CENTRAL COOPERATIVE BANK AD

ANNUAL SEPARATE REPORT
ON THE ACTIVITIES,
INDEPENDENT AUDITOR'S REPORT,
AND SEPARATE FINANCIAL STATEMENTS

December 31, 2011

(This document is a translation of the original Bulgarian text,
in case of divergence the Bulgarian original shall prevail)

ANNUAL SEPARATE REPORT
ON THE ACTIVITIES FOR 2011

Annual Management Report
of Central Cooperative Bank /CCB/ Plc for 2011
on an individual basis

Contents:

Information:

Point 1:

CCB Plc is a company, registered under Decree № 56 with a resolution of the Sofia City Court (SCC) dated 28.03.1991 as "Central Cooperative Bank" OOD, reorganized into a joint-stock company with a decision of the Sofia City Court dated 15.10.1992.

The bank was registered in the Register of Companies under № 334, volume 4, page 11 under case file № 5227/1991 of the Sofia City Court, BULSTAT 831447150 U, VAT № BG831447150 with decision dated 28.03.1991.

CCB Plc was established for an indefinite term. The head-office of CCB Plc is Sofia, the address of administration: Sofia, 103 G.S.Rakovski str., Tel: 9266 266, e-mail: office@ccbank.bg, (web-site): www.ccbank.bg

Since 04.03.1999 CCB Plc has the statute of a public company, the shares of which are traded on the "Bulgarian Stock Exchange – Sofia" AD /BSE/.

PRESENCE IN BANKING SECTOR

In terms of total assets CCB Plc is on the 10th place in the classification of BNB for the Banking system as at 31.12.2011.

Ranking of the banks according to total assets as at 31.12.2011 /in thousand BGN /

№	Banks	2010	2011	Change in % 2011/2010	Change in absolute value 2011/2010	Position as at 2010
1	UNICREDIT BULBANK	11,275,640	11,906,377	5.59%	630,737	1
2	DSK BANK	8,563,281	8,559,030	-0.05%	-4,251	2
3	UNITED BULGARIAN BANK	7,460,917	6,715,464	-9.99%	-745,453	3
4	RAIFFEISENBANK (BULGARIA)	6,562,135	6,448,320	-1.73%	-113,815	4
5	FIRST INVESTMENT BANK	4,943,973	6,101,669	23.42%	1,157,696	6
6	EUROBANK EFG BULGARIA	6,309,255	5,998,483	-4.93%	-310,772	5
7	CORPORATE COMMERCIAL BANK	2,699,427	4,043,060	49.77%	1,343,633	9
8	SOCIETE GENERALE EXPRESSBANK	2,922,076	3,288,653	12.55%	366,577	7
9	PIRAEUS BANK BULGARIA	4,077,093	3,209,747	-21.27%	-867,346	8
10	**CENTRAL COOPERATIVE BANK**	**2,284,980**	**3,003,212**	**31.43%**	**718,232**	**10**
11	CIBANK	1,871,359	2,026,398	8.28%	155,039	12
12	BULGARIAN DEVELOPMENT BANK	1,377,256	1,875,353	36.17%	498,097	15
13	ALLIANZ BANK BULGARIA	1,645,224	1,745,646	6.10%	100,422	14
14	ALPHA BANK - SOFIA branch	2,020,205	1,741,936	-13.77%	-278,269	11
15	CB MKB UNIONBANK	1,732,611	1,711,710	-1.21%	-20,901	13
16	PROCREDIT BANK (BULGARIA)	1,154,785	1,259,049	9.03%	104,264	17
17	CB INVESTBANK	1,201,978	1,253,657	4.30%	51,679	16
18	MUNICIPAL BANK	997,102	954,468	-4.28%	-42,634	18
19	BULGARIAN – AMERICAN CREDIT BANK	737,633	749,433	1.60%	11,800	19
20	INTERNATIONAL ASSET BANK	622,564	716,712	15.12%	94,148	20
21	ING BANK N.V.-SOFIA branch	516,072	642,601	24.52%	126,529	22
22	D COMMERCE BANK	479,452	623,393	30.02%	143,941	25
23	EMPORIKI BANK – BULGARIA	559,100	556,574	-0.45%	-2,526	21
24	CITY BANK N.A.- SOFIA branch	495,589	551,854	11.35%	56,265	23
25	BNP PARIBAS S.A.- SOFIA branch	480,767	484,612	0.80%	3,845	24
26	TOKUDA BANK	412,275	414,104	0.44%	1,829	26
27	PEB TEXIM	79,126	97,852	23.67%	18,726	28
28	TBI BANK	197,747	74,663	-62.24%	-123,084	27
29	T.C. ZIRAAT BANKASI - SOFIA branch	41,916	49,883	19.01%	7,967	29
30	REGIONAL INVESTEMNT BANK – BULGARIA BRANCH	4,055	5,371	32.45%	1,316	30
31	ISBANK GMBH - SOFIA branch	0	1,756		1,756	-
	BANKING SYSTEM	**73,725,593**	**76,811,182**	**4.19%**	**3,085,589**	

Source: BNB

ASSETS

On 31.12.2011 the book value of the assets of CCB Plc is BGN 3,003,212 thousand. Compared to the same period of last year the book assets increase by BGN 718,232 thousand or 31.43%.

Structure of the assets

The cash and balances with BNB are 15.32% of total assets as at 31.12.2011, compared to 21.30% a year earlier. The funds with banks, correspondent accounts and short-term deposits have a weight of 13.99% of total assets, compared to 3.58% a year earlier. 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 16.02% of the assets, compared to 14.00% for 2010. As at 31.12.2011 the amount of the loans and advances is 47.39% of the assets. In 2010 the amount of the loans and advances is 52.26% of the total assets.
According to the type of currency, the granted gross loans and advances to customers as at 31.12.2011 are: 53.75% in BGN, and 46.25% are in foreign currency; according to the type of the client: 81.63% are loans to companies, and 18.37% are loans to individuals.
The quality of the loan portfolio is very good – the regular exposures have a share of 92.84%, and the non-performing exposures have a share of 1.90%.
The non-current assets have a share of 1.99% of total assets.

LIABILITIES

As at 31.12.2011 the total liabilities of CCB Plc are BGN 2,670,431 thousand. They are approximately 88.92% of total liabilities. The increase for the year is 32.79%.

Structure of the liabilities

The Bank maintains a stable structure of the attracted funds, which does not make it dependent on foreign financing.
The main source of attracted funds for CCB Plc are the funds attracted from individuals, companies and other depositors, at the amount of BGN 2,576,830 thousand at the end of 2011. Their share in the total liabilities of the Bank is 96.49%. The funds attracted from financial institutions in the form of deposits, loans and repo deals are 3.10% of the total liabilities.
The shareholders' equity of the Bank is at the amount of BGN 332,781 thousand.
The increase in shareholders' equity compared to 2010 is by 21.46% and is the result of an increase in share capital, as well as due to the accumulated during the year profit and reserves.

FINANCIAL REVIEW

As at 31.12.2011 the audited financial result of CCB Plc is a net profit to the amount of BGN 12,624 thousand. In 2010 the Bank realized an audited net profit at the amount of BGN 22,386 thousand.
The net interest income for 2011 amounts to BGN 53,065 thousand, compared to BGN 68,782 thousand for 2010. The net fees and commission income, realized by the Bank in 2011, reached BGN 24,854 thousand, compared to BGN 24,800 thousand a year earlier.
The operating expenses for 2011 increase by 4.97 % compared to their amount at the end of 2010 and have reached BGN 92,852 thousand. The staff expenses are 31.71 % of these expenses and retain their share from a year earlier. The administrative and other expenses of the Bank reach BGN 51,977 thousand, compared to BGN 48,412 thousand a year earlier.

MAIN RISKS

The risk is associated with the possibility that the actual income from a given investment differs from the expected income. The specifics of banking necessitate the application of adequate systems for timely identification and management of different types of risk. Of special significance are the risk management procedures, the mechanisms for maintaining risk in acceptable limits, via an evaluation of the external and internal environment, the optimum liquidity, the portfolio diversification and the profitability of operations. In its risk management activity CCB Plc applies Basel II with the principally new requirements for managing credit risk and the capital coverage of operational risk.

Credit risk – is the probability of a loss, due to the impossibility of the counterparty to perform on time or not to perform at all its obligations. The Bank manages the credit risk, characteristic of the banking and the commercial portfolio. The Bank applies individual credit policies regard to the distinct business segments.

For the limitation of credit risk of the Bank there is a system of limits according to classes of exposures, business sectors, geographic regions, client profile and groups of clients, bearing general risk. The limits determine the risk appetite and the risk tolerance to credit risk and the planned allocation of the capital, necessary for the risk coverage.
For the reduction of credit risk collateral and guarantees are accepted, appropriate in type and value, according to the Internal rules, the applied approach for the calculation of the capital requirements and the effective banking legislation.

Every month the Bank performs an evaluation of the risk exposure, arising from the loan portfolio, classifying and making provisions for the loans in the portfolio according to the requirements of Ordinance № 9 of the Bulgarian National Bank /BNB /. The big loan exposures according to Ordinance № 7 of BNB are subject to constant supervision and reporting.

Liquidity risk - the probability of difficulties in payments due to a time mismatch between the incoming and outgoing cash flows. The Bank manages its assets and liabilities in a manner, which ensures that it may perform its daily obligations regularly and without any delay, in the normal bank environment and in times of crisis.

Market risk - the probability of the occurrence of a loss for the Bank as a result of the unfavorable change in foreign exchange rates, market prices and interest rates.

Operational risk - the probability of direct or indirect losses as a result of the inadequate functioning or an interruption in internal processes, systems and personnel of the Bank.

Risk management at CCB Plc is subjected to the principle of centralization and has been structured according to the competence levels as follows:

1. Management Board – determines the acceptable levels of risk of the Bank within the adopted strategy for development.
2. Specialized collective authorities – affirm the limits and parameters of the Bank's activity concerning risk management:
   - Committee for managing assets and liabilities;
   - Credit Council;

- Committee for Supervision, Evaluation, Classification and Reclassification of the Risk Exposures (CSECRRE).

3. The Executive Directors and Procurator – control the process of approving and applying adequate policies and procedures within the strategy for risk management, adopted by the Bank;

4. Risk Management Division – carries out in an operative manner the activity associated with measuring, monitoring, management and control of the risks.

INDICATORS OF RISK, SOLVENCY AND PROFITABILITY as at **31.12.2011**

- Regular exposures (Ordinance № 9 of BNB) – 92.84%;
- Non-performing exposures (Ordinance № 9 of BNB) – 1.90%;
- Coefficient of liquid assets (Ordinance N 11 of BNB) – 38.02%;
- Share capital - BGN 113,154 thousand

CREDIT RATING

In January 2012 the Bulgarian Credit Rating Agency confirmed the rating, awarded in 2010 to Central Cooperative Bank Plc, whereas **the outlook was changed from stable to positive**.

The Bank has a credit rating as specified below:
Long-term credit ratings: **BBB**
Outlook: **positive**
Short-term rating: **A-2**

Point 2:

After the date of preparation of the annual individual financial statements for 2011, no events have occurred, which have a significant impact on the future development of the Bank.

Point 3:

In 2012 CCB Plc will continue to follow its development plan. The main emphasis will be the offering of bank services to the population – consumer and mortgage loans, bank cards and the associated services, e-banking and payment services. At the same time, the Bank will develop bank services to corporate clients and SMEs and the relevant programs for utilization of funds from the EU structural funds.

Point 4:
CCB Plc does not deploy research and development.

Point 5:

In 2011 CCB Plc has not acquired and/or transferred own shares. As at 31.12.2011, CCB Plc has 11 own shares at a nominal value of BGN 1 each, which is 0,0000097 % of the capital of the Bank.

The remuneration paid in 2011, to the members of the Supervisory Board /SB/ is to the amount of BGN 120,000.

