CONTENTS

Message from Management

Ladies and Gentlemen,

We, the Executive Directors and Procurator of Central Cooperative Bank Plc, would like to use this opportunity to inform you about our achievements and accolades in 2007. Central Cooperative Bank Plc is a universal commercial bank with a pronounced focus on retail banking. As at 31.12.2007 the Bank assets are BGN 1,567 million, shareholders' equity amounts to BGN 211 million and the net profit is BGN 20,1 million.

Last year was our first year as a member of the European Union and competition in banking and the financial sector was severe. Hopefully we managed to grow and expand in the challenging environment. In September 2007 CCB opened its first foreign branch in Nicosia, Cyprus and the numerous Bulgarians, living and working there, enjoy professional and competitive bank services. We ranked among the first banks in Bulgaria and achieved the remarkable 50% increase in the retail portfolio.

Among our goals for 2008 are: offering a rich array of products and services, increasing the share of loans to individuals, SMEs, sole proprietors and free professionals, especially the agricultural producers in the Bank loan portfolio, benefiting from our already established huge branch network, defending the strong position on the Bulgarian banking market via a good market share, new products, loyal clients and an excellent image, keeping our already established position in retail banking and development of new strategies according to the various requirements of clients, keeping the high increase in the individuals' deposits, recruiting and educating young *and ambitious professionals, increasing total assets and preserving our position among the first banks in Bulgaria.*

We make our clients feel important.

The Bank management and staff have committed their efforts to defending the already achieved position and further improving in the banking field. We look forward to continue working with you and sharing best practices and recommendations.

Sincerely yours,

Lazar Iliev
Executive Director

Victor Mechkarov
Executive Director

George Konstantinov
Executive Director

Tihomir Atanassov
Procurator

Financial Highlights as at 31.12.2007

Main indicators from the Balance Sheet and the Income Statement	As at 31.12.2007 Thousand BGN	As at 31.12.2006 Thousand BGN
Total assets	1,566,880	1,131,987
Shareholders' capital	83,155	72,761
Shareholders' equity	211,345	116,640
Total deposits	1,327,612	946,746
Deposits from non-financial institutions	1,327,239	946,657
Advanced loans and advances to customers, net	656,030	542,331
Net interest income	58,164	37,598
Non-interest income	38,038	34,473
Total income	96,202	72,071
Operating expenses	64,885	49,251
Net profit	20,094	12,013

Financial highlights	As at 31.12.2007	As at 31.12.2006
ROE %	14.11%	13.31%
ROA %	1.52%	1.26%
Shareholders' equity / total assets %	13.49%	10.30%
Operating expenses / total assets %	4.14%	4.35%
Operating expenses / total income %	67.45%	68.34%
Loans to customers / total assets %	41.87%	47.91%
Total deposits / total assets %	84.73%	83.64%
Deposits from non-financial institutions / total assets %	84.71%	83.63%
Total capital adequacy	18.14%	13.17%

Shares	2007	2006
Number of shares	**83,155,092**	**72,760,779**
Stock market capitalization (BGN' 000)	883,107	515,146
Share price (BGN, 1.1.2007 – 31.12.2007)	BGN	BGN
Maximum share price	12.88	7.30
Minimum share price	6.77	4.05
Last weighted average price	10.62	7.08
Weighted average price for 2007	7.82	5.43
Amount of traded shares (in thousands)	7,016	2,957

Recourses	Number 2007	Number 2006
Number of customers	881,318	741,052
Foreign correspondents	366	365
Nostro accounts	21	20
Branches	51	45
Representative offices	200	175
Personnel	1,661	1,375

Today

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

The financial companies, property of the holding, include "CCB Group Assets Management", "Armeec" insurance company JSC, "CCB Sila" pension fund JSC and "Suglasie" pension fund, as well as CCB Real Estate Fund and Capital Management, "CCB Health", "CCB Life" and CCB Plc., which closes the circle of the offered financial services.

Chimimport JSC was established on April 11, 1947. Since 1994 it is a private joint-stock company, having the structure of a holding and includes financial, trade, legal, production and transport companies in Bulgaria and abroad. The main scope of business of "Chimimport" Plc includes the acquisition of shares, the restructuring and management of subsidiaries, belonging to the portfolio of companies, establishment of new subsidiary companies, capital investments and financing other enterprises, where "Chimimport" Plc is a shareholder.

The main investment of Chimimport Plc are concentrated in the following fields: finance and insurance; pension insurance; production of oil and gas; production and trading with petroleum products; buying, processing and trading with grain and oilseed oils; trading with chemicals and fertilizers; air transport and ground activities, related to aircrafts maintenance and repairs; river transport; maritime transport.

As a universal commercial bank CCB Plc offers an array of financial products and services. Along with the traditional services, CCB offers highly competitive products, through which the Bank aims to respond to the requirements of the quickly changing circumstances on the financial services markets, as developing the spectrum of financial intermediation, working hard towards the creation of new products and services and improving the familiar ones.

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

The products and services of **Western Union** are offered at 215 branches and offices of CCB Plc in 126 settlements across the country.

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

CCB Plc maintains the upward tendency for the development of good relationships with the **correspondent banks**, improving the business contacts with them. An evidence of that is the 366 correspondents and 21 nostro accounts, as well as the great number of lines for documentary operations for various amounts and trade finance for the import of investment products, made in EU. Along with that, the FX and MM limits are increased, and in this way the bank diversifies its spectrum of offered products and services.

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

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

The Bank provides an easy access to all its products via a well-developed **branch network**, offering quick and modern solutions to its customers. The Bank has 51 branches and 200 representative offices all over the country. For the time being, the main goal of the Bank management is to continuously optimize its activities, aiming at maximum effectiveness.

In 2008 CCB Plc. plans to join the **Single Euro Payments Area** as an indirect member.

Brief History

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

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

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

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

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

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

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

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

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

In September 2004 CCB Plc became a member of the International Cooperative Banking Association, together with over 52 credit institutions from 35 countries.

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

On 17 May 2005 CCB Plc signed a Syndicated Term Loan Facility for EUR 11,000,000, arranged by HSH Nordbank AG and Raiffeisen Zentralbank Österreich AG.

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

In September 2005 CCB Plc took a decision to increase its shareholders' capital by 50% and the Bank shareholders' capital amounted to BGN 48,507,186 as of the year-end.

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

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

In September 2006 the main shareholder of CCB Plc – Chimimport JSC successfully made an initial public offering of securities, which was considered the biggest event on the Bulgarian capital market. There was an oversubscription of 2,5 times from the initially stated shares.

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

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

In January 2007 the Austrian bank Bank Austria Creditanstalt AG purchased 10% of the shares of CCB Plc, which are traded on the Vienna Stock Exchange as issued warrants.

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

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

Managerial Team

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

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

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

1. Supervisory Board:

Chairperson: **Ivo Kamenov Georgiev**

Members: **Marin Velikov Mitev**

Central Cooperative Union
Represented by Peter Stefanov

2. Management Board:

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

Members: **Tzvetan Botev**
Deputy-Chairperson

Lazar Iliev
Executive Director

Victor Mechkarov
Executive Director

George Konstantinov
Executive Director

Aleksander Kerezov

Bisser Slavkov

3. Procurator:

Tihomir Atanassov

Shareholders' capital and shareholders

In 2007 CCB Plc. successfully increased its share capital from BGN 72,760,779 to BGN 83,155,092 by the issuance of 10,394,313 ordinary, book-entry shares with an issue value of BGN 7.20, in compliance with POSA. The capital had to be increased, following the socio-economic relations and the dynamics of the market. The capital increase is basically used for the four purposes, listed bellow:

1. Development of retail banking;

2. SMEs lending;

3. Providing additional opportunities for development of the banking activities of the other divisions.

4. Improving the capital adequacy. The capital increase is a precondition for optimizing the Bank activities and making larger its market share, notwithstanding the competition in the banking sector.

The main purpose is that the Bank becomes a competitive organization, working in conformity with the effective legislation of EU and respecting the EU rights and requirements.

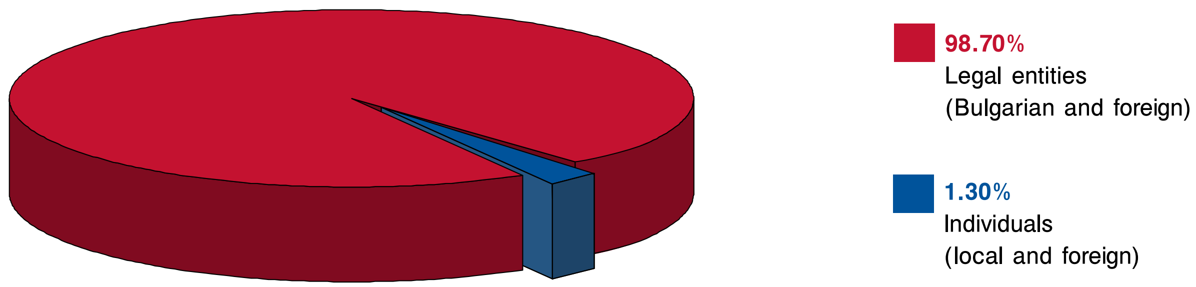
As at December 31, 2007 the shareholders' equity of the bank amounts to BGN 211,345 thousand. The capital adequacy is 18.14%, which is in agreement with the requirements of Ordinance No. 8 of BNB on the capital adequacy of banks.

CCB Plc. Shareholders as at December 31, 2007	%
CCB Group Assets Management EAD, Sofia	64.98
Bayerische Hypo – Und Vereinsbank AG	8.02
Eurobank EFG Bulgaria AD	5.74
Chimimport JSC and other related persons	4.53
Minority Participation	16.73
Total	**100.0**

As at December 31, 2007 the shareholders of CCB Plc. are 5,796 persons, among them 4,601 individuals and 1,195 legal entities.

The shares of CCB Plc are being traded at the Bulgarian Stock Exchange since 4 March 1999. In the last 7 years the CCB Plc shareholders' structure has significantly changed three times – in June 1999, when Bulbank AD sold to the State Agricultural Fund its share of 35%; in June 2001 when the share of the State Agricultural Fund, which had been acquired by the Bank Consolidation Company, was purchased by "Chimimport" JSC and at the end of 2004, when the shares of Central Cooperative Union were acquired by "Chimimport" JSC through CCB Group Assets Management.

Breakdown of shareholders' capital



Activity Overview

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

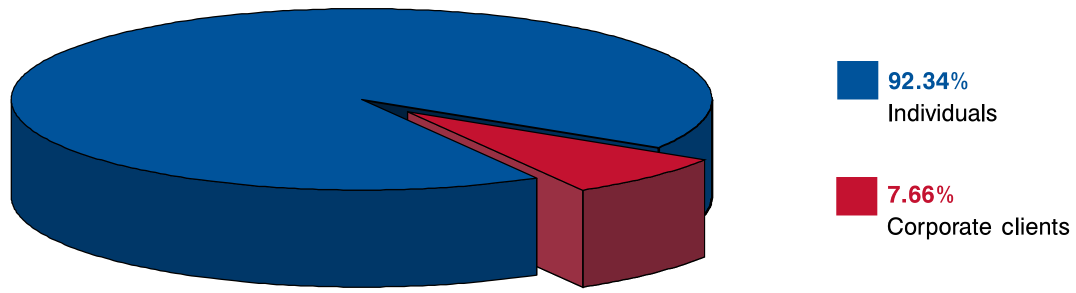
In 2007 the Bank continued to diversify the array of offered credit products and services in the field of consumer lending, as well as lending to SMEs. Following the set goals, the Bank further developed its activity of a "retail bank" and achieved good positions in the SMEs segment, attracting more and more clients in this sector.

Client structure

Clients are of special importance to the Bank, because they contribute to the Bank's successful development and market positions. For this reason CCB Plc attracted more and more clients, especially individuals, households, SMEs and takes into account their needs and desires. The Portfolio of the Bank is in line with to the customers needs. CCB concentrates on the competitiveness and attractiveness of the products.

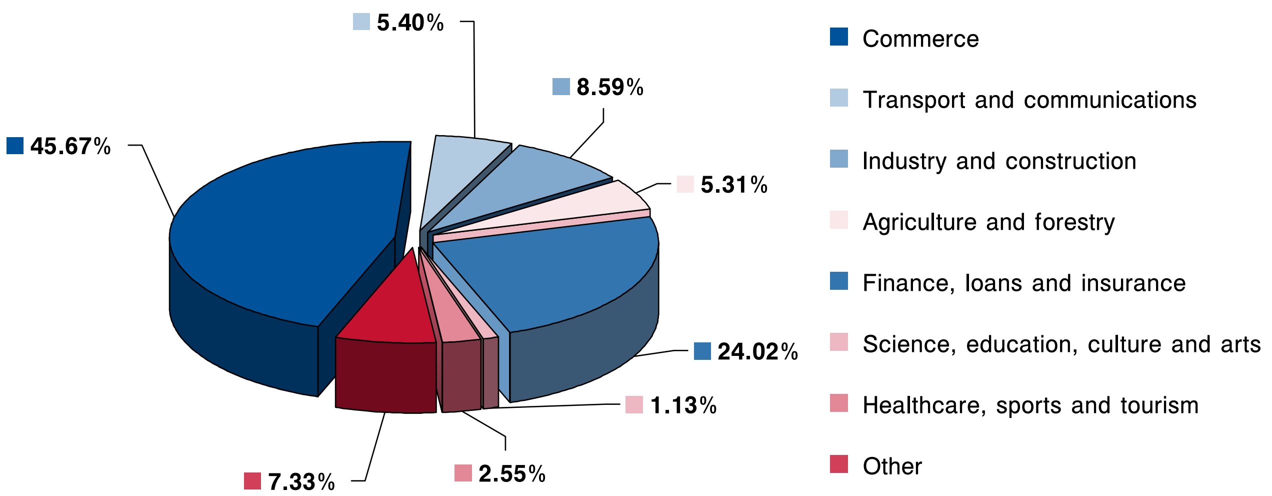
At the end of 2007 the customers of the Bank increased up to 881,318 – the growth is by 140,266 or 18.93% more in comparison with the previous year. The results show a strong growth in the individuals; their number increased by 132,578 or a growth by 19.46% in comparison with 2006. That is due to the ambition of CCB Plc in the last several years to develop in the highly competitive segment on the Bulgarian market - retail banking. In the field of SME lending there is certain growth. And this is the reason of the new market positions of the Bank in the sphere of SME lending.

Breakdown of clients as at 31 December 2007



Sector	December 2007	December 2006
Individuals and sole proprietors	813,832	681,254
Commerce	30,822	26,317
Transport and communications	3,645	3,006
Industry and construction	5,799	4,941
Agriculture and forestry	3,585	3,222
Finance loans and insurance	16,208	16,427
Science and education	761	624
Healthcare, sports and tourism	1,721	1,400
Other	4,945	3,861
Total	**881,318**	**741,052**

Branch structure of clients - legal entities



Retail banking

Central Cooperative Bank Plc continued to stress on retail banking in 2007. During last year the Bank remained true to the tradition to develop its established products attractive to clients, and along with that it developed a number of new products and services in the field of consumer lending and credit cards.

As a result of the successful activity of CCB in the field of retail banking, there was a considerable increase in the amount of extended consumer loans, whereas the total number of cards issued by the bank exceeded 660,000.

■ Card business

Central Cooperative Bank Plc achieved considerable success in 2007 in increasing the number of issued credit and debit cards. The increase of last year in credit cards is especially impressing: 244% for MasterCard credit cards and 182% for Visa credit cards. The total number of international and local credit cards issued by the bank reached 43,206 in comparison to 17,636 at the end of 2006. The predominant part of the CCB credit cards is issued according to the modern chip technology, which guarantees to clients a greater level of security and speed of the card payments, as well as additional functional capacity.

There was a considerable increase in the number of debit cards, issued by the bank. In 2007 the Visa Electron cards increased by 61% and reached 214,239. The Maestro cards, issued to clients of CCB Plc, were 406,127 as at 31 December 2007.

The permanent tendency and the stable growth in increasing the number of credit and debit cards of the Bank affirmed its third position in the country as an issuer of bank cards.

The role of CCB as a bank, accepting payments with bank cards, is increasing. At the end of 2007 Central Cooperative Bank Plc received licenses from Visa International and MasterCard International for acceptance at traders of international Visa and MasterCard credit cards and international Visa Electron and Maestro debit cards. With them the Bank supplemented its licenses for the issuance of those cards and for their acceptance at ATMs and POS terminals in the bank rooms.

At the end of 2007 the total number of ATM terminals of CCB is 300. In the POS terminals at the trade shops and in the bank rooms the increase is respectively by 33% and 20%, whereas the number of POS terminals of CCB as at 31.12.2007 is 1,418.

The Bank deployed its portfolio of local credit cards. Along with “Market” and “Market +” CCB added cobranded cards “CCB – Office 1”. The cobranded credit cards are issued to clients of the Bank and clients of the shops, working under the commercial brand “Office 1 Superstore”. Clients may take advantage of the competitive interest conditions, provided by the Bank, as well as various bonuses, which they receive upon shopping at Office 1 Superstore.

In 2007 CCB Plc increased the attractiveness of the additional services to its cardholders. The payment of utility bills for electricity, water supply, district heating, telephone services, GSM, cable TV and Internet became easier and accessible to clients, whereas we diversified the portfolio of cards, with which payments might be effected via "Subscription for utility bills". There are greater possibilities to use various cards for the purchase of goods and services on the Internet via ePay.bg. In 2007 the number of clients, using the service “Card and Loan Installments” increased several times. This service became very popular among the clients of CCB Plc, because it may be used at any time and at any place with an Internet connection or at an ATM, and at the same time the fee is considerably less than the fee for a money transfer.

■ Consumer loans

In 2007 consumer lending was a priority in the credit activity of CCB Plc. In this segment the Bank realised a growth of 62% on an annual basis, which places it among the leading banks in Bulgaria.

The Bank offers to clients attractive products in the field of consumer lending.

Goods on credit. During last year we made modifications to the parameters of the “Goods on credit” product, which made it even more attractive. Clients can purchase goods at a price up to BGN 10,000 in more than 3,000 trade shops. The loan term has been extended to 5 years. Clients can choose between two schemes of lending – without or with participation to the amount of 20% of the price of the selected good. In its ambition for better servicing of clients, the Bank extended its working hours, and coordinated it with that of shops.

Consumer loans are the main segment of the product array of CCB for individuals. In 2007 the Bank improved the financial conditions for its clients, increasing the maximum amount of loans up to BGN 35,000. Along with that clients were offered the possibility to repay the loan for a term of up to 15 years – the longest term for repayment in Bulgaria. These amendments make it possible for clients to take loans to a considerable amount under relatively small monthly instalments.

