

# 2006

annual report



Central Cooperative Bank | Our clients feel important

# 2006

annual report



**It's important ...**

**... to be happy**

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## Message from Management

Ladies and Gentlemen,

We, the Executive Directors and Procurator of Central Cooperative Bank Plc, would like to thank you for your contribution to our performance and success in 2006. Central Cooperative Bank Plc is a universal commercial bank with special achievements and expertise in retail banking. As at 31.12.2006 the Bank assets are BGN 1 132 million or 40% more than the previous year, the shareholders' equity amounts to BGN 117 million, whereas the share capital increased by 50 % and the net profit is BGN 12 million or 88% more than last year.

2006 was a very successful year for our Bank. In September and October CCB Plc participated in the IPO of Chimimport JSC, our main shareholder, considered the biggest event on the Bulgarian capital market. The IPO had a 2,5 times oversubscription and the company shares have enjoyed an upward trade on the Bulgarian Stock Exchange. On 11 May 2006 CCB Plc signed its second Syndicated Term Loan Facility for 27.500.000 EUR, arranged by HSH Nordbank AG and Raiffeisen Zentralbank Oesterreich AG. There was a great interest on the part of international financial institutions and the Bank affirmed its reputation on the international scene. At the end of 2006 Central Cooperative Bank Plc is the only bank in Bulgaria that offers Master

Card chip cards and Visa chip cards at the same time. In terms of card business CCB Plc ranks on the third place and has 11 % of the Visa cards in Bulgaria. We are on the fifth place according to the number of ATMs and on the seventh place according to POS terminals. We are about to finalize the deployment of our vast network of branches and representative offices.

We have set ambitious goals for 2007: defending the strong position on the Bulgarian banking market by means of increased market share, competitive products, loyal clients and a good image, preserving and further excelling the already established position of the Bank in retail banking and development of new strategies in keeping with the contemporary, various requirements of clients, increasing the amount of total assets and ranking among the first ten bank according to the BNB classification.

We live up to the needs and requirements of our clients. The Bank management and staff are doing their best to satisfy our clients and be competitive in the rapidly developing banking market. We appreciate your recommendations and friendly advice, concerning our work.

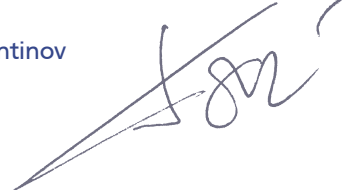
Sincerely yours,

Lazar Iliev  
*Executive Director*

Victor Mechkarov  
*Executive Director*

George Konstantinov  
*Executive Director*

Tihomir Atanassov  
*Procurator*



## Financial Highlights as at 31.12.2006

Main indicators from the Balance Sheet and Income Statement	As at 31.12.2006 Thousand BGN	As at 31.12.2005 Thousand BGN
Total assets	1 131 987	809 023
Shareholders' capital	72 761	48 507
Shareholders' equity	116 640	80 928
Total deposits	946 746	677 998
Deposits from non-financial institutions	946 657	661 189
Advanced loans and advances to customers, net	542 331	383 872
Net interest income	37 598	29 544
Non-interest income	34 473	23 941
Total income	72 071	53 485
Operating expenses	49 251	38 284
Net profit	12 013	6 387

Financial highlights	As at 31.12.2006	As at 31.12.2005
ROE %	13.31%	7.89%
ROA %	1.26%	0.79%
Shareholders' equity / total assets %	10.30%	10.00%
Operating expenses / total assets %	4.35%	4.73%
Operating expenses / total income %	68.34%	71.58%
Loans to customers / total assets %	47.91%	47.45%
Total deposits / total assets %	83.64%	83.80%
Deposits from non-financial institutions / total assets %	83.63%	81.73%
Total capital adequacy	13.17%	13.93%

Shares	As at 31.12.2006	As at 31.12.2005
Number of shares	72 760 779	48 507 186
Stock market capitalization (BGN' 000)	515 146	267 275
Share price (BGN, 1.1.2006 – 31.12.2006)	BGN	BGN
Maximum share price	7.30	7.89
Minimum share price	4.05	3.15
Last weighted average price	7.08	5.51
Weighted average price for 2006	5.43	5.64
Amount of traded shares (in thousands)	2 957	5 797

Recourses	number	number
Number of customers	741 052	603 608
Foreign correspondents	365	363
Nostro accounts	20	19
Branches	45	39
Representative offices	175	140
Personnel	1 375	1 111

- **Central Cooperative Bank Plc** belongs to the financial structure of **Chimimport JSC**, and together with the remaining companies, comprises the full array of services in the field of financial intermediation.
- **The financial companies**, property of the holding, include "Armeets" insurance company JSC, "CCB Sila" pension fund JSC and "Suglasie" pension fund, as well as CCB Real Estate Fund and Capital Management. There are plans for the establishment of two new companies - a health insurance company and a life insurance company, with which the objective to close the circle of the offered financial services will be achieved.
- **Chimimport JSC** was established on April 11, 1947. Since October 27, 1990 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 holding controls assets in the field of commerce with chemical products: import and export of crude oil, oil derivatives, plastics and plastic products, rubber and rubber products, over 30 000 types of chemicals, fertilizers and mixtures. Along with that commerce with consumables and humanitarian and veterinarian drugs; agricultural consumables and drugs; commerce with cereals, their safekeeping and processing. Chimimport JSC disposes of storage premises and equipment all over the country.
- 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.
- CCB Plc is a member of the **International Cooperative Banking Association** and with the entry of Bulgaria in the European Union it changed its statute from an associate to a full member of the European Association of Cooperative Banks, domiciled at Brussels.
- The products and services of **Western Union** are offered by 187 branches and offices of CCB Plc in 122 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.
- In 2006 the relationships of CCB Plc with the **correspondent banks** preserved their tendency for upward development. CCB Plc received several new lines for documentary operations, FX and MM limits. CCB Plc signed its second syndicated loan agreement, arranged by two big European banks Raiffeizen Zentralbank Oesterreich AG, Vienna and HSH Nordbank AG, Hamburg. The loan was used to finance a number of SME projects.
- CCB Plc has received 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 money market.
- CCB Plc provides fast and flexible solutions to the specific needs of its clients via a well-developed **branch network**. At present the Bank disposes with 49 branches and over 184 representatives throughout the country, which are subject to constant streamlining with the aim of achieving maximum efficiency and speed in servicing customers.



## Brief History

**On 28 March 1991** Central Cooperative Bank 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.

**In 1996** – one of the most difficult years for the banking sector in Bulgaria, CCB Plc succeeded in affirming itself among the working banks in Bulgaria and ranked among the first 10 banks in the country in terms of the total amount of the internal settlement.

**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, a subdivision of First Data Corporation.

**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 main shareholder is CCB Group Assets Management EAD, which is 100% property of Chimimport.

**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 Oesterreich 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 was granted a permit by 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 Oesterreich 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. Since their listing the company shares have enjoyed an upward trend on the Bulgarian Stock Exchange.

**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 amounts 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.



## 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:

**Nikola Alexandrov Damyanov**

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

As at December 31, 2006 the shareholders' equity of the bank amounts to BGN 116 541 thousand. The capital adequacy is 13.17%,

which is in agreement with the requirements of Ordinance No. 8 of BNB on the capital adequacy of banks.

Shareholders of CCB Plc as at March 31, 2007	Share (%)
"CCB Group Assets Management" EAD	68.20
Bank Austria Creditanstalt	10.09
Hansapank Clients, Tallinn, Estonia	4.26
"Armeets" Insurance Company JSC	4.42
Other parties, related to "Chimimport" JSC	5.54
Minority participation	7.49
<b>Total</b>	<b>100.00</b>

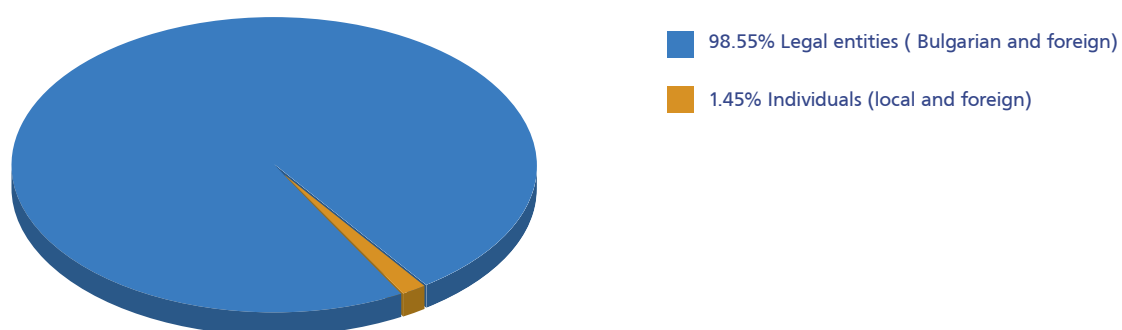
In November 2006 CCB Plc increased its share capital to BGN 72 760 779 through the issuance of new 24 253 593 shares with a nominal and issue value of BGN 1. All shares entitle the holder to one vote at the General Meeting. At present the shareholders of CCB Plc are 5631, among them 4469 individuals and 1162 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.

At the beginning of 2007 Bank Austria Creditanstalt AG purchased 10% of the shares of CCB Plc, which are traded on the Vienna Stock Exchange as issued warrants. The participation of a European investor in the shareholders' structure of the Bank is a natural consequence of the dynamic development of the Bank, as well as Bulgaria's joining the European Union.

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 2006 the Bank diversified considerably the array of offered credit products and services in the field of consumer lending, as well as lending to SMEs. Besides the ambition to develop as a “retail bank”, the Bank strives to occupy positions in the market of SMEs, attracting more and more clients in this sector.

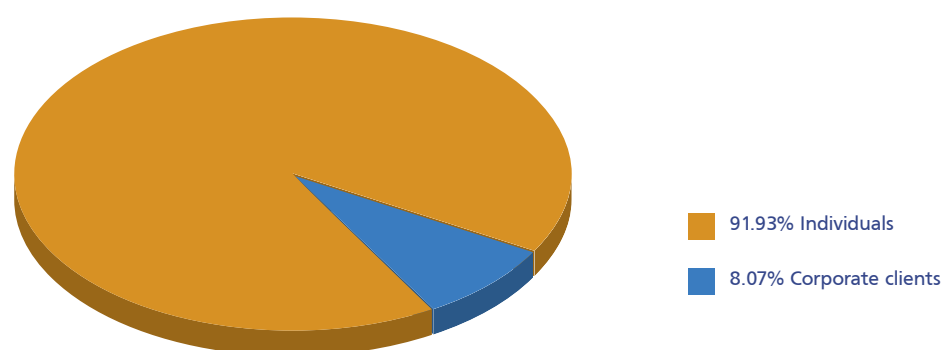
### Client structure

Clients are of special importance to the Bank, because they contribute to the Bank’s successful development and market

positions. For this reason CCB Plc endeavours to attract more and more clients, especially individuals, households, SMEs and takes into account their needs and desires, offering a rich portfolio of new attractive products and services.

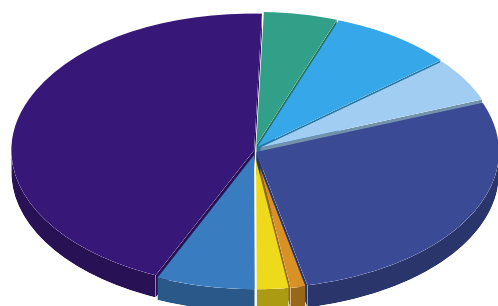
At the end of 2006 the Bank clients are 741 052 – an increase by 137 444 or 22.77 % more in comparison to the previous year. The main and greatest share belongs to the individuals; their number has increased by 130 973 or 23.80 % in comparison to 2005. That is due to the ambition of CCB Plc in the last several years to develop in the highly competitive segment on the Bulgarian market - retail banking. Along with that there is an increase in the loans, extended to SMEs, which is due to the orientation of the Bank to gaining better market positions in SME lending.

Breakdown of clients as at 31 December 2006



Sector	December 2006	December 2005
Individuals and sole proprietors	681,254	550,281
Commerce	26,317	22,734
Transport and communications	3,006	2,524
Industry and construction	4,941	4,233
Agriculture and forestry	3,222	2,760
Finance, loans and insurance	16,427	16,603
Science and education	624	409
Healthcare, sports and tourism	1,400	1,091
Other	3,861	2,973
<b>Total</b>	<b>741,052</b>	<b>603,608</b>

### Branch structure of clients - legal entities



### Retail banking

Retail banking is the main priority of CCB Plc, considering the objective of the Bank to attract mainly individuals and households among its clients. In 2006 the Bank achieved outstanding results in this regard. This year it again continued developing its established products, which are attractive to clients, and along with that a number of new products and services were introduced.

CCB Plc offers to its clients a rich assortment of card products, which are very well accepted by clients and allow the Bank to rank among the first bank players on the Bulgarian market. In 2006 the total number of cards, issued by the Bank exceeds 500 000. At the end of the year CCB Plc ranks on the third place in the country according to the total number of issued bank cards, the fifth place according to the number of ATMs and the seventh place according to POS terminals. Thanks to its contemporary centralized information system for four successive years CCB Plc offers to its clients CCB online (Internet banking), with which they gain a fast, convenient and reliable way of performing ordinary banking operations from the computer at home or in the office, all over the world, 24 hours a day.

### Card business

2006 was quite a success for the CCB Plc card business. The Bank increased considerably its issued debit and credit cards and offered new card products and services. Along with the MasterCard Standard, Business and Gold credit cards, as well as the Maestro debit cards, issued since 2003, the Bank started offering to its clients the card products of Visa International – the credit cards Visa Classic, Business and Gold and the Visa Electron debit cards. CCB Plc is one of the main factors on the card services market in Bulgaria. Although it offers the products of Visa from April 2006, CCB Plc quickly gained a considerable share of the issued Visa credit cards and Visa Electron debit cards. As at 31.12.2006 the Bank has a 11% market share of the Visa cards in Bulgaria.

In October 2006 CCB Plc became the second bank in Bulgaria that issues Visa chip cards, and in November 2006 CCB Plc was the first bank in the country that started issuing MasterCard chip cards. In this way CCB Plc became the first bank in Bulgaria, which offers MasterCard chip cards and Visa chip cards to its clients at the same time.

In November 2006 Visa International CEMEA awarded CCB Plc with a Certificate for the issuance of 100 000 Visa Cards



The Bank increased the variety of the offered credit cards in terms of financial conditions. In 2006 CCB Plc started issuing Visa Favorite and MasterCard Favorite, which have a grace period of up to 60 days for purchases in the country and abroad.

CCB Plc has already gained positions in the international MasterCard credit cards, which as at 31.12.2006 are over 4 000, whereas the Maestro debit cards are almost 400 000. The issued Visa credit cards are over 7 000, whereas the Visa Electron debit cards are over 130 000.

