Annual Report 2007

FIRST INVESTMENT BANK

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