The combined consumer loan, which the Bank offers to its clients from 2006, has a longer tenor of the overdraft period. Clients can use overdraft for the first 12 months of the loan term, which gives them a possibility for more flexible solutions in determining the amount, which they return via annuity monthly instalments.

Package for pensioners. During last year we developed a special package of products, aimed to answer to the needs of the "third age" clients. The Bank offers them the convenience to use a current account with an overdraft, an international or local credit card and a loan under preferential conditions.

Agricultural producer’s loan. The product was developed at the beginning of 2007 especially for the agricultural producers, who receive subsidies from the European Funds. The Bank offers a complex servicing of agricultural producers, which includes preferential interest conditions on their current account at the Bank, as well as overdraft or a credit card with a limit up to 70% of the expected subsidy. The application procedure is simplified to a maximum extent, and upon the loan granting the Bank does not require guaranteeship or a pledge of fixed tangible assets.

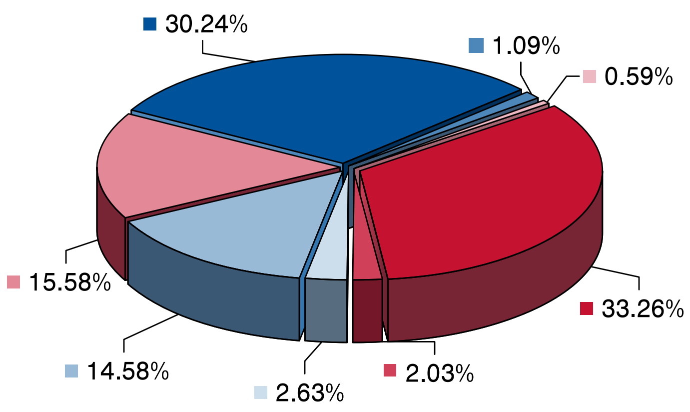
Loans for the renovation of residential buildings. During last year the Bank, together the Ministry of Regional Development and Public Works and UNDP, participated in the first part of the project for renovation and sanitation of residential buildings on the territory of various towns and cities in Bulgaria. To this purpose we offered the possibility for residents to receive a purposeful loan under preferential conditions.

Programs for stimulating loyalty. In these programs the Bank includes its most correct clients under various bank products. Depending on the client program there is the possibility to obtain a new loan and credit card under competitive conditions and without the need to present documents.

Crediting

Crediting constitutes a major share of the Bank business. For 2007 it has 41.87% of the total amount of Bank assets. The main share of the loans continues to belong to company loans, which amount to 30.24% of the total amount of the loans, whereas in 2006 their share was 34.41%. The slight decrease is at the expense of the grown percentage of the consumer and mortgage loans, respectively from 11.80% to 14.58% in the consumer loans and from 10.42% to 15.58% in the mortgage loans. The main reason is the intensive crediting of SMEs and individuals during the year. The overdraft loans constitute 33.26% of the loans. They can be extended to individuals and companies.

Breakdown of loans according to type

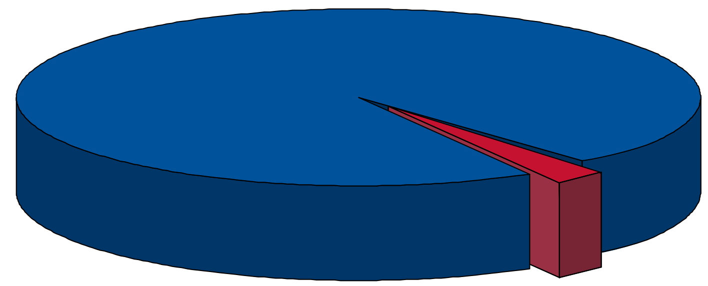


In 2007 the Bank developed and offered new attractive schemes for housing, mortgage and consumer credits.

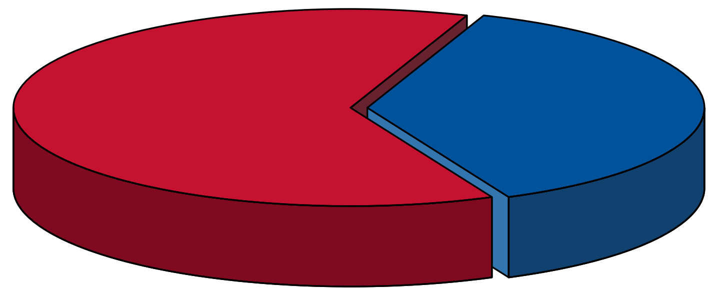
For 2007 the increase in the loans to individuals is more than 51%, which is above the average of the total credits.

The breakdown of loans to individuals and corporate loans in terms of number and amount of the loans may be seen in the following graphs:

Breakdown of loans according to clients - in terms of advanced loans



Breakdown of loans according to clients -in terms of loan amount



Correspondent relations with Bulgarian and foreign financial institutions

In 2007 the Bank continued working on several long-term projects and further improved its good business relationships with the leading banks from EU and America.

In 2007 CCB Plc continued performing its obligations associated with several projects under the main framework agreement with Landesbank Berlin, concluded in November 2002. The purpose of the agreement is a credit line for long-term financing of export transactions by the German bank. The financed transactions concern the export from Germany of German investment goods. However, export from other countries may also be financed, for example from Belgium, Austria, etc.

The Bank has a credit line with Banco Billbao Vizkaya Argentaria, Madrid, which is the second most important bank in Spain. The line concerns the investment goods – imported from Spain, and it is possible to include up to 15% components having non-Spanish origin in the value of goods, and exceptionally up to 30% having an origin in other EU countries.

CCB Plc has two successful syndicated loan agreements. The first syndication was concluded in 2005 at the amount of EUR 11 million for one year, whereas the second Syndicated Term Loan Facility, concluded in 2006, was for EUR 27,500,000, having a one-year term and an extension option of one more year. The syndicated loans were arranged by HSH Nordbank AG and Raiffeisen Zentralbank Österreich AG and the participants were prestigious financial institutions from Europe and Asia. The loans' purpose is advancing loans and financing small and medium-sized enterprises – clients of the Bank. The great interest on the part of foreign financial institutions and the increase in the preliminarily stated amount of more than two times in 2006 is a proof of the recognition and good reputation of the Bank on the international scene.

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

In the last three years the Bank was visited by a great number of investors and funds: CAIB, Deka Investment, Diolkos, DWS Investments, Egnatia Mutual Funds, Gustavia, NBGI, Petercam, Robur, Trigon Capital, Global New Europe Fund Portfolio Investments SA, etc. The great interest is due to the upward development of the Bank in the last years, the profitability of investing in Bulgarian capital companies, the development in real estate and the advantages of the EU membership.

CCB Plc has established correspondent relations with over 360 financial institutions from all over the world, and it can exchange encrypted messages with over 2,000 foreign correspondents. As at 31.12.2007 the Bank has 21 Nostro accounts, 10 of which are in EUR with EU and American banks, 4 accounts are in USD with American banks, and 7 are in other currencies – GBP, CHF, CAD, DKK, SEK, NOK and JPY.

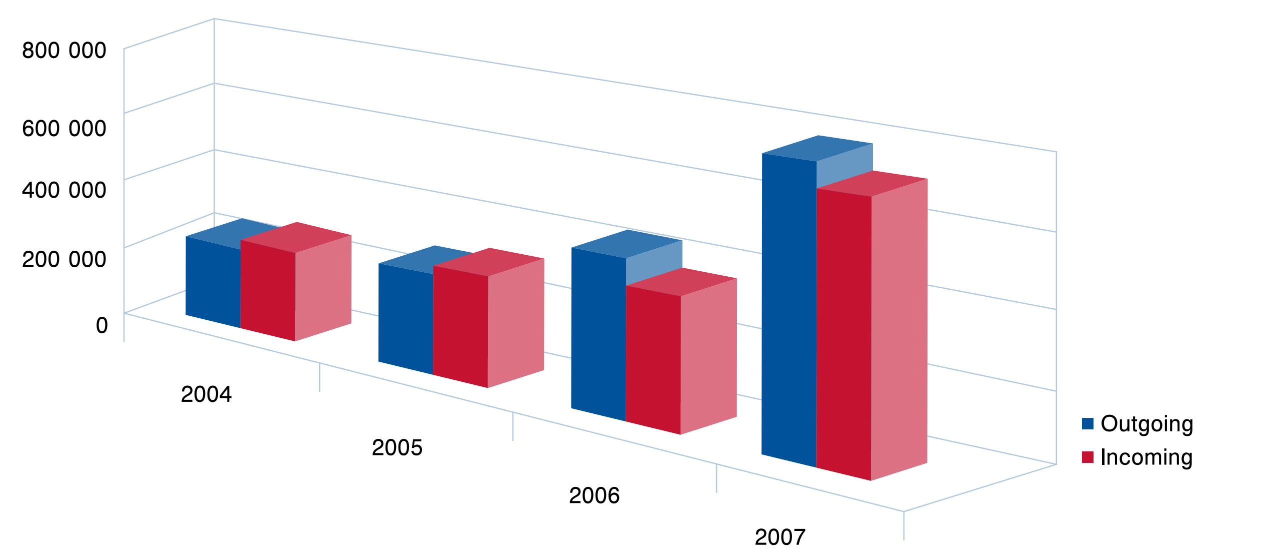
The correspondent network of CCB Plc is subject to constant optimization, with the aim of effecting the payments as quickly as possible, without any problems and under the best financial conditions for the clients.

International payments

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

Since 2003 the amount of payments has shown an incessant increase as a whole. The increase in the outgoing payments for 2007 in comparison to 2006 is 91%, and for 2006 compared to 2005 it is 56.31%. For 2005 compared to 2004 this percentage is 35.06%. With the incoming payments the increase for 2007 compared to 2006 is 103%, for 2006 compared to 2005 it is 35.32%. The increase for 2005 compared to 2004 is 37.99%.

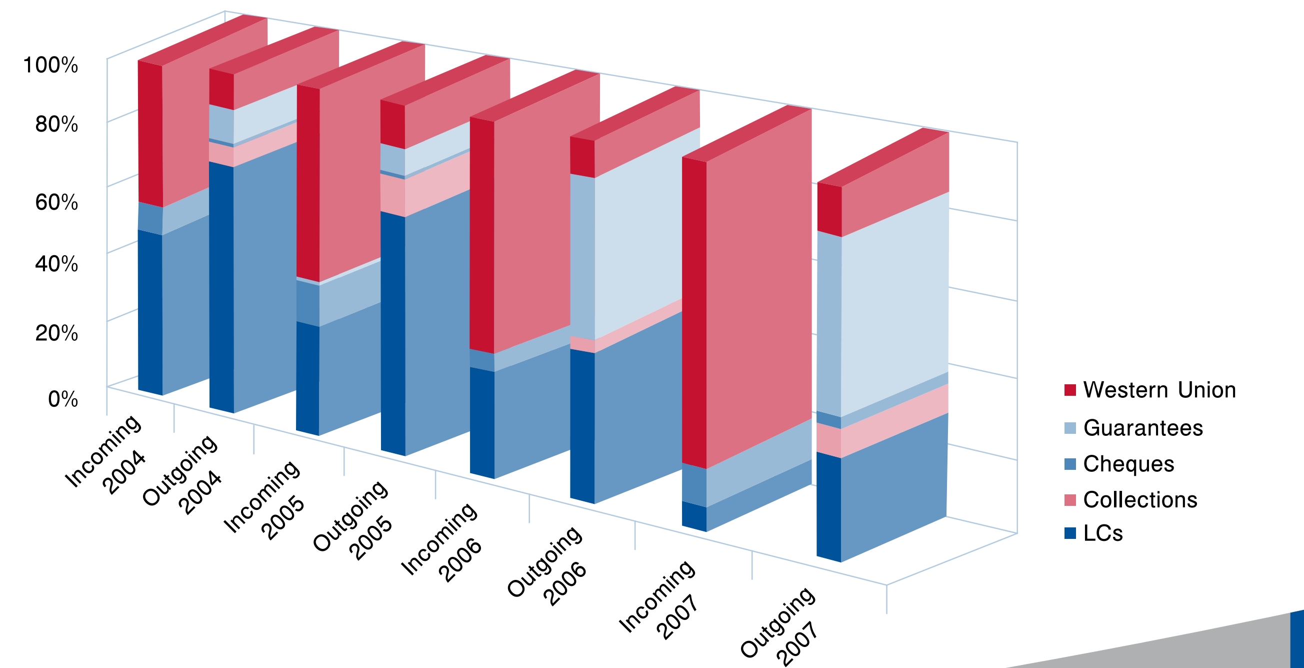
Total Amount of the Incoming and Outgoing Payments in the Long Run (in thousand USD)



Central Cooperative Bank Plc offers to its clients the main types of payments, known in the bank practice. A major share belongs to the clean payments, which have the greatest portion in the incoming and outgoing payments. In 2007 the amount of outgoing transfers has increased almost twice, and that of incoming transfers over 100%. There is a certain decrease in outgoing LCs, whereas there is an increase in the incoming cheques.

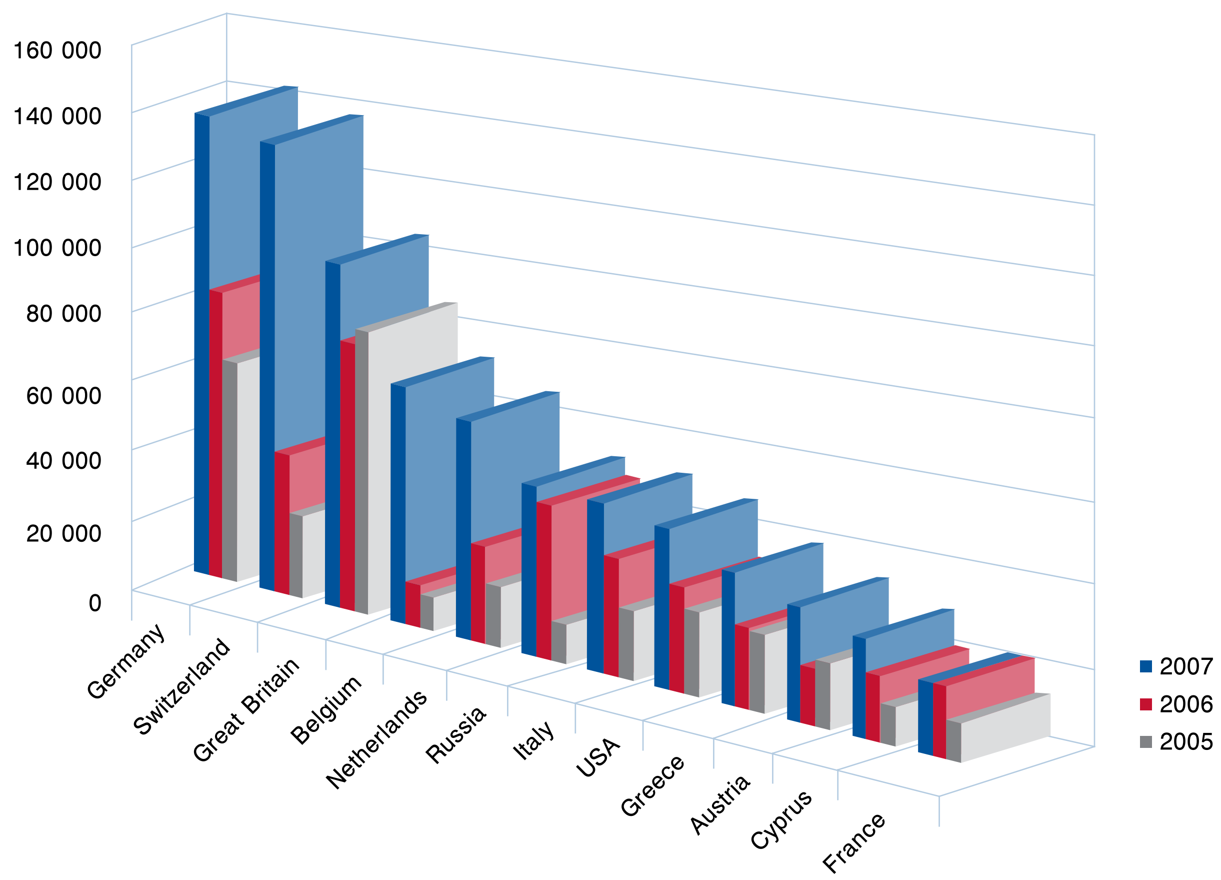
During last year the share of issued bank guarantees preserved. The breakdown of the types of payments is rather varied and may be seen in the following diagram:

Comparison between the types of incoming and outgoing payments



In the last 2007 according to the amount of payments Germany has a leading position with 8.78% of the total amount of payments. Switzerland is on the second place with 8.51%, followed by Great Britain – 6.53% and Belgium – 4.49%, and the following countries have an almost equal share: Netherlands, Russia, Italy and USA, followed by Greece and Austria.

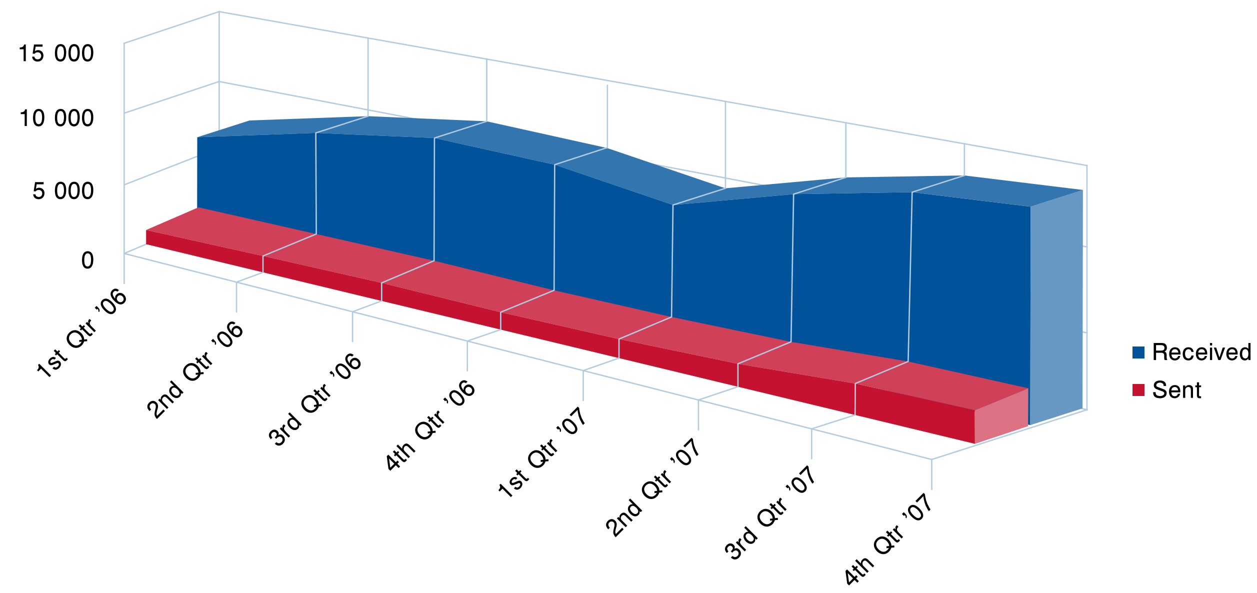
Transactions in Foreign Currency According to Countries for 2007, 2006 and 2005 (in thousand USD)



Western Union

Since 2003 CCB Plc is a licensed agent for Bulgaria of the Western Union fast money transfer system. Western Union is present with more than 300,000 offices in about 200 countries all over the world, which makes possible the speedy ordering and receiving of money transfers all over the world. The Western Union products and services are offered in 215 branches and offices of CCB Plc in 126 settlements across the country, equipped with a direct electronic access to the Western Union network. Besides, CCB Plc has concluded agreements with subagents, which offer the Western Union services on 97 more sites in 62 settlements.

