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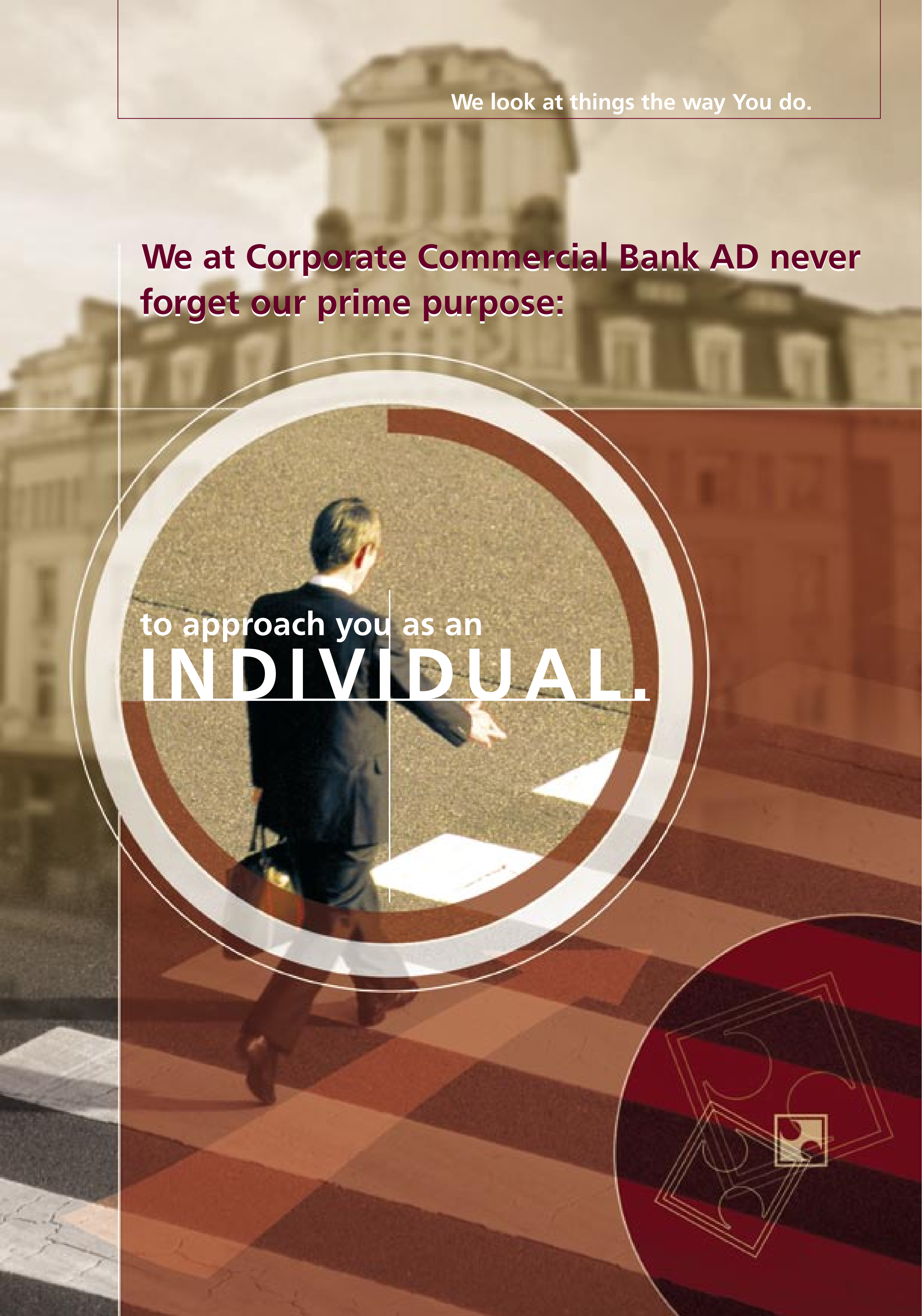

We look at things the way You do.
We at Corporate Commercial Bank AD never forget our prime purpose:
to approach you as an
INDIVIDUAL.

ADDRESS OF THE CHAIRMAN OF THE SUPERVISORY BOARD OF CORPORATE COMMERCIAL BANK

Dear Shareholders,

I have the honour of informing you that 2003 saw a significant growth of CCB. Combination of moderate conservatism, optimal liquidity and alternative income sources naturally resulted in high profitability while complying with the constraints of supervisory regulators. Profit (after taxation) rose by 8.8 times to reach BGN 2,716 thousand and profit per share by 6.3 times to BGN 1.94. Assets posted almost double growth coming up to BGN 296,728 thousand. The major factor behind this growth was the double increase in funds borrowed from customers which amounted to BGN 276,798 thousand. The Bank's dynamic development over the review period reflected the methods employed in selling, customer servicing and maintaining relations with customers.

CCB dynamic development in recent three years has been accompanied by continiously improving and developing bank technologies and procedures, extending the internal control mechanisms and measures for improving the structure and increasing the amount of Bank's own funds. Given the efforts intended to achieve optimal volumes and ratios, most of mismatches and differences in growth rates of individual components, ineviatable in the process of growth, have been overcome.

Creation of a large company requires special actions in various business areas. Successful balancing of these actions is the key to success. To support CCB future growth, in 2003 we invested in the activities of strategic significance for the Bank's business: from development of technologies to the launch of new products and marketing. The decisions made by the Bank's management were intended to have not only a short-term effect but also to ensure CCB growth in the long run. Consequently, the Bank's performance over 2003 contributed to CCB further financial strengthening, thus ensuring sustainable and efficient growth in the future.

In 2004 we will continue investing in all areas of the Bank's activity: personnel, marketing, products, points of sale, trade mark. Efficiency improvement remains the Bank's major corporate priority. We are resolved to provide better services than our competitors and I am deeply convinced this objective will be achieved.

The Bank's success depends on the ability to design and implement adequate business strategies, on the launch of new products and provision of high-quality customer service, on the special approach to any individual asset, point of sale, employee, or detail. To realize these goals we have set serious tasks and high standards to be met. The Bank's development and reported growth is indicative of the right track we have chosen and move on.

Available strategies, technologies and products coupled with the staff expertise are the prerequisites necessary to benefit from market opportunities and to underpin the Bank's sustainable growth under the dynamic economic environment.

Tzvetan Vassilev

Chairman of the Supervisory Board

CCB MAJOR FINANCIAL DATA

Indicator	2003	2002	Change	Growth rate
PERFORMANCE				
	BGN '000	*BGN '000*	*BGN '000*	*%*
Operating income, total	20 608	12 308	8 300	67.4
Profit prior taxation	3 139	383	2 756	719.9
Taxes	423	75	348	464.0
Profit after taxation	2 716	308	2 408	782.2
Profit per share - BGN	1.94	0.31	1.63	530.1
Balance sheet value per share	13.07	11.58	1.49	12.9
FINANCIAL RATIOS				
	%	*%*	*%*	
Return on equity	16.25	2.58	13.67	
Return on assets	1.24	0.26	0.99	
Net interest rate margin	4.51	5.49	-0.98	
Efficiency ratio	57.66	63.01	-5.35	
Total capital adequacy	13.31	12.94	0.37	
Primary capital adequacy	11.18	12.50	-1.32	
Primary liquidity[1]	31.59	23.17	8.42	
Secondary liquidity[2]	47.45	47.51	-0.06	
AVERAGE BALANCE SHEET INDICATORS				
	BGN '000	*BGN '000*	*BGN '000*	*%*
Total assets	218 599	120 236	98 363	81.8
Earning assets	193 324	106 591	86 733	81.4
Credits disbursed	89 284	46 946	42 338	90.2
Funds borrowed from customers	176 465	91 967	84 498	91.9
Equity	16 718	11 941	4 778	40.0
BALANCE SHEET INDICATORS AS OF 31 DECEMBER				
	BGN '000	*BGN '000*	*BGN '000*	*%*
Total assets	296 728	155 512	141 216	90.8
Earning assets	199 475	143 872	55 603	38.6
Liquid assets	132 124	74 993	57 131	76.2
Credits disbursed	123 855	72 459	51 396	70.9
Provisions for impairment loss on credits	1 427	1 874	-447	-23.9
Funds borrowed from customers	255 756	115 100	140 656	122.2
Equity	18 293	11 577	6 716	58.0

[1]. *Share of monetary funds in total borrowed funds.*

[2]. *Share of liquid fund in total borrowed funds.*

PERFORMANCE OF CORPORATE COMMERCIAL BANK IN 2003

By the close of the 2003 financial year a profit (after taxation) of BGN 2,716 thousand or BGN 1.94 per share was reported. Compared with 2002 total profit rose by 8.8 times, and the profit per share by 6.3 times. The balance sheet value of a share by end-2003 reached BGN 13.07 against BGN 11.58 by the end of 2002.

