

Annual Report
2008



Central
Cooperative
Bank

Our clients feel important

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Message from the Management

Ladies and Gentlemen,

We, the Executive Directors and Procurator of Central Cooperative Bank Plc, would like to summarise our results and progress in 2008. Central Cooperative Bank Plc is a universal commercial bank with a pronounced focus on retail banking. As at 31.12.2008 the Bank assets are BGN 1,664 million, shareholders' equity amounts to BGN 228 million and the net profit is almost BGN 22 million.

Last year was our second year as a member of the European Union and by far the most successful for us in terms of profit. In the first half of the year we grew up considerably, whereas in the second half growth was more moderate due to the financial crisis that started in the USA and spread in the European countries.

Our goals for 2009 include: offering new and streamlined products and services, development of the card business, keeping our position in retail banking and the establishment of new strategies in answer to the various requirements of clients, adequate management of the client and credit risk, taking advantage of our existing wide branch network, continuing and increasing the collaboration with leading financial institutions from the European Union and USA, training and qualifying the human factor, preserving good liquidity, increasing the amount of total assets, keeping our place among Bulgarian banks and development of private banking.

We devote our efforts to the satisfaction of clients. We invest in knowledge, technology and offer good services to clients at a competitive price. Our colleagues in the branches and the head-office contribute to pleasing clients to a maximum extent.

Sincerely yours,



Victor Mechkarov
Executive Director



Lazar Iliev
Executive Director



George Konstantinov
Executive Director



Ivaylo Donchev
Executive Director



Tihomir Atanassov
Procurator

Financial Highlights

as at 31.12.2008

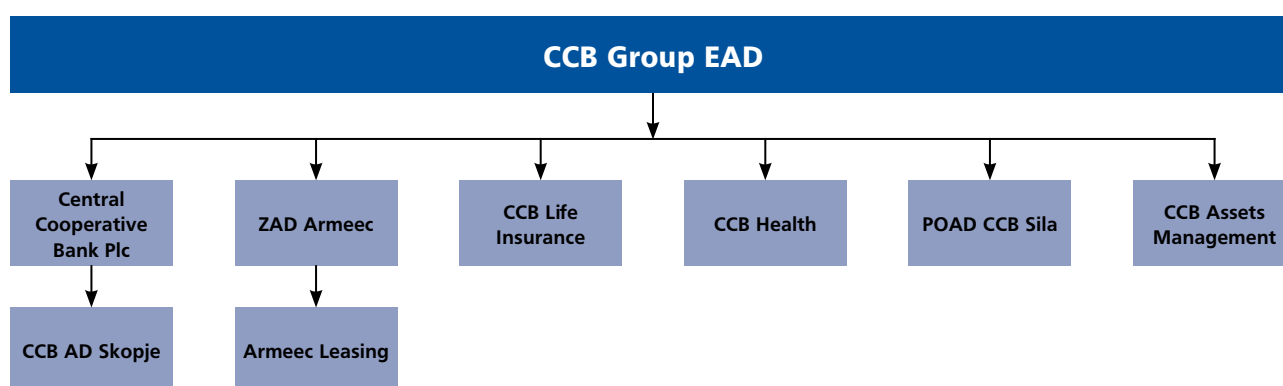
Main indicators from the Balance Sheet and the Income Statement	As at 31.12.2008	As at 31.12.2007
	Thousand BGN	Thousand BGN
Total assets	1,664,100	1,566,880
Share capital	83,155	83,155
Shareholders' equity	228,496	211,345
Total deposits	1,391,757	1,327,612
Deposits from non-financial institutions	1,384,958	1,327,239
Advanced loans and advances to customers, net	979,810	656,030
Net interest income	65,226	58,164
Non-interest income	47,067	38,038
Total income	112,293	96,202
Operating expenses	82,437	64,885
Net profit	21,644	20,094

Financial highlights	As at 31.12.2008	As at 31.12.2007
ROE %	9.95%	14.11%
ROA %	1.34%	1.52%
Shareholders' equity / total assets %	13.73%	13.49%
Operating expenses / total assets %	4.95%	4.14%
Operating expenses / total income %	73.41%	67.45%
Loans to customers / total assets %	58.88%	41.87%
Total deposits / total assets %	83.63%	84.73%
Deposits from non-financial institutions / total assets %	83.23%	84.71%
Total capital adequacy	13.21%	18.14%

Recourses	As at 31.12.2008	As at 31.12.2007
	Number	Number
Number of customers	1,022,008	881,318
Foreign correspondents	360	366
Nostro accounts	22	21
Locations, including branches	266	251
Personnel	1,886	1,661

Today

Central Cooperative Bank Plc is a universal commercial bank, belonging to the financial structure of **CCB Group EAD**. Together with the remaining companies, the Bank comprises the full array of products and services in the field of financial intermediation, with an emphasis on SME lending and retail banking.



As a **universal commercial bank** CCB Plc offers an array of financial products and services, which correspond to the competitive requirements of the dynamically changing market environment. The Bank constantly strives to deploy the spectrum of financial intermediation and works hard to create new and develop the known products and services.

CCB Plc. is a full member of the **International Cooperative Banking Association** and the **European Association of Cooperative Banks**.

The products and services of **Western Union** are offered at 236 branches and offices of CCB Plc in 134 settlements across the country.

The Bank is a full member of **MasterCard Europe** and **Visa International**, offers the Maestro and MasterCard cards and the family of Visa cards.

Central Cooperative Bank Plc is an indirect member of **EBA STEP2 SCT** and **TARGET2**.

The Bank is an indirect member of **International Swaps and Derivatives Association, Inc —ISDA**.

Central Cooperative Bank Plc is a universal commercial bank, belonging to the financial structure of CCB Group EAD.

CCB Plc maintains good relationships with a number of **correspondent banks**, improving the business contacts with them. The Bank has 360 correspondents and 22 Nostro accounts, as well as a number of lines for documentary operations for various amounts and trade finance for the import of investment products, made in EU. Through the MM and FX limits, the Bank maintains the wide spectrum of the offered products and consulting services.

CCB Plc has a licence to carry out transactions as an **investment intermediary** on the Bulgarian capital market, acting on its behalf and at its expense, as well as at the expense of its clients.

Today

CCB Plc is a **primary dealer of government securities** on the Bulgarian domestic market.

The Bank provides an easy access to all range of its products via a well-developed **branch network**, offering quick and modern solutions to its customers. At present the Bank has 266 branches and offices all over the country and abroad, which are subject to constant optimization with the aim of maximum efficiency.

Brief History

On 28 March 1991 Central Cooperative Bank was registered with a resolution of the Sofia City Court. At first the Bulgarian National Bank Management Board issued a licence to CCB Plc for carrying out bank activity on the territory of the country.

The founders of the Bank were Central Cooperative Union, the regional cooperative unions and more than 1100 cooperative organizations. In the beginning its mission was to contribute to the development of the cooperative system in Bulgaria. Passing through different development periods, the Bank established itself as a universal commercial bank nowadays.

Since 12 March 1993 the Bank is authorized to carry out operations abroad as well.

Since July 1993 CCB Plc is an associate member of the European Association of Cooperative Banks, domiciled at Brussels.

On 4 March 1999 CCB Plc received the statute of a publicly listed company, and in this way became one of the two Bulgarian banks, the shares of which were traded on the Bulgarian Stock Exchange - Sofia.

Up to 2001 CCB Plc shareholders included: Central Cooperative Union, Bulbank AD, the State Agricultural Fund, the Bank Consolidation Company etc.

At the beginning of 2002 the share of Bank Consolidation Company AD amounting to 32.77% was acquired through bidding by Chimimport JSC, which became the main shareholder of Central Cooperative Bank Plc.

In 2002 CCB Plc received a licence from **MasterCard Europe** – a prestigious international card organization for the issuance and acceptance of the international Maestro debit cards and Mastercard credit cards.

In 2003 CCB Plc acquired a licence for a Bulgarian agent of **Western Union**, the international fast money transfer company.

In September 2004 Central Cooperative Bank Plc became a member of the Management Board of the International Cooperative Banking Association, together with over 52 credit institutions from 36 countries.

At the end of 2004 CCB Plc increased its capital from BGN 16,169,564 to BGN 32,338,128 via the issuance of 16,168,564 shares, having a par and issue value of BGN 1. The Bank's main shareholder is CCB Group Assets Management EAD, which is 100% property of Chimimport JSC.

At the beginning of 2002 32.77% was acquired through bidding by Chimimport JSC.

On 27 May 2005 the Bank became a principal member of **Visa International** and at the beginning of 2006 we started offering the family of Visa cards.

In September 2005 CCB Plc took a decision to increase its share capital by 50% and as of the end of the year it amounted to BGN 48 507 186, and the shareholders' equity was BGN 80,928 thousand.

Brief history

In December 2005 CCB Plc received a permit from the Central Bank of Cyprus to open its first foreign branch in Nicosia.

On 11 May 2006 CCB Plc signed a second Syndicated Term Loan Facility, whereas the initial amount of EUR 11,000,000 was increased to EUR 27,500,000 with the participation of 12 foreign banks. The syndicated loan was arranged by HSH Nordbank AG and Raiffeisen Zentralbank Österreich AG.

Since 1 January 2007, with Bulgaria's accession to EU, CCB Plc has acquired the statute of a full member of the European Association of Cooperative Banks.

At the end of June 2006 the General Meeting of Shareholders of CCB Plc took a decision to increase the capital by 50% and at the end of the year the Bank share capital amounted to BGN 72,760,779.

Since 1 January 2007, with Bulgaria's accession to EU, CCB Plc has acquired the statute of a full member of the European Association of Cooperative Banks.

In June 2007 the General Meeting of Shareholders of CCB Plc took a decision to increase the capital and at the end of the year it amounts to BGN 83,155 thousand.

In September 2007 the first foreign branch of CCB Plc was opened in Nicosia, Cyprus.

On 28 February 2008 CCB Plc acquired the Macedonian bank Sileks Bank AD Skopje, which was renamed to Central Cooperative Bank AD Skopje on 22 October 2008. At present CCB Plc has 82.57% of the voting shares of the capital of CCB AD Skopje.

On 15 August 2008 Central Cooperative Bank Plc joined ISDA—International Swaps and Derivatives Association as a user. The contract intermediary is Raiffeisen Zentralbank Österreich AG.

In October 2008 CCB Plc became an indirect member of **EBA STEP2 SCT**.

In December 2008 CCB Plc became an indirect member of **TARGET2**.

Managerial Team

Central Cooperative Bank Plc has a two-tier system of management, which consists of a Supervisory Board and a Management Board.

The Supervisory Board consists of three members and elects the Management Board and a Procurator. The Management Board on its part elects the Executive Directors with the approval of the Supervisory Board.

At present the following members are included in the Supervisory Board and the Management Board:

1. Supervisory Board:

Chairperson: **Ivo Kamenov Georgiev**

Members: **Marin Velikov Mitev**

Central Cooperative Union
Represented by Peter Stefanov

2. Management Board:

Chairperson: **Prof. Dr. Alexander Vodenicharov**

Members: **Tzvetan Botev**—Deputy-Chairperson

Lazar Iliev—Executive Director

Victor Mechkarov—Executive Director

George Konstantinov—Executive Director

Ivaylo Donchev—Executive Director

Aleksander Kerezov

Bisser Slavkov

3. Procurator:

Tihomir Atanassov

Share capital and shareholders

As at December 31, 2008 the share capital of the Bank amounts to BGN 83,155,092 and is divided into 83,155,092 shares, each with a value of BGN 1. The shares of the Bank are book-entry, registered and each share gives the right to one vote in the General Meeting of Shareholders. CCB Plc does not have shareholders with special controlling rights. We do not know of any agreements between the shareholders, which lead to limitations in the transferring of shares or the right to vote.

As at December 31, 2008 the shareholders' equity of the Bank amounts to BGN 228,496 thousand. The capital adequacy is 13.21%, which is in agreement with the requirements of Ordinance N° 8 of BNB on the capital adequacy of Banks.

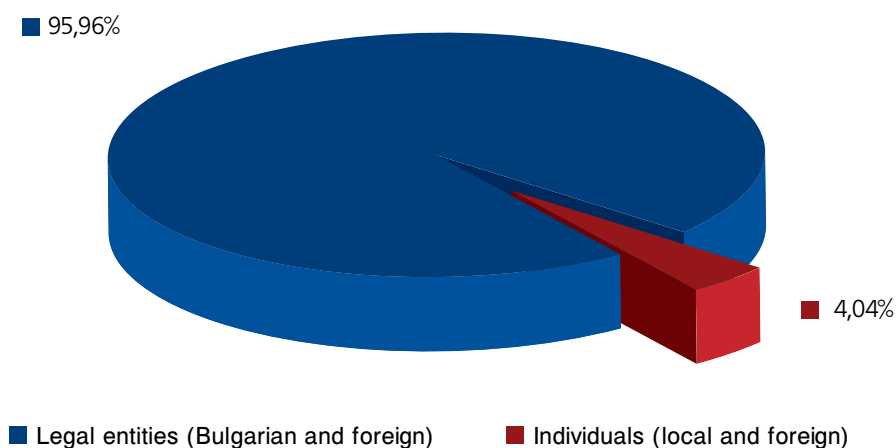
Shareholders of CCB Plc as at 31 December 2008	Share (%)
CCB Group EAD *	68.20
Bayerische Hypo – Und Vereinsbank AG	7.81
Armeec insurance company JSC	4.44
Chimimport JSC and other related parties	5.61
Other minority participation	13.94
Total	100.0

* Former name: CCB Group Assets Management EAD

As at December 31, 2008 the shareholders of CCB Plc are 6,309, among them 5,116 individuals and 1,193 legal entities.

The shares of CCB Plc are being traded at the Bulgarian Stock Exchange since 4 March 1999. In the last 9 years the CCB Plc shareholders' structure has significantly changed three times—in June 1999, when Bulbank AD sold to the State Agricultural Fund its share of 35%; in June 2001 when the share of the State Agricultural Fund, which had been acquired by the Bank Consolidation Company, was purchased by Chimimport JSC and at the end of 2004, when the shares of Central Cooperative Union were acquired by Chimimport JSC through CCB Group EAD.

Breakdown of share capital



Activity Overview

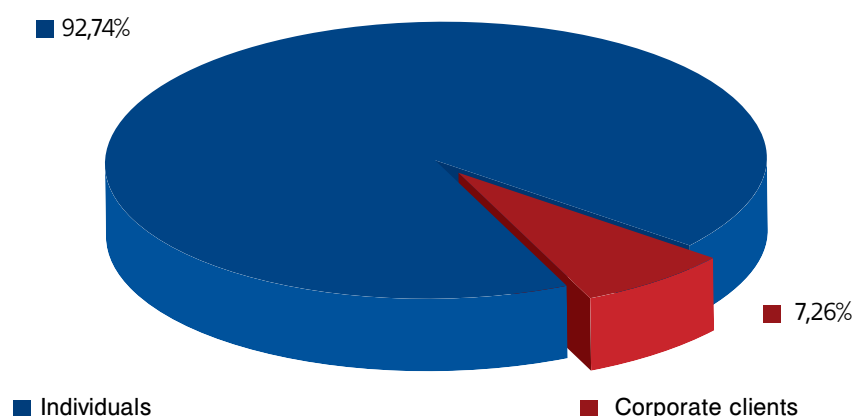
CCB Plc is a universal bank, working in a multitude of banking activities, with an emphasis on “retail” banking and SME lending. Along with that the Bank continues to be a leader in rendering services to the agricultural sector and the related production activities.

In 2008 the Bank diversified considerably the array of offered credit products and services in the field of consumer lending, as well as lending to SMEs. Following the set goals, the Bank deployed its activity as a “retail bank” and achieved good positions in the market of SMEs, attracting more and more clients in this sector.

Client structure

Clients are of special importance to the Bank, because they contribute to the Bank’s successful development and market positions. For this reason CCB Plc attracted more clients, especially individuals, households, SMEs. The Bank portfolio is entirely subordinated to the needs and desires of clients. Efforts have been concentrated on offering competitive and attractive products.

Breakdown of clients as at 31 December 2008

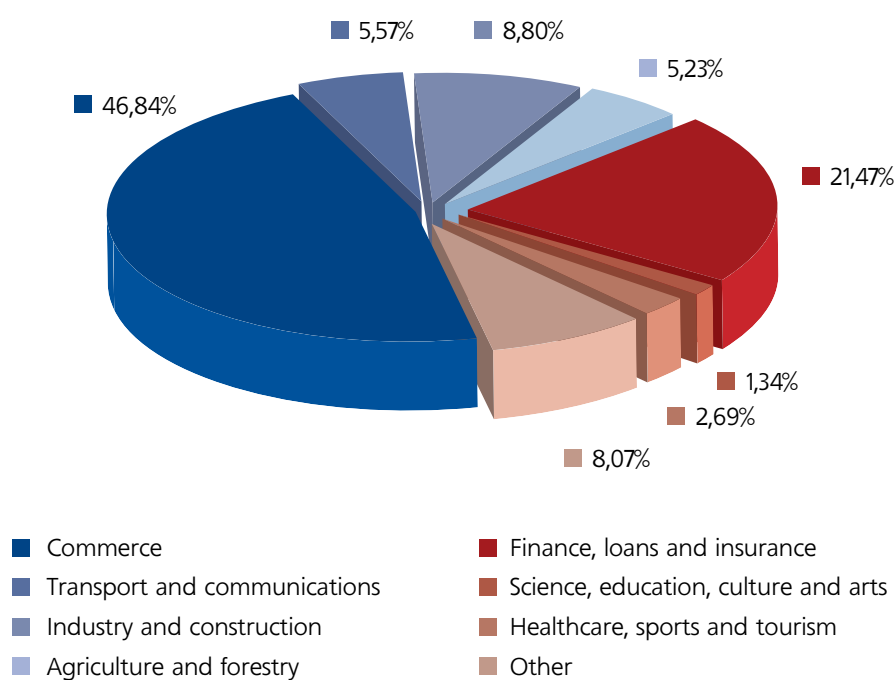


Sector	December 2008	December 2007
Individuals and sole proprietors	947,783	813,832
Commerce	34,765	30,822
Transport and communications	4,134	3,645
Industry and construction	6,531	5,799
Agriculture and forestry	3,879	3,585
Finance, loans and insurance	15,938	16,208
Science and education	993	761
Healthcare, sports and tourism	1,994	1,721
Other	5,991	4,945
Total	1,022,008	881,318

Activity overview

At the end of 2008 the Bank clients increased to 1,022,008, which is by 140,690 or 15.96% more in comparison with the previous year. There is an increase mainly in individuals, whose number has increased by 133,951 or by 16.46% in comparison to 2007. The positive tendency of growth is present in the last several years, because CCB Plc strives to develop in the highly competitive for the Bulgarian market "retail banking" segment. There is also growth in SME lending.

Branch structure of clients - legal entities



Retail banking

2008 was one of a series of years, in which Central Cooperative Bank Plc increased the share of the financial products and services for individuals in its loan portfolio. The emphasis again was put on the balancing between already established products and the development of new products and services in the field of consumer lending and credit cards.

As a result of the successful activity of CCB Plc in the field of retail banking, there was a considerable increase in the amount of advanced consumer loans, whereas the number of issued bank cards exceeded 770,000.

Activity overview

Card business

Central Cooperative Bank Plc continued to increase the number of issued credit and debit cards in 2008. In the credit card segment most impressive is the increase in the MasterCard cards of almost 72%. The total number of CCB credit cards reached 52,961 at the end of 2008. The project for a cobranded "CCB—Bulgaria Air" credit card, realized in 2008, will contribute to an increase in next years of the number of credit cards, issued by the Bank. The card combines perfect financial conditions for clients with various additional bonuses, such as rebates in the purchase of airplane tickets for flights of Bulgaria Air, rebates for shopping on board the airplanes, a possibility for additional free luggage, etc.



During last year the share of CHIP cards continued to increase in the total number of credit cards of CCB Plc. This tendency will continue in next year with the issuance of the cobranded cards, which are also based on the CHIP technology.

There was a considerable increase in the number of debit cards, issued by the Bank. In 2008 the Maestro cards of CCB Plc increased by 67,626 and reached 473,753. There was an increase in the number of Visa Electron cards of the Bank, which at the end of the year amounted to 246,535.

Activity overview

The permanent tendency and the stable growth in the increase in the number of credit and debit cards of the Bank affirmed its place among the biggest issuers of bank cards in the country.

In 2008 there was technical preparation for starting the offering of the Synchrony service from the beginning of the new year. This is a service for card accounts, which makes it possible for Bank clients to dispose with their funds at the same time via their card, for money transfers and cash operations. In this way the clients of CCB Plc will be able to use their card accounts for automatic transfers as well, Internet banking, repayment of consumer loan installments and credit cards on other accounts, etc.

In 2008 the Bank continued to develop its network of ATMs and POS terminals. At the end of the year the total number of ATMs of CCB Plc is 332. The Bank had great success with regard to the deployment of its network of POS terminals at the commercial sites, whereas the increase for the year is 60%. The total number of POS terminals of CCB at the end of 2008, including the POS terminals in the Bank rooms, is 2,153.

The permanent tendency and the stable growth in the increase in the number of credit and debit cards of the Bank affirmed its place among the biggest issuers of bank cards in the country.

CCB Plc increased the various possibilities for the Bank clients to pay their bills for electricity, water supply, district heating, telephone services, GSM, cable TV and the Internet. The cardholders of CCB may pay their bills not only on the Internet, on the phone, at an ATM and automatically, but also via an SMS. This is possible thanks to the new service "SMS payment of utility bills". One of the advantages of this service is that clients receive every month an informative SMS with information about the due amount to the respective trader.

Consumer loans

Consumer lending in 2008 was a priority in the credit activity of CCB Plc. In this segment the Bank achieved a growth of over 45% on an annual basis, which is considerably above the average of 28,49% for banks in Bulgaria. Thanks to the successful policy in the field of consumer lending, the market share of CCB Plc increased from 2,49% to 2,81%.

The Bank offers to its clients exceptionally competitive products in the field of consumer lending.

Goods on credit

In 2008 the attractive conditions of Goods on credit attracted new clients and predisposed those, who already used them, to make it again. Clients again had the possibility to shop goods at a price up to BGN 10,000 in over 3500 trade shops. The loan term is up to 5 years. During last year a unit, created for the specific purpose, which works with a prolonged schedule, took the processing of the applications that came from the trade partners of CCB from the whole country. The simplified procedure for application, the quick reply by the Bank and the advantageous financial conditions, characteristic of the product of CCB during last year, were a precondition for the Bank to be preferred by clients who chose that type of lending.

Student loan

During last year there was a special product, meant for students. The loan is advanced for the payment of the semester fees and meeting the current needs for the period of training. The Bank finances also participation of students in programs for cultural exchange, experience or brigades abroad. Clients may choose whether to receive the full loan amount immediately or receive each year the amount, necessary for the respective year. The Bank gives students the possibility to enjoy a grace period during the term of education, whereas only interest is paid during this term. When the loan concerns financing a program for work experience abroad, the grace period is up to 12 months.

Loans for the renovation of residential buildings

In 2008 the Bank, together with the Ministry of Regional Development and Public Works and the United Nations Development Programme, again participated in the project for renewal and sanitation of residential buildings on the territory of various cities in Bulgaria. For the purpose of the residents in the buildings, subject to sanitation under the project, there was a possibility to obtain a purposeful loan under preferential conditions.

At the end of the year CCB Plc updated the conditions for its consumer loans, taking into consideration the new market tendencies in global, regional and national terms. The effected changes in the terms, maximum amount and the interest conditions for the loans are in line with the expectations for ensuring and guaranteeing long-term stability and a high degree of reliability of the loan portfolio of banks in Bulgaria.

Along with the proposals in the field of consumer lending, in 2008 the clients of CCB Plc received very advantageous interest for their card accounts and their deposits.

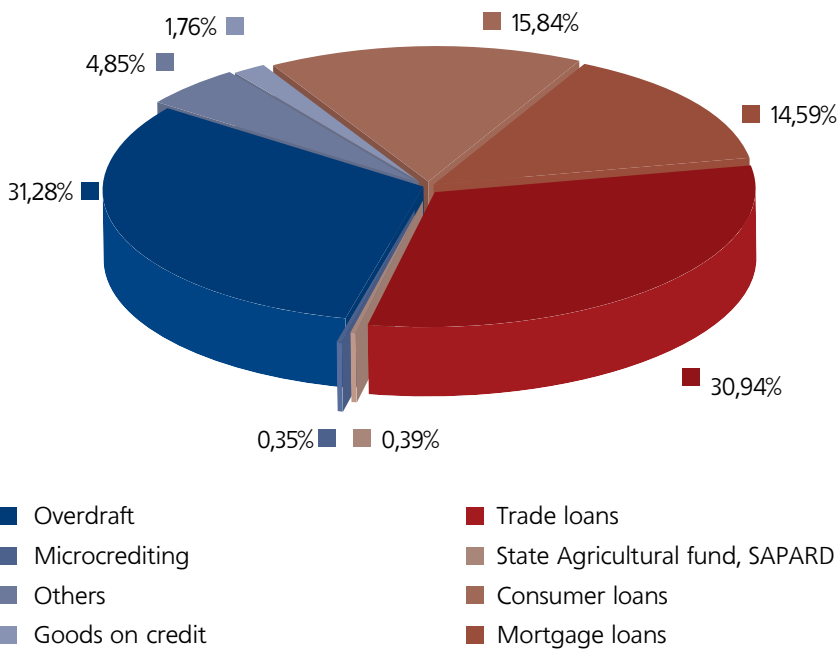
The annual interest on the current accounts in BGN and EUR for the individuals was changed to 4%, if with the BGN account there is an issued debit card, the interest is the highest, offered for a card account by Bulgarian banks—5%. Clients with Visa Electron debit cards may use a 15% rebate upon concluding the “Protected home” insurance policy at Armeec insurance company.