Sent and Received Transfers through Western Union for 2006 and 2007 (in thousand USD)



Financial markets

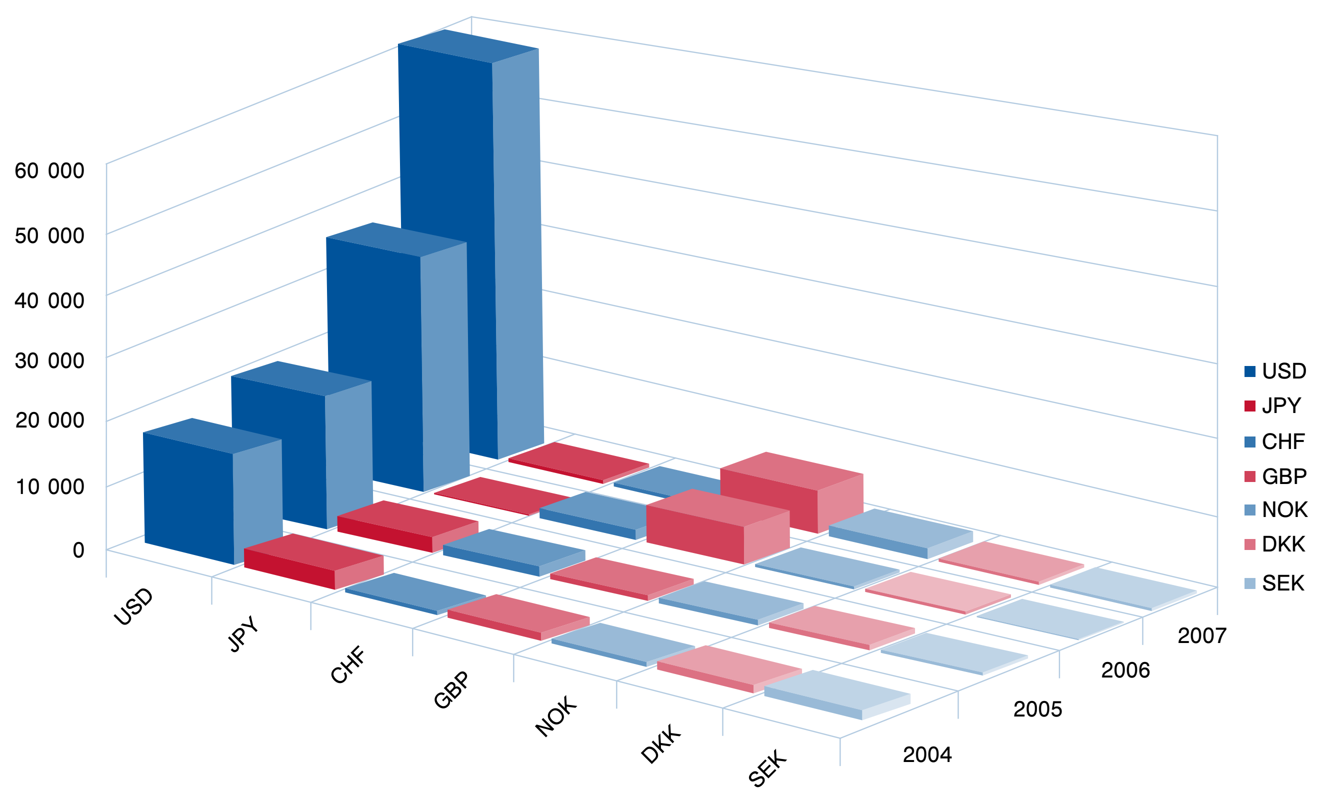
During 2007 financial markets continued to be one of the most important segments in the CCB Plc. activity. The Bank affirmed its position as one of the most active banks on the interbank FX market and banknote trade. Being a primary dealer of government securities on the domestic primary market, CCB Plc. effects transactions on its behalf and to its own benefit and also to the benefit of its clients. It places a huge amount of deposits on the local market as well as on the international markets, maintaining excellent relationships with first class foreign banks.

Foreign exchange

In the field of foreign exchange trade, the Bank offers a wide range of products and consulting services to investors, corporate clients and correspondent banks – spot and forward transactions, options, hedging etc. The Bank actively uses the existing FX lines from big European correspondent banks and as a result of the increasing confidence in 2007 obtained new lines from leading financial institutions such as Deutsche Bank AG, Germany and Credit Suisse, Switzerland. They can be used for spot and forward transactions.

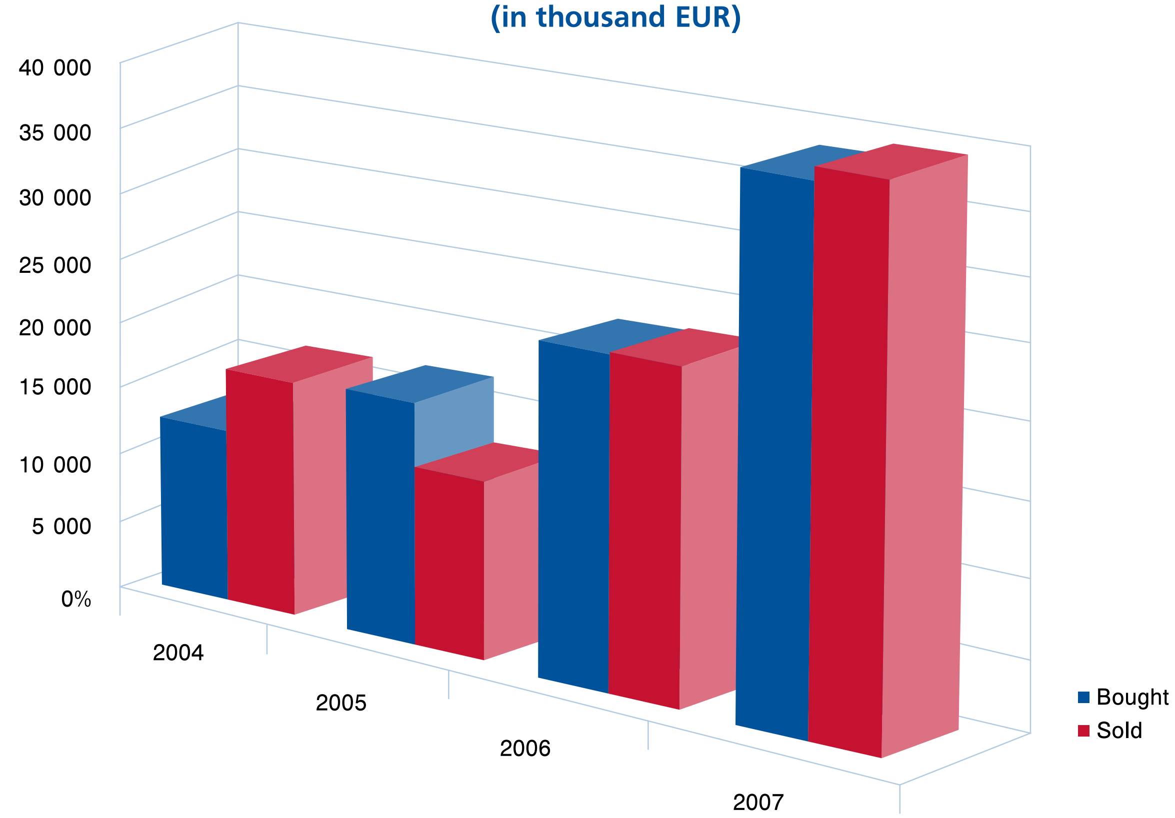
In 2007 the Bank again improved its financial highlights and intensified its activity on the FX markets, as a result a great part of the correspondent banks, with which CCB Plc works, increased the amount of the already extended FX lines.

Transactions on FX markets (in thousand EUR)



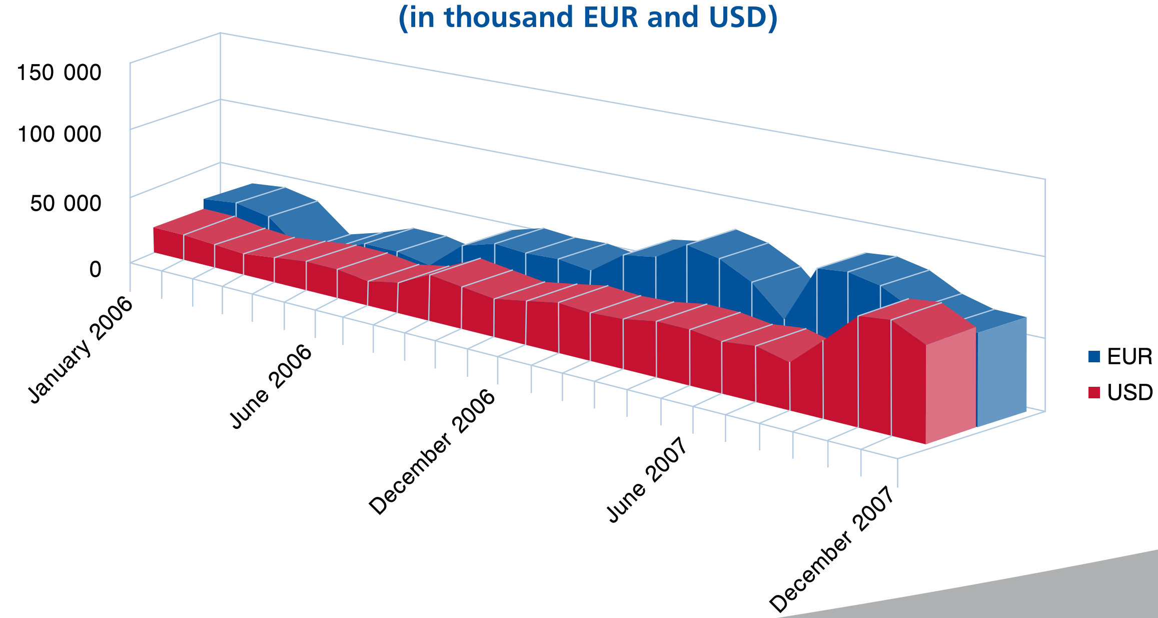
The volume of transactions on the FX market increased considerably with over 60 % compared to 2006, reaching the amount of EUR 70,000 thousand on the average per month. The Bank has lines for margin and netting trade with several leading financial and brokerage houses, such as Saxo Bank, Sucden and Marex Financial, thus giving the opportunity for its customers to trade on the international financial markets, concluding contracts for a margin trade. These lines allow the Bank to conclude speculative transactions at its expense at a limited risk.

Amount of FX trade (in thousand EUR)



During last year the volume of placed deposits in EUR considerably exceeds that in USD, which is a result of the bigger share of attracted funds in EUR, as well as the orientation of the Bulgarian economy in this direction.

Amount of deposits for 2006 and 2007 (in thousand EUR and USD)



Securities

During 2007 CCB Plc. continued its policy to participate actively in the primary and secondary market of government securities. The portfolio of government securities was optimized with the aim of shortening the average term to maturity and including securities with a floating yield due to the limitations for hedging the price and interest rate risk, associated with the owned government securities.

Capital markets

CCB Plc. has a full license of an investment intermediary since 1997 and offers the following investment services:

- effecting orders for the purchase or sale of securities at the expense of customers or at its own expense
- preparing prospectuses for the Initial Public Offerings of securities
- accepting securities issues

In September 2007 a Secondary Public Offering of Chimimport Plc. was made – the main shareholder of CCB Bank Plc. through related companies. As a result the shareholders' equity was increased by BGN 19,999 984, reaching the amount of BGN 150,000 thousand.

In December 2007 Central Cooperative Bank Plc. was the investment intermediary in the Secondary Public Offering of 42,696,400 ordinary shares of "Zarneni hrani" AD.

Information technology

The Bank services its customers on the basis of contemporary banking information technologies. The IT experts within CCB Plc endeavor to assist the business units so that the Bank products and services are as attractive as possible, whereas minimization of the development time and implementation of new services are pursued. In 2007 the Bank information technologies were concentrated on the following significant aspects:

- Deploying the features of the centralized information system of "AIS 2" used at CCB Plc, a development of "Datamax" AD. Using the advantages of "AIS 2", the Bank offers to its customers complete bank servicing. From interbank payments in BGN and foreign currency in real time, international payments, depositing funds, payments between clients without the requirement for customers to have opened bank accounts, etc, to participation on the stock exchange.
- The Bank has successfully implemented a new version of its product, which allows it to open representative offices in other countries. The first foreign branch was opened in Cyprus.
- Establishing a uniform SWIFT knot for servicing currency payments via different BIC codes.
- CCB Plc is a licensed agent of the Western Union fast money transfer system and there are over 200 positions for Western Union transactions within the Bank information network.
- CCB Plc is a licensed agent of the Easy Pay fast money transfer system, whereas in the information network of the Bank there are over 250 positions for working with EasyPay.
- CCB Plc is a registration operator of the Info notary universal electronic signatures system, whereas in the information network of the Bank there are over 250 positions for working with Info notary.

Personnel

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

The broadening of the Bank network continued in 2007 and for this reason the Bank management takes care of the efficiency of the personnel number and structure. The total number of bank branches within the system of CCB Plc as at 31.12.2007 is 51, whereas the bank representative offices and outlets are 200. In 2007 6 new bank branches were opened – Central, Hadji Dimitar, Stara Zagora Verea, Troyan, Plovdiv – Bulgaria and the Cyprus branch, as well as 25 bank representative offices in the newly established and existing branches. In 2007 two new units were established at the head-office - "Construction and maintenance" department and "Marketing and development" division.

The total staff number of CCB Plc as at 31.12.2007 is 1,661 people, including 313 people at the head-office and 1,348 people at the branches. The total staff number as at 31.12.2006 is 1,375 people or the increase is by 286 people. In 2007 we had 462 new employees, and 182 left employees. With the deployment of the Bank branch network, the management takes permanent care of the staff number and structure. There are mainly young experts at the bank with the necessary education and linguistic competence.

Within the bank the employees at the age up to 40 years old predominate – 1,069 people, which is 64% of the total personnel number. These are the employees at the most vital and creative age and with certain potential for results in work, also employees, working directly with clients of the Bank, for whom care and efforts are rendered for their motivation for future work at the Bank. More than one third of the branch directors are at the age up to 40.

CCB Plc pays special attention to the education of employees. The share of the employees with university education in all its degrees is especially big – 1,141 people or 68.7 %. A basic approach upon appointing employees with the proper education and high professionalism is the proper selection of candidates. The objective is to ensure the appropriate qualified expert at each work place and full possibility for replacement in the performance of functions.

The process of attracting experts at management and key positions at the Bank is also important, as well as their retaining, taking into consideration that the investments for establishing new highly qualified staff are considerably greater. The financial stimulus is domineering for the establishment and maintenance of the interest of employees, as well as for their full performance, and for achieving the good results of the bank. The employees' salaries are periodically updated and constantly increase. The Bank intends to retain its well-performing staff and attract new competent experts and to a great extent relies on the modern systems for stimulating employees.

With determining the remuneration at CCB Plc we aim at reaching even better relationship between the labor results and the individual remuneration and stimulate the initiative and the ideas of employees, reach better technological and employment discipline, as well as responsibility in the performance of their work functions. The main aspects in determining the employment remuneration consist of the objective evaluation of the labor of employees and determining their individual work salaries. There is a special policy of the bank management to the experts with a special /key/ contribution with regard to their selection and retaining via financial and prestigious stimuli.

The long-term Concept for Training and Development of the Bank Personnel is the basis for carrying out the training and qualification of employees. On that ground we developed a Program for Training and Qualifying Employees within the Bank System for 2007, with the following emphasis:

- Loan operations;
- Retail banking;
- International payments;
- Money markets and securities;
- Information technologies;
- Accounting.

In 2007 special attention was devoted to training with the collaboration of the International Banking Institute, different centers for qualification and training of staff, as well as other Bulgarian and international institutions. The Bank employees participated in many international conferences and courses in our country and abroad with regard to the new requirements of the European Union in the field of banking.

Branch network

CCB Plc possesses a well-developed branch network, which is well distributed on the territory of the Republic of Bulgaria. In 2007 the main goal was obtaining higher level of effectiveness of the branches and providing good servicing to its customers. Via the branch network the Bank aims at a maximum extent to be at the disposal of its clients and to provide to them quick, convenient and quality servicing.

During the last year six new branches and twenty-five new representative offices were opened.

In 2007 the first foreign branch of CCB Plc. was opened in Nicosia, Cyprus. The new branch services individuals, small and medium-sized enterprises and in particular Bulgarian citizens, living and working on the territory of the Republic of Cyprus.

Structural units	31.12.2007	31.12.2006	31.12.2005
Bank branches	51	45	39
Bank representative offices	200	175	140

The Bank in the future

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

In 2007 there was a diversification in the types of consumer lending and a number of products and services for individuals were introduced. We plan the launch of products, offering high profitability to clients under the occurrence of certain conditions and depending on the development of the international financial markets.

The Bank future goals include:

- offering a rich array of products and services;
- increasing the share of loans to individuals, SMEs, sole proprietors and free professionals, especially the agricultural producers, in the Bank loan portfolio;
- benefiting from our already established huge branch network;
- defending the strong position on the Bulgarian banking market via a good market share, new products, loyal clients and an excellent image;
- keeping our already established position in retail banking and development of new strategies according to the various requirements of clients;
- joining SEPA and using the changes in international payments to our advantage;
- keeping the high increase in the individuals' deposits;
- recruiting and educating young and ambitious professionals;
- increasing total assets and preserving our position among the first banks in Bulgaria.

As a result of the endeavors in the last several years CCB Plc affirmed itself on the international scene. This is evidenced by the great interest on the part of foreign financial institutions in the last syndicated loan, the participation of European investors in the Bank capital and our first international branch in Cyprus.