The remuneration, paid in 2011, to the member of the Management Board /MB/, is to the amount of BGN 266,930.

As at 31.12.2011, Sava Marinov Stoynov, Executive Director and a member of the Management Board of CCB Plc has 3,436 shares, which is 0,003% of the capital of the Bank.

The members of the Boards of CCB Plc do not have additional rights for the acquisition of shares and/or bonds of the Bank.

In 2011 there are no concluded contracts between CCB Plc and the members of its boards or persons, related to them, which go beyond the ordinary activity of the Bank or considerably deviate from the market conditions.

Information about the members of the management and control authorities as at 31.12.2011:

Ivo Kamenov Georgiev– Chairman of the Supervisory Board of Central Cooperative Bank Plc
He participates in the management of other commercial companies or cooperatives as a procurator, a manager or a board member: Member of the MB and Executive Director of: Chimimport" AD, UIC 000627519 – Sofia; member of the MB of: "CCB Group " EAD, UIC 121749139 – Sofia, member of the BD and Executive Director of: "Chimimport Invest" AD, UIC 831541734 – Sofia, member of the BD and Executive Director "Ariel TV" AD, UIC 103273788 – Varna, member of the BD of: "Loviko Suhindol Group" AD, UIC 130629128; member of the BD of "Varna – Plod" AD, UIC 103106697 –Varna; member of the BD of "Chimimport group " EAD, UIC 131568888– Sofia; member of the BD of "Bulgarian Airways Group" EAD, UIC 131085074– Sofia; member of the BD of "Investment Group" AD, UIC 124613710– Dobrich; manager of "Invest Capital Consult " EOOD, UIC 103050543; manager and partner in "Tortuga" OOD, UIC 103536374 – Varna; manager and partner in "TIM Club" OOD, UIC 103045368 – Varna; manager and partner in "Varna Consulting Company" OOD, UIC 103060548 – Varna.

He owns directly more than 25 % of the capital of other commercial companies, as follows: "Varna Consulting Company" OOD, UIC 103060548 – Varna; "TIM Club" OOD, UIC 103045368 - Varna; "Tortuga" OOD, UIC 103536374 – Varna, "Ariel TV" AD, 103273788.

Marin Velikov Mitev – Member of the Supervisory Board of Central Cooperative Bank Plc.

He participates in the management of other commercial companies or cooperatives as a procurator, a manager or a board member: "CCB Group" EAD, UIC 121749139 - Sofia. Member of the MB and Executive Director of: "Chimimport" AD, UIC 000627519– Sofia. Member of the BD and Executive Director of: "Chimimport invest" AD, UIC 831541734 – Sofia; "Sports complex Varna" AD, UIC 103941472 – Varna; "Gulf Shabla" AD, UIC 124712625 – Shabla. Member of the BD: "Varna plod" AD, UIC 103106697- Varna; "Investment group" AD, UIC 124613710 – Dobrich; "Ahilea" EAD, UIC 124609740 – Dobrich. Manager of: "Global Project Management" EOOD, UIC 175463433 – Varna; "Tortuga" OOD, UIC 103536374 – Varna; "Invest Capital Consult" EOOD, UIC 103050543 – Varna; "Alley" OOD, UIC 103624905 – Varna; "Varna Consulting Company" OOD, UIC 103060548 – Varna; "I M G" EOOD, UIC 103131753 – Varna; "TIM Club" OOD, UIC

103045368 – Varna, "Graffiti Gallery" EOOD UIC 103812011, "Dic Dic" EOOD, UIC 103101087– Varna, ET "Marin Mitev – Project Management", UIC 103320073.

He owns directly more than 25 % of the capital of other commercial companies, as follows: "Varna Consulting Company" OOD, UIC 103060548 – Varna; "Alley" OOD, UIC 103624905 – Varna; "TIM Club" OOD, UIC 103045368- Varna; "Tortuga" OOD, UIC 103536374 – Varna; "Dic Dic" EOOD, UIC 103101087– Varna, ET "Marin Mitev – Project Management", UIC 103320073.

Central Cooperative Union, UIC 000696497, Member of the Supervisory Board of Central Cooperative Bank Plc.
It owns directly more than 25 % of the capital of other commercial companies, as follows: "Bilkocoop" EOOD, UIC 175120000 – Sofia; "Bulgarcoop" EOOD, UIC 000627914 – Sofia; "Bulgarcoop–import – export" EOOD, UIC 131205196 – Sofia; "Bulminvex GB" EOOD, UIC 000622340 – Sofia; "Bulgarska guba" EOOD, UIC 115637954 /in insolvency/ - the village of Zlati trap; "Intellect coop" EOOD, UIC 160064204 – Plovdiv; "Cooptourist" EOOD, UIC 831506231 – Sofia; "Cooptourist – Kiten" EOOD, UIC 102815549 – the village of Kiten; "Cooptourist – Strandja" EOOD, UIC 103768668 - Varna; "Nectarcoop" EOOD, UIC 175122186 – Sofia; "Promcoop" EOOD, UIC 121292605 /in liquidation/ – Sofia; SBR "Zdrave" EAD, UIC 130523915 – Bankia; "Relax – coop" EOOD, UIC 200588961 – the village of Voneshta voda; "Melsa coop" EOOD, UIC 200728388 – Necebar; "Coop-commerce and tourism" AD, 121837308 – Sofia; "Holding Cooperative Business" AD, UIC 121811740 – Sofia; "National Cooperative Investment Fund" AD, UIC 831286504 – Sofia; "Coop – Zlaten klas" OOD, UIC 116579048 – Kubrat; "Granarycoop " OOD, UIC 104688774 – Pavlikeni; "Krasen – coop" AD, UIC 121238027 – Sofia; "Galus – impex" AD, UIC 117017044 /in insolvency/ - Ruse; "Sovbulcoop" AD, case file № 6649/1990 of SCC - Sofia; "Varna packing house" AD, UIC 124099892 – Sofia; "Coopmedia" OOD, UIC 175285977 – Sofia.

It participates in the management of other commercial companies or cooperatives as a procurator, a manager or a board member: Member of the Board of Directors of "Holding Coop-South" AD, UIC 121659072. Member of the Supervisory Board of Central Cooperative Bank Plc, UIC 831447150.

Prof. Dr. Aleksander Assenov Vodenicharov – Chairman of the Management Board of Central Cooperative Bank Plc
He does not own directly more than 25 % of the capital of other commercial companies.

He does not participate in the management of other commercial companies or cooperatives as a procurator, a manager or a board member.

Tsvetan Tsankov Botev – deputy chairman of the Management Board of Central Cooperative Bank Plc.
He does not own directly more than 25 % of the capital of other commercial companies.
He participates in the management of other commercial companies or cooperatives as a procurator, a manager or a board member: Member of SB of "Assenova Krepost " OOD, UIC 115012041 – Sofia, Assenovgrad. Member of the Management Board of: "Chimimport" AD, UIC 000627519 – Sofia. Member of the BD and Executive Director of: "Chimimport Pharma" AD, UIC 131181471 – Sofia. Member of the Board of Directors of: "Chimimport Group " EAD, UIC 131568888 – Sofia. Manager of: "Bulchimtrade" OOD, UIC 200477808 –

Sofia; "Dialysis Bulgaria" OOD, UIC 131084129 – Sofia; Procurator of: "Dialysis Sofia 1" OOD, UIC 131180953 – Sofia.

Sava Marinov Stoynov – Executive Director and member of the Management Board of Central Cooperative Bank Plc.
He does not own directly more than 25 % of the capital of other commercial companies.

He participates in the management of other commercial companies or cooperatives as a procurator, a manager or a board member: Member of the MB and Executive Director of: "CCB Sila" pension fund AD, UIC 825240908 – Sofia. Member of the BD and Executive Director of "CCB Assets Management" EAD, UIC 175225001 – Sofia. Member of the BD of "Plovdiv Commodity Exchange" AD, UIC 115223519 – Plovdiv.

George Dimitrov Konstantinov – Executive Director and member of the Management Board of Central Cooperative Bank Plc.
He does not own directly more than 25 % of the capital of other commercial companies.

He participates in the management of other commercial companies or cooperatives as a procurator, a manager or a board member: Member of SB of CCB Plc, Skopie – Macedonia. Member of the BD and Executive Director of "CCB Assets Management" AD, UIC 175225001 – Sofia. Member of the BD of "Borica – Bankservice" AD.

Ivaylo Lazarov Donchev – Executive Director and member of the Management Board of Central Cooperative Bank Plc.

He does not own directly more than 25 % of the capital of other commercial companies.
He participates in the management of other commercial companies or cooperatives as a procurator, a manager or a board member: Member of the BD of ZAO AKB "Tatinvestbank", INN 1653005038, Russian Federation, the Republic of Tatarstan, the city of Kazan. Member of the MB of Public Fund "Youth", UIC 000069926

Aleksander Dimitrov Kerezov – Member of the Management Board of Central Cooperative Bank Plc
He owns directly more than 25 % of the capital of other commercial companies, as follows:SK "HGH Consult" OOD, UIC 130452457.

He participates in the management of other commercial companies or cooperatives as a procurator, a manager or a board member: Member of SB: of "CCB – Sila" pension fund JSC, UIC 825240908 – Sofia. Member of the MB of: "Chimimport" AD, UIC 000627519 – Sofia; "Armeec" insurance company JSC, UIC 121076907 – Sofia; "Bulgarian River Shipping" AD, UIC 827183719 – Ruse; "CCB Group" EAD, UIC 121749139 – Sofia. Member of the BD of: "Chimimport Group" EAD, UIC 131568888 –Sofia; "Bulgarian Aviation Group" EAD, UIC 131085074 –Sofia; Manager in SK "HGH Consult" OOD, UIC 130452457 – Sofia.

Prof. Dr. Biser Yordanov Slavkov – Member of the Management Board of Central Cooperative Bank Plc
He owns directly more than 25 % of the capital of other commercial companies, as follows: "Slavkov – audit" EOOD, UIC 175295665 – Sofia, ET "Bisser – Bisser Slavkov", UIC 121535936.

He participates in the management of other commercial companies or cooperatives as a procurator, a manager or a board member: Member of the MB of “Central Cooperative Union”,UIC 000696497 – Sofia. Member of the BD and Executive Director of: Holding “Cooperative Business” AD, UIC 121811740 – Sofia. Member of the BD of: “Coca Cola – Hellenic Bottling Company Bulgaria” AD, UIC 131032463 – Sofia. Manager of: “Slavkov-audit” EOOD, UIC 175295665 – Sofia, Member of the MB of the Institute of Certified Public Accountants, Audit Committee of “Rila Gas” AD, ET “Biser – Biser Slavkov”;

Tsvetanka Donkova Krumova – Member of the Management Board of Central Cooperative Bank Plc

She does not own directly more than 25 % of the capital of other commercial companies.

She participates in the management of other commercial companies or cooperatives as a procurator, a manager or a board member: Member of the MB and Executive Director of “Armeec“ insurance company JSC, UIC 121076907; Member of the MB of “CCB SILA“ pension fund JSC, UIC825240908; Member of the BD of ZAO AKB “Tatinvestbank”, INN 1653005038, Russian Federation, Republic of Tatarstan, the town of Kazan; Member of the BD of OAO SK “Itil”, INN 1656000493, Russian Federation, Republic of Tatarstan, the town of Kazan;

We are not aware of any contracts, concluded between CCB Plc and members of its boards or any related parties, which go beyond the ordinary activity of the Bank or significantly deviate from the market conditions.

In 2012 a Program for training and development of staff within CCB Plc was adopted, which is evaluated at BGN 200 000.

Point 6:

As at 31.12.2011 the activities of the Bank are performed via a head-office in Sofia, Bulgaria, 48 branches and 213 bank offices in Bulgaria and 1 branch in the Republic of Cyprus.

