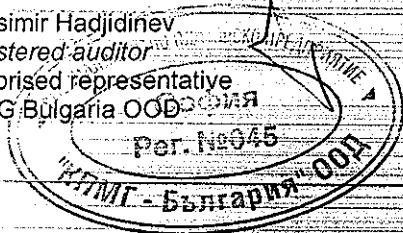
Consolidated income statement for the year ended 31 December 2008

*In thousands of BGN*

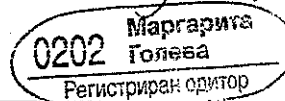
	Note	2008	2007
Interest income		335,937	270,045
Interest expense		(188,428)	(137,436)
<b>Net interest income</b>	6	<b>147,509</b>	<b>132,609</b>
Fee and commission income		72,816	60,799
Fee and commission expense		(9,433)	(9,837)
<b>Net fee and commission income</b>	7	<b>63,383</b>	<b>50,962</b>
<b>Net trading income</b>	8	<b>4,258</b>	<b>11,827</b>
<b>Other operating expenses</b>	9	<b>(1,519)</b>	<b>(201)</b>
<b>TOTAL INCOME FROM BANKING OPERATIONS</b>		<b>213,631</b>	<b>195,197</b>
General administrative expenses	10	(156,169)	(107,325)
Impairment (losses)/loss reversals	11	1,109	(26,958)
Other expenses, net		(4,231)	(4,261)
<b>PROFIT BEFORE TAX</b>		<b>54,340</b>	<b>56,653</b>
Income tax expense	12	(5,170)	(5,640)
<b>GROUP PROFIT AFTER TAX</b>		<b>49,170</b>	<b>51,013</b>
Minority interests		67	100
<b>NET PROFIT</b>		<b>49,237</b>	<b>51,113</b>
<b>Basic and diluted earnings per share (in BGN)</b>	13	<b>0.45</b>	<b>0.48</b>

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

Krassimir Hadjidinev  
Registered auditor  
Authorised representative  
KPMG Bulgaria OOD



Margarita Goleva  
Registered auditor



# FIRST INVESTMENT BANK AD

Consolidated balance sheet as at 31 December 2008

*In thousands of BGN*

	Note	2008	2007
<b>ASSETS</b>			
Cash and balances with central banks	14	751,864	611,262
Financial assets held for trading	15	9,681	13,529
Available for sale investments	16	286,623	374,203
Financial assets held to maturity	17	62,395	106,084
Loans and advances to banks and financial institutions	18	10,244	189,575
Loans and advances to customers	19	2,969,984	2,778,123
Property and equipment	20	153,359	115,010
Intangible assets	21	5,631	848
Other assets	23	20,970	12,743
<b>TOTAL ASSETS</b>		<b>4,270,751</b>	<b>4,201,377</b>
<b>LIABILITIES AND CAPITAL</b>			
Due to credit institutions	24	53,034	3,195
Due to other customers	25	2,855,327	2,475,139
Liabilities evidenced by paper	26	832,620	1,238,113
Subordinated term debt	27	53,852	51,005
Perpetual debt	28	98,658	98,386
Deferred tax liability	22	1,729	1,417
Other liabilities	29	6,797	8,143
<b>TOTAL LIABILITIES</b>		<b>3,902,017</b>	<b>3,875,398</b>
Issued share capital	30	110,000	110,000
Share premium	30	97,000	97,000
Statutory reserve	30	39,861	39,861
Revaluation reserve on available for sale investments	30	(6,467)	(350)
Reserve from translation of foreign operations	30	(813)	(515)
Retained earnings	30	129,095	79,858
<b>SHAREHOLDERS' EQUITY</b>		<b>368,676</b>	<b>325,854</b>
Minority interests	30	58	125
<b>TOTAL GROUP EQUITY</b>		<b>368,734</b>	<b>325,979</b>
<b>TOTAL LIABILITIES AND GROUP EQUITY</b>		<b>4,270,751</b>	<b>4,201,377</b>

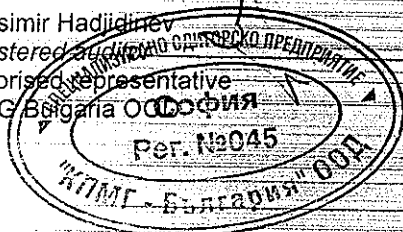
The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 5 to 47.