The reported results clearly evidence the Bank's increasing potential in terms of its profitability. The increase in efficiency is based on a profit generated from growing incomes realized from Bank's all major businesses.

In 2003 Corporate Commercial Bank's return on equity was 16.25% against 2.58% in 2002, and return on average assets accounted for 1.24% against 0.26% in the previous year.

The high profitability attained over the review year reflects primarily progressively increasing Bank's income under a tight control over expenditure and a high quality of credit portfolio. In 2003 income grew by 67% to BGN 20,608 thousand. Expenditure grew much slower: by 46% to BGN 17,469 thousand.

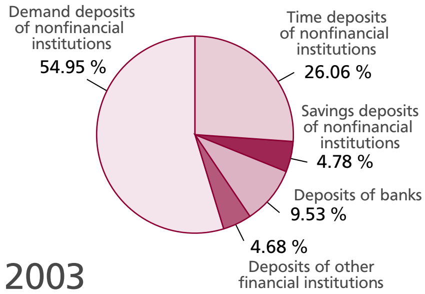
Net Interest Income

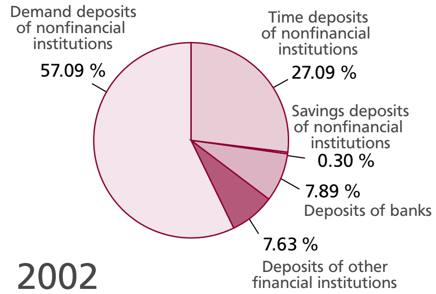
Net interest income, increasing by BGN 2,877 thousand or 49% on 2002 to reach BGN 8,770 thousand, made up the largest share in total Bank's income. The net interest income includes interest income of BGN 13,859 thousand (an increase of BGN 5,485 thousand or 66% on 2002) and interest expenditure of BGN 5,089 thousand (an increase of BGN 2,608 thousand or 105% on 2002).

The increase in Bank's net interest income in 2003 reflects increased average interest assets (by BGN 89,197 thousand or 97%) which leveled off both average liabilities growth (by BGN 95,202 thousand or 95%) and the adverse effect of the interest rate levels, *i. e*. the lower income from interest assets and higher price of a portion of interest liabilities.

Given the faster growth of the average earning assets (by 81% to BGN 193,324 thousand) compared with the net interest income growth, over 2003 the interest rate margin went down by 0.98 basis points on 2002 and stayed at 4.51%. The margin fall was ascribable both to the impact of factors outside the Bank (the decrease in market interest rates and enhanced competition among commercial banks) and internal factors, with policy of restructuring and stabilizing borrowed funds intended to diversify risk having the most significant effect.

Structure of Average Interest Liabilities





Noninterest Income

Noninterest income of the Bank in 2003 totaled BGN 6,749 thousand, up by BGN 2,815 thousand or 72% compared with the previous year. The share of noninterest income remained almost unchanged at 33%: an increase of one percentage point on 2002.

More than half of the absolute increase in noninterest income in 2003 (59%) pertains to the enhanced efficiency of Bank's commercial operations and intensification of these operations. Approximately 35% of the reported growth came from collected receivables under a cession contract with another bank and 6% from fees and commissions.

Structure of Average Interest Liabilities

Noninterest Expenditure

Corporate Commercial Bank's noninterest expenditure rose by BGN 4,126 thousand or 53% from 2002 to reach BGN 11,882 thousand. Administrative expenditure accounted for the bulk of noninterest expenditure (94%), while the other noninterest expenditure associated with Bank's commercial operations, as well as fees and commissions on bank transactions comprised an insignificant share.

In 2003 control over noninterest expenditure continued to be among management priorities. As a result the efficiency indicator measuring the share of noninterest expenditure in total Bank's revenue, showed a decline of 5 percentage points to 58% approximating the optimum limit of 50%.

The growth in Bank's noninterest expenditure in 2003, attributable only to the increased administrative expenditure by BGN 4,653 thousand or 72%, was partly offset by the decline in the remaining noninterest expenditure. The bulk of the reported growth in administrative costs was due to investment in key areas such as launch of new products, systems development, marketing and points of sale. These costs have a strategic importance and they are expected to seriously underpin Bank's growth in the longer run.

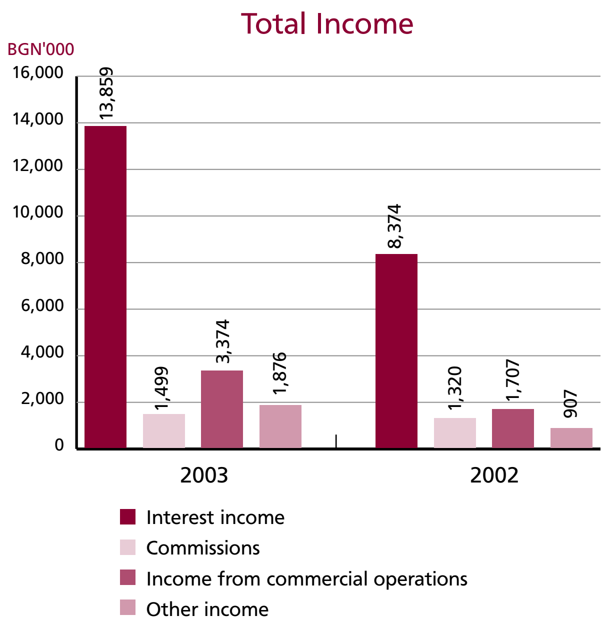
In 2003 costs on consumables, rents and services continued to comprise the largest share (48%) in Bank's administrative expenditures. These costs rose by BGN 2,375 thousand to reach BGN 5,307 thousand, accounting for the half of the total increase in administrative expenditures. Costs incurred on development and security of communications and information systems for conducting bank operations indicated the largest growth in this group.

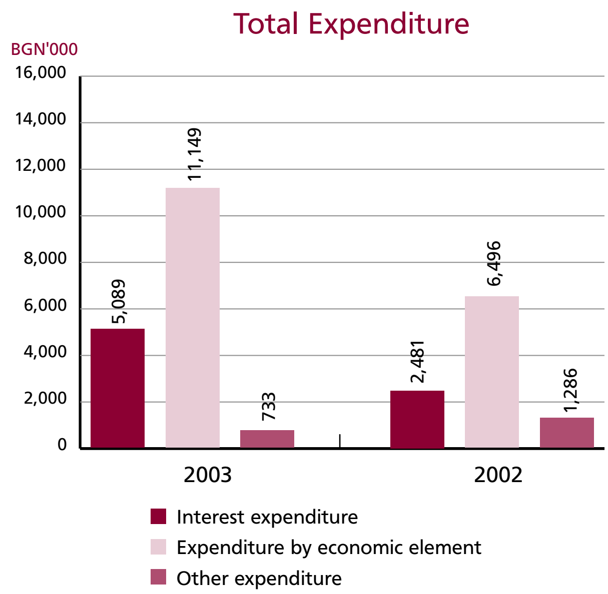
Staff expenditure (salaries, social and pension security costs and remuneration of the members of the Management Board and Supervisory Board) amounted to BGN 3,415 thousand, an increase of BGN 1,100 thousand in absolute terms and a five percentage point fall to 31% in relative terms on 2002. The increase in these costs was primarily a result of business expansion and recruitment of the required staff. Over the review period 49 new employees were hired and their number totaled 167 by the end of 2003.

Remuneration of the members of the Bank's Management and Supervisory Boards amounted to BGN 555 thousand or 16% of the expenditure incurred on the staff pay.

In 2003 depreciation costs grew by three times in absolute terms and by 3.8 percentage points in relative terms and reached BGN 935 thousand accounting for 8.4% of administrative expenditure. Reported sizable growth reflects both an approximately four-fold growth in the accounting value of fixed assets (to BGN 9,297 thousand) and the increased annual depreciation rates.

The marketing expansion initiated throughout 2003 is the major reason behind the growth in other administrative expenditures by BGN 545 thousand to BGN 1,492 thousand. Advertising expenditure accounted for the half of these costs which were entirely responsible for the reported growth.





Credit Portfolio

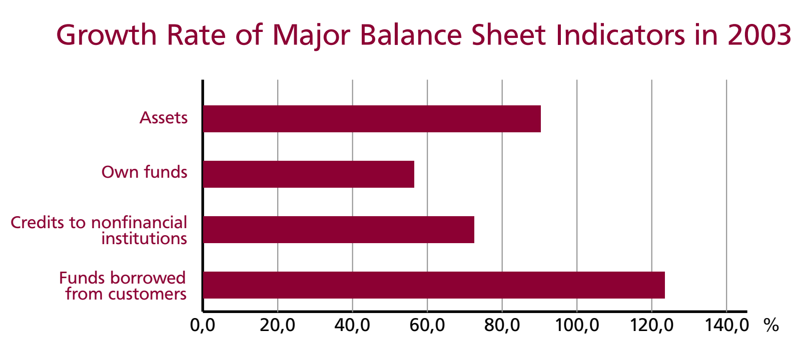
By the end of 2003 loans disbursed by the Bank to nonfinancial institutions totaled BGN 123,855 thousand, an increase of BGN 51,396 thousand or 71% compared with early 2003. The net amount of extended loans came to BGN 122,428 thousand less specific provisions of BGN 1,427 thousand allocated for impairment loss.

Commercial loans contributed most significantly to the Bank's credit portfolio growth (81%). By the close of the reporting year commercial loans totaled BGN 113,688 thousand, up by BGN 41,579 thousand or 58%. Given the slower growth rate of commercial loans compared with other types of loans, their share in the credit portfolio declined by almost 8 percentage points to 92%, with real estate and construction loans having the critical effect.

As a result of the efficient measures initiated by the Bank's management in respect of extending the tools for diversifying credit risk, loans disbursed to individuals exhibited about a ten-fold increase and reached BGN 3,389 thousand. Over the second half of 2003 lending to agriculture through refinancing from the Agricultural State Fund under SAPARD program was launched. The amount of these loans came up to BGN 3,475 thousand by the year-end. The concentration of loans by industry was substantially reduced: the shares of loans extended to the Trade and Services industry and the Manufacturing industry declined by 10 percentage points each at the expense of other industries.

Over 2003 the credit portfolio exhibited an increase in absolute terms and a decrease in relative terms. By 31 December 2003 the credit portfolio comprised 41% of assets against 45% by the end of 2002.

The reported results conform with the adopted strategy of moderate credit portfolio growth and enhanced diversification of risks aimed at efficient management of bank risks and provision of an adequate capital cover.



In 2003 the high quality of the Bank's credit portfolio was sustained consistent with the prudent lending policy and efficient loan management. By 31 December 2003 past due loans made up 0.05% of the credit portfolio, with overdue amounts secured by mortgages.

The high quality of loans maintained by the Bank reflects the active credit risk management by improving the customer credit rating system, establishing credit limits, current administering and effective monitoring.

Given the high risk profile of lending the Bank's management carries out current identification and valuation of potential losses from lending. As a result specific provisions for covering credit risk have been allocated. By 31 December 2003 classified loans accounted for 7% of the credit portfolio (BGN 8,663 thousand), with 94% of them classified as watch exposures, the lowest-risk exposure group.

Specific provisions allocated for impairment loss, worth BGN 1,427 thousand, accounted for 1.15% of total credit portfolio, covering 11% of watch exposures and the full amount of other classified loans.

Securities

The Bank's securities portfolio has been managed as a part of general assets and liabilities management intended to improve profitability and maintain adequate liquidity. By 31 December 2003 investment in securities totaled BGN 52,770 thousand, accounting for 18% of total assets. The securities portfolio included primarily securities for trade (98%): medium- and long-term government securities issued by the Bulgarian government comprised 82% and foreign securities with high credit rating traded in international stock exchanges, 18%.

Compared with the previous year the Bank's securities portfolio rose by BGN 29,228 thousand or 45%, and its share in assets was sustained at 18%. The growth was entirely due to the government securities offsetting the 43% fall in foreign securities.

As a result of efficient securities portfolio management income earned from it approximated 10% against 6% in 2002. The increased average volume of securities by 29% (to BGN 35,768 thousand) was accompanied by a several-fold growth (more than two times) in net income realized from the portfolio, worth BGN 3,498 thousand.

Borrowed Funds

In 2003 Corporate Commercial Bank continued to successfully implement its strategic goals intended to establish a sound and diversified base for financing bank transactions.

Borrowed funds by the end of 2003 reached BGN 276,798 thousand, an increase of BGN 134,232 thousand or 94% on the end of 2002. This growth was entirely attributable to the increase in primary depositor (customer) funds by 122%, which offset the fall of BGN 6,424 thousand (23%) in funds borrowed from banks. Time deposits, posting a three-fold increase to BGN 104,947 thousand, accounted for the biggest share (50%) in funds borrowed from customers, followed by demand deposits (35%) which came up to BGN 128,191 thousand. Despite the low share of savings deposits (8%) in funds borrowed from customers, in 2003 these deposits grew at the fastest rate: by 24 times to reach BGN 22,617 thousand.

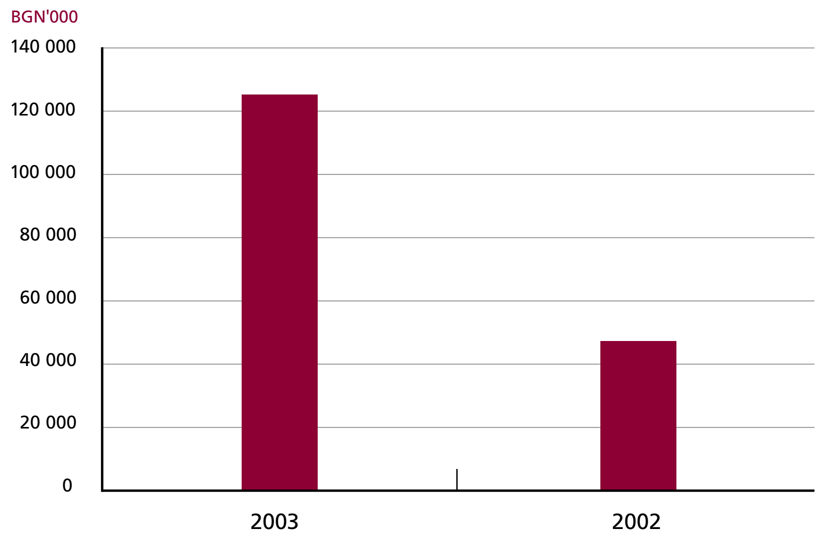
Successfully implemented strategy of restructuring borrowed funds helped strengthened the stability of these funds at an optimum price. The share of funds borrowed from primary depositors rose by 11 percentage points to 82% of total borrowed funds. This growth was accompanied by positive structural changes: demand deposits fell by 19 percentage points to 50% at the expense of time and savings deposits.

Permanent resources from nonbank financial institutions[1] maintained by the Bank over 2003 accounted for 72% of their average daily amount (against 57% in 2002), with the share ranging between 78–90% in individual months.

[1]. The permanent resources from nonbank financial institutions include the average daily amount of time deposits and the minimum daily volume of other borrowed funds for a particular period.

Sustainable growth and diversified borrowed funds in 2003 reflecting prompt, high-quality and efficient customer service led to about a three-fold growth in the number of Bank's customers: from 9022 in early year to 24,635 by 31 December 2003.

Average Daily Permanent Resources



Capital and Reserves

Capital is a resource of key importance, and therefore the Bank actively manages its capital position by issuing shares, by modifying the amount and structure of the balance sheet and risk-weighted assets, by changing the policy pursued in respect of dividends distribution and retaining profits, investment plans and returns for shareholders in compliance with the requirements of the regulatory authorities and depositors.

Over 2003 Corporate Commercial Bank's own funds went up BGN 6,716 thousand (58%) to reach BGN 18,293 thousand, thus optimizing Bank's financial leverage and strengthening its stability. More than a half of the increase was realized in early 2003 as a result of subscribed and fully paid-in shareholder capital, worth BGN 4,000 thousand. Progressively growing profits during 2003 additioinally boosted own funds growth.

By 31 December 2003 Bank's own funds included equity of BGN 14,000 thousand, reserves of BGN 1,577 thousand and the 2003 retained profit of BGN 2,716 thousand.

Effective organization and control over daily transactions and quality of risk assets combined with sustained profitability ensured compliance with capital regulations. By 31 December 2003 the Bank's total capital adequacy ratio was 13.31% against the minimum statutory required ratio of 12%. Maintaining the required capital adequacy ratio by improving the structure and reducing assets risk was additionally supported by the Bank's Management Board resolution of November 2003 on raising the shareholder capital to BGN 20 million. The deadline to pay in the subscribed shares is 30 June 2004. As early as in January BGN 2,820 thousand was paid in, accounting for the half of projected growth.

Other Activities

Throughout 2003 risk management based on improvement of the entire model including identification, measurement, monitoring and control over risk exposures, remained among Corporate Commercial Bank priorities. The consistent, centralized and independent control measures enforced by the Bank helped maintain risk exposures within adopted admissible risk limits.

In 2004 the Bank will again concentrate its efforts on accomplishing its major strategic goals: maintaining a sustainable growth and further expansion of CCB market share. To achieve the set goals under the conditions of severe competition, the Bank's activity will be directed toward stabilizing and increasing the term of borrowed funds, providing adequate capital support, diversifying customers and realizing innovative active operations. The efforts of CCB staff will be focuced on extensive developing bank products and distribution channels, extending the bank risk management integrated system, extending and developing mutually beneficial cooperation with Bank's current and future customers by offering them the most appropriate financial solutions of business management, establishing a strategical partnership with acknowledged foreign financial institutions.

SOCIAL COMMITMENT

Corporate Commercial Bank AD is one of the most dynamic Bulgarian banks, combining traditions and forward-looking vision. Headquartered in the building once used by the Bulgarian Commercial Bank of the famous Bulgarian banker and politician Atanas Burov, today we follow his ideas for building a prosperous economy on the basis of a modern financial system by investing in education and the development of young bank professionals.

As a Trustee of the Atanas Burov Foundation, Corporate Commercial Bank provided financial aid for equipping an innovative educational centre at the Atanas Burov Economic High School in Panagyurishte and an accounting and banking classroom at the Atanas Burov High School of Light Industry and Economics in Gorna Oryahovitsa.

Corporate Commercial Bank was involved in the organization of a number of events related to education and culture. The Bank financed the celebrations for May 24, the Day of Bulgarian Culture, in FYR Macedonia. It held in association with the economic web portal econ.bg the first National competition "Economist of the Future". The first prize was awarded to Marina Dimitrova, a student at the Dimitar Tsenov Academy of Economics in Svishtov. The bank is also cooperating with the National Centre for Vocational Training within the Bulgarian Chamber of Commerce and Industry (BCCI) in the development of financial software products.

The Bank's competitive spirit and drive for achieving new heights are reflected in its active involvement in the sporting life of the country. The Bank has acted as a sponsor of the Slavia Volleyball Club, the Professional Football League, PFC Botev – Plovdiv and the Bulgarian Athletics Federation.

CORPORATE COMMERCIAL BANK AD

Financial Statements for the Year Ended 31 December 2003 with Independent Auditor's Report Thereon

Report of the Independent Auditor to the Shareholders of Corporate Commercial Bank AD

Sofia, 1 March 2004

We have audited the accompanying balance sheet of Corporate Commercial Bank AD ("the Bank") as of 31 December 2003 and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 31 December 2003, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Krassimir Hadjidinev - Partner KPMG Bulgaria OOD 37 Fridtjof Nansen Str. 1142 Sofia Bulgaria

Margarita Goleva - Registered Auditor

Krassimir Hadjidinev - Registered Auditor

KPMG

Income Statement

For the year ended 31 December 2003

In thousands of BGN	Note	2003	2002
Interest and similar income		13,859	8,374
Interest expense and similar charges		(5,089)	(2,481)
Net interest income	3	8,770	5,893
Fee and commission income		1,499	1,320
Fee and commission expense		(72)	(97)
Net fee and commission income	4	1,427	1,223
Net trading income	5	2,713	545
Other operating income (net)	6	1,876	880
Total income from banking operations		14,786	8,541
General administrative expenses	7	(11,149)	(6,496)
Impairment losses	8	(498)	(1,662)
Profit/(loss) before tax		3,139	383
Income tax expense	9	(423)	(75)
Profit/(loss) after tax		2,716	308

The income statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 16 to 34.

Iliyan Zafirov
Executive Director

Orlin Roussev
Executive Director

Janko Ivanov
Executive Director

KPMG Bulgaria OOD
Krassimir Hadjidinev
Partner

Krassimir Hadjidinev
Registered Auditor

Margarita Goleva
Registered Auditor

Balance sheet

As at 31 December 2003

In thousands of BGN	Note	2003	2002
ASSETS			
Cash and cash equivalents	10	97,993	37,906
Financial assets held for trading	11	51,663	29,216
Investments	12	1,107	12
Placements with and loans to banks and other financial institutions	13	15,739	15,737
Loans and advances to other customers	14	122,428	70,585
Property and equipment	15	7,574	1,588
Other assets	16	224	468
Total Assets		296,728	155,512
LIABILITIES			
Deposits from banks and other financial institutions	17	30,903	31,632
Deposits from other customers	18	245,676	101,328
Other borrowings	19	219	9,606
Other liabilities	20	1,637	1,369
Total Liabilities		278,435	143,935
Shareholders' equity			
Issued share capital	21	14,000	10,000
Reserves	21	4,293	1,577
Total shareholders' equity		18,293	11,577
Total liabilities and shareholders' equity		296,728	155,512

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 16 to 34.

Iliyan Zafirov
Executive Director

Orlin Roussev
Executive Director

Janko Ivanov
Executive Director

KPMG Bulgaria OOD
Krassimir Hadjidinev
Partner

Krassimir Hadjidinev
Registered Auditor

Margarita Goleva
Registered Auditor

Statement of cash flows

For the year ended 31 December 2003

In thousands of BGN	Note	2003	2002
Operating activities			
Profit after taxation		2,716	308
Adjustments for non-cash items			
Increase in impairment allowances		498	1,662
Depreciation and amortisation		935	302
(Profit) on disposal of non-current assets		(7)	-
Unrealised (gains)/losses from dealing securities		(171)	478
Tax expense		423	75
		4,394	2,825
Changes in operating assets			
(Increase) in financial instruments held for trading		(22,276)	(18,397)
(Increase) in placements with and loans to banks		(2)	(6,220)
(Increase) in loans to customers		(52,364)	(41,330)
Decrease in other assets		244	1,019
		(74,398)	(64,928)
Changes in operating liabilities			
Increase/(decrease) in deposits from banks		(729)	24,178
Increase/(decrease) in amounts owed to other depositors		144,348	61,838
Increase/(decrease) in other borrowings		(9,387)	6,424
Increase/(decrease) in other liabilities		(73)	597
Income taxes paid		(82)	(72)
		134,077	92,965
Cash flows from operating activities		64,073	30,862
Investing activities			
Acquisition of non-current assets		(2,994)	(772)
Sale of non-current assets		56	198
Purchase of investments		(1,095)	-
Cash flows from investing activities		(4,033)	(574)

Statement of cash flows, continue

In thousands of BGN	Note	2003	2002
Financing activities			
Proceeds from issuance of share capital		200	-
Payment of finance lease liabilities		(153)	-
Cash flows from financing activities		47	-
Net increase in cash and cash equivalents		60,087	30,288
Cash and cash equivalents at 1 January		37,906	7,618
Cash and cash equivalents at 31 December	10	97,993	37,906

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages16 to 34.

Statement of changes in equity

For the year ended 31 December 2003

In thousands of BGN	Share capital	Statutory reserves	Retained earnings	Other reserves	Total
Balance at 1 January 2002	10,000	270	864	135	11,269
Net profit for the year ended 31 December 2002	-	-	308	-	308
Balance at 31 December 2002	10,000	270	1,172	135	11,577
Issue of share capital	4,000	-		-	4,000
Appropriations to statutory reserve	-	1,172	(1,172)	-	-
Net profit for the year ended 31 December 2003	-	-	2,716	-	2,716
Balance at 31 December 2003	14,000	1,442	2,716	135	18,293

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 16 to 34.

The financial statements have been approved by the Executive Directors on 1 March 2004.

Iliyan Zafirov
Executive Director

Orlin Roussev
Executive Director

Janko Ivanov
Executive Director

KPMG Bulgaria OOD
Krassimir Hadjidinev
Partner

Krassimir Hadjidinev
Registered Auditor

Margarita Goleva
Registered Auditor

1. BASIS OF PREPARATION

(a) Statute

Corporate Commercial Bank AD (the Bank) is a bank domiciled in the Republic of Bulgaria and has its registered office in Sofia, 10 Graf Ignatiev Str.

The Bank has a full banking license issued by the Bulgarian National Bank (BNB) according to which it is allowed to conduct all banking transactions permitted by Bulgarian legislation both on the domestic and foreign markets.

(b) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the Standing Interpretations Committee of the IASB.

(c) Basis of preparation

The financial statements are presented in Bulgarian Leva (BGN) rounded to the nearest thousand.

The financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held for trading, and available-for-sale assets, except those for which a reliable measure of fair value is not available. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

The accounting policies have been consistently applied by the Bank and are consistent with those used in the previous period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Income recognition

Interest income and expense is recognised in the income statement as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Fee and commission income arises on financial services provided by the Bank and is recognised when the corresponding service is provided. Net trading income includes gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading.

(b) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at that date at initial recognition. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the reporting currency at the foreign exchange rates ruling at the dates that the values were determined.

(c) Financial instruments

(i) Classification

Trading instruments are those that the Bank principally holds for the purpose of short-term profit taking. These include investments, certain purchased loans and derivative contracts that are not designated and effective hedging instruments, and liabilities from short sales of financial instruments. All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as trading assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as trading liabilities.

Originated loans and receivables are loans and receivables created by the Bank providing money to a debtor other than those created with the intention of short-term profit taking. Originated loans and receivables comprise loans and advances to banks and customers other than purchased loans as well as bonds purchased at original issuance.

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the

Bank has the intent and ability to hold to maturity. These include certain purchased loans and advances to banks and customers and certain debt investments.

Available-for-sale assets are financial assets that are not held for trading purposes, originated by the Bank, or held to maturity. Available-for-sale instruments include money market placements and certain debt and equity investments.

(c) Financial instruments, continued

(ii) Recognition

The Bank recognises financial assets held for trading and available-for-sale assets on the value date after it commits to purchase the assets. From this date any gains and losses arising from changes in fair value of the assets are recognised.

Held-to-maturity loans and originated loans and receivables are recognised on the day they are transferred to the Bank.

(iii) Measurement

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition all trading instruments and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, originated loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

(v) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of available-for-sale assets are recognised in the income statement.

Gains and losses arising from a change in the fair value of trading instruments are recognised in the income statement.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with central banks and short-term highly liquid investments with maturities of three months or less when purchased, including treasury bills and other bills eligible for rediscounting with the central bank.

(e) Investments

Investments that the Bank holds for the purpose of short-term profit taking are classified as trading instruments. Debt investments that the Bank has the intent and ability to hold to maturity are classified as held-to-maturity assets. Other investments are classified as available-for-sale assets.

(f) Loans and advances to banks and customers

Loans and advances originated by the Bank are classified as originated loans and receivables. Purchased loans that the Bank has the intent and ability to hold to maturity are classified as held-to-maturity assets. Purchased loans that the Bank does not intend to hold until maturity are classified as available-for-sale instruments.

Loans and advances are reported net of allowances to reflect the estimated recoverable amounts (refer accounting policy j).

(g) Derecognition

A financial asset is derecognised on the value date after the Bank loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

Available-for-sale assets and assets held for trading that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Bank commits to sell the assets. The Bank uses the specific identification method to determine the gain or loss on derecognition.

Held-to-maturity instruments and originated loans and receivables are derecognised on the day they are transferred by the Bank.

(h) Repo agreements

The Bank enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans to either banks or customers. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for either assets held for trading or available-for-sale as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or customers.

(h) Repo agreements, continued

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest.

(i) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

(j) Impairment

The carrying amounts of Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

(i) Originated loans and advances and held-to-maturity loans

The recoverable amount of originated loans and advances and purchased loans that are classified as held-to-maturity, is calculated as the present value of the expected future cash flows, discounted at the instrument's original effective interest rate. Short-term balances are not discounted.

Loans and advances are presented net of specific and general allowances for uncollectibility. Specific allowances are made against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and advances to their recoverable amounts. General allowances are maintained to reduce the carrying amount of portfolios of similar loans and advances to their estimated recoverable amounts at the balance sheet date. The expected cash flows for portfolios of similar assets are estimated based on previous experience and considering the credit rating of the underlying customers and late payments of interest or penalties. Increases in the allowance account are recognised in the income statement. When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off directly.

If in a subsequent period the amount of impairment losses decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through the income statement.

(k) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided on a straight line basis at prescribed rates designed to write-off the cost of the assets over their expected useful lives. The following are approximations of the annual rates used:

Assets	%
Buildings	4
Equipment	30
Hardware	50
Vehicles	25
Other depreciable assets	15

Assets are not depreciated until they are brought into use and transferred from assets in the course of construction into the relevant asset category.

(l) Intangible assets

Other intangible assets, which are acquired by the Bank, are stated at cost less accumulated amortisation and any impairment losses.

Assets	%
Computer software, licenses	50
Other intangible assets	15

Amortisation is calculated on a straight-line basis over the expected useful life of the asset. The annual rates of amortisation are as follows:

(m) Provisions

A provision is recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Taxation

Tax on the profit for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted by the balance sheet date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. NET INTEREST INCOME

In thousands of BGN	2003	2002
Interest and similar income		
Interest and similar income arise from:		
Placements with and loans to banks and other financial institutions	1,523	816
Loans and advances to other customers	10,458	6,212
Financial instruments held for trading	1,878	1,346
	13,859	8,374
Interest expense and similar charges		
Interest expense and similar charges arise from:		
Deposits from banks and other financial institutions	(786)	(679)
Deposits from other customers	(4,303)	(1,802)
	(5,089)	(2,481)
Net interest income	8,770	5,893

The increase in interest income reflects the intensive lending activities of the Bank during 2003 (75% increase in the loan portfolio compared to 2002). The increase in interest expenses is due to the attraction of a significant amount of deposits from other customers (more than 2 times in comparison with prior year).

4. NET FEE AND COMMISSION INCOME

In thousands of BGN	2003	2002
Fee and commission income		
In Bulgarian Leva	944	814
In foreign currencies	555	506
	1,499	1,320
Fee and commission expense		
In Bulgarian Leva	(47)	(80)
In foreign currencies	(25)	(17)
	(72)	(97)
Net fee and commission income	1,427	1,223

5. NET TRADING INCOME

In thousands of BGN	2003	2002
Net trading income arising from:		
Dealing in debt instruments and related derivatives	1,487	789
Gain/(loss) on revaluation of debt instruments and related derivatives	171	(478)
	1,658	311
Net trading income arising from:		
Realised foreign exchange losses	(179)	247
Unrealised foreign exchange gains	1,234	(13)
	1,055	234
Net trading income	2,713	545

6. OTHER OPERATING INCOME

In thousands of BGN	2003	2002
Gain on sale of non-current assets	7	-
Other non-financial services sold	409	129
Other income (net)	1,460	751
Other operating income	1,876	880

Other income includes BGN 1,411 thousand income from the collection of receivables ceded under an agreement with a local bank.

7. GENERAL ADMINISTRATIVE EXPENSES

In thousands of BGN	2003	2002
General and administrative expenses arise from:		
Personnel cost	3,415	2,315
Materials, rent and hired services	5,307	2,932
Depreciation and amortization	935	302
Administration, marketing and other costs	1,492	947
General and administrative expenses	11,149	6,496

Personnel costs include salaries, social and health security contributions and contributions to the unemployment fund under the provisions of the local legislation. As at 31 December 2003 the number of employees working in the Bank is 167.

8. IMPAIRMENT LOSSES

In thousands of BGN	2003	2002
Write downs		
Loans and advances to customers	(1,369)	(1,662)
Reversals	871	-
Net impairment losses	(498)	(1,662)

9. TAXATION

In thousands of BGN	2003	2002
Current taxes	(420)	(99)
Deferred tax expense	(3)	24
Income tax expense	(423)	(75)

Under Bulgarian Law company profits are subject to corporation tax of 23.5%.

9. TAXATION, CONTINUED

Deferred Taxation

Recognised deferred tax assets and liabilities

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 19.5% for 2003 (2002: 23.5%).

Deferred tax assets and liabilities are attributable to the following:

In thousands of BGN	Assets		Liabilities		Net	
	2003	2002	2003	2002	2003	2002
Financial assets held for trading	(2)	(10)	-	-	(2)	(10)
Other liabilities	(19)	(14)	-	-	(19)	(14)
Net tax assets	(21)	(24)	-	-	(21)	(24)

Movement in temporary differences during the year

In thousands of BGN	Balance 1 Jan 2003	Recognised in Income statement	Balance 31 Dec 2003
Financial assets held for trading	(10)	8	(2)
Other liabilities	(14)	(5)	(19)
	(24)	3	(21)

10. CASH AND CASH EQUIVALENTS

In thousands of BGN	2003	2002
Cash on hand		
In Bulgarian Leva	4,733	3,035
In foreign currencies	3,341	1,261
Balances with the Central Bank	41,167	3,951
Current accounts and amounts with local banks with original maturity less than 3 months	39,643	3,336
Current accounts and amounts with foreign banks with original maturity less than 3 months	9,111	26,325
	97,995	37,908
Less allowance for uncollectability	(2)	(2)
	97,993	37,906

The current account with the Bulgarian National Bank is used for direct participation in the money and Treasury bill markets and for settlement purposes.

11. FINANCIAL ASSETS HELD FOR TRADING

In thousands of BGN	2003	2002
Government securities of Republic of Bulgaria		
Middle-term denominated in Bulgarian Leva	29,093	9,254
Long-term denominated in Bulgarian Leva	-	3,772
Long-term denominated in foreign currencies	13,435	270
Foreign securities	9,135	15,920
	51,663	29,216

Government securities comprise Bulgarian securities denominated in BGN, USD and EURO. The BGN denominated securities earn interest between 6% and 9% and the securities in USD and EURO earn between 7 - 8 % in USD, and 7 and 7.5 % in EURO. The securities are stated at market prices quoted on the local market at year end.

Foreign securities held in the Bank's portfolio as at 31 December 2003 include BGN 9,000 thousand corporate stocks and bonds and government securities with good credit rating traded on international stock markets, yielding between 2 and 8%.

12. INVESTMENTS

In thousands of BGN	2003	2002
Equity investments	17	12
Municipality bonds	1,064	-
Compensatory notes	26	-
	1,107	12

13. PLACEMENTS WITH AND LOANS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

In thousands of BGN	2003	2002
Placements with and loans to domestic banks and other financial institutions	15,739	15,737
	15,739	15,737

The placement in local banks represents amount, deposited in a local bank under a contract for insurance of client deposits with the Bank. The deposit is denominated in Bulgarian leva and bears 4% interest. The deposit maturity matches the maturity of the insurance policy and is subject to a renewal. The amount has been secured by a placement of a similar amount by a local bank in an account with the bank for the same term.

14. LOANS AND ADVANCES TO OTHER CUSTOMERS

Analysis by type of borrower

In thousands of BGN	2003	2002
Individuals		
In Bulgarian Leva	1,096	212
In foreign currency	2,294	139
Private companies		
In Bulgarian Leva	56,101	21,606
In foreign currencies	50,832	46,034
State owned companies		
In Bulgarian Leva	13,532	4,374
In foreign currencies	-	94
Total loans and advances to customers	123,855	72,459
Less allowance for uncollectability	(1,427)	(1,874)
	122,428	70,585

Loans to customers earn an average effective interest at the rate of 11%.

15. PROPERTY AND EQUIPMENT

In thousands of BGN	Land and buildings	Equipment	Motor vehicles	Fixtures fittings	Other assets	Intangible assets	Assets in progress	Total
Cost								
At 1 January 2003	144	1,061	316	524	29	285	117	2,476
Additions	3,765	955	349	280	7	218	1,396	6,970
Transfers form/(to) assets in progress	1,086	140	99	30	-	158	(1,513)	-
Disposals	(29)	(65)	(40)	(13)	-	(2)		(149)
Balance at 31 December 2003	4,966	2,091	724	821	36	659	-	9,297
Depreciation								
At 1 January 2003	23	516	119	127	3	100	-	888
Charge for the year	148	465	118	90	6	108		935
Disposals	(4)	(49)	(40)	(5)	-	(2)	-	(100)
Balance at 31 December 2003	167	932	197	212	9	206	-	1,723
Carrying amount								
At 1 January 2003	121	545	197	397	26	185	117	1,588
At 31 December 2003	4,799	1,159	527	609	27	453	-	7,574

16. OTHER ASSETS

In thousands of BGN	2003	2002
Prepayments	17	286
Deferred expense	171	24
Tax receivable	1	58
Other receivables	35	100
	224	468

17. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

In thousands of BGN	2003	2002
In Bulgarian levs	21,546	20,728
In foreign currencies	9,357	10,904
	30,903	31,632

18. DEPOSITS FROM OTHER CUSTOMERS

In thousands of BGN	2003	2002
Individuals		
In Bulgarian Levs	16,286	6,461
In foreign currencies	16,069	15,205
Private companies		
In Bulgarian Levs	34,028	7,929
In foreign currencies	56,879	12,696
State companies		
In Bulgarian Levs	66,249	41,279
In foreign currencies	56,165	17,758
	245,676	101,328

Deposits from other customers bear interest between 1 - 2% for current accounts and between 3 - 5% for term placements.

19. OTHER BORROWINGS

In thousands of BGN	2003	2002
Loans from banks	-	9,504
Finance lease liability	219	102
	219	9,606

20. OTHER LIABILITIES

In thousands of BGN	2003	2002
Tax liabilities	193	54
Advances received	86	24
Other creditors	231	503
Other liabilities	1,127	788
	1,637	1,369

21. CAPITAL AND RESERVES

(a) Number and face value of registered shares as at 31 December 2003

In thousands of BGN	Number of shares	Face value
Ordinary registered voting shares	1,400,000	14,000
	1,400,000	14,000

As at 31 December 2003 the authorised share capital of the Bank is BGN 14,000 thousand, fully paid in. The capital of the Bank comprises 1,400 thousand ordinary shares with a face value of BGN 10 each.

(b) Reserves

Statutory reserves comprise amounts appropriated for purposes defined by the local legislation. Under local statutory legislation, the Bank is required to set aside one fifth of its profit in a statutory reserve until it reaches 1.25 % of the banks' total assets and off-balance-sheet liabilities.

22. COMMITMENTS AND CONTINGENCIES

(a) Memorandum items

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to two years.

The contractual amounts of commitments and contingent liabilities are set out in the following table. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

In thousands of BGN	2003	2002
Bank guarantees and letters of credit		
In Bulgarian Leva	13,195	12,989
In foreign currencies	13,035	10,318
	26,320	23,307

Property, plant and equipment, cash deposits or other assets, pledged in favour of the Bank, secure the guarantees issued.

These commitments and contingent liabilities have off balance-sheet credit risk because only arrangement fees and accruals for probable losses are recognised in the balance sheet until the commitments are fulfilled or expire. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

23. RELATED PARTY TRANSACTIONS

In thousands of BGN			
Related party	Type of relationship	Type of transaction	Outstanding balance 31 December 2003
Victoria ZAD	Common management	Bank guarantees	123
Employees		Loans extended	280
Employees		Overdraft facility	33
Directors		Remuneration	555

24. RISK MANAGEMENT DISCLOSURES

(a) Trading activities

The Bank maintains active trading positions in a limited number of derivatives, mainly short-term forward contracts and non-derivative financial instruments. Most of the Bank's trading activities are customer driven. In anticipation of customer demand, the Bank carries an inventory of capital market instruments and maintains access to market liquidity by trading with other market makers. These activities constitute the proprietary trading business and enable the Bank to provide customers with capital market products at competitive prices. As trading strategies depend on both market-making and proprietary positions, given the relationships between instruments and markets, those are managed in concert to maximise net trading income.

The Bank manages its trading activities by type of risk involved and on the basis of the categories of trading instruments held.

(i) Credit risk

The risk that counterparties to trading instruments might default on their obligations is monitored on an ongoing basis. In monitoring credit risk exposure, consideration is given to trading instruments with a positive fair value and to the volatility of the fair value of trading instruments. To manage the level of credit risk, the Bank deals with counterparties of good credit standing, and when appropriate, obtains collateral.

(ii) Market risk

All trading instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous. The instruments are recognised at fair value, and all changes in market conditions directly affect net trading income.

The Bank manages its use of trading instruments in response to changing market conditions. Exposure to market risk is formally managed in accordance with risk limits set by senior management by buying or selling instruments or entering into offsetting positions. The "Risk measurement and control"

24. RISK MANAGEMENT DISCLOSURES, CONTINUED

(a) Trading activities, continued

(ii) Market risk, continued

section at the end of this note describes the approaches used to manage market risk and provides a quantitative measure of the market risk of the Bank's positions at the balance sheet date.

(b) Non-trading activities

Below is a discussion of the various risks the Bank is exposed to as a result of its non-trading activities and the approach taken to manage those risks.

(i) Liquidity risk

Liquidity risk arises in the general funding of the Bank's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank usually has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, other liabilities evidenced by paper, and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Bank strategy. In addition the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

The following table provides an analysis of the financial assets and liabilities of the Bank into relevant maturity bankings based on the remaining periods to repayment.

24. RISK MANAGEMENT DISCLOSURES, CONTINUED

(b) Non-trading activities, continued

(i) Liquidity risk, continued

Maturity table as at 31 December 2003

In thousands of BGN	Up to 1 month	From 2 to 3 months	From 3 months to 1 year	From 1 to 5 years	Maturity not defined	Total
Assets						
Cash and cash equivalents	97,993	-	-	-	-	97,993
Financial assets held for trading	51,663	-	-	-	-	51,663
Equity investments	1,090	-	-	-	17	1,107
Placements with and loans to banks	15,739	-	-	-	-	15,739
Loans and advances to other customers	6,243	22,920	50,425	41,106	1,734	122,428
Property and equipment	-	-	-	2,774	4,800	7,574
Other assets	224	-	-	-	-	224
	172,952	22,920	50,425	43,880	6,551	296,728
Liabilities						
Deposits from banks	23,127	3,896	2,840	1,040	-	30,903
Deposits from non-financial institutions	75,033	55,633	104,860	10,150	-	245,676
Other borrowings	9	17	74	119	-	219
Other liabilities	1,431	43	113	50	-	1,637
	99,600	59,589	107,887	11,359	-	278,435
Net liquidity gap	73,352	(36,669)	(57,462)	32,521	6,551	18,293

24. RISK MANAGEMENT DISCLOSURES, CONTINUED

(b) Non-trading activities, continued

(i) Liquidity risk, continued

Maturity table as at 31 December 2002

In thousands of BGN	Up to 1 month	From 2 to 3 months	From 3 months to 1 year	From 1 to 5 years	Maturity not defined	Total
Assets						
Cash and cash equivalents	37,906	-	-	-	-	37,906
Financial assets held for trading	29,216	-	-	-	-	29,216
Equity investments	-	-	-	-	12	12
Placements with and loans to banks	15,737	-	-	-	-	15,737
Loans and advances to other customers	4,736	12,458	41,440	11,925	26	70,585
Property and equipment	-	-	-	1,268	320	1,588
Other assets	221	-	247	-	-	468
	87,816	12,458	41,687	13,193	358	155,512
Liabilities						
Deposits from banks	13,779	272	17,581	-	-	31,632
Deposits from non-financial institutions	83,688	4,441	5,887	6,773	539	101,328
Other borrowings	9,504	-	11	91	-	9,606
Other liabilities	1,217	69	62	21	-	1,369
	108,188	4,782	23,541	6,885	539	143,935
Net liquidity gap	(20,372)	7,676	18,146	6,308	(181)	11,577

24. RISK MANAGEMENT DISCLOSURES, CONTINUED

(b) Non-trading activities, continued

(ii) Market risk

Interest rate risk

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities the Bank is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as the savings rate and six months LIBOR and different types of interest. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Bank's business strategies.

Asset-liability risk management activities are conducted in the context of the Bank's sensitivity to interest rate changes. The actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within repricing periods and among currencies.

Currency risk

The Bank is exposed to currency risk through transactions in foreign currencies. It does not make investments in foreign operations.

As a result of the currency Board in place in Bulgaria, the Bulgarian currency is pegged to the Euro. As the currency in which the Bank presents it financial statements is the Bulgarian lev, the Bank's financial statements are effected by movements in the exchange rates between the currencies outside the Euro-zone and the lev.

The Bank's transactional exposures give rise to foreign currency gains and losses that are recognised in the income statement. These exposures comprise the monetary assets and monetary liabilities of the Bank that are not denominated in the measurement currency of the Bank. These exposures were as follows:

24. RISK MANAGEMENT DISCLOSURES, CONTINUED

(b) Non-trading activities, continued

(ii) Market risk, continued

Currency risk, continued

In thousands of BGN	**2003**	**2003**	**2003**
	BGN and Euro	Other foreign currencies	Total
Assets			
Cash and cash equivalents	51,738	46,255	97,993
Financial assets held for trading	50,299	1,364	51,663
Equity investments	1,107	-	1,107
Placements with and loans to banks and other financial institutions	15,739	-	15,739
Loans and advances to other customers	92,237	30,191	122,428
Property and equipment	7,574	-	7,574
Other assets	219	5	224
	218,913	77,815	296,728
Liabilities			
Deposits from banks and other financial institutions	29,487	1,416	30,903
Deposits from other customers	163,542	82,134	245,676
Other borrowings	219	-	219
Other liabilities	725	912	1,637
	193,973	84,462	278,435

In respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Bank ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate.