CCB Plc also offers the "Market" and "Market+" local credit cards. "Market" is a local credit card, with which the Bank offers excellent interest conditions to clients for purchases on credit. Some of the competitive advantages of the product are the longest grace period for this product type in Bulgaria, the bonus system to all cardholders and the lack of fees for purchases with the card. The "Market +" card offers additional advantages to the loyal clients of the Bank, with good credit history and receiving their employment remuneration on a card with the Bank.

In 2006 the ATM terminals of CCB Plc reached 260, with which an annual increase of 38% was reached. With the POS terminals at the traders' and the bank rooms the increase is 60% and 37% respectively, whereas as at 31.12.2006 the number of POS terminals of CCB is 1087.

CCB Plc also offers additional services to its cardholders. These are Subscription for utility bills, SMS detective, bills payment on the phone via ePayVoice, bills payment at ATM, easy-info, transfers on the Internet via a debit card, etc. There are better possibilities for using the services at ePay.bg. The Bank clients may view the statements of their accounts on the Internet. With one registration for the service at ePay.bg clients receive information about the balances and the movement on all their accounts at CCB Plc – current and deposit accounts in BGN and foreign currency.

One of the new services, offered to the cardholders of CCB Plc in 2006, is "Installments on cards and loans". This service is a money transfer, which may be effected at an ATM and on the Internet. The only required information about the transfer is the card number of the beneficiary at CCB Plc, whereas the service fee is considerably less than the standard fee for a money transfer.

### Consumer loans

Lending to consumers is a priority in the loan business of CCB Plc, which is an expression of its development as a retail bank. In this segment the Bank has achieved a growth of 62% on an annual basis, which places it among the leading banks.

The Bank offers to its clients attractive products in the field of consumer loans. In last year there continued the upward tendency in the development of the "Goods on credit" product of CCB Plc. There is a considerable increase in the number of traders and trade shops, offering the service. The increase for 2006 is due to the developed network of commercial partners and the "Automatic loan" service for correct clients.

In 2006 the following new products were developed in the field of consumer loans:

- **Combined consumer loan.** The advantage of this product is that it may be used as an overdraft in the first 6 months and the client decides what amount to use and when to repay it. In the remaining term the product has the parameters of a consumer loan.
- **"Turnover" loan.** This loan is meant for individuals and small and medium-sized enterprises. In the first five years it is used as an overdraft, and the maximum term is 25 years. It is granted against a real estate collateral. The loan is up to 100% of the real estate evaluation.
- **"Start" loan.** This loan is granted upon a procedure, simplified to a maximum extent and without any formalities. No guarantors are necessary and the presentation of documents, evidencing the income is not required.
- **WEB loan.** The product is a quick consumer loan, for which the application is made online. It is granted up to 2 hours of receiving the loan application, no guarantors and income evidencing documents are required. The WEB loan is a part of the WEB package – products and services, which the Bank offers to clients that have a universal electronic signature. The Bank offers a universal electronic signature to its clients under preferential conditions.
- **WEB package.** The package includes: the application for a consumer loan and bank cards, management of bank cards, an application for additional services and CCB online. For the first time in Bulgaria clients use so many banking services on the Internet, without visiting the Bank. Clients choose the moment for ordering the services, regardless of the Bank working hours. Clients may use the electronic signature for bank operations, as well as for submitting the annual tax declaration and other documents to the state administration.

CCB Plc continues offering successfully consumer loans with guarantors, improving the financial conditions for its clients. CCB Plc offers preferential interest conditions to clients that receive their monthly employment remuneration at the Bank or use the "Subscription for utility bills" service.

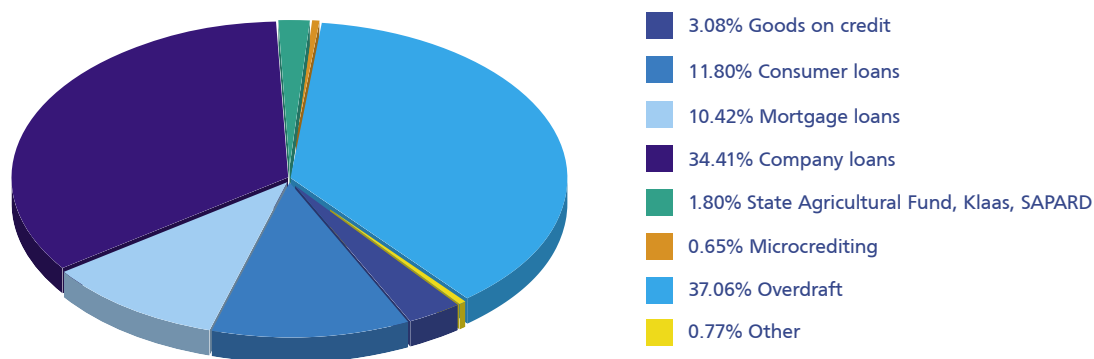
## Activity Overview

### Crediting

Crediting constitutes a major share of the Bank business. For 2006 it has 47.91% of the total amount of Bank assets, whereas in 2005 the percentage is 47.45%. The main share of the loans belongs to company loans, 34.41% of the total amount. They preserve their great share, because in the past year the Bank focused, not only on retail banking, but also on lending to SMEs. There is also an increase in the overdraft loans. Their share of the total amount of extended loans is 37.06% as at the end of last year, whereas such loans are extended to individuals and companies. There follow the consumer and mortgage

loans with a share of 11.80% and 10.42% respectively. The increase in overdraft, consumer and mortgage loans may be explained with the ambition of CCB Plc to affirm itself as a bank, which services mainly individuals, households and SMEs.

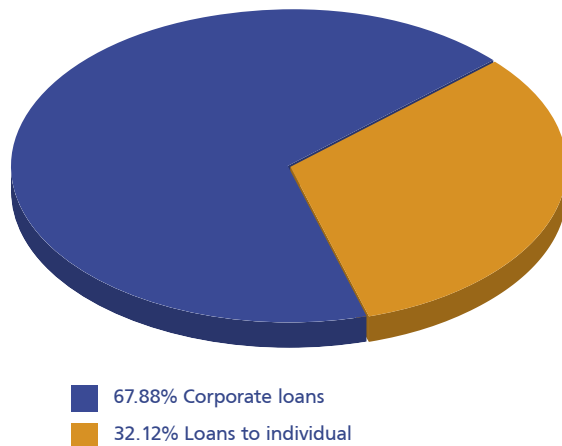
Breakdown of loans according to type



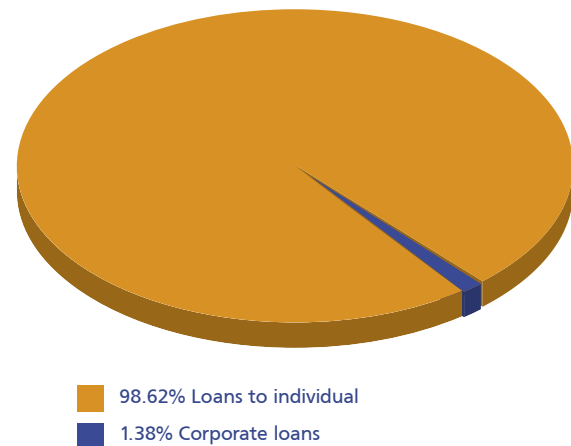
According to the branch distribution of loans the greatest part of advanced loans is concentrated in commerce and finance and have 37.96% of the total share in the loan portfolio. The breakdown of

loans to individuals and corporate loans may be seen in the following graphs:

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



Breakdown of loans according to clients - in term of the number of advanced loans





### Correspondent relations with Bulgarian and foreign financial institutions

In 2006 the Bank continued working on several long-term projects and further improved its good business relationships with the lending banks under the trade finance agreements.

In 2006 CCB Plc continued performing its obligations associated with several projects under the main framework agreement with Landesbank Berlin (former Bankgesellschaft Berlin AG), 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 Bilbao Vizcaya 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.

On 11 May 2006 CCB Plc concluded a second Syndicated Term Loan Facility for EUR 27.500.000, having a one-year term and an extension option of one more year. The syndicated loan was arranged by HSH Nordbank AG and Raiffeisen Zentralbank Oesterreich AG and the participants in the syndication were 12 prestigious financial institutions from Europe and Asia. The loan 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 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 (former Bankgesellschaft Berlin AG), 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 two 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, 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 2000 foreign correspondents. As at 31.12.2006 the Bank has 20 Nostro accounts, 8 of which are in EUR with EU banks, 4 accounts are in USD with American banks, and 8 are in other currencies – GBP, CHF, CAD, DKK, SEK, NOK, JPY and CYP.

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.

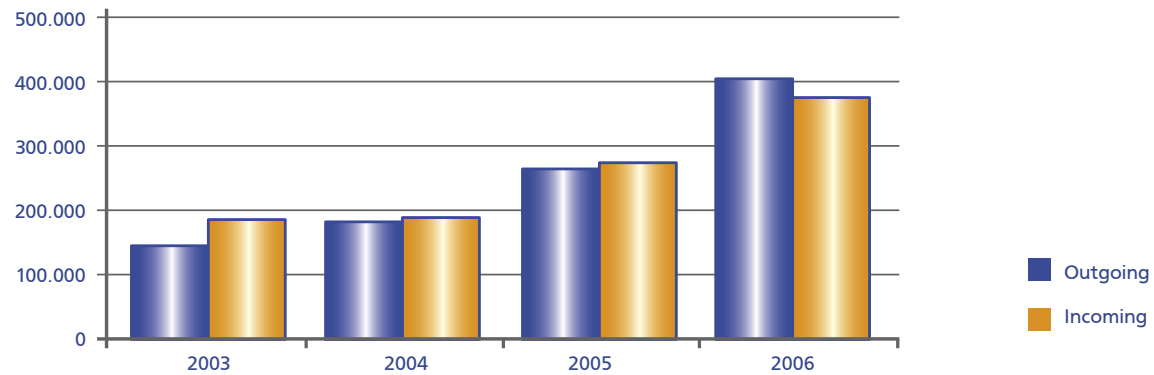
### International payments

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 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 of the outgoing payments for 2006 in comparison to 2005 is 56.31 %, for 2005 compared to 2004 the increase was 35.06%, and for 2004 compared to 2003 – 32.32%. For the incoming payments that increase for 2006 compared to 2005 amounts to 35.32%, for 2005 compared to 2004 the increase is 37.99%. For 2004 compared to 2003 the percentage is 6.43%.

## Activity Overview

Total amount of the incoming and outgoing payments in the long run in USD'000

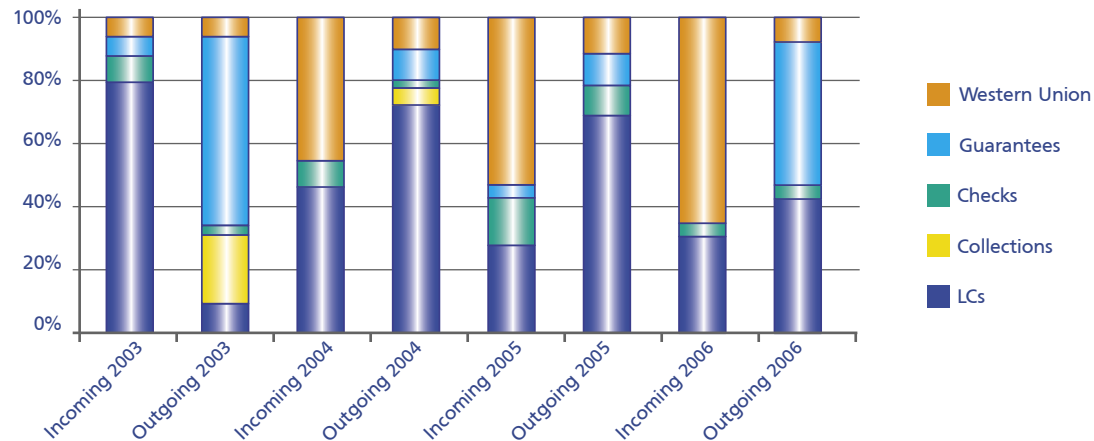


Central Cooperative Bank Plc offers to its customers the main types of payments, known in the bank practice. A major share belongs to the clean payments, which have the greatest portion in the incoming and outgoing payments. In 2006 the amount of incoming and outgoing payments has almost doubled. The amount of the clean payments in the total amount of payments for 2006 is 89.91% of the outgoing

payments and 87.13% of the incoming payments.

Last year there was a considerable increase in the issued bank guarantees – over 12 times. The breakdown of the remaining payments is rather varied and may be seen in the following diagram:

Comparison between the types of incoming and outgoing payments

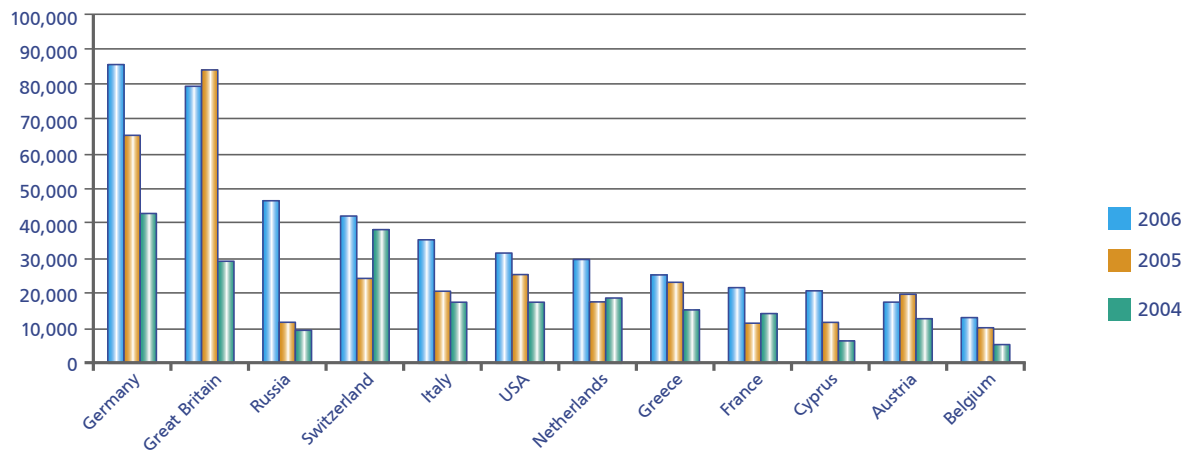


In 2006 Germany outstripped Great Britain according to the payments amount and ranked on the leading position with 10.71% of the total amount of payments. Great Britain remained on the second

place with 9.98% , followed by Russia with 5.89 and Switzerland with 5.26%. USA that in 2005 was on the third place with 4.64% now is on the sixth place with 4.00%.