Point 7:

The financial instruments, possessed by the CCB Plc, are: government securities, corporate bonds, shares, shares in mutual funds and compensatory notes to the total amount of BGN 481,111 thousand and are securities and derivatives for trading, financial assets for sale and financial assets held to maturity.

The Bank has government securities of the Republic of Bulgaria to the amount of BGN 220,411 thousand, foreign government bonds to the amount of BGN 16,179 thousand, corporate bonds of Bulgarian and foreign issuers at BGN 134,072 thousand and 71,739 thousand respectively, as well as capital instruments and shares in mutual funds at BGN 29,248 thousand.

The Bank does not consider that there is a significant credit risk, concerning the bond instruments of the Republic of Bulgaria. The greater part of these instruments has a fixed interest rate and the change in the market interest rates does not reflect the interest income from these instruments.

The foreign government bonds to the amount of BGN 16,179 thousand expose the Bank to the credit risk of the respective issuing country.

The corporate bonds of Bulgarian issuers are exposed to credit risk, associated with the ability of the issuers to perform their obligations. The risk amount is up to the total amount of held securities. The greater part of those securities has a fixed interest rate and is exposed to a decrease in value upon an increase in the market interest rates.

The equity instruments, possessed by the Bank, are subject to price risk to the amount of the total value of held securities. The greater part of those securities are traded on the Bulgarian Stock Exchange. As far as the indices of the stock exchanges are volatile, there may be losses as a result of a decrease in the prices of shares traded on the stock exchange and negative evaluations of the equity instruments, possessed by the Bank.

The Group's exposures in derivative financial instruments are presented at fair value transactions for purchase and sale of currency, securities, forward contracts and currency swaps on the open market. The major part of them is positions of the Bank clients, associated with purchase and sale of currency and the associated transactions, effected by the Bank. The traded at own expense speculative positions of the Bank in derivate instruments are below 10% of the total fair value of the derivative financial instruments, are not significant and the Bank is not exposed to significant risks, stemming from those instruments.

From the point of view of the nature of the business of the CCB Plc, other significant factors do not have an impact on the evaluation of assets, liabilities, financial state and the result of the Bank.

Sofia
Date: 30 March 2012

Ivaylo Donchev
Executive Director

CENTRAL COOPERATIVE BANK PLC
SOFIA

Tihomir Atanassov
Procurator

INDEPENDENT AUDITOR'S REPORT AND
ANNUAL SEPARATE FINANCIAL STATEMENTS
DECEMBER 31, 2011

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CELEBRATING 20 YEARS 20 DELOITTE BULGARIA

This document is a translation of the original in Bulgarian text, in case of divergence the Bulgarian text 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 separate statement of financial position as of December 31, 2011, and the separate statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 2011, and of its financial performance and its cash flows for the year then ended in accordance with IFRS, as adopted by the European Union.

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, 2011, prepared in accordance with IFRS, as adopted by the European Union. Management is responsible for the preparation of the Annual separate report on the activities of the Bank dated March 30, 2012.

Deloitte Audit

Deloitte Audit OOD

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №033
"Делойт Одит" ООД

Sylvia Peneva
Managing Director
Registered Auditor

Sofia
March 30, 2012

CENTRAL COOPERATIVE BANK AD

SEPARATE STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2011
All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Note	As of 31.12.2011	As of 31.12.2010
ASSETS			
Cash and balances with the Central Bank	4	459,993	486,644
Placements with and advances to banks	5	420,221	81,794
Receivables under repurchase agreements	6	32,444	41,021
Financial assets held for trading	7	71,777	49,127
Loans and advances to customers, net	8	1,423,186	1,194,092
Other assets	9	75,116	63,964
Financial assets available for sale	10	261,088	131,825
Financial assets held to maturity	11	148,246	138,969
Investments in subsidiaries	12	49,416	46,217
Property, plant, and equipment	13	59,899	50,293
Non-current assets held for sale	14	1,826	1,034
TOTAL ASSETS		3,003,212	2,284,980
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits from banks	15	20,855	11,631
Loans from banks	16	42,018	40,062
Liabilities under repurchase agreements	17	19,882	22,749
Amounts owed to other depositors	18	2,576,830	1,924,892
Funds from other sources	19	762	1,017
Other liabilities	20	10,084	10,655
TOTAL LIABILITIES		2,670,431	2,011,006
SHAREHOLDERS' EQUITY			
Issued capital	21.1	113,154	83,155
Premium reserve		79,444	64,445
Reserves, including retained earnings	21.2	130,633	108,247
Revaluation reserves	21.3	(3,074)	(4,259)
Current year profit		12,624	22,386
TOTAL SHAREHOLDERS' EQUITY		332,781	273,974
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		3,003,212	2,284,980
Commitments and contingencies	31	157,728	134,336

These separate financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on 30 March 2012 by:

Ivaylo Donchev
Executive Director

Tihomir Atanassov
Procurator

Sylvia Peneva
Registered Auditor
30 March 2012

CENTRAL COOPERATIVE BANK PLC SOFIA

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ София Рег. №033 "Делойт Одит" ООД

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

CENTRAL COOPERATIVE BANK AD

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011
All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Note	Year ended 31.12.2011	Year ended 31.12.2010
Interest income	22	156,121	143,611
Interest expenses	22	(103,056)	(74,829)
Net interest income		53,065	68,782
Fees and commissions income	23	29,071	28,590
Fees and commissions expenses	23	(4,217)	(3,790)
Net fees and commissions income		24,854	24,800
Gains from transactions with securities, net	24	13,722	13,950
Foreign exchange rate gains, net	25	5,874	5,415
Other operating income, net	26	19,546	7,597
Operating expenses	27	(92,852)	(88,452)
Impairment and uncollectibility expense, net	28	(10,028)	(7,115)
Profit for the period before taxes		14,181	24,977
Taxes	29	(1,557)	(2,591)
PROFIT FOR THE PERIOD		12,624	22,386
Earnings per share (in BGN)	30	0.15	0.27
Other comprehensive income after taxes		1,185	186
Revaluation of financial assets held for sale		1,185	186
TOTAL COMPREHENSIVE INCOME AFTER TAXES		13,809	22,572

These separate financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on 30 March 2012 by:

Ivaylo Donchev
Executive Director

Tihomir Atanassov
Procurator

Sylvia Peneva
Registered Auditor
30 March 2012

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

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №033
"Делойт Одит" ООД

CENTRAL COOPERATIVE BANK AD

SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011
All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Year ended 31.12.2011	Year ended 31.12.2010
Cash flows from operating activities:		
Profit before taxes	14,181	24,977
Depreciation and amortization	8,766	9,415
Income tax paid	(2,206)	(3,653)
Unrealized losses/(gains) from revaluation of financial assets held for trading	(8,886)	(8,526)
Increase of provisions for liabilities and loans impairment allowances	10,028	7,115
Net cash flows before working capital changes	21,883	29,328
Change in operating assets:		
Decrease/(increase) in placements with, and advances to, banks with maturities above 90 days	12,760	(15,842)
Decrease/ /(increase) in receivables under repurchase agreements	8,577	(29,493)
(Increase) in financial assets held for trading	(13,764)	(13,629)
(Increase) in loans and advances to customers	(239,122)	(53,302)
(Increase) in other assets	(10,502)	(18,225)
(Increase) in non-current assets held for sale	(792)	(699)
	(242,843)	(131,190)
Change in operating liabilities:		
Increase in deposits from banks	9,224	7,355
Increase/(decrease) in loans from banks	1,956	(6)
(Decrease)/increase in liabilities under repurchase agreements	(2,867)	18,924
Increase in liabilities to other depositors	651,938	405,016
(Decrease) in funds from other sources	(255)	(988)
(Decrease) in other liabilities	(571)	(7,329)
	659,425	422,972
NET CASH FLOWS FROM OPERATING ACTIVITIES	438,465	321,110
Cash flows from investing activities:		
Acquisitions of property, plant, and equipment, net	(18,372)	(2,254)
Acquisitions of investments in subsidiaries	(3,200)	(11,336)
Acquisitions of financial assets available for sale, net	(128,078)	(76,259)
Acquisitions of financial assets held to maturity, net	(9,277)	(47,249)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(158,927)	(137,098)
Cash flows from financing activities:		
Issue of new paid in equity capital	29,999	-
Premium reserve related to new equity capital issued	14,999	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	44,998	-
INCREASE IN CASH AND CASH EQUIVALENTS, NET	324,536	184,012
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR (Note 32)	552,596	368,584
CASH AND CASH EQUIVALENTS AT THE END OF YEAR (Note 32)	877,132	552,596

These separate financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on 30 March 2012 by:

Ivaylo Donchev
Executive Director

Tihomir Atanassov
Procurator

Sylvia Peneva
Registered Auditor
30 March 2012

CENTRAL COOPERATIVE BANK PLC SOFIA

Специализирано одиторско предприятие
София
Рег. №033
"Делойт Одит" ООД

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

CENTRAL COOPERATIVE BANK AD

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Issued paid in capital	Premium reserve	Reserves, including retained earnings	Revaluation reserve	Profit for the year	Total
BALANCE AS OF 31 DECEMBER 2009	83,155	64,445	86,153	(4,445)	22,095	251,403
Transfer of net profit for the year ended 31 December 2009 to retained earnings	-	-	22,095	-	(22,095)	-
Net profit for the year ended 31 December 2010	-	-	-	-	22,386	22,386
Other comprehensive income for the year ended 31 December 2010	-	-	-	186	-	186
Other movements	-	-	(1)	-	-	(1)
BALANCE AS OF 31 DECEMBER 2010	83,155	64,445	108,247	(4,259)	22,386	273,974
Transfer of net profit for the year ended 31 December 2010 to retained earnings	-	-	22,386	-	(22,386)	-
Net profit for the year ended 31 December 2011	-	-	-	-	12,624	12,624
New equity issued in 2011	29,999	-	-	-	-	29,999
Premium reserve related to new equity issued in 2011	-	14,999	-	-	-	14,999
Other comprehensive income for the year ended 31 December 2011	-	-	-	1,185	-	1,185
BALANCE AS OF 31 DECEMBER 2011	113,154	79,444	130,633	(3,074)	12,624	332,781

These separate financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on 30 March 2012 by:

Ivaylo Donchev
Executive Director

Tihomir Atanassov
Procurator

CENTRAL COOPERATIVE BANK PLC SOFIA

Sylvia Peneva
Registered Auditor
30 March 2012

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ София Рег. №033 "Делойт Одит" ООД

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

1. OPERATING POLICY

Central Cooperative Bank AD, Sofa (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 Bulgarian government securities.

As of 31 December 2011 the Bank's operations are conducted through a head-office located in Sofia, Bulgaria, 48 branches and 213 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 31 December 2011. 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 under the going concern principle. The separate financial statements have been prepared, in all material respects, in accordance with the 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), approved by the European Union (the "EU") and applicable in the Republic of Bulgaria.

The Bank owns over 50% of the subsidiaries Central Cooperative Bank AD Skopje, the Republic of Macedonia and CCB Assets Management EAD, Sofia, Bulgaria. In accordance with the requirements of IAS 27 „Consolidated and separate financial statements," the Bank prepares also consolidated financial statements. The consolidated financial statements will be issued in April 2012.

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

2. BASIS FOR THE PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

CHANGES IN IFRS

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- Amendments to IAS 24 Related Party Disclosures - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party, adopted by the EU on July 19, 2010 (effective for annual periods beginning on or after January 1, 2011),
- Amendments to IAS 32 Financial Instruments: Presentation – Accounting for rights issues, adopted by the EU on December 23, 2009 (effective for annual periods beginning on or after February 1, 2010),
- Amendments to IFRS 1 First-time Adoption of IFRS - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, adopted by the EU on June 30, 2010 (effective for annual periods beginning on or after July 1, 2010),
- Amendments to various standards and interpretations Improvements to IFRSs (2010) resulting from the annual improvement project of IFRS published on May 6, 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on February 18, 2011 (amendments are to be applied for annual periods beginning on or after July 1, 2010 or January 1, 2011 depending on standard/interpretation),
- Amendments to IFRIC 14 IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction - Prepayments of a Minimum Funding Requirement, adopted by the EU on July 19, 2010 (effective for annual periods beginning on or after January 1, 2011),
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, adopted by the EU on July 23, 2010 (effective for annual periods beginning on or after July 1, 2010).