In 2008 the Bank will further develop its relationships with foreign financial institutions, increase the number of credit lines and diversify its products for external financing. In this way and with its good reputation, market positions and broad branch network, CCB Plc will be able to satisfy the ever-increasing requirements of its clients.

Financial Review for 2007

Market share and position of CCB Plc

In 2007 CCB Plc. continued its stable rate of development, following the tendency from the last few years. According to the BNB classification Bulgarian banks are divided into 3 groups, depending on the assets amount: the first group includes the first 5 banks with the greatest total assets, the second group consists of the next 19 banks, and the third group is made up of the branches of the foreign banks in Bulgaria. At the end of 2007 CCB Plc ranks on the 11th place among the Bulgarian banks.

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

Market share of CCB Plc in terms of:	Total for the banking system	For the second group of banks
Total assets	2.65%	6.88%
Income-generating assets	2.50%	6.51%
Long-term assets	4.39%	10.51%
Attracted funds	2.58%	6.64%
Attracted funds from non-financial institutions	3.44%	8.59%
Loans, granted to non-financial institutions	1.80%	4.95%
Net income from interest and dividends	2.65%	7.76%
Non-interest income net	4.24%	11.61%
Net profit	1.76%	5.87%

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

Ratio	CCB	Second group of banks	Total for the banking system
ROE (Return on equity)	14.11%	21.40%	22.24%
ROA (Return on assets)	1.52%	2.13%	2.33%
Income-generating assets/total assets	80.44%	81.13%	81.68%
Rate of advancing loans	50.67%	87.41%	95.99%
Shareholders' equity / assets	13.49%	10.04%	10.51%
Rate of provisioning	2.55%	1.75%	2.16%
Net interest income / operating expenses	88.73%	125.90%	148.59%
Net non-interest income / operating expenses	59.53%	38.45%	38.70%
Net interest margin	5.36%	4.85%	4.92%
Operating expenses / gross income	67.45%	54.73%	47.39%
Assets profitability	1.59%	1.85%	2.37%

In 2007 Central Cooperative Bank Plc continued to increase its market share with regard to issued bank cards, whereas the growth is by 122,744.

In 2007 the absolute change in the number of issued cards amounts to 23,608. The number of issued Maestro debit cards by the bank increased by 4.16%, which is 406,127 issued cards. The market share in Maestro debit cards compared to the total number of cards issued in Bulgaria amounts to 24.47%.

The CCB has marked an upward development tendency in the issuance of MasterCard credit cards. The growth is 243.73% compared to 2006. The percentage increase of Visa and Market credit cards is 181.87% and 25.42% respectively. As at 31.12.2007 the bank has a growth of 61.26% in issued Visa Electron debit cards, whereas the market share compared to the total amount of cards issued in Bulgaria amounts to 43.82%.

In 2007 the total number of ATMs amounts to 300, which is 15.38% more in comparison with 2006. In 2007 CCB increased its market share and at present has 13.69% of the ATMs throughout the country.

As at 31.12.2007 the number of POS terminals is 1,450, which means 33.27% more in comparison with the last year. The number of POS terminals situated in the trade network increased by 36.47%. The POS terminals at the CCB branches increased by 19.37%. The virtual POS terminals show a growth of 28%.

The loans, granted to non-financial institutions and other customers, are 1.80% in comparison with the banking system and 4.95% with the second groups of banks.

The Bank ranks on the 14th position in relation with the amount of loans, granted to the enterprises.

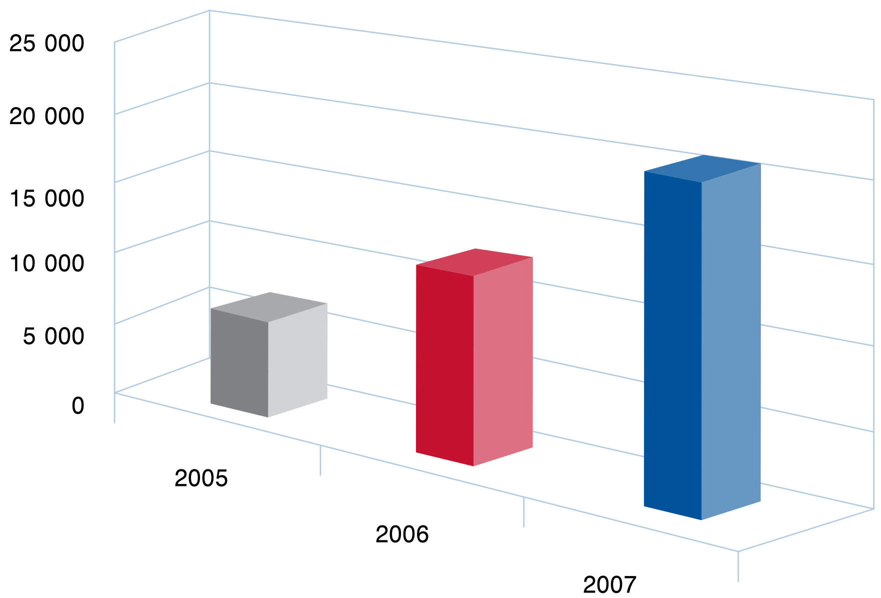
In terms of retail banking, CCB ranks on the 10th position, as last year.

The Bank has had some changes in the housing and mortgage loans, granted to individuals in comparison with 2006. As at 31.12.2007 the Bank occupies the 10th position, which means 38.67% of change. According to consumer loans the Bank remains on the 8th position, as the segment increased by 57.50%. In terms of attracted funds from individuals and households in 2006 the Bank ranked on the 8th position, while in 2007 it was on the 9th position.

Income Statement

2007 was another successful year for Central Cooperative Bank Plc. CCB Plc. ended 2007 with a profit to the amount of BGN 20,094 thousand, which is an increase of 67.27% in comparison to 2006, when the profit was BGN 12,013 thousand.

Net Profit



Central Cooperative Bank Plc. has very good indicators of profitability and effectiveness, which guarantee the successful development of the Bank. In 2007 the return on equity is 14.11% and the return on assets is 1.52%. The total capital adequacy of the Bank is 18.14%, considerably above the requirements of the Central Bank.

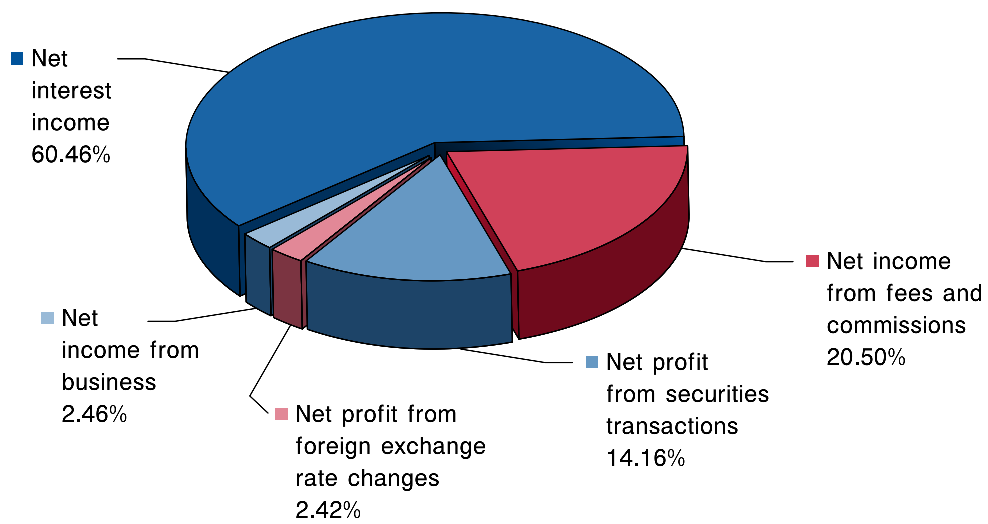
In 2007 the net interest income of CCB Plc. is to the amount of BGN 58,164 thousand, which is 60.46 % of the total income and with 37.94 % higher than the net interest income in 2006, when it amounted to BGN 42,166 thousand. The greatest share in the interest income belongs to interest on loans– BGN 70,706 thousand, followed by the income from deposits with banks – BGN 11,634 thousand and securities income – BGN 9,924 thousand.

The interest expenses during the accounting year are to the amount of BGN 34,100 thousand, whereas their amount for 2006 was BGN 26,224 thousand. The increase amounts to 30 % and the main reason for that is the appreciated clients' deposits - private individuals as well as legal companies. The most significant share in the net non-interest income of CCB Plc. for 2007 belongs to net income from fees and commissions – BGN 19,724 thousand, with a share of 20.50% from total income.

At the end of 2007 the Bank realized a net securities income to the amount of BGN 13,621 thousand, which is an increase of 33.29% in comparison to the end of 2006, when it was BGN 10,219 thousand.

The operating expenses of CCB Plc. for 2007 amount to BGN 64,885 thousand. In comparison with 2006 they have increased by 31.74%. The reported increase is due to the expansion of the Bank's branch network and the implementation of new banking products. At the same time the ratio "operating expenses / total income" decreased during the previous year, reaching 67.45%.

Income Breakdown



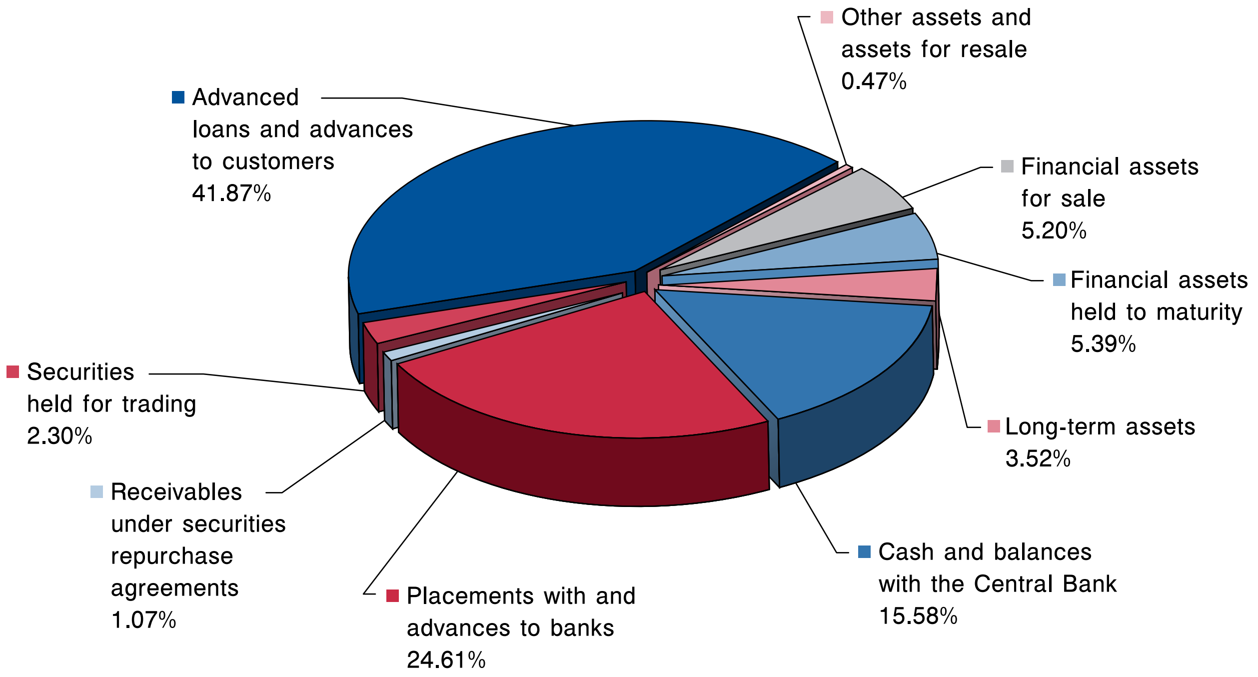
Analysis of the Assets and Liabilities

Assets

As at 31 December 2007 the total value of the assets of CCB Plc. exceeded one billion and a half leva, the total amount reached BGN 1,566,880 thousand. In comparison to 2006, when the total assets reached BGN 1,131,987, there is an increase of BGN 434,893 thousand that equals to 38.42%. The main increase is in assets in BGN – BGN 279,793.

The increase in total assets for the whole banking system amounts to 40%.

Assets Breakdown

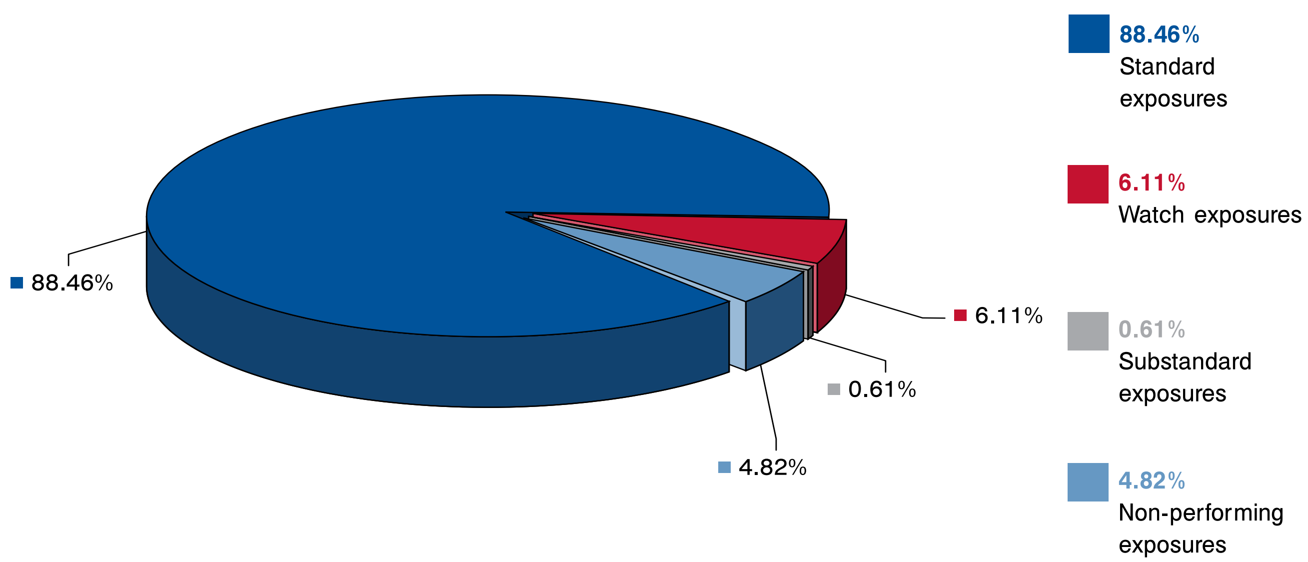


At the end of 2007 the cash and balances with BNB are to the amount of BGN 244,048 thousand (15.58 % of the total assets amount), compared with BGN 122,619 thousand for 2006 respectively (10.83% of the total assets amount). This increase is the result mainly of the raised rate of minimum required reserves, which Bank maintains with BNB. The amounts due from banks and other financial institutions of CCB Plc are to the amount of BGN 385,565 thousand or 24.61 % of the total amount of the Bank assets. There is an increase in the placements with and advances to banks of over 95 % in comparison to 2006.

The investments in securities, including government securities, corporate bonds, shares and compensation instruments – a means to improve the profitability of the Bank – are 12.89% of assets. The traded securities of CCB Plc. are to the amount of BGN 36,082 thousand, which is an increase of 43.78% compared to the previous year. The Bank's portfolio is diversified and the main objective is increasing income and profits from the traded securities, as well as providing high liquidity. The Bank also services first level budget spending units, secured by government securities.

As at 31.12.2007 the total amount of credit exposures reached BGN 656,030 thousand. It has the greatest share in the total assets amount - 41.87%. In comparison to 31.12.2006 the increase is by 20.96%, which is mainly due to the advanced loans to individuals as well as loans granted to SMEs. That is due to the aspiration of the Bank to reach even better positions in retail banking and SMEs lending than at present.

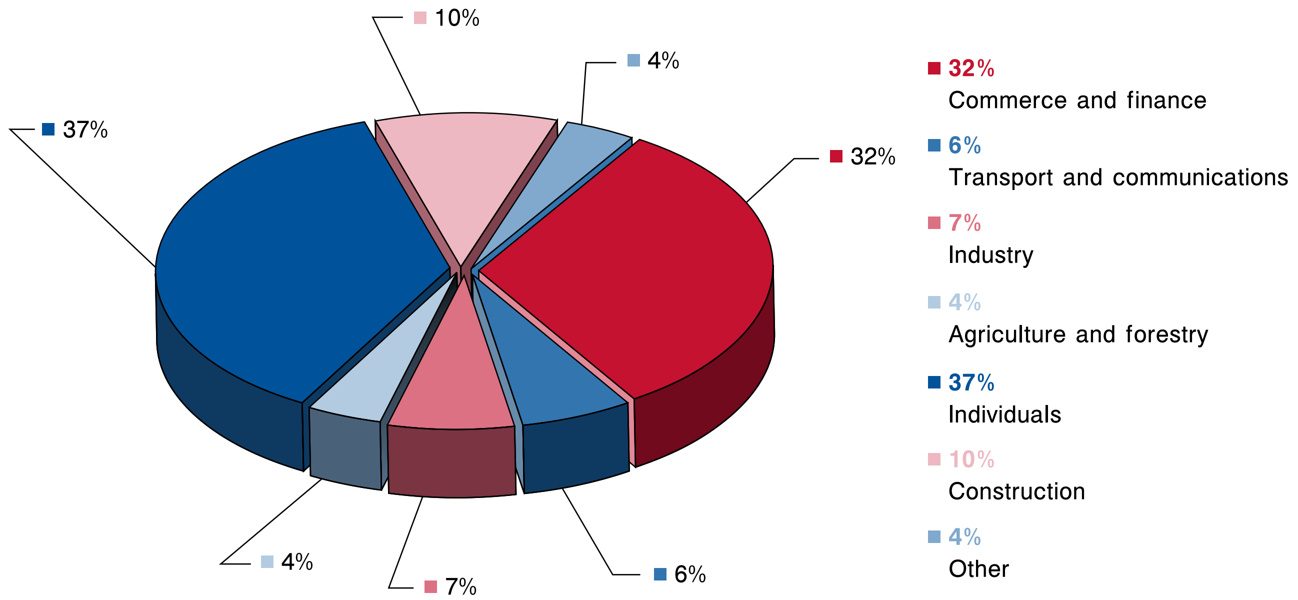
Breakdown of the loan portfolio according to the classification of credit risk



The quality of the credit portfolio is very good. As at 31.12.2007 the relative share of standard exposures in the total amount of loans of the Bank is 88.46%, which has increased in comparison to the previous year. The share of non-performing loans is 4.82%, whereas the share of substandard exposures is under 1%.