## Activity Overview

Transactions in Foreign Currency According to Countries for 2006, 2005 and 2004 (USD'000)

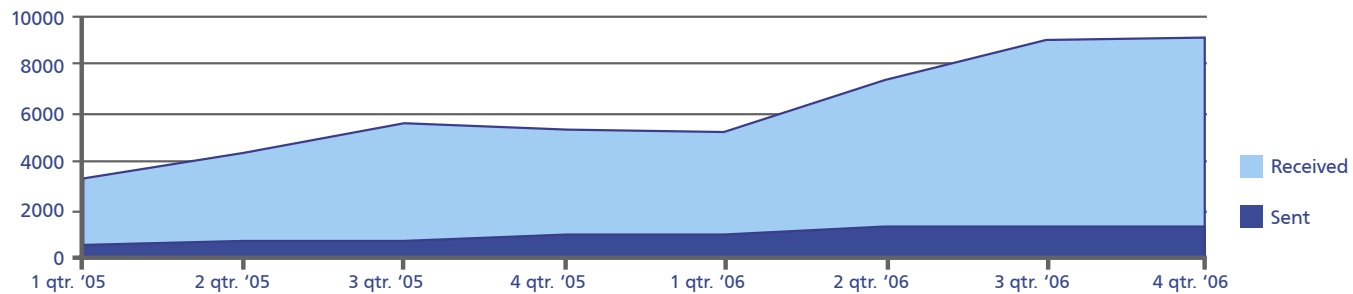


### Western Union

Since 2003 CCB Plc is a licensed agent for Bulgaria of the Western Union fast money transfer system – a subdivision of First Data Corporation. Western Union is present with more than 200,000 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

by 187 branches and offices of CCB Plc in 122 settlements across the country, equipped with direct electronic access to the Western Union network. Besides, CCB Plc has concluded agreements with subagents, which offer the Western Union services on 23 more sites in 17 settlements.

Sent and received transfers via Western Union according to quarters in 2005 and 2006 (thousand USD)



### Financial markets

Financial markets are one of the most important segments in the CCB Plc activity. The Bank is one of the most active banks on the interbank FX market and banknote trade and a primary dealer of government securities on the Bulgarian primary market. It places a huge amount

of deposits in the country and abroad and effects transactions on its behalf and to its benefit and on behalf and to the benefit of its customers.

## Activity Overview

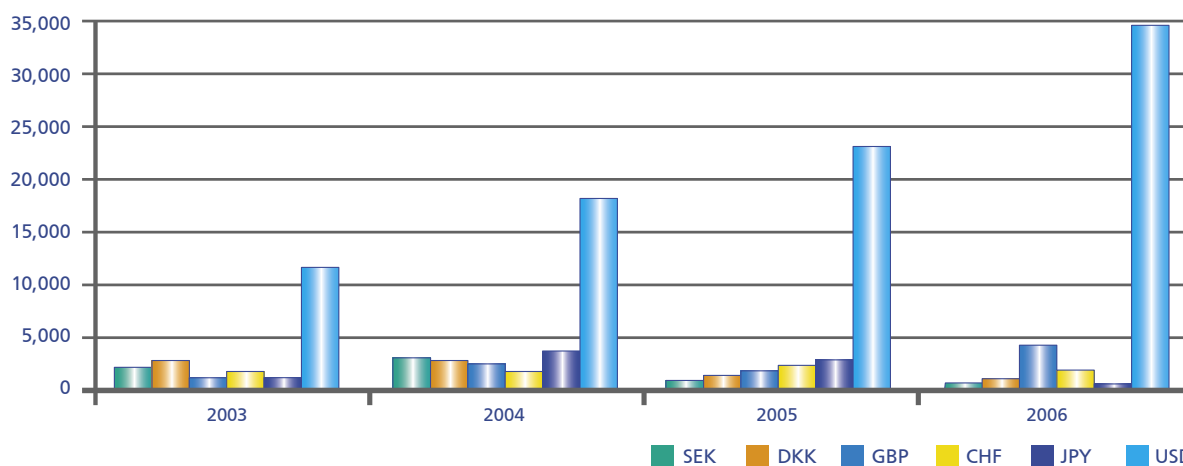
### Foreign exchange

In the field of foreign exchange the Bank offers a number of products and consulting services to investors and corporate clients, as well as to correspondent banks – spot and forward transactions, options, hedging, etc. In 2005 CCB Plc obtained a number of FX lines from big European correspondent banks and financial houses. Along with the existing lines for FX trade, provided by big European correspondent banks and financial houses, which CCB Plc actively uses, in 2006 another line was provided by American Express Bank GmbH for

operations on the FX market. These lines may be used for spot and forward trade.

In the last year, owing to the improved financial highlights of the Bank and its activity on the FX markets, a great part of the correspondent banks, with which CCB Plc works, increased the amount of the already extended FX lines. The Bank also has effective lines for trading futures and options on securities, indices and currencies, traded on the American and European stock exchanges.

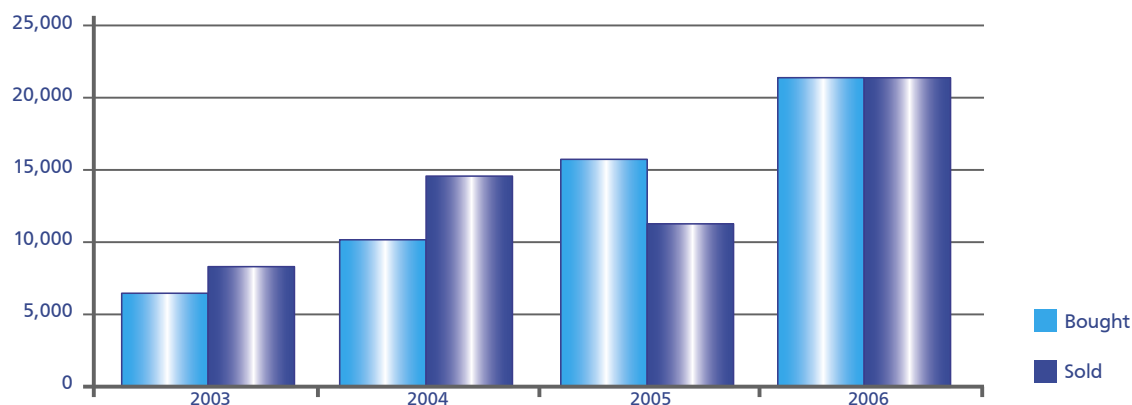
Transactions on FX markets (thousand EUR)



CCB Plc offers to its clients the possibility to trade on the international financial markets by concluding a contract for margin trade. To this purpose the Bank opened lines for margin and netting trade with several leading financial and brokerage houses, such as

Saxo Bank, Sucden and Marex Financial. These lines allow the Bank to conclude speculative transactions at its expense upon limited risk. In comparison to 2005, the amount of FX trade has increased by 60 %.

Amount of FX trade (thousand EUR)

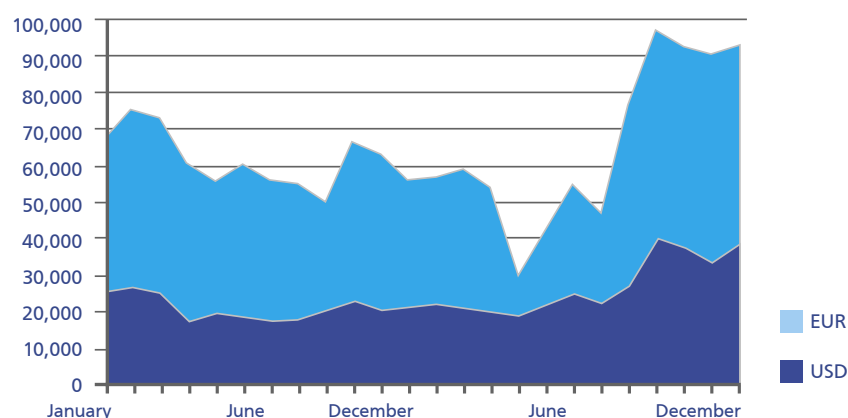


## Activity Overview

The amount of placed currency deposits on the interbank market in 2006 considerably increased in comparison to 2005. The amount of

placed deposits in EUR considerably exceeds that in USD, which is a natural result of the EU membership of Bulgaria.

Amount of deposits for 2005 and 2006 (thousand EUR and USD)



### Securities

CCB Plc actively participates 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.

In 2006 the Bank continued trading with futures on American treasury bonds with the aim of hedging its positions, as well as obtaining speculative profits from changes in the prices of the respective assets.

### Capital markets

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

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

In September 2006 CCB Plc was the investment intermediary of the issue of 11 083 914 ordinary shares of Chimimport JSC, which was considered by the financial analysts as event №1 in 2006.

### 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 2006 the Bank information technologies were concentrated on the following significant aspects:

- For a fourth year CCB Plc has been using the centralized information system of "Datamax" AD – "AIS 2". Using the advantages of "AIS 2", the Bank offers to its customers interbank payments in BGN and foreign currency in real time, servicing of customers – individuals in all the Bank offices, carrying out payments without the requirement for customers to have opened bank accounts.
- The Bank has successfully integrated in the "AIS 2" information system all SWIFT messages types, concerning the payments through RINGS and all the international payments.
- CCB Plc is a licensed agent of the Western Union fast money transfer system and there are over 150 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 200 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 200 positions for working with Info notary.

## Activity Overview

- The next step for improving the reliability and security of the Bank information system is the introduction of the PKI system, which will allow users to identify themselves to the system with chip cards and digital certificates.
- There will be migration from the heterogeneous transmission network used at the present moment to a network, based entirely on IP. Improvement of the Voice services and building up of alternative channels for telephone services.

### Personnel

CCB Plc human resource is the main pillar for effecting the Bank policy and strategy. Considering the specifics of the business of CCB Plc, the requirements to the quality of work of 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, its professional growing up and development. The ultimate goal is motivating qualified, loyal and unsparing to the objectives of the institution personnel.

As of 31.12.2006 the CCB Plc personnel number is 1375 people, including 282 employees at the head-office and 1093 employees in the branches. The personnel increase in comparison to the previous year is by 225 people or respectively 19.6%.

The broadening of the Bank network continued in 2006 and for this reason the Bank management takes care of the efficiency of the personnel number and structure. The Bank employees consist mainly of young experts with the necessary educational background and language skills. The experts up to 40 years old are 61.7% of the total number of staff and as at 31.12.2006 amount to 848 people. The greatest share belongs to the employees with higher education - 953 people or 69.3%. 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 of employees. In practice, different methods and ways of determining the employees' professional knowledge and skills, responsibility and performance /training, personal testing and practical knowledge, exams, etc/ are used for the objective evaluation of employees and determining their

remuneration.

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 2006, with the following emphasis:

1. Loan policy;
2. Retail banking;
3. International payments;
4. Money markets and securities;
5. Information technologies;
6. Accounting.

In 2006 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 has a well-developed branch network, which is well distributed on the territory of the Republic of Bulgaria. In 2006 the deployment and development of the branch network again was one of the main goals of the Bank management. Via its branch network the Bank attempts to be at the disposal of its clients to a maximum extent in order to be able to provide to them convenient, quick and quality servicing.

The newly-opened branches during last year and in the first three months of 2007 are ten, seven of which in Sofia and the remaining in Plovdiv, Troyan and Stara Zagora. There are more than 40 new representative offices and outlets subjected to the branches.



## Activity Overview

Structural units	31.03.2007	31.12.2006	31.12.2005
Bank branches	49	45	39
Bank representative offices	184	175	140

In 2006 we initiated the procedures for the start of the first foreign branch of CCB Plc in Nicosia, after receiving the license for banking activity on the territory of Cyprus. The new branch will service individuals, small and medium-sized enterprises and in particular Bulgarian citizens, living and working on the territory of the Republic of Cyprus.

### The Bank in the future

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

In 2006 there was a diversification in the types of consumer lending, a decrease in the interest rates in consumer and mortgage loans 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:

- defending the strong position on the Bulgarian banking market by means of increased market share, competitive products, loyal clients and a good image;
- preserving and further excelling the already established position of the Bank in retail banking and development of new strategies in keeping with the contemporary, various requirements of clients;

- diversification of the products and services;
- preserving the high increase in the individuals' deposits;
- increasing the share of loans to individuals, SMEs, sole proprietors and free professionals, mainly agricultural producers, in the total loan portfolio of the Bank;
- finalizing the deployment of the already established branch network;
- complying with the new SEPA requirements in the field of international payments;
- the introduction of Basel II in the Bank risk management;
- training and motivating staff at the Bank, attracting and preserving young and knowledgeable staff within the Bank;
- increasing the amount of total assets and ranking among the first ten bank according to the BNB classification.

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 2007 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 2006

### Market share and position of CCB Plc

In 2006 CCB Plc continued its stable development, followed in the previous year. According to the BNB classification Bulgarian banks are divided into 3 groups, depending on the assets amount: the first group includes the first 10 banks, the second group consists of the next 17 banks, and the third group is made up of the branches of the foreign banks in Bulgaria. At the end of 2006 CCB Plc ranks on

the first place in the second group of banks and on the 11th place among Bulgarian banks.

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

Market share of CCB Plc in terms of:	Total for the banking system	For the second group of banks
Total assets	2.68%	11.84%
Income-generating assets	2.62%	11.64%
Long-term assets	4.61%	20.67%
Attracted funds	2.67%	11.70%
Loans, granted to non-financial institutions	2.43%	11.88%
Net income from interest and dividends	2.43%	11.38%
Non-interest income net	6.15%	31.59%
Profit before taxes	1.49%	10.27%
Net profit	1.48%	10.19%

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)	13.31%	13.40%	20.78%
ROA (Return on assets)	1.26%	1.42%	2.20%
Income-generating assets / total assets	84.27%	85.76%	86.34%
Net interest margin	5.08%	3.28%	5.10%
Rate of advancing loans	55.94%	55.07%	61.34%
Assets profitability	1.25%	1.43%	2.22%
Net interest income / operating expenses	76.59%	95.77%	123.61%
Non-interest income, net / operating expenses	50.27%	22.65%	32.09%

The contribution of the Bank concerning bank cards in 2006 was considerable. Last year CCB Plc ranked on the third place according to issued cards and on the fifth place according to installed ATMs. Although CCB Plc offers the products of Visa from April 2006, it made a considerable growth in the number of Visa credit cards and Visa Electron debit cards. As at 31.12.2006 the market share of the Visa cards is 11.98% and that of Visa Electron is 36.49%.

In October 2006 CCB Plc became the second bank in Bulgaria that issues Visa chip cards, and one month later (in November 2006) the Bank started issuing Mastercard chip cards. Thus CCB Plc became the first bank in Bulgaria that offered to its clients Mastercard chip cards and Visa chip cards at the same time.