Along with the proposals in the field of consumer lending, in 2008 the clients of CCB Plc received very advantageous interest for their card accounts and their deposits.

Crediting

Crediting constitutes a major share of the Bank business. In 2008 the loan portfolio increased almost twice, reaching 58.88% of total assets. In the portfolio structure there are no big changes in the allocation according to types of loans. The major part continues to be company loans, which have 30.94 % of the advanced loans, whereas in 2007 their share was 30.24%. The consumer and mortgage loans preserve their approximate values from the previous year and amount to 15.84 % and 14.59% respectively of the total loan portfolio. CCB Plc offers exceptionally attractive products in the field of consumer lending and crediting small and medium sized enterprises, which is the main reason for the intense crediting during the year. The loans that constitute overdraft on an account are 31.28% of the loan portfolio. They include allowed overdraft of individuals and legal entities, as well as overdraft with a mortgage.

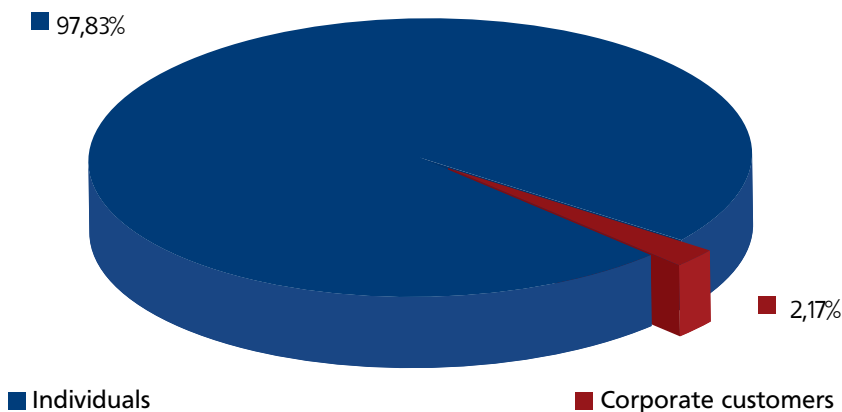
Breakdown of the loans according to the type of the credit



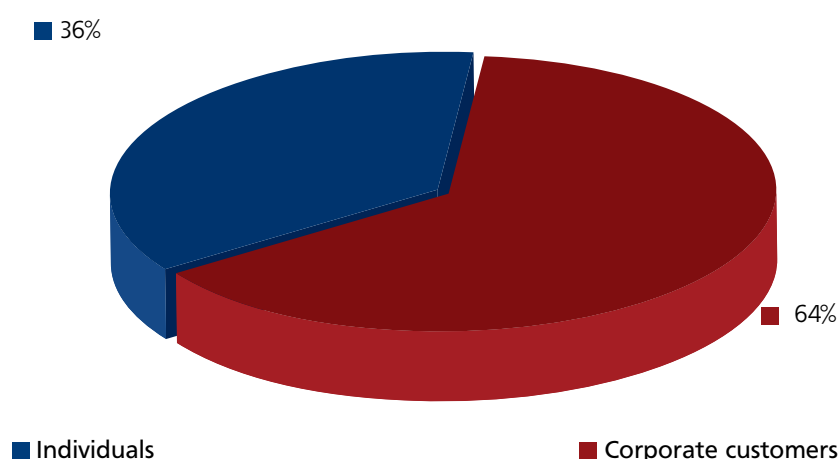
In 2008 CCB Plc developed and proposed new competitive conditions for housing, mortgage and consumer lending, considering the changed tendencies on the market of loans in global and national scope.

In 2008 the increase in loans for individuals is over 45%, which is above the average for banks in the country. The breakdown of loans to individuals and corporate loans according to number and amount of advanced loans may be seen in the following graphs:

Breakdown of the loans according to the number of granted loans



Breakdown of the loans according to the loan amount



Correspondent relations with Bulgarian and foreign financial institutions

In 2008 the Bank continued working on several long-term trade finance projects and further improved its good business relationships with the leading banks from EU and USA.

In 2008 CCB Plc continued performing its obligations associated with several projects under the main framework agreement with Landesbank Berlin, concluded in November 2002. The purpose of the agreement is a credit line for partial midterm and long-term financing of contracts for the purchase and delivery of investment goods and services with German exporters, but the export from countries such as Belgium, Austria, etc may be financed as well. The loan insurance is made by the export credit agencies of the respective exporting countries.

The Bank has a credit line with Banco Bilbao Vizcaya Argentaria, Madrid. The line concerns the investment goods—imported from Spain, and it is possible to include up to 15% components having non-Spanish origin in the value of goods, and exceptionally up to 30% having an origin in other EU countries.

CCB Plc has two successful syndicated loan agreements. The first syndication was concluded in 2005 at the amount of EUR 11 million for one year, whereas the second Syndicated Term Loan Facility, concluded in 2006, was for EUR 27.5 million, having a one-year term and an extension option of one more year. The syndicated loans were arranged by HSH Nordbank AG and Raiffeisen Zentralbank Österreich AG and the participants were prestigious financial institutions from Europe and Asia. The loans' purpose is advancing loans and financing small and medium-sized enterprises—clients of the Bank. The great interest on the part of foreign financial institutions and the increase in the preliminarily stated amount of more than two times in 2006 is a proof of the recognition and good reputation of the Bank on the international scene.

Activity overview

There are effective credit lines for confirming small documentary operations with Raiffeisen Zentralbank Österreich AG, Austria, Landesbank Berlin, Germany, HVB Germany, Intesa Sanpaolo Spa, Italy, UniCredito Italiano, Italy and Standard Chartered Bank, USA. Along with that CCB Plc develops and streamlines its relationships in other fields of banking, working with banks such as: Unicredit Bank Austria AG, Vienna; Danske Bank, Copenhagen; KBC Bank NV, Brussels; BBVA, Madrid; BAWAG P.S.K., Vienna; Wachovia (Wells Fargo), New York; Credit Suisse, Zurich; Deutsche Bank AG, Frankfurt / Main; Rabobank Netherlands, Utrecht, etc.

In 2008 the Bank improved its good business relationships with the leading banks from EU and USA.

In the last several years the Bank was visited by a great number of investors and funds: CAIB, Deka Investment, Diolkos, DWS Investments, Egnatia Mutual Funds, Gustavia, NBGI, Petercam, Robur, Trigon Capital, Global New Europe Fund Portfolio Investments SA, etc. They were attracted by the growth and the return on investment in our region and the possibilities for profit on the stock exchange and in the real estate sector.

CCB Plc has established correspondent relations with over 360 financial institutions from all over the world, and it can exchange encrypted messages with over 2000 foreign correspondents. In 2008 the Bank successfully migrated to RMA, whereas for the destination CECBBSF it has exchanged 430 RMAs and for CECBCY2N it has exchanged 60 RMAs. In 2008 there started the migration of CCB AD Skopje to a new BIC code, the change of the SWIFT system and the connection to SWIFT. As at 31.12.2008 the Bank has 22 Nostro accounts, 11 of which are in EUR with European banks, 4 accounts are in USD with American banks, and 7 are in other currencies—GBP, CHF, CAD, DKK, SEK, NOK and JPY.

The correspondent network of CCB Plc is subject to constant optimization, with the aim of effecting the payments as quickly as possible, without any problems and under the best financial conditions for the clients.

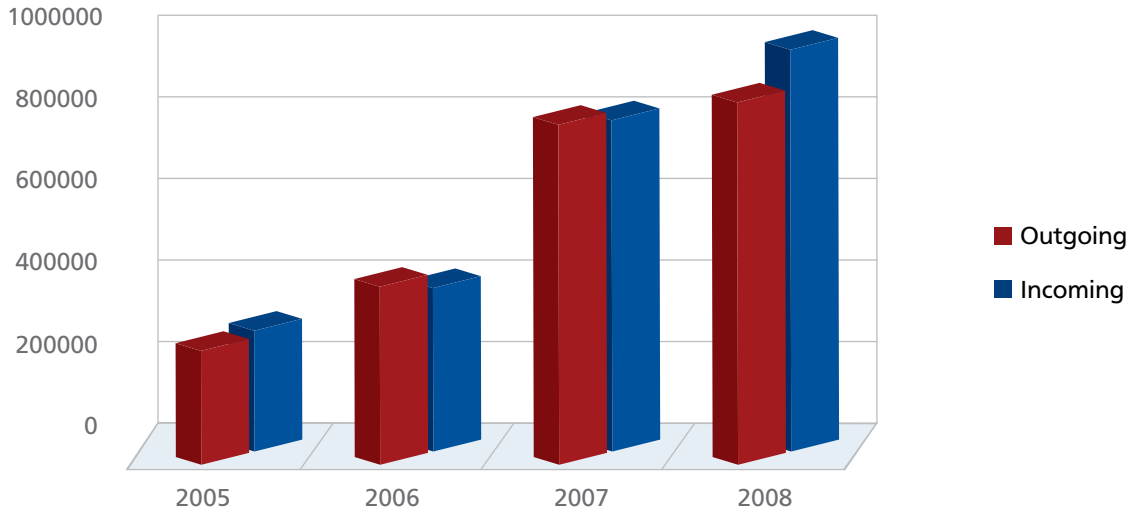
International payments

With its well-developed branch network and Correspondent relations CCB Plc carries out payments all over the world. The Bank is a member of SWIFT since 1994, an indirect member of the payment systems EBA STEP2 SCT and TARGET 2, and since 2003 it is a member of the Western Union fast money transfer system. All these preconditions allow CCB Plc to effect high quality payments for its clients.

In recent years the amount of payments has shown an incessant increase as a whole. The increase in the outgoing payments for 2008 in comparison to 2007 is 7%, for 2007 in comparison to 2006 is 91%, and for 2006 compared to 2005 it is 56.31%. With the incoming payments the increase for 2008 in comparison to 2007 is 21%, for 2007 compared to 2006 is 103%, for 2006 compared to 2005 it is 35.32%.

Activity overview

Total Amount of the Incoming and Outgoing Payments in the Long Run (thousand USD)

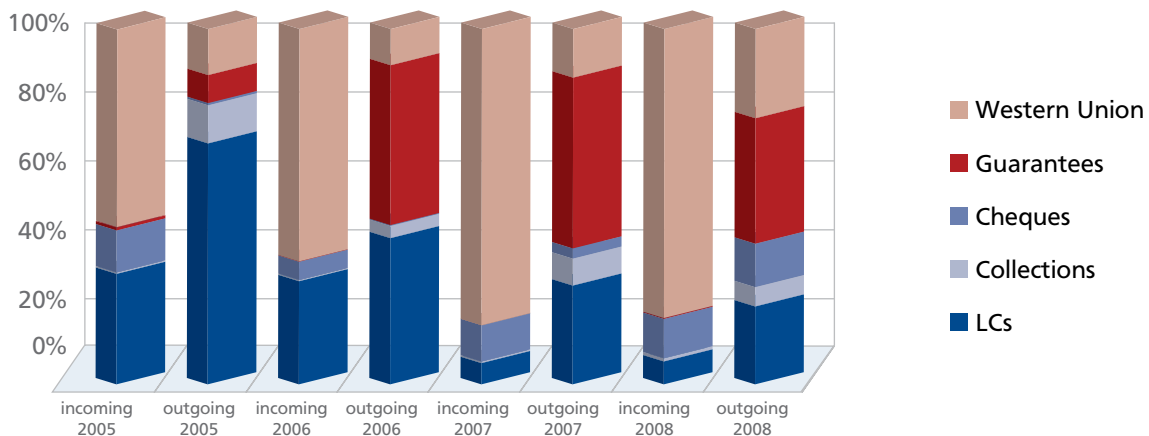


For the full year 2008, Central Cooperative Bank Plc distinguished itself with the exceptional quality of international payments, ranking among the market leaders in terms of straight through processing rate (STP). The Bank achieved an STP rate of over 99% in processing USD payments and received a certificate for excellent quality from the Bank of New York Mellon.

Central Cooperative Bank Plc offers to its clients the main types of payments, known in the Bank practice. A major share belongs to the clean payments, which have the greatest portion in the incoming and outgoing payments. In 2008 the amount of the incoming and outgoing transfers increased slightly. There is an increase also in the incoming LCs and cheques.

The breakdown of the types of payments is rather varied and may be seen in the following diagram:

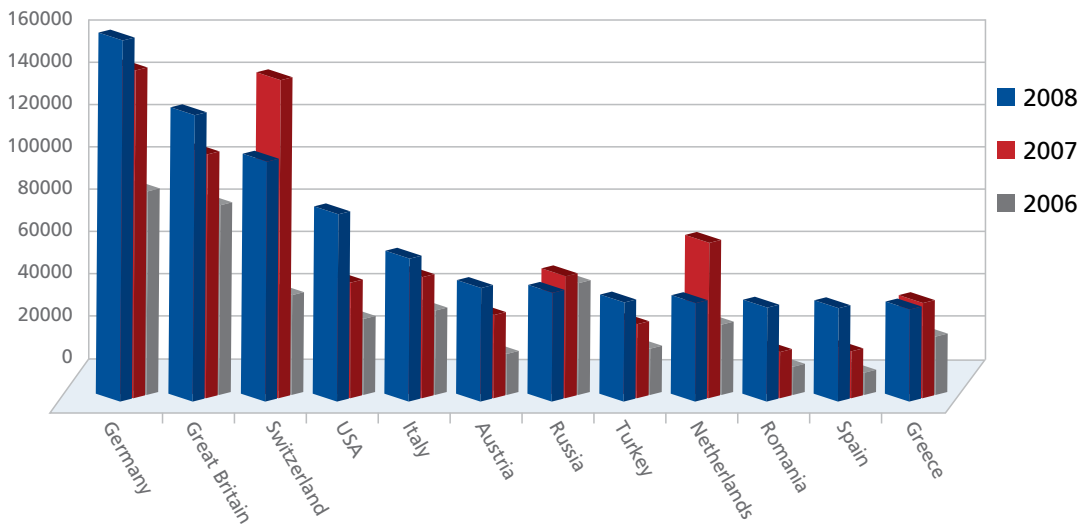
Comparison between the types of incoming and outgoing payments



Activity overview

During the last year according to the amount of payments, Germany has a leading position with 8.49% of the total amount of payments. Great Britain remains on the second place with 6.73%, followed by Switzerland—5.64% and USA—4.40%. Next, according to the amount of payments, follow: Italy, Austria, Russia, Turkey, Netherlands, Romania, Spain and Greece.

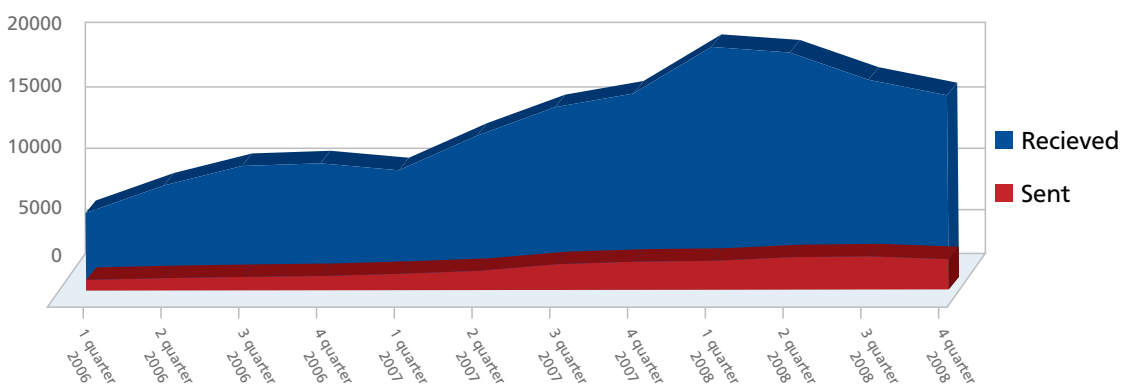
Transactions in Foreign Currency According to Countries for 2006, 2007 and 2008 (thousand USD)



Western Union

Since 2003 CCB Plc is a licensed agent for Bulgaria of the Western Union fast money transfer system. Western Union is present with more than 365,000 offices in over 200 countries all over the world, which makes possible the speedy ordering and receiving of money transfers all over the world. The Western Union products and services are offered in 236 branches and offices of CCB Plc in 134 settlements across the country, equipped with a direct electronic access to the Western Union network. Besides, CCB Plc has concluded agreements with subagents, which offer the Western Union services on 96 more sites in 64 settlements.

Sent and Received Transfers through Western Union according to quarters for 2006, 2007 and 2008 (thousand USD)



Activity overview

Financial markets

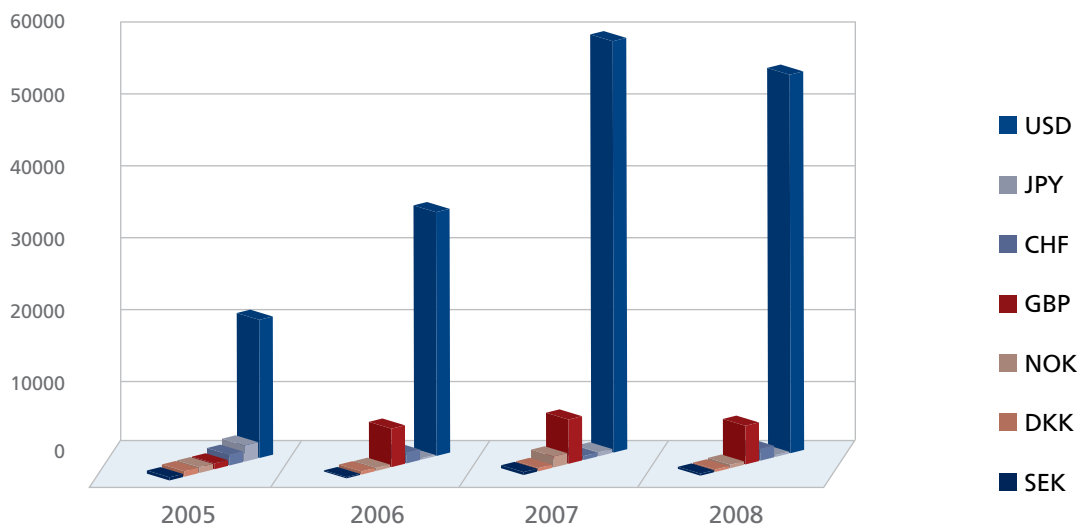
Last 2008 was extremely difficult for the financial markets and was marked by the global financial crisis. In spite of that Central Cooperative Bank Plc kept its good liquidity during the whole year.

In 2008 financial markets continued to be one of the important segments in the activity of CCB Plc. The Bank affirmed its position as one of the most active banks on the interbank FX market and banknote trade. Being a primary dealer of government securities on the domestic primary market, CCB Plc. effects transactions on its behalf and at its expense and also at the expense of its clients. It places a huge amount of deposits on the local market as well as on the international markets, maintaining excellent relationships with first class foreign banks.

Foreign exchange

In the field of foreign exchange the Bank offers a number of products and consulting services to investors and corporate clients, as well as to correspondent banks – spot, forward and swap transactions, options, hedging, etc. The Bank actively uses the existing FX lines from big European banks. In 2008 CCB Plc continued to use the full capacity of its trading lines, provided by leading financial institutions such as Deutsche Bank AG, Germany, Credit Suisse, Switzerland, WGZ, Germany, RZB, Austria, Standard Chartered Bank, USA and Danske Bank, Denmark. In 2008 CCB Plc signed with RZB , Vienna an ISDA agreement, which allows the Bank to provide a broader spectrum of services to its clients.

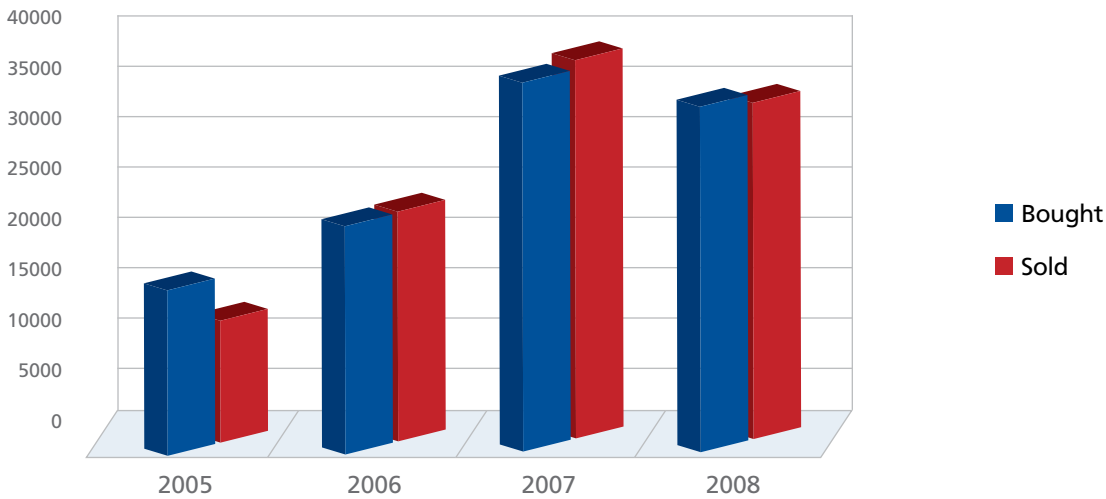
Transactions on the FX markets (thousand EUR)



Activity overview

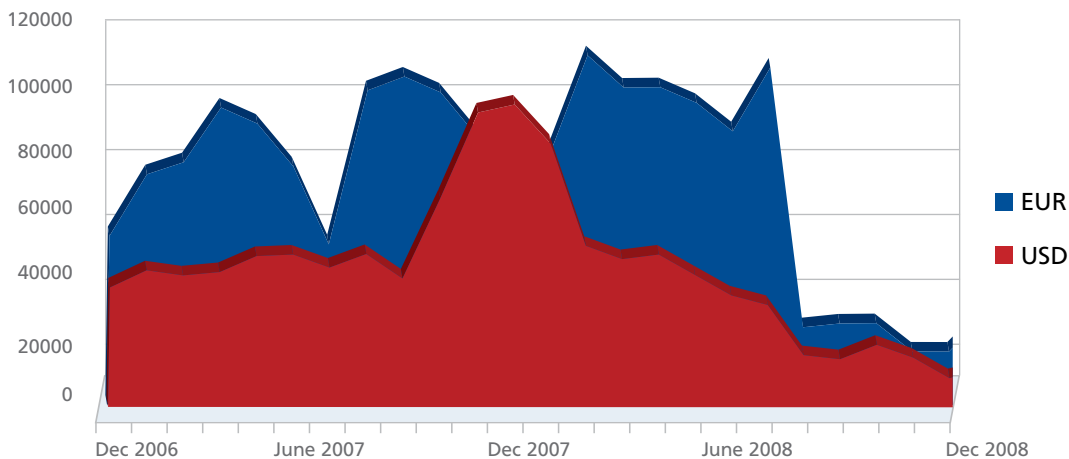
The Bank has lines for margin and netting trade with several leading financial and brokerage houses, such as Saxo Bank, Sucden Financial, Man Financial and LaSalle Investment Management. In this way the Bank gives the opportunity to its clients to trade on the international financial markets, concluding contracts for margin trade. These lines allow the Bank to conclude speculative transactions at its expense upon limited risk.

Amount of FX trade (in thousand EUR)



During last year the amount of deposits provided to banks in EUR exceeds those in USD, due to the greater volume of attracted funds in EUR, as well as the orientation of the Bulgarian economy in this direction.

**Amount of deposits from December 2006 to December 2008
(thousand EUR and USD)**



Activity overview

Securities

In 2008 CCB Plc continued to actively participate in the primary and secondary market of government securities. The portfolio of government securities was optimized with the aim of shortening the average term to maturity and including securities with a floating yield due to the limitations for hedging the price and interest rate risk, associated with the owned government securities.

Capital markets

Central Cooperative Bank Plc has a full license of an investment intermediary since 1997. The Bank offers the following investment services:

- effecting orders for the purchase or sale of securities at the expense of clients or at its own expense
- preparing prospectuses for the public offering of securities
- accepting securities issues

In September 2008 CCB Plc was the co-manager in the capital increase of Holding Varna AD and authorized investment intermediary in the capital increase of Sila Holding AD.