CCB Plc. grants loans to clients from all branches of the economy. The greatest part of the loans is granted to households and individuals and has a share of 37.29% of the loan portfolio. Second rank the loans concentrated mainly in commerce and finance, which have a share of 31.53%. As at 31.12.2007 the breakdown of loans according to branches is as follows:

Breakdown of loans according to branches



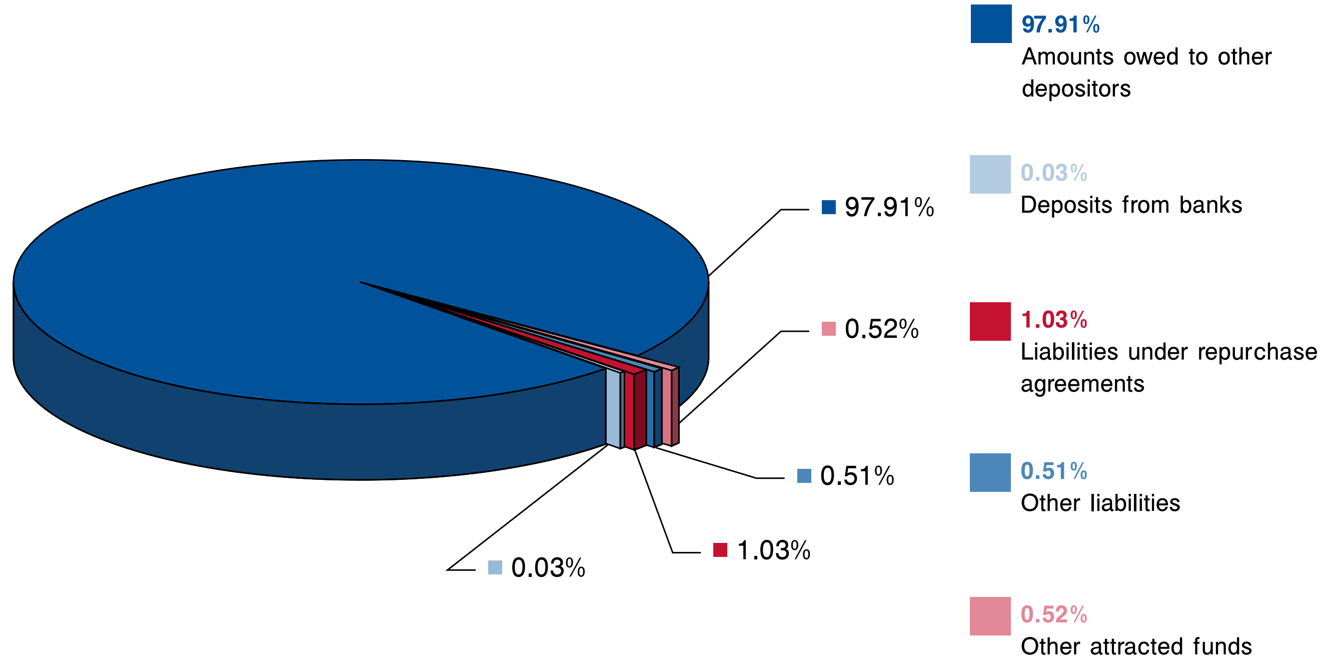
Liabilities

The Bank maintains a stable structure of attracted funds. This allows it not to be dependent on external financing and not to be dependant on the crises on the world financial markets.

The total amount of deposits as at 31.12.2007 is BGN 1,327,612 thousand, which is an increase by 40% compared to 2006, when it was BGN 946,746 thousand. The increase in the deposits is as a result of the growing confidence in the bank and the attracted new clients. The attracted funds from financial institutions as deposits and repo agreements are under 1%. The amounts owed to other depositors – individuals and non-financial institutions affirmed their role of a main source of financing the CCB Plc. operations. Their share in the total amount of liabilities increased to 97.91%, compared to 93.23% in 2006. In 2007 they increased to BGN 1,327,239 thousand, whereas in 2006 their amount was BGN 946,657 thousand. That is an increase by 40.20%.

The structure of the bank liabilities has been illustrated in the following diagram:

Liabilities Breakdown



The funds attracted from individuals and households have the greatest share in the total amount of attracted funds from clients – 51.44%. The funds attracted from companies amount to 46.97%, whereas funds attracted from other institutions amount to 1.58%.

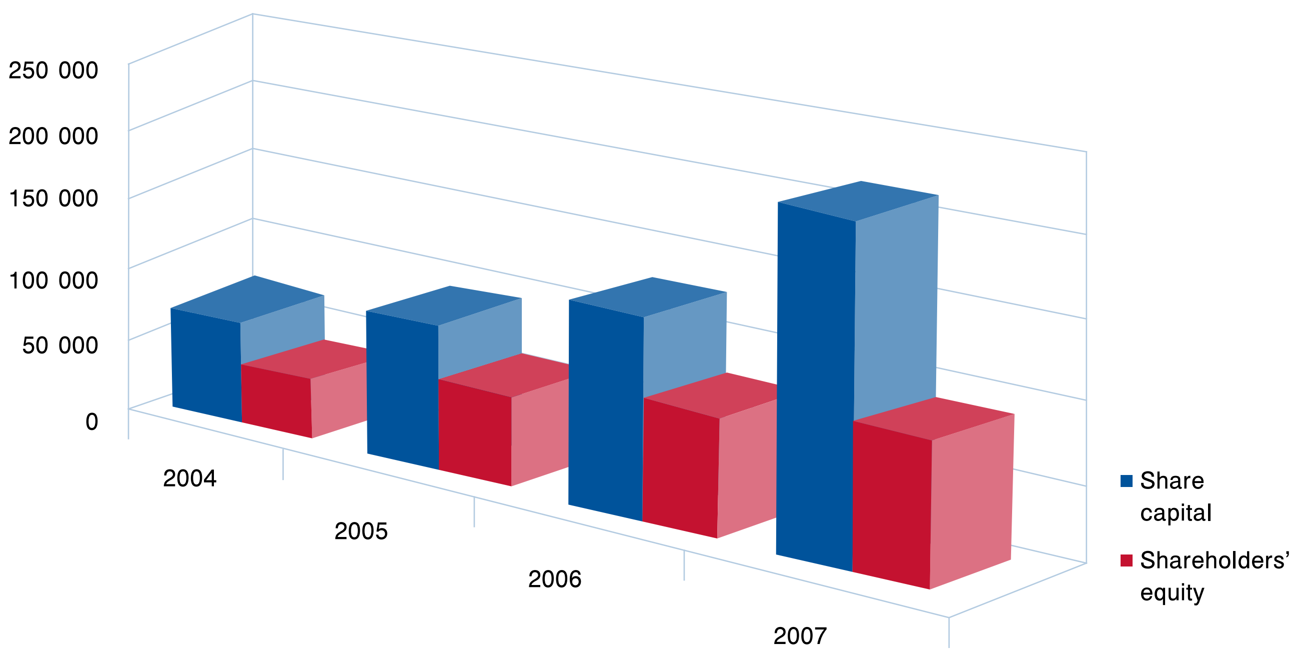
The considerable share of the amounts, attracted from the population, is an important and stable source of financing for the Bank. That is due to the strategy, chosen by the Bank, to develop as a retail bank and focus on servicing the population. That strategy requires continuing the efforts for the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

At the end of 2007 CCB Plc. has no short-term loans, as in May 2007 the bank refunded its short-term syndicated loan, received in 2006.

Shareholders' Equity

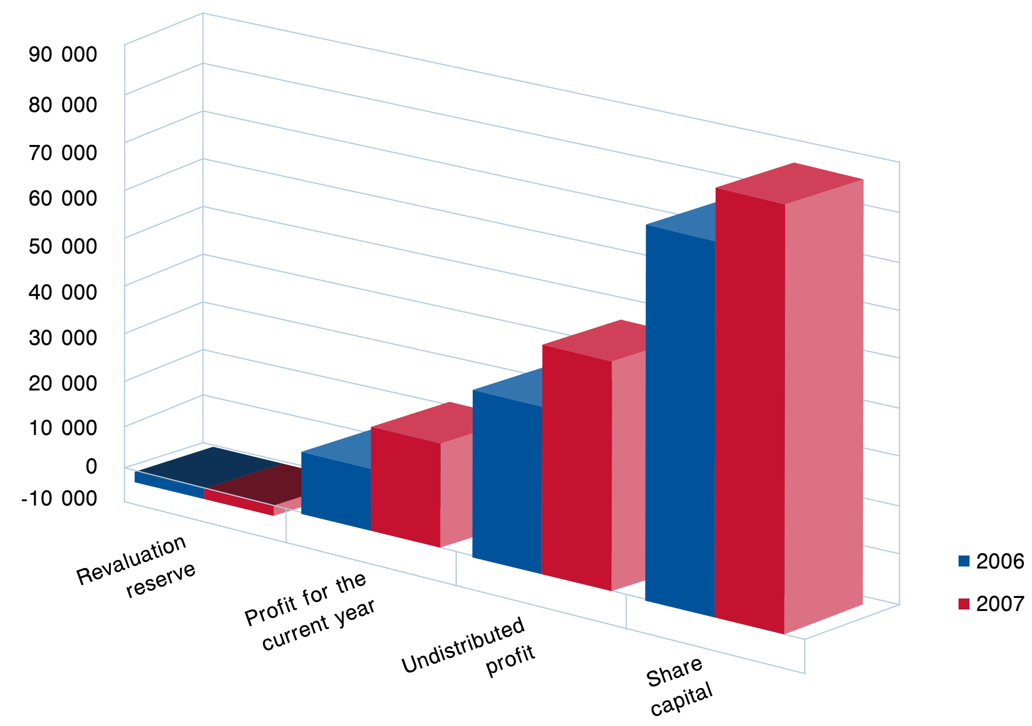
At the end of 2007 the shareholders' equity of CCB Plc. amounts to BGN 211,345 thousand, which is an increase by 81.19% compared to 2006. At the General Meeting of Shareholders, CCB Plc. took a decision to increase the shareholders' capital by the issuance of 10,394,313 ordinary shares and as of the end of the year the shareholders' capital of the Bank amounts to BGN 83,155,092 thousand. The increase in the net profit for 2007 amounts to 67.27%. The net profit for 2007 amounts to BGN 20,094 thousand, whereas at the end of 2006 it was BGN 12,013 thousand.

Increase in share capital and shareholders' equity



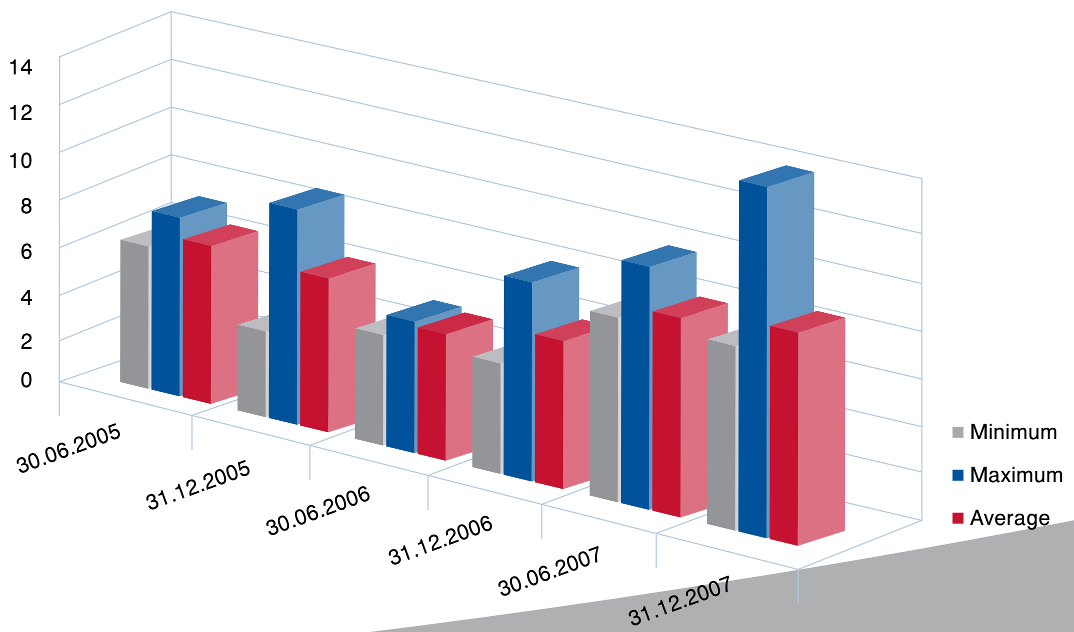
The increase in retained earnings, which is BGN 44,415 thousand in 2007, is 37.07 % compared to the previous year. The Bank remained loyal to its current policy through capitalizing profit to contribute to increasing its capital and assets.

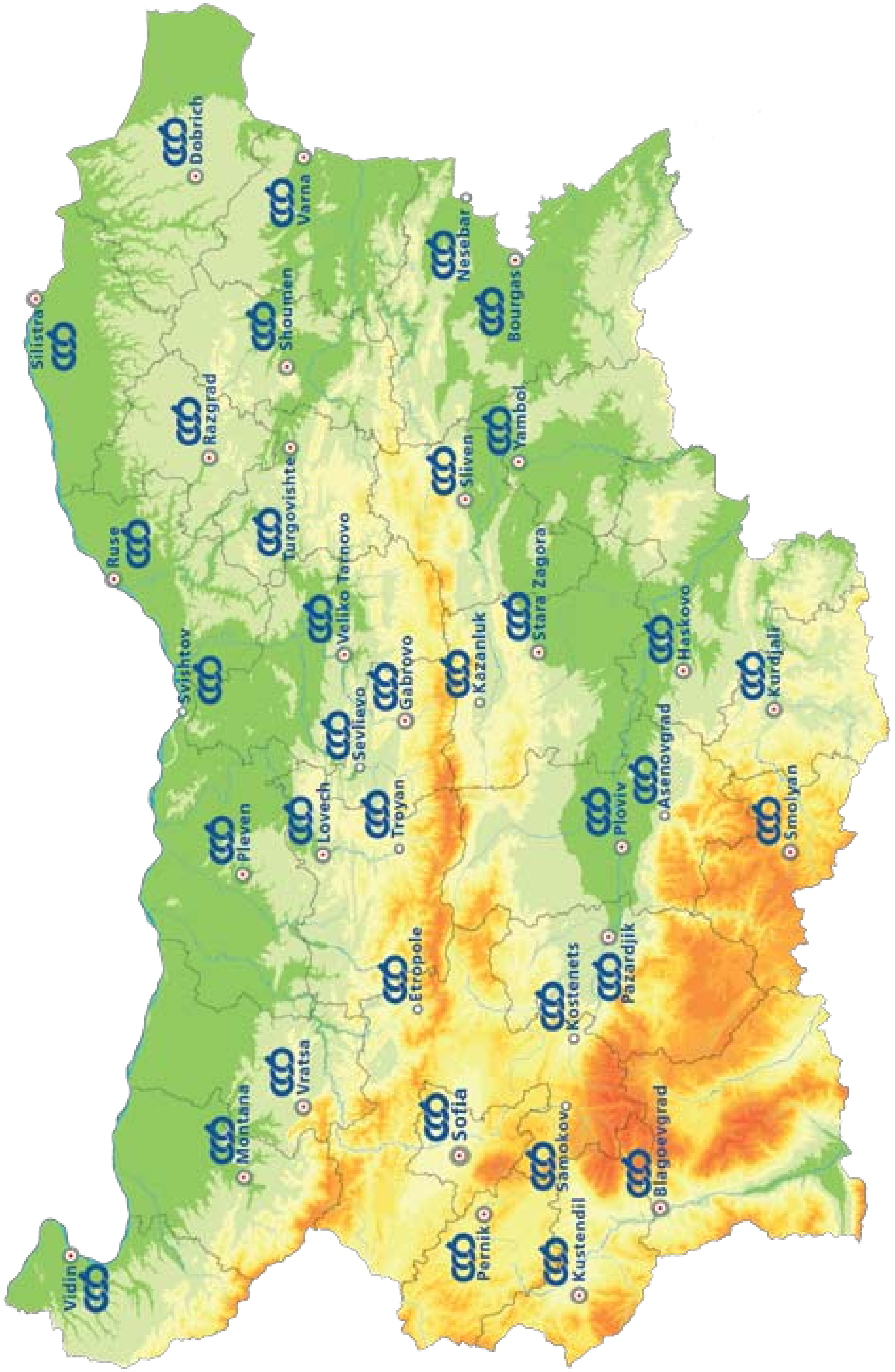
Shareholders' equity



Central Cooperative Bank Plc. is a public company and its shares are being traded on the Bulgarian Stock Exchange since March 1999. The market capitalization of the Bank at the end of 2007 amounts to BGN 883,107 thousand, which is an increase of over 70% in comparison to the previous year. The last weighted average price per share is BGN 10.62, compared with BGN 7.08 in 2006.