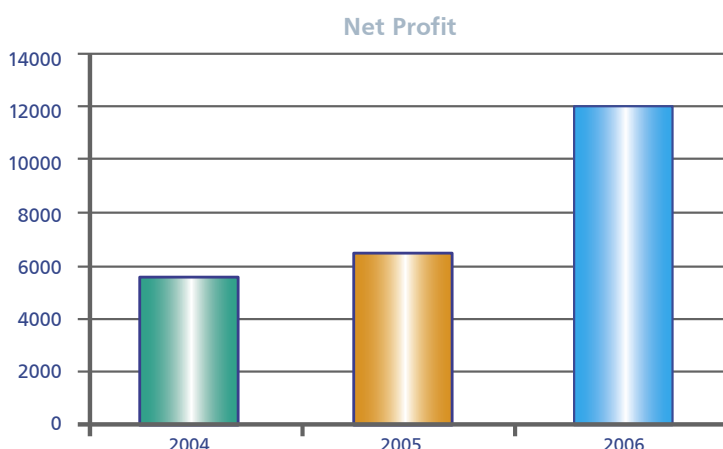
The Bank increased the variety of the offered credit cards with regard to the financial conditions. In 2006 CCB Plc started the issuance of Visa Favorit cards and MasterCard Favorit cards, which had a grace period of up to 60 days for purchases in the country and abroad.

CCB Plc has established positions in the international MasterCard credit cards, which as at 31.12.2006 are over 4 000, whereas the Maestro debit cards are almost 400 000. The issued Visa credit cards are over 7 000, whereas the Visa Electron debit cards are over 130 000.

## Income Statement

2006 was one of a series of successful years for Central Cooperative Bank Plc. CCB Plc. ended 2006 with a profit to the amount of

BGN 12, 013 thousand, almost twice more in comparison to 2005, when the profit was BGN 6,387 thousand.

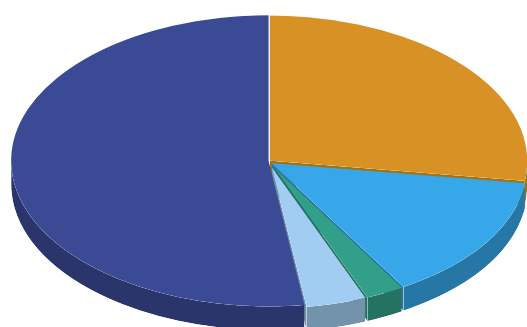


The two most important indicators for the successful development of the Bank are return on equity, which is 13.31 % for the period in consideration and return on asset is 1.26 % respectively. The total capital adequacy is 13.17%.

BGN 37,598 thousand, which is 52.17 % of the total income and with 27.26% higher than the net interest income in 2005, when it amounted to BGN 29,544 thousand. The main reason for that is the positive differences from securities transactions, which are seven times more in comparison to the previous year.

In 2006 the net interest income of CCB Plc. is to the amount of

## Income Breakdown



- 52.17% Net interest income
- 27.31% Net income from fees and commissions
- 14.18% Net profit from securities transactions
- 2.44% Net profit from foreign exchange rate changes
- 3.91% Net income from business

The interest expenses during the accounting year are to the amount of BGN 26,224 thousand, whereas their amount for 2005 was BGN 18,235 thousand. The increase is 43.81 %. The reported increase in interest expenses is the result of the considerable increase in the attracted amounts from non-financial institutions during the year.

compared with BGN 15,958 thousand in 2005.

CCB Plc realized non-interest income, net, which amounted to BGN 34,473 thousand for 2006, compared with BGN 23,941 thousand for 2005. The most significant share in the net non-interest income of CCB Plc. in 2006 belongs to net income from fees and commissions – BGN 19,682 thousand, with a share of 27.31% from total income,

At the end of 2006 the Bank realized a profit from securities to the amount of BGN 10 219 thousand, a seven times increase in comparison to the end of 2005, when it was BGN 1,442 thousand.

The operating expenses of CCB Plc. for 2006 amount to BGN 49 251 thousand. In comparison with 2005 they have increased by 28.65%. The reported increase is due to the expansion of the Bank branch network and other administrative costs. At the same time the ratio “operating expenses / total income” decreased in the previous year and was 68.34%, whereas in 2005 it was 71.58%.

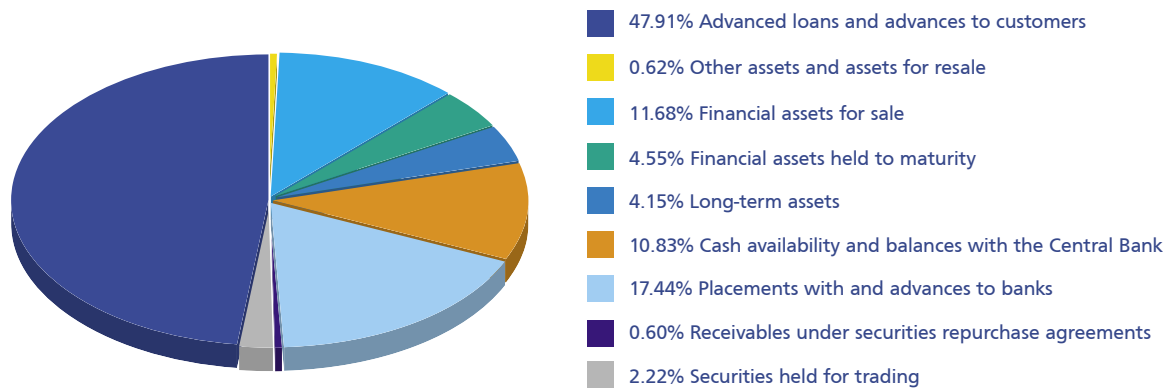
## Analysis of the Assets and Liabilities

### Assets

As at 31 December 2006 the total value of the assets of CCB Plc. is BGN 1,131,987 thousand compared with BGN 809,023 thousand in 2005, which is a significant increase equal to 39.92%. The increase in total assets for the whole banking system amounts to 28.44%.

In 2006 we achieved considerably high profitability and assets liquidity, whereas the increase in income-generating assets and highly liquid assets is over 50%.

### Assets Breakdown



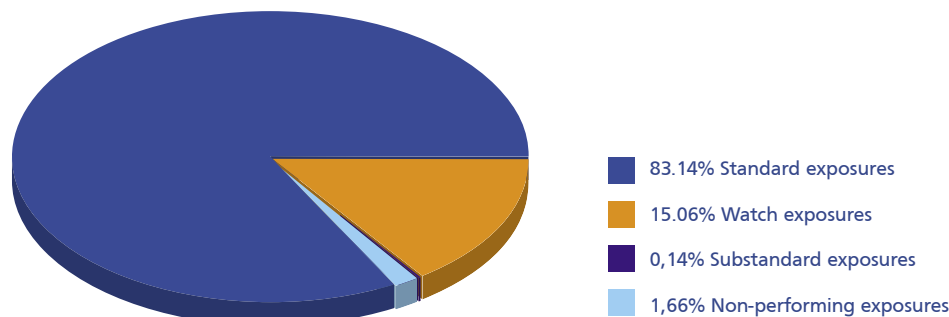
At the end of 2006 the cash availability and cash on the current account at BNB are to the amount of BGN 122,619 thousand (10.83 % of the total assets amount), compared with BGN 105,565 thousand for 2005 respectively. The amounts due from banks and other financial institutions of CCB Plc are to the amount of BGN 197,455 thousand or 17.44 % of the total amount of Bank assets. There is an increase in the placements with and advances to banks to the amount of 80.84%.

The traded securities of CCB Plc. are to the amount of BGN 25,096 thousand compared with BGN 13,936 thousand for the previous year, which is almost a double increase. The financial assets for sale also increase considerably. The increase in both cases is the result of purchased interest-bearing corporate and government securities. The main objective of that diversification is increasing income and

profits from the traded securities, as well as providing a high degree of liquidity. On the other hand the Bank services first level budget spending units, secured by government securities.

As at 31.12.2006 the total amount of credit exposures reached BGN 542,331 thousand. It occupies the greatest share in the total assets amount - 47.91%. In comparison to 31.12.2005 the increase is by 41.28%, which is mainly due to the advanced loans to individuals and SMEs. That is due to the aspiration of the Bank to occupy even better positions in retail banking and SMEs lending than at present.

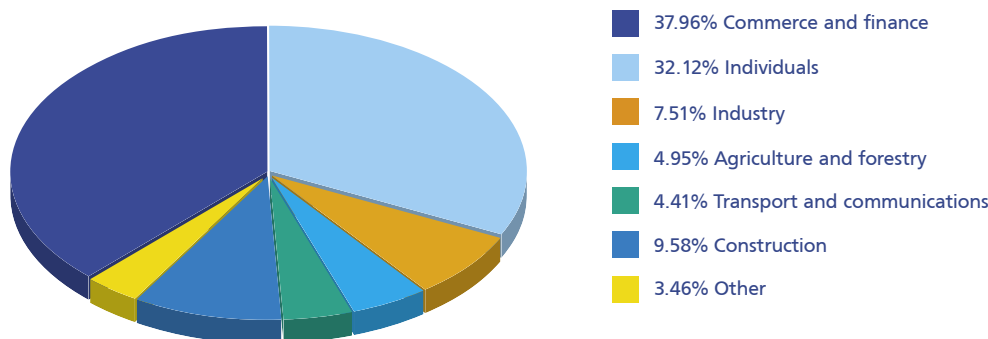
### Breakdown of the loan portfolio according to the classification of credit risk



As at 31.12.2006 the relative share of standard exposures in the total amount of loans of the Bank is 83.14%, which has decreased in comparison to the previous year. That decrease is due to the transferring of some of the loan exposures from first to second group. The share of non-performing loans is 1.66% , which shows that the loan portfolio of CCB Plc is well-serviced.

CCB Plc grants loans to clients from all branches of the economy. The greatest part of the loans is concentrated mainly in commerce and finance and has 37.96 % of the loan portfolio. Second rank the loans granted to households and individuals, which have a share of 32.12%. As at 31.12.2006 the breakdown of loans according to branches is as follows:

Breakdown of loans according to branches



## Liabilities

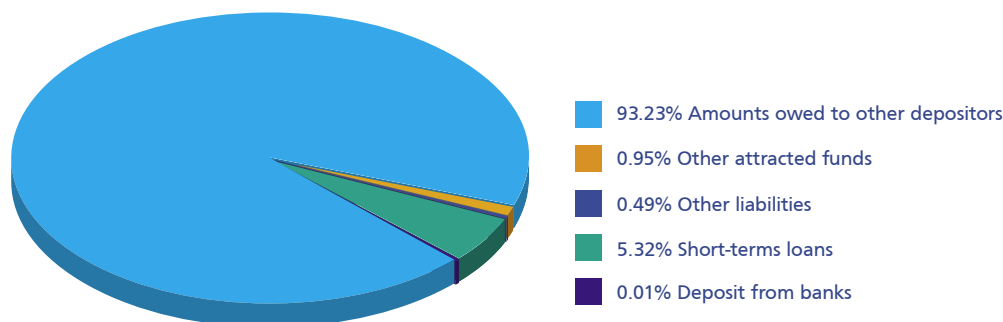
The total amount of deposits as at 31.12.2006 is BGN 946,746 thousand, which is an increase by 39.64% compared to 2005, when it was BGN 677,998 thousand. The deposits from banks, which constitute 0.01% of the deposits amount at the end of last year, considerably decrease.

The deposits from customers affirmed their role of a main source of financing the CCB Plc operations. Their share in the total amount of liabilities increased to 93.23%, compared to 90.81% in 2005. In 2006 they increased to BGN 946,657 thousand, whereas in 2005 their amount was BGN 661,189 thousand. That is an increase by 43.17%.

The increase in the funds, attracted from customers is a result of attracting more individuals and small and medium sized enterprises.

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

Liabilities Breakdown



In 2006 the funds, attracted from companies, as well as the funds, attracted from individuals and households, have almost equal shares in the total amount of attracted funds from clients. The funds, attracted from individuals and households amount to 49.05%, with which they slightly exceed those from individuals and households, which are to the amount of 48.90% of the total amount of funds, attracted from clients.

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

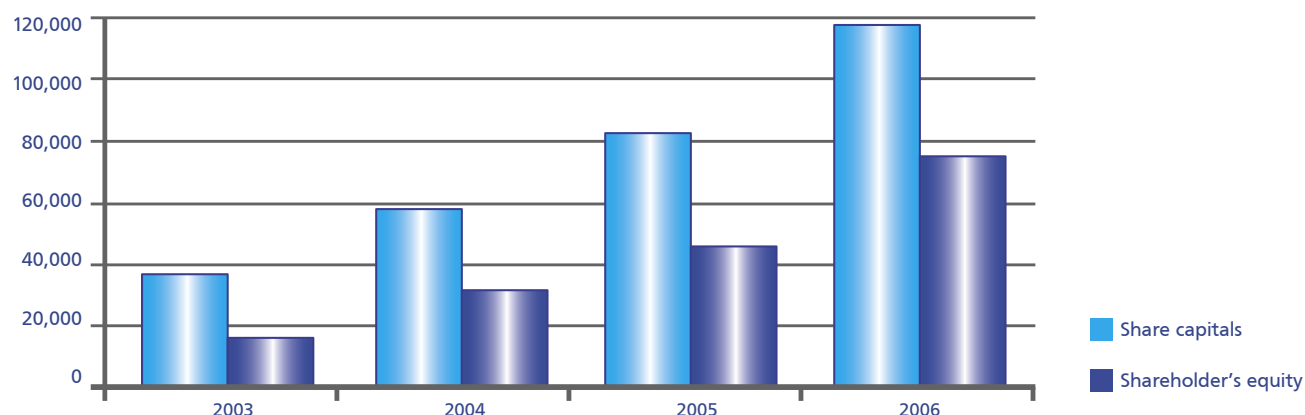
## Financial Review for 2006

### Shareholders' Equity

At the end of 2006 the shareholders' equity of CCB Plc amounts to BGN 116,640 thousand, which is an increase by 44.13% compared to 2005. At an extraordinary General Meeting of Shareholders, which took place in September 2006, CCB Plc took a decision to increase the shareholders' capital by 50% and as of the end of the year the

shareholders' capital of the Bank amounts to BGN 72 760 779 . The increase in net profit for 2006 is considerable – 88.09%. In 2006 the net profit amounts to BGN 12 013 thousand, whereas at the end of 2005 it was BGN 6 387 thousand.