Information technology

The Bank services its customers on the basis of contemporary banking information technologies. The IT experts within CCB Plc endeavor to assist the business units to keep and extend the market share of the Bank in the country and abroad. In 2008 the Bank information technologies were concentrated on the following main aspects:

- Deploying the features of the centralized information system of "AIS 2" used at CCB Plc, a development of "Datamax" AD. Using the advantages of "AIS 2", the Bank offers to its customers complete bank servicing. From interbank payments in BGN and foreign currency in real time, international payments, depositing funds, payments between clients without the requirement for customers to have opened bank accounts, etc, to participation on the stock exchange .
- Deploying the system, servicing SWIFT for the management and performance of currency payments via different BIC codes.
- CCB Plc is a licensed agent of the Western Union fast money transfer system and there are over 200 positions for Western Union transactions within the Bank information network.
- CCB Plc is a licensed agent of the EasyPay fast money transfer system, whereas in the information network of the Bank there are over 250 positions for working with EasyPay.

The Bank services its customers on the basis of contemporary banking information technologies.

Activity overview

- CCB Plc is a registration operator of the Info notary universal electronic signatures system, whereas in the information network of the Bank there are over 250 positions for working with Info notary.

Personnel

CCB Plc human resource is the main pillar for effecting the Bank policy and strategy. At the same time via a proper selection, evaluation, qualification, payment and stimulation, the necessary staff is provided for the performance of tasks with regard to the bank's competitiveness. Considering the specifics of the business of CCB Plc, the requirements to the quality of the work of the employees are especially high with the aim of reaching the goals set by the bank. The Bank management aims at creating the conditions for improving the quality of personnel, the personnel professional growing up and development. The ultimate goal is motivating qualified and loyal personnel, unsparing to the objectives of the institution.

The total staff number of CCB Plc as at 31.12.2008 is 1886 people, including 352 people at the head-office and 1534 people at the branches. The increase in comparison to the previous year is by 225 people or 13.55%. With the deployment of the Bank branch network, the management takes permanent care of the staff number and structure. There are mainly young experts at the Bank with the necessary education and linguistic competence.

Within the Bank the employees at the age up to 40 years old are 65% of the total number. These are the employees at the most vital and creative age and with certain potential for results in work, also employees, working directly with clients of the Bank, for whom care and efforts are rendered for their motivation for future work at the Bank.

The employees with work experience 5-15 years in the Bank system are 41% of all employees. These are mainly management staff at the head-office and the branches, employees of the head-office with methodological functions, loan officers, heads front office and other employees with high bank qualification at the branches. The greatest number belongs to the employees with bank work experience up to 5 years at the branches—49%. These are mainly employees, servicing clients, cashiers and retail banking experts.

The Bank management aims at creating the conditions for improving the quality of personnel, the personnel professional growing up and development. The ultimate goal is motivating qualified and loyal personnel, unsparing to the objectives of the institution.

CCB Plc pays special attention to the education of employees. The share of the employees with university education in all its degrees is especially big—67%. A basic approach upon appointing employees with the proper education and high professionalism is the proper selection of candidates.

The financial stimulus is dominant in creating and maintaining the interest of employees. With determining the remuneration at CCB Plc we aim at reaching even better relationship between the labor results and the individual remuneration and stimulate the initiative and the ideas of employees, reach better technological and employment discipline, as well as responsibility in the performance of their work functions. The main aspects in determining the employment remuneration consist of the objective evaluation of the labor of employees

Activity overview

and determining their individual work salaries.

The long-term Concept for Training and Development of the Bank Personnel is the basis for carrying out the training and qualification of employees. On that ground we developed a Program for Training and Qualifying Employees within the Bank System for 2008, with the following emphasis:

- Loan operations and credit risk
- Retail banking
- International payments
- Money markets and securities
- Information technologies
- Client servicing

In 2008 special attention was devoted to training with the collaboration of the International Banking Institute, different centres for qualification and training of staff, as well as other Bulgarian and international institutions. The Bank employees participated in many international conferences and courses in our country and abroad with regard to the new requirements of the European Union in the field of banking.

Activity overview

Branch network

During last year, via the huge branch network, CCB Plc managed to offer competitive financial products and services to its clients, not only in Bulgaria, but also in Cyprus. In 2008 the Bank put an emphasis on increasing the efficiency and functionality of the built up network, the good servicing of its clients and easy access to the array of products.

Via its branch network the Bank aims to be at the disposal of its clients to a maximum extent, to be able to provide to them convenient, quick and quality servicing.

Structural units	31.12.2008	31.12.2007	31.12.2006
Bank locations	266	251	220

In 2008 CCB opened one new branch and fourteen bank representative offices.

In 2008 the first foreign branch of CCB in Cyprus won the trust of a great number of clients among the Bulgarian citizens, living and working on the territory of Cyprus, local people and small and medium-sized enterprises.

The Bank in the future

Central Cooperative Bank Plc has always endeavored to increase the number of its clients via maintaining an optimum level of risk and excellent financial results.

In 2008 there was a diversification in the types of consumer lending, a number of products and services for individuals were introduced and a great number various loans for individuals and legal entities were granted.

The Bank future goals include:

- Offering new and streamlined products and services
- Development of the card business
- Keeping our position in retail banking and the establishment of new strategies in answer to the various requirements of clients
- Maintaining the quality and decreasing the concentration of the loan portfolio
- Adequate management of the client and credit risk; an emphasis on market risk
- Taking advantage of our existing wide branch network

In 2009 the Bank will further develop its relationships with foreign financial institutions, keep the number of credit lines and diversify its products for external financing.

Activity overview

- Continuing and increasing the collaboration with leading financial institutions from the European Union and USA
- Training and qualifying the human factor
- Good liquidity, and increasing the amount of total assets
- Keeping our place among the leading and well-developed Bulgarian banks
- Development of private banking

In 2009 the Bank will further develop its relationships with foreign financial institutions, keep the number of credit lines and diversify its products for external financing. In this way and with its good reputation, market positions and broad branch network, CCB Plc will be able to satisfy the ever-increasing requirements of its clients.

Financial Review for 2008

Market share and position of CCB Plc*

In 2008 the activity of CCB Plc was not influenced by the financial instability that was characteristic globally. The Bank managed to keep its good positions in the Bulgarian bank system. According to the classification of BNB, Bulgarian banks are divided into three groups according to amount of total assets: the first group includes the first five banks with biggest total assets, the second group includes the next 19 banks and the third group includes the branches of foreign banks in Bulgaria. At the end of 2008 CCB Plc maintains its position in the second group of banks and occupies the 12th place among all banks on the territory of Bulgaria. As at 31.12.2008 the total assets of the Bank system are BGN 69,561,241 thousand, and the total assets of CCB Plc are BGN 1,664,100 thousand.

The market share of CCB Plc in terms of the main balance sheet and income statement elements is presented in the following table:

Market share of CCB in terms of:	Total for the banking system	For the second group of banks
Total assets	2.39%	6.40%
Earning assets	2.02%	5.52%
Long-term tangible assets	3.94%	9.06%
Attracted funds	2.33%	6.21%
Attracted funds from NFI and other clients	3.29%	8.40%
Loans, granted to NFI	1.97%	5.52%
Net income from interest and dividends	2.34%	7.06%
Non-interest income, net	6.17%	14.23%
Net profit	1.56%	5.85%

The table below presents the main financial highlights of CCB Plc, compared to the highlights of the second group of banks and the highlights of the banking system as a whole:

Ratio	CCB	Second group of banks	Total for the banking system
ROE (Return on equity)	9.95%	12.65%	19.72%
ROA (Return on assets)	1.34%	1.58%	2.15%
Earning assets / total assets	75.64%	87.75%	89.36%
Rate of advancing loans	70.04%	106.63%	117.09%
Shareholders' equity / assets	13.73%	11.25%	11.40%
Rate of provisioning	1.13%	1.65%	2.05%
Net interest income, net / operating expenses	79.11%	120.14%	150.52%
Non-interest income, net / operating expenses	48.45%	47.92%	52.43%
Net interest margin	5.07%	6.08%	4.90%
Operating expenses / gross income	77.63%	54.41%	50.01%
Profitability of assets at the end of the period	1.72%	1.65%	2.23%

* Source: data, published on the web site of BNB for supervisory purposes, as well as data of banks, participating in BISERA

In 2008 CCB Plc preserved its good market share in the issuance of **bank cards** and registering an increase on an annual basis of 110,949 cards, with which it affirmed its place among the biggest issuers of bank cards in the country. The total number of cards, issued by CCB Plc, is 774,802.

In 2008 the Bank had an increase in the issuance of MasterCard credit cards, which is with 71.68% more compared to 2007. The absolute change in the number of issued MasterCard and VISA credit cards is 9,864. The market share of CCB Plc for MasterCard and VISA on the internal market is 5.45% and 4.60% respectively. The total number of issued **credit cards** of CCB Plc reached 52,961, which is by approximately 22.00% more in comparison to the previous year.

As at 31.12.2008 the Bank has a 15.07% growth in the issuance of Visa Electron debit cards. In 2008 the Maestro cards of CCB Plc increased by 67,626 and reached 473,753, which is an increase by 16.65% compared to 2007. The market share of CCB Plc according to the number of issued Maestro debit cards is 11.66%. In 2008 the Bank issued 721,841 **debit cards**, which is by 16.36% more compared to the previous year.

In 2008 CCB Plc preserved its good market share in the issuance of bank cards and affirmed its place among the biggest issuers of bank cards in the country.

The total number of **ATMs** for last 2008 is 332, which is an increase by 10.67% in comparison to the indicators for 2007. In 2008 CCB Plc increased its market share in the total number of ATM terminals in the country and already has 13.16%. As at 31.12.2008 the number of POS terminals, including the virtual POS devices, is 2,235, whereas the percentage increase in comparison to 2007 is 54.14%. The number of POS terminals at the commercial sites increased by 60.00% approximately. The POS devices at the Bank branches increased by 11.84%. The number of installed virtual POS devices increased almost 3 times. The market share of CCB Plc is 8.71% of the total number of POS devices in the country.

As at 31.12.2008 the market share of the Bank with regard to loans granted to NFI is 1.97% and 5.52% compared to the second group of banks.

In 2008 CCB Plc occupies the 15th place in terms of company loans on the market of Bank services. In the retail exposures CCB Plc loses two positions, whereas at the end of 2008 it occupied the 12th place. Based on the housing and mortgage loans advanced to individuals, the Bank ranks on the 13th place in the Bank system, again a downgrade of two positions. The Bank remains on its position in consumer lending, keeping the 8th position among the remaining Bulgarian banks. For 2008 the Bank goes one position up according to the amount of funds attracted from individuals, households and other institutions, which places CCB Plc on the 8th place.

Risk Management

The system for risk management has preventative functions to prevent losses and control the amount of losses and includes:

- policy for risk management
- rules, methods and procedures for the evaluation and management of the risks

- organizational structure for risk management
- parameters and limits for making transactions and operations
- procedures for reporting, evaluation, information and subsequent control of the risks

The main principles within the policy of Central Cooperative Bank Plc for risk management are:

- the principle of sharing responsibilities among those who assume risk and those who manage risk
- the precautionary principle, which assumes the reporting of the simultaneous occurrence of the most unfavourable case for each of the risk weighted assets
- the principle of managing risk at the source

The organizational structure for risk management is centralized and has been structured according to the levels of competence as follows:

- **Management Board**—determines the acceptable levels of risk of the Bank within the adopted strategy for development
- **Specialised collective authorities**—affirm the frameworks and parameters of the Bank activity in risk management
- **Executive Directors**—control the process of approval and implementation of adequate policies and procedures within the Strategy for risk management, adopted by the Bank
- **Directors of the structural units at the bank**—apply the adopted policy for risk management in organizing the activity of the respective organizational units

Risk concerns the probability for the factual revenues of a given investment not to correspond to the expected revenues. The specifics of the Bank branch necessitate the implementation of adequate systems for the timely identification and management of the various types of risk. Of special significance are the procedures for managing the risks, the mechanisms for maintaining risks in acceptable boundaries, via an evaluation of the external and internal environment, optimum liquidity, diversification of the portfolio, profitability of the operations. In the activity associated with risk management, CCB Plc applies the new agreement Basel II with the principally new requirements for the management of credit risk and the capital coverage of operational risk.

Credit risk—the probability for the counterparty or borrower not to be able to perform the assumed commitments under contracts with the Bank under the conditions and terms specified in the contracts. Detailed procedures are applied in the process of lending concerning the analysis of the economic soundness of each project, the type of collateral, acceptable to the Bank, control over the use of the advanced funds and the associated administration. Every month the Bank makes an evaluation of the risk exposure, stemming from the loan portfolio, classifying and making provisions for loans in the portfolio, according to the requirements of Ordinance N° 9 of BNB. The big loan exposures under Ordinance N° 7 of BNB are subject to constant supervision and reporting. The Bank has adopted and

follows the compliance of limits for credit exposure according to regions and branches. The above limits aim at limiting the concentration of the loan portfolio in one or another region and branch, which could lead to an increased credit risk.

Liquidity risk—the probability of a difficulty in the payments due to a mismatch in time of the incoming and outgoing cash flows. The Bank manages its assets and liabilities in a way, which guarantees to it that it can regularly and without any delay perform its everyday commitments, in the normal banking environment and in the conditions of a crisis.

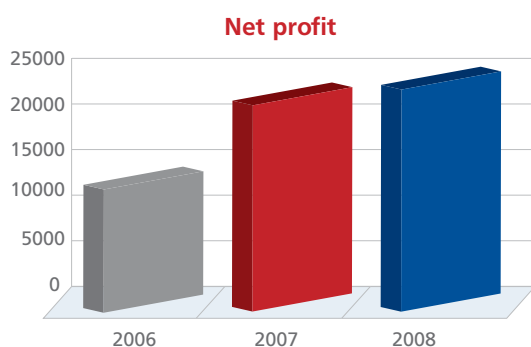
Market risk—the probability of the occurrence of a loss for the Bank as a result of the unfavourable change of the exchange rates, market prices and interest rates.

Operational risk—the probability of direct or indirect losses, stemming from the inadequate functioning or termination of the activity of the processes, systems or staff, internal to the Bank.

The Bank manages its assets and liabilities in a way, which guarantees to it that it can regularly and without any delay perform its everyday commitments.

Income Statement

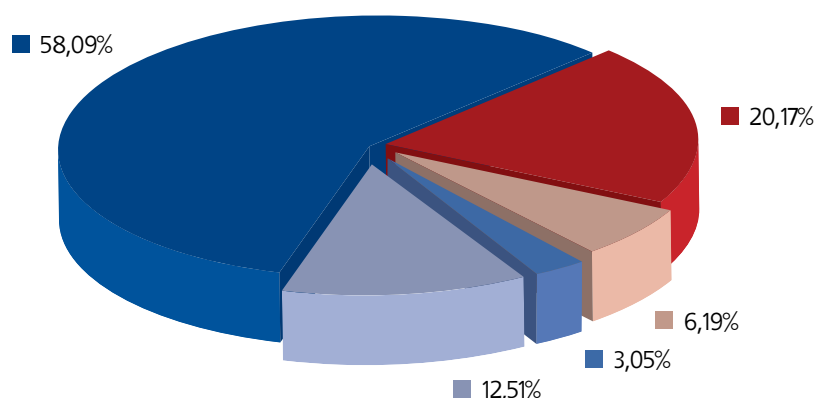
In 2008 the profit of Central Cooperative Bank Plc continued to increase. The net profit at the end of the year amounts to BGN 21,644 thousand, which is an increase of the financial result of 7.71% in comparison to 2007, when profit amounted to BGN 20,094 thousand.



For the period in consideration the return on equity is 9.95 % and return on assets is 1.34%. The total capital adequacy is 13.21%.

In 2008 the net interest income of CCB Plc was the main source of income, with a growth of 12.14% to BGN 65,226 thousand in comparison to the previous year, which is 58.09% of total income. The greatest share in interest income belongs to income from loans—BGN 90,094 thousand, followed by income from deposits with banks – BGN 10,375 and income from securities interest – BGN 7,465 thousand.

Income Breakdown



- Net interest income
- Fees and commissions income
- Other income from business
- Net gains on transactions with securities
- Net profit from foreign exchange rate

The interest expenses in 2008 are to the amount of BGN 42,708 thousand, whereas their amount for 2007 was BGN 34,100 thousand. The increase is 25.24 % and is due to the increase in liabilities for client deposits. The fees and commissions income increased by 14.85%, reaching BGN 22,654 thousand. They constitute 20.17% of total income.

At the end of 2008 the Bank realized a profit from securities to the amount of BGN 6,948 thousand and increased its net profit from foreign exchange rate 46.72%.

The operating expenses of CCB Plc. for 2008 amount to BGN 82,437 thousand. In comparison to 2007 they have increased by 27.05%. The reported increase is due to the expansion of the Bank branch network, new bank services and the increased number of serviced clients. The ratio "operating expenses / total income" increases to 73.41% in comparison to 67.45% for 2007.

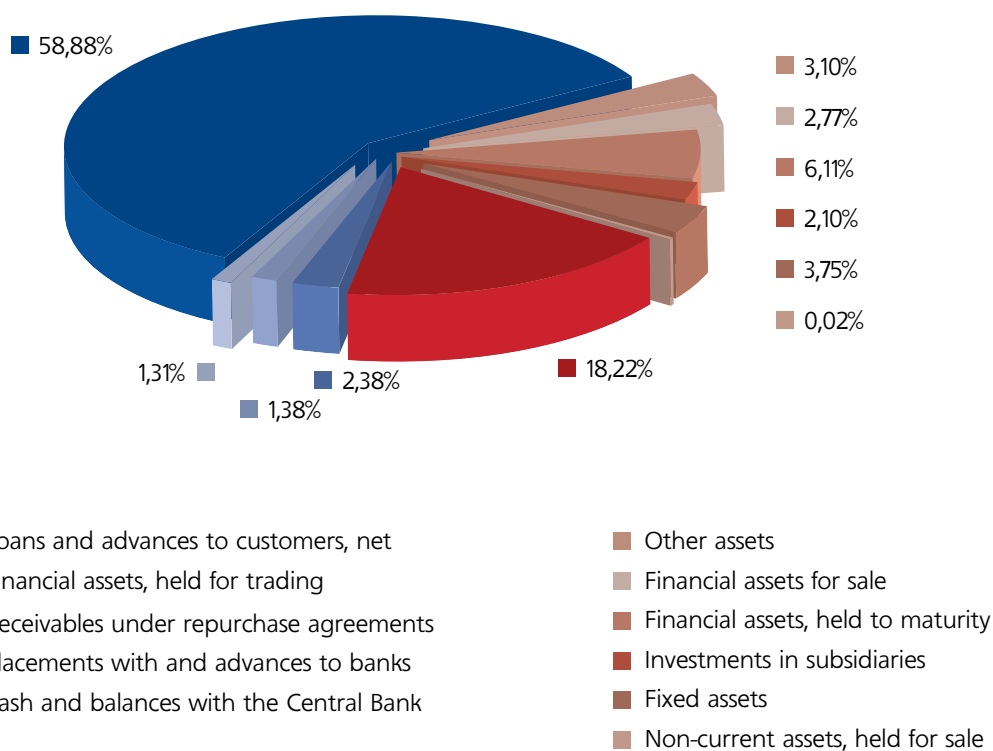
Analysis of the Assets and Liabilities

Assets

As at 31 December 2008 the assets of CCB Plc amount to BGN 1,664,100 thousand. In comparison to 2007, when total assets amounted to BGN 1,566,880 thousand, there is an increase of BGN 97,220 thousand or 6.20% on an annual basis. The increase in total assets for the whole banking system in comparison to December 2007 amounts to 17.7%.

During last year there is a change in the structure of assets.

Assets Breakdown



At the end of 2008 the cash and balances with the Central Bank amount to BGN 303,184 thousand and form 18.22% of total assets compared with BGN 244,048 thousand for 2007 or 15.58% of total assets. In 2008 there was a considerable increase in loans advanced to non-financial institutions as a result of a decrease of almost 90% in the placements and advances to banks. The funds with first class banks, correspondent accounts and short-term deposits amount to BGN 39,650 thousand or 2.38% of total assets.

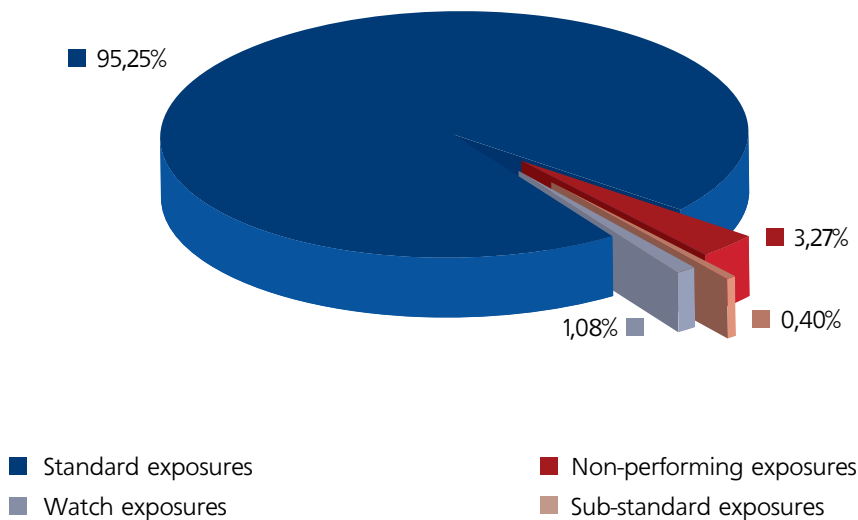
The investments in securities, including government securities, corporate bonds, shares and compensation instruments, which are an instrument for improving the profitability of the Bank, are 12.27% of the assets, compared to 12.89% for 2007. The securities held for trading decrease to BGN 21,719 thousand compared to 2007, when their value was BGN 36,082 thousand. The financial assets for sale, those held to maturity and the investments in subsidiaries are to the amount of BGN 182,506 thousand or a 10% increase in comparison to 2007. In 2008 the Bank acquired 263,696 shares, representing 82.57% of the voting shares from the capital of Sileks Bank AD (changed to CCB AD Skopje). At the end of last

year the investment of CCB Plc in the subsidiary is to the amount of BGN 34,881 thousand. Central Cooperative Bank Plc maintains a diversified portfolio, whose main goal is increasing the income and profits from traded securities, as well as ensuring a high degree of liquidity. The Bank services first level budget spending units, which have been secured by government bonds.

As at 31.12.2008 the total amount of loan exposures reached BGN 979,810 thousand. It has the greatest share of total assets—58.88%. In comparison to 31.12.2007 the increase is almost twice or 49.35%, whereas the most significant contribution belongs to loans advanced to small and medium - sized enterprises, as well as the loans granted to individuals. This is due to the ambition of the Bank constantly to improve its market positions in retail banking, as well as SME lending.

In 2008 the Bank acquired 263,696 shares, representing 82.57% of the voting shares from the capital of Sileks Bank AD (changed to CCB AD Skopje)

Breakdown of the loan portfolio according to the classification of credit risk

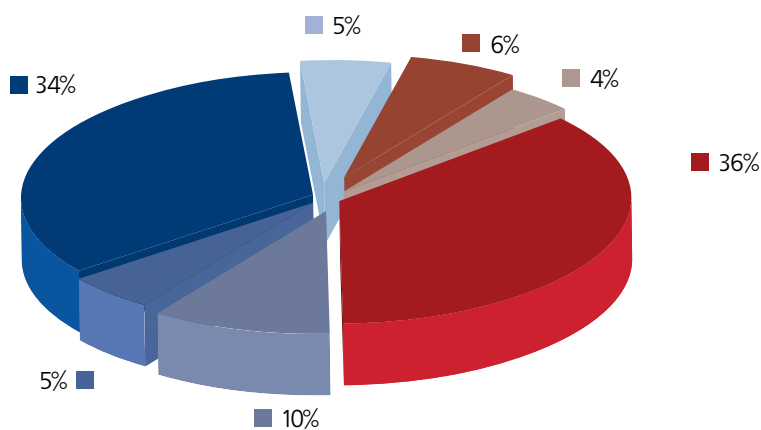


The loan portfolio retains its very good quality. As at 31.12.2008 the relative share of standard exposures in the total amount of loans of the Bank is 95.25%, which has increased by about 10% in comparison to the previous year. The share of non-performing loans is 1.08%, and substandard exposures are below 1%.

CCB Plc grants loans to clients from all branches of the economy. First rank the loans granted to households and individuals, which have a share of 36% of the loan portfolio.