Krassimir Hadjiev

Registered auditor

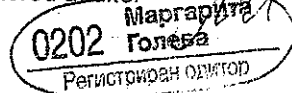
Authorised representative

KPMG Bulgaria OОФ



Margarita Goleva

Registered auditor



# FIRST INVESTMENT BANK AD

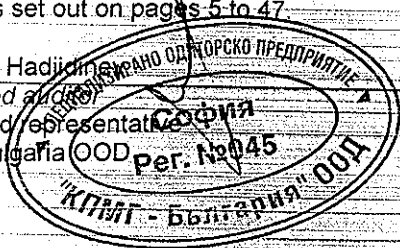
Consolidated statement of cash flows for the year ended 31 December 2008

In thousands of BGN

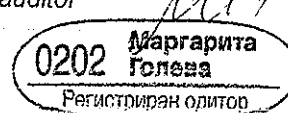
	2008	2007
<b>Net cash flow from operating activities</b>		
Net profit	49,237	51,113
<b>Adjustment for non-cash items</b>		
Impairment losses/(loss reversals)	(1,109)	26,958
Depreciation and amortisation	17,477	11,668
Income tax expense	5,170	5,640
Loss on derecognition of fixed assets	541	-
	<b>71,316</b>	<b>95,379</b>
<b>Change in operating assets</b>		
(Increase)/decrease in financial instruments held for trading	3,848	(290)
Decrease in available for sale investments	81,463	133,711
(Increase)/decrease in loans and advances to banks	(22)	19,087
(Increase) in loans to customers	(190,752)	(1,095,308)
(Increase)/decrease in other assets	(8,227)	2,121
	<b>(113,690)</b>	<b>(940,679)</b>
<b>Change in operating liabilities</b>		
Increase/(decrease) in deposits from banks	49,839	(7,241)
Increase in amounts owed to other depositors	380,188	782,942
Net increase in other liabilities	854	1,455
	<b>430,881</b>	<b>777,156</b>
Income tax paid	(7,423)	(5,232)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>381,084</b>	<b>(73,376)</b>
<b>Cash flow from investing activities</b>		
(Purchase) of tangible and intangible fixed assets	(61,150)	(45,933)
(Acquisition)/decrease of investments	43,689	(35,863)
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(17,461)</b>	<b>(81,796)</b>
<b>Financing activities</b>		
Increase of shareholders's equity, fully paid-up	-	10,000
Increase of share premium	-	97,000
Capital increase of subsidiary	-	180
Increase/(decrease) in borrowings	(402,374)	117,846
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(402,374)</b>	<b>225,026</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(38,751)</b>	<b>69,854</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD</b>	<b>800,665</b>	<b>730,811</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (see note 32)</b>	<b>761,914</b>	<b>800,665</b>

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

Krassimir Hadjimelev  
Registered auditor  
Authorised representative  
KPMG Bulgaria OOD



Margarita Goleva  
Registered auditor



# FIRST INVESTMENT BANK AD

Consolidated statement of shareholders' equity for the year ended 31 December 2008

In thousands of BGN


	Share capital	Share premium	Retained earnings	Revaluation reserve on available for sale investments	Reserve from translation of foreign operations	Statutory reserve	Minority interests	Total
<b>Balance as at 1 January 2007</b>	100,000	-	28,960	(258)	-	39,861	(170)	168,393
Increase of shareholders' equity, fully paid-up	10,000	97,000	-	-	-	-	-	107,000
Revaluation reserve on available for sale investments	-	-	-	(92)	-	-	-	(92)
Capital increase of subsidiary	-	-	-	-	-	-	180	180
Movement related to the changes in minority interest's shareholding	-	-	(215)	-	-	-	215	-
Reserve from translation of foreign operations	-	-	-	-	(515)	-	-	(515)
Net profit for the year ended 31 December 2007	-	-	51,113	-	-	-	(100)	51,013
<b>Balance as at 31 December 2007</b>	110,000	97,000	79,858	(350)	(515)	39,861	125	325,979
Revaluation reserve on available for sale investments	-	-	-	(6,117)	-	-	-	(6,117)
Reserve from translation of foreign operations	-	-	-	-	(298)	-	-	(298)
Net profit for the year ended 31 December 2008	-	-	49,237	-	-	-	(67)	49,170
<b>Balance as at 31 December 2008</b>	110,000	97,000	129,095	(6,467)	(813)	39,861	58	368,734


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

The financial statements have been approved by the Managing Board on 3 April 2009 and signed on its behalf by:

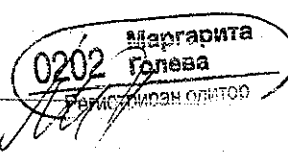
  
Matthew Mateev  
Chairman of the Managing Board,  
Executive Director

  
Evgeni Lukanov  
Executive Director

  
Radoslav Milenkov  
Chief Financial Officer

  
Krassimir Hadjidinev  
Registered auditor  
Authorised representative  
KPMG Bulgaria OOD



  
Margarita Goleva  
Registered auditor