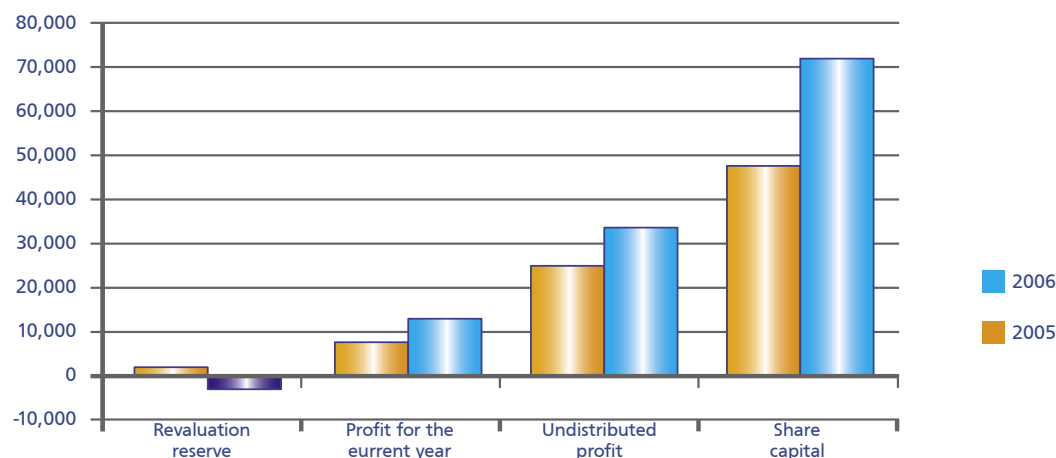
Increase in share capital and shareholder's equity



The increase in retained earnings, which is BGN 32 403 thousand in 2006, is to the amount of 24.55 % 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

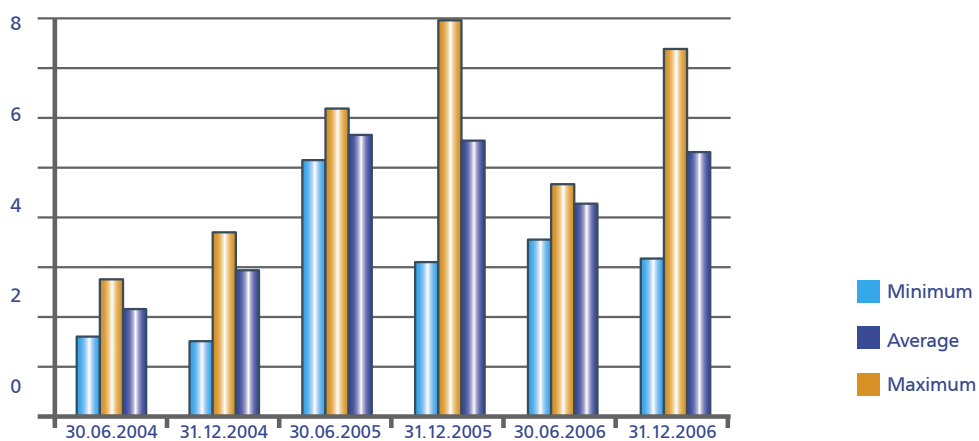


Central Cooperative Bank Plc. is a public company and its shares are being traded on the Bulgarian Stock Exchange since March 1999. The market capitalization of the Bank at the end of 2006 amounts

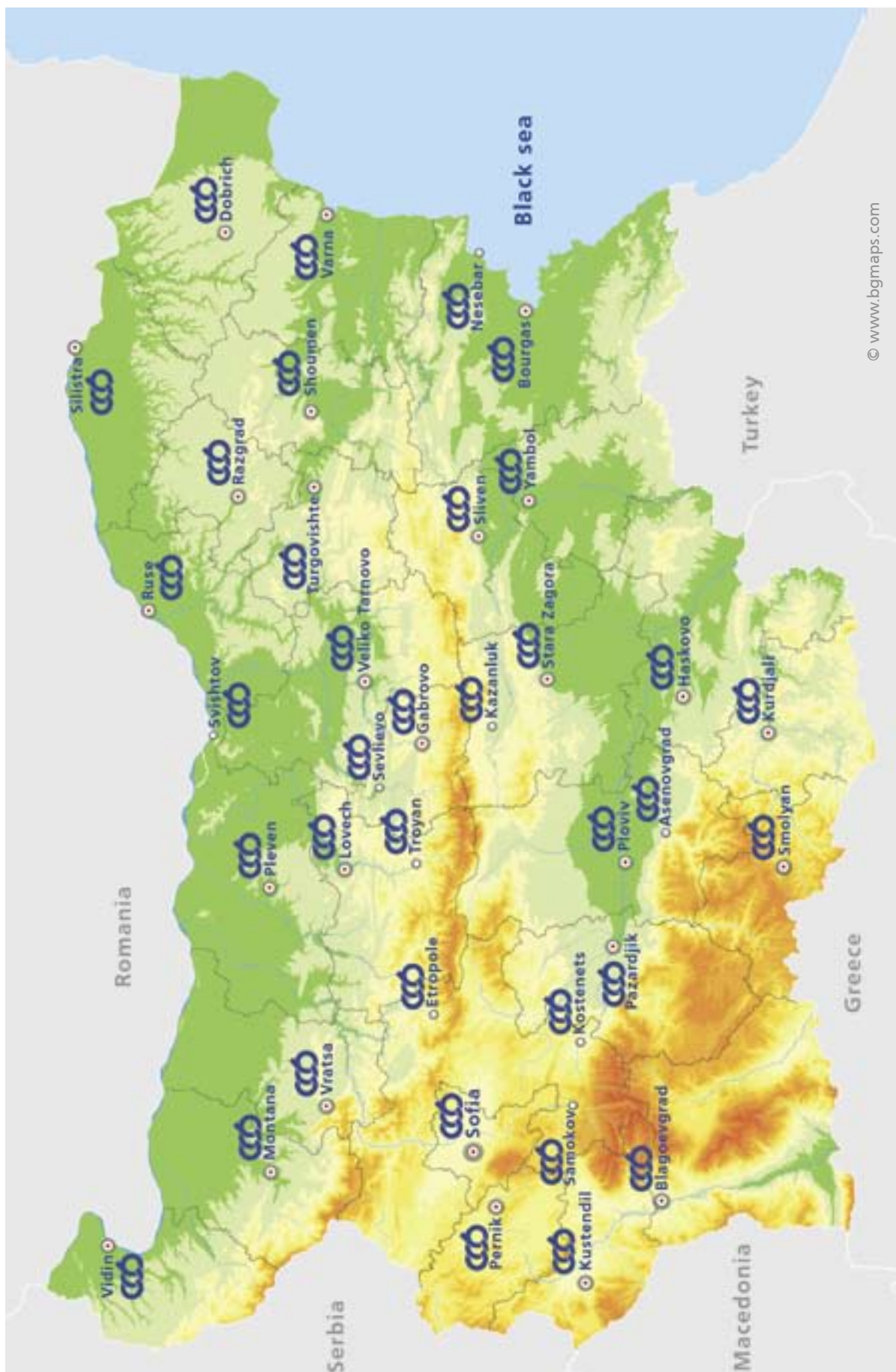
to BGN 515 146 thousand, which is an increase of almost 2 times in comparison to the previous year. The last weighted average price per share is BGN 7.08, compared with BGN 5.51 in 2005..



Share price of CCB Plc for the period from 31 December 2004 to 31 December 2006



# Appendix N°1: Branch network



## Appendix №1: Branch network

Branch	Postal code	Address	Phone	Fax
1 Asenovgrad	4230	8 Rechna Str.	0331/ 63 194, 65 112	0331/ 63 195
2 Blagoevgrad	2700	13 V. Levski Str.	073/ 882 961	073/ 882 963
3 Burgas	8000	4 Kont Androvanti Str.	056/ 874 500, 874 525	056/ 874 522
4 Varna	9000	58A Saborni Blv.	052/ 600 754, 602 181	052/ 600 794
5 Veliko Tarnovo	5000	4 N. Gabrovski Str.	062/ 622 255, 621 531	062/ 621 853
6 Vidin	3700	4 Akad. Stefan Mladenov Str.	094/ 600 152, 600 157	094/ 600 152
7 Vratza	3000	5 Lukashov Str.	092/ 660 853, 622 539	092/ 623 296
8 Vazrajdane (Sofia)	1303	3 "Vazrajdane" Sq	02/ 981 48 47	02/ 981 48 47
9 Gabrovo	5300	54 Bryanska Str.	066/ 817 011, 817 012	066/ 809 026
10 Darvenitsa (Sofia)	1756	7 "St Kliment Ohridski" Blvd	02/ 816 7950	02/816 7960
11 Dobrich	9300	1 Balgariya Blvd.	058/ 600 231, 600 132	058/ 600 019
12 Etropole	2180	2 "G.Dimitrov" Str	0720/ 36 83, 74 14	0720/ 36 83
13 Kazanluk	6100	3 23ti Pehoten shipchenski polk Blvd.	0431/ 63 062, 64 518	0431/ 64 516
14 Kostenetz	2030	11A Targovska Str.	07142/ 30 80, 21 85	07142/ 20 52
15 Kurdjali	6600	47 Republikanska Str.	0361/ 60 912, 60 916	0361/ 60 929
16 Kustendil	2500	22 Konstantinova banya Str.	078/ 27 522, 51 116	078/ 51 116
17 Lovech	5500	10 Profesor Ishirkov Str.	068/ 600 565, 600 533	068/ 601 501
18 Mardid (Sofia)	1505	37-39 "Madrid" Blvd	02/ 946 1682	02/946 17 57
19 Mladost (Sofia)	1784	14 "Andrei Saharov" Blvd	02/ 974 46 06	02/ 975 7476
20 Montana	3400	59 Treti mart Blv.	096/ 300 810, 300 888	096/ 300 800
21 Nesebur	8230	23 Struma Str.	0554/ 29 966	0554/ 29 969
22 Pazardjik	4400	2 Shipka Str.	034/ 401 613, 401 611	034/ 401 617
23 Pernik	2300	4 Krakra Pernishki Str.	076/ 688 331, 688 332	076/ 688 339
24 Pleven	5800	150 Vasil Levski Str.	064/ 800 124, 800 125	064/ 800 239
25 Plovdiv	4000	5 Betoven Str.	032/ 623 425, 654 950	032/ 626 129
26 Plovdiv Maritsa	4020	44 "Yanko Sakazov" Str.	032/ 275 760	032/ 275 766
27 Razgrad	7200	7 Stefan Karadja Str.	084/ 661 290, 661 292	084/ 661 291
28 Ruse	7000	1 Han Kubrat sq.	082/ 826 074, 826 075	082/ 826 071
29 Samokov	2000	80 Targovska Str.	0722/ 68 910	0722/ 68 911
30 Svishtov	5250	5 A Tsar Osvoboditel Str.	0631/ 61 251, 61 252	0631/ 61 262
31 Sevlievo	5400	4 Stoyan Bachvarov Str.	0675/ 32 665, 32 444	0675/ 32 233
32 Silistra	7500	1 G.S.Rakovski Str.	086/ 821 236, 821 230	086/ 821 235
33 Sliven	8800	1 Aleksandar Stamboliyski sq.	044/ 662 945, 662 964	044/ 662 963
34 Smolyan	4700	11 Balgariya Blv.	0301/ 62 174, 62 163	0301/ 62 184
35 Sofia city	1000	103 G.S. Rakovski Str.	02/ 926 61 07, 926 61 22	02/ 988 81 07
36 Sofia Dondukov	1000	7B Dondukov Blv.	02/ 930 69 11, 930 6913	02/ 930 69 16
37 Sofia West	1359	jk Lyulin-4 Pancho Vladigerov Blv. bl.442	02/ 923 80 11, 923 80 16	02/ 923 80 25
38 Sofia South	1612	Jk. Hipodroma, 23 Emine Str.	02/ 818 80 81	02/ 818 80 86
39 Stamboliyski (Sofia)	1309	156 "Alexandar Stamboliyski" Blvd.	02/ 812 87 55	02/ 812 87 52
40 Stara Zagora	6000	54 Kolio Ganchev Str.	042/ 639 348	042/ 647 013
41 Stara Zagora - Vereya	6003	58 Gen. Gurko Str.	042/ 6393 48	042/ 647 013
42 Shumen	9700	13A Slavyanski Blv	054/ 830 406, 830 407	054/ 64 403
43 Central (Sofia)	1463	18 Gurgulyat Str.	02/ 9266 102	02/ 9888 107
44 Chimimport (Sofia)	1000	2 Stefan Karadja Str.	02/ 932 1912, 932 1911	02/ 932 1910
45 Troyan	5600	44 G.S.Rakovski Str.	0670/ 62 555	0670/ 62 555
46 Turgovishte	7700	5 Vasil Levski Str.	0601/ 69 111, 69 122	0601/ 69 129
47 Hadji Dimitar (Sofia)	1510	51 Makgahan Str.	02/814 4851	02/ 814 4856
48 Haskovo	6300	1 Skopie Str.	038/ 607 828, 607 826	038/ 607 834
49 Yambol	8600	7 Osvobodnenie sq.	046/ 662 045, 662 044	046/ 662 046

## Appendix N°2: Nostro accounts

Bank	BIC	Currency	Account N°
1 American Express Bank Ltd, Frankfurt am Main	AEIBDEFX	EUR	018183003
2 Deutsche Bank AG, Frankfurt am Main	DEUTDEFF	EUR	100 9233560 0000
3 UniCredito Italiano SpA, Milan	UNCRITMM	EUR	0995 172
4 Intesa Sanpaolo SpA, Turin	IBSPITTM	EUR	10/11946 95
5 Societe Generale, Paris La Défense	SOGEFRPP	EUR	002010319130
6 Raiffeisen Zentralbank Oesterreich AG, Vienna	RZBAATWW	EUR	000-50.098.938
7 Rabobank Nederland, Utrecht	RABONL2U	EUR	390879673A00EUR
8 DZ Bank AG, Frankfurt / Main	GENODEFF	EUR	0000025064
9 American Express Bank Ltd., New York	AEIBUS33	USD	000752378
10 The Bank of New York, New York	IRVTUS3N	USD	8900106921
11 Deutsche Bank Trust Company Americas, New York	BKTRUS33	USD	04164299
12 HSBC Bank USA, New York	MRMDUS33	USD	000304875
13 Credit Suisse, Zuerich	CRESCHZZ80A	CHF	0835-0902027-53-001
14 Barclays Bank PLC, London	BARCGB22	GBP	20325380245925
15 The Toronto-Dominion Bank, Toronto	TDOMCATT	CAD	0360-01-2223944 TORONTO
16 Laiki Bank (Marfin Popular Bank Company Ltd.), Nicosia	LIKICY2N	CYP	189-21-001717
17 Danske Bank Aktieselskab, Copenhagen	DABADKKK	DKK	3996024253
18 Skandinaviska Enskilda Banken AB (Publ), Stockholm	ESSESESS	SEK	52018518488
19 DnB NOR Bank ASA, Oslo	DNBANOKK	NOK	7001.02.5172
20 Sumitomo Mitsui Banking Corporation, Tokyo	SMBCJPJT	JPY	4280



**It's important ...**

**... to have a dream**



Deloitte Audit Ltd.  
55, Al. Stambolijski Blvd.  
Sofia 1000  
Bulgaria

Tel. +359 (0) 2 980 8500  
Fax +359 (0) 2 980 0436  
www.deloitte.bg

Делойт Оудит ООД  
бул. "Ал. Стамболийски" 55  
София 1000  
България

Фирмено дело 10638/96  
при Софийски градски съд  
банкова сметка: ИНГ БАНК ког 14591458  
сметка в лева: 1000270610

## Independent auditor's report To the Shareholders of Central Cooperative Bank AD

### Report on the Financial Statement

We have audited the accompanying financial statement of Central Cooperative Bank AD, Sofia ( the "Bank"), which comprise the balance sheet as of December 31, 2006, 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 statutory accounting legislation, applicable for banks in Bulgaria, as stated in Note 2 to the accompanying financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

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

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

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



In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2006, and its financial performance and its cash flows for the year then ended in accordance with statutory accounting legislation, applicable for banks in Bulgaria, as stated in Note 2 to the accompanying financial statements.

