CORPORATE
COMMERCIAL BANK AD

ANNUAL REPORT

2004

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We look at things the way You do.
CORPORATE
COMMERCIAL BANK AD
prime purpose
to approach you
as an individual
prime purpose
to approach you
as an individual
prime purpose
to approach you
as an individual
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

Dear shareholders,

I have the honor of submitting to your attention the 2004 Annual Report of Corporate Commercial Bank AD (CCB).

In 2004 Corporate Commercial Bank performance strengthened the previous years' stable results, improved its market image and enhanced its competitiveness. The Bank's profit (after taxation) rose by 55.5 percent to reach BGN 4,223,000, average assets increased by 53.2 percent and total assets came to BGN 359,522,000 by end-2004.

The 2004 growth pertained to the increased borrowed funds from customers to BGN 323,509,000 (26.5 percent), the shareholders' support and significant profit generated from bank transactions. The high profitability attained by the Bank reflects the combination of moderate conservatism, optimal liquidity and alternative income sources while complying with the constraints of supervisory regulators.

The reported financial results are indicative of CCB progressively growing potential in respect of Bank's profitability. The higher profitability is based on a profit generated by the increasing earnings from all major business activities.

To support CCB future growth, in 2004 we invested in the activities of strategic significance for the Bank's business. The successful 2004 performance involved investment in new technologies, in intensive modernization and improvement of bank transactions, a prerequisite for successful development of Corporate Commercial Bank under the dynamic business environment and market challenges.

In 2004 Corporate Commercial Bank became financially more sound, a result of the implemented policy of sustainable and profitable growth persistently backed up over time. The market positions gained and Bank's strengthened reputation reflect the successful combination of dynamic development and high degree of stability and reliability.

The progress made would not have been possible without the contribution of our customers, integrity of business partners, the support of shareholders, the hard work of the Bank's staff. I would like to record my warmest thanks to all of them.

Efficiency improvement remains a Bank's major corporate priority in 2005. We are resolved to continue investing sizably in all industries to maintain the successful Bank's development under the conditions of dynamic economic development.

Our strategy will continue to be aimed at maintaining a high-quality income growth and ensuring significant returns for the shareholders.

Tzvetan Vassilev
Chairman of the Supervisory Board

CCB MAJOR FINANCIAL DATA

Indicator	2004	2003	Change	Growth rate
Performance				
	BGN '000	BGN '000	BGN '000	%
Operational income	28 227	20 608	7 619	37.0
Profit prior taxation	5 264	3 139	2 125	67.7
Taxes	1 041	423	618	146.1
Profit after taxation	4 223	2 716	1 507	55.5
Profit *per* share - BGN	2.11	1.94	0.17	8.8
Balance sheet value *per* share	14.26	13.07	1.19	9.1
Financial ratios				
	%	%	%	
Return on equity	16.41	16.25	0.16	
Return on assets	1.26	1.24	0.02	
Net interest rate margin	4.64	4.51	0.12	
Efficiency ratio	50.79	57.66	-6.86	
Total capital adequacy	13.23	13.31	-0.08	
Primary capital adequacy	13.23	11.18	2.05	
Primary liquidity[1]	14.11	31.59	-17.48	
Secondary liquidity[2]	49.85	47.45	2.40	
Average balance sheet indicators				
	BGN '000	BGN '000	BGN '000	%
Total assets	334 873	218 599	116 274	53.2
Earning assets	296 258	193 324	102 934	53.2
Credits disbursed	152 227	89 284	62 944	70.5
Funds borrowed from customers	291 633	176 465	115 167	65.3
Equity	25 741	16 718	9 023	54.0
Balance sheet indicators as of 31 December				
	BGN '000	BGN '000	BGN '000	%
Total assets	359 522	296 728	62 794	21.2
Earning assets	301 226	199 475	101 750	51.0
Liquid assets	165 018	132 124	32 894	24.9
Credits disbursed	167 083	123 855	43 228	34.9
Provisions for impairment loss on credits	2 104	1 427	677	47.4
Funds borrowed from customers	323 509	255 756	67 753	26.5
Equity	28 516	18 293	10 223	55.9

[1] Share of cash in total borrowed funds.
[2] Share of liquid assets in total borrowed funds.

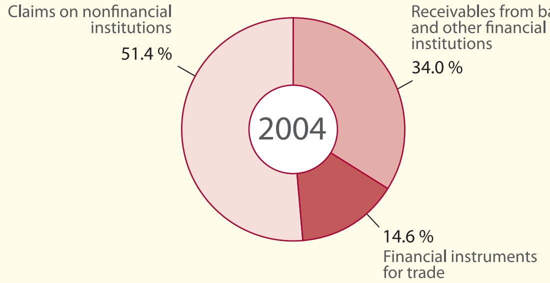
Corporate Commercial Bank Operations throughout 2004

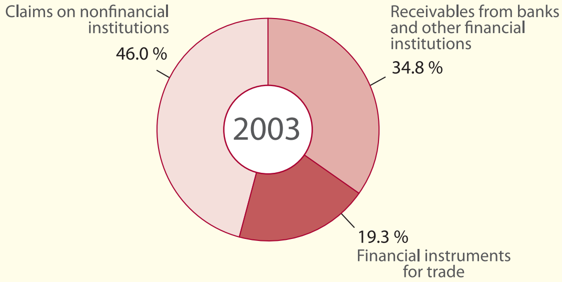
In 2004 Corporate Commercial Bank (CCB) reported a profit (after taxation) of BGN 4,223,000 or BGN 2.11 *per* share. Compared with 2003 the profit rose by 55.5 percent, and the profit *per* share by 8.8 percent. The balance sheet value of a share by end-2004 reached BGN 14.26 against BGN 13.07 by the end of 2003.
In 2004 Corporate Commercial Bank's return on equity was 16.41 percent against 16.25 percent in 2003, and return on average assets accounted for 1.26 percent against 1.24 percent in the previous year.
The high profitability attained over the review year reflects primarily tightened financial discipline, higher efficiency of operations, improved technologies, products and management. In 2004 income grew by 37 percent to BGN 28,227,000 at comparatively slower expenditure growth of 31.4 percent to BGN 22,963,000.

Net Interest Income

Net interest income, increasing progressively in 2004, remained the largest component in total Bank's income. The net interest income absolute amount totaled BGN 13,795,000, an increase of BGN 5,025,000 or 57 percent on 2003. The net interest income includes interest income of BGN 21,744,000 (up BGN 7,885,000 or 56.9 percent on the previous year) and interest expenditure of BGN 7,949,000 (up BGN 2,860,000 or 56.2 percent).
The amount of the net interest income depends directly on the volumes, interest rate levels and the structure of interest assets and liabilities.
The major factor responsible for the higher net interest income in 2004 was the increased CCB average interest assets by BGN 101,274,000 or 56 percent despite the adverse effect of interest rate levels and increased average interest liabilities by BGN 85,797,000 or 44 percent.

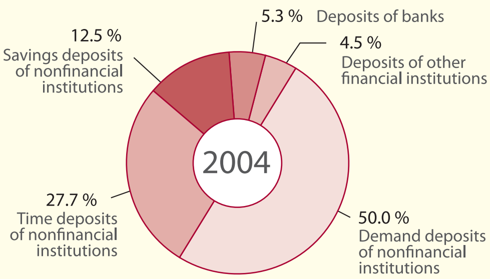
Structure of Average Earning Assets

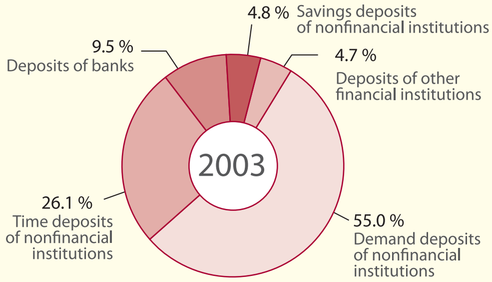




The interest rate margin reached 4.66 percent, rising by 0.15 basis points from 2003. The major factor behind the improved interest profitability was the restructuring of assets and the efficient interest rate risk management.

Structure of Average Interest Liabilities

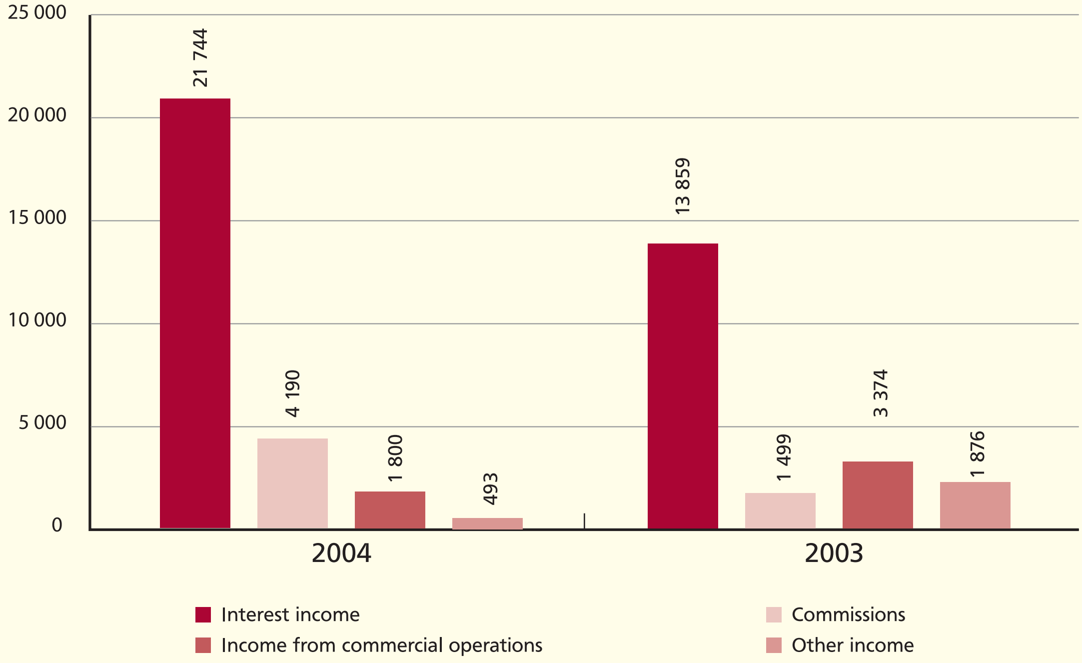




Noninterest Income

The Bank's noninterest income in 2004 totaled BGN 6,483,000, down 3.9 percent on 2003, accounting for 23 percent of total income.
This decline was attributable to limited investment for sale levelled off by the higher quality and volume of customer service which brought about almost a double rise in income from fees and commissions: BGN 4,190,000 or 64.6 percent of noninterest income against 22.2 percent in 2003.

Operational Income

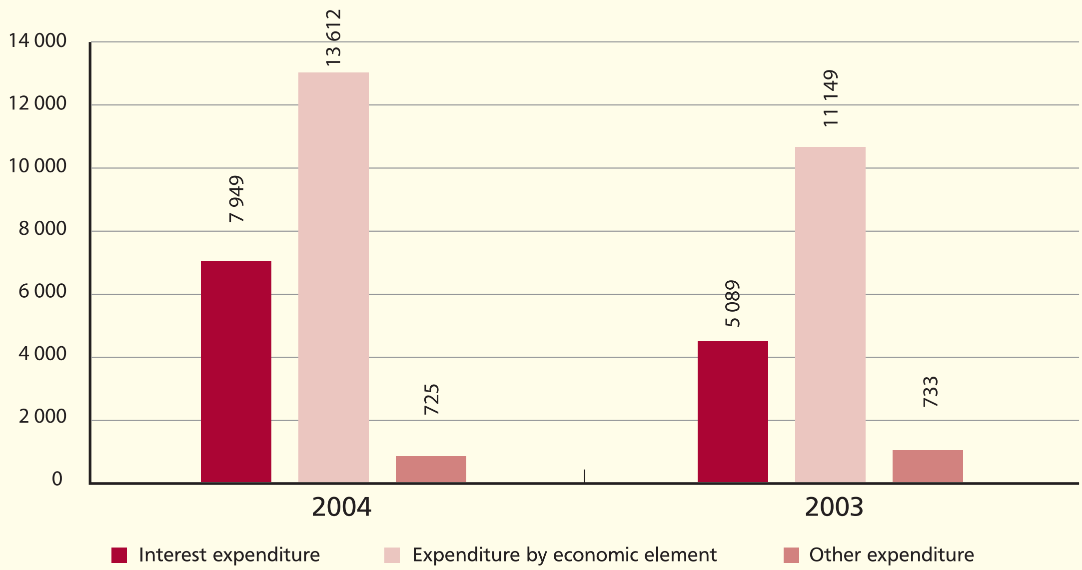


Noninterest Expenditure

CCB noninterest expenditure went up by BGN 2,455,000 or by 20.7 percent on 2003 to reach BGN 14,337,000. Administrative expenditure, matching its previous year's level, accounted for the bulk of noninterest expenditure (94.9 percent).
Most of the reported growth of administrative expenditure had a strategic nature and was invested for introduction of new products, development of the systems, marketing and sale centers.
Other noninterest expenditure associated with Bank's commercial operations, as well as fees and commissions on operations comprised an insignificant share.
Control over noninterest expenditure remained a priority for the Bank's management during 2004. As a result the efficiency ratio measuring the share of noninterest expenditure in total CCB income went down by 6.9 percentage points and reached the optimal limit of 50.8 percent.

As a result of CCB business expansion and correspondingly recruitment of the required staff, staff expenditure rose by BGN 1,446,000 or 42.3 percent and came up to BGN 4,861,000. Concurrently, costs on consumables, rents and services posted a decrease of BGN 413,000 or 7.8 percent to reach BGN 4,894,000. This resulted in leveling off the two groups of costs, each accounting for 36 percent of CCB administrative expenditure.
Depreciation costs increased by BGN 465,000 in absolute terms and by 1.9 percentage points in relative terms totaling BGN 1,400,000 or 10.3 percent of total administrative expenditure. The reported growth was mostly ascribable to a 44.4 percent increase in the reporting value of fixed assets which came up to BGN 13,429,000.
The increase in other administrative costs (by BGN 965,000) to BGN 2,457,000 reflected both the marketing expansion throughout 2004 and higher premium contributions to the Deposit Insurance Fund, consistent with the increase in borrowed funds.

Operational Expenditure



Credit Portfolio

Over 2004 CCB credit portfolio posted an absolute increase of BGN 43,228,000 to reach BGN 167,083,000. The growth rate of extended loans slowed by almost two times (34.9 percent) compared with 2003, accounting for 45.9 percent of total assets. Net loans, less the specific provisions for impairment loss, worth BGN 2,104,000, amounted to BGN 164,979,000.
The increase in Bank's credit portfolio pertained to trade credits disbursed. By end-2004 these loans totaled BGN 159,664,000, up BGN 45,976,000 or 40.4 percent. Commercial credits made up 95.6 percent of CCB credit portfolio, posting a 3.8 percentage point growth on end-2003.
The reported results conforms with the adopted strategy of moderate credit portfolio growth aimed at efficient bank risks management and provision of an adequate capital cover.
In 2004 the high quality of the Bank's credit portfolio was sustained consistent with the efficient credit risk management by developing the systems for identifying, measuring, monitoring and control. By 31 December 2004 past due loans made up 0.17 percent of the portfolio and the share of classified loans, being an object of potential risk, exhibited a double decline (3.2 percent) compared with the previous year.
By the close of the reporting year allocated specific provisions for impairment loss totaled 2,104,000, comprising 1.3 percent of the credit portfolio total volume.

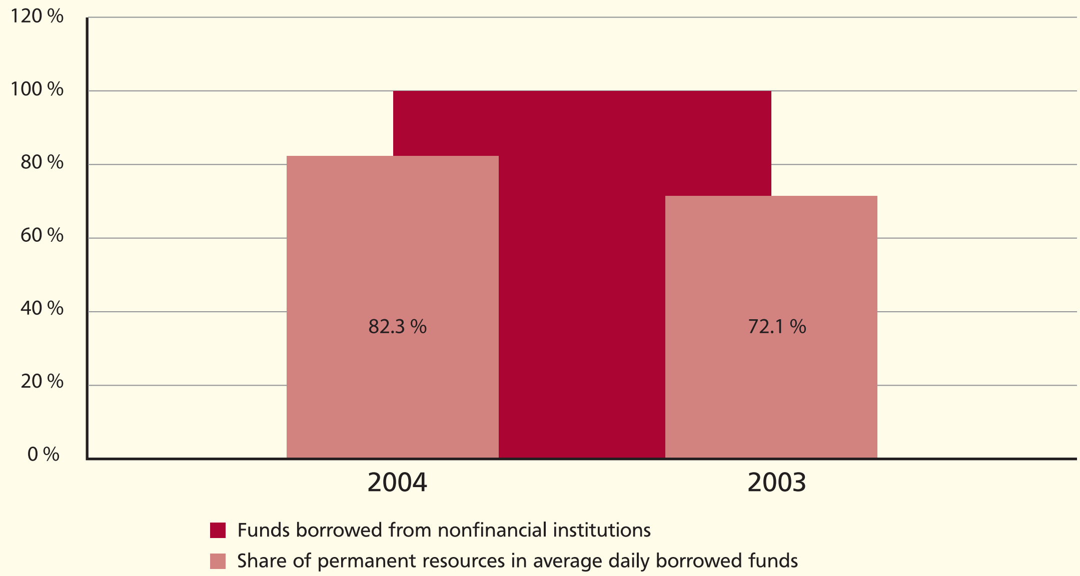
Securities

By 31 December 2004 the Bank's securities portfolio totaled BGN 25,275,000 accounting for 7 percent of assets. The securities management is a part of overall management of assets and liabilities intended to improve profitability and to ensure adequate liquidity. The securities portfolio included primarily securities for trade: medium- and long-term government securities issued by the Bulgarian government comprised 84.4 percent, foreign securities with high credit rating, 12.2 percent and other securities, 3.4 percent.
As a result of efficient securities portfolio management income earned from it approximated 6.8 percent in 2004.

Borrowed Funds

Over 2004 the sustainable growth of borrowed funds continued reaching 329,398,000 by year-end. The reported growth of BGN 52,600,000 (19 percent) on 2003 was entirely attributable to the increase in primary depositor (customer) funds by 26.5 percent to BGN 323,190,000, which offset the fall of BGN 15,154,000 (72 percent) in funds borrowed from banks. Nonfinancial institutions sustained their dominating share (95 percent) in borrowed funds from primary depositors, posting a rise by BGN 61,327,000 or 25 percent. Savings deposits, exhibiting almost a three-fold increase to BGN 62,664,000, accounted for the largest share (66 percent) in the reported increase of borrowed funds from nonfinancial institutions, followed by other demand deposits comprising 42.6 percent of the increase, worth BGN 151,606,000.
The Bank's long-term strategy aimed at strengthening the stability of borrowed funds at optimal price was successfully implemented during 2004. The permanent funds borrowed from nonfinancial institutions[3] maintained throughout the year went up by ten percentage points to 82.3 percent of the average amount of borrowed funds from primary depositors.

Share of Permanent Resources in Average Daily Borrowed Funds



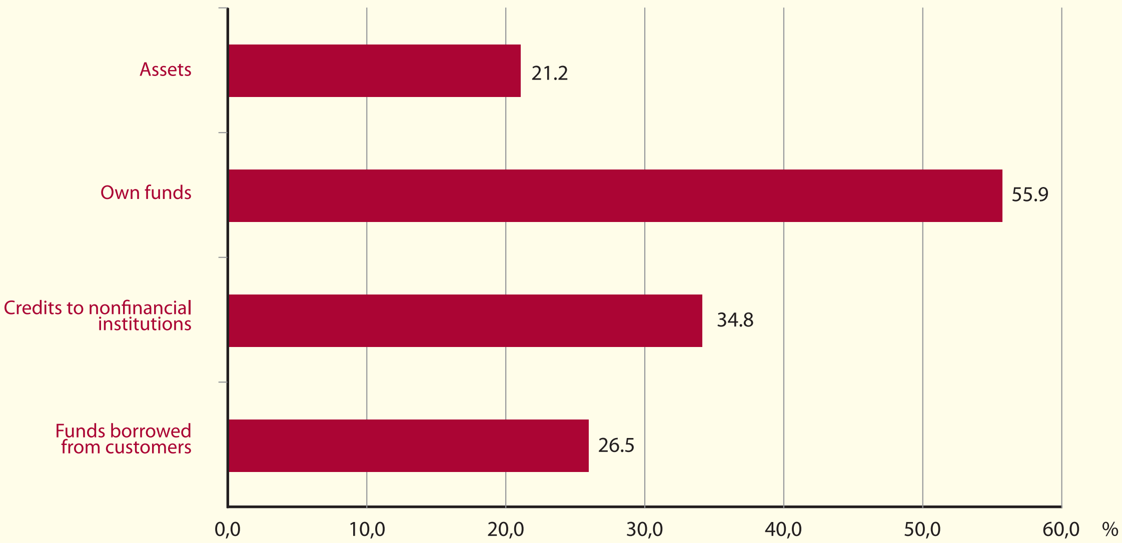
In 2004 the product lines and services have been expanded and developed in order to provide more opportunities and better alternatives for our customers.
Prompt, high-quality and efficient customer service led to a growth in the number of Bank's customers by 37.7 percent: from 24,635 in early year to 33,921 by 31 December 2004.

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

Capital and Reserves

Over the reporting period the Bank continued to actively manage its capital position by employing various tools: issue of shares, changes in the amount and structure of the balance-sheet and risk-weighted assets, the implemented dividend policy and retention of profits.
By 31 December 2004 the Bank's own funds totaled BGN 28,516,000, including equity of BGN 20,000,000, reserves of BGN 4,293,000 and retained profit for 2004 of BGN 4,223,000. The increase of BGN 10,223,000 or 55.9 percent from end-2003 was a result of the subscribed and fully paid-in shareholder capital, worth BGN 6,000,000 and retained profit for 2004 of BGN 4,223,000.
To accomplish its strategic goal of maintaining the capital ratios higher than the required regulatory ratios, CCB oversees daily transactions, the quality of risk assets and attained profitability. By 31 December 2004 the Bank's total capital adequacy ratio was 13.23 percent against the minimum statutory required ratio of 12 percent.

Growth of Major Balance Sheet Indicators in 2004



Other Activities

Understanding, identifying and minimizing risks were the major factors behind the successful Corporate Commercial Bank management. Major risks, subject to daily management involve, credit, market, liquidity, operational, strategic and reputation risks. Control over and monitoring of these risks is realized by policies, procedures, training and various levels of management oversight. Consistent, centralized and independent control measures enforced by the Bank in 2004 helped maintain risk exposures within adopted admissible risk limits.
During the reporting year CCB performance followed the model of previous years' positive results aimed at a profitable, sustainable growth and progressively increasing market share. In 2005 the Bank will continue investing in its future pursuing its major strategic goals: business expansion and provision of technologically-backed services intended to meet the customers' demands.

Corporate Commercial Bank AD

Financial Statements for the year ended 31 December 2004 with independent auditor's report thereon

Report of the independent auditor to the shareholders of Corporate Commercial Bank AD

Sofia, 31 March 2005

We have audited the accompanying balance sheet of Corporate Commercial Bank AD ("the Bank") as of 31 December 2004 and the related statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

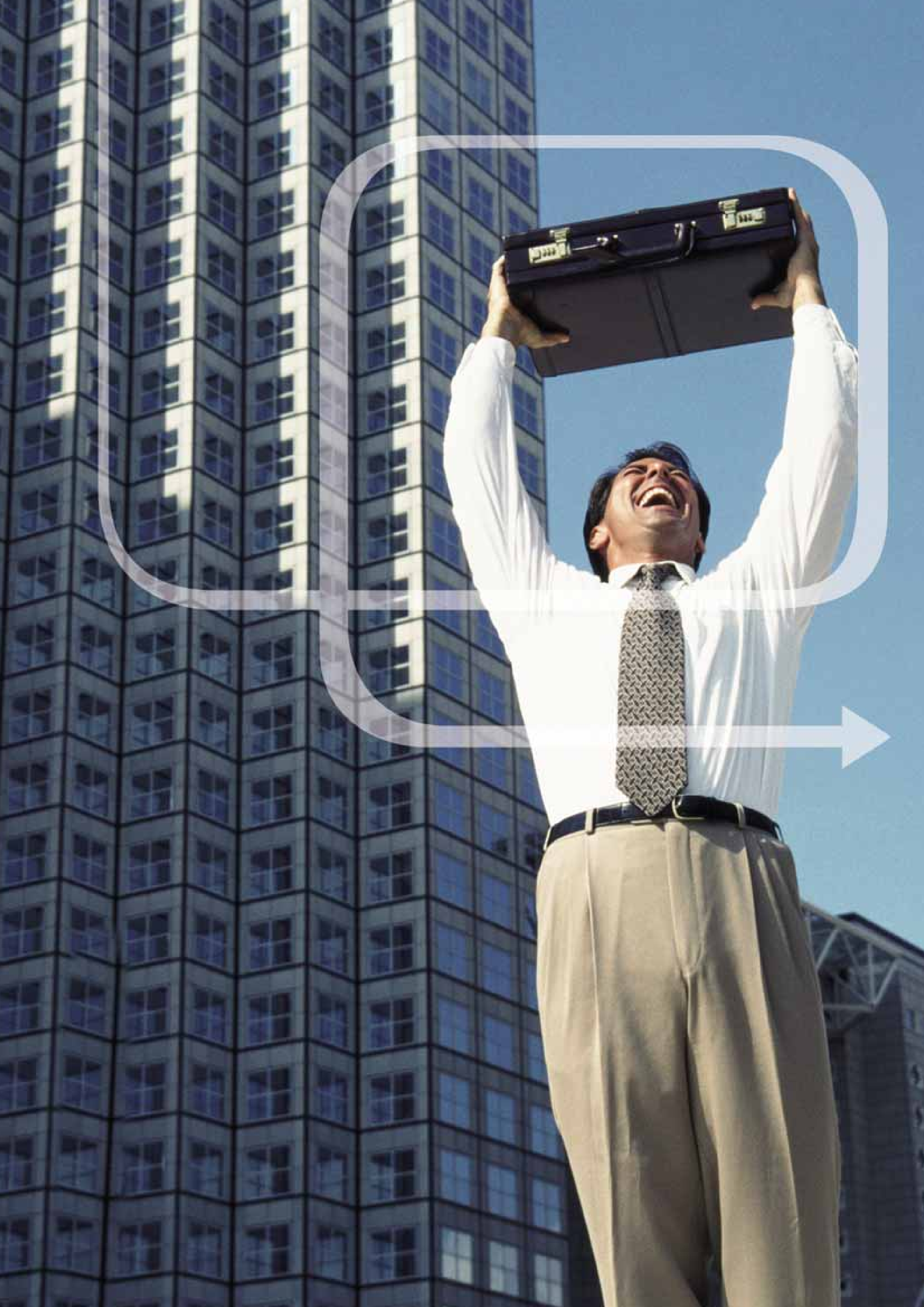
We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting 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 2004, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Krassimir Hadjivinev
Partner
Authorized representative

KPMG Bulgaria OOD
37 Fridtjof Nansen Str.
1142 Sofia
Bulgaria

Margarita Goleva
Registered auditor



My problem lies in reconciling my gross habits with my net income.

/Errol Flynn/

Income statement

For the year ended 31 December 2004

In thousands of BGN	Note	2004	2003
Interest and similar income		21,744	13,859
Interest expense and similar charges		(7,949)	(5,089)
Net interest income	3	**13,795**	**8,770**
Fee and commission income		4,190	1,499
Fee and commission expense		(218)	(72)
Net fee and commission income	4	**3,972**	**1,427**
Net trading income	5	1,436	2,713
Other operating income (net)	6	350	1,876
Total income from banking operations		**19,553**	**14,786**
General administrative expenses	7	(13,612)	(11,149)
Impairment losses	8	(677)	(498)
Profit/(loss) before tax		**5,264**	**3,139**
Income tax expense	9	(1,041)	(423)
Profit/(loss) after tax		**4,223**	**2,716**

The income statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 31.

Iliyan Zafirov
Executive Director

Orlin Roussev
Executive Director

Luybomir Vessov
Executive Director

KPMG Bulgaria OOD

Krassimir Hadjidinev
Partner
Authorized representative

Margarita Goleva
Registered auditor

Balance sheet

As at 31 December 2004

In thousands of BGN	Note	2004	2003
ASSETS			
Cash and cash equivalents	10	158,288	97,993
Financial assets held for trading	11	24,438	51,663
Investments	12	837	1,107
Placements with and loans to banks and other financial institutions	13	-	15,739
Loans and advances to other customers	14	164,979	122,428
Property, equipment and intangible assets	15	10,443	7,574
Other assets	16	537	224
Total Assets		**359,522**	**296,728**
LIABILITIES			
Deposits from banks and other financial institutions	17	22,075	30,903
Deposits from other customers	18	307,003	245,676
Other borrowings	19	320	219
Other liabilities	20	1,608	1,637
Tot al Liabilities		**331,006**	**278,435**
Shareholders' equity			
Issued share capital	21	20,000	14,000
Reserves	21	8,516	4 ,293
Total shareholders' equity		**28,516**	**18,293**
Total lia bilities and shareholders' equity		**359,522**	**296,728**

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 31.

Iliyan Zafirov
Executive Director

Orlin Roussev
Executive Director

Luybomir Vessov
Executive Director

КОРПОРАТИВНА ТЪРГОВСКА БАНКА АД
СОФИЯ
CORPORATE COMMERCIAL BANK AD

KPMG Bulgaria OOD

Krassimir Hadjidinev
Partner
Authorized representative

София
Рег. №045
"КПМГ - България" ООД

Margarita Goleva
Registered auditor

0202 Маргарита Голева
Регистриран одитор

Statement of cash flows

For the year ended 31 December 2004

In thousands of BGN	Note	2004	2003
Operating activities			
Profit after taxation		4,223	2,716
Adjustments for non-cash items			
Increase in impairment allowances		677	498
Depreciation and amortisation		1,399	935
(Profit)/Loss on disposal of non-current assets		143	(7)
Unrealised (gains) from dealing securities		(253)	(171)
Tax expense		1,041	423
		7,230	4,394
Changes in operating assets			
(Increase)/decrease in financial instruments held for trading		27,478	(22,276)
(Increase)/decrease in placements with and loans to banks		15,739	(2)
(Increase) in loans to customers		(43,228)	(52,364)
(Increase)/decrease in other assets		(313)	244
		(324)	(74,398)
Changes in operating liabilities			
(Decrease) in deposits from banks		(8,828)	(729)
Increase in amounts owed to other depositors		61,327	144,348
Decrease in other borrowings		-	(9,387)
Decrease in other liabilities		(538)	(73)
Income taxes paid		(532)	(82)
		51,429	134,077
Cash flows from operating activities		**58,335**	**64,073**
Investing activities			
Acquisition of non-current assets		(4,267)	(2,994)
Sale of non-current assets		141	56
Sale/(purchase) of investments		270	(1,095)
Cash flows from investing activities		**(3,856)**	**(4,033)**
Financing activities			
Proceeds from issuance of share capital		6,000	200
Payment of finance lease liabilities		(184)	(153)
Cash flows from financing activities		**5,816**	**47**

Statement of cash flows, continued

For the year ended 31 December 2004

In thousands of BGN	Note	2004	2003
Net increase in cash and cash equivalents		60,295	60,087
Cash and cash equivalents at 1 January		97,993	37,906
Cash and cash equivalents at 31 December	10	**158,288**	**97,993**

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 31.

КОРПОРАТИВНА ТЪРГОВСКА БАНКА АД
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Krassimir Hadjidinev
Partner
Authorized representative

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. №045
"КПМГ - България" ООД

Margarita Goleva
Registered auditor

0202 Маргарита Голева
Регистриран одитор

No woman can be too rich or too thin.

/The Duchess of Windsor/

Statement of changes in equity

For the year ended 31 December 2004

In thousands of BGN	Share capital	Statutory reserves	Retained earnings	Other reserves	Total
Balance at 1 January 2003	**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**
Issue of share capital	6,000	-	-	-	6,000
Appropriations to statutory reserve	-	2,716	(2,716)	-	-
Net profit for the year ended 31 December 2004	-	-	4,223	-	4,223
Balance at 31 December 2004	**20,000**	**4,158**	**4,223**	**135**	**28,516**

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 14 to 31.

The financial statements have been approved by the Executive Directors on 31 March 2005.

Iliyan Zafirov
Executive Director

Orlin Roussev
Executive Director

Luybomir Vessov
Executive Director

KPMG Bulgaria OOD

Krassimir Hadjidinev
Partner
Authorized representative

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. Recognized 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 amortized 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 recognized 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 amortization 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 recognized 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.

(ii) Recognition
The Bank recognizes 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 recognized.
Held-to-maturity loans and originated loans and receivables are recognized 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 amortized cost less impairment losses. Amortized 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 amortized based on the effective interest rate of the instrument.

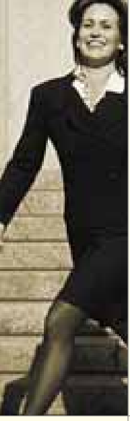
(iv) Fair value measurement principles
The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or 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.

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

Asset	%
• Computer software, licenses	50
• Other intangible assets	15

(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	**2004**	**2003**
Interest and similar income		
Interest and similar income arise from:		
Placements with and loans to banks and other financial institutions	1,815	1,523
Loans and advances to other customers	17,759	10,458
Financial instruments held for trading	2,170	1,878
	21,744	13,859
Interest expense and similar charges		
Interest expense and similar charges arise from:		
Deposits from banks and other financial institutions	(380)	(786)
Deposits from other customers	(7,569)	(4,303)
	(7,949)	(5,089)
Net interest income	**13,795**	**8,770**

4. NET FEE AND COMMISSION INCOME

In thousands of BGN	2004	2003
Fee and commission income		
In Bulgarian Leva	1,763	944
In foreign currencies	2,427	555
	4,190	1,499
Fee and commission expense		
In Bulgarian Leva	(135)	(47)
In foreign currencies	(83)	(25)
	(218)	(72)
Net fee and commission income	**3,972**	**1,427**

5. NET TRADING INCOME

In thousands of BGN	2004	2003
Net trading income arising from:		
Dealing in debt instruments and related derivatives	567	1,487
Gain/(loss) on revaluation of debt instruments and related derivatives	253	171
	820	1,658
Net trading income arising from:		
Realised foreign exchange gains/(losses)	202	(179)
Unrealised foreign exchange gains	414	1,234
	616	1,055
Net trading income	**1,436**	**2,713**

6. OTHER OPERATING INCOME

In thousands of BGN	2004	2003
Gain/(loss) on sale of non-current assets	(143)	7
Other non-financial services sold	405	409
Other income (net)	88	1,460
Other operating income	**350**	**1,876**

7. GENERAL ADMINISTRATIVE EXPENSES

In thousands of BGN	2004	2003
General and administrative expenses arise from:		
Personnel cost	4,861	3,415
Materials, rent and hired services	5,101	5,307
Depreciation and amortization	1,399	935
Administration, marketing and other costs	2,251	1,492
General and administrative expenses	**13,612**	**11,149**

Personnel costs include salaries, social and health security under the provisions of the local legislation. As at 31 December 2004 the number of employees working in the Bank is 196.

8. IMPAIRMENT LOSSES

In thousands of BGN	2004	2003
Increase		
Loans and advances to customers	(1,688)	(1,369)
Reversals	1,011	871
Net impairment losses	**(677)**	**(498)**

9. TAXATION

Income tax expense

In thousands of BGN	2004	2003
Current tax	1,037	420
Deferred tax expense	4	3
Income tax expense	**1,041**	**423**

Under Bulgarian law company profits are subject to corporate tax of 19.5%.

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 2004 and 15% for 2005.
Deferred tax assets and liabilities are attributable to the following:

In thousands of BGN	Assets		Liabilities		Net	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
Financial assets held for trading	-	(2)	-	-	-	(2)
Other liabilities	(17)	(19)	-	-	(17)	(19)
Net tax assets	**(17)**	**(21)**	**-**	**-**	**(17)**	**(21)**

Movement in temporary differences during the year

In thousands of BGN	Balance 1 Jan 2004	Recognised in Income statement	Balance 31 Dec 2004
Financial assets held for trading	(2)	2	-
Other liabilities	(19)	2	(17)
	(21)	**4**	**(17)**

10. CASH AND CASH EQUIVALENTS

In thousands of BGN	2004	2003
Cash on hand		
In Bulgarian Leva	5,012	4,733
In foreign currencies	2,942	3,341
Balances with the Central Bank	38,753	41,167
Current accounts and amounts with local banks with original maturity less than 3 months	11,939	39,643
Current accounts and amounts with foreign banks with original maturity less than 3 months	99,644	9,111
	158,290	97,995
Less allowance for uncollectability	(2)	(2)
	158,288	**97,993**

The current account with the Bulgarian National Bank is used for direct participation in the money and Treasury bill markets and for settlement purposes. It includes also the minimum required reserves maintained in the BNB.
For the purposes of Cash flow statement cash and cash equivalents include cash balances on hand, current account with the BNB, other current accounts and deposit accounts with maturity less than 3 months.

11. FINANCIAL ASSETS HELD FOR TRADING

In thousands of BGN	2004	2003
Government securities of Republic of Bulgaria		
middle-term denominated in Bulgarian Leva	15,623	29,093
long-term denominated in Bulgarian Leva	3,565	-
long-term denominated in foreign currencies	2,142	13,435
Foreign securities		
denominated in Bulgarian Leva	3,108	-
denominated in foreign currencies	-	9,135
	24,438	**51,663**

Government securities comprise Bulgarian securities denominated in BGN and EURO. The BGN denominated securities earn interest of 4.75% and the EURO denominated securities - 5.75%. 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 2004 include securities, issued in BGN by a foreign financial institution and yielding at 4.875%.

12. INVESTMENTS

In thousands of BGN	2004	2003
Equity investments	39	17
Municipality bonds	798	1,064
Compensatory notes	-	26
	837	**1,107**

Equity investments comprise shares in local and foreign companies and organizations related to the Bank's membership in bank transfer and settlement institutions. The investments classified as equity investments are stated at cost, as they do not have quoted market prices in an active market.

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

In thousands of BGN	2004	2003
Placements with and loans to domestic banks and other financial institutions	-	15,739
	-	**15,739**

Cash restricted in 2003 with a local bank with respect to a contract for insurance of customer's deposits with Corporate Commercial Bank AD, has been released in 2004 as a result of the termination of the insurance policy.

14. LOANS AND ADVANCES TO OTHER CUSTOMERS

Analysis by type of borrower

In thousands of BGN	2004	2003
Individuals		
In Bulgarian Leva	2,316	1,096
In foreign currency	675	2,294
Private companies		
In Bulgarian Leva	62,853	56,101
In foreign currencies	93,023	50,832
State owned companies		
In Bulgarian Leva	8,216	13,532
In foreign currencies	-	-
Total loans and advances to customers	167,083	123,855
Less allowance for uncollectability	(2,104)	(1,427)
	164,979	**122,428**

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

15. PROPERTY, EQUIPMENT AND INTANGIBLE ASSTES

In thousands of BGN	Land and buildings	Equipment	Motor vehicles	Fixtures and fittings	Other assets	Intangible assets	Assets in progress	Total
Cost								
At 1 January 2004	4,966	2,091	724	821	36	659	-	9,297
Additions	305	759	350	123	-	146	3,382	5,065
Transfers form/(to) assets in progress	3,264	56	-	62	-	-	(3,382)	-
Disposals	(773)	(50)	(62)	(4)	-	(44)	-	(933)
Balance at 31 December 2004	7,762	2,856	1,012	1,002	36	761	-	13,429
Depreciation								
At 1 January 2004	167	932	197	212	9	206	-	1,723
Charge for the year	220	709	200	127	5	138	-	1,399
Disposals	(12)	(50)	(52)	(4)	-	(18)	-	(136)
Balance at 31 December 2004	375	1,591	345	335	14	326	-	2,986
Carrying amount								
At 1 January 2004	4,799	1,159	527	609	27	453	-	7,574
At 31 December 2004	7,387	1,265	667	667	22	435	-	10,443

16. OTHER ASSETS

In thousands of BGN	2004	2003
Prepayments	61	17
Deferred expenses	258	171
Tax receivable	-	1
Other receivables	218	35
	537	**224**

17. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

In thousands of BGN	2004	2003
In Bulgarian leva	9,001	21,546
In foreign currencies	13,074	9,357
	22,075	**30,903**

18. DEPOSITS FROM OTHER CUSTOMERS

In thousands of BGN	2004	2003
Individuals		
In Bulgarian Leva	47,268	16,286
In foreign currencies	32,455	16,069
Private companies		
In Bulgarian Leva	33,344	34,028
In foreign currencies	21,602	56,879
State companies		
In Bulgarian Leva	70,479	66,249
In foreign currencies	101,855	56,165
	307,003	**245,676**

Deposits from other customers bear interest between 1% and 2% for current accounts and between 4 % and 5% for term placements.

19. OTHER BORROWINGS

In thousands of BGN	2004	2003
Finance lease liability	320	219
	320	**219**

20. OTHER LIABILITIES

In thousands of BGN	2004	2003
Tax liabilities	94	193
Advances received	58	86
Other creditors	242	231
Other liabilities	1,214	1,127
	1,608	**1,637**

21. CAPITAL AND RESERVES

(a) Number and face value of registered shares as at 31 December 2004

In thousands of BGN	Number of ares	Face value
Ordinary registered voting shares	2,000,000	20,000
	2,000,000	**20,000**

As of 31 December 2004 the authorised share capital of the Bank is BGN 20,000 thousand, fully paid in. The capital of the Bank comprises 2,000 thousand ordinary shares with a face value of BGN 10 each. In 2004, as a result of Management board decision dated 10 November 2003, the share capital of Corporate Commercial Bank AD is increased by BGN 6,000 thousands.

(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 one 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 recognized 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	24,619	13,195
In foreign currencies	23,829	13,035
	48,448	**26,230**

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 recognized 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 2004
Victoria ZAD	Common management	Bank guarantees	266
		Term deposits received	1,021
		Demand accounts	276
		Interests paid	120
Dar 02 OOD	Controlling interest	Demand accounts	20
		Bank guarantees	1
KV Real OOD	Common management	Loans extended	648
		Demand accounts	1
Fina-S	Common management	Demand accounts	1,288
Employees		Loans extended	407
		Overdraft facility	17
		Term deposits received	640
Administrators		Loans extended	201
		Overdraft facility	2
		Term deposits and demand accounts	10,188
Directors		Remuneration	820

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 maximize 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 recognized 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" 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 rankings 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 2004

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	158,288	-	-	-	-	158,288
Financial assets held for trading	24,438	-	-	-	-	24,438
Equity investments	-	-	798	-	39	837
Placements with and loans to banks	-	-	-	-	-	0
Loans and advances to other customers	4,657	11,528	77,651	70,042	1,101	164,979
Property and equipment	-	-	-	3,056	7,387	10,443
Other assets	279		258			537
	187,662	11,528	78,707	73,098	8,527	359,522
Liabilities						
Deposits from banks	9,163	2,098	4,456	5,826	532	22,075
Deposits from non-financial institutions	245,398	18,169	34,277	7,247	1,912	307,003
Other borrowings	-	-	-	320	-	320
Other liabilities	1,472	-	136	-	-	1,608
	256,033	20,267	38,869	13,393	2,444	331,006
Net liquidity gap	**(68,371)**	**(8,739)**	**39,838**	**59,705**	**6,083**	**28,516**

24. RISK MANAGEMENT DISCLOSURES, CONTINUED

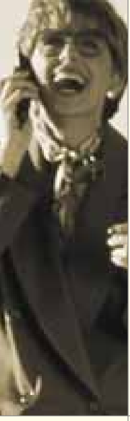
B. Non-trading activities, continued

(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

(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 optimizing 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 recognized 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:

In thousands of BGN	2004	2004	2004
	BGN and Euro	Other foreign currencies	Total
Assets			
Cash and cash equivalents	40,020	118,268	158,288
Financial assets held for trading	22,296	2,142	24,438
Equity investments	834	3	837
Placements with and loans to banks and other financial institutions	-	-	-
Loans and advances to other customers	72,715	92,264	164,979
Property and equipment	10,443		10,443
Other assets	435	102	537
	146,743	212,779	359,522
Liabilities			
Deposits from banks and other financial institutions	9,001	13,074	22,075
Deposits from other customers	151,091	155,912	307,003
Other borrowings	320		320
Other liabilities	380	1,228	1,608
	160,792	170,214	331,006

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

(iii) 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

(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	2004	2003
Trade and services	64,318	56,384
Production	59,738	32,380
Construction	22,803	14,179
Agriculture	2,615	2,485
Transport and communications	2,987	1,986
Other industries	14,622	16,441
	167,083	123,855
Less allowance for uncollectability	(2,104)	(1,427)
	164,979	122,428

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	2004	2003
Secured by mortgages	17,403	39,398
Cash collateral	21,885	12,564
Other collateral	108,231	71,893
Without collateral	19,564	-
Less allowances for uncollectability	(2,104)	(1,427)
	164,979	122,428

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

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

Money isn,t everything: usually it isn,t even enough.

/Anonymous/

Corporate Commercial Bank AD, Sofia

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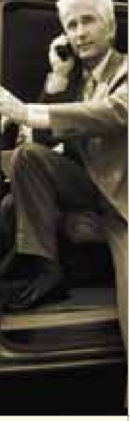

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