Share price of CCB Plc
for the period from 30 June 2005 to 31 December 2007





Appendix №1: Branch network

	Branch	Postal Code	Address	Tel	Fax
1	Asenovgrad	4230	8, Rechna Str.	0331/ 63194 0331/ 65112	0331/ 63195
2	Blagoevgrad	2700	13, Vasil Levski Str.	073/ 882961	073/ 882963
3	Burgas	8000	4, Kont Androvanti Str.	056/ 874500 056/ 874525	056/ 874522
4	Varna	9000	58A, Saborni Blvd.	052/ 600754 052/ 602181	052/ 600794
5	Veliko Tarnovo	5000	4, N. Gabrovski Str.	062/ 622255 062/ 621531	062/ 621853
6	Vidin	3700	4, Akad. S.Mladenov Str.	094/ 600152 094/ 600157	094/ 600152
7	Vratza	3000	5, Lukashov Str.	092/ 660853 092/ 622539	092/ 623296
8	Vazrajdane (Sofia)	1303	3, Vazrajdane Sq.	02/ 9234819 02/ 9234820	02/ 9234817
9	Gabrovo	5300	54, Bryanska Str.	066/ 817011 066/ 817012	066/ 809026
10	Darvenitsa (Sofia)	1756	7, St. Kliment Ohridski Blvd.	02/ 816 7956	02/ 816 7960
11	Dobrich	9300	1, Bulgaria Blvd.	058/ 653654 058/ 600134	058/ 600019
12	Etropole	2180	2, G. Dimitrov Str.	0720/ 3683 0720/ 7414	0720/ 3683
13	Kazanluk	6100	3, 23th Pehoten shipchenski polk Blvd.	0431/ 63062 0431/ 68242	0431/ 64516
14	Kostenetz	2030	11A, Tyrgovska Str.	07142/ 3080 07142/ 2185	07142/ 2052
15	Kurdjali	6600	47,Republikanska Str.	0361/ 60912 0361/ 60916	0361/ 60929
16	Kustendil	2500	22, Konstantinova banya Str.	078/ 551115 078/ 551108	078/ 551116

	Branch	Postal Code	Address	Tel	Fax
17	Lovech	5500	10, Akad. Ishirkov Str.	068/ 600565 068/ 600577	068/ 601501
18	Madrid (Sofia)	1505	37, Madrid Blvd.	02/ 9461682	02/ 9461757
19	Mladost (Sofia)	1784	14, Andrei Saharov Blvd.	02/ 9753627 02/ 9744606	02/ 9757476
20	Montana	3400	59, Treti mart Blvd.	096/ 300810 096/ 300888	096/ 300800
21	Nesebur	8230	23, Struma Str.	0554/ 29966 0554/ 29970	0554/ 29969
22	Pazardjik	4400	7, Esperanto Str.	034/ 401613 034/ 401611	034/ 443368
23	Pernik	2300	4, Krakra Pernishki Sq.	076/ 688331 076/ 688332	076/ 688339
24	Pleven	5800	150, Vasil Levski Str.	064/ 882310 064/ 882311	064/ 800239
25	Plovdiv	4000	5, Betoven Str.	032/ 654950 032/ 654951	032/ 626129
26	Bulgaria (Plovdiv)	4003	31, Bulgaria Blvd.	032/ 921111	032/921110
27	Maritsa (Plovdiv)	4020	44, YankoSakazov Str.	032/ 275760	032/ 275766
28	Razgrad	7200	7, Stefan Karadja Str.	084/ 661290 084/ 661292	084/ 661291
29	Russe	7000	1, Han Kubrat Sq.	082/ 826074 082/ 826075	082/ 826071
30	Samokov	2000	33, Targovska Str.	0722/ 68910	0722/ 68911
31	Svishtov	5250	5A, Tzar Osvoboditel Str.	0631/ 61251 0631/ 61250	0631/ 61262
32	Sevlievo	5400	4, Stoian Bachvarov Str.	0675/ 32665 0675/ 32444	0675/ 32233
33	Silistra	7500	1, G.S. Rakovski Str.	086/ 821236 086/ 821230	086/ 821235

	Branch	Postal Code	Address	Tel	Fax
34	Sliven	8800	1, A. Stamboliyski Sq.	044/ 662945 044/ 662964	044/ 662963
35	Smolyan	4700	11, Bulgaria Blvd.	0301/ 62163	0301/ 62184
36	Sofia City	1086	103, G.S. Rakovski Str.	02/ 9266107 02/ 9266122	02/ 9888107
37	Sofia Dondukov	1000	7B, Dondukov Blvd.	02/ 9306911 02/ 9306913	02/ 9306916
38	Sofia West	1359	j.k.Liulin-4 Pancho Vladigerov Blvd. Bl. 442	02/ 9238011 02/ 9238016	02/ 9238025
39	Sofia South	1612	jk Hipodruma 23 Emine Str.	02/ 818 80 82 02/818 80 87	02/ 8188086
40	Stamboliyski (Sofia)	1309	156, Alexander Stamboliyski Blvd.	02/ 812 87 53 02/ 812 87 55	02/ 8128752
41	Stara Zagora	6000	54, Kolio Ganchev Str.	042/ 639348	042/ 647013
42	Stara Zagora - Vereya	6003	58, Gen. Gurko Str.	042/ 639348 042/ 622320	042/ 647013
43	Troyan	5600	44, G.S. Rakovski Str.	0670/ 62555 0670/ 63554	0670/ 62555
44	Turgovishte	7700	5, Vasil Levski Str.	0601/ 69111 0601/ 69122	0601/ 69129
45	Hadji Dimitar (Sofia)	1510	51, Makgahan Str.	02/ 8144851	02/ 814 4856
46	Haskovo	6300	1 Skopie Str.	038/ 607828 038/ 607830	038/ 607834
47	Chimimport (Sofia)	1000	2, Stefan karadja Str.	02/ 9321911 02/ 9321912	02/ 9321910
48	Central (Sofia)	1463	18, Gurgulyat Str.	02/9266102	02/ 9888107
49	Shumen	9700	13A, Slavyanski Blvd.	054/ 830407 054/ 830406	054/ 864403
50	Yambol	8600	7, Osvobojdenie Sq.	046/ 662045 046/ 662044	046/ 662046
51	Nicosia (Cyprus)	1070	Arch. Makarios III Ave.	+357 22447757	+357 22452266

Appendix №2: Nostro accounts

BANK	BIC	CCY	ACCOUNT No.
American Express Bank Ltd, Frankfurt am Main	AEIBDEFX	EUR	018183003
Deutsche Bank AG, Frankfurt am Main	DEUTDEFF	EUR	100 9233560 0000
UniCredito Italiano SpA, Milan	UNCRITMM	EUR	0995 172
Intesa SanPaolo SPA, Milan	BCITITMM	EUR	03500/615294757438
Societe Generale, Paris La Défense	SOGEFRPP	EUR	002010319130
Raiffeisen Zentralbank Oesterreich AG, Vienna	RZBAATWW	EUR	000-50.098.938
Rabobank Nederland, Utrecht	RABONL2U	EUR	390879673A00EUR
DZ Bank AG, Frankfurt / Main	GENODEFF	EUR	0000025064
Marfin Popular Bank Public Company Ltd. (Laiki Bank), Nicosia	LIKICY2N	EUR	189-21-001717
Panellinia Bank S.A., Athens	PNELGRAA	EUR	GR3104910010000004109550014
American Express Bank Ltd, New York	AEIBUS33	USD	000752378
The Bank of New York, New York	IRVTUS3N	USD	8900106921
Deutsche Bank Trust Company Americas, New York	BKTRUS33	USD	04164299
HSBC Bank USA, New York	MRMDUS33	USD	000304875
Credit Suisse, Zurich	CRESCHZZ80A	CHF	0835-0902027-53-001
Barclays Bank PLC, London	BARCGB22	GBP	20325380245925
The Toronto-Dominion Bank, Toronto	TDOMCATT	CAD	0360-01-2223944 TORONTO
Danske Bank Aktieselskab, Copenhagen	DABADKKK	DKK	3996024253
Skandinaviska Enskilda Banken AB (Publ), Stockholm	ESSESESS	SEK	52018518488
DnB NOR Bank ASA, Oslo	DNBANOKK	NOK	7001.02.05172
Sumitomo Mitsui Banking Corporation, Tokyo	SMBCJPJT	JPY	4280

Delotte Audit Ltd.
103, Al. Stambolijski Blvd.
1000 Sofia
Bulgaria

Tel. +359 (0) 2 802 3300
Fax +359 (0) 2 802 3350
www.deloitte.bg

Делойт Одит ООД
бул. "Ал. Стамболийски" 103
София 1000
България

Фирмено дело 10638/96
при Софийски градски съд
IBAN BG39 INGB 9145 1000 2706 10
SWIFT/BIC INGBBGSF
ИНГ БАНК

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

INDEPENDENT AUDITOR'S REPORT

To The Shareholders of
Central Cooperative Bank Plc

Report of the financial statements

We have audited the accompanying financial statements of Central Cooperative Bank Plc ("the Bank"), which comprise the balance sheet as of December 31, 2007, and the income statement, statement of changes of equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Finansial Reporting Standarts (IFRS), as approved by the European Union Commision. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to frauds or errors; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsability is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing.Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whethever the financial statement are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whethever 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 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 iternal 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 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 financial statements present fairly, in all material respects, the financial position of Bank as of December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with with IFRS, as approved by the European Union Commission.

Other reports on legal and regulatory requirements - Annual management 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 report on the activities of the Bank prepared by the Bank's management. The Annual report on the activities of the Bank is not a part of the financial statements. The historical financial information presented in the Annual report on the activities of the Bank prepared by the management is consistent, in all material aspects with the financial information disclosed in the financial statements as of December 31, 2007, prepared in accordance with IFRS, as approved by the European Union Commission. The management is responsible for the preparation of the Annual report of the activities of the Bank which was approved by the Management Board of the Bank on March 27, 2008.

Deloitte Audit

Deloitte Audit OOD

Sylvia Peneva
Managing Director
Registered Auditor

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

March 28, 2008
Sofia

BALANCE SHEET
AS OF DECEMBER 31, 2007
All amounts are in thousand Bulgarian Levs, except otherwise stated

	Note	As of 31.12.2007	As of 31.12.2006
ASSETS			
Cash and balances with the Central Bank	4	244,048	122,619
Placements with, and advances to, banks	5	385,565	197,455
Receivables under repurchase agreements	6	16,784	6,741
Trading securities	7	36,082	25,096
Loans and advances to customers, net	8	656,030	542,331
Other assets	9	7,312	7,014
Financial assets available for sale	10a	81,430	132,237
Financial assets held to maturity	10b	84,458	51,541
Property, plant and equipment and intangible assets	11	55,171	46,953
TOTAL ASSETS		**1,566,880**	**1,131,987**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits from banks	12	373	89
Liabilities under repurchase agreements	13	14,007	–
Amounts owed to other depositors	14	1,327,239	946,657
Other attracted funds	15	7,053	9,658
Other liabilities	16	6,863	4,965
Short-term loans	17	–	53,978
TOTAL LIABILITIES		**1,355,535**	**1,015,347**

	Note	As of 31.12.2007	As of 31.12.2006
Shareholders' equity			
Share capital	19	83,155	72,761
Share premium		64,445	–
Retained earnings		44,415	32,403
Revaluation reserve		(764)	(537)
Current year profit		20,094	12,013
TOTAL SHAREHOLDERS' EQUITY		**211,345**	**116,640**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,566,880**	**1,131,987**
Commitments and contingencies	29	194,573	88,551

These financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank Plc by March 27, 2008 by:

Viktor Mechkarov
Executive Director

George Konstantinov
Executive Director

Sylvia Peneva
Registered Auditor
March 28, 2008

ЦЕНТРАЛНА КООПЕРАТИВНА БАНКА - АД
СОФИЯ

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

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

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2007
All amounts are in thousand Bulgarian Levs, except otherwise stated

	Note	Year ended 31.12.2007	Year ended 31.12.2006
Interest income	**20**	**92,264**	**68,390**
Interest expenses	**20**	**(34,100)**	**(26,224)**
Net interest margin		58,164	42,166
Fees and commissions income, net	21	19,724	15,114
Gains from dealing with securities, net	22	13,621	10,219
Foreign exchange rate gains, net	23	2,331	1,755
Other operating income, net	24	2,362	2,817
Operating expenses	25	(64,885)	(49,251)
Increase of allowances for impairment and uncollectability	26	(9,133)	(10,045)
Profit before taxes		**22,184**	**12,775**
Taxes	**27**	**(2,090)**	**(762)**
NET PROFIT		**20,094**	**12,013**
Earnings per share (in BGN)	**28**	**0.27**	**0.23**

These financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank Plc by March 27, 2008 by:

Viktor Mechkarov
Executive Director

George Konstantinov
Executive Director

Sylvia Peneva
Registered Auditor
March 28, 2008

ЦЕНТРАЛНА КООПЕРАТИВНА БАНКА - АД
СОФИЯ

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

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007
All amounts are in thousand Bulgarian Levs, except otherwise stated

	Year ended 31.12.2007	Year ended 31.12.2006
Cash flows from operating activities		
Profit before taxes	22,184	12,775
Depreciation and amortization	6,204	4,631
Profit tax paid	(2,090)	(762)
Increase of provisions for liabilities and impairment allowances	9,133	10,045
Net cash flows before working capital changes	**35,431**	**26,689**
Change in operating assets		
Decrease/(Increase) in placements with, and advances to banks, with maturity over 90 days	(4,890)	473
(Increase)/Decrease in the receivables under repurchase agreements	(10,043)	(5,705)
(Increase) in trading securities	(10,986)	(11,160)
(Increase) in loans and advances to customers	(122,832)	(168,505)
(Increase) in other assets	(298)	(1,779)
	(149,049)	**(186,676)**
Change in operating liabilities		
Increase/(Decrease) in deposits from banks	284	(16,720)
(Decrease)/Increase in liabilities under repurchase agreements	14,007	(14,507)
Increase/(Decrease) in liabilities to other depositors	380,582	285,468
Increase/(Decrease) in other attracted funds	(2,605)	506
Increase/(Decrease) in other liabilities	1,898	(16)
Increase/(Decrease) in short-term debt	(53,978)	32,521
	340,188	**287,252**
Net cash flow from operating activities	**226,570**	**127,265**

	Year ended 31.12.2007	Year ended 31.12.2006
Cash flows from investing activities		
Acquisition of property, plant and equipment, net	(14,422)	(12,986)
Acquisition of financial assets available for sale and held to maturity, net	17,663	(32,739)
Net cash flow used in investing activities	**3,241**	**(45,725)**
Cash flow from financing activities		
Issuance of share capital	74,839	24,254
NET CASH FLOW FROM FINANCING ACTIVITIES	**74,839**	**24,254**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS, NET	**304,650**	**105,794**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR (NOTE. 30)	**320,074**	**214,280**
CASH AND CASH EQUIVALENTS AT THE END OF YEAR (NOTE 30)	**624,724**	**320,074**

These financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank Plc by March 27, 2008 by:

Viktor Mechkarov
Executive Director

George Konstantinov
Executive Director

Sylvia Peneva
Registered Auditor
March 28, 2008

ЦЕНТРАЛНА КООПЕРАТИВНА БАНКА - АД
СОФИЯ

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2007
All amounts are in thousand Bulgarian Levs, except otherwise stated

	Share capital	Share premium	Retained earnings	Revaluation reserve	Current year profit	Total
BALANCE AT JANUARY 1, 2005	**48,507**	**–**	**26,016**	**18**	**6,387**	**80,928**
Transfer of net profit for the year ended December 31, 2005 to retained earnings	–	–	6,387	–	(6,387)	–
Net profit for the year ended December 31, 2006	–	–	–	–	12,013	12,013
Share capital issued and paid-in	24,254	–	–	–	–	24,254
Changes from revaluation and sales of financial assets available for sale, net	–	–	–	(555)	–	(555)
BALANCE AT DECEMBER 31, 2006	**72,761**	**–**	**32,403**	**(537)**	**12,013**	**116,640**
Transfer of net profit for the year ended December 31, 2006 to retained earnings	–	–	12,013	–	(12,013)	–
Net profit for the year ended December 31, 2007	–	–	–	–	20,094	20,094
Share capital issued and paid-in	10,394	–	–	–	–	10,394
Premium reserve related to share capital issued	–	64,445	–	–	–	64,445
Changes from revaluation and sales of financial assets available for sale, net	–	–	–	(227)	–	(227)
Other movements	–	–	(1)	–	–	(1)
BALANCE AT DECEMBER 31, 2007	**83,155**	**64,445**	**44,415**	**(764)**	**20,094**	**211,345**

These financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank Plc by March 27, 2008 by:

Viktor Mechkarov
Executive Director

George Konstantinov
Executive Director

Sylvia Peneva
Registered Auditor
March 28, 2008

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
All amounts are in thousand Bulgarian Levs, except otherwise stated

1. OPERATING POLICY

Central Cooperative Bank Plc, 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, foreign currency and perform all other banking activities and transactions, permitted by the Law on Banks.

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 bank activity on the territory of Cyprus from the middle of 2007.

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

As of December 31, 2007 the Bank's operations are conducted through a head-office located in Sofia, Bulgaria, 51 branches and 200 remote offices throughout the country and one branch in the Republic of Cyprus.

2. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared, in all material aspects, in accordance with the International Financial Reporting Standards (IFRS) and the interpretations, issued by the International Financial Reporting Interpretations Committee (IFRIC), as approved by the European Union Commission and applicable in the Republic of Bulgaria.

The Bank applies all new and revised 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 Commission and effective for 2007. The Bulgarian Accountancy Act (the Act), effective for 2007 requires the application of IFRS, adopted by the European Union Commission. Based on the amendments of the Act, effective January 1, 2007 the requirement for compulsory publication of official translation of IFRS, adopted by the Council of Ministers, is cancelled, which allows direct application of the updated version of IFRS. IFRS as adopted by the European Union Commission do not differ from IFRS, issued by the IASB, and are effective for reporting periods ended as of December 31, 2007, except for certain requirements for hedge reporting in accordance with the IAS 39 Financial Instruments: Recognition and Measurement, which has not been adopted by the Commission. The Bank's management believes that if the hedge requirements has been approved by the Commission it would have no effect on these financial statements. The financial statements for 2006, issued on March 22, 2007 is prepared in compliance with Bulgarian national accounting legislation, applicable for banks in Bulgaria. The year ended December 31, 2007 is the first year when the Bank applies IFRS as a basis of preparation of its financial statements for general purposes. The transition to IFRS has not resulted in significant differences in the preparation of the Bank's financial statements. As a result, no reconciliation tables for the differences between the national accounting legislation and IFRS have been included in the accompanying financial statements.

Management believes that the chosen basis for preparation of the financial statements for 2007 provides users with useful and fair information about the financial position and operating results of the Bank.

During the current year the Bank applies for the first time IFRS 7 Financial Instruments: Disclosure, effective for reporting periods starting on or after January 1, 2007, as well as the subsequent amendments in IAS 1:

Presentation of the financial statements. The effect of IFRS 7 application and the amendments in IAS 1 relate to the expansion of the disclosures in the financial statements with regards to the financial instruments of the Bank and capital management. The application of these standards has no financial effect as it concerns only additional disclosures in the financial statements.

Changes in IFRS

The following interpretations of the International Financial Reporting Interpretations Committee (IFRIC) became effective in 2007:

- IFRIC 7 Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Economies;
- FRIC 8 Scope of IFRS 2;
- IFRIC 9 Reassessment of Embedded derivatives,
- IFRIC 10 Interim Financial Reporting and Impairment;
- IFRIC 11 IFRS 2: Group and Treasury share transactions.

The adoption of these interpretations has resulted in no changes in the accounting policies of the Bank.

The stated below IFRS, IFRS revisions, and IFRIC, have been approved by IASB and IFRIC as of the date of the financial statements, but are effective for annual periods beginning on or after January 1, 2008.

The Bank's management intends to apply in 2008 the above mentioned interpretations and believes that their application will have no material effect on the financial statements within the period of first time adoption.

These financial statements are stated in thousand Bulgarian Levs (BGN'000) and are prepared under the historical cost convention, except for trading securities and financial assets available for sale, which are revalued at fair value.

3. ACCOUNTING POLICY

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

IFRS or IFRIC, effective date	Title of IFRS or IFRIC
IFRIC 12, effective for reporting periods beginning on or after January 1, 2008	Service Concession Agreements
IFRIC 13, effective for reporting periods beginning on or after July 1, 2008	Customer Loyalty Programmes
IFRIC 14, effective for reporting periods beginning on or after January 1, 2008	IAS 19: The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction
Amendment to IAS 23, effective for reporting periods beginning on or after January 1, 2009	Borrowing Costs
IFRS 8, effective for periods beginning on or after January 1, 2008	Operating Segments

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 (CONTINUED)
All amounts are in thousand Bulgarian Levs, except otherwise stated

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 financial statements preparation and presentation.