Second rank the loans to commerce and finance, which have 34 %. As at 31.12.2008 the breakdown of loans according to branches is as follows:

Breakdown of loans according to branches



- Commerce and finance
- Individuals
- Transport and communications
- Agriculture and forestry
- Other
- Industry
- Construction

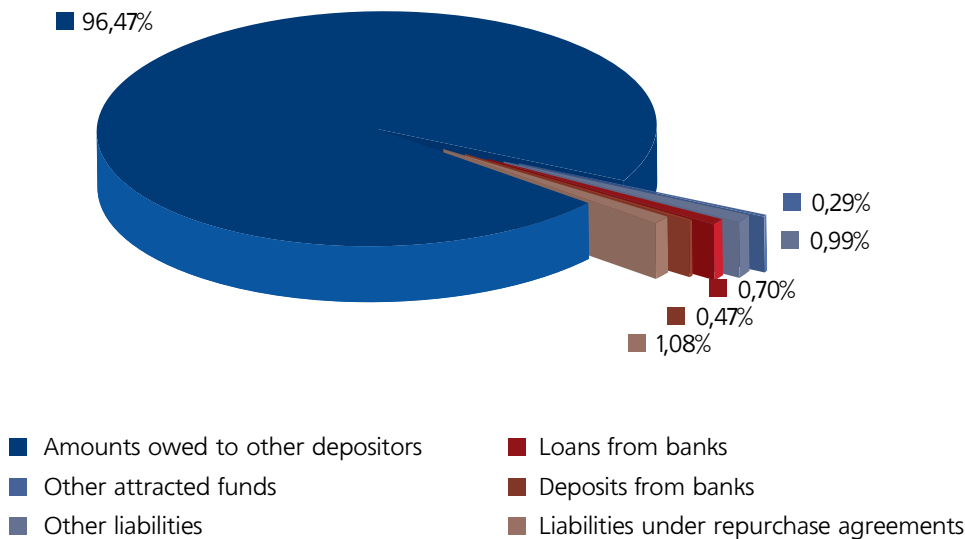
Liabilities

In 2008 in the structure of liabilities there are no significant changes. The attracted funds keep their stable structure, which allows the Bank not to be dependent on external financing and the crises on the global financial markets.

As at 31.12.2008 the total amount of attracted funds of CCB Plc is BGN 1,435,604 thousand. They have 86.27% of total liabilities and shareholders' equity, whereas their increase in comparison to the previous year is 5.91%. The total amount of deposits from individuals as at 31.12.2008 is BGN 1,384,958 thousand, which is a growth of 4.35% in comparison to 2007. The funds attracted from financial institutions in the form of deposits and repo transactions are 1.55%. The attracted funds from other depositors – individuals and non-financial institutions affirmed their role as a main source of financing the operations of CCB Plc. Their share in the total amount of bank liabilities is 96.47% compared to 97.91% for 2007. This slight decrease is at the expense of the obtained long-term loans during the year, amounting to BGN 10,003 thousand, as well as the increased liabilities for deposits from banks—BGN 6,799 thousand compared to BGN 373 thousand for 2007.

The structure of the Bank liabilities is illustrated in the following diagram:

Liabilities Breakdown



The funds, attracted from individuals and households have the greatest share in the total amount of attracted funds from clients—56.68%. The funds, attracted from companies amount to 42.06% , and those attracted from other institutions are 1.26%.

During last year we updated the interest rates for deposits of individuals. The interest rate for an annual deposit in BGN is 8%, and in EUR—7,5%.

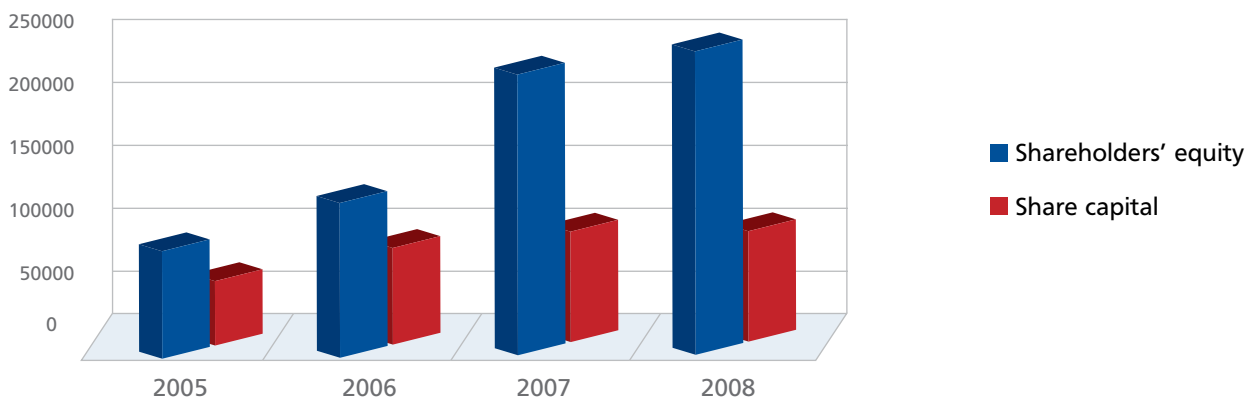
The interest rates for the privileged deposits of CCB Plc are even more attractive. The clients who have chosen Deposit + , already receive interest up to 8,75% in BGN and up to 7,5% in EUR.

The considerable share of the amounts, attracted from the population is an important and stable source of resources for the Bank. That is due to the strategy, chosen by the Bank, to develop as a retail bank and focus on servicing the population. That strategy compels continuing the efforts for the development and implementation of new products and services for individuals, households and SMEs, which are the main part of the CCB Plc clients.

Shareholders' Equity

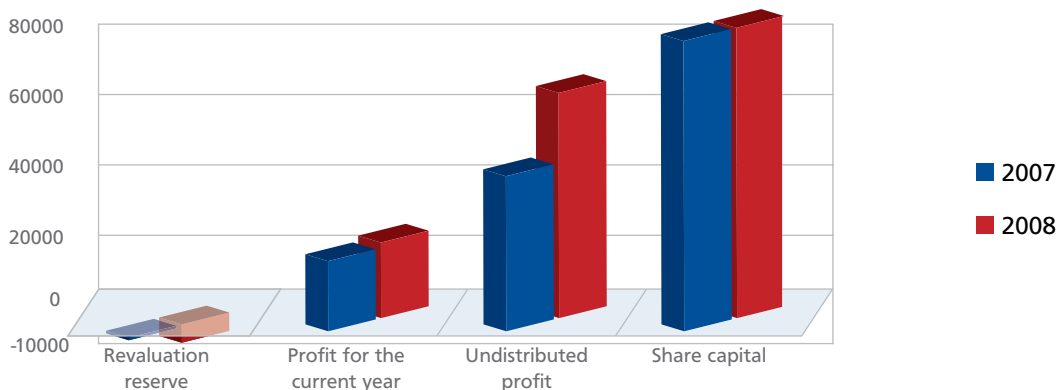
At the end of 2008 the shareholders' equity of CCB Plc amounts to BGN 228,496 thousand, increasing its amount by 8.12% compared to 2007. The increase in shareholders' equity is due to the profit formed during the year. The Bank share capital is the same as in the previous year - BGN 83,155,092. The net profit in 2008 is BGN 21,644 thousand, whereas at the end of 2007 it was BGN 20,094 thousand.

Increase in shareholders' equity and share capital



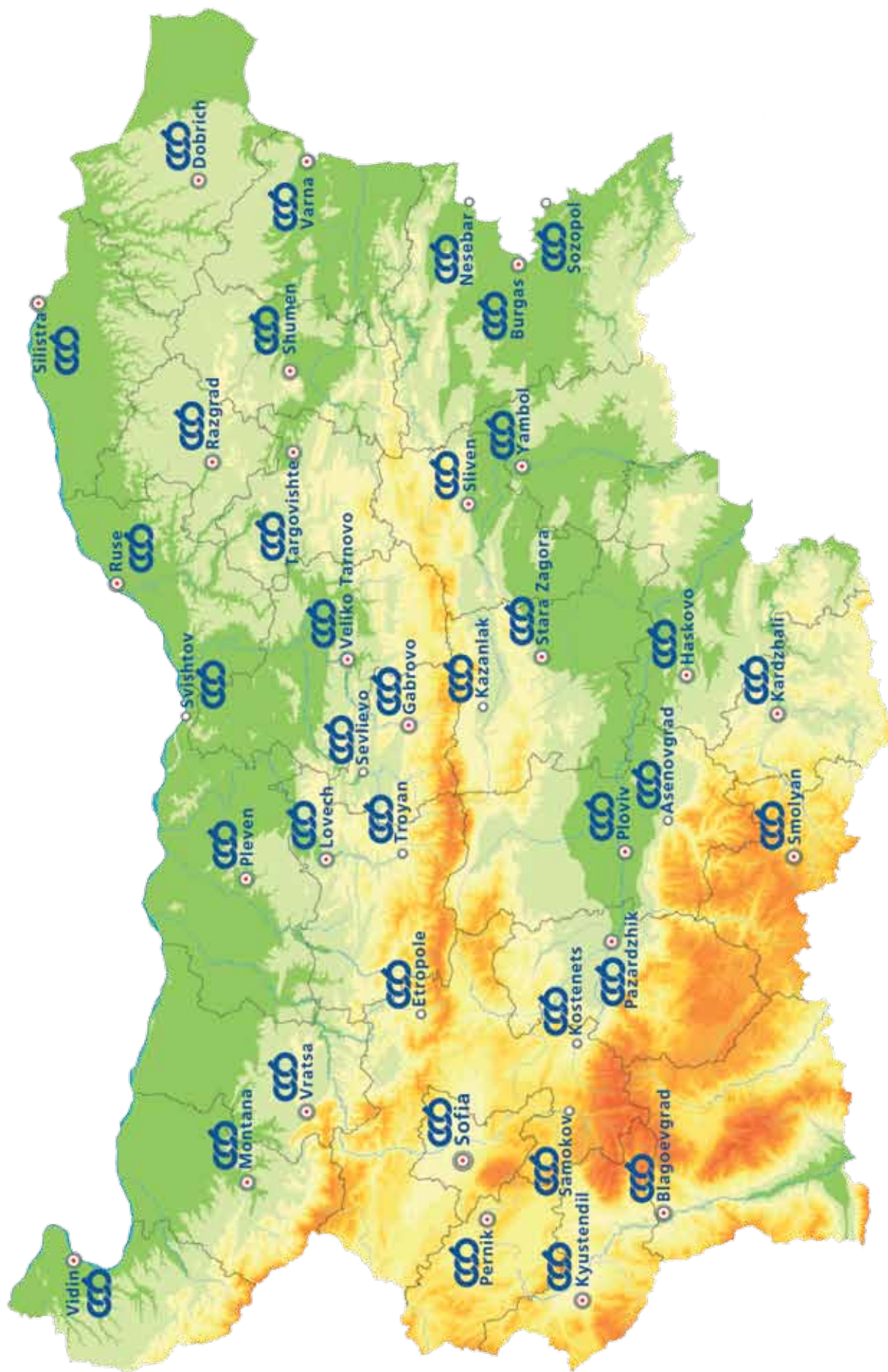
The increase in undistributed profit, which amounts to BGN 64,509 thousand in 2008, is to the amount of 45.24 % compared to the previous year. The Bank remained loyal to its policy through capitalizing profit to contribute to increasing its capital and assets.

Shareholders' equity



Financial review for 2008

Central Cooperative Bank Plc is a public company, the shares of which have been traded on the Bulgarian Stock Exchange since March 1999. The market capitalization of the Bank at the end of 2008 amounts to BGN 93,965 thousand. During last year the Bank remained one of the most liquid companies on the stock exchange.



Appendix N°1:

Branch network

	City	Locations	Name	Address	Tel. number
1	Asenovgrad	Branch	Asenovgrad	Asenovgrad 4230, 8, Rechna Str.	0331/63193
		Location	Askon	Asenovgrad 4230, 75, Nikola Krastev Str.	0331/68073
		Location	West	Asenovgrad 4230, 4, Bulgaria Blvd.	0331/68695
		Location	Laki	Laki 4241, 19, Vazrazhdane Str.	03052/3080
		Location	Arkadia	Plovdiv 4000, Trakia district 48, Sankt Peterburg Blvd.	032/290001
		Location	Trakia	Plovdiv 4000, RUM Trakia, 23, Chetvarti January Str.	032/290002
		Location	Topolovo	Topolovo 4260, Kompleks Tyankov, 59, Tsar Kaloyan Str.	03321/2341
2	Blagoevgrad	Branch	Blagoevgrad	Blagoevgrad 2700,13 Vasil Levski Str.	073/882961
		Location	Kiril and Metody	Blagoevgrad 2700, 5, St. St Kiril and Metodiy Blvd.	073/834153
		Location	Sandanski	Sandanski 2800, 13, Svoboda Blvd.	0746/30322
		Location	Razlog	Razlog 2760, 5, Hristo Botev Str.	0747/80034
		Location	Petrich	Petrich 2850, 52A, Rockefeller Str.	0745/21180
		Location	Gotse Delchev	Gotse Delchev 2900,13, Byalo more Str.	0751/60205
3	Burgas	Branch	Burgas	Burgas 8000, 4, Kont Androvanti Blvd.	056/874500
		Location	Aleksandrovskia	Burgas 8000, 1, Aleksandrovskia Str.	056/879683
		Location	Slaveykov	Burgas 8005, Slaveykov distr., bl. 107	056/581301
		Location	Democratsia	Burgas 8001, Bratia Miladinovi distr., Democratsia Blvd. bl. 117	056/530269
		Location	Airport	Burgas Airport	—
		Location	Meden rudnik	Burgas 8000, Meden rudnik distr, 7, Apriltsi Str.	—
		Location	Karnobat	Karnobat 8400,2, Patriarh Evtimiy Str.	0559/22268
		Location	Aytos	Aytos 8500, 15, Tsar Osvoboditel Str.	0558/29041
4	Varna	Branch	Varna	Varna 9000, 58A, Saborni Blvd.	052/608754
		Location	Varna	Varna 9000, 13, Knyaz Boris I Blvd.	052/608146
		Location	Proektantska	Varna 9000, 76G, Tsar Osvoboditel Blvd.	052/600365
		Location	Trezor	Varna 9000, 23 Shipka Str.	052/600072
		Location	Cherno more	Varna 9000, 45 Knyaz Boris I Blvd.	052/614128
		Location	Benkovski	Varna 9000, 16 Georgi Benkovski Str.	052/600067
		Location	Airport	Varna 9103, Varna Airport	052/730450
		Location	Provadia	Provadia 9200, Central square	0518/47110
		Location	Balchik	Balchik 9600, 8 Primorska Str.	0579/72232
		Location	Otets Paisy	Varna 9000, Yane Sandanski Str.	052/608505
		Location	Tsar Simeon	Varna 9000, 31 Tsar Simeon Str.	052/608501

Branch network

City	Locations	Name	Address	Tel. number	
	Location	Neptun	Varna 9000, 72, Slivnitsa Blvd.	052/602411	
	Location	Konstantin and Elelna	Varna 9000, Konstantin and Elena resort, Shipka Kompleks	052/631050	
	Location	Elprom	Varna 9000, 277, Vladislav Varnenchik Blvd.	052/509671	
	Location	Varna municipality	Varna 9002, 43, 8th Primorski polk Blvd.	052/600722	
	Location	Varna plod	Varna 9009, 1, Akademik Kurchatov Str.	052/500491	
	Location	Vladislav	Varna, 18, Vladislav Varnenchik Blvd.	052/604517	
	Location	Chernomorets	Varna 9002, 55, 8th Primorski polk Blvd.	052/650144	
5	Veliko Tarnovo	Branch	Veliko Tarnovo	Veliko Tarnovo 5000, 4, Nikola Gabrovski Str.	062/620523
	Location	Elena	Elena 5070, 1, Ilarion Makariopolski Str.	06151/2279	
	Location	Suhindol	Suhindol 5240, 115, Rositsa Str.	06136/2959	
	Location	Gorna Oryahovitsa	Gorna Oryahovitsa 5100, 10, St. Knyaz Boris I	0618/60243	
	Location	Zlataritsa	Zlataritsa 5090,10, S. Popstoyanov Str.	0615/35520	
	Location	Polski Trambesh	Polski Trambesh 5180, 88, Targovska Str.	06141/3056	
	Location	Pavlikeni	Pavlikeni 5200, 4, Saedinenie Str.	0610/52693	
6	Vidin	Branch	Vidin	Vidin 3700, 4, Akad. Stefan Mladenov Str.	094/600152
	Location	Tsar Simeon Veliki	Vidin 3700, 1, Tsar Simeon Veliki Str.	094/600091	
7	Vratsa	Branch	Vratsa	Vratsa 3000, 5, Lukashov Str.	09262/2539
	Location	Kozloduy	Kozloduy 3320, 3, Hristo Botev Str.	0973/80726	
	Location	Borovan	Borovan 3240, 5, Slavko Tsenov Str.	09147/2080	
	Location	Mezdra	Mezdra 3100, 30, Hristo Botev Str.	0910/92739	
	Location	Byala Slatina	Byala Slatina 3200, 76, Dimitar Blagoev Str.	0915/82414	
8	Gabrovo	Branch	Gabrovo	Gabrovo 5300, 54, Bryanska Str.	066/817011
	Location	Stoletov	Gabrovo 5300, 24, Stoletov Blvd.	066/882068	
	Location	Dryanovo	Dryanovo 5370, 144, Shipka Str.	0676/75230	
9	Dobrich	Branch	Dobrich	Dobrich 9300, 1, Bulgaria Blvd.	058/600134
	Location	Tervel	Tervel 9450, 6, St. St. Kiril and Metodiy Str.	05751/3004	
	Location	Shabla	Shabla 9680, 2, Dobrudzha Str.	—	
	Location	Kavarna	Kavarna 9650, 65, Bulgaria Blvd.	0570/85053	
	Location	General Toshevo	General Toshevo 9500, 2, 3th March Str.	05731/2044	
	Location	Treti mart	Dobrich 9300, 47, 3th March Blvd.	058/604149	
	Location	Technopolis	Dobrich 9300,54, Ring-Road Dobrotisa	058/601835	
10	Etropole	Branch	Etropole	Etropole 2180, 2, Georgi Dimitrov str.	0720/7414
	Location	Botevgrad	Botevgrad 2140, 2, Gurko Str.	0723/66914	

Branch network

City	Locations	Name	Address	Tel. number
	Location	Pravets	Pravets 2161, 23, 3th March Blvd.	07133/2165
	Location	Pirdop	Pirdop 2070, bl. 9, Todor Vlaykov Sqr.	07181/7220
	Location	Zlatitsa	Zlatitsa 2080, 1 Macedonia Sqr.	0728/66100
	Location	Koprivshitsa	Koprivshitsa, 49, Hadzhi N. Palaveev Blvd.	07184/2031
11 Kazanlak	Branch	Kazanlak	Kazanlak 6100, 3, 23th Pehoten shipchenski polk Blvd.	0431/68241
	Location	Shipchenski polk	Kazanlak 6100, 4, 23th Pehoten shipchenski polk Blvd.	0431/64464
	Location	Maglizh	Maglizh 6180, 11, 3th March Sqr.	04321/2082
	Location	Pavel Banya	Pavel Banya 6155, 9, Osвобождение Str.	04361/3020
	Location	Karlovo	Karlovo 4300, 57, General Kartsov Str.	0335/90470
	Location	Sopot	Sopot 4330, 25, Ivan Vazov Str.	03134/6599
12 Kostenets	Branch	Kostenets	Kostenets 2030, 11A, Targovska Str.	07142/3080
	Location	Ihtiman	Ihtiman 2050, 114, Tsar Osвoboditel Str.	0724/82298
	Location	Dolna Banya	Dolna Banya 2040, 93, Targovska Str.	07120/2297
13 Kardzhali	Branch	Kardzhali	Kardzhali 6600, 47, Republikanska str.	0361/60909
	Location	Krumovgrad	Krumovgrad 6900, 6, Bulgaria Sqr.	03641/7132
	Location	Momchilgrad	Momchilgrad 6800, 2, 27th December Str.	03631/6776
	Location	Kirkovo	Kirkovo 6884,32, Dimitur Blagoev Str.	03679/3204
14 Kyustendil	Branch	Kyustendil	Kyustendil 2500, 22, Konstantinova banya Str.	078/551115
	Location	Dupnica	Dupnica 2600,5, Hristo Botev Str.	0701/51183
	Location	Mall Perfetto	Kyustendil 2500, Mall Perfetto	078/554107
15 Lovech	Branch	Lovech	Lovech 5500, 10, Prof. Ishirkov Str.	068/600565
	Location	Yablanitsa	Yablanitsa 5750, 5, Vazrazhdane Sqr.	06991/2112
	Location	Teteven	Teteven 5700, 16, Ivan Vazov Str.	0678/2339
	Location	Lukovit	Lukovit 5770, 100, Vazrazhdane str.	0697/2339
	Location	Lesidren	Lesidren 5520, 106, Stara planina Str.	06920/2051
16 Montana	Branch	Montana	Montana 3400, 59, 3th March blvd.	096/300810
	Location	Lom	Lom 3600, 18, Dunavska Str.	0971/60219
	Location	Valchedrum	Valchedrum 3650, 4, Benkovski Str.	09744/2109
	Location	Varshets	Varshets 3540, 8, Republika Blvd.	09527/3008
	Location	Berkovitsa	Berkovitsa 3500, 2, Bor	0953/88923
17 Nesebar	Branch	Nesebar	Nesebar 8230, 23, Struma Str.	0554/29966
	Location	Pomorie	Pomorie 8200, 78, Knyaz Boris Str.	0596/26078
	Location	Sunny Beach	Sunny beach 8240, Sunny Beach AD Administration building	0554/22828

Branch network

City	Locations	Name	Address	Tel. number
	Location	Ivan Vazov	Nesebar 8230, 25, Ivan Vazov Str.	—
	Location	St. Vlas	St. Vlas 8256,17A, Tsar Simeon Str.	0554/68644
18 Pazardzhik	Branch	Pazardzhik	Pazardzhik 4400, 7, Esperanto Str.	034/401611
	Location	Turgovska basa	Pazardzhik 4400, 1A, Milyo Voyvoda Str.	034/448404
	Location	Peshtera	Peshtera 4550, 36, Doyranska epopeya Str.	0350/63864
	Location	Panagyurishte	Panagyurishte 4500, 20th April Sqr.	0357/62336
	Location	Velingrad	Velingrad 4600, box:98, Fontani Sqr.	0359/58494
19 Pernik	Branch	Pernik	Pernik 2300, 4, Krakra Pernishki Sqr.	076/688330
	Location	Elena	Pernik 2300, 23 St. St. Kiril and Metodiy Str.	076/607887
	Location	Municipality	Pernik 2300, 1A, St. Ivan Rilski Sqr.	076/684203
	Location	East	Pernik 2304, 36, Yuriy Gagarin Str.	076/674050
20 Pleven	Branch	Pleven	Pleven 5800, 150 Vasil Levski Str.	064/882310
	Location	Obnova	Obnova 5922, 29, 9th September Str.	06538/2686
	Location	Local court	Cherven Bryag 5800, 6, Ekzarh Yosif Str.	0659/94040
	Location	Cherven Bryag	Cherven Bryag 5980, Knyaz Boris I Str.	0659/92839
21 Plovdiv	Branch	Plovdiv	Plovdiv 4000, 5 Betoven Str.	032/654950
	Location	Maria Luiza	Plovdiv 4000, 55, Maria Luiza Blvd.	032/623425
	Location	Kooptargovya	Plovdiv 4003, 142, Brezovsko shose Str.	032/955174
	Location	Smirnenski	Plovdiv 4001, 13, Tsarevets Str.	032/640279
	Location	Layptsik	Plovdiv 4000, 117, Ruski Blvd.	032/621341
	Location	Vaptsarov	Plovdiv 4004, 115, N.Vaptsarov Str.	032/670373
	Location	Parvomay	Parvomay 4270, 2, Orfey Str.	0336/2931
	Location	Hisar	Hisar 4180, 25, Gen. Gurko Blvd.	0337/62456
	Location	Rakovski	Rakovski 4150, 170, G.S. Rakovski Str.	03151/2275
22 Plovdiv Bulgaria	Branch	Plovdiv Bulgaria	Plovdiv 4003,31, Bulgaria Blvd.	032/921111
	Location	Krichim	Krichim 4220, 10, Obedinenie Sqr.	03145/2173
23 Plovdiv Maritsa	Branch	Plovdiv Maritsa	Plovdiv 4020, 44, Yanko Sakazov Str.	032/275760
24 Razgrad	Branch	Razgrad	Razgrad 7200, 7, Stefan Karadzha Str.	084/661292
	Location	Kubrat	Kubrat 7300, 2, Tsar Osvoboditel Str.	0838/73905
	Location	Zavet	Zavet 7330, 101, Osvobozhdenie Blvd.	08342/2105
	Location	Isperih	Isperih 7400, 91, Vasil Levski Str.	0835/2939
	Location	Tsar Kaloyan	Tsar Kaloyan 7280, 1, Demokratsja Sqr.	08314/2910
	Location	Loznitsa	Loznitsa 7290, 14, Druzhba Str.	08362/2011