*Other reports on regulatory requirements – Annual report of 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 of the activities. The Annual report of the activities, prepared by the management is not a part of the financial statements. The historical financial information presented in the Annual report of the activities of the Bank is consistent of the Bank as of 31 December 2006 prepared in accordance with statutory accounting legislation applicable to banks in Bulgaria. Management is responsible for the preparation of the Annual report of the activities of the Bank dated March 22, 2007.

Deloitte Audit

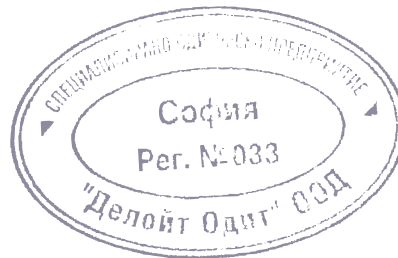
Deloitte Audit Ltd.



Sylvia Peneva

Managing Director

Registered Certified Public Accountant



March 22, 2007

Sofia

## Balance Sheet as of December 31, 2006

	Note	As of 31.12.2006	As of 31.12.2005
<b>Assets</b>			
Cash and balances with the Central Bank	4	122,619	105,565
Placements with, and advances to, banks	5	197,455	109,189
Receivables under repurchase agreements	6	6,741	1,036
Trading securities	7	25,096	13,936
Loans and advances to customers, net	8	542,331	383,872
Other assets and assets for resale	9	7,014	5,236
Financial assets available for sale	10a	132,237	113,209
Financial assets held to maturity	10b	51,541	38,382
Property, plant and equipment and intangible assets	11	46,953	38,598
<b>Total assets</b>		<b>1,131,987</b>	<b>809,023</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Liabilities</b>			
Deposits from banks	12	89	16,809
Liabilities under repurchase agreements	13	-	14,507
Amounts owed to other depositors	14	946,657	661,189
Other attracted funds	15	9,658	9,152
Other liabilities	16	4,965	4,981
Short-term loans	17	53,978	21,457
<b>Total liabilities</b>		<b>1,015,347</b>	<b>728,095</b>
<b>Shareholders' Equity</b>			
Share capital	19	72,761	48,507
Retained earnings		32,403	26,016
Revaluation reserve		(537)	18
Current year profit		12,013	6,387
<b>Total Shareholders' Equity</b>		<b>116,640</b>	<b>80,928</b>
<b>Total Liabilities And Shareholders' Equity</b>		<b>1,131,987</b>	<b>809,023</b>
Commitments and contingencies	29	88,551	46,389

All amounts are in thousand Bulgarian Levs, except otherwise stated

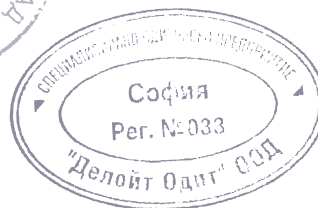
These financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD by

Victor Mechkarov  
Executive Director

22 March 2007



George Konstantinov  
Executive Director



Auditor:

22/03/2007

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

## Statement of Income for the Year Ended December 31, 2006

	Note	Year ended 31.12.2006	Year ended 31.12.2005
Interest income	20	63,822	47,779
Interest expenses	20	(26,224)	(18,235)
<b>Net interest margin</b>		<b>37,598</b>	<b>29,544</b>
Fees and commissions income, net	21	19,682	15,958
Gains from dealing with securities, net	22	10,219	1,442
Foreign exchange rate gains, net	23	1,755	1,955
Other operating income, net	24	2,817	4,586
Operating expenses	25	(49,251)	(38,284)
Increase of allowances for impairment and uncollectability	26	(10,045)	(7,867)
<b>Profit before taxes</b>		<b>12,775</b>	<b>7,334</b>
Taxes	27	(762)	(947)
<b>Net profit</b>		<b>12,013</b>	<b>6,387</b>
Earnings per share (in BGN)	28	0.23	0.20

All amounts are in thousand Bulgarian Levs, except otherwise stated

These financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD by

Victor Mechkarov  
Executive Director

22 March 2007



George Konstantinov  
Executive Director



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

Auditor:  
Стефан  
22/03/2007

## Statement of Cash Flows for the Year Ended December 31, 2006



	Year ended 31.12.2006	Year ended 31.12.2005
<b>Cash flows from operating activities</b>		
Profit before taxes	12,775	7,334
Depreciation and amortization	4,631	3,390
Unrealized gains from revaluation of securities held for trading	-	(1,820)
Profit tax paid	(762)	(980)
Increase of provisions for liabilities and impairment allowances	10,045	7,867
<b>Net cash flows before working capital changes</b>	<b>26,689</b>	<b>15,791</b>
<b>Change in operating assets:</b>		
Decrease/(increase) in placements with, and advances to banks, with maturity over 90 days	473	(87)
(Increase)/decrease in the receivables under repurchase agreements	(5,705)	12,309
Increase in trading securities	(11,160)	(6,289)
Increase in loans and advances to customers	(168,505)	(138,635)
(Increase)/decrease in other assets	(7,779)	5,951
	<b>(186,676)</b>	<b>(126,751)</b>
<b>Change in operating liabilities:</b>		
Decrease in deposits from banks	(16,720)	(28,993)
(Decrease)/increase in liabilities under repurchase agreements	(14,507)	4,939
Increase in amounts due to other depositors	285,468	242,207
Increase/(decrease) in other attracted funds	506	(1,132)
Decrease in other liabilities	(16)	(7,798)
Increase in short-term debt	32,521	21,457
	<b>287,252</b>	<b>230,680</b>
<b>Net cash flow from operating activities</b>	<b>127,265</b>	<b>119,720</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment, net	(12,986)	(18,805)
Acquisition of financial assets available for sale and held to maturity, net	(32,739)	(124,338)
<b>Net cash flow used in investing activities</b>	<b>(45,725)</b>	<b>(143,143)</b>
<b>Cash flow from financing activities</b>		
Issuance of share capital	24,254	16,169
<b>Net cash flow from financing activities</b>	<b>24,254</b>	<b>16,169</b>
Increase/(decrease) in cash and cash equivalents, net	(105,794)	(7,254)
<b>Cash and cash equivalents at the beginning of year (note 30)</b>	<b>214,280</b>	<b>221,534</b>
<b>Cash and cash equivalents at the end of year (note 30)</b>	<b>320,074</b>	<b>214,280</b>

All amounts are in thousand Bulgarian Levs, except otherwise stated

These financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD by

  
Victor Mechkarov  
Executive Director

  
George Konstantinov  
Executive Director

  
Auditor:  
  
22/03/2007

22 March 2007

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

## Statement of Changes in Shareholders' Equity for the Year Ended December 31, 2006

	Share capital	Retained earnings	Revaluation reserve	Current year profit	Total
<b>Balance as of January 1, 2005</b>	<b>32,228</b>	<b>20,373</b>	<b>58</b>	<b>5,643</b>	<b>58,412</b>
Transfer of net profit for the year ended December 31, 2004 to retained earnings	-	5,643	-	(5,643)	-
Net profit for the year ended December 31, 2005	-	-	-	6,387	6,387
Share capital issued and paid-in	16,169	-	-	-	16,169
Changes from revaluation and sales of financial assets available for sale, net	-	-	(40)	-	(40)
<b>Balance as of December 31, 2005</b>	<b>48,507</b>	<b>26,016</b>	<b>18</b>	<b>6,387</b>	<b>80,928</b>
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)
<b>Balance as of December 31, 2006</b>	<b>72,761</b>	<b>32,403</b>	<b>(537)</b>	<b>12,013</b>	<b>116,640</b>

All amounts are in thousand Bulgarian Levs, except otherwise stated

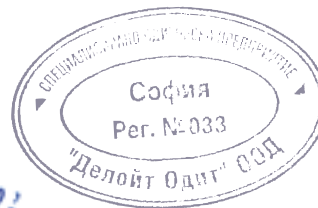
These financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD by

Victor Mechkarov  
Executive Director

22 March 2007



George Konstantinov  
Executive Director



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

Auditor:

22/03/2007

# Notes to the Financial Statements for the Year Ended December 31, 2006

## 1. Operating policy

Central Cooperative Bank AD, Sofia (the "Bank") was established in 1991. The Bank's activities and operations are governed by the Law on Banks and the regulations issued by the Bulgarian National Bank ("BNB"). The Bank currently operates under a banking license granted by BNB, pursuant to which it may accept deposits in local and foreign currency, extend loans in local and foreign currency, open and maintain nostro accounts in foreign currency abroad, deal with securities, 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 intends to start 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, 2006 the Bank's operations are conducted through a head-office located in Sofia, Bulgaria and 45 branches throughout the country.

## 2. Basis for the preparation of the financial statements

These financial statements are prepared in compliance with Bulgarian national accounting legislation, applicable for banks in Bulgaria. In accordance with the Accountancy Act (AA), effective January 1, 2005 on the territory of the Republic of Bulgaria shall be effective International Financial Reporting Standards (IFRS), 2005 edition, endorsed by the European Union Commission. Those standards are translated officially into Bulgarian language and adopted by the Council of Ministers of the Republic of Bulgaria with Decree № 207/07.08.2006 and promulgated in the State Gazette (SG, issue 66/2006). The current 2006 edition of the International Financial Reporting Standards which are applicable for the year ending December 2006, have not been translated and have not been adopted by the Council of Ministers of the Republic of Bulgaria as statutory reporting framework. Furthermore, the Banking Law stipulates that banks shall periodically assess loans and other risk assets, including their off-balance sheet liabilities, and shall allocate allowances to cover the risk of losses, according to criteria set by an ordinance of the Central Bank. According to the Banking Law these allowances are part of accounting expenses and a corrective of the carrying amount of the assets. The Central Bank also provides obligatory guidance about financial reporting, which the Bank has implemented in the preparation of these financial statements (for example regarding valuation of loan loss impairment allowances, available for sale securities, etc.).

Management has elected not to apply earlier the requirements of IFRS 7 "Financial instruments – disclosure" and the amendments in IAS 1 – Capital disclosures, which have been approved by the International Accounting Standards Board, but are effective for annual periods beginning on or after January 1, 2007.

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.

The presentation of financial statements requires management to apply certain accounting estimates and reasonable assumptions that affect the book values of assets and liabilities, the amounts of revenues and expenses for the reporting period, as well as the disclosure of contingent assets and liabilities. These estimates and assumptions are based on the information available as of the date of the financial statements and the future actual results could differ from those estimates.

## 3. Accounting policy

### 3.1. Scope and objective

The accounting policy comprises principles and basic assumptions, concepts, rules, practices, bases and procedures, adopted by management for reporting the activity of the Bank, and 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 income recognition ceases when interest or principal payment is overdue for more than 90 days. Thereafter income is included in interest income upon receipt. Loans are returned to accrual basis only when there is no doubt about the loan collectability and when the overdue principal and interest are received.

## Notes to the Financial Statements (continued) for the Year Ended December 31, 2006

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 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 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.

The exchange rates of USD and the Bulgarian Lev as of December 31, 2006 and 2005 are as follows:

December 31, 2006	December 31, 2005
USD 1 = BGN 1.48506	USD 1 = BGN 1.65790

### 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



## Notes to the Financial Statements (continued) for the Year Ended December 31, 2006

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 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 smaller than the amount of impairment – the carrying amount of the assets and the amount of the revaluation reserve /which becomes zero/ are decreased by the amount of impairment up to the revaluation reserve balance. The remaining part of the amount of impairment is accounted for as a current financial expense and a decrease in the carrying amount of assets;
- if at the moment of impairment there is a revaluation reserve, which is negative, the difference between the carrying amount and the expected recoverable value is recorded as a current financial expense and a decrease in the value of the financial assets, and the negative value of the revaluation reserve is transferred to and stated in the current financial expenses.
- if at the moment of impairment there is a revaluation reserve, which is positive and is greater than the amount of impairment, the value of the investment and the amount of the revaluation reserve are decreased by the impairment amount.

Financial assets held to maturity are reviewed for indications of impairment, in relation to preparation of the annual financial statements. Allowances for impairment and uncollectability of the securities held by the Bank, measured at amortised cost, are determined as the difference between the carrying amount and the present value of the future cash flows, discounted at the original effective interest rate. If the present value of the future cash flows of securities is lower than their carrying amount, then allowance for impairment is provided. The difference is reported as current



## Notes to the Financial Statements (continued) for the Year Ended December 31, 2006

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 losses, which are not individually identified, but based on previous experience, may be expected for a group of loans with similar risk characteristics, is also charged as expense in decrease of the loans' carrying amount. 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

## Notes to the Financial Statements (continued) for the Year Ended December 31, 2006

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 and liabilities are presented as part of other assets and 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.

Upon review as at 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.

### 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 book value 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.

## Notes to the Financial Statements (continued) for the Year Ended December 31, 2006

### 4. Cash and balances with the central bank

	As of 31.12.2006	As of 31.12.2005
Cash in hand:		
In BGN	40,670	28,634
In foreign currency	15,762	19,250
Cash in transit:		
In BGN	68	-
In foreign currency	437	69
Current account with the Central bank in BGN	52,382	44,312
Current account with the Central bank in foreign currency	13,300	13,300
<b>Total cash and balances with the central bank</b>	<b>122,619</b>	<b>105,565</b>

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.

As of December 31, 2006 and 2005 balances with the Central Bank include a minimum obligatory reserve in BGN, amounting to BGN 52,382 thousand and BGN 44,312 thousand, respectively, and a minimum obligatory reserve in foreign currency, amounting to BGN 13,300 thousand and BGN 13,300 thousand, respectively, which the Bank has to maintain at BNB. Commercial banks in Bulgaria are

required to maintain a minimum reserve with the BNB, which bears no interest and is primarily based on a percentage of attracted funds in BGN and in foreign currency, as determined periodically by the BNB. Those reserves are regulated on monthly basis and a deficit imposes accrual of penal interest. No restrictions are imposed by the Central Bank for using the minimum reserves and daily deviations within the monthly period of regulation are allowed.