The purpose of the accounting policy is to provide the necessary organizational and methodological unity 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. Main components of the accounting policy

3.2.1. Interest income and expenses

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

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

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

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

3.2.2. Fees and commissions

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

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

3.2.3. Foreign currency transactions

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

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

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

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

All amounts are in thousand Bulgarian Levs, except otherwise stated

The exchange rates of USD and the Bulgarian Lev as of December 31, 2007 and 2006 are as follows:

December 31, 2007	1 USD = 1.33122 BGN
December 31, 2006	1 USD = 1.48506 BGN

3.2.4. Financial assets

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

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

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

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

Recognition

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

Initial measurement

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

Subsequent measurement

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

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

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

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

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

Derecognition

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

Allowance for impairment and uncollectability

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

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

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

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

All amounts are in thousand Bulgarian Levs, except otherwise stated

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

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

The Bank has adopted a methodology for the calculation of allowances for impairment of loans based on 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 should be above the minimum required by the regulations, is applied to contractual cash flows as a means to determine estimated cash flows to be discounted as stated above. Other specific requirements of the regulations relate to conditions for transfers of non-regular into regular loans and recognition of liquid collaterals with the purpose of assessment of the allowances for impairment and uncollectability of loans.

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

3.2.5. Receivables and liabilities under repurchase agreements

Receivables and liabilities under repurchase agreements are recognized at cost, which represents the funds placed/obtained by the Bank, secured by the value of the securities. Interest due on the fair value of the funds placed/obtained for the term of the agreement is accounted and recognized as interest income/expense in the period of its occurrence.

3.2.6. 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.

3.2.7. Fair value of financial assets and liabilities

International Accounting Standard 32 "Financial Instruments: Disclosure and Presentation", provides for the disclosure in the notes to the financial statements of information about the fair value of financial assets

and liabilities. For this purpose fair value is defined as the amount, for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction.

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

3.2.8. Netting

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

3.2.9. Provisions for credit-related contingent liabilities

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

3.2.10. Derivatives

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

3.2.11. 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, adjusted for the charged depreciation and accumulated losses from impairment. Depreciation of property, plant and equipment and amortisation of intangible assets are calculated by using the straight-line method designed to write off the assets value over their estimated useful life. The annual depreciation and amortisation rates are as follows:

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 the current and non-current assets as of the date of preparation of these financial statements. No evidence of impairment of property, plant and equipment and intangible assets has been established, therefore they have not been impaired.

All amounts are in thousand Bulgarian Levs, except otherwise stated

3.2.12. Taxation

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

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

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

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

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

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

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

4. CASH AND BALANCES WITH THE CENTRAL BANK

	As of 31.12.2007	As of 31.12.2006
Cash in hand:		
In BGN	49,255	40,401
In foreign currency	24,448	15,762
Cash in transit:		
In BGN	237	68
In foreign currency	177	437

	As of 31.12.2007	As of 31.12.2006
Cash in the Central bank		
Current account in BGN	156,184	52,382
Minimum required reserve in foreign currency	13,300	13,300
Reserve guarantee fund RINGS	447	269
TOTAL CASH AND BALANCES WITH THE CENTRAL BANK	**244,048**	**122,619**

The current account with BNB is used for direct participation on 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.

5. PLACEMENTS WITH, AND ADVANCES TO, BANKS

	As of 31.12.2007	As of 31.12.2006
Term deposits with local banks		
In BGN	25,503	10,003
In foreign currency	107,675	37,172
Term deposits with foreign banks in foreign currency	192,882	145,203
Restricted accounts with foreign banks in foreign currency	28,359	–
Nostro accounts with local banks		
In BGN	306	296
In foreign currency	200	110
Nostro accounts with foreign banks in foreign currency	30,640	4,671
TOTAL PLACEMENTS WITH, AND ADVANCES TO, BANKS	**385,565**	**197,455**

All amounts are in thousand Bulgarian Levs, except otherwise stated

As of December 31, 2007 and 2006 term deposits are concentrated in some foreign correspondent banks, mostly in EU countries.

As of December 31, 2007 restricted cash in foreign currency represents restricted cash on letters of credit at Raiffeisenbank Austria at the amount of EUR 14,500 thousand.

6. RECEIVABLES UNDER REPURCHASE AGREEMENTS

As of December 31, 2007 the Bank has signed repurchase agreements at the total amount of BGN 16,784 thousand, including interest receivables. The Bank has pledged as collateral Bulgarian government securities having an approximately equal value to secure the receivable. The agreements' maturities vary between January and March 2008.

7. TRADING SECURITIES

Trading securities comprise trading securitities, including the amount of accrued interest, based on their original maturity and discount as well as derivatives, held for trading, as follows:

Bulgarian government notes

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

Bulgarian government bonds

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

Bulgarian corporate securities

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

Derivatives, held for trading

As of December 31, 2007 derivatives, held for trading, at the amount of BGN 1,306 thousand are carried at fair value and comprise sale purchase transactions of foreign currency, securities, forward agreements and currency swaps on the open market.

Bulgarian securities pledged as a collateral

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

	As of 31.12.2007	As of 31.12.2006
Bulgarian government notes	4,318	4,358
Bulgarian government bonds	917	896
Bulgarian corporate securities	29,541	19,842
Derivatives, held for trading	1,306	–
TOTAL TRADING SECURITIES	**36,082**	**25,096**

8. LOANS AND ADVANCES TO CUSTOMERS, NET

(a) Analysis by customer

	As of 31.12.2007	As of 31.12.2006
Individuals:		
In BGN	224,662	155,796
In foreign currency	28,174	22,759
Enterprises:		
In BGN	266,175	226,816
In foreign currency	159,096	150,474
	678,107	**555,845**
Allowance for impairment and uncollectability	(22,077)	(13,514)
TOTAL LOANS AND ADVANCES TO CUSTOMERS, NET	**656,030**	**542,331**

The Bank's credit portfolio as of December 31, 2007 includes loans of around 10% of the total gross amount of loans granted, which represent loans with one-off repayment at maturity or with a grace period longer than 1 year, where the repayment starts after the balance sheet date. Based on the policy, adopted by the Bank, these loans are classified as regular and allowances for impairment and uncollectability are not provided for them. The recoverability on these loans, the adequacy of the allowances for uncollectability, as well as the Bank's liquidity depend on the borrowers' financial position and ability to settle their loans at maturity in subsequent reporting periods.

All amounts are in thousand Bulgarian Levs, except otherwise stated

(b) Analysis by economic sector

	As of 31.12.2007	As of 31.12.2006
Agriculture and forestry	28,936	27,501
Manufacturing	49,395	41,751
Construction	68,733	53,260
Trade and finance	213,777	211,009
Transport and communications	38,374	24,514
Individuals	252,836	178,555
Other	26,056	19,255
	678,107	**555,845**
Allowance for impairment and uncollectability	(22,077)	(13,514)
TOTAL LOANS AND ADVANCES TO CUSTOMERS, NET	**656,030**	**542,331**

(c) Interest rates

Loans denominated in BGN and foreign currency bear interest at floating rates. Under the terms of these loans, the interest rate is calculated as the Bank base interest rate, plus a margin. The interest rate margin on performing (regular) loans varies from 5 to 10 percent based on the credit risk associated with the borrower, and a 35 percent interest is charged as penalty on overdue loans, corresponding to the interest on unallowed overdraft.

9. OTHER ASSETS

	As of 31.12.2007	As of 31.12.2006
Deferred tax assets	181	172
Deferred expenses	2,466	2,040
Other assets	4,665	4,802
TOTAL OTHER ASSETS	**7,312**	**7,014**

Deferred expenses represent prepaid sums for advertising, rent etc.

10a. FINANCIAL ASSETS AVAILABLE FOR SALE

	As of 31.12.2007	As of 31.12.2006
Medium-term Bulgarian government bonds	28,755	37,567
Long-term Bulgarian government bonds	5,819	6,133
Equity investments in financial institutions	17,024	2,495
Equity investments in non-financial institutions	708	3,831
Bulgarian corporate securities	23,982	82,075
Foreign corporate securities	5,067	-
Other	75	136
TOTAL FINANCIAL ASSETS AVAILABLE FOR SALE	**81,430**	**132,237**

Bulgarian securities, pledged as collateral

As of December 31, 2007 government bonds issued by the Bulgarian government amounting to BGN 33,056 thousand are pledged as a collateral for servicing of budget accounts.

Equity investments

As of December 31, 2007 the equity investments available for sale include investments in companies, in which the Bank does not have a controlling interest.

Bulgarian corporate securities

As at December 31, 2007 the Bulgarian corporate securities available for sale represent bonds. None of these investments are in a subsidiary or in an associated company.

Foreign corporate securities

As of December 31, 2007 the foreign corporate securities available for sale represent bonds, issued by the European Investment Bank, which are pledged as a collateral for servicing of budget accounts.

10b. FINANCIAL ASSETS HELD TO MATURITY

Bulgarian securities pledged as a collateral

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

	As of 31.12.2007	As of 31.12.2006
Medium-term Bulgarian government bonds	35,589	14,289
Long-term government bonds	48,869	37,252
TOTAL FINANCIAL ASSETS HELD TO MATURITY	**84,458**	**51,541**

11. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Land and buildings	Equipment	Motor vehicles	Fixtures and fittings	Fixed assets in progress	Other fixed assets	Total
Cost							
December 31, 2005	18,432	12,045	3,311	5,624	8,551	5,341	53,304
Acquired	8,756	5,037	1,072	1,286	10,159	1,695	28,005
Written-off	(197)	(672)	(72)	(222)	(14,803)	(56)	(16,022)
December 31, 2006	26,991	16,410	4,311	6,688	3,907	6,980	65,287
Acquired	772	3,446	35	1,766	11,219	2,740	19,978
Written-off	(117)	(30)	(76)	(20)	(5368)	(13)	(5624)
December 31, 2007	27,646	19,826	4,270	8,434	9,758	9,707	79,641
Depreciation							
December 31, 2005	3,082	4,920	1,871	3,005	–	1,828	14,706
Net charge for the period	764	2,187	284	558	–	838	4,631
Depreciation of the written-off items	–	(664)	(69)	(212)	–	(58)	(1,003)
December 31, 2006	3,846	6,443	2,086	3,351	–	2,608	18,334
Net charge for the period	924	2,988	410	779		1105	6,206
Depreciation of the written-off items	(2)	(28)	(17)	(20)	–	(3)	(70)
December 31, 2007	4,768	9,403	2,479	4,110	–	3,710	24,470
Net book value							
December 31, 2006	23,145	9,967	2,225	3,337	3,907	4,372	46,953
December 31, 2007	22,878	10,423	1,791	4,324	9,758	5,997	55,171

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 finished as at the date of preparing the balance sheet.

12. DEPOSITS FROM BANKS

	As of 31.12.2007	As of 31.12.2006
Demand deposits – local banks:		
in BGN	39	26
In foreign currency	334	63
TOTAL DEPOSITS FROM BANKS	**373**	**89**

As of December 31, 2007 the attracted deposits are from local banks.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 (CONTINUED)
All amounts are in thousand Bulgarian Levs, except otherwise stated

13. LIABILITIES UNDER REPURCHASE AGREEMENTS.

As of December 31, 2007 the Bank has concluded securities repurchase agreements with Bulgarian companies at the total amount of BGN 14,007 thousand, including interest payables. The Bank has secured this liability by establishing a pledge on Bulgarian government securities. The maturity of these agreements is in January 2008.

14. AMOUNTS OWNED TO OTHER DEPOSITORS

(a) Analysis by term and currency

	As of 31.12.2007	As of 31.12.2006
Demand deposits		
In BGN	389,596	262,240
In foreign currency	77,908	58,452
	467,504	**320,692**
Term deposits		
In BGN	368,220	263,205
In foreign currency	420,919	304,255
	789,139	**567,460**
Saving accounts		
In BGN	23,147	18,245
In foreign currency	26,417	20,780
	49,564	**39,025**
Other deposits		
In BGN	12,265	13,720
In foreign currency	8,767	5,760
	21,032	**19,480**
TOTAL AMOUNTS OWED TO OTHER DEPOSITORS	**1,327,239**	**946,657**

All amounts are in thousand Bulgarian Levs, except otherwise stated

(b) Analysis by customer and currency type

	As of 31.12.2007	As of 31.12.2006
Deposits of individuals		
In BGN	304,049	210,107
In foreign currency	378,738	254,185
	682,787	464,292
Deposits of enterprises		
In BGN	476,925	333,581
In foreign currency	146,495	129,304
	623,420	462,885
Deposits of other institutions		
In BGN	12,265	13,720
In foreign currency	8,767	5,760
	21,032	19,480
TOTAL AMOUNTS OWED TO OTHER DEPOSITORS	1,327,239	946,657

15. OTHER ATTRACTED FUNDS

As of December 31, 2007 and 2006 "Other attracted funds" include financing from the State Agricultural Fund amounting to BGN 7,053 thousand (including interest) and BGN 9,658 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.

16. OTHER LIABILITIES

	As of 31.12.2007	As of 31.12.2006
Liabilities for unused paid leave	1,403	1,186
Derivatives, held for trading	588	–
Other liabilities	4,372	2,988
Deferred income	500	436
Liability to customers	–	355
TOTAL OTHER LIABILITIES	6,863	4,965

17. SHORT-TERM LOANS

In May 2007 the Bank repaid the received in 2006 short-term syndicated loan from foreign banks amounting to EUR 27,500 thousand.

18. MOVEMENT IN ALLOWANCES FOR IMPAIRMENT AND UNCOLLECTABILITY

	Loans to customers
BALANCE AS OF DECEMBER 31, 2005	4,355
Net charge/(release) for the period	10,045
Written-off	(886)
BALANCE AS OF DECEMBER 31, 2006	13,514
Net charge/(release) for the period	9,133
Written-off	(570)
BALANCE AS OF DECEMBER 31, 2007	22,077

19. SHARE CAPITAL

As of December 31, 2007 and 2006 the issued, called-up and fully paid-in share capital of the Bank comprises respectively 83,155,092 and 72,760,779 ordinary voting shares with a nominal value of BGN 1 each.

The Bank's Parent company CCB Group Assets Management EAD is a subsidiary of Chimimport AD, which is a subsidiary of Chimimport Invest AD, the latter controlled by Chim Invest Institute. Chim Invest Institute is seated in Lichtenstein and is the ultimate Bank's Parent company.

	2007		2006	
Principle shareholders	Share capital	Percentage share	Share capital	Percentage share
CCB Group Assets Management EAD	54,037	64.98	49,258	67.70
Armeetz Insurance Company AD	2,245	2.70	3,218	4.42
Chim Invest	–	–	1,400	1.92
Hansapank Clients	3,394	4.08	3,315	4.56
Chimimport AD	474	0.57	6,349	8.73
Holding "Nov vek" AD	–	–	2,050	2.82
Bayerische Hyro – UND Vereinsbank	6,673	8.02	–	–
Eurobank EFG Bulgaria	4,773	5.74	–	–
Other	11,559	13,91	7,171	9.85
	83,155	100,00	72,761	100,00

All amounts are in thousand Bulgarian Levs, except otherwise stated

20. INTEREST INCOME AND EXPENSES

	Year ended 31.12.2007	Year ended 31.12.2006
Interest income by source:		
Loans	70,706	55,169
Securities	9,924	8,233
Deposits in banks	11,634	4,742
Other	–	246
TOTAL INTEREST INCOME	**92,264**	**68,390**

	Year ended 31.12.2007	Year ended 31.12.2006
Interest expenses by recipients:		
Deposits to customers	32,392	22,051
Deposits to banks	5	67
Loans	1,613	2,316
Other	90	1,790
TOTAL INTEREST EXPENSES	**34,100**	**26,224**

21. FEES AND COMMISSIONS INCOME, NET

	Year ended 31.12.2007	Year ended 31.12.2006
Fees and commissions income, incl.:		
Servicing of loans	2,843	2,288
Servicing of bank guarantees	993	704
Servicing of deposit accounts	1,431	1,785
Bank transfers - domestic and international	12,070	8,836
Other income	5,818	4,201
Fees and commissions expenses	(3,431)	(2,700)
TOTAL FEES AND COMMISSIONS INCOME, NET	**19,724**	**15,114**

22. GAINS FROM DEALING WITH SECURITIES, NET

	Year ended 31.12.2007	Year ended 31.12.2006
Gains from dealing with trading securities in BGN, net	(32)	2,016
Gains arising from revaluation of securities, net	13,653	8,203
TOTAL GAINS FROM DEALING WITH SECURITIES, NET	**13,621**	**10,219**

23. FOREIGN EXCHANGE GAINS, NET

Net foreign exchange gains arise from:

	Year ended 31.12.2007	Year ended 31.12.2006
Dealing gains, net	4,432	1,364
Revaluation gains, net	(2,101)	391
TOTAL FOREIGN EXCHANGE GAINS, NET	**2,331**	**1,755**

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.

24. OTHER OPERATING INCOME, NET

	Year ended 31.12.2007	Year ended 31.12.2006
Dividends	685	1,240
Income from cession contracts	1,225	1,104
Other operating income	452	473
TOTAL OTHER OPERATING INCOME, NET	**2,362**	**2,817**

25. OPERATING EXPENSES

	Year ended 31.12.2007	Year ended 31.12.2006
Salaries and other personnel costs	20,904	16,916
Administrative and marketing costs	25,962	15,231
Other expenses	9,104	10,640
Depreciation	6,204	4,631
Materials and repair works	2,711	1,833
TOTAL OPERATING EXPENSES	**64,885**	**49,251**

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

26. INCREASE OF ALLOWANCES FOR IMPAIRMENT AND UNCOLLECTABILITY

Increase of allowances for impairment and uncollectability of loans and advances to customers is at the amount of BGN 9,133 thousand and BGN 10,045 thousand for 2007 and 2006, respectively (see note 18).

27. TAXES

	Year ended 31.12.2007	Year ended 31.12.2006
Current tax expenses	2,156	825
Income from deferred taxes, related to the origination and reversal of temporary differences	(66)	(63)
TOTAL TAX EXPENSES	**2,090**	**762**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 (CONTINUED)
All amounts are in thousand Bulgarian Levs, except otherwise stated

Current tax expenses present the amount of the tax due according to Bulgarian legislation and the applicable tax rates of 10% for 2007 and 15% for 2006. Deferred tax income and expenses result from the change in the carrying amount of deferred tax assets and liabilities.

The deferred tax assets and liabilities as of December 31, 2007 and 2006 are calculated based on the tax rate of 10%, effective for 2007.