Branch network

	City	Locations	Name	Address	Tel. number
25	Ruse	Branch	Ruse	Ruse 7000, Box: 467, 1, Han Kubrat Sqr.	082/826070
		Location	Glodjevo	Glodzhevo 7040, 32, Dimitar Blagoev Str.	08324/2466
		Location	Borovo	Borovo 7174, 1A, N. Vaptsarov Str.	08140/2245
		Location	Tsenovo	Tsenovo 7139, 62, Tsar Osvoboditel Str.	08122/2577
		Location	Tutrakan	Tutrakan 7600, 31, Transmariska Str.	0857/60008
26	Samokov	Branch	Samokov	Samokov 2000, 33, Targovska Str.	0722/68910
		Location	Borovets	Borovets 2626, Flora hotel	0750/32230
		Location	Samokovo	Samokovo 2003, 5, Prespa Str.	0722/60121
27	Svishtov	Branch	Svishtov	Svishtov 5250, 5, Tsar Osvoboditel Str.	0631/61251
		Location	Belene	Belene 5930, 33, Bulgaria Str.	0658/36641
28	Sevlievo	Branch	Sevlievo	Sevlievo 5400, 4, Stoyan Bachvarov Str.	0675/32665
		Location	Stara planina	Sevlievo 5400, 70, Stara planina Str.	0675/85050
29	Silistra	Branch	Silistra	Silistra 7500, 1, G.S. Rakovski Str.	086/821236
		Location	Tsar Simeon Veliki	Silistra 7500,29, Tsar Simeon Veliki Str.	086/821206
		Location	Dulovo	Dulovo 7650, 8, Vasil Levski Str.	0855/25195
		Location	Tutrakan	Tutrakan 7600, 53, Transmariska Str.	0857/60495
30	Sliven	Branch	Sliven	Sliven 8800, 1, Al. Stamboliyski Sqr.	044/662945
		Location	Armeec	Sliven 8800, 11, Tsar Osvoboditel Str.	044/632959
		Location	Nova Zagora	Nova Zagora 9800, 34, Narodni buditeli Str.	0457/68168
31	Smolyan	Branch	Smolyan	Smolyan 4700, 11Bulgaria Blvd.	0301/62163
		Location	Raykovo	Smolyan 4700, Raykovo distr., 3, Byalo more Str.	0301/62082
		Location	Rudozem	Roudozem 4960, 3, Osvobozhdenie Str.	0306/4570
		Location	Madan	Madan 4900, 12, Osvobozhdenie Str.	0308/2085
		Location	Orfey	Smolyan 4700, 51, Bulgaria Blvd.	0301/60006
32	Sozopol	Branch	Cherno more	Sozopol 8130, 17, Apolonia Str.	0550/26372
		Location	Sozopol	Sozopol 8130, 16, Republikanska Str.	0550/22550
		Location	Tsarevo	Tsarevo 8260, 24, Han Asparouh Str.	0590/53958
		Location	Primorsko	Primorsko 8180, 57, 3th March Str.	0550/32317
33	Stara Zagora	Branch	Stara Zagora	Stara Zagora 6000, 54, Kolyo Ganchev Str.	042/220369
		Location	Centre	Stara Zagora 6000,9, Metodi Kusev Blvd.	042/230010
		Location	Gurkovo	Gurkovo 6199, 4A, Knyaz Al. Batemberg Str.	04331/2238

Branch network

City	Locations	Name	Address	Tel. number
	Location	Chirpan	Chirpan 6200, 1, Saedinenie Sqr.	0416/6344
34 Stara zagora Vereya	Branch	Stara Zagora Vereya	Stara Zagora 6000, 58, Gen. Gurko Str.	042/220107
	Location	Galabovo	Galabovo 6280, Centre, bl.11	0418/62175
35 Troyan	Branch	Troyan	Troyan 5600, 44, G.S. Rakovski Str.	0670/60167
36 Targovishte	Branch	Tsrgovishte	Targovishte 7700, 5, Vasil Levski Str.	0601/69111
	Location	Energiya	Targovishte 7700, Industrial area, Energiya AD	0601/68306
	Location	Stefan Karadzha	Targovishte 7700, 36, Stefan Karadzha Str.	0601/62337
	Location	Opaka	Opaka 7840, 69, Bulgaria Str.	06039/2490
	Location	Popovo	Popovo 7800, 1, Al. Stamboliyski Str.	0608/27932
	Location	Omurtag	Omurtag 7900, 1, Al. Stamboliyski Str.	0605/4418
	Location	Antonovo	Antonovo 7940, 24, Tuzlushki geroy Str.	06071/2259
	Location	Varbitsa	Varbitsa 9870, 49, Septemvriysko vazstanie Str.	05391/2115
	Location	Targovishte	Targovishte 7700, 91, Mitropolit Andrey Blvd.	0601/62375
37 Haskovo	Branch	Haskovo	Haskovo 6300, 1, Skopie Str.	038/607838
	Location	Haskovo 2	Haskovo 6300, 3, Bulgaria Blvd.	038/622259
	Location	Ragional court of Haskovo	Haskovo 6300, 144 Bulgaria Blvd.	038/631165
	Location	Svilengrad	Svilengrad 6500, 114, Bulgaria Blvd.	0379/71436
	Location	Dimitrovgrad	Dimitrovgrad 6400, 13 bl. 1, G.S. Rakovski Blvd.	0391/64468
	Location	Neohim AD	Dimitrovgrad 6400, 3, Himkombinatska Str.	0391/64462
	Location	Harmanli	Harmanli 6450, 3A, Bulgaria Str.	0373/82814
38 Shumen	Branch	Shumen	Shumen 9700, 13A, Slavyanski Blvd.	054/868930
	Location	Novi Pazar	Novi pazar 9900, 16, Tsar Osvoboditel Str.	0537/22064
	Location	Veliki Preslav	Veliki Preslav 9850, 50, Boris Spirov Str.	0538/42190
	Location	Pantaleyna	Shumen 9703, 10, Pantaleyna Str.	gon.уиф.
39 Yambol	Branch	Yambol	Yambol 8600, 7, Osvobozhdenie Sqr.	046/662045
	Location	Straldzha	Straldzha 8680, 21, Hemus Str.	0476/5232
	Location	Elhovo	Elhovo 8700, 65A, Targovska Str.	0478/88571
40 Sofia City	Branch	Sofia City	Sofia 1000, 103,G.S. Rakovski Str.	02/9266121
	Location	Kopernik	Sofia 1113, 7, Nikolay Kopernik Str.	02/9710137
	Location	Slatina	Sofia 1574, Slatina distr., bl.20, Slatinska Str.	02/9711442
	Location	Stochna gara	Sofia 1202, Stochna gara, 212A, Slivnitsa Blvd.	02/9833772

Branch network

City	Locations	Name	Address	Tel. number
	Location	Chimsnab	Sofia 1271, Iliyantsi 1 distr., Skladova baza Str.	02/8381006
	Location	Druzhba 1	Sofia 1582, Druzhba distr., bl. 209, Tsvetan Lazarov Blvd.	02/9790698
	Location	Druzhba 2	Sofia 1592, Druzhba 1, distr. 6, 5030 Str.	02/9790803
	Location	Srebarna	Sofia 1407, Hladilnika distr., 14, Srebarna Str.	02/9622316
41 Sofia West	Branch	Sofia West	Sofia 1359, bl. 442, Pancho Vladigerov Blvd.	02/9238022
	Location	Lyulin 2	Sofia 1343, Lyulin 2 distr., bl.227, T-market	02/8272397
	Location	Vrabnitsa	Sofia 1231, Vrabnitsa distr., bl.637B, Beli Dunav Str.	02/9340098
	Location	Orion	Sofia 1324, Lyulin 10 distr., 1-3, Orion Str.	02/8250698
	Location	Nadezhda	Sofia 1220, Nadezhda 2 distr., 50, Lomsko shose Blvd.	02/9360735
	Location	Sofioplast	Sofia 1220, 33, Iliyansko shose Blvd.	02/9311093
	Location	Kostinbrod	Kostinbrod 2230, 2, Detelina Str.	0721/66331
	Location	Svoqe	Svoqe 2260, 12A, Tsar Simeon Str.	07226/4800
	Location	Bankya	Bankya 1320, 6, Knyaz Boris I Str.	02/9977581
42 Sofia South	Branch	Sofia South	Sofia 1612, Krasno selo distr., 35, Gotse Delchev Blvd.	02/8188081
	Location	Borovo	Sofia 1618, 24, Bratya Bakston Blvd.	02/9559006
	Location	Knyazhevo	Sofia 1619, 357 Tsar Boris III Blvd.	02/9571928
	Location	Pavlovo	Sofia 1618, 13, Al. Pushkin Blvd.	02/9555286
	Location	Ovcha Kupel	Sofia 1632, 47, Montevideo Blvd.	02/9562219
	Location	Belite brezi	Sofia 1680, Hipodruma distr., 23, Emine Str.	02/8188082
	Location	South park	Sofia 1404, bl.4, Petko Todorov Blvd.	02/9589201
43 Stamboliyski (Sofia)	Branch	Stamboliyski (Sofia)	Sofia 1309,156, Al. Stamboliyski Blvd.	02/8128753
	Location	Gevgeliyski	Sofia 1309, Gevgeliyski distr., bl.1, Machukovo Str.	02/9294473
	Location	Shtrosmayer	Sofia 1233, Fondovi Zhilishta distr., bl.217, Yosif Shtrosmayer Str.	02/9311081
	Location	Slivnitsa	Sofia 1309, 22, Slivnitsa Blvd., Oryahovo station	02/9200300
	Location	Al. Stamboliyski	Sofia 1309, 237, Al. Stamboliyski Blvd.	02/9200183
	Location	Krasna polyana	Sofia 1330, Krasna polyana distr., bl. 132A, Vazkresenie Blvd.	02/9201540

Branch network

	City	Locations	Name	Address	Tel. number
44	Hadzhi Dimitar (Sofia)	Branch	Hadzhi Dimitar (Sofia)	Sofia 1510, 51, Makgahan Str.	02/8144851
		Location	Orlandovtsi	Sofia 1225, Orlandovtsi distr., 18, Hr. Stanishev Str.	02/9366775
		Location	Botevgradsko shose	Sofia 1517, 46, Botevgradsko shose Blvd.	02/9450594
		Location	Todorini kukli	Sofia 1505, Suha reka distr., 7, Todorini kukli Str.	02/9434195
45	Chimimport (Sofia)	Branch	Chimimport (Sofia)	Sofia 1000, 2, Stefan Karadzha Str.	02/9321910
		Location	Hadzhi Dimitar	Sofia 1000, 9-12, Hadzhi Dimitar Str., office2	02/9802939
		Location	Energoproekt	Sofia 1000, 51, James Boucher Blvd.	02/9659935
		Location	Naroden teatar	Sofia 1000, 2, Ivan Vazov Str.	02/9359010
46	Central (Sofia)	Branch	Central (Sofia)	Sofia 1463, 18, Gurgulyat Str.	02/9263062
		Location	Vitosha	Sofia 1408, 93, Vitosha Blvd.	02/9531082
		Location	Patriarh Evtimiy	Sofia 1000, 20, Patriarh Evtimiy Str.	02/9808608
		Location	VMA	Sofia 1606, 56, St. Georgi Sofiyski Blvd.	02/9515480
		Location	Pirogov	Sofia 1605, 5, Pencho Slaveykov Blvd.	02/9533852
		Location	Evlogi Georgiev	Sofia 1142, 57-59, Evlogi Georgiev Blvd.	02/9885025
		Location	Rakovski 173	Sofia 1000, 173, G.S.Rakovski Str.	02/9882929
47	Vuzrazhdane (Sofia)	Branch	Vuzrazhdane (Sofia)	Sofia 1303, 3, Vuzrazhdane Sqr.	02/9234821
		Location	Al. Stamboliyski	Sofia 1301, 47, Al. Stamboliyski Blvd.	02/9804272
		Location	Stefan Stambolov	Sofia 1301, 2, Stefan Stambolov Blvd.	02/9812818
		Location	Hristo Botev	Sofia 1233, 163, Hristo Botev Blvd.	02/9313854
		Location	Ministry of Agriculture and Food	Sofia 1606, 55, Hristo Botev Blvd., MAF	02/98511691
		Location	Pirotska	Sofia 1303, 27, Sofroniy Vrachansky Str.	02/8321663
		Location	Ruski pametnik	Sofia 1606, 77, Gen. Mihail Skobelev Blvd.	02/9516531
48	Mladost (Sofia)	Branch	Mladost (Sofia)	Sofia 1784, 14, Andrei Saharov Blvd.	02/9744606
		Location	Mladost 4	Sofia 1750, bl. 416, Bitov kombinat	02/9743881
		Location	Mladost 1	Sofia 1750, bl. 24, Ivan Vinarov Str.	02/9757476
		Location	Mladost 1A	Sofia 1729, ,bl. 550, vh.2	02/9743212
		Location	Gorublyane	Sofia 1138, 46, Samokovsko shose Str.	02/9736585
49	Madrid (Sofia)	Branch	Madrid (Sofia)	Sofia 1505, 37-39, Madrid Blvd.	02/8144920
		Location	Yanko Sakazov	Sofia 1504, 32, Yanko Sakazov Blvd.	02/9434223
		Location	Orlov most	Sofia 1504, 33, Tsar Osvoboditel Blvd.	02/9461757
		Location	Oborishte	Sofia 1504, 1-3, Oborishte Str.	02/9434464

Branch network

	City	Locations	Name	Address	Tel. number
50	Durvenitsa (Sofia)	Branch	Durvenitsa (Sofia)	Sofia 1756, 8, St. Kliment Ohridski Blvd.	02/8167957
		Location	Studentski grad	Sofia 1700, 103 Studentski grad, 8th December Str.	02/9623186
		Location	East	Sofia 1113, 20, Fr. Zhulio Kyuri Str.	02/8164470
		Location	Studentski grad 2	Sofia 1700, 2, Prof. D-r Ivan Stranski Str.	02/8681175
		Location	Simeonovsko shose	Sofia 1700, 85, Simeonovsko shose Blvd.	02/9624770
51	Dondukov (Sofia)	Branch	Dondukov (Sofia)	Sofia 1000, 7B. Knyaz Al. Dondukov Blvd.	02/9306911
		Location	Dondukov 13	Sofia 1000, 13, Knyaz Al. Dondukov Blvd.	02/9267911
		Location	Borsa	Sofia 1574, 13, Prof. Tsvetan Lazarov Blvd.	02/9712651
		Location	Ekzarh Yosif	Sofia 1000, 23, Ekzarh Yosif Str.	02/9835651
		Location	Tsar Samuil	Sofia 1202, 147, Tsar Samuil Str.	02/9310918
		Location	ESRS	Sofia 1164, 6, Dragan Tsankov Blvd.	02/9641695
		Location	Notariat	Sofia 1142, 2, Patriarh Evtimiy Blvd.m	02/9867142
		Location	Brachna kolegya	Sofia 1618, 54, Tsar Boris III Blvd.	02/9549293
		Location	SIS - ESRS	Sofia 1142, 2, Patriarh Evtimiy Blvd.	02/9867142
Location	Maria Luiza	Sofia 1202, 80, Maria Luiza Blvd.	02/9314048		
52	Cyprus	Branch	Nicosia	1070 Nicosia, Cyprus, 69, Arch. Makarios III Ave., Tlais Tower	+357 22447757

Appendix N°2:

Nostro accounts

Bank	BIC	Currency	Account N°
KBC Bank NV, Brussels	KREDBEBB	EUR	488-5918232-05
Deutsche Bank AG, Frankfurt am Main	DEUTDEFF	EUR	100,9233560,0000
Standard Chartered Bank (Germany) GmbH	AEIBDEFX	EUR	018183003
UniCredito Italiano SpA, Milan	UNCRITMM	EUR	0995,172
Intesa SanPaolo SPA, Milan	BCITITMM	EUR	03500/615294757438
Societe Generale, Paris La Defense	SOGEFRPP	EUR	002010319130
Raiffeisen Zentralbank Österreich AG, Vienna	RZBAATWW	EUR	000-50.098.938
Rabobank Nederland, Utrecht	RABONL2U	EUR	390879673A00EUR
DZ Bank AG, Frankfurt / Main	GENODEFF	EUR	0000025064
Panellinia Bank S.A., Athens	PNELGRAA	EUR	GR3104910010000004109550014
Marfin Popular Bank Public Company Ltd. (Laiki Bank), Nicosia	LIKICY2N	EUR	189-21-001717
Standard Chartered Bank, New York Branch	AEIBUS33	USD	000752378
The Bank of New York Mellon Corporation, New York	IRVTUS3N	USD	8900106921
Deutsche Bank Trust Company Americas, New York	BKTRUS33	USD	04164299
HSBC Bank USA, New York	MRMDUS33	USD	000304875
Credit Suisse, Zurich	CRESCHZZ80A	CHF	0835-0902027-53-001
Barclays Bank PLC, London	BARCGB22	GBP	20325380245925
The Toronto-Dominion Bank, Toronto	TDOMCATT	CAD	0360-01-2223944 TORONTO
Danske Bank Aktieselskab, Copenhagen	DABADKKK	DKK	3996024253
Skandinaviska Enskilda Banken AB (Publ), Stockholm	ESSESESS	SEK	52018518488
DnB NOR Bank ASA, Oslo	DNBANOKK	NOK	7001.02.05172
Sumitomo Mitsui Banking Corporation, Tokyo	SMBCJPJT	JPY	4280



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This document is a translation of the original in Bulgarian text, in case of divergence the Bulgarian original is prevailing.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Central Cooperative Bank AD

Report on the separate financial statements

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

Management's responsibility for the separate financial statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards (IFRS), as approved by the European Union 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 misstatement, 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 separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the separate 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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Bank as of December 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with IFRS, as approved by the European Union Commission.

Other reports on legal and regulatory requirements - Annual separate report on the activities of the Bank according to article 33 of the Accountancy Act

Pursuant to the requirements of the Bulgarian Accountancy Act, article 38, paragraph 4 we have read the accompanying Annual separate report on the activities of the Bank prepared by the Bank's management. The Annual separate report on the activities of the Bank is not a part of the separate financial statements. The historical financial information presented in the Annual separate report on the activities of the Bank prepared by the management is consistent, in all material aspects with the financial information disclosed in the separate financial statements of the Bank as of December 31, 2008, prepared in accordance with IFRS, as approved by the European Union Commission. Management is responsible for the preparation of the Annual separate report on the activities of the Bank dated March 27, 2009.

Deloitte Audit

Deloitte Audit OOD



Sylvia Peneva
Managing Director
Registered Auditor

Sofia
March 30, 2009



SEPARATE BALANCE SHEET

AS OF DECEMBER 31, 2008

All amounts are in thousand Bulgarian Levs, unless otherwise stated

ASSETS	Note	As of 31.12.2008	As of 31.12.2007
Cash and Balances with the Central Bank	4	303,184	244,048
Placements with, and advances to banks	5	39,650	385,565
Receivables under repurchase agreements	6	23,033	16,784
Financial assets held for trading	7	21,719	36,082
Loans and advances to customers, net	8	979,810	656,030
Other assets	9	51,524	7,312
Financial assets available for sale	10	46,027	81,430
Financial assets held to maturity	11	101,598	84,458
Investments in subsidiaries	12	34,881	-
Property, plant and equipment	13	62,339	55,171
Non-current assets held for sale	14	335	-
TOTAL ASSETS		1,664,100	1,566,880
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits from banks	15	6,799	373
Loans from banks	16	10,003	-
Liabilities under repurchase agreements	17	15,504	14,007
Amounts owed to other depositors	18	1,384,958	1,327,239
Other attracted funds	19	4,120	7,053
Other liabilities	20	14,220	6,863
TOTAL LIABILITIES		1,435,604	1,355,535

SEPARATE BALANCE SHEET AS OF DECEMBER 31, 2008
All amounts are in thousand Bulgarian Levs, unless otherwise stated

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	As of 31.12.2008	As of 31.12.2007
SHAREHOLDERS' EQUITY			
Share capital	21.1	83,155	83,155
Share premium		64,445	64,445
Reserves, including retained earnings	21.2	64,509	44,415
Revaluation reserve		(5,257)	(764)
Current year profit		21,644	20,094
TOTAL SHAREHOLDERS' EQUITY		228,496	211,345
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,664,100	1,566,880
Commitments and contingencies	31	255,635	194,573

These financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on March 27, 2009 by:


Viktor Mechkarov
 Executive Director


Georgi Konstantinov
 Executive Director


Silvia Peneva
 Registered Auditor
 30/03/2009




The accompanying notes are an integral part of these financial statements.

SEPARATE STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2008

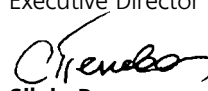
All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Note	Year ended 31.12.2008	Year ended 31.12.2007
Interest income	22	107,934	92,264
Interest expenses	22	(42,708)	(34,100)
Net interest margin		65,226	58,164
Fees and commissions income	23	26,163	23,155
Fees and commissions expenses	23	(3,509)	(3,431)
Fees and commissions income, net		22,654	19,724
Net gains on transactions with securities	24	6,948	13,621
Foreign exchange rate gains, net	25	3,420	2,331
Other operating income, net	26	14,045	2,362
Operating expenses	27	(82,437)	(64,885)
Net expenses for impairment and uncollectability	28	(6,895)	(9,133)
Profit before taxes		22,961	22,184
Taxes	29	(1,317)	(2,090)
PROFIT FOR THE PERIOD		21,644	20,094
Earnings per share (in BGN)	30	0.26	0.27

These financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on March 27, 2009 by:


Viktor Mechkarov
Executive Director


Georgi Konstantinov
Executive Director


Silvia Peneva
Registered Auditor

30/03/2009



The accompanying notes are an integral part of these financial statements.

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2008

All amounts are in thousand Bulgarian Levs, unless otherwise stated

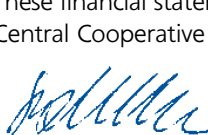
	Year ended 31.12.2008	Year ended 31.12.2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxes	22,961	22,184
Depreciation and amortization	7,891	6,204
Profit tax paid	(3,893)	(634)
Unrealised gains/(losses) from revaluation of financial assets held for trading	4,372	(13,220)
Increase of provisions for liabilities and impairment allowances	6,895	9,133
NET CASH FLOWS BEFORE WORKING CAPITAL CHANGES	38,226	23,667
CHANGE IN OPERATING ASSETS:		
Decrease/(increase) in placements with, and advances to banks, with maturity over 90 days	4,890	(4,890)
(Increase) in the receivables under repurchase agreements	(6,249)	(10,043)
Decrease/(increase) in trading securities	9,991	2,234
(Increase) in loans and advances to customers	(330,675)	(122,832)
(Increase) in other assets	(41,636)	(1,754)
(Increase) in non-current assets, held for sale	(335)	-
	(364,014)	(137,285)
CHANGE IN OPERATING LIABILITIES:		
Increase in deposits from banks	6,426	284
Increase/(decrease) of loans from banks	10,003	(53,978)
Increase in liabilities under repurchase agreements	1,497	14,007
Increase in liabilities to other depositors	57,719	380,582
(Decrease) in other attracted funds	(2,933)	(2,605)
Increase in other liabilities	7,357	1,898
	80,069	340,188
NET CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES	(245,719)	226,570
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(15,059)	(14,422)
Acquisition of investments in subsidiaries	(34,881)	-
Sale/(acquisition) of financial assets available for sale, net	30,909	(15,254)
Sale/(acquisition) of financial assets held to maturity, net	(17,140)	32,917
NET CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES	(36,171)	3,241
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of share capital	-	74,839

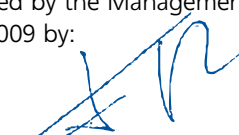
SEPARATE STATEMENT OF CASH FLOWS

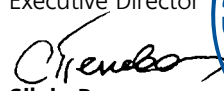
All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Year ended 31.12.2008	Year ended 31.12.2007
NET CASH FLOW FROM FINANCING ACTIVITIES	-	74,839
INCREASE IN CASH AND CASH EQUIVALENTS, NET	(281,890)	304,650
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR (NOTE. 32)	624,724	320,074
CASH AND CASH EQUIVALENTS AT THE END OF YEAR (NOTE 32)	342,834	624,724

These financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on March 27, 2009 by:


Viktor Mechkarov
Executive Director


Georgi Konstantinov
Executive Director


Silvia Peneva
Registered Auditor

30/03/2009




The accompanying notes are an integral part of these financial statements.