### 5. Placements with, and advances to, banks

	As of 31.12.2006	As of 31.12.2005
Term deposits with local banks		
In BGN	10,003	2,001
In foreign currency	37,172	60,300
Term deposits with foreign banks in foreign currency	145,203	42,968
Restricted accounts with local banks		
In BGN	-	344
In foreign currency	-	129
Nostro accounts with local banks		
In BGN	296	24
In foreign currency	110	211
Nostro accounts with foreign banks in foreign currency	4,671	3,212
<b>Total placements with, and advances to, banks</b>	<b>197,455</b>	<b>109,189</b>

As of December 31, 2006 and 2005 term deposits are concentrated in some foreign correspondent banks, mostly in EU countries.

### 6. Receivables under repurchase agreements

As of December 31, 2006 the Bank has signed repurchase agreements at the total amount of BGN 6,741 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 2007.

All amounts are in thousand Bulgarian Levs, except otherwise stated

## Notes to the Financial Statements (continued) for the Year Ended December 31, 2006

### 7. Trading securities

Trading securities, including the amount of accrued interest, based on their original maturity and discount, are as follows:

	As of 31.12.2006	As of 31.12.2005
Bulgarian government bills	-	446
Bulgarian government notes	4,358	-
Bulgarian government bonds	896	10,838
Bulgarian corporate securities	19,842	2,652
<b>Total trading securities</b>	<b>25,096</b>	<b>13,936</b>

#### Bulgarian government notes

As of December 31, 2006 Bulgarian government notes amounting to BGN 4,358 thousand are stated at fair value and include securities denominated in BGN, issued by the Bulgarian government.

#### Bulgarian government bonds

As of December 31, 2006 and 2005 the government bonds amounting to BGN 896 thousand and BGN 10,838 thousand, respectively, are stated at fair value and include securities, denominated in BGN.

#### Bulgarian corporate securities

As of December 31, 2006 the Bank owns corporate securities, issued by non-financial companies, amounting to BGN 19,842 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.

#### Bulgarian securities pledged as a collateral

As of December 31, 2006 government bonds, issued by the Bulgarian government amounting to BGN 2,033 thousand, have been pledged as a collateral for servicing of budget accounts.

### 8. Loans and advances to customers, net

#### (a) Analysis by customer

	As of 31.12.2006	As of 31.12.2005
Individuals:		
In BGN	155,796	97,009
In foreign currency	22,759	15,227
Enterprises:		
In BGN	226,816	162,969
In foreign currency	150,474	113,022
	555,845	388,227
Allowance for impairment and uncollectability	(13,514)	(4,355)
<b>Total loans and advances to customers</b>	<b>542,331</b>	<b>383,872</b>

The Bank's credit portfolio as of December 31, 2006 includes loans of around 10%, 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

## Notes to the Financial Statements (continued) for the Year Ended December 31, 2006

### (b) Analysis by economic sector

	As of 31.12.2006	As of 31.12.2005
Agriculture and forestry	27,501	21,757
Manufacturing	41,751	33,314
Construction	53,260	16,879
Trade and finance	211,009	137,904
Transport and communications	24,514	20,315
Individuals	178,555	112,236
Other	19,255	45,822
	<b>555,845</b>	<b>388,227</b>
Allowance for impairment and uncollectability	(13,514)	(4,355)
<b>Total loans and advances to customers</b>	<b>542,331</b>	<b>383,872</b>

### (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 and assets for resale

	As of 31.12.2006	As of 31.12.2005
Deferred tax assets	172	109
Deferred expenses	2,040	1,826
Receivables from client	-	45
Other assets	4,802	3,256
<b>Total other assets</b>	<b>7,014</b>	<b>5,236</b>

Deferred expenses represent prepaid sums for advertising, rent etc.

### 10a. Financial assets available for sale

	As of 31.12.2006	As of 31.12.2005
Bulgarian government notes	37,567	26,068
Bulgarian government bonds	6,133	29,459
Equity investments in financial institutions	2,495	1,575
Equity investments in non-financial institutions	3,831	4,521
Bulgarian corporate securities	82,075	51,494
Other	136	92
<b>Total financial assets available for sale</b>	<b>132,237</b>	<b>113,209</b>

All amounts are in thousand Bulgarian Levs, except otherwise stated

## Notes to the Financial Statements (continued) for the Year Ended December 31, 2006

### Bulgarian securities, pledged as a collateral

As of December 31, 2006 government bonds issued by the Bulgarian government amounting to BGN 30,814 thousand are pledged as a collateral for servicing of budget accounts.

### Equity investments

As of December 31, 2006 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, 2006 the corporate securities available for sale represent bonds of local issuers. None of these investments are in a subsidiary or in an associated company.

### 10b. Financial assets held to maturity

	As of 31.12.2006	As of 31.12.2005
Bulgarian government notes	14,289	-
Bulgarian government bonds	37,252	38,382
<b>Total financial assets held to maturity</b>	<b>51,541</b>	<b>38,382</b>

### Bulgarian securities pledged as a collateral

As of December 31, 2006 government bonds, issued by the Bulgarian government at the amount of BGN 49,444 thousand, have been

pledged as a collateral for servicing of budget accounts.

### 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
<b>Cost</b>							
December 31, 2004	13,479	8,674	2,371	4,255	3,091	3,689	35,559
Acquired	4,966	4,142	1,105	1,508	13,079	1,672	26,472
Written-off	(13)	(771)	(165)	(139)	(7,619)	(20)	(8,727)
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
<b>Depreciation</b>							
December 31, 2004	2,564	4,137	1,765	2,706	-	1,204	12,376
Net charge for the period	521	1,529	268	428	-	644	3,390
Depreciation of the written-off items	(3)	(746)	(162)	(129)	-	(20)	(1,060)
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 book value							
<b>December 31, 2005</b>	<b>15,350</b>	<b>7,125</b>	<b>1,440</b>	<b>2,619</b>	<b>8,551</b>	<b>3,513</b>	<b>38,598</b>
<b>December 31, 2006</b>	<b>23,145</b>	<b>9,967</b>	<b>2,225</b>	<b>3,337</b>	<b>3,907</b>	<b>4,372</b>	<b>46,653</b>

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.

All amounts are in thousand Bulgarian Levs, except otherwise stated

## Notes to the Financial Statements (continued) for the Year Ended December 31, 2006

### 12. Deposits from banks

	As of 31.12.2006	As of 31.12.2005
Demand deposits – local banks:		
In BGN	26	38
In foreign currency	63	33
Term deposits – local banks		
In BGN	-	5,001
In foreign currency	-	11,737
<b>Total deposits from banks</b>	<b>89</b>	<b>16,809</b>

As of December 31, 2006 the attracted deposits are from local banks.

### 13. Liabilities under repurchase agreements

As of December 31, 2006 the Bank has no concluded securities repurchase agreements.

### 14. Amounts owed to other depositors

(a) Analysis by term and currency

	As of 31.12.2006	As of 31.12.2005
Demand deposits		
In BGN	232,240	183,663
In foreign currency	58,452	33,133
	320,692	216,796
Term deposits		
In BGN	263,205	189,803
In foreign currency	304,255	210,298
	567,460	400,101
Saving accounts		
In BGN	18,245	15,049
In foreign currency	20,780	16,375
	39,025	31,424
Other deposits		
In BGN	13,720	5,971
In foreign currency	5,760	6,897
	19,480	12,868
<b>Total amounts owed to other depositors</b>	<b>946,657</b>	<b>661,189</b>

All amounts are in thousand Bulgarian Levs, except otherwise stated

## Notes to the Financial Statements (continued) for the Year Ended December 31, 2006

### (b) Analysis by customer and currency type

	As of 31.12.2006	As of 31.12.2005
Deposits of individuals		
In BGN	210,107	144,564
In foreign currency	254,185	167,831
	464,292	312,395
Deposits of enterprises		
In BGN	333,581	237,273
In foreign currency	129,304	98,719
	462,885	335,992
Deposits of other institutions		
In BGN	13,720	12,649
In foreign currency	5,760	153
	19,480	12,802
<b>Total amounts owed to other depositors</b>	<b>946,657</b>	<b>661,189</b>

### 15. Other attracted funds

As of December 31, 2006 and 2005 other attracted funds include financing from the State Agricultural Fund amounting to BGN 9,658 thousand (including interest) and BGN 9,152 thousand, 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 31.12.2006	As of 31.12.2005
Liabilities for unused paid leave	1,186	812
Liabilities under out-of-court settlements	-	2,542
Other liabilities	2,988	1,229
Deferred income	436	356
Liability to customers	355	42
<b>Total other liabilities</b>	<b>4,965</b>	<b>4,981</b>

### 17. Short-term loans

In 2006 the Bank received a short-term syndicated loan from foreign banks amounting to EUR 27,500 thousand, which matures in May 2007. The agent on the syndicated loan is HSH Nordbank AG, Luxembourg branch and the creditors are: Raiffeisen Zentralbank Osterreich AG, HSH Nordbank AG, Bank Austria Creditanstalt AG, Bankgesellschaft Berlin AG, Bayerische Hypo – und Vereinsbank AG, Export – Import Bank of the Republic of China, Dresdner Bank, Alpha Bank A.E., Anglo Romanian Bank Limited, Byblos Bank Europe SA London, Hypo Alpe Adria Bank International AG, MKB Bank Rt

(Hungarian Foreign Trade Bank). The Bank received the loan with the purpose of granting loans to its customers. The loan is repaid by one-off payment at maturity and the interest is paid semi annually. The Bank has not provided collateral on its assets.

As of December 31, 2006 the loan is fully utilized, as the Bank has recognized interest liabilities at the amount of EUR 195 thousand.

All amounts are in thousand Bulgarian Levs, except otherwise stated



## Notes to the Financial Statements (continued) for the Year Ended December 31, 2006

### 18. Movement in allowances for impairment

	Placements with other banks	Loans to customers	Total
Balance as of December 31, 2004	343	2,174	2,517
Net charge/(release) for the period	(324)	8,191	7,867
Written-off	(19)	(6,010)	(6,029)
Balance as of December 31, 2005	-	4,355	4,355
Net charge/(release) for the period	-	10,045	10,045
Written-off	-	(886)	(886)
Balance as of December 31, 2006	-	13,514	13,514

### 19. Share capital

As of December 31, 2006 and 2005 the issued, called-up and fully paid-in share capital of the Bank comprises respectively 72,760,779 and 48,507,186 ordinary voting shares with a nominal value of BGN 1 each.

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.

The Bank's parent company CCB Group Assets Management EAD is

Major shareholders	2006		2005	
	Share capital	Percentage share	Share capital	Percentage share
CCB Group Assets Management EAD	49,258	67,70	32,839	67.70
Armeetz Insurance Company AD	3,218	4,42	2,425	5.00
Chim Invest	1,400	1,92	2,358	4.86
Hansapank Clients	3,315	4,56	2,255	4.65
Chimimport AD	6,349	8,73	1,479	3.05
Holding "Nov vek" AD	2,050	2,28	-	-
Other	7,171	9,86	7,151	14.74
	<b>72,761</b>	<b>100,00</b>	<b>48,507</b>	<b>100,00</b>

### 20. Interest income and expenses

	Year ended 31.12.2006	Year ended 31.12.2005
Interest income by source:		
Loans	50,601	40,776
Securities	8,233	3,927
Deposits in banks	4,742	2,784
Other	246	292
<b>Total interest income</b>	<b>63,822</b>	<b>47,779</b>

	Year ended 31.12.2006	Year ended 31.12.2005
Interest expenses by recipients:		
Deposits to customers	22,051	15,582
Deposits to banks	67	227
Loans	2,316	731
Other	1,790	1,695
<b>Total interest expenses</b>	<b>26,224</b>	<b>18,235</b>

All amounts are in thousand Bulgarian Levs, except otherwise stated

## Notes to the Financial Statements (continued) for the Year Ended December 31, 2006

### 21. Fees and commissions income, net

	Year ended 31.12.2006	Year ended 31.12.2005
Fees and commissions income, incl.:		
Servicing of loans	6,856	5,888
Servicing of commitments and contingencies	704	580
Servicing of deposit accounts	1,785	1,707
Domestic and foreign bank transfers	8,836	6,659
Other income	4,201	2,915
Fees and commissions expenses	(2,700)	(1,791)
<b>Total fees and commissions income, net</b>	<b>19,682</b>	<b>15,958</b>

### 22. Gains from dealing with securities, net

	Year ended 31.12.2006	Year ended 31.12.2005
Gains from dealing with trading securities, in BGN, net	2,016	1,161
Gains arising from revaluation of securities, net	8,203	281
<b>Total gains from dealing with securities, net</b>	<b>10,219</b>	<b>1,442</b>

### 23. Foreign exchange rate gains, net

Net foreign exchange rate gains arise from:

	Year ended 31.12.2006	Year ended 31.12.2005
Dealing gains, net	1,364	1,833
Revaluation gains, net	391	122
<b>Total foreign exchange rate gains, net</b>	<b>1,755</b>	<b>1,955</b>

Dealing gains represent net gains arising from purchases and sales of foreign currency. Revaluation gains represent net gains in BGN arising

from the revaluation of assets and liabilities, denominated in foreign currency.

All amounts are in thousand Bulgarian Levs, except otherwise stated

## Notes to the Financial Statements (continued) for the Year Ended December 31, 2006

### 24. Other operating income, net

	Year ended 31.12.2006	Year ended 31.12.2005
Dividends	1,240	13
Income from cession contracts	1,104	4,314
Other operating income	473	259
<b>Total other operating income, net</b>	<b>2,817</b>	<b>4,586</b>

### 25. Operating expenses

	Year ended 31.12.2006	Year ended 31.12.2005
Salaries and other personnel costs	16,916	13,457
Administrative and marketing costs	15,231	10,589
Other expenses	10,640	9,362
Depreciation	4,631	3,390
Materials and repair works	1,833	1,486
<b>Total operating expenses</b>	<b>49,251</b>	<b>38,284</b>

The Bank has reported an increase in operating expenses due to the expansion of the 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 of loans and advances and other assets are presented below:

	Year ended 31.12.2006	Year ended 31.12.2005
Loans and advances to customers	(10,045)	(7,867)
<b>Total increase in allowances for impairment</b>	<b>(10,045)</b>	<b>(7,867)</b>

The movements of allowances for impairment are described in note 18 above.