Deferred tax assets are as follows:

	Year ended 31.12.2007	Year ended 31.12.2006
Deferred tax assets		
Other liabilities (unused annual paid leaves)	161	157
Tangible and intangible fixed assets	20	15
DEFERRED TAX ASSET/LIABILITY, NET	**181**	**172**

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

	Year ended 31.12.2007	Year ended 31.12.2006
Profit before taxes	**22,184**	**12,775**
Taxes at applicable tax rates: 15 % for 2006 and 10 % for 2007	2,218	1,916
Tax effect on non-taxable income from transactions with shares on a regulated local exchange and dividends	(128)	(1,154)
TAX EXPENSES	**2,090**	**762**
EFFECTIVE TAX RATE	**9.42**	**5.96%**

28. EARNINGS PER SHARE (IN BGN)

	Year ended 31.12.2007	Year ended 31.12.2006
Net profit after tax (BGN'000)	20,094	12,013
Weighted average number of shares	73,358,808	52,626,974
EARNINGS PER SHARE (IN BGN)	**0.27**	**0.23**

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 periods ended December 31, 2007 and 2006, respectively.

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

29. COMMITEMENTS AND CONTINGENCIES

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

	As of 31.12.2007	As ofd 31.12.2006
Bank guarantees		
In BGN	57,050	35,945
In foreign currency	48,875	31,255
Irrevocable commitments	**88,222**	**20,779**
Other outstanding guarantees	**426**	**572**
TOTAL OUTSTANDING GUARANTEES	**194,573**	**88,551**

As at December 31, 2007 and 2006 the Bank has signed contracts for granting of revolving loans, other loans and commercial letters of credit to customers at the total amount of BGN 88,222 thousand and BGN 20,779 thousand, respectively. The future utilization of these amounts depends on the customers' ability to meet certain criteria, including no record of overdue payments on previously granted loans, provision of collateral with suitable quality and liquidity, etc.

30. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	Year ended 31.12.2007	Year ended 31.12.2006
AS AT JANUARY 1	**320,074**	**214,280**
Net cash receipts	304,650	105,794
AS AT DECEMBER 31	**624,724**	**320,074**

	Year ended 31.12.2007	Year ended 31.12.2006
Cash	74,565	56,937
Balances with the Central Bank	169,484	65,682
Placement with, and advances to, banks with residual maturity up to 3 months	380,675	197,455
AS AT DECEMBER 31	**624,724**	**320,074**

31. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

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 - approves the Bank's risk management framework and parameters;
- Executive directors - control the approval process and application 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' financial derivative instruments exposure is insignificant in amount for its operations, hence it is not exposed to the respective risks inherent to such instruments. The Bank has no commodity assets or commodity derivative instruments exposures.

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

Credit risk

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

Cash and balances with the Central bank at the amount of BGN 244,048 thousand does not bear credit risk to the Bank due their nature and the fact that they are at the Bank's disposal.

Placements with, and advances to banks at the amount of BGN 385,565 thousand comprise mostly deposits in first-class international and Bulgarian financial institutions with maturity up to 7 days. Generally, these financial assets bear some credit risk as its maximum exposure is 20 % or BGN 77,113 thousand.

Receivables under repurchase agreements of securities at the amount of BGN 16,784 thousand do not bear credit risk for the Bank due to fact that they are secured by Bulgarian government securities, guaranteed by the Republic of Bulgaria.

Corporate securities, held for trading at the amount of BGN 29,541 thousand do not bear credit but price risk for the Bank, which is discussed in the market risk disclosures.

Debt securities, held for trading, at the amount of BGN 5,235 thousand represent government securities and do not bear credit risk for the Bank as they are guaranteed by the Republic of Bulgaria.

Securities available for sale, at the amount of BGN 17,807 thousand represent shares in financial and non-financial institutions, which bear credit risk with maximum exposure 100% or BGN 17,807 thousand.

Debt securities, held for sale, and issued by the Republic of Bulgaria at the amount of BGN 34,574 thousand do not bear credit risk for the Bank due to the fact they are guaranteed by the Bulgarian State.

Debt securities, held for sale and issued by the European Investment Bank at the amount of BGN 5,067 thousand do not bear credit risk for the Bank due to the fact the European Investment Bank is a first-class bank with acknowledged international rating and reputation.

Debt securities, held for sale and issued by local commercial companies at the amount of BGN 23,982 thousand bear credit risk for the Bank with maximum exposure 100% or BGN 23 982 thousand.

Debt securities, held to maturity and issued by the Republic of Bulgaria at the amount of BGN 84,458 thousand do not bear credit risk for the Bank due to the fact that they are guaranteed by the Bulgarian State.

Loans and advances to customers with gross carrying amount of BGN 678,107 thousand bear credit risk for the Bank. In order to determine the Bank's exposure to this risk, an analysis of each individual risk, 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 586,893 thousand. For credit risk mitigation purposes, detailed procedures for analysis of the economic reasonableness of every project, types of collateral acceptable to the Bank, control over lent funds and the respective administration are applied in the lending process. The Bank has set limits for credit exposures by regions and sectors, which are monitored closely. The above limits aim at restricting the credit portfolio concentration in one or another region/sector, which could result in increased credit risk. The Bank has adopted methodology for calculation of allowances for impairment and uncollectability of loans and advances to customers in compliance with the requirements of the banking legislation in the Republic of Bulgaria. As of December 31, 2007 the allocated allowances for impairment loss of loans and advances to customers are at the amount of BGN 22,077 thousand.

Quality of the credit portfolio

Classification groups as of December 31, 2007

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

The loans, granted by the Bank, are summarized in the following table:

Groups	31.12.2007			31.12.2006		
	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	583,656	86.07	16,784	373,134	67.13	6,741
Past due but not impaired	42,468	6.26	–	112,413	20.22	–
Impaired	51,983	7.67	–	70,298	12.65	–
Total	**678,107**	**100**	**16,784**	**555,845**	**100**	**6,741**
Allowances for impairment provided	22,077		–	13,514		–
NET LOANS	**656,030**		**16,784**	**542,331**		**6,741**

All amounts are in thousand Bulgarian Levs, except otherwise stated

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

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

	As of 31.12.2007	As of 31.12.2006
Individuals		
Credit cards and overdrafts	37,968	10,068
Consumer loans	121,378	83,254
Mortgage loans	71,275	51,389
Corporate clients	353,035	228,423
TOTAL	**583,656**	**373,134**

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 impairment.

	As of 31.12.2007	As of 31.12.2006
Individuals		
Credit cards and overdrafts	2,748	3,294
Consumer loans	9,604	8,319
Mortgage loans	5,178	3,574
Corporate clients	**24,938**	**97,226**
TOTAL	**42,468**	**112,413**

The carrying amounts of the loans, which have been provided allowances for on an individual basis as of December 31, 2007 and 2006, is BGN 51,983 thousand and BGN 70,298 thousand, respectively.

These carrying amounts exclude cash flows from utilization of collaterals under these loans.

2007

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

2006

	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	7	36	-
Consumer loans	586	307	2768	231
Mortgage loans	25	50	873	993
Corporate clients	63,196	169	2,279	284
TOTAL	**63,809**	**533**	**5,956**	**1,508**

All amounts are in thousand Bulgarian Levs, except otherwise stated

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 31.12.2007	Customer	Contractual amount-limit	Net exposure as of 31.12.2006
Company 1	27,382	25,604	Company 1	17,602	17,472
Company 2	19,558	19,646	Company 2	16,254	16,280
Company 3	16,100	15,317	Company 3	16,100	16,043
Company 4	16,827	11,606	Company 4	16,425	14,340
Company 5	10,775	10,687	Company 5	12,620	12,608
Company 6	9,192	9,086	Company 6	11,735	11,733
Company 7	11102	7,959	Company 7	11,960	10,781
Company 8	13657	7,822	Company 8	11,674	10,274
Company 9	9,000	7,692	Company 9	12,912	9,902
Company 10	7,750	7,590	Company 10	9,800	9,454
TOTAL	**141,343**	**123,009**	**TOTAL**	**137,082**	**128,887**

The total amount of the net exposure for 2007 and 2006 is respectively 18.75% and 23.76% of the loans and advances to clients of the Bank.

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

	2007	2006
Secured by cash and government securities	13,235	6,332
Secured by mortgage	284,856	178,620
Other collaterals	351,385	346,402
No collateral	28,631	24,491
Expenses for provision of allowances for impairment loss	(22,077)	(13,514)
TOTAL	**656,030**	**542,331**

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

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

Market risk

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.

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 fincnail liabilities, as well as to provide funding of 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 comprise 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. A special collective body for liquidity management in the Assets and Liabilities Management Committee. It applies the Bank's policy on liquidity risk management.

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

Traditionally, the Bank maintains high volume of liquid asstes – cash in hand and at BNB, which guarantees to meet easily its liquid needs. As of December 31, 2007 their share is about 16% of the Bank's total assets. As further indtrument to provide high liquidity, the Bank use placements with and advances to financial institutions. These comprise mostly deposits in first-class international and Bulgarian financial institutions with maturity within 7 days. As of December 31, 2007 such deposits represents more than 24% of the total assets. The government securities of the Republic of Bulgaria owned and not pledged by the Bank comprise 1% of its assets. By maintaining above 40% of its assets in highly liquid assets the Bank is able to meet all payments on matured financial liabilities.

The allocation of the Bank's financial liabilities as of December 31, 2007 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
LIABILITIES						
Deposits from banks	373	–	–	–	–	373
Liabilities to other depositors	517,905	130,832	236,746	441,737	19	1,327,239
Other attracted funds	406	244	2,636	3,767	–	7,053
Other liabilities	6,863	–	–	–	–	6,863
Liabilities under repurchase agreements	14,007	–	–	–	–	14,007
Short-term loans	–	–	–	–	–	–
TOTAL FINANCIAL LIABILITIES	**539,554**	**131,076**	**239,382**	**445,504**	**19**	**1,355,535**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 (CONTINUED)
All amounts are in thousand Bulgarian Levs, except otherwise stated

The financial liabilities of the Bank are mainly formed by attracted funds from other depositors – retail and corporate depsoits. Most of them – 39% 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 depsits are practically a long-term and relatively permament resource for the Bank.

Market risk

Market risk is the risk, at which it is possible that the changes in the matket prices of the financial assets, the interest rates or the currency rates have an unfavourable effect on the result of the Bank activity.

Interest rate risk

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

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

	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
ASSETS						
Placements with, and advances to, banks	352,315	28,360	4,890	–	–	385,565
Trading securities	810	496	–	4,892	343	6,541
Receivables under repurchase agreements	10,532	6,252	–	–	–	16,784
Loans and advances to customers, net	25,401	36,793	127,446	334,521	131,869	656,030
Financial assets available for sale	0	16,213	5,703	33,470	8,236	63,622
Financial assets held to maturity	668	–	–	38,862	44,928	84,458
TOTAL ASSETS	**389,726**	**88,114**	**138,039**	**411,745**	**185,376**	**1,213,000**

All amounts are in thousand Bulgarian Levs, except otherwise stated

	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
LIABILITIES						
Deposits from banks	373	–	–	–	–	373
Amounts owed to other depositors	517,905	130,832	236,746	441,737	19	1,327,239
Other attracted funds	406	244	2,636	3,767	–	7,053
Liabilities under repurchase agreements	14,007	–	–	–	–	14,007
TOTAL LIABILITIES	**532,691**	**131,076**	**239,382**	**445,504**	**19**	**1,348,672**
NET INTEREST-BEARING ASSETS AND LAIBILITIES GAP	**–142,965**	**–42,962**	**–101,343**	**–33,759**	**185,357**	**–135,672**

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

Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in 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, 2007 in financial instruments, denominated in other currencies, different from BGN or EUR is under 0.1% 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, 2007 is as follows:

	BGN	EUR	USD	Other	Total
FINANCIAL ASSETS					
Placements with, and advances to, banks	25,811	296,298	59,804	3,652	385,565
Receivables under repurchase agreements	16,784	–	–	–	16,784
Trading securities	34,979	–	525	578	36,082
Loans and advances to customers, net	470,193	162,901	22,935	1	656,030
Financial assets available for sale	51,758	29,630	42	–	81,430
Financial assets held to maturity	39,530	44,928	–	–	84,458
TOTAL ASSETS	**639,055**	**533,757**	**83,306**	**4,231**	**1,260,349**

	BGN	EUR	USD	Other	Total
FINANCIAL LIABILITIES					
Deposits from banks	39	334	–	–	373
Amounts owned to other depositors	793,228	445,273	85,698	3,040	1,327,239
Other attracted funds	7,038	–	–	15	7,053
Short-term loans	14,007	–	–	–	14,007
TOTAL LIABILITIES	**814,312**	**445,607**	**85,698**	**3,055**	**1,348,672**
NET POSITION	**–175,257**	**88,150**	**–2,392**	**1,176**	**–88,323**

Price risk

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

32. RELATED PARTIES TRANSACTIONS

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

Related parties	Type of relation	Type of transaction	Value
Zarneni Hrani Bulgaria	General control	Loan granted	2,000
Chimimport AD	General control	Loan received	50,000
Armeetz Insurance Company	Shareholder	Repo deal	35,936
Oil and Gas Exploration and Production	General control	Issued guarantees	1,610
Bulgaria Air	General control	Issued guarantees	2,505
Bulgarian Aviation Group	General control	Issued guarantees	1,300
Lesport Port	General control	Letter of credit	2.010
Armeetz Insurance Company	Shareholder	Term deposits received	43,815
Chimimport AD	General control	Term deposits received	13,186

On October 23, 2007, according to a signed contract with "Chimimport" AD, the Bank received a loan in the form of a subordinated term debt, amounting to BGN 50,000 thousand with maturity of 7 years and 4.2% annual interest rate. The received loan has been repaid in advance on December 15, 2007.

As of December 31, 2007 and 2006 the Bank has receivables from related parties amounting to BGN 54,744 thousand, as it follows:

Related parties	Type of relation	Type of transaction	Exposure as of 31.12.2007	Exposure as of 31.12.2006
Armeetz Insurance Company	Shareholder	Repo deals	6,778	6,299
Armeetz Insurance Company	Shareholder	Loans granted	1	418
Zarneni Hrani Bulgaria	Entity under common control	Loans granted	11,655	783
Zarneni Hrani Bulgaria	Entity under common control	Cession contract	25	–
Zarneni Hrani Bulgaria	Entity under common control	Bonds acquired	3,696	–
Trans Intercar	Entity under common control	Loans granted	2,228	–
Hemus Air	Entity under common control	Loans granted	7,026	7,740
Other	Entity under common control	Loans granted	4,299	4,510
Individuals	Employees of the Bank	Loans granted	8,910	4,559
Individuals	Key managing personnel	Loans granted	7,867	6156
Individuals	Participating in the management of a shareholder	Loans granted	2,259	1,917
Total			**54,744**	**32,382**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007 (CONTINUED)
All amounts are in thousand Bulgarian Levs, except otherwise stated

As of December 31, 2007 and 2006 the Bank has contingent liabilities to related parties with total amount of BGN 4,505 thousand, as follows:

Related parties	Type of relation	Type of transaction	Exposure as of 31.12.2007	Exposure as of 31.12.2006
Armeetz Insurance Company	Shareholder	Guarantees issued	1,181	1,291
Oil and Gas Exploration and Production	Entity under common control	Guarantees issued	1,670	180
Chimimport Farma	Entity under common control	Guarantees issued	443	377
Bulgaria Air	Entity under common control	Guarantees issued	2,505	–
Bulgarian Drilling Company	Entity under common control	Guarantees issued	378	814
Bulgarian Aviation Group	Entity under common control	Guarantees issued	1,300	–
Hemus Air	Entity under common control	Guarantees issued	700	700
Lesport Port	Entity under common control	Guarantees issued	2,010	812
Chimimport Oil	Entity under common control	Guarantees issued	655	–
Other	Entity under common control	Guarantees issued	89	331
TOTAL			**10,931**	**4,505**

As of December 31, 2007 and 2006 the Bank has liabilities to related parties under general control at the amount of BGN 41,943 thousand and BGN 7,267 thousand, respectively, as follows:

Related parties	Type of relation	Type of transaction	Exposure as of 31.12.2007	Exposure as of 31.12.2006
Armeetz Insurance Company	Shareholder	Deposits attracted in the form of term and termless deposits	18,161	3,070
Chimimport AD	Entity under common control	Deposits attracted in the form of term and termless deposits	3,193	531
Zarneni Hrani Bulgaria	Entity under common control	Deposits attracted in the form of term and termless deposits	2,531	835

All amounts are in thousand Bulgarian Levs, except otherwise stated

Related parties	Type of relation	Type of transaction	Exposure as of 31.12.2007	Exposure as of 31.12.2006
Lesoport Port	Entity under common control	Deposits attracted in the form of term and termless deposits	2,048	445
Sport Complex Varna	Entity under common control	Deposits attracted in the form of term and termless deposits	1,432	20
CCB Asset Management	Shareholder	Deposits attracted in the form of term and termless deposits	5,584	32
Social Security Joint Stock Company CCB Sila	Entity under common control	Deposits attracted in the form of term and termless deposits	961	53
Bulgaria Air	Entity under common control	Deposits attracted in the form of term and termless deposits	882	–
Shabla Golf	Entity under common control	Deposits attracted in the form of term and termless deposits	861	–
Bulgarian River Shipping	Entity under common control	Deposits attracted in the form of term and termless deposits	940	365
Chimimport Farma	Entity under common control	Deposits attracted in the form of term and termless deposits	819	416
Other	Entity under common control	Deposits attracted in the form of term and termless deposits	4,531	1,500
TOTAL			**41,943**	**7,267**

33. POST BALANCE SHEET EVENTS

After the balance sheet date, the Bank acquires 136,658 shares from the equity of Sileks Bank AD, Skopije, Republic of Macedonia, representing 62.57% of its voting shares. After this acquisition the Bank owns a total of 171,658 shares of the equity of Sileks Bank AD which represents 78.60% of its voting shares. The amount of the investment is BGN 26,449 thousand.

After the balance sheet date, the Bank transfers through a cession agreement to Finance Consulting EAD, against consideration and without the right of regression , own cash receivables with reporting value of BGN 21,429 thousand and net book value BGN 11,331 thousand. The cession is with total amount of BGN 20,000 thousand.

34. OTHER DISCLOSURES

On September 11, 2007, the Bank and Eurostandard Bank AD, Skopije signed an agreement for sale of 25,660 ordinary, voting right shares from the equity of Post Bank AD, Skopije, Republic of Macedonia. The contract comes into force after the corresponding permits are obtained. The acquisition is allowed by BNB on October 31, 2007 and by the National Bank of the Republic of Macedonia on December 6, 2007. The deal will raise legal action after the Bank receives permit by the Government of the Republic of Macedonia.