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2008

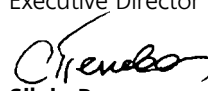
All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Share capital	Share premium	Reserves, including retained earnings	Revaluation reserve	Current year profit	Total
BALANCE AS OF DECEMBER 31, 2006	72,761	-	32,403	(537)	12,013	116,640
Transfer of net profit for the year ended December 31, 2006 to retained earnings	-	-	12,013	-	(12,013)	-
Net profit for the year ended December 31, 2007	-	-	-	-	20,094	20,094
Share capital issued and paid-in	10,394	-	-	-	-	10,394
Premium reserve related to share capital issued	-	64,445	-	-	-	64,445
Changes from revaluation and sale of financial assets, available for sale, net	-	-	-	(227)	-	(227)
Other movements	-	-	(1)	-	-	(1)
BALANCE AS OF DECEMBER 31, 2007	83,155	64,445	44,415	(764)	20,094	211,345
Transfer of net profit for the year ended December 31, 2007 to retained earnings	-	-	20,094	-	(20,094)	-
Net profit for the year ended December 31, 2008	-	-	-	-	21,644	21,644
Changes from revaluation and sale of financial assets, available for sale, net	-	-	-	(4,493)	-	(4,493)
BALANCE AS OF DECEMBER 31, 2008	83,155	64,445	64,509	(5,257)	21,644	228,496

These financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on March 27, 2009 by:


Viktor Mechkarov
 Executive Director


Georgi Konstantinov
 Executive Director


Silvia Peneva
 Registered Auditor



The accompanying notes are an integral part of these financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31,2008

All amounts are in thousand Bulgarian Levs, unless otherwise stated

1. OPERATING POLICY

Central Cooperative Bank AD, Sofia (the „Bank“) was established in 1991. The Bank’s activities and operations are governed by the Law on Banks and the regulations issued by the Bulgarian National Bank („BNB“). The Bank currently operates under a banking license granted by BNB, pursuant to which it may accept deposits in local and foreign currency, extend loans in local and foreign currency, open and maintain nostro accounts in foreign currency abroad, deal with securities and foreign currency and perform all other banking activities and transactions, permitted by the Law on Credit Institutions.

In December 2005 the Bank obtained a bank license, issued by the Central Bank of Cyprus, under which the Bank is authorized to perform bank activity as a legally licensed bank branch on the territory of the Republic of Cyprus, in compliance with the requirements of the Cyprus Law on Banks. The Bank started its banking activity on the territory of Cyprus in 2007.

The Bank is a public entity and is listed on the Bulgarian Stock Exchange, Sofia. The Bank is a member of the European Association of Cooperative Banks. The Bank has a primary dealer status for transactions with government securities.

As of December 31, 2008 the Bank’s operations are conducted through a head-office located in Sofia, Bulgaria, 51 branches and 214 remote offices throughout the country and one branch in the Republic of Cyprus..

2. BASIS FOR THE PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS

General framework for financial reporting

These financial statements are separate financial statements prepared for the year ended December 31, 2008. The amounts in the separate financial statements are stated in thousand Bulgarian levs (BGN'000).

These separate financial statements have been prepared for general purposes.

The Bank owns over 50% of the subsidiary Central Cooperative Bank AD Skopje, the Republic of Macedonia. In accordance with the requirements of IAS 27 „Consolidated and separate financial statements,“ the Bank prepares also consolidated financial statements, which will be issued in April 2009.

The Company prepares and presents its financial statements in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and the interpretations, issued by the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Union Commission (the Commission) and applicable in the Republic of Bulgaria. IFRS as adopted by the Commission do not differ from IFRS, issued by the IASB, and are effective for reporting periods ended as of December 31, 2008, except for certain requirements for hedge reporting in accordance with the IAS 39 Financial Instruments: Recognition and Measurement, which has not been adopted by the Commission. The management believes that if the hedge requirements have been approved by the Commission it would have no influence on these separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Management believes that the chosen basis for preparation of the financial statements for 2008 provides users with useful and fair information about the financial position and operating results of the Bank.

During 2008 the Bank has adopted all new and revised IFRS by IASB, as approved by the Commission, effective for 2008, which refer to the Bank's business, such as:

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (effective as of July 1, 2008)

The adoption of the above amendments has not resulted in changes in the accounting policies of the Bank.

These separate financial statements are prepared under the historical cost convention, modified by the revaluation to the fair value of the financial assets and liabilities held for trading, available for sale and all derivative contracts. The loans, receivables and financial assets held to maturity are measured at amortized cost.

Changes in IFRS

The following IFRS, amendments to IFRS and interpretations are adopted by IASB and IFRIC as of the date of issue of these financial statements, but are effective for annual periods after July 1, 2008, as stated below:

- Amendments to IFRS 1 First-time Adoption of IFRS and IAS 27 (effective for annual periods beginning on or after 1 January 2009) - approved by the Commission
- IFRS 1 (revised) First-time Adoption of IFRS (effective for annual periods beginning on or after 1 July 2009)
- Amendments to IFRS 2 Share-based Payment (effective for annual periods beginning on or after January 1, 2009) - approved by the Commission
- Revised IFRS 3, Business Combinations and related amendments to IAS 27, IAS 28, IAS 31 (effective for annual periods beginning on or after July 1, 2009)
- Amendment to IFRS 7 Financial Instruments: Disclosure (effective for annual periods beginning on or after 1 January 2009)
- IFRS 8 Operating Segments (effective for annual periods beginning on or after January 1, 2009) - approved by the Commission
- Revised IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after January 1, 2009) - approved by the Commission
- Revised IAS 23 Borrowing Costs (effective for annual periods beginning on or after January 1, 2009) - approved by the Commission
- Amendments to IAS 27, Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

All amounts are in thousand Bulgarian Levs, unless otherwise stated

- Amendments to IAS 32 Financial Instruments: Presentation, and IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) - approved by the Commission
- Amendment to IAS 39, Financial Instruments: Recognition and Measurement regarding reclassification of assets (effective for annual periods beginning on or after 1 July 2008)
- Amendment to IAS 39, Financial Instruments: Recognition and Measurement regarding allowable hedged instruments (effective for annual periods beginning on or after 1 July 2009)
- Improvements to IFRS 2008 - approved by the Commission (effective for annual periods beginning on or after 1 January 2009) affecting presentation, recognition or measurement principles, set in IFRS 5, IFRS 7, IAS 1, IAS 7, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41
- IFRIC 11, IFRS 2: Group and Treasury Transactions (effective for annual periods beginning on or after March 1, 2008) - approved by the Commission
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after January 1, 2008)
- IFRIC 13 Customer Loyalty Programmes approved by the Commission (effective for annual periods beginning on or after January 1, 2009) - approved by the Commission
- IFRIC 14, IAS 19: The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2009) - approved by the Commission
- IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009)
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008)
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)
- IFRIC 18 Transfer of Assets from Customers (effective on or after 1 July 2009)

Most of the IFRS and IFRIC stated above are not applicable to the Bank's activity and will have no material effect on the separate financial statements.

The following amendments to the standards and interpretations might have material effect on the financial statements:

The Revised IAS 1 Presentation of Financial Statements, which requires information in the financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income.

*NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008
All amounts are in thousand Bulgarian Levs, unless otherwise stated*

3. ACCOUNTING POLICY

3.1. Scope and objective

The accounting policy comprises principles and basic assumptions, concepts, rules, practices, bases and procedures, adopted by management for reporting the activity of the Bank, and the preparation and presentation of the financial statements.

The purpose of the accounting policy is to provide the necessary organizational and methodological uniformity in the process of financial reporting of the Bank's activities, aimed at providing a true and fair presentation of the Bank's financial position and result of operations in the annual financial statements.

3.2. Major components of the accounting policy

3.2.1. Interest income and expenses

Interest income and expenses are recognised on a time proportion basis using the effective interest rate method, as the difference between the amount at initial recognition of the respective asset or liability and the amount at maturity is amortized.

For loans granted by the Bank and amounts owed to depositors, where the interest is calculated on a daily basis by applying the contracted interest rate to the outstanding balance, the effective interest rate is considered to be approximately equal to the contracted interest rate due to the nature of the contractual terms.

Interest earned as a result of holding trading securities or securities available for sale is reported as interest income. Interest income includes the amount of amortisation of any discount, premium or other difference between the initial cost of debt securities and their amount at maturity.

Upon acquisition of an interest-bearing investment, the interest accrued as of the acquisition date is accounted for as interest receivable.

3.2.2. Fees and commissions

Fees and commissions consist mainly of fees for payment transactions in BGN and in foreign currency, fees for granting and management of loans, opening of letters of credit and issuance of guarantees. Fees and commissions are recognised when the service is performed or becomes due.

Commissions arising from foreign currency transactions are reported in the income statement on their receipt. Fees and commissions for granting and management of loans, when considered to be part of the effective income, are amortized during the loan term and are recognized as current financial income during the period by adjusting the effective interest income.

3.2.3. Foreign currency transactions

Transactions denominated in foreign currency are converted into BGN at rates set by BNB

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

All amounts are in thousand Bulgarian Levs, unless otherwise stated

for the transaction date. Receivables and liabilities denominated in foreign currency are converted into BGN as of the date of balance sheet preparation at the exchange rates of BNB for the same date.

Net foreign exchange rate gains or losses, arising from translation at the rates of BNB as of the transaction date, are included in the income statement for the period, when they arise.

The Bank carries out daily revaluation of all currency balance sheet assets and liabilities and off-balance sheet positions at the official rate for the respective day. The net gains and losses, arising from revaluation of balance sheet currency positions, are reported in the income statement for the period, in which they arise.

Effective from 2002 the Bulgarian Lev has been tied to the European Union currency at the rate of EUR 1 = BGN 1.95583.

The exchange rates of USD and the Bulgarian Lev as of December 31, 2008 and 2007 are as follows:

December 31, 2008	December 31, 2007
1 USD = 1.38731 BGN	1 USD = 1.33122 BGN

3.2.4. Financial assets

Financial assets held for trading are acquired by the Bank with the purpose of generating income from short-term price or dealing margin fluctuations, or they are assets, included in a portfolio, for which a short-term profit realisation is probable. These include discount and interest-bearing government securities held for trade, as well as corporate securities of non-financial companies, in which the Bank does not have a controlling interest.

Financial assets available for sale are those financial assets, which are not held for trading, not held to maturity and are not loans and receivables, which have initially originated at the Bank. Financial assets available for sale include acquired interest-bearing government and corporate securities, as well as equity investments in financial and non-financial enterprises, in which the Bank does not have a controlling interest.

Financial assets held to maturity are assets with fixed payments and maturity, which the Bank has the intention and ability to hold to maturity, irrespective of the possibility to sell them upon arising of favorable conditions in the future. These assets consist of acquired interest-bearing government securities.

Loans and advances, originated initially by the Bank with a fixed maturity date, are financial assets, incurred by direct granting of funds or services with fixed maturity to certain customers.

Recognition

Financial assets are recognised only when the Bank becomes a party under the contract provisions of the instrument. Their initial recognition is on the contract settlement date /payment date/.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Initial measurement

Financial assets are recognised initially at acquisition cost, which is equal to the amount of the fair value of the consideration given and the related expenses. The expenses related to the transaction and included in the acquisition cost are fees, commissions and other remuneration paid to agents, brokers, consultants, dealers, and other persons directly involved in the transaction, taxes, charges, permits, etc. paid to stock exchanges and regulatory authorities. All other expenses are reported as current expenses in the period when incurred. Acquisition cost does not include accrued interest on the financial asset, not paid as of the date of acquisition. Such interest is reported as accrued interest receivable.

Subsequent measurement

After initial recognition, financial assets held for trading are stated at fair value. Fair value is determined on the basis of quoted prices on an active market. The difference between the carrying amount of the financial asset and its fair value is accounted for as current financial income or current financial expense in the period of occurrence.

After initial recognition, financial assets available for sale are stated at fair value, when there exists a quoted price on an active market or there are reliable models for valuation, which reflect the specific circumstances of the issuer. The difference between the carrying amount of these financial assets and their fair value is reported in equity as increase or decrease in revaluation reserve. After initial recognition, financial assets available for sale, for which there are no active market quotations and for which no other reliable evaluation models can be applied, are carried at acquisition cost.

After initial recognition, financial assets held to maturity are stated at amortised cost, applying the effective interest rate method. Amortised cost is the initial value /acquisition cost/ of the asset, increased by the accumulated amortisation for any difference between the initial amount and the amount at maturity, and reduced by repayments of principle, accumulated amortisation for any difference between the initial amount and the amount at maturity, and the allowance for impairment and/or uncollectability. The amortisation is calculated by applying the effective interest rate.

After initial recognition, loans and advances originated initially by the Bank with fixed maturity are reported at amortised cost, applying the effective interest rate method and are not subject to revaluation.

The amortised cost is the initial value of the asset, increased by the accumulated amortisation for any difference between the initial amount and the amount at maturity, less repayments of the principle and the allowance for impairment and/or uncollectability. The amortisation is calculated by applying the effective interest rate.

Derecognition

Financial assets are derecognized when the Bank loses control over the contractual rights in relation to realising the rights associated with the asset, waiver of the rights associated with the asset and expiry of the term for realising of the rights associated with the asset. Net profit or loss as a result of the write off is reported in the income statement in the period of its occurrence. The revaluation reserve accumulated as of the date of derecognition is recognised as current financial expense or financial income.

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Allowance for impairment and uncollectability

Financial assets are impaired if any conditions for impairment exist: there is evidence about financial difficulties; there is an actual breach of the contract; the issuer has performed restructuring of the debt; the issuer's securities have been excluded from the stock exchange.

For the purpose of preparation of the financial statements, financial assets held for trading are reviewed for impairment, if impairment is not already provided in the revaluation performed as of the date of annual financial statements. In case of existing condition for impairment, the recoverable amount of financial assets is determined. If the expected recoverable amount of the financial assets is lower than their carrying amount, impairment is provided, and the carrying amount of financial assets is reduced to their expected recoverable amount. The difference is accounted for as current financial expense and decrease in the value of financial assets.

For the purpose of preparation of the financial statements, financial assets available for sale and reported at fair value are reviewed for impairment, if impairment is not already charged in the revaluation performed as of the date of the financial statements. In case of existing condition for impairment, the recoverable amount of the financial assets is determined. If the expected recoverable amount of the financial assets is lower than their carrying amount, impairment is provided. It is accounted for as follows:

- if at the moment of impairment there is no revaluation reserve - the difference between the carrying amount and the expected recoverable amount is recorded as a current financial expense and a decrease in the value of financial assets;
- if at the moment of impairment there is a revaluation reserve, which is positive and lower than the amount of impairment - the carrying amount of the assets and the amount of the revaluation reserve /which becomes zero/ are decreased by the amount of impairment up to the revaluation reserve balance. The remaining part of the amount of impairment is accounted for as a current financial expense and a decrease in the carrying amount of assets;
- if at the moment of impairment there is a revaluation reserve, which is negative, the difference between the carrying amount and the expected recoverable value is recorded as a current financial expense and a decrease in the value of the financial assets, and the negative value of the revaluation reserve is transferred to and stated in the current financial expenses;
- if at the moment of impairment there is a revaluation reserve, which is positive and is greater than the amount of impairment, the value of the investment and the amount of the revaluation reserve are decreased by the impairment amount.

Financial assets held to maturity are reviewed for indications of impairment, in relation to preparation of the annual financial statements. Allowances for impairment and uncollectability of the securities held by the Bank, measured at amortised cost, are determined as the difference between the carrying amount and the present value of the future cash flows, discounted at the original effective interest rate. If the present value of the future cash flows of securities is lower than their carrying amount, then allowance for impairment is provided. The difference is reported as current financial expense and decrease in the value of securities. Decrease of allowances for impairment and uncollectability is stated in the income statement for the respective period. Recovered amounts, previously written off, are treated as income by releasing the allowances for impairment and uncollectability for the respective year.

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Loans and advances, originated initially by the Bank with a fixed maturity, are reviewed for indications of impairment, in relation to preparation of the annual financial statements. Allowances for impairment and uncollectability of loans originated by the Bank, measured at amortised cost, are determined as the difference between the carrying amount and the present value of the future cash flows discounted at the loan original effective interest rate, where appropriate. Management determines the expected future cash flows based upon reviews of individual borrowers, loan exposures and other relevant factors. If the present value of the future cash flows of loans is lower than their carrying amount, then allowance for impairment is provided. The difference is reported as a current financial expense and a decrease in the value of loans. Decrease of allowances for impairment and uncollectability is stated in the income statement for the respective period. Recovered amounts, previously written off, are treated as income by releasing the allowances for impairment and uncollectability for the respective year. Loans and advances that cannot be recovered are written off and charged against the accumulated allowances for impairment and uncollectability. Such loans are written off after all necessary legal procedures have been completed and the amount of the loss has been determined.

The Bank has adopted a methodology for the calculation of allowances for impairment of loans based on IFRS and in compliance with the requirements of the banking regulations in Bulgaria. The Bank classifies its loans in several groups. A specified percentage rate for non-regular loans, which are above the minimum required by the regulations, is applied to contractual cash flows as a mean to determine the expected cash flows, which are then to be discounted as stated above. Other specific requirements of the regulations relate to conditions for transfers of non-regular into regular loans and recognition of liquid collaterals with the purpose of assessment of the allowances for impairment and uncollectability of loans.

The amount of potential losses, which are not exactly identified, but based on previous experience may be expected for a group of loans, is also charged as expense in decrease of the loans' carrying amount. The expected losses are measured based on previous experience, customers' credit rating, and economic environment.

3.2.5. Investments in subsidiaries

Subsidiaries are those entities in which the Bank's ownership directly or indirectly exceeds 50% of the voting rights or it can exercise control over their operating and financial policy.

In the separate financial statements of the Bank the shares and interests in the subsidiaries are initially recognized at acquisition cost. Subsequently, the Bank performs reviews periodically to determine whether there are indications for impairment. Impairment is recognized in the income statement as impairment losses of investments in subsidiaries.

Dividends in subsidiaries, are recognized and reported in the income statement, if they are related to the distribution of profit from reporting periods after the acquisition of the investment, or in the decrease of the carrying amount of the investment, if they are related to the distribution of profit before their acquisition.

3.2.6. Receivables and liabilities under repurchase agreements

Receivables and liabilities under repurchase agreements are recognized at cost, which represents the funds placed/obtained by the Bank, secured by the value of the securities.

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Interest due on the fair value of the funds placed/obtained for the term of the agreement is accounted and recognized as interest income/expense in the period of its occurrence.

3.2.7. Cash and cash equivalents

Cash and cash equivalents, for the purpose of the cash flows statement preparation, include cash, balances with the Central Bank (BNB) and nostro accounts, which are unrestricted demand deposits at other banks, as well as placements with, loans and advances to other banks with a maturity up to 3 months.

3.2.8. Fair value of financial assets and liabilities

IFRS 7 „Financial Instruments: Disclosure“, provides for the disclosure in the notes to the financial statements of information about the fair value of the financial assets and liabilities. For this purpose fair value is defined as the amount, for which an asset can be exchanged, or a liability settled between knowledgeable, willing parties in an arms length transaction.

It is the policy of the Bank to disclose fair value information on those assets and liabilities, for which published market information is readily available and whose fair value significantly differs from their carrying amounts. The fair value of cash and cash equivalents, deposits and loans, granted by the Bank, other receivables, deposits, borrowings and other current liabilities approximates their carrying amount, given that they mature in a short period of time. Sufficient market experience, as well as stable and liquid market currently do not exist for purchases and sales of loans and some other financial assets or liabilities, for which published market information is not readily available. Accordingly, their fair values cannot be reliably determined. In the opinion of the management, under these circumstances, the reported recoverable amounts of the financial assets and liabilities are the most reliable and efficient for the purposes of the financial statements.

3.2.9. Netting

The financial assets and liabilities are netted, and the net value is presented in the balance sheet, only if the Bank is entitled by law to net the recognized values, and the transactions are intended to be settled on a net basis.

3.2.10. Provisions for credit-related contingent liabilities

The amount of provisions for guarantees and other off-balance credit-related commitments is recognised as an expense and a liability when the Bank has current legal or constructive obligations, which have occurred as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation and a reasonable estimate of the amount of the liability can be made. Any loss resulting from recognition of provisions for liabilities is reported in the income statement for the respective period.

3.2.11. Derivatives

Derivatives are stated at fair value and recognised in the balance sheet as derivatives for trading. The fair value of derivatives is based on the market price or relevant valuation

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models. Derivative assets are presented as trading securities, while the derivative liabilities are presented as part of other liabilities. Any change in the fair value of derivatives is recognised as a part of the net trading income in the income statement.

3.2.12. Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are identifiable non-monetary assets acquired and possessed by the Bank and held for use in the production and/or rendering of services, for renting, administrative and other purposes. They are stated at acquisition cost, adjusted for the charged depreciation and accumulated losses from impairment. Depreciation of property, plant and equipment and amortisation of intangible assets are calculated by using the straight-line method designed to write off the assets value over their estimated useful life. The annual depreciation and amortisation rates are as follows:

	Annual depreciation/ amortization rates	Useful life years
Buildings	4%	25
Fixtures and fittings	15%	7
Motor vehicles	15%	7
Other assets	15%	7
Special equipment, cable networks and security systems	4%	25
Equipment, including hardware and software	20%	5

Land, assets for resale, assets under construction, assets to be disposed and fully depreciated assets are not subject to depreciation.

The management of the Bank has performed a review for impairment of the current and non-current assets as of the date of preparation of these separate financial statements. No evidence of impairment of property, plant and equipment and intangible assets has been identified, therefore they have not been impaired.

3.2.13. Taxation

Corporate income tax is calculated on the basis of profit for the period and includes current and deferred taxes. Taxes due are calculated in accordance with the Bulgarian tax legislation.

Current income tax is calculated on the basis of the taxable profit, by adjusting the statutory financial result for certain income and expenditure items, not approved for tax purposes, as required under Bulgarian accounting legislation, applicable for banks.

Deferred income taxes are calculated using the balance sheet liability method. Deferred income taxes represent the net tax effect of all temporary differences between the tax basis of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax assets and liabilities are calculated at the tax rates, which are expected to apply to taxable profit for the period, when the temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the balance sheet date to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and

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liabilities are recognized regardless when the temporary difference is likely to reverse.

Any tax effect, related to transactions or other events, recognised in the income statement, is also recognised in the income statement and tax effect, related to transactions and events, recognised directly in equity, is also recognised directly in equity.

A deferred tax liability is recognised for all taxable temporary differences unless it arises from the initial recognition of an asset or liability in a transaction, which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that taxable profit is probable, against which the deductible temporary difference can be utilised, unless the deferred asset arises from the initial recognition of an asset or liability in a transaction, which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Current and deferred taxes are recognised as income or expense and are included in the net profit for the period, except to the extent that the tax arises from a transaction or event, which is recognised in the same or different period, directly in equity. Deferred taxes are charged or deducted directly in equity, when the tax relates to items that are charged or deducted in the same or different period, directly in equity.

3.3. Accounting estimates, assumptions and key areas of uncertainty

The presentation of financial statements requires management to apply certain accounting estimates and reasonable assumptions that affect some of the reported carrying amounts of assets and liabilities as of the date of the financial statements, as well as the amount of revenues and expenses during the reporting period and to disclose contingent assets and liabilities. Although these estimates and assumptions are based on the best estimate as of the date of the preparation of the separate financial statements by the management, the actual results may differ from the expected ones.

The most significant areas of uncertainty, which require estimates and assumptions in applying the accounting policies of the Bank are as follows:

- Fair value of the financial instruments
- Allowances for impairment of loans
- Useful life of the depreciable assets
- Impairment of financial assets

At the end of 2008 and the beginning of 2009 as a result of the global economic crisis different industries and sectors in the Bulgarian economy have marked a decline which causes uncertainty and risks for their development in the foreseeable future. The declining rates of economic development increase the risks of the economic environment in which the Bank operates. Therefore, the amount of impairment losses on loans and advances, financial assets available for sale, other financial instruments, as well as the values of other accounting estimates in subsequent reporting periods may differ from those measured and

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reported in these financial statements. The recoverability of the loans and the adequacy of the recognized impairment losses, as well as the maintaining of the Bank's liquidity ratios depends on the financial position of the borrowers and their ability to settle their obligations at contracted maturity in subsequent reporting periods. Bank's management applies the necessary procedures to manage these risks, as disclosed in note 33.

3.4. Capital management

The Bank defines its risk-bearing capacity as the amount of financial resources that are available for absorbing losses, which may be incurred due to the risk profile of the Bank. Financial resources are classified into Tiers of risk capital according to their ability to cover losses, ability to defer payments, and permanence.

The Bank calculates, monitors and reports its risk capital for all major risk categories - credit, market and operational risk. In managing its risk capital, the Bank follows regulatory-mandated, as well as its own, guidelines and targets. Bulgarian banks must maintain Core Tier I Capital Adequacy Ratio of at least 6%, and Total Risk Capital Adequacy Ratio of at least 12%. For 2008 and 2007 the Bank is in compliance with the regulatory requirements for minimum capital adequacy.

4. CASH AND BALANCES WITH THE CENTRAL BANK

	As of 31.12.2008	As of 31.12.2007
CASH IN HAND		
In BGN	54,848	49,255
In foreign currency	30,359	24,448
CASH IN TRANSIT		
In BGN	1,237	237
In foreign currency	262	177
CASH IN THE CENTRAL BANK		
Current account in BGN	176,810	156,184
Minimum required reserve in foreign currency	39,117	13,300
Reserve guarantee fund RINGS	551	447
TOTAL CASH AND BALANCES WITH THE CENTRAL BANK	303,184	244,048

The current account with BNB is used for direct participation in the government securities and money market, as well as for the purposes of bank settlement in the country.