The adoption of these amendments to the existing standards has not led to any changes in the Company's accounting policies.

Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- Amendments to IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets, adopted by the EU on November 22, 2011 (effective for annual periods beginning on or after July 1, 2011).

The Company has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Company anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the separate financial statements of the Company in the period of initial application.

2. BASIS FOR THE PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at the date of publication of separate financial statements:

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1, 2015),
- IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after January 1, 2013),
- IFRS 11 Joint Arrangements (effective for annual periods beginning on or after January 1, 2013),
- IFRS 12 Disclosures of Involvement with Other Entities (effective for annual periods beginning on or after January 1, 2013),
- IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after January 1, 2013),
- IAS 27 (revised in 2011) Separate Financial Statements (effective for annual periods beginning on or after January 1, 2013),
- IAS 28 (revised in 2011) Investments in Associates and Joint Ventures (effective for annual periods beginning on or after January 1, 2013),
- Amendments to IFRS 1 First-time Adoption of IFRS - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after July 1, 2011),
- Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2013),
- Amendments to IFRS 9 Financial Instruments" and IFRS 7 Financial Instruments: Disclosures – Mandatory Effective Date and Transition Disclosures,
- Amendments to IAS 1 Presentation of financial statements -Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after July 1, 2012),
- Amendments to IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after January 1, 2012),
- Amendments to IAS 19 Employee Benefits - Improvements to the Accounting for Post-employment Benefits (effective for annual periods beginning on or after January 1, 2013),
- Amendments to IAS 32 Financial instruments: presentation - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2014),
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective for annual periods beginning on or after January 1, 2013).

The Bank anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the separate financial statements in the period of initial application, except for the one noted below which might have material effect on the financial statements:

2. BASIS FOR THE PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

- IFRS 9 Financial Instruments is the first part of the project of the IASB for replacing IAS 39. The project aims to improve the understanding of investors and other users of financial information regarding the presentation of financial assets in the financial statements. IFRS 9 Financial Instruments uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the Bank's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: Financial Instruments: Recognition and Measurement, would not significantly impact the financial statements, if applied as at the reporting date.

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 recognized on a time proportion basis using the effective interest 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 contractual interest rate to the outstanding balance, the effective interest rate is considered to be approximately equal to the contractual 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 amortization 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.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

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 recognized when the service is performed or becomes due.

Commissions arising from foreign currency transactions are reported in the statement of comprehensive income 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 for the transaction date. Receivables and liabilities denominated in foreign currency are converted into BGN as of the date of statement of financial position 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 statement of comprehensive income for the period, when they arise.

The Bank carries out daily revaluation of all currency 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 statement of comprehensive income for the period, in which they arise.

As of 2002 the Bulgarian Lev is fixed to the Euro at the rate of EUR 1 = BGN 1.95583.

The exchange rates of USD and the Bulgarian Lev as of 31 December 2011 and 2010 are as follows:

December 31, 2011	December 31, 2010
USD 1 = BGN 1.51158	USD 1 = BGN 1.47276

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 realization is probable. These include discount and interest-bearing government securities held for trade, as well as corporate securities of financial and 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.

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

3.2.4. Financial assets (continued)

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 favourable conditions in the future. These assets consist of acquired interest-bearing government and corporate 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 recognized 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/.

Initial measurement

Financial assets held for trading are recognized initially at fair value. All expenses related directly to the acquisition of the financial asset are reported as current.

Financial assets, other than financial assets held for trading, are recognized initially at fair value, 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 reported as a current financial income or current financial expense in the period of occurrence.

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 or other reliable models for measurement, which reflect the specific circumstances of the issuer. The difference between the carrying amount of the financial asset and its fair value is accounted for as an increase or decrease of revaluation reserve. After initial recognition, equity instruments, classified as financial assets available for sale, for which there are no quoted prices on an active market and/or for which no reliable models for measurement can be applied are stated at cost.

After initial recognition, financial assets held to maturity are stated at amortized cost, applying the effective interest method and are not revaluated. Amortized cost is the initial value /acquisition cost/ of the asset, increased by the accumulated amortization for any difference between the initial amount and the amount at maturity, and reduced by repayments of principle, accumulated amortization for any difference between the initial amount and the amount at maturity, and the allowance for impairment and/or uncollectibility. The amortization is calculated by applying the effective interest rate.

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

3.2.4. Financial assets (continued)

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

The amortized cost is the initial value of the asset, increased by the accumulated amortization for any difference between the initial amount and the amount at maturity, less repayments of the principle and the allowance for impairment and/or uncollectibility. The amortization 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 realizing the rights associated with the asset, waiver of the rights associated with the asset and expiry of the term for realizing of the rights associated with the asset. Net profit or loss as a result of the write off is reported in the statement of comprehensive income in the period of its occurrence. The revaluation reserve accumulated as of the date of derecognition is recognized as current financial expense or financial income.

Impairment for uncollectibility

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 available for sale, which are stated at fair value 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 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.

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

3.2.4. Financial assets (continued)

Financial assets held to maturity are reviewed for indications of impairment, in relation to preparation of the annual financial statements. Allowances for impairment and uncollectibility of the securities held by the Bank, measured at amortized 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 uncollectibility is stated in the statement of comprehensive income for the respective period. Recovered amounts, previously written off, are treated as income by releasing the allowances for impairment and uncollectibility for the respective year.

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 uncollectibility of loans originated by the Bank, measured at amortized 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 uncollectibility is stated in the statement of comprehensive income for the respective period. Recovered amounts, previously written off, are treated as income by releasing the allowances for impairment and uncollectibility for the respective year. Loans and advances that cannot be recovered are written off and charged against the accumulated allowances for impairment and uncollectibility. 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 uncollectibility 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 with similar characteristics, is also charged as provision expense and decrease of the loans' carrying amount. The expected losses are measured based on previous experience, customers' credit rating, and economic environment.

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

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 statement of comprehensive income as impairment losses of investments in subsidiaries.

Dividends in subsidiaries, are recognized and reported in the statement of comprehensive income, when the right of the Bank for receiving dividend is established.

3.2.6. Receivables and liabilities under repurchase agreements

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

Securities pledged as collateral on repurchase agreements are not derecognized in the statement of financial position of the Bank in cases when the risks and rewards of ownership are not transferred.

Securities received as collateral under repurchase agreements are not recorded in the statement of financial position of the Bank in cases when the risks and rewards of ownership are not transferred.

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 arm's 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, in case 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 equity instruments, for which published market information is not readily available. 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 separate financial statements.

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

3.2.8. Fair value of financial assets and liabilities (continued)

For the assets and liabilities recognized at fair value in the statement of financial position the Bank discloses for each class financial instruments the hierarchy level of fair value to which the measurements of fair value are categorized in their full scope, each significant transfer between level 1 and 2 of the fair value hierarchy and the respective reasons, as well as reconciliation of opening and closing balances for the level 3 measurements.

Fair value hierarchy

The Bank uses the following hierarchy to measure and disclose the fair value of financial instruments through evaluation technique:

- Level 1: quoted (unadjusted) prices of active markets for identical assets or liabilities;
- Level 2: other techniques for which the whole incoming information that has material effect on the reported fair value is subject to direct or indirect monitoring;
- Level 3: techniques which use incoming information that has material effect on the reported fair value and are not based on monitored market data.

3.2.9. Netting

The financial assets and liabilities are netted, and the net value is presented in the statement of financial position when 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 commitments

The amount of provisions for guarantees and other off-balance credit commitments is recognized 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 statement of comprehensive income for the respective period.

3.2.10. Derivatives

Derivatives are stated at fair value and recognized in the statement of financial position as derivatives for trading. The fair value of derivatives is based on the market price or relevant valuation models. Derivative assets are presented as part of the financial assets held for trading, while the derivative liabilities are presented as part of other liabilities. Any change in the fair value of derivatives for trade is recognized as a part of the net trading income in the statement of comprehensive income.

3.2.11. 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, less charged depreciation and accumulated losses from impairment.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

3.2.11. Property, plant and equipment and intangible assets (continued)

Depreciation of property, plant and equipment and amortization 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 amortization rates are as follows:

Buildings	4%	(25 years)
Fixtures and fittings	15%	(7 years)
Motor vehicles	15%	(7 years)
Other assets	15%	(7 years)
Special equipment, cable networks and security systems	4%	(25 years
Equipment, including hardware and software	20%	(5 years)

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 property, plant and equipment and intangible 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.

3.2.12. Non-current assets held for sale

Real estate property acquired by the Bank as a mortgage creditor on granted and not serviced loans is classified as non-current assets held for trading and is stated initially at cost. After initial recognition, these assets are reported at the lower of the carrying amount or fair value, less expenses for realization. No depreciation is accrued for these assets.

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 date of the statement of financial position to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are recognized regardless when the temporary difference is likely to reverse.

3. ACCOUNTING POLICY (CONTINUED)

3.2. Major components of the accounting policy (continued)

3.2.13. Taxation (continued)

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

A deferred tax liability is recognized 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 recognized for all deductible temporary differences to the extent that taxable profit is probable, against which the deductible temporary difference can be utilized, 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 recognized 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 recognized 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 carrying amounts of assets and liabilities, revenues and expenses for the reporting period and disclosures of 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, they may differ from the future actual results.

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 available for sale.

In the last several years 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 reported in these separate 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 depend 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.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

3. ACCOUNTING POLICY (CONTINUED)

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 the legal framework, as well as its own objectives. 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 2011 and 2010 the Bank is in compliance with the regulatory requirements for minimum capital adequacy.

4. CASH AND BALANCES WITH THE CENTRAL BANK

	As of 31.12.2011	As of 31.12.2010
Cash in hand:		
In BGN	57,260	53,396
In foreign currency	42,232	35,745
Cash in transit:		
In BGN	1,968	500
In foreign currency	693	374
Cash in Central Bank:		
Current account in BGN	268,253	327,166
Current account in foreign currency	169	318
Minimum required reserve in foreign currency	88,012	68,454
Reserve guarantee fund RINGS	1,406	691
TOTAL CASH AND BALANCES WITH THE CENTRAL BANK	459,993	486,644

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.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

5. PLACEMENTS WITH, AND ADVANCES TO BANKS

	As of 31.12.2011	As of 31.12.2010
Term deposits with local banks		
In BGN	-	2,000
In foreign currency	113,196	45,932
Term deposits with foreign banks in foreign currency	293,379	3,670
Nostro accounts with local banks		
In BGN	11	52
In foreign currency	1,678	894
Nostro accounts with foreign banks in foreign currency	11,957	29,246
TOTAL PLACEMENTS WITH, AND ADVANCES TO BANKS	420,221	81,794

6. RECEIVABLES UNDER REPURCHASE AGREEMENTS

As of 31 December 2011 the Bank has signed repurchase agreements at the total amount of BGN 32,444 thousand, including interest receivables. Part of that is in the amount of BGN 15,104 thousand. The Bank has pledged as collateral Bulgarian government securities having an approximately equal value to secure the receivable. The remaining amount of BGN 17,340 thousand the Bank has pledged as collateral corporate securities having an approximately equal value. The agreements' maturities are between January and June 2012.