### 27. Taxes

Tax expenses are presented as follows:

	Year ended 31.12.2006	Year ended 31.12.2005
Current tax expenses	825	985
Income from deferred taxes, related to the origination and reversal of temporary differences	(63)	(38)
<b>Total tax expenses</b>	<b>762</b>	<b>947</b>

All amounts are in thousand Bulgarian Levs, except otherwise stated

## Notes to the Financial Statements (continued) for the Year Ended December 31, 2006

Current tax expenses represent the amount of the tax due, according to Bulgarian legislation and the applicable tax rates of 15% for 2006 and 15% for 2005. 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, 2005 are calculated based on the tax rate of 15%, effective as of this date. The deferred tax assets and liabilities as of December 31, 2006 are calculated based on the tax rate of 10%, effective for 2007.

Deferred tax assets are as follows:

	As of 31.12.2006	As of 31.12.2005
Deferred tax assets:		
Other liabilities (unused annual paid leaves)	157	101
Property, plant and equipment and intangible assets	15	8
<b>Deferred tax asset, net</b>	<b>172</b>	<b>109</b>

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

	Year ended 31.12.2006	Year ended 31.12.2005
Profit before tax	12,775	7,334
Taxes at the applicable tax rates of 15% for 2006 and 15% for 2005	1,916	1,100
Tax effect of non-taxable revenue (shares traded on local regulated stock exchange, dividends received) in determining taxable profit	(1,154)	(153)
<b>Total tax expenses</b>	<b>762</b>	<b>947</b>
<b>Effective tax rate</b>	<b>5,96%</b>	<b>12,91%</b>

### 28. Earnings per share (in BGN)

	Year ended 31.12.2006	Year ended 31.12.2005
Net profit after tax (in BGN'000)	12,013	6,387
Weighted average number of shares	52,626,974	32,736,817
<b>Earnings per share (in BGN)</b>	<b>0.23</b>	<b>0.20</b>

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, 2006 and 2005, 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.

All amounts are in thousand Bulgarian Levs, except otherwise stated

## Notes to the Financial Statements (continued) for the Year Ended December 31, 2006

### 29. Commitments and contingencies

As of December 31, 2006 the Bank has reported commitments and contingencies at total amount of BGN 88,551 thousand (2005: BGN 46,389 thousand), including: guarantees issued at the amount of BGN 67,201 thousand (2005: BGN 43,974 thousand); irrevocable commitments, at the amount of BGN 20,779 thousand (2005: BGN 2,017 thousand); and other commitments and contingencies at the amount of BGN 572 thousand (2005: BGN 399 thousand).

#### A. Guarantees issued

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

	As of 31.12.2006	As of 31.12.2005
Bank guarantees		
In BGN	35,945	29,047
In foreign currency	31,256	14,927
<b>Total guarantees issued</b>	<b>67,201</b>	<b>43,974</b>

#### B. Irrevocable commitments

As at December 31, 2006 and 2005 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 20,779 thousand and BGN 2,017 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 31.12.2006	Year ended 31.12.2005
As at January 1	214,280	221,534
Net cash receipts	105,794	(7,254)
<b>As at December 31</b>	<b>320,074</b>	<b>214,280</b>

	Year ended 31.12.2006	Year ended 31.12.2005
Cash	56,937	47,953
Balances with the Central Bank	65,682	57,612
Placement with, and advances to, banks with residual maturity up to 3 months	197,455	108,715
<b>As at December 31</b>	<b>320,074</b>	<b>214,280</b>

### 31. Currency analysis

The tables below summarise the exposure to foreign currency exchange rate risk as of December 31, 2006 and 2005. The Bank's

assets and liabilities are included in the tables at their carrying amounts in thousand Bulgarian Levs, broken down by currency.

All amounts are in thousand Bulgarian Levs, except otherwise stated

## Notes to the Financial Statements (continued) for the Year Ended December 31, 2006

December 31, 2006	BGN	EUR	USD	Other	Total
<b>Assets</b>					
Cash	40,738	11,031	3,569	1,599	56,937
Balances with the Central Bank	52,382	13,300	-	-	65,682
Placements with, and advances to, banks	10,299	120,281	66,213	662	197,455
Receivables under repurchase agreements	6,741	-	-	-	6,741
Trading securities	25,096	-	-	-	25,096
Loans and advances to customers, net	373,029	137,151	32,151	-	542,331
Other assets and assets for resale	3,567	1,007	2,220	220	7,014
Financial assets available for sale	50,082	82,108	47	-	132,237
Financial assets held to maturity	18,336	33,205	-	-	51,541
Property, plant and equipment and intangible assets	46,953	-	-	-	46,953
<b>Total assets</b>	<b>627,223</b>	<b>398,083</b>	<b>104,200</b>	<b>2,481</b>	<b>1,131,987</b>
<b>Liabilities</b>					
Deposits from banks	26	63	-	-	89
Amounts owed to other depositors	557,411	287,509	99,457	2,280	946,657
Other attracted funds	9,623	-	-	35	9,958
Other liabilities	2,542	879	1,041	503	4,965
Short-term loans	-	53,978	-	-	53,978
<b>Total liabilities</b>	<b>569,602</b>	<b>342,429</b>	<b>100,498</b>	<b>2,818</b>	<b>1,015,347</b>
<b>Net position</b>	<b>57,621</b>	<b>55,654</b>	<b>3,702</b>	<b>(337)</b>	<b>116,640</b>

Bulgarian Lev has been fixed to the EUR under the Law on Currency Board. Therefore, the Bank's long position in EUR does not bear any risk to the Bank.

December 31, 2005	BGN	EUR	USD	Other	Total
<b>Assets</b>					
Cash	28,634	14,155	4,227	937	47,953
Balances with the Central Bank	44,312	13,300	-	-	57,612
Placements with, and advances to, banks	2,369	67,750	37,691	1,379	109,189
Receivables under repurchase agreements	1,036	-	-	-	1,036
Trading securities	6,433	7,503	-	-	13,936
Loans and advances to customers, net	256,597	93,538	33,737	-	383,872
Other assets and assets for resale	3,316	320	1,600	-	5,236
Financial assets available for sale	61,715	51,494	-	-	113,209
Financial assets held to maturity	3,362	35,020	-	-	38,382
Property, plant and equipment and intangible assets	38,598	-	-	-	38,598
<b>Total assets</b>	<b>446,372</b>	<b>283,080</b>	<b>77,255</b>	<b>2,316</b>	<b>809,023</b>
<b>Liabilities</b>					
Deposits from banks	5,039	11,770	-	-	16,809
Amounts owed to other depositors	394,486	190,841	75,753	109	661,189
Other attracted funds	9,152	-	-	-	9,152
Other liabilities	1,982	278	2,721	-	4,981
Liabilities under repurchase agreements	14,507	-	-	-	14,507
Short-term loans	-	21,457	-	-	21,457
<b>Total liabilities</b>	<b>425,166</b>	<b>224,346</b>	<b>78,474</b>	<b>109</b>	<b>728,095</b>
<b>Net position</b>	<b>21,206</b>	<b>58,734</b>	<b>(1,219)</b>	<b>2,207</b>	<b>80,928</b>

All amounts are in thousand Bulgarian Levs, except otherwise stated

## Notes to the Financial Statements (continued) for the Year Ended December 31, 2006

### 32. Liquidity and interest rate risk

The Bank maintains the required liquidity in the currencies in which it operates. The Bank places the available cash funds on "overnight" deposits on a daily basis. Thus management intends to increase interest income, as these types of operations bear much higher interest than the interest on nostro accounts with the correspondents, without declining the liquidity of the Bank.

The maturity of assets and liabilities and the ability to replace, at an

acceptable cost, the interest-bearing liabilities as they mature, are taken into consideration by the management in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

The assets and liabilities of the Bank as at December 31, 2006 and 2005 mature over the following periods, based on remaining maturity:

December 31, 2006	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No stated maturity	Total
<b>Assets</b>							
Cash	56,937	-	-	-	-	-	56,937
Balances with the Central Bank	65,682	-	-	-	-	-	65,682
Placements with, and advances to, banks	197,455	-	-	-	-	-	197,455
Trading securities	-	-	-	4,732	522	19,842	25,096
Receivables under repurchase agreements	540	6,201	-	-	-	-	6,741
Loans and advances to customers, net	12,683	65,105	128,237	256,194	80,112	-	542,331
Other assets and assets for resale	7,014	-	-	-	-	-	7,014
Financial assets available for sale	1,018	10,285	2,301	54,920	57,251	6,462	132,237
Financial assets held to maturity	2,194	33,205	-	16,142	-	-	51,541
Property, plant and equipment and intangible assets	-	-	-	-	-	46,953	46,953
<b>Total assets</b>	<b>343,523</b>	<b>114,796</b>	<b>130,538</b>	<b>331,988</b>	<b>137,885</b>	<b>73,257</b>	<b>1,131,987</b>
<b>Liabilities</b>							
Deposits from banks	89	-	-	-	-	-	89
Amounts owed to other depositors	421,048	76,411	168,620	280,578	-	-	946,657
Other attracted funds	425	851	2,786	5,596	-	-	9,658
Other liabilities	4,965	-	-	-	-	-	4,965
Liabilities under repurchase agreements	-	-	-	-	-	-	-
Short-term loans	-	-	53,978	-	-	-	53,978
<b>Total liabilities</b>	<b>426,527</b>	<b>77,262</b>	<b>225,384</b>	<b>286,174</b>	<b>-</b>	<b>-</b>	<b>1,015,347</b>
<b>Net liquidity gap</b>	<b>(83,004)</b>	<b>37,534</b>	<b>(94,846)</b>	<b>45,814</b>	<b>137,885</b>	<b>73,257</b>	<b>116,640</b>
<b>Cumulative</b>	<b>(83,004)</b>	<b>(45,470)</b>	<b>(140,316)</b>	<b>(94,502)</b>	<b>43,383</b>	<b>116,640</b>	

Traditionally, most clients in Bulgaria prefer entering into 1-month term deposit contracts, which are usually rolled over for the next 1-month period repeatedly on maturity. As a result, 1-month term deposits practically are long-term deposits and a relatively stable source of funds for the Bank.

The demand deposits /sight deposits/ are represented and distributed in periods up to one month and from one year up to five

years. The distribution is made based on the available information about the state of these deposits in 2006, whereas the deposit average daily balance is specified in the period from one year to five years, and the remaining portion in the period up to one month.

## Notes to the Financial Statements (continued) for the Year Ended December 31, 2006

December 31, 2005	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	No stated maturity	Total
<b>Assets</b>							
Cash	47,953	-	-	-	-	-	47,953
Balances with the Central Bank	57,612	-	-	-	-	-	57,612
Placements with, and advances to, banks	104,804	3,912	-	-	-	473	109,189
Trading securities	446	-	-	1,552	9,286	2,652	13,936
Receivables under repurchase agreements	-	1,036	-	-	-	-	1,036
Loans and advances to customers, net	16,347	29,209	130,869	207,148	-	299	383,872
Other assets and assets for resale	5,236	-	-	-	-	-	5,236
Financial assets available for sale	1,050	-	7,006	55,727	43,238	6,188	113,209
Financial assets held maturity	-	-	-	38,382	-	-	38,382
Property, plant and equipment and intangible assets	-	-	-	-	-	38,598	38,598
<b>Total assets</b>	<b>233,448</b>	<b>34,157</b>	<b>137,875</b>	<b>302,809</b>	<b>52,524</b>	<b>48,210</b>	<b>809,023</b>
<b>Liabilities</b>							
Deposits from banks	16,809	-	-	-	-	-	16,809
Amounts owed to other depositors	506,261	44,515	103,880	38	-	6,495	661,189
Other attracted funds	-	-	-	9,152	-	-	9,152
Other liabilities	2,440	-	2,541	-	-	-	4,981
Liabilities under repurchase agreements	6,229	8,278	-	-	-	-	14,507
Short-term loans	-	-	21,457	-	-	-	21,457
<b>Total liabilities</b>	<b>531,739</b>	<b>52,793</b>	<b>127,878</b>	<b>9,190</b>	<b>-</b>	<b>6,495</b>	<b>728,095</b>
<b>Net liquidity gap</b>	<b>(298,291)</b>	<b>(18,636)</b>	<b>9,997</b>	<b>293,619</b>	<b>52,524</b>	<b>41,715</b>	<b>80,928</b>
<b>Cumulative</b>	<b>(298,291)</b>	<b>(316,927)</b>	<b>(306,930)</b>	<b>(13,311)</b>	<b>39,213</b>	<b>80,928</b>	

Management considers that the diversification of deposits by number and type of depositors, and the prior experience of the Bank give grounds to believe that deposits provide a long-term and stable source of funding for the Bank.

In 2006 the Bank applied the following methods in assets and liabilities management:

- in assets management the Bank intends to maintain a balanced loan and securities portfolio regarding the assets with fixed and floating interest rates. Except for a limited number of loans, all loans granted by the Bank bear floating interest rates. Those

bearing fixed interest rates mature up to 1 year and the interest levels exceed the current market ones. The active management of securities portfolio additionally facilitates avoiding the risk of unfavourable fluctuations of interest rates..

- in management of attracted funds the Bank takes into consideration the terms of competition, but includes in its deposit contracts a clause for resetting of contracted interest rates upon amendments to the Interest Rates Tariff. This allows for a dynamic management of the cost of attracted funds, although the deposit contracts are concluded at a fixed interest rate..

All amounts are in thousand Bulgarian Levs, except otherwise stated



## Notes to the Financial Statements (continued) for the Year Ended December 31, 2006

### 33. Credit and market risk

#### Credit risk

Credit risk is the probability of loss due to the incapability of the counterparty to meet its obligations in time. The Bank structures the credit risk by determining limits for the credit risk as a maximum exposure to one debtor, to a group of related parties, geographically and by business sectors. In order to decrease the credit risk in accordance with the approved Internal Credit Rules, respective collaterals and guarantees are required.

#### 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.

### 34. Related parties transactions

The Bank has granted loans and provided guarantees to a number of related parties upon sufficient collateralization. The Bank's management believes that these transactions are concluded under common trade conditions in the normal course of business of the Bank.

Related parties	Type of relation	Type of transaction	Exposure as at 31.12.2006	Exposure as at 31.12.2005
Chimimport AD	Shareholder	Loan granted	418	418
Chimimport Pharma AD	Controlled by a shareholder	Loan granted	392	151
Chimimport Pharma AD	Controlled by a shareholder	Loan granted	500	-
Armeetz Insurance Company	Shareholder	Loan granted	4	-
Armeetz Insurance Company	Shareholder	Bank guarantees issued	1,291	6
Individuals	Employees of the Bank	Loans granted	4,559	3,722
Individuals	Participation in the management of a shareholder	Loans granted	1,917	1,809
CCB Group Assets Management EAD	Shareholder	Loan granted	8	6

All amounts are in thousand Bulgarian Levs, except otherwise stated