Commercial banks in Bulgaria are required to maintain minimum required reserves at BNB. The minimum obligatory reserve, periodically set by BNB, is interest-free and is calculated as a percentage ratio based on the attracted funds in BGN and foreign currency. These reserves are regulated on a monthly basis as any deficit incurs interest penalties. No restrictions are imposed by the Central Bank for using the minimum reserves, as daily fluctuations within the one-month regulation period are allowed.

In compliance with the Ordinances of the Central bank, the Bank allocates reserve guarantee fund to ensure the settlement of payments by means of the Real Time Gross Settlement system RINGS.

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5. PLACEMENTS WITH, AND ADVANCES TO BANKS

	As of 31.12.2008	As of 31.12.2007
TERM DEPOSITS WITH LOCAL BANKS		
In BGN	4,001	25,503
In foreign currency	4,717	107,675
Term deposits with foreign banks in foreign currency	416	192,882
Restricted accounts with foreign banks in foreign currency	–	28,359
Nostro accounts with local banks		
In BGN	18	306
In foreign currency	11	200
Nostro accounts with foreign banks in foreign currency	30,487	30,640
TOTAL PLACEMENTS WITH, AND ADVANCES TO BANKS	39,650	385,565

6. RECEIVABLES UNDER REPURCHASE AGREEMENTS

As of December 31, 2008 the Bank has signed repurchase agreements at the total amount of BGN 23,033 thousand, including interest receivables. The Bank has pledged as collateral Bulgarian government securities having an approximately equal value to secure the receivable. The agreements' maturities are between January and March 2009.

As of December 31, 2007 the repurchase agreements amount to BGN 16,784 thousand, including interest receivables.

7. FINANCIAL ASSETS HELD FOR TRADING

Financial assets held for trading consist of trading securities, including the amount of accrued interest, based on their original maturity and discount as well as derivatives, held for trading, as follows:

	As of 31.12.2008	As of 31.12.2007
Bulgarian government notes	1,209	4,318
Bulgarian government bonds	474	917
Bulgarian corporate securities	9,041	29,541
Derivatives, held for trading	10,995	1,306
TOTAL FINANCIAL ASSETS HELD FOR TRADING	21,719	36,082

Bulgarian government notes

As of December 31, 2008 and 2007 Bulgarian government notes amounting to BGN 1,209 thousand and BGN 4,318 thousand respectively are stated at fair value and include securities denominated in BGN, issued by the Bulgarian government.

Bulgarian government bonds

As of December 31, 2008 and 2007 the government bonds amounting to BGN 474 thousand and 917 thousand respectively are stated at fair value and include securities, denominated in BGN, issued by the Bulgarian government.

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Bulgarian corporate securities

As of December 31, 2008 the Bank owns corporate securities, issued by non-financial companies and financial institutions, amounting to BGN 679 thousand. These securities represent shares of public companies, listed on the Bulgarian Stock Exchange. They are liquid on the Bulgarian stock market and are stated in these financial statements at fair value.

As of December 31, 2008 the Bank owns bonds issued by Bulgarian-American Credit Bank AD at the amount of BGN 8,065 thousand and the maturity of the issue is in July 2011. As of December 31, 2008 the Bank also owns shares in Mutual fund Europe at the amount of BGN 297 thousand.

As of December 31, 2007 the Bank owns corporate securities, issued by non-financial companies, amounting to BGN 28,747 thousand. These securities represent shares of public companies, listed on the Bulgarian Stock Exchange. They are traded on the Bulgarian market and are stated in these financial statements at fair value. As of December 31, 2007 the Bank owns shares in Contractual fund Europe at the amount of BGN 794 thousand.

Derivatives, held for trading

As of December 31, 2008 and 2007 derivatives, held for trading, at the amount of BGN 10,995 thousand and BGN 1,036 thousand respectively, are carried at fair value and include sale-purchase transactions of foreign currency, securities, forward agreements and currency swaps in the open market.

Bulgarian securities pledged as a collateral

As of December 31, 2008 and 2007 government bonds, issued by the Bulgarian government amounting to BGN 126 thousand and BGN 5,143 thousand, respectively, have been pledged as a collateral for servicing of budget accounts.

8. LOANS AND ADVANCES TO CUSTOMERS, NET

(a) Analysis by type of clients

	As of 31.12.2008	As of 31.12.2007
INDIVIDUALS		
In BGN	317,015	224,662
In foreign currency	43,450	28,174
ENTERPRISES		
In BGN	366,833	266,175
In foreign currency	264,450	159,096
	991,748	678,107
Allowance for impairment and uncollectability	(11,938)	(22,077)
TOTAL LOANS AND ADVANCES TO CUSTOMERS, NET	979,810	656,030

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The Bank's credit portfolio as of December 31, 2008 includes loans of around 15% of the total gross amount of loans granted, which represent loans with one-off repayment at maturity or with a grace period longer than 1 year, where the repayment starts after the balance sheet date. Based on the policy, adopted by the Bank, these loans are classified as regular and allowances for impairment and uncollectability are not provided for them. The recoverability on these loans, the adequacy of the allowances for uncollectability, as well as the Bank's liquidity depend on the borrowers' financial position and ability to settle their loans at maturity in subsequent reporting periods.

Loans and advances to customers as of December 31, 2008 include deposits with international financial institutions on margin transactions with derivatives amounting to BGN 15,564 thousand (2007: BGN 2,728 thousand), including result of transactions.

(b) Analysis by economic sector

	As of 31.12.2008	As of 31.12.2007
Agriculture and forestry	35,677	28,936
Manufacturing	56,224	49,395
Construction	102,776	68,733
Trade and finance	341,136	213,777
Transport and communications	49,286	38,374
Individuals	360,465	252,836
Other	46,184	26,056
	991,748	678,107
Allowance for impairment and uncollectability	(11,938)	(22,077)
TOTAL LOANS AND ADVANCES TO CUSTOMERS, NET	979,810	656,030

(c) Interest rates

Loans denominated in BGN and foreign currency bear interest at floating rates. Under the terms of these loans, the interest rate is calculated as the Bank base interest rate, plus a margin. The interest rate margin on performing (regular) loans varies from 4 to 8 percent based on the credit risk associated with the borrower, and a 35 percent interest is charged as penalty on overdue loans, corresponding to the interest on unallowed overdraft.

9. OTHER ASSETS

	As of 31.12.2008	As of 31.12.2007
Deferred tax assets	193	181
Income tax refundable	1,041	-
Deferred expenses	2,718	2,466
Established real rights for building use	42,086	-
Other assets	5,486	4,665
TOTAL OTHER ASSETS	51,524	7,312

Deferred expenses represent prepaid sums for advertising, rent etc.

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The established real rights for building use have been received in December 2008 from two Bulgarian commercial companies. The rights are related to two solid administrative buildings, which are situated in the very center of Sofia, which will be used for the head office of the Bank. The right of use of the first building is established for a period of 98 months for the amount of EUR 5,372 thousand. The right of use of the second building is established for a period of 149 months for the amount of EUR 15,598 thousand.

The carrying amount of established real rights include also the expenses for taxes and fees related to the establishment. The carrying amount of each real right for use will be amortized effective from January 2009 on equal parts for the respective period of use of buildings.

10. FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets available for sale consist equity and debt securities, including the amount of accrued interest, based on their original maturity and discount, as follows:

	As of 31.12.2008	As of 31.12.2007
Medium-term Bulgarian government bonds	11,469	28,755
Long-term Bulgarian government bonds	9,873	5,819
Equity investments in financial institutions	14	17,024
Equity investments in non-financial institutions	6,296	708
Bulgarian corporate securities	13,213	23,982
Foreign corporate securities	5,085	5,067
Other	77	75
TOTAL FINANCIAL ASSETS AVAILABLE FOR SALE	46,027	81,430

Bulgarian securities, pledged as collateral

As of December 31, 2008 government bonds issued by the Bulgarian government amounting to BGN 4,204 thousand are pledged as a collateral for servicing of budget accounts.

Equity investments in financial institutions

As of December 31, 2007 the equity investments in financial institutions include also the owned by the Bank shares of Silex Banka AD, Skopje, Republic of Macedonia where the investment is at the amount of BGN 5,615 thousand. In 2008 the Bank acquired the controlling interest in Silex Bank's capital and the investment as of December 31, 2008 is presented as investments in subsidiaries (see note 12).

Equity investments

As of December 31, 2008 the equity investments in non-financial institutions represent shares in commercial companies and in contractual funds.

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Bulgarian corporate securities

As at December 31, 2008 the Bulgarian corporate securities available for sale represent bonds. None of these investments are in a subsidiary or in an associated company.

Foreign corporate securities

As of December 31, 2008 the foreign corporate securities available for sale represent bonds, issued by the European Investment Bank, which are pledged as a collateral for servicing of budget accounts.

11. FINANCIAL ASSETS HELD TO MATURITY

Financial assets held to maturity represent government bonds, including the amount of the accrued interest, based on original maturity and discount, as follows:

	As of 31.12.2008	As of 31.12.2007
Medium-term Bulgarian government bonds	40,365	35,589
Long-term government bonds	61,233	48,869
TOTAL FINANCIAL ASSETS HELD TO MATURITY	101,598	84,458

Bulgarian securities pledged as a collateral

As of December 31, 2008 and 2007 government bonds, issued by the Bulgarian government at the amount of BGN 65,148 thousand and BGN 69,246 thousand , respectively have been pledged as a collateral for servicing of budget accounts.

12. INVESTMENTS IN SUBSIDIARIES

In February 2008 the Bank acquired 136,658 shares from the capital of Silex Bank AD, Skopje, Republic of Macedonia, representing 62.57% of the voting shares. After the acquisition the Bank owns totally 171,658 shares of the capital of Silex Bank AD, representing 75.51% of the voting shares, thus acquiring the controlling interest in the capital of the subsidiary. The investment is at the amount of BGN 26,493 thousand. In September 2008 the capital of the subsidiary was increased and after this increase the Bank owns 263,696 shares, representing 82.57% of the voting shares. In October 2008 the name of the subsidiary was changed to Central Cooperative Bank AD Skopje. As of December 31, 2008 the investment of the Bank in its subsidiary amounts to BGN 34,881 thousand.

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13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Equipment	Motor vehicles	Fixtures and fittings	Fixed assets in progress	Other fixed assets	Total
January 1, 2007	26,991	16,410	4,311	6,688	3,907	6,980	65,287
Acquired	772	3,446	35	1,766	11,219	2,740	19,978
Disposed	(117)	(30)	(76)	(20)	(5,368)	(13)	(5,624)
December 31, 2007	27,646	19,826	4,270	8,434	9,758	9,707	79,641
Acquired	585	2,205	200	3,387	13,483	6,315	26,175
Disposed	-	(772)	-	(415)	(11,049)	(18)	(12,254)
December 31, 2008	28,231	21,259	4,470	11,406	12,192	16,004	93,562
DEPRECIATION							
January 1, 2007	3,846	6,443	2,086	3,351	-	2,608	18,334
Net charge for the period	924	2,988	410	779	-	1,103	6,204
Depreciation on disposals	(2)	(28)	(17)	(20)	-	(1)	(68)
December 31, 2007	4,768	9,403	2,479	4,110	-	3,710	24,470
Net charge for the period	956	3,323	424	1,197	-	1,991	7,891
Depreciation on disposals	-	(749)	-	(375)	-	(14)	(1,138)
December 31, 2008	5,724	11,977	2,903	4,932	-	5,687	31,223
NET BOOK VALUE							
December 31, 2007	22,878	10,423	1,791	4,324	9,758	5,997	55,171
December 31, 2008	22,507	9,282	1,567	6,474	12,192	10,317	62,339

The fixed assets in progress include repair works, performed by the Bank, concerning the reconstruction of the leased premises into bank offices, whereas the repair works have not been finished as at the date of preparing the balance sheet.

14. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale represent property, acquired by the Bank as mortgage creditor on granted and not serviced loan. These assets will not be used in Bank's activity, hence actions for their sale have been taken.

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15. DEPOSITS FROM BANKS

	As of 31.12.2008	As of 31.12.2007
DEMAND DEPOSITS - LOCAL BANKS		
- In BGN	71	39
- In foreign currency	140	334
Demand deposits - foreign banks in foreign currency	38	-
Term deposits - local banks in BGN	4,001	-
Term deposits - foreign banks in foreign currency	2,549	-
TOTAL DEPOSITS FROM BANKS	6,799	373

16. LOANS FROM BANKS

As of December 31, 2008 the Bank received a loan from Bulgarian bank for development under a program for special purpose refinancing of commercial banks at the amount of BGN 10,003 thousand, including for interest payables, whereas the funds under the loan are granted to the Bank for mid-term and long-term investment loans and project financing for technical renovation, new technologies, know-how, increase in competitiveness and export potential, structural funds projects of EU and short-term pre-exportation financing of small and medium-sized enterprises, registered under the Commercial act. The expiry date for repayment of the loan is December 30, 2018 in a lump sum. Interest rate on the loan is 5% on annual basis.

17. LAIBILITIES UNDER REPURCHASE AGREEMENTS

As of December 31, 2008 the Bank has concluded securities repurchase agreements with Bulgarian companies at the total amount of BGN 15,504 thousand, including interest payables. The Bank has secured this liability by establishing a pledge on Bulgarian government securities. The maturity of these agreements is in January 2009.

As of December 31, 2007 the Bank has concluded securities repurchase agreements with Bulgarian companies at the total amount of BGN 14,007 thousand, including interest payables.

18. AMOUNTS OWED TO OTHER DEPOSITORS

(a) Analysis by term and currency

	As of 31.12.2008	As of 31.12.2007
DEMAND DEPOSITS		
In BGN	440,996	389,596
In foreign currency	67,133	77,908
	508,129	467,504
TERM DEPOSITS		
In BGN	304,578	368,220
In foreign currency	503,280	420,919
	807,858	789,139

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	As of 31.12.2008	As of 31.12.2007
SAVING ACCOUNTS IN		
In BGN	26,095	23,147
In foreign currency	25,444	26,417
	51,539	49,564
OTHER DEPOSITS		
In BGN	9,493	12,265
In foreign currency	7,939	8,767
	17,432	21,032
TOTAL AMOUNTS OWED TO OTHER DEPOSITORS	1,384,958	1,327,239

(b) Analysis by customer and currency type

	As of 31.12.2008	As of 31.12.2007
DEPOSITS OF INDIVIDUALS		
In BGN	350,422	304,049
In foreign currency	434,582	378,738
	785,004	682,787
DEPOSITS OF ENTERPRISES		
In BGN	421,248	476,925
In foreign currency	161,274	146,495
	582,522	623,420
DEPOSITS OF OTHER INSTITUTIONS		
In BGN	9,492	12,265
In foreign currency	7,940	8,767
	17,432	21,032
TOTAL AMOUNTS OWED TO OTHER DEPOSITORS	1,384,958	1,327,239

19. OTHER ATTRACTED FUNDS

As of December 31, 2008 and 2007 „Other attracted funds“ include financing from the State Agricultural Fund amounting to BGN 4,120 thousand and BGN 7,053 thousand (including interest), respectively, for granting loans to the agricultural sector. The credit risk for collectability of these loans shall be assumed by the Bank.

20. OTHER LIABILITIES

	As of 31.12.2008	As of 31.12.2007
Liabilities for unused paid leave	1,428	1,403
Derivatives, held for trading	9,252	588
Other liabilities	2,975	4,372
Deferred income	565	500
TOTAL OTHER LIABILITIES	14,220	6,863

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Derivates held for trading

As of December 31, 2008 and 2007 derivates held for trading at the amount of BGN 9,252 thousand and BGN 588 thousand respectively are presented at fair value and include sale and purchase transactions of foreign currency, securities, forward contracts and foreign currency swaps on open market.

21.1. ISSUED CAPITAL

As of December 31, 2008 and 2007 the issued, called-up and fully paid-in share capital of the Bank comprises respectively 83,155,092 ordinary voting shares with a nominal value of BGN 1.

The Bank's Parent company CCB Group EAD is a subsidiary of Chimimport AD, which is a public company and its shares are traded on the Bulgarian Stock Exchange.

Principal shareholders	2008		2007	
	Share capital	Percentage share	Share capital	Percentage share
CCB Group Assets Management	56,715	68.20	54,037	64.98
EAD Armeetz Insurance Company	3,691	4.44	2,245	2.70
Hansapank Clients	904	1.09	3,394	4.08
Chimimport AD	2,395	2.88	474	0.57
Bayerische Hyro - UND Vereinsbank	6,493	7.81	6,673	8.02
Eurobank EFG Bulgaria	238	0.29	4,773	5.74
Artio International Equity Fund	1,276	1.53	-	-
Kyriakos Savvas Petridis	1,000	1.20	-	-
Unicredit Bank Austria AG	1,338	1.61	-	-
Universal Pension Fund Suglasie	1,677	2.02	554	0.67
Other	7,428	8.93	11,005	13.24
	83,155	100	83,155	100

21.2. RESERVES, INCLUDING RETAINED EARNINGS

As of December 31, 2008 reserves, including retained earnings include undistributable portion of BGN 7,059 thousand and distributable portion of BGN 57,450 thousand.

22. INTEREST INCOME AND EXPENSES

	Year ended 31.12.2008	Year ended 31.12.2007
Interest income by source:		
Loans	90,094	70,706
Securities	7,465	9,924
Deposits in banks	10,375	11,634
TOTAL INTEREST INCOME	107,934	92,264

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	Year ended 31.12.2008	Year ended 31.12.2007
Interest expenses by recipients:		
Deposits to customers	42,155	32,392
Deposits to banks	74	5
Loans	120	1,613
Other	359	90
TOTAL INTEREST EXPENSES	42,708	34,100

23. INCOME FROM/EXPENSES FOR FEES AND COMMISSIONS

	Year ended 31.12.2008	Year ended 31.12.2007
Granting and repayment of loans	3,444	2,843
Servicing of off-balance commitments	1,288	993
Servicing of accounts	1,666	1,431
Bank transfers - domestic and international	15,133	12,070
Other income	4,632	5,818
TOTAL FEES AND COMMISSIONS INCOME	26,163	23,155

	Year ended 31.12.2008	Year ended 31.12.2007
Servicing of accounts	145	135
Bank transfers - domestic and international	2,732	2,456
Securities' transactions	139	293
Clearing valuable consignments	83	104
Other expenses	410	443
TOTAL EXPENSES FOR FEES AND COMMISSIONS	3,509	3,431

24. GAINS FROM DEALING WITH SECURITIES, NET

	Year ended 31.12.2008	Year ended 31.12.2007
Gains on dealing with securities available for sale	11,497	550
(Loss) on dealing with securities held for trading	(177)	(149)
Gain/(loss) on revaluation of securities held for trading	(4,372)	13,220
TOTAL GAINS FROM DEALING WITH SECURITIES, NET	6,948	13,621

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25. FOREIGN EXCHANGE GAINS, NET

Net foreign exchange gains arise from:

	Year ended 31.12.2008	Year ended 31.12.2007
Dealing gains, net	2,829	4,432
Revaluation gains/(losses), net	591	(2,101)
TOTAL FOREIGN EXCHANGE GAINS, NET	3,420	2,331

Dealing gains represent net gains arising from purchases and sales of foreign currency. Revaluation gains represent net gains in BGN arising from the revaluation of assets and liabilities, denominated in foreign currency.

26. OTHER OPERATING INCOME, NET

	Year ended 31.12.2008	Year ended 31.12.2007
Dividends	227	685
Income from cession contracts	13,326	1,225
Other operating income	492	452
TOTAL OTHER OPERATING INCOME, NET	14,045	2,362

The income from cession contracts originates from cash receivables under loan agreements, which were transferred on the part of the Bank through cession contracts. In 2008 the most significant part of this income amounts to BGN 8,669 thousand under a signed cession agreement between the Bank and Finance Consulting EAD. Under this agreement cash receivables were transferred with a book value at the amount of BGN 21,429 thousand and carrying amount of BGN 11,331 thousand. The price of the cession amounts to BGN 20,000 thousand. In 2007 income on cession contracts is BGN 1,225 thousand.

27. OPERATING EXPENSES

	Year ended 31.12.2008	Year ended 31.12.2007
Salaries and other personnel costs	26,544	20,904
Administrative and marketing costs	33,555	25,962
Other expenses	11,838	9,104
Depreciation/amortization	7,891	6,204
Materials and repair works	2,609	2,711
TOTAL OPERATING EXPENSES	82,437	64,885

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The increase of the operating expenses is due to the expansion of the Bank's branch network, the offering of new bank services and the increased number of serviced customers.

28. INCREASE OF ALLOWANCES FOR IMPAIRMENT AND UNCOLLECTABILITY

	Loans granted to clients
BALANCE AS OF JANUARY 1, 2007	13,514
Charges for the period	16,527
Released during the period	(7,394)
Disposals	(570)
BALANCE AS OF DECEMBER 31, 2007	22,077
Charges for the period	9,933
Released during the period	(3,038)
Disposals	(17,034)
BALANCE AS OF DECEMBER 31, 2008	11,938

29. TAXES

Tax expenses are presented as follows:

	Year ended 31.12.2008	Year ended 31.12.2007
Current tax expenses	1,330	2,156
Income from deferred taxes, related to the origination and reversal of temporary differences	(13)	(66)
TOTAL TAX EXPENSES	1,317	2,090

Current tax expenses represent the amount of the tax due according to Bulgarian legislation and the applicable tax rates of 10% for 2008 and 2007. Deferred tax income and expenses result from the change in the carrying amount of deferred tax assets and liabilities. The deferred tax assets and liabilities as of December 31, 2007 are calculated based on the tax rate of 10%, effective for 2009 and 2008.

Deferred tax assets are as follows:

	Year ended 31.12.2008	Year ended 31.12.2007
Deferred tax assets:		
Other liabilities (unused annual paid leaves)	163	161
Property, plant and equipment and intangible assets	30	20
DEFERRED TAX ASSET	193	181

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The relationship between tax expense in the income statement and the accounting profit is as follows::

	Year ended 31.12.2008	Year ended 31.12.2007
Profit before taxes	22,961	22,184
Taxes at applicable tax rates: 10% for 2008 and 10% for 2007	2,296	2,218
Tax effect on non-taxable income from transactions with shares on a regulated local exchange, dividends and other	(979)	(128)
TAX EXPENSES	1,317	2,090
EFFECTIVE TAX RATE	5.74	9.42

30. EARNINGS PER SHARE (IN BGN)

	Year ended 31.12.2008	Year ended 31.12.2007
Net profit after tax (in BGN'000)	21,644	20,094
Weighted average number of shares	83,155,092	73,358,808
EARNINGS PER SHARE (IN BGN)	0.26	0.27

The basic earnings per share is determined by dividing the net profit for the period, attributable to ordinary shareholders, by the weighted average number of ordinary shares outstanding during the years ended December 31, 2008 and 2007, respectively.

The weighted average number of shares is calculated as a sum of the number of ordinary shares outstanding at the beginning of the period and the number of ordinary shares issued during the period, multiplied by the time-weighting factor.

The Bank does not have potentially dilutive instruments and diluted earnings per share is the same as basic earnings per share.

31. COMMITMENTS AND CONTINGENCIES

The aggregate amount of outstanding guarantees at the year end is as follows:

	As of 31.12.2008	As of 31.12.2007
Bank guarantees		
In BGN	115,074	57,050
In foreign currency	50,741	48,875
Irrevocable commitments	89,464	88,222
Other outstanding guarantees	356	426
TOTAL OUTSTANDING GUARANTEES	255,635	194,573

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As of December 31, 2008 and 2007 the Bank has signed contracts for granting loans to clients at the total amount of BGN 89,464 thousand and BGN 88,222 thousand, respectively. The future utilization of these amounts depends on the customers' ability to meet certain criteria, including no record of overdue payments on previously granted loans, provision of collateral with suitable quality and liquidity, etc.

32. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	Year ended 31.12.2008	Year ended 31.12.2007
Cash	86,706	74,565
Balances with the Central Bank	216,478	169,484
Placement with, and advances to, banks with residual maturity up to 3 months	39,650	380,675
AS OF DECEMBER 31	342,834	624,724

33. FINANCIAL RISK MANAGEMENT

The risk inherent to the Bank's operations with financial instruments is the possibility that actual proceeds from owned financial instruments could differ from the estimated ones. The peculiarities of banking necessitate adequate systems for timely identification and management of different types of risk as emphasis is put on risk management procedures, mechanisms for maintaining risk in reasonable limits, optimal liquidity and portfolio diversification. The main risk management goal is to present and analyze the types of risk, which the Bank is exposed to, in a convincing and comprehensive manner.

The risk management system has preventive functions for prevention and control of the amount of incurred loss and includes:

- risk management policy
- rules, methods and procedures for assessment and risk management
- risk management organizational structure
- parameters and limits for transactions and operations
- procedures for reporting, assessment, notification and subsequent control of risks

The underlying principles in the Bank's risk management policy are:

- separation of responsibilities between those taking the risk and those managing risk
- the principle of caution, which presumes the consideration of the worst case scenario for each of the risk weighted assets
- the principle of source risk management

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The risk management organizational structure is centralized and structured in terms of competency levels as follows:

- Management Board - determines the acceptable levels of risk for the Bank within the adopted development strategy
- Special collective bodies - approve the Bank's risk management framework and activity parameters
- Executive directors - control the approval process and application of adequate policies and procedures within the frameworks of the risk management strategy, adopted by the Bank
- Heads of structural units within the Bank - implement the adopted risk management policy in the organization of the activities of the respective organizational units

The Bank's exposures in derivative financial instruments are presented at fair value transactions for the purchase and sale of foreign currency, securities, forward contracts and foreign currency swaps on the open market. Most of them represent positions of the Bank's clients for foreign currency sale and purchase transactions and the related transactions on behalf of the Bank. The traded for the Bank's account speculative positions in derivative instruments are less than 10% of the total fair value of the derivative financial instruments, with insignificant amount and the Bank is not exposed to the respective risks inherent to such instruments.

The nature and the essence of the risks, inherent to financial instruments of the Bank are as follows:

Credit risk

Credit risk is the risk that a counterparty will be unable to pay its obligations when due. The Bank has structured its credit risk by setting credit risk limits for maximum exposure to a debtor, a group of related parties, to a geographical region and the respective business sectors. To mitigate credit risk, the respective collaterals and guarantees are required according to the Internal credit rules.

Cash and balances with the Central bank at the amount of BGN 303,184 thousand does not bear credit risk to the Bank due to their nature and the fact that they are at the Bank's disposal.

Placements with, and advances to banks at the amount of BGN 39,650 thousand comprise mostly deposits in first-class international and Bulgarian financial institutions with maturity up to 7 days. Generally, according to the policy of the Bank, these financial assets bear some credit risk as its maximum exposure is 20 % or BGN 7,930 thousand as an absolute amount.

Receivables under repurchase agreements of securities at the amount of BGN 23,033 thousand do not bear credit risk for the Bank due to fact that they are secured by Bulgarian government securities, guaranteed by the Republic of Bulgaria.

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Financial assets held for trading at the amount of BGN 21,719 thousand bear mainly market risk for the Bank which is discussed in the market risk disclosures.

Corporate securities, held for trading at the amount of BGN 6,310 thousand represent shares in financial and non-financial enterprises which bear credit risk exposure of 100% or of BGN 6,310 thousand as an absolute amount.

Debt securities, held for trading and issued by the Republic of Bulgaria, at the amount of BGN 21,342 thousand bear no credit risk for the Bank as they are guaranteed by the Republic of Bulgaria.

Debt securities, held for sale and issued by the European Investment Bank at the amount of BGN 5,085 thousand do not bear credit risk for the Bank due to the fact the European Investment Bank is a first-class bank with acknowledged international rating and reputation.

Debt securities, held for sale and issued by local commercial companies at the amount of BGN 13,213 thousand bear credit risk for the Bank with maximum exposure 100% or BGN 13,213 thousand as an absolute amount.

Debt securities, held to maturity and issued by the Republic of Bulgaria at the amount of BGN 101,598 do not bear credit risk for the Bank due to the fact that they are guaranteed by the Bulgarian State.

The investment in the subsidiary of the Bank, Central Cooperative Bank AD, Skopje, in the Republic of Macedonia amounts to BGN 34,881 thousand and bears a credit risk, the maximum exposure of which is 100% or BGN 34,881 thousand as an absolute amount.

Loans and advances to customers with carrying amount of BGN 991,748 thousand bear credit risk for the Bank. In order to determine the Bank's exposure to this risk, an analysis of each individual risk for the Bank arising from each particular exposure is conducted by applying criteria for risk exposures assessment and classification in compliance with the banking legislation of the Republic of Bulgaria. According to these criteria and the conducted analysis, the maximum exposure to credit risk of the Bank is at the amount of BGN 855,426 thousand. For credit risk mitigation purposes, detailed procedures for analysis of the economic reasonableness of every project, types of collateral acceptable to the Bank, control over lent funds and the respective administration are applied in the lending process. The Bank has set limits for credit exposures by regions and sectors, which are monitored closely. The above limits aim at restricting the credit portfolio concentration in one or another region/sector, which could result in increased credit risk. The Bank has adopted methodology for calculation of allowances for impairment and uncollectability of loans and advances to customers in compliance with the requirements of the banking legislation in the Republic of Bulgaria. As of December 31, 2008 the allocated allowances for impairment loss of loans and advances to customers are at the amount of BGN 11,938 thousand.

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Quality of the credit portfolio

Classification groups as of December 31, 2008:

Debt Group	By granted loans			Unutilized Amount	By provided letters of guarantee		
	Amount	%	Allowances		Amount	%	Allowances
Regular	944,661	95.25	2,968	89,146	165,815	100	-
Watch	32,417	3.27	1,273	156	-	-	-
Irregular	3,962	0.40	1,049	43	-	-	-
Non-performing	10,708	1.08	6,648	119	-	-	-
TOTAL	991,748	100	11,938	89,464	165,815	100	-

Classification groups as of December 31, 2007:

Debt Group	By granted loans			Unutilized Amount	By provided letters of guarantee		
	Amount	%	Allowances		Amount	%	Allowances
Regular	599,823	88.46	2,039	87,048	105,926	100	-
Watch	41,472	6.12	1,750	974	-	-	-
Irregular	4,098	0.60	372	21	-	-	-
Non-performing	32,714	4.82	17,916	178	-	-	-
TOTAL	678,107	100	22,077	88,221	105,926	100	-

The loans granted by the Bank can be summarized in the following table:

Groups	31.12.2008			31.12.2007		
	Loans, granted to non-financial customers		Loans, granted to banks and receivables under repurchase agreements	Loans, granted to non-financial customers		Loans, granted to banks and receivables under repurchase agreements
	BGN '000	%		BGN '000	%	
Neither past due nor impaired	760,512	76.69	15,504	583,656	86.07	16,784
Past due but not impaired	208,600	21.03	-	42,468	6.26	-
Impaired on individual basis	22,636	2.28	-	51,983	7.67	-
Total	991,748	100	15,504	678,107	100	16,784
Allowances for impairment provided	11,938		-	22,077		-
NET LOANS	979,810		15,504	656,030		16,784

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As of December 31, 2008 and 2007 the prevailing part of the loans classified as past due but not impaired consist of loans overdue within 30 days. The Bank considers that such delays are not an indication for impairment of the respective loans.

Loans and advances, which are neither overdue, nor impaired, are presented in the following table:

	As of 31.12.2008	As of 31.12.2007
Individuals		
Credit cards and overdrafts	23,183	37,968
Consumer loans	189,410	121,378
Mortgage loans	92,290	71,275
Corporate clients	455,629	353,035
TOTAL	760,512	583,656

The carrying amount of loans, which are overdue, but have not been impaired is listed below. These loans are not impaired due to the fact that the nature of overdue loans is accidental and the overdue period is within 30 days, which dismisses the necessity of their impairment.

	As of 31.12.2008	As of 31.12.2007
Individuals		
Credit cards and overdrafts	6,013	2,748
Consumer loans	28,862	9,604
Mortgage loans	11,238	5,178
Corporate clients	162,487	24,938
TOTAL	208,600	42,468

The carrying amounts of the loans, which have been provided allowances for on an individual basis as of December 31, 2008 and 2007, is BGN 22,636 thousand and BGN 51,983 thousand. These carrying amounts exclude cash flows from utilization of collaterals under these loans.

2008	Carrying amount before impairment	Carrying amount before impairment	Carrying amount before impairment	Total highly liquid collateral
	Group II	Group III	Group IV	
Credit cards and overdrafts	2,683	334	1,008	-
Consumer loans	1,097	868	2,146	366
Mortgage loans	586	458	113	505
Corporate clients	8,381	1,000	3,962	1,154
TOTAL	12,747	2,660	7,229	2,025

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2007	Carrying amount before impairment	Carrying amount before impairment	Carrying amount before impairment	Total highly liquid collateral
	Group II	Group III	Group IV	
Credit cards and overdrafts	139	58	615	180
Consumer loans	1,077	366	4062	304
Mortgage loans	-	29	866	902
Corporate clients	23,611	293	20,867	15,991
TOTAL	24,827	746	26,410	17,377

The table below presents the net exposure of the ten largest loans and advances to Bank's customers.

Customer	Contractual amount - limit	Net exposure as of 31.12.2008	Customer	Contractual amount - limit	Net exposure as of 31.12.2007
Company 1	37,600	35,000	Company 1	27,382	25,604
Company 2	30,515	30,512	Company 2	19,558	19,646
Company 3	30,000	27,996	Company 3	16,100	15,317
Company 4	27,382	25,582	Company 4	16,827	11,606
Company 5	21,000	20,842	Company 5	10,775	10,687
Company 6	20,558	20,594	Company 6	9,192	9,086
Company 7	24,722	12,354	Company 7	11,102	7,959
Company 8	11,539	11,376	Company 8	13,657	7,822
Company 9	11,038	11,036	Company 9	9,000	7,692
Company 10	11,735	9,995	Company 10	7,750	7,590
TOTAL	226,089	205,287		141,343	123,009

The total amount of the net exposure for 2008 and 2007 is 20.95% and 18.75%, respectively, from the loans and advances of the Bank's customers.

The following table presents the Bank's portfolio by type of collateral:

	2008	2007
Secured by cash and government securities	50,610	13,235
Secured by mortgage	490,878	284,856
Other collaterals	420,970	351,385
No collateral	29,290	28,631
Expenses for provision of allowances for impairment loss	(11,938)	(22,077)
TOTAL	979,810	656,030

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Business segment, classification group and overdues as of December 31, 2008:

Segment	Group	Amount		Including overdue on				
		Number of transactions	Liability	Principal	Interest	Court receivables	Allowances	Unutilized
Retail	regular	106,123	346,989	380	241	-	2,968	33,405
	watch	2,306	7,842	166	82	-	436	140
	irregular	735	2,233	74	43	-	597	33
	non-performing	4,153	3,401	624	159	962	3,015	3,016
Total		113,317	360,465	1,244	525	962	7,016	36,594
Corporate	regular	2,267	593,789	615	439	-	-	52,181
	watch	59	24,575	40	28	-	837	16
	irregular	16	1,728	31	41	-	452	11
	non-performing	91	5,237	113	29	1,171	3,633	31
Total		2,433	625,329	799	537	1,171	4,922	52,239
Budget	regular	6	5,954	-	-	-	-	631
	watch	-	-	-	-	-	-	-
	irregular	-	-	-	-	-	-	-
	non-performing	-	-	-	-	-	-	-
TOTAL		6	5,954	-	-	-	-	631
TOTAL PORTFOLIO		115,756	991,748	2,043	1,062	2,133	11,938	89,464

Business segment, classification group and overdues as of December 31, 2007:

Segment	Group	Amount		Including overdue on				
		Number of transactions	Liability	Principal	Interest	Court receivables	Allowances	Unutilized
Retail	regular	99,649	243,610	362	88	-	2,039	30,859
	watch	1,235	2,397	90	27	-	122	21
	irregular	306	809	45	16	-	225	17
	non-performing	3,743	6,020	513	151	4,001	5,210	153
Total		104,933	252,836	1,010	282	4,001	7,596	31,050
Corporate	regular	1,926	353,614	3,208	85	-	-	56,189
	watch	31	39,075	49	63	-	1,628	953
	irregular	14	3,289	143	76	-	147	4
	non-performing	80	26,694	6,823	1,724	599	12,706	25
Total		2,051	422,672	10,223	1,948	599	14,481	57,171
Budget	regular	1	2,599	-	-	-	-	-
	watch	-	-	-	-	-	-	-
	irregular	-	-	-	-	-	-	-
	non-performing	-	-	-	-	-	-	-
TOTAL		1	2,599	-	-	-	-	-
TOTAL PORTFOLIO		106,985	678,107	11,233	2,230	4,600	22,077	88,221

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Liquidity risk

Liquidity risk arises from the mismatch of the assets' and liabilities' maturity and the lack of sufficient funds the Bank to meet its obligations on its current financial liabilities, as well as to provide funding for the increase in financial assets and the potential claims on off-balance sheet commitments.

Adequate liquidity is achieved if the Bank is able to provide enough funds for the above purposes by increasing liabilities and transforming assets as soon as possible and at relatively low costs through potential sale of liquid assets or attraction of additional funds from cash, capital or currency markets. The preventive function in the liquidity risk management comprises maintaining of reasonable level of liquidity to avoid potential loss at unexpected sale of assets.

The Bank observes its responsibilities and limitations resulting from the Law on Credit Institutions and Ordinance No. 11 of the Bulgarian National Bank on liquidity management and supervision of banks. The special collective body for liquidity management in the Bank is the Assets and Liabilities Management Committee. It applies the Bank's policy on liquidity risk management.

Quantity measure of the liquidity risk according to the BNB regulations is the liquid assets coefficient being the ratio between the liquid assets (cash in hand and at accounts with the Central bank, unencumbered government securities of the Republic of Bulgaria, deposits at financial institutions with maturity up to 7 days) and the attracted funds by the Bank.

Traditionally, the Bank maintains high volume of liquid assets - cash in hand and at BNB, which guarantees it to meet easily its liquid needs. As of December 31, 2008 their share is over 18% of the Bank's total assets. As further instrument to provide high liquidity, the Bank use placements with and advances to financial institutions. These comprise mostly deposits in first-class international and Bulgarian financial institutions with maturity within 7 days. As of December 31, 2008 such deposits represent more than 2% of the total assets. The government securities of the Republic of Bulgaria owned and not pledged by the Bank comprise over 3% of its assets. By maintaining above 23% of its assets in highly liquid assets the Bank is able to meet all payments on matured financial assets.

The allocation of the Bank's financial assets and liabilities as of December 31, 2008 according to their time remaining to maturity is as follows:

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
FINANCIAL LIABILITIES						
Deposits from banks	6,799	-	-	-	-	6,799
Loans from banks	-	-	-	-	10,003	10,003
Liabilities under repurchase agreements	15,504	-	-	-	-	15,504
Liabilities to other depositors	535,249	127,299	294,242	428,153	15	1,384,958
Other attracted funds	494	230	1,643	1,753	-	4,120
Other liabilities	14,220	-	-	-	-	14,220
TOTAL FINANCIAL LIABILITIES	572,266	127,529	295,885	429,906	10,018	1,435,604

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The financial liabilities of the Bank are mainly formed by attracted funds from other depositors - retail and corporate depositors. Most of them - 40%) are with residual term within one month. Traditionally, in the Republic of Bulgaria the customers prefer to sign a deposit agreement with one month term and its renegotiation for prolonged period of time. On account of this the one month deposits are practically a long-term and relatively permanent resource for the Bank.

The allocation of the Bank's financial assets and liabilities as of December 31, 2007 according to their time remaining to maturity is as follows:

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
FINANCIAL LIABILITIES						
Deposits from banks	373	-	-	-	-	373
Loans from banks	517,905	130,832	236,746	441,737	19	1,327,239
Liabilities under repurchase agreements	406	244	2,636	3,767	-	7,053
Liabilities to other depositors	6,863	-	-	-	-	6,863
Other attracted funds	14,007	-	-	-	-	14,007
Other liabilities	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES	539,554	131,076	239,382	445,504	19	1,355,535

Market risk

Market risk is the risk, at which it is possible that the changes in the market prices of the financial assets, the interest rates or the currency rates have an unfavorable effect on the result of the Bank activity. Market risk arises on opened exposures on interest, currency and capital products, as all of them are sensitive to general and specific market movements. Exposure to market risk is managed by the Bank in accordance with risk limits, stipulated by management.

Interest rate risk

Interest rate risk is the possibility of potential fluctuation of the net interest income or the net interest rate margin, due to changes in the general market interest rates. The Bank manages its interest rate risk through minimizing the risk of decrease of the net interest income in result of changes in the interest rates.

For measurement and evaluation the interest rate risk the Bank applies the method of the GAP analysis (gap analysis / disbalance). By this analysis the sensitivity of the expected income and expenses toward the interest rate development is identified. The method of the GAP analysis aims to determine the Bank position, in total and separately by financial assets and liabilities types, regarding expected changes in interest rates and the influence of this change on the net interest income. It helps the management of the assets and liabilities and is an instrument for provision of enough and stable net interest rate profitability.

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The gap of the Bank between the interest-bearing assets and liabilities as of December 31, 2008 is negative amounting to BGN 227,906 thousand. GAP coefficient, as a sign of this disbalance, compared to the total earning assets of the Bank (interest-bearing assets and equity instruments) is minus 18.28%.

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS						
Placements with and advances to banks	39,650	-	-	-	-	39,650
Receivables under repurchase agreements	17,058	5,975	-	-	-	23,033
Financial assets held for trading	-	-	331	9,285	132	9,748
Loans and advances to customers, net	47,765	38,259	177,253	504,130	212,403	979,810
Financial assets available for sale	1,322	-	5,085	28,985	4,247	39,639
Financial assets held to maturity	988	10,767	3,769	83,956	2,118	101,598
TOTAL INTEREST-BEARING ASSETS	106,783	55,001	186,438	626,356	218,900	1,193,478
INTEREST-BEARING LIABILITIES						
Deposits from banks	6,799	-	-	-	-	6,799
Loans from banks	-	-	-	-	10,003	10,003
Liabilities under repurchase agreements	15,504	-	-	-	-	15,504
Liabilities to other depositors	535,249	127,299	294,242	428,153	15	1,384,958
Other attracted funds	494	230	1,643	1,753	-	4,120
TOTAL INTEREST-BEARING LIABILITIES	558,046	127,529	295,885	429,906	10,018	1,421,384
NET INTEREST-BEARING ASSETS AND LAIBILITIES GAP	(451,263)	(72,528)	(109,447)	196,450	208,882	(227,906)

The maintenance of negative gap exposes the Bank to risk of decrease of the net interest income when interest rates increase. The influence of the gap, reported as of December 31, 2008, on the net interest income, with forecast for 1% (2007: 0.5%) increase in interest rates in a period of one year is decrease of the net interest rate with BGN 417 thousand (2007: BGN 81 thousand).

The gap of the Bank between the interest-bearing assets and liabilities as of December 31, 2007 is negative amounting to BGN 135,672 thousand. GAP coefficient, as a sign of this disbalance, compared to the total earning assets of the Bank (interest-bearing assets and equity instruments) is (11.34%).

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	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS						
Placements with, and advances to, banks	352,315	28,360	4,890	-	-	385,565
Trading securities	810	496	-	4,892	343	6,541
Receivables under repurchase agreements	10,532	6,252	-	-	-	16,784
Loans and advances to customers, net	25,401	36,793	127,446	334,521	131,869	656,030
Financial assets available for sale	0	16,213	5,703	33,470	8,236	63,622
Financial assets held to maturity	668	-	-	38,862	44,928	84,458
TOTAL INTEREST-BEARING ASSETS	389,726	88,114	138,039	411,745	185,376	1,213,000
INTEREST-BEARING LIABILITIES						
Deposits from banks	373	-	-	-	-	373
Amounts owed to other depositors	517,905	130,832	236,746	441,737	19	1,327,239
Other attracted funds	406	244	2,636	3,767	-	7,053
Liabilities under repurchase agreements	14,007	-	-	-	-	14,007
TOTAL INTEREST-BEARING LIABILITIES	532,691	131,076	239,382	445,504	19	1,348,672
NET INTEREST-BEARING ASSETS AND LIABILITIES GAP	(142,965)	(42,962)	(101,343)	(33,759)	185,357	(135,672)

Foreign currency risk

Foreign currency risk is the risk for the Bank to realize loss as a result of fluctuations in the foreign exchange rates.

In the Republic of Bulgaria the rate of the Bulgarian lev to the Euro is fixed by the Currency Board Act. The Bank's long position in EUR does not bear risk for the Bank. The net currency position as of December 31, 2008 in financial instruments, denominated in other currencies, different from BGN or EUR is under 2% of the financial assets and does not bear a significant currency risk for the Bank.

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The currency structure of the financial assets and liabilities by carrying amount as of December 31, 2008 is as follows:

	BGN	EURO	USD	Other	Total
FINANCIAL ASSETS					
Placements with, and advances to, banks	4,019	15,583	17,478	2,570	39,650
Receivables under repurchase agreements	23,033	-	-	-	23,033
Trading securities	2,946	8,065	9,654	1,054	21,719
Loans and advances to customers, net	672,640	272,992	34,167	11	979,810
Financial assets available for sale	28,490	13,246	4,291	-	46,027
Financial assets held to maturity	46,252	55,346	-	-	101,598
Investments in subsidiaries	-	34,881	-	-	34,881
TOTAL ASSETS	777,380	400,113	65,590	3,635	1,246,718
FINANCIAL LIABILITIES					
Deposits from banks	4,072	2,720	6	1	6,799
Loans from banks	10,003	-	-	-	10,003
liabilities under repurchase agreements	15,504	-	-	-	15,504
Amounts owned to other depositors	781,163	513,460	86,307	4,028	1,384,958
Other attracted funds	4,120	-	-	-	4,120
TOTAL LIABILITIES	814,862	516,180	86,313	4,029	1,421,384
NET POSITION	(37,482)	(116,067)	(20,723)	(394)	(174,666)

The currency structure of the financial assets and liabilities by carrying amount as of December 31, 2007 is as follows:

	BGN	EURO	USD	Other	Total
FINANCIAL ASSETS					
Placements with, and advances to, banks	25,811	296,298	59,804	3,652	385,565
Receivables under repurchase agreements	16,784	-	-	-	16,784
Trading securities	34,979	-	525	578	36,082
Loans and advances to customers, net	470,193	162,901	22,935	1	656,030
Financial assets available for sale	51,758	29,630	42	-	81,430
Financial assets held to maturity	39,530	44,928	-	-	84,458
TOTAL ASSETS	639,055	533,757	83,306	4,231	1,260,349
FINANCIAL LIABILITIES					
Deposits from banks	39	334	-	-	373
liabilities under repurchase agreements	793,228	445,273	85,698	3,040	1,327,239
Amounts owned to other depositors	7,038	-	-	15	7,053
Other attracted funds	14,007	-	-	-	14,007
TOTAL LIABILITIES	814,312	445,607	85,698	3,055	1,348,672
NET POSITION	(175,257)	88,150	(2,392)	1,176	(88,323)

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Price risk

Price risk is related to changes in market prices of the financial assets and liabilities, for which the Bank can suffer a loss. The main threat for the Bank is the decrease of the market prices of its equity instruments for trading to lead to slump of the net profit. The Bank does not own material exposures in derivate instruments, based on equity instruments or indexes and therefore the carrying amount of the equity instruments from the portfolio of securities for trading - BGN 976 thousand is exposed to risk (2007: BGN 29,541 thousand).

34. RELATED PARTIES TRANSACTIONS

The Bank has conducted a number of transactions with related parties as it has granted loans, issued guarantees, drawn in cash, realized repo deals and others. All deals are completed at common trade conditions, in the course of activity of the Bank and do not differ from the market conditions, as loans are granted and guarantees are issued only in the presence of sufficient collateral.

As of December 31, 2008 and 2007 balances with related parties are as follows:

Related party balances	As of 31.12.2008	As of 31.12.2007
PARENT COMPANY		
Loans granted	-	47
Deposits received	7	5,585
COMPANIES UNDER COMMON CONTROL		
Loans granted	89,515	35,549
Guarantees issued	27,599	10,931
Receivable under repurchase agreement	11,680	6,778
Acquired shares and bonds	124	11,129
Other receivables	112	112
Deposits received	62,805	36,358
SUBSIDIARIES		
Deposits granted	84	-
Deposits received	2,586	-
KEY MANAGEMENT PERSONNEL OF THE BANK OR ITS SHAREHOLDER		
Loans granted	5,747	2,710
Deposits received	507	538

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Income and expenses realized by the Bank in 2008 and 2007 from transactions with related parties are as follows:

Related party transactions	Transactions in 2008	Transactions in 2007
PARENT COMPANY		
Interest income	1	1
Income from fees and commissions	1	39
Interest expense	(1)	(2)
COMPANIES UNDER COMMON CONTROL		
Interest income	4,358	1,392
Income from fees and commissions	1,807	1,355
Income from services	289	113
Interest expense	(498)	(616)
Expenses for services	(5,140)	(3,236)
Subsidiaries		
Interest expense	(56)	-
KEY MANAGEMENT PERSONNEL OF THE BANK OR ITS SHAREHOLDER		
Interest income	17	-
Income from fees and commissions	2	2
Interest expense	(18)	(15)

The remunerations of the members of the Supervisory Board paid in 2008 are BGN 70 thousand as total amount (2007: BGN 45 thousand). The remunerations of the members of the Management Board paid in 2008 are BGN 497 thousand as total amount (2007: BGN 363 thousand).

35. POST BALANCE SHEET EVENTS

No events that may have significant influence on the Bank's future development have occurred after the date of preparation of the annual separate financial statements for 2008.