As of 31 December 2010 the repurchase agreements amount to BGN 41,021 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 as well as derivatives, held for trading, as follows:

	As of 31.12.2011	As of 31.12.2010
Medium-term Bulgarian government notes	8,787	9,950
Long-term Bulgarian government notes	150	5,797
Bulgarian corporate securities	53,378	24,968
Derivatives, held for trading	9,462	8,412
TOTAL FINANCIAL ASSETS HELD FOR TRADING	71,777	49,127

Medium-term Bulgarian government notes

As of 31 December 2011 and 2010 the medium-term Bulgarian government notes amounting to BGN 8,787 thousand and BGN 9,950 thousand, respectively, are stated at fair value and include securities denominated in BGN, issued by the Bulgarian government.

Long-term Bulgarian government bonds

As of 31 December 2011 and 2010 the long-term Bulgarian government bonds amounting to BGN 150 thousand and BGN 5,797 thousand, respectively, are stated at fair value and include securities in BGN, issued by the Bulgarian government.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

7. FINANCIAL ASSETS HELD FOR TRADING (CONTINUED)

Bulgarian corporate securities

As of 31 December 2011 the Bank owns corporate securities, issued by non-financial companies and financial institutions, amounting to BGN 35,582 thousand as part of that in the amount of BGN 34,840 thousand represent shares of public companies, listed on the Bulgarian Stock Exchange. They are stated in these financial statements at fair value.

As of 31 December 2011 the Bank owns corporate bonds issued by Bulgarian commercial entities and one foreign commercial entity for the amount of BGN 17,544 thousand. These bonds mature in 2014.

As of 31 December 2011 the Bank owns shares in “Europe” Mutual Fund at the amount of BGN 252 thousand.

As of 31 December 2010 the Bank owns corporate securities, issued by non-financial companies and financial institutions, amounting to BGN 23,493 thousand. These securities represent shares of public companies, listed on the Bulgarian Stock Exchange and are stated in these financial statements at fair value.

As of 31 December 2010 the Bank owns bonds issued by Bulgarian – American Credit Bank AD at the amount of BGN 1,210 thousand that mature in July 2011, as well as shares in “Europe” Mutual Fund at the amount of BGN 265 thousand.

Derivatives held for trading

As of 31 December 2011 and 2010 derivatives, held for trading, at the amount of BGN 9,462 thousand and BGN 8,412 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 31 December 2011 and 2010 government bonds, issued by the Bulgarian government amounting to BGN 148 thousand and BGN 5,027 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 31.12.2011	As of 31.12.2010
Individuals:		
In BGN	229,711	269,667
In foreign currency	36,521	40,850
Enterprises:		
In BGN	549,061	514,556
In foreign currency	633,661	391,974
	1,448,954	1,217,047
Allowance for impairment and uncollectibility	(25,768)	(22,955)
TOTAL LOANS AND ADVANCES TO CUSTOMERS, NET	1,423,186	1,194,092

All amounts are in thousand Bulgarian Levs, unless otherwise stated

8. LOANS AND ADVANCES TO CUSTOMERS, NET (CONTINUED)

Loans and advances to customers as of 31 December 2011 include deposits with international financial institutions on margin transactions with derivatives amounting to BGN 22,523 thousand (2010: BGN 14,082 thousand), including result of transactions.

(b) Analysis by economic sector

	As of 31.12.2011	As of 31.12.210
Agriculture and forestry	54,342	35,540
Manufacturing	107,889	38,829
Construction	77,939	89,372
Trade and finance	748,778	578,568
Transport and communications	111,261	90,267
Individuals	266,232	310,517
Other	82,513	73,954
	1,448,954	1,217,047
Allowance for impairment and uncollectibility	(25,768)	(22,955)
TOTAL LOANS AND ADVANCES TO CUSTOMERS, NET	1,423,186	1,194,092

(c) Interest rates

Loans denominated in BGN and foreign currency carry 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 3% to 7% based on the credit risk associated with the borrower, and a 35% interest is charged as penalty on overdue loans, corresponding to the interest on not allowed overdraft.

9. OTHER ASSETS

	As of 31.12.2011	As of 31.12.2010
Deferred tax assets	155	162
Current tax assets	1,069	361
Deferred expenses	9,184	6,393
Established real rights for use of buildings	60,821	53,212
Other assets	3,887	3,836
TOTAL OTHER ASSETS	75,116	63,964

Deferred expenses represent prepaid amounts for advertising, rent, insurance, etc.

The established real rights for use of buildings are received as follows:

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

- in June 2010 from a Bulgarian commercial company. The real rights are related to fourteen solid administrative buildings located in several big cities throughout the country, which will be used as Bank's offices. The rights of use on the buildings are established for a period between 115 and 120 months for the total amount of BGN 20,327 thousand.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

9. OTHER ASSETS (CONTINUED)

- in December 2010 the term of the real right of use on one of the administrative buildings situated in the very center of Sofia was extended by three months at the amount of EUR 292 thousand.

- in June 2011 from a Bulgarian commercial company. The real rights are related to eleven solid administrative buildings located in several big cities throughout the country, which will be used as Bank's offices. The rights of use on the buildings are established for a period of 132 months for the total amount of BGN 12,797 thousand.

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

10. FINANCIAL ASSETS AVAILABLE FOR SALE

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

	As of 31.12.2011	As of 31.12.2010
Medium-term Bulgarian government bonds	19,262	6,303
Long-term Bulgarian government bonds	64,869	29,899
Foreign government bonds	16,179	4,443
Equity investments in financial institutions	2,918	2,968
Equity investments in non-financial institutions	26,249	13,848
Bulgarian corporate securities	80,694	62,232
Foreign corporate securities	50,836	12,052
Other	81	80
TOTAL FINANCIAL ASSETS AVAILABLE FOR SALE	261,088	131,825

Bulgarian securities, pledged as collateral

As of 31 December 2011 government bonds issued by the Bulgarian government amounting to BGN 5,234 thousand are pledged as collateral for servicing of budget accounts.

Foreign government bonds

As of 31 December 2011 foreign government bonds comprise bonds issued by the government of Ireland, Poland, and Romania.

Equity investments in financial institutions

As of 31 December 2011 equity investments in financial institutions include shares in commercial banks.

Equity investments in non-financial institutions

As of 31 December 2011 equity investments in non-financial institutions comprise shares in commercial companies and in mutual funds.

Bulgarian corporate securities

As at 31 December 2011 the Bulgarian corporate securities available for sale represent bonds. None of these investments are in a subsidiary or in an associated company.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

10. FINANCIAL ASSETS AVAILABLE FOR SALE (CONTINUED)

Foreign corporate securities

As at 31 December 2011 foreign corporate securities available for sale represent bonds in two commercial companies.

11. FINANCIAL ASSETS HELD TO MATURITY

Financial assets held to maturity represent Bulgarian government bonds and bonds of foreign commercial company, including the amount of the accrued interest and discount/premium, based on original maturity, as follows:

	As of 31.12.2011	As of 31.12.2010
Medium-term Bulgarian government bonds	53,494	57,934
Long-term government bonds	73,849	59,931
Corporate securities	20,903	21,104
TOTAL FINANCIAL ASSETS HELD TO MATURITY	148,246	138,969

Bulgarian securities pledged as a collateral

As of 31 December 2011 and 2010 government bonds issued by the Bulgarian government issued at the amount of BGN 94,569 thousand and BGN 78,800 thousand, respectively, are pledged as collateral for servicing budget accounts.

12. INVESTMENTS IN SUBSIDIARIES

12.1. Investment in subsidiary Central Cooperative Bank, Skopje, Republic of Macedonia

In February 2008 the Bank acquired control of the equity of Central Cooperative Bank, Skopje (in the Republic of Macedonia). In October 2009 22,354 ordinary voting shares owned by the Bank are converted into privileged shares with no voting rights. In December 2009 Central Cooperative Bank AD Skopje withdrew 208 of its own privileged shares.

In 2010 by resolution of the General meeting of the shareholders of the subsidiary all privileged shares with no voting rights were converted into ordinary voting shares as one privileged share with no voting rights equalled one ordinary voting share. As of 31 December 2010 the Bank owns 263,696 ordinary voting shares representing 82.63% of the subsidiary's equity at the amount of BGN 34,881 thousand.

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

12.2. Investment in subsidiary Stater Bank, Kumanovo, Republic of Macedonia

In April 2010 the Bank acquired 317,864 ordinary voting shares of the share capital of Stater Bank, Kumanovo, Republic of Macedonia and obtained control of the equity of the subsidiary. Before the acquisition the Bank owned 5,975 privileged shares with no voting rights of the subsidiary. Later, within the year, by resolution of the General meeting of the shareholders of the subsidiary all privileged shares with no voting rights were converted into ordinary voting shares as one privileged share with no voting rights equalled one ordinary voting share. As of 31 December 2010 the Bank owns 323,839 ordinary voting shares representing 93.79% of the subsidiary's equity. As of 31 December 2010 the Bank's investment in the subsidiary amounts to BGN 11,336 thousand.

On 9 December 2010, by resolutions of the General meetings of the shareholders of the subsidiaries Stater Bank AD Kumanovo and Central Cooperative Bank AD Skopje an agreement was reached to merge Stater Bank AD Kumanovo into Central Cooperative Bank AD Skopje. According to this merger agreement Central Cooperative Bank AD Skopje issued 233,944 new ordinary shares with nominal value EUR 41.2069 or 593,795,205 denari each. All new shares were given only to the shareholders of Stater Bank AD Kumanovo and the coefficient of exchange of the existing shares of Stater bank AD Kumanovo with the shares of the new issue was 1:0.6776. As a result of the exchange Central Cooperative Bank AD Sofia acquired 219,425 ordinary shares of the new issue of Central Cooperative Bank AD Skopje in place of the 323,839 ordinary shares in the equity of Stater Bank AD Kumanovo owned as of 31.12.2010.

On 3 January 2011 the merger of Stater Bank AD Kumanovo in Central Cooperative Bank AD Skopje was concluded and all assets of Stater Bank AD Kumanovo were transferred to Central Cooperative Banks AD Skopje. On 3 January 2011, by decision of the Central Register of Republic of Macedonia, Stater Bank AD Kumanovo ceased to exist as legal entity. After the merger conclusion the capital of Central Cooperative Bank AD Skopje consists of 553,087 ordinary shares with nominal value EUR 41.2069 each.

As of 31 December 2011 Central Cooperative Bank AD Sofia owns 483,121 ordinary shares in the equity of Central Cooperative Bank AD Skopje which represents 87.35% of the capital of the subsidiary. As of 31 December 2011 the Bank's investment in its subsidiary amounts to BGN 46,216 thousand.

12.3. Investment in subsidiary Management Company CCB Assets Management EAD, Sofia, Bulgaria

In December 2011 the Bank acquired 500,000 non-materialised, ordinary shares by name, with voting rights, and with nominal value of BGN 1.00 each, representing 100% of the capital of the Management Company CCB Assets Management EAD with which the Bank received controlling interest in the capital of the subsidiary. As of 31 December 2011 the Bank's investment in this subsidiary amounts to BGN 3,200 thousand.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Equipment	Motor vehicles	Fixtures and fittings	Fixed assets in process of acquisition	Other fixed assets	Total
1 January 2010	25,084	22,815	4,516	16,767	3,851	22,654	95,687
Acquisitions	953	476	53	2,264	2,186	993	6,925
Disposals	-	-	(17)	(24)	(4,509)	(409)	(4,959)
31 December 2010	26,037	23,291	4,552	19,007	1,528	23,238	97,653
Acquisitions	866	686	25	262	20,629	25	22,493
Disposals	(4,653)	(179)	(163)	(95)	(439)	(240)	(5,769)
31 December 2011	22,250	23,798	4,414	19,174	21,718	23,023	114,377
Depreciation							
1 January 2010	5,310	14,604	3,311	6,485	-	8,523	38,233
Net charge for period	903	2,675	411	2,245	-	3,182	9,416
Depreciation on disposals	-	-	(17)	(15)	-	(257)	(289)
31 Decemebr 2010	6,213	17,279	3,705	8,715	-	11,448	47,360
Net charge for period	947	2,068	368	2,405	-	2,977	8,765
Depreciation on disposals	(1,094)	(177)	(163)	(87)	-	(126)	(1,647)
31 Decemebr 2011	6,066	19,170	3,910	11,033	-	14,299	54,478
Net book value							
31 December 2010	19,824	6,012	847	10,292	1,528	11,790	50,293
31 December 2011	16,184	4,628	504	8,141	21,718	8,724	59,899

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 statement of financial position.

14. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale represent property acquired by the Bank at the end of 2010 and during 2011 as mortgage creditor on granted and not serviced loans. These assets will not be used in Bank's activity, hence actions for their sale in 2012 have been commenced.

15. DEPOSITS FROM BANKS

	As of 31.12.2011	As of 31.12.2010
Demand deposits – local banks:		
- in BGN	4,116	339
- in foreign currency	3,272	230
Demand deposits – foreign banks in foreign currency	898	108
Term deposits – local banks in BGN	4,040	6,041
Term deposits – foreign banks in foreign currency	8,529	4,913
TOTAL DEPOSITS FROM BANKS	20,855	11,631

All amounts are in thousand Bulgarian Levs, unless otherwise stated

16. LOANS FROM BANKS

As of 31 December 2011 the Bank has received loans from Bulgarian Development Bank as follows:

- under a program for target refinancing of commercial banks at the amount of BGN 35,000 thousand as the funds for the loan are provided to the Bank for mid-term and long-term investment crediting and project financing for technical renovation, implementing of new technologies, know-how, increase of competitiveness and export potential, projects of the structural fund of the EU and short-term pre-export financing of small and middle-sized enterprises registered under the Commercial Act. The deadline for the loan repayment is 30 December 2018 with lump-sum payment. The Bank owes 5% interest on an annual basis over the outstanding portion of the loan.
- under program for granting target credit lines to commercial banks for refinancing agricultural producers at the amount of BGN 5,062 thousand, including interest payables. The deadline for the loan repayment is 30 March 2014 with lump-sum payment. The Bank owes 5% interest on an annual basis over the outstanding portion of the loan.

As of 31 December 2011 the Bank has received short-term financing in the form of a loan from Oberbank Austria in the amount of BGN 1,956 thousand with maturity 30 November 2012.

17. LAIBILITIES UNDER REPURCHASE AGREEMENTS

As of 31 December 2011 the Bank has concluded securities repurchase agreements with Bulgarian companies and a foreign entity at the total amount of BGN 19,882 thousand, including interest payables. The Bank has secured this liability by establishing a pledge on Bulgarian government securities. The maturity of these agreements is between January – March 2012.

As of 31 December 2010 the Bank has concluded securities repurchase agreements with Bulgarian companies at the total amount of BGN 22,749 thousand, including interest payables.

18. AMOUNTS OWED TO OTHER DEPOSITORS

(a) Analysis by term and currency

	As of 31.12.2011	As of 31.12.2010
Demand deposits		
In BGN	405,480	389,167
In foreign currency	107,313	70,449
	512,793	459,616
Term deposits		
In BGN	988,070	603,819
In foreign currency	954,955	757,923
	1,943,025	1,361,742
Savings accounts		
In BGN	69,128	50,153
In foreign currency	38,872	35,918
	108,000	86,071
Other deposits		
In BGN	7,499	11,982
In foreign currency	5,513	5,481
	13,012	17,463
TOTAL AMOUNTS OWED TO OTHER DEPOSITORS	2,576,830	1,924,892

All amounts are in thousand Bulgarian Levs, unless otherwise stated

18. AMOUNTS OWED TO OTHER DEPOSITORS (CONTINUED)

(b) Analysis by customer and currency type

	Af of 31.12.2011	As of 31.12.2010
Deposits of individuals		
In BGN	954,963	552,578
In foreign currency	736,770	603,467
	1,691,733	1,156,045
Deposits of enterprises		
In BGN	507,715	490,561
In foreign currency	364,370	260,823
	872,085	751,384
Deposits of other institutions		
In BGN	7,499	11,982
In foreign currency	5,513	5,481
	13,012	17,463
TOTAL AMOUNTS OWED TO OTHER DEPOSITORS	2,576,830	1,924,892

19. OTHER ATTRACTED FUNDS

As of 31 December 2011 and 2010 other attracted funds include financing from the State Agricultural Fund amounting to BGN 762 thousand and BGN 1,017 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 31.12.2011	As of 31.12.2010
Liabilities for unused paid leave	1,054	1,037
Derivatives, held for trading	6,098	6,916
Other liabilities	2,617	2,227
Deferred income	315	475
TOTAL OTHER LIABILITIES	10,084	10,655

Derivatives held for trading

As of December 31, 2011 and 2010 derivatives held for trading at the amount of BGN 6,098 thousand and BGN 6,916 thousand 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. EQUITY

21.1 ISSUED CAPITAL

As of December 31, 2011 and 2010 the issued, called-up and fully paid-in share capital of the Bank comprises 113,154,291 and 83,155,092 ordinary voting shares with a nominal value of BGN 1.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

21. EQUITY (CONTINUED)

21.1 ISSUED CAPITAL (CONTINUED)

On 21.07.2011, the CCB Management Board decided the capital of the Bank to be increased to BGN 113,155,092 by issuing new 30,000,00 ordinary, non-materialized, registered shares with voting rights, with a nominal value of BGN 1 each and issue price of BGN 1.5 for each share. In accordance with the taken decision a public offering of shares has been conducted, as a result of which 29,999,199 shares constituting 99.997% of the total offered 30,000,000 new shares of the capital increase are recorded. At 31.12.2011, the issue price of the recorded shares amounted to BGN 44,998,799 is received entirely in the accumulation account of CCB and the capital increase to the amount of the recorded and paid shares is entered in the Trade Register.

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	2011		2010	
	Share capital	Percentage rate	Share capital	Percentage rate
CCB Group EAD	72,522	64,12	56,715	68,20
Chimimport AD	11,202	9,90	2,395	2,88
Universal Pension Fund Suglasie	5,804	5,13	1,685	2,03
ZAD Armeec AD	3,783	3,34	3,783	4,55
Artio International Equity Fund	1,276	1,13	1,276	1,54
Other	18,567	16,38	17,301	20,80
	113,154	100	83,155	100

21.2 RESERVES, INCLUDING RETAINED EARNINGS

As of December 31, 2011 reserves, including retained earnings include undistributable portion of BGN 7,059 thousand and distributable portion of BGN123,574 thousand.

21.3 REVALUATION RESERVE

The revaluation reserve is formed by revaluation of financial instruments available for sale.

22. INTEREST INCOME/ INTEREST EXPENSE

	Year ended 31.12.2011	Year ended 31.12.2010
Interest income by source:		
Loans	132,697	132,157
Securities	18,275	9,319
Deposits in banks	5,149	2,135
TOTAL INTEREST INCOME	156,121	143,611

	Year ended 31.12.2011	Year ended 31.12.2010
Interest expenses by recipients:		
Deposits to customers	100,013	72,168
Deposits to banks	554	335
Loans	2,000	1,994
Other	489	332
TOTAL INTEREST EXPENSES	103,056	74,829

All amounts are in thousand Bulgarian Levs, unless otherwise stated

23. INCOME FROM/EXPENSES FOR FEES AND COMMISSIONS

	Year ended 31.12.2011	Year ended 31.12.2010
Granting and repayment of loans	2,194	2,545
Servicing of off-balance sheet commitments	1,163	1,235
Servicing of accounts	2,507	2,837
Bank transfers - domestic and international	17,598	17,204
Other income	5,609	4,769
TOTAL FEES AND COMMISSIONS INCOME	29,071	28,590

	Year ended 31.12.2011	Year ended 31.12.2010
Servicing of accounts	164	157
Bank transfers - domestic and international	3,596	3,131
Securities' transactions	70	132
Clearing valuable consignments	158	125
Other expenses	229	245
TOTAL EXPENSES FOR FEES AND COMMISSIONS	4,217	3,790

24. GAINS FROM DEALING WITH SECURITIES, NET

	Year ended 31.12.2011	Year ended 31.12.2010
Gains on dealing with securities available for sale, net	3,096	3,280
Gains on dealing with securities held for trading, net	1,740	2,144
Gains on revaluation of securities held for trading, net	8,886	8,526
TOTAL GAINS FROM DEALING WITH SECURITIES, NET	13,722	13,950

25. FOREIGN EXCHANGE GAINS, NET

Net foreign exchange gains arise from:

	Year ended 31.12.2011	Year ended 31.12.2010
Dealing gains, net	5,105	4,008
Revaluation gains, net	769	1,407
TOTAL FOREIGN EXCHANGE GAINS, NET	5,874	5,415

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.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

26. OTHER OPERATING INCOME, NET

	Year ended 31.12.2011	Year ended 31.12.2010
Income from dividends	283	71
Income from cession contracts	12,046	5,036
Income (expenses) from sale of property, plant and equipment	4,383	(2)
Other operating income	2,834	2,492
TOTAL OTHER OPERATING INCOME, NET	19,546	7,597

The income from cession contracts in 2011 originates from cash receivables under loan agreements and other receivables, which were transferred on the part of the Bank through cession contracts at the amount of BGN 12,046 thousand. In 2010 income from cession contracts amounts to BGN 5,036 thousand.

27. OPERATING EXPENSES

	Year ended 31.12.2011	Year ended 31.12.2010
Salaries and other personnel costs	29,448	28,041
Administrative and marketing costs	38,411	35,853
Other expenses	13,566	12,559
Depreciation/amortization	8,766	9,415
Materials and repair works	2,661	2,584
TOTAL OPERATING EXPENSES	92,852	88,452

28. NET EXPENSES FOR IMPAIRMENT AND UNCOLLECTIBILITY

	Loans granted to clients
BALANCE AS OF JANUARY 1, 2010	20,893
Charges for the period	13,152
Recoveries during the period	(6,037)
Written off	(5,053)
BALANCE AS OF DECEMBER 31, 2010	22,955
Charges for the period	16,815
Recoveries during the period	(6,787)
Written off	(7,215)
BALANCE AS OF DECEMBER 31, 2011	25,768

29. TAXES

Tax expenses are presented as follows:

	Year ended 31.12.2011	Year ended 31.12.2010
Current tax expenses	1,550	2,334
Income from deferred taxes, related to the origination and reversal of temporary differences	7	257
TOTAL TAX EXPENSES	1,557	2,591

29. TAXES (CONTINUED)

Current tax expenses represent the amount of the tax due according to Bulgarian legislation and the applicable tax rates of 10% for 2011 and 2010. 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, 2011 and 2010 are calculated based on the tax rate of 10%, effective for 2012 and 2011.

Deferred tax assets are as follows:

	As of 31.12.2011	As of 31.12.2010
Deferred tax assets:		
Other liabilities (unused annual paid leaves)	118	114
Property, plant and equipment and intangible assets	37	48
DEFERRED TAX ASSET	155	162

Deferred tax liability are as follows:

	As of 31.12.2011	As of 31.12.2010
Deferred tax liabilities:		
Merge of entities during 2010	209	209
DEFERRED TAX LIABILITY	209	209

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

	Year ended 31.12.2011	Year ended 31.12.2010
Profit before taxes	14,181	24,977
Taxes at applicable tax rates: 10% for 2011 and 10% for 2010	1,418	2,498
Tax effect on non-taxable income/non-taxable deductible expenses from transactions with shares on a regulated local exchange, dividends and other	139	93
TAX EXPENSES	1,557	2,591
EFFECTIVE TAX RATE	10.98%	10.37%

30. EARNINGS PER SHARE (IN BGN)

	Year ended 31.12.2011	Year ended 31.12.2010
Net profit after tax (in BGN'000)	12,624	22,386
Weighted average number of shares	84,548,497	83,155,092
EARNINGS PER SHARE (IN BGN)	0,15	0,27

All amounts are in thousand Bulgarian Levs, unless otherwise stated

30. EARNINGS PER SHARE (IN BGN) (CONTINUED)

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, 2011 and 2010, 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, as every of the above sums is multiplied by the time-weighting factor in advance.