24. RISK MANAGEMENT DISCLOSURES, CONTINUED

(b) Non-trading activities, continued

Market risk, continued

Currency risk, continued

In thousands of BGN	2002	2002	2002
	BGN and Euro	Other foreign currencies	Total
Assets			
Cash and cash equivalents	26,737	11,169	37,906
Financial assets held for trading	13,293	15,923	29,216
Equity investments	12	-	12
Placements with and loans to banks and other financial institutions	15,737	-	15,737
Loans and advances to other customers	51,398	19,187	70,585
Property and equipment	1,588	-	1,588
Other assets	463	5	468
	109,228	46,284	155,512
Liabilities			
Deposits from banks and other financial institutions	22,756	8,876	31,632
Deposits from other customers	77,826	23,502	101,328
Other borrowings	9,606	-	9,606
Other liabilities	1,200	169	1,369
	111,388	32,547	143,935

24. RISK MANAGEMENT DISCLOSURES, CONTINUED

(b) Non-trading activities, continued

(iii) Credit risk

The Bank is subject to credit risk through its trading, lending, and investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees.

Credit risk associated with trading and investing activities is managed through the Bank's market risk management process.

The risk that counterparties to both derivative and other instruments might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the Bank deals with counterparties of good credit standing.

The Bank's primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. In addition, the Bank is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued - refer note 23.

Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for Banks of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The major concentrations of credit risk arise by location and type of customer in relation to the Bank's investments, loans and advances, commitments to extend credit and guarantees issued.

Total on balance sheet economic sector credit risk concentrations are presented in the table below.

In thousands of BGN	2003	2002
Trade and services	56,384	39,690
Production	32,380	27,172
Construction	14,179	2,672
Agriculture	2,485	1,965
Transport and communications	1,986	510
Other industries	16,441	450
	123,855	72,459
Less allowance for uncollectability	(1,427)	(1,874)
	122,428	70,585

24. RISK MANAGEMENT DISCLOSURES, CONTINUED

(b) Non-trading activities, continued

(iii) Credit risk, continued

The amounts reflected in the tables represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed expected losses, which are included in the allowance for uncollectibility.

The Bank's policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans. All of the balance of outstanding loans is collateralised. Guarantees and letters of credit are also subject to strict credit assessments before being provided. The agreements specify monetary limits to the Bank's obligations.

Collateral for loans, guarantees, and letters of credit is usually in the form of cash, inventory, listed investments, or other property.

The table below shows a breakdown of total credit extended to customers, other than financial institutions, by the Bank by type of collateral:

In thousands of BGN	2003	2002
Secured by mortgages	39,398	5,256
Cash collateral	12,564	8,414
Other collateral	71,893	58,789
Less allowances for uncollectability	(1,427)	(1,874)
	122,428	70,585

(c) Risk measurement and control

Interest rate, currency, equity price, credit, liquidity, and other risks are actively managed by independent risk control Banks to ensure compliance with the Bank's risk limits. The Bank's risk limits are assessed regularly to ensure their appropriateness given the Bank's objectives and strategies and current market conditions. The Bank when measuring the inherent risks with regard to it trading and non-trading positions (including both derivative and non-derivative instruments) uses a variety of techniques.

25. POST BALANCE SHEET EVENTS

Share capital increase

The share capital of the Bank was increased by BGN 6,000 thousand on 10 November 2003 upon a decision of the Board of Directors. Subsequent to the balance sheet date BGN 2,820 thousand were paid in.

There are no other events after the balance sheet date of such a nature that would require either adjustments to or additional disclosures in the financial statements.

Corporate Commercial Bank AD, Sofia

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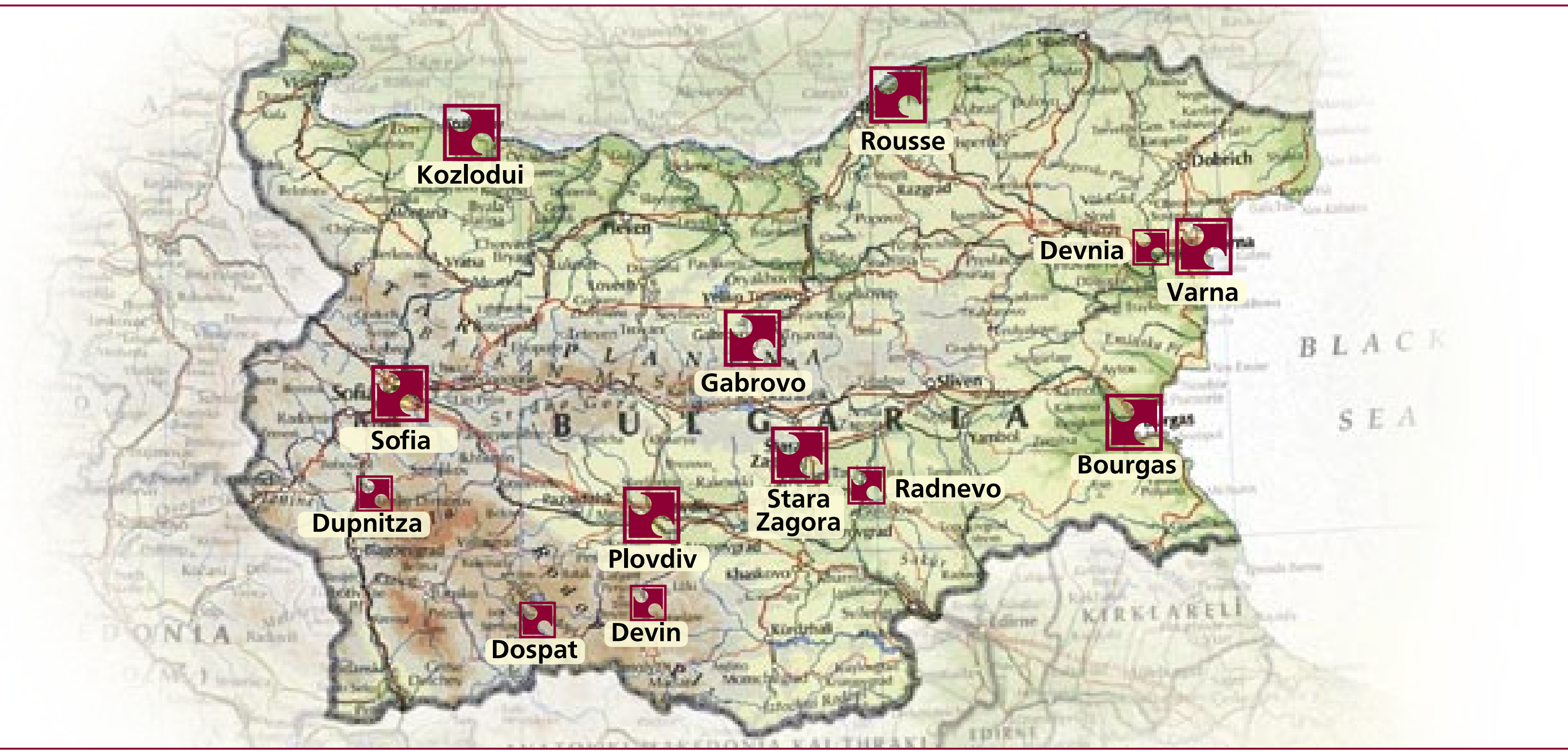

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