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

31. CONTINGENT LIABILITIES

The total amount of contingent liabilities as of the year end is as follows:

	As of 31.12.2011	As of 31.12.2010
Bank guarantees		
In BGN	22,702	30,535
In foreign currency	46,633	32,666
Irrevocable commitments	88,295	71,012
Other contingent liabilities	98	123
TOTAL CONTINGENT LIABILITIES	157,728	134,336

As of December 31, 2011 and 2010 the Bank has signed contracts for granting loans to customers at the total amount of BGN 88,295 thousand and BGN 71,012 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, provided collateral with suitable quality and liquidity, etc.

32. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	Year ended 31.12.2011	Year ended 31.12.2010
Cash	102,153	90,015
Balances with the Central Bank	357,840	396,629
Placement with, and advances to, banks with residual maturity up to 3 months	417,139	65,952
AS OF DECEMBER 31	877,132	552,596

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 specifics 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 risks, which the Bank is exposed to, in a convincing and comprehensive manner.

The risk management system has preventive functions for loss 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 main 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.

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 – prepare proposals to MB, the Executive directors and the Procurator regarding the Bank's risk management framework and activity parameters;
- Executive directors and Procurator – fulfil the general control, organize and manage 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 on 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:

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk is the risk of loss due to the probability that a counterparty will be unable to pay its obligations when due or at all. The Bank manages the credit risk inherent for banking portfolio and trade portfolio. For the individual business segments the Bank applies individual credit policies.

For credit risk limitation, the Bank has implemented system of limits by classes, exposures, business sectors, geographical regions, client's profile and credit groups bearing common risk. The limits define the risk appetite and tolerance to credit risk and the capital planned allocation needed for its covering.

To mitigate credit risk, respective collaterals and guarantees are required according to the internal credit rules, the applied approach for calculating the capital requirements and the Bulgarian legislation in effect.

Cash and balances with the Central bank at the amount of BGN 459,993 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 420,221 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 as per the Bank's policy can be is 20 %, 50% and 100% as the percentage is defined based on the quality characteristics of the financial institution. As of December 31, 2011 the absolute amount of this type of risk is BGN 84,638 thousand.

Receivables under repurchase agreements of securities at the amount of BGN 32,444 thousand bears credit risk for the Bank depending on the provided collateral. Part of the receivables at the amount of BGN 16,389 thousand does not bear credit risk for the Bank due to the fact that they are secured by Bulgarian government securities, guaranteed by the Republic of Bulgaria. The residual part of the receivables at the amount of BGN 16,055 thousand are secured with corporate securities and bears 100% risk.

Financial assets held for trading at the amount of BGN 71,777 thousand bear mainly market risk for the Bank which is discussed in the market risk disclosures.

Equity securities, available for sale at the amount of BGN 29,248 thousand represent shares in financial and non-financial enterprises and mutual funds which bear maximum credit risk exposure of 100% as a percentage or of BGN 29,248 thousand as an absolute amount.

Debt government securities, at the amount of BGN 100,310 thousand bear credit risk for the respective issuing country.

Debt securities available for sale and issued by local and foreign commercial companies at the amount of BGN 131,530 thousand bear credit risk for the Bank with maximum exposure 100% or BGN 131,530 thousand as an absolute amount.

Debt securities held to maturity and issued by the Republic of Bulgaria at the amount of BGN 127,343 thousand do not bear credit risk for the Bank due to the fact that they are guaranteed by the Bulgarian State.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Debt securities held to maturity and issued by foreign commercial companies at the amount of BGN 20,903 thousand bear credit risk for the Bank with maximum exposure 100% or BGN 20,903 thousand as an absolute amount.

The investments in the subsidiaries of the Bank, Central Cooperative Bank AD, Skopje, in the Republic of Macedonia and Management company "CCB Assets Management" EAD, Sofia, Republic of Bulgaria amounts to BGN 49,416 thousand bears a credit risk, the maximum exposure of which is 100% or BGN 49,416 thousand as an absolute amount.

Loans and advances to customers with carrying amount of BGN 1,448,954 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 1,131,288 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 granted funds and the respective administration are applied in the lending process.

The bank keeps ratio of total capital adequacy above the regulatory requirements, generally as a precaution against the risk from concentrations. The acceptance and control over the limits for credit risk restrains the concentrations of risk exposures by geographical regions, sectors, business segments and credit groups bearing common risk.

The Bank has adopted methodology for calculation of allowances for impairment and uncollectibility of loans and advances to customers in compliance with the requirements of the banking legislation in the Republic of Bulgaria and the applicable accounting standards.

As of December 31, 2011 the allocated allowances for impairment loss of loans and advances to customers are at the amount of BGN 25,768 thousand.

Quality of the credit portfolio

Classification groups as of December 31, 2011:

Debt	By granted loans			Undrawn commitment	By provided letters of guarantee		
Group	Amount	%	Allowances	Amount	Amount	%	Allowances
Regular	1,345,226	92,84	3,044	87,112	69,335	100	-
Watch	32,168	2,22	1,210	525	-	-	-
Irregular	27,533	1,90	2,833	129	-	-	-
Non-performing	44,027	3,04	18,681	529	-	-	-
Total	1,448,954	100	25,768	88,295	69,355	100	-

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Classification groups as of December 31, 2010:

Debt	By granted loans			Undrawn commitment	By provided letters of guarantee		
Group	Amount	%	Allowances	Amount	Amount	%	Allowances
Regular	1,098,476	90,26	1,938	70,269	63,201	100	-
Watch	64,619	5,31	1,413	527	-	-	-
Irregular	18,820	1,55	2,366	109	-	-	-
Non-performing	35,132	2,88	17,238	107	-	-	-
Total	1,217,047	100	22,955	71,012	63,201	100	-

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

Groups	31.12.2011			31.12.2010		
	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	938,793	64.79	32,444	847,417	69.63	41,021
Past due but not impaired	465,503	32.13	-	329,832	27.10	-
Impaired on individual basis	44,658	3.08	-	39,798	3.27	-
Total	1,448,954	100	32,444	1,217,047	100	41,021
Allowances for impairment provided	25,768		-	22,955		-
Net loans	1,423,186		32,444	1,194,092		41,021

As of December 31, 2011 and 2010 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 31.12.2011	As of 31.12.2010
Individuals		
Credit cards and overdrafts	21,188	22,852
Consumer loans	104,473	131,750
Mortgage loans	50,723	61,446
Corporate clients	762,409	631,369
Total	938,793	847,417

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

All amounts are in thousand Bulgarian Levs, unless otherwise stated

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Quality of the credit portfolio (continued)

	As of 31.12.2011	As of 31.12.2010
Individuals		
Credit cards and overdrafts	7,579	9,329
Consumer loans	24,385	29,353
Mortgage loans	24,392	24,493
Corporate clients	409,147	266,657
Total	465,503	329,832

The carrying amount of the loans, which have been provided allowances for on an individual basis as of December 31, 2011 and 2010 is BGN 44,658 thousand and BGN 39,798 thousand. These amounts exclude cash flows from utilization of collaterals under these loans.

2011	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	1,920	866	2,211	-
Consumer loans	9,511	4,572	11,274	5,016
Mortgage loans	27	204	2,342	3,502
Corporate clients	665	551	10,515	11,132
Total	12,123	6,193	26,342	19,650

2010	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	2,576	808	3,730	-
Consumer loans	10,494	4,130	8,331	4,323
Mortgage loans	91	194	704	1,094
Corporate clients	1,451	85	7,204	7,680
Total	14,612	5,217	19,969	13,097

All amounts are in thousand Bulgarian Levs, unless otherwise stated

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Quality of the credit portfolio (continued)

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 31.12.2011	Customer	Contractual amount - limit	Net exposure as of 31.12.2010
Company 1	60,000	60,020	Company 1	61,600	61,600
Company 2	56,291	55,848	Company 2	34,440	36,584
Company 3	62,332	46,074	Company 3	33,127	24,094
Company 4	46,212	34,380	Company 4	27,382	27,109
Company 5	33,503	33,325	Company 5	21,758	20,816
Company 6	33,609	32,626	Company 6	21,367	19,529
Company 7	32,084	32,119	Company 7	19,318	14,190
Company 8	30,032	29,049	Company 8	18,972	18,867
Company 9	27,382	27,130	Company 9	18,276	17,951
Company 10	26,722	26,807	Company 10	16,100	15,394
Total	408,167	377,378		272,340	256,134

The total amount of the net exposure for 2011 and 2010 is 26.52% and 21.45%, respectively, from the loans and advances of the Bank's customers.

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

	2011	2010
Secured by cash and government securities	142,090	93,830
Secured by mortgage	496,821	499,753
Other collaterals	699,824	503,571
No collateral	110,219	119,893
Allowances for impairment loss	(25,768)	(22,955)
Total	1,423,186	1,194,092

All amounts are in thousand Bulgarian Levs, unless otherwise stated

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Quality of the credit portfolio (continued)

Business sector, classification group and overdues as of December 31, 2011:

Sector	Amount / Group	Number of transactions	Liability	Including overdue on: principal	interest	Court receivables	Allowances	Unutilized
Retail	regular	66,868	209,855	332	230	-	3,044	31,621
	watch	4,205	23,129	714	425	-	1,140	399
	irregular	1,852	12,728	778	573	-	2,610	112
	non-performing	4,700	20,219	1,666	1,508	6,693	13,190	125
Total		77,625	265,931	3,490	2,736	6,693	19,984	32,257
Corporate	regular	1,247	1,086,767	28,772	3,181	-	-	54,114
	watch	146	9,039	258	145	-	70	126
	irregular	33	14,805	5,880	730	-	223	17
	non-performing	129	23,808	2,357	870	11,500	5,491	404
Total		1,555	1,134,419	37,267	4,926	11,500	5,784	54,661
Budget	regular	9	48,604	-	630	-	-	1,377
	watch	-	-	-	-	-	-	-
	irregular	-	-	-	-	-	-	-
	non-performing	-	-	-	-	-	-	-
Total		9	48,604	-	630	-	-	1,377
	Total portfolio	79,229	1,448,954	40,757	8,292	18,193	25,786	88,295

Business sector, classification group and overdues as of December 31, 2010:

Sector	Amount / Group	Number of transactions	Liability	Including overdue on: principal	interest	Court receivables	Allowances	Unutilized
Retail	regular	76,820	257,347	405	293	-	1,938	33,263
	watch	4,864	25,577	679	482	-	1,314	428
	irregular	1,736	11,409	511	512	-	2,336	79
	non-performing	6,509	15,923	1,234	811	7,361	11,556	99
Total		89,929	310,256	2,829	2,098	7,361	17,144	33,869
Corporate	regular	1,476	824,891	5,125	2,431	-	-	36,955
	watch	154	39,042	1,145	576	-	99	99
	irregular	63	7,411	458	392	-	30	30
	non-performing	177	19,209	2,919	1,049	3,855	5,682	8
Total		1,870	890,553	9,647	4,448	3,855	5,811	37,092
Budget	regular	8	16,238	-	-	-	-	51
	watch	-	-	-	-	-	-	-
	irregular	-	-	-	-	-	-	-
	non-performing	-	-	-	-	-	-	-
Total		8	16,238	-	-	-	-	51
	Total portfolio	91,807	1,217,047	12,476	6,546	11,216	22,955	71,012

All amounts are in thousand Bulgarian Levs, unless otherwise stated

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 adopted by the Bank 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) to 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, 2011 their share is over 15% of the Bank's total assets. As additional instrument to provide high liquidity, the Bank uses 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, 2011 such deposits represent approximately 14% of total assets. The government securities of the Republic of Bulgaria owned and not pledged by the Bank comprise over 4,5% of total assets. By maintaining above 34% of its assets in highly liquid assets the Bank is able to meet all payment needs on matured financial liabilities.

The allocation of the Bank's financial liabilities as of December 31, 2011 according to their time remaining to maturity is as follows:

	Up to 1 month	From 1 to 3 moths	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
FINANCIAL LIABILITIES						
Deposits from banks	16,815	4,040	-	-	-	20,855
Loans from banks	-	-	1,956	5,062	35,000	42,018
Liabilities under repurchase agreements of securities	18,017	1,865	-	-	-	19,882
Liabilities to other depositors	836,762	383,735	847,861	502,025	6,447	2,576,830
Other attracted funds	139	45	241	337	-	762
Other liabilities	10,084	-	-	-	-	10,084
TOTAL FINANCIAL LIABILITIES	881,817	389,685	850,058	507,424	41,447	2,670,431

All amounts are in thousand Bulgarian Levs, unless otherwise stated

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

The financial liabilities of the Bank are mainly formed by attracted funds from other depositors – retail and corporate depositors. Approximately half of them – 51% 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 liabilities as of December 31, 2010 according to their time remaining to maturity is as follows:

	Up to 1 month	From 1 to 3 moths	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
FINANCIAL LIABILITIES						
Deposits from banks	7,631	-	4,000	-	-	11,631
Loans from banks				5,000	35,062	40,062
Liabilities under repurchase agreements of securities	20,884	1,865	-	-	-	22,749
Liabilities to other depositors	747,271	224,379	413,360	539,882	-	1,924,892
Other attracted funds	93	63	227	634	-	1,017
Other liabilities	10,655	-	-	-	-	10,655
TOTAL FINANCIAL LIABILITIES	786,534	226,307	417,587	545.516	35,062	2,011,006

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 (analysis of mismatch/imbalance). 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 assurance of sufficient and stable net interest rate profitability.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

The mismatch of the Bank between the interest-bearing assets and liabilities as of December 31, 2011 is negative and amounts to BGN 377,929 thousand. GAP coefficient, as a sign of this imbalance, compared to the total earning assets of the Bank (interest-bearing assets, equity securities, derivatives and investments in subsidiaries) is minus 15.71%.

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS						
Placements with, and advances to, banks	416,609	530	-	3,082	-	420,221
Receivables under repurchase agreements of securities	6,033	14,379	12,032	-	-	32,444
Financial assets held for trading	872	-	-	25,471	138	26,481
Loans and advances to customers, net	115,735	77,008	473,796	494,547	262,100	1,423,186
Financial assets available for sale	-	-	-	95,741	136,099	231,840
Financial assets held to maturity	-	-	21,437	109,205	17,604	148,246
TOTAL INTEREST-BEARING ASSETS	539,249	91,917	507,265	728,046	415,941	2,282,418
INTEREST-BEARING LIABILITIES						
Deposits from banks	16,815	4,040	-	-	-	20,855
Loans from banks	-	-	1,956	5,062	35,000	42,018
Liabilities under repurchase agreements of securities	18,017	1,865	-	-	-	19,882
Liabilities to other depositors	836,762	383,735	847,861	502,025	6,447	2,576,830
Other attracted funds	139	45	241	337	-	762
TOTAL INTEREST-BEARING LIABILITIES	871,733	389,685	850,058	507,424	41,447	2,660,347
NET INTEREST-BEARING ASSETS AND LAIBILITIES IMBALANCE	(332,484)	(297,768)	(342,793)	220,622	374,494	(377,929)

The maintenance of negative imbalance exposes the Bank to risk of decrease of the net interest income when interest rates increase. The influence of the imbalance, reported as of December 31, 2011 on the net interest income, with forecast for 2% increase in interest rates in a period of one year is decrease of the net interest income by BGN 1,187 thousand (2010: BGN 2,023 thousand).

The imbalance of the Bank between the interest-bearing assets and liabilities as of December 31, 2010 is negative and amounts to BGN 412,588 thousand. GAP coefficient, as a sign of this imbalance, compared to the total earning assets of the Bank (interest-bearing assets, equity instruments, derivatives and investments in subsidiaries) is minus 24.51%.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS						
Placements with, and advances to, banks	65,952	-	12,908	-	2,934	81,794
Receivables under repurchase agreements	22,008	19,013	-	-	-	41,021-
Financial assets held for trading	-	-	4,157	7,002	5,798	16,957
Loans and advances to customers, net	65,126	167,571	273,951	458,446	228,998	1,194,092
Financial assets available for sale	-	-	12,053	22,969	79,908	114,930
Financial assets held to maturity	4,522	-	-	132,385	2,062	138,969
TOTAL INTEREST-BEARING ASSETS	157,608	186,584	303,069	620,802	319,700	1,587,763
INTEREST-BEARING LIABILITIES						
Deposits from banks	7,631	-	4,000	-	-	11,631
Loans from banks	-	-	-	5,000	35,062	40,062
Liabilities under repurchase agreements	20,884	1,865	-	-	-	22,749
Liabilities to other depositors	747,271	224,379	413,360	539,882	-	1,924,892
Other attracted funds	93	63	227	634	-	1,017
TOTAL INTEREST-BEARING LIABILITIES	775,879	226,307	417,587	545,516	35,062	2,000,351
NET INTEREST-BEARING ASSETS AND LAIBILITIES GAP	(618,271)	(39,723)	(114,518)	75,286	284,638	(412,588)

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, 2011 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.

The currency structure of the financial assets and liabilities by carrying amount as of December 31, 2011 is as follows:

	BGN	EUR	USD	Other	Total
FINANCIAL ASSETS					
Placements with, and advances to, banks	11	395,908	17,699	6,603	420,221
Receivables under repurchase agreements of securities	32,444	-	-	-	32,444
Financial assets held for trading	57,885	4,396	5,931	3,565	71,777
Loans and advances to customers, net	754,854	507,516	160,801	15	1,423,186
Financial assets available for sale	79,772	178,395	48	2,873	261,088
Financial assets held to maturity	71,099	77,147	-	-	148,246
Investments in subsidiaries	3,200	46,216	-	-	49,416
TOTAL FINANCIAL ASSETS	999,265	1,209,578	184,479	13,056	2,406,378

All amounts are in thousand Bulgarian Levs, unless otherwise stated

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk (continued)

FINANCIAL LIABILITIES					
Deposits from banks	8,156	10,514	1,880	305	20,855
Loans from banks	40,062	1,956	-	-	42,018
Liabilities under repurchase agreements of securities	3,008	16,874	-	-	19,882
Amounts due to other depositors	1,470,177	965,711	126,354	14,588	2,576,830
Other attracted funds	762	-	-	-	762
TOTAL FINANCIAL LIABILITIES	1,522,165	995,055	128,234	14,893	2,660,347
NET POSITION	(522,900)	214,523	56,245	(1,837)	(253,969)

The currency structure of the financial assets and liabilities by carrying amount as of December 31, 2010 is as follows:

	BGN	EUR	USD	Other	Total
FINANCIAL ASSETS					
Placements with, and advances to, banks	2,052	47,051	31,105	1,586	81,794
Receivables under repurchase agreements of securities	27,813	-	13,208	-	41,021
Financial assets held for trading	28,022	12,693	6,356	2,056	49,127
Loans and advances to customers, net	749,452	401,805	42,835	-	1,194,092
Financial assets available for sale	32,493	96,326	47	2,959	131,825
Financial assets held to maturity	59,996	78,973	-	-	138,969
Investments in subsidiaries	-	34,881	-	11,336	46,217
TOTAL FINANCIAL ASSETS	899,828	671,729	93,551	17,937	1,683,045
FINANCIAL LIABILITIES					
Deposits from banks	6,381	5,221	28	1	11,631
Loans from banks	40,062	-	-	-	40,062
Liabilities under repurchase agreements of securities	3,010	19,739	-	-	22,749
Amounts due to other depositors	1,055,122	741,839	119,854	8,077	1,924.892
Other attracted funds	1,017	-	-	-	1,017
TOTAL FINANCIAL LIABILITIES	1,105,592	766,799	119,882	8,078	2,000,351
NET POSITION	(205,764)	(95,070)	(26,331)	9,859	(317,306)

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 financial assets held for trading – BGN 35,582 thousand (2010: BGN 23,493 thousand) is exposed to risk.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

34. INFORMATION REGARDING THE FAIR VALUE OF THE ASSETS AND LIABILITIES

Fair value is defined as the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Sufficient market experience, stability and liquidity do not currently exist for purchases and sales of loans and advances to customers and for some other assets and liabilities, for which published market information is not easily accessible. Accordingly, their fair values cannot be reliably determined. Management considers that their carrying amounts are the most valid and useful reporting amounts under these circumstances.

The fair value of the financial assets and liabilities, distributed in accordance with the hierarchy of the fair values as of December 31, 2011 and 2010 is as follows:

2011	Carrying amount	Level 1 – quoted market price	Level 2 – Techniques for assessment of observed market levels	Level 3 – Techniques for assessment – non-observed market levels	Fair value is not available
ASSETS					
Financial assets held for trading	71,777	52,325	9,462	9,990	
Financial assets available for sale	261,088	156,062		101,019	4,007
TOTAL ASSETS	332,865	208,387	9,462	111,009	4,007
LIABILITIES					
Derivative financial instruments	6,098	-	6,098		-
TOTAL LIABILITIES	6,098	-	6,098	-	-

2010	Carrying amount	Level 1 – quoted market price	Level 2 – Techniques for assessment of observed market levels	Level 3 – Techniques for assessment – non-observed market levels	Fair value is not available
ASSETS					
Financial assets held for trading	49,127	40,715	8,412	-	-
Financial assets available for sale	131,825	54,330	-	74,363	3,132
TOTAL ASSETS	180,952	95,045	8,412	74,363	3,132
LIABILITIES					
Derivative financial instruments	6,916	-	6,916	-	-
TOTAL LIABILITIES	6,916	-	6,916	-	-

35. RELATED PARTIES TRANSACTIONS

The Bank has conducted a number of transactions with related parties as it has granted loans, issued guarantees, attracted 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, 2011 and 2010 the Bank has receivables from, payables and contingent commitments to related parties as follows:

All amounts are in thousand Bulgarian Levs, unless otherwise stated

35. RELATED PARTIES TRANSACTIONS (CONTINUED)

Related parties and balances	As of 31.12.2011	As of 31.12.2010
Parent company		
Deposits received	38	30
Companies under common control		
Loans granted	162,493	106,088
Guarantees issued	22,850	20,225
Receivable under repurchase agreements	17,356	14,835
Other receivables	25,792	5,367
Deposits received	129,230	106,633
Subsidiaries		
Deposits received	1,310	108
Deposits granted	29,394	21
Key management personnel of the Bank or its main shareholder		
Loans granted	5,650	4,773
Deposits received	890	464

Income and expenses realized by the Bank in 2011 and 2010 from transactions with related parties are as follows:

Related parties and transactions	Turnover in 2011	Turnover in 2010
Parent company		
Income from fees and commissions	1	3
Companies under common control		
Interest income	10,743	6,292
Income from fees and commissions	2,042	1,456
Income from services	852	167
Interest expense	(4,555)	(4,416)
Expenses for services	(5,249)	(4,205)
Subsidiaries		
Interest expense	(127)	(41)
Interest income	48	
Income from fees and commissions	3	2
Expense from fees and commissions	(1)	-
Key management personnel of the Bank or its main shareholder		
Interest income	177	122
Income from fees and commissions	3	3
Interest expense	(32)	(20)

The remunerations of the members of the Supervisory Board paid in 2011 are BGN 120 thousand (2010: BGN 72 thousand). The remunerations of the members of the Management Board paid in 2011 are BGN 267 thousand (2010: BGN 236 thousand).

36. EVENTS AFTER THE REPORTING PERIOD

No material events have occurred subsequent to the preparation of the separate financial statements for 2011 that may have significant impact on the future development of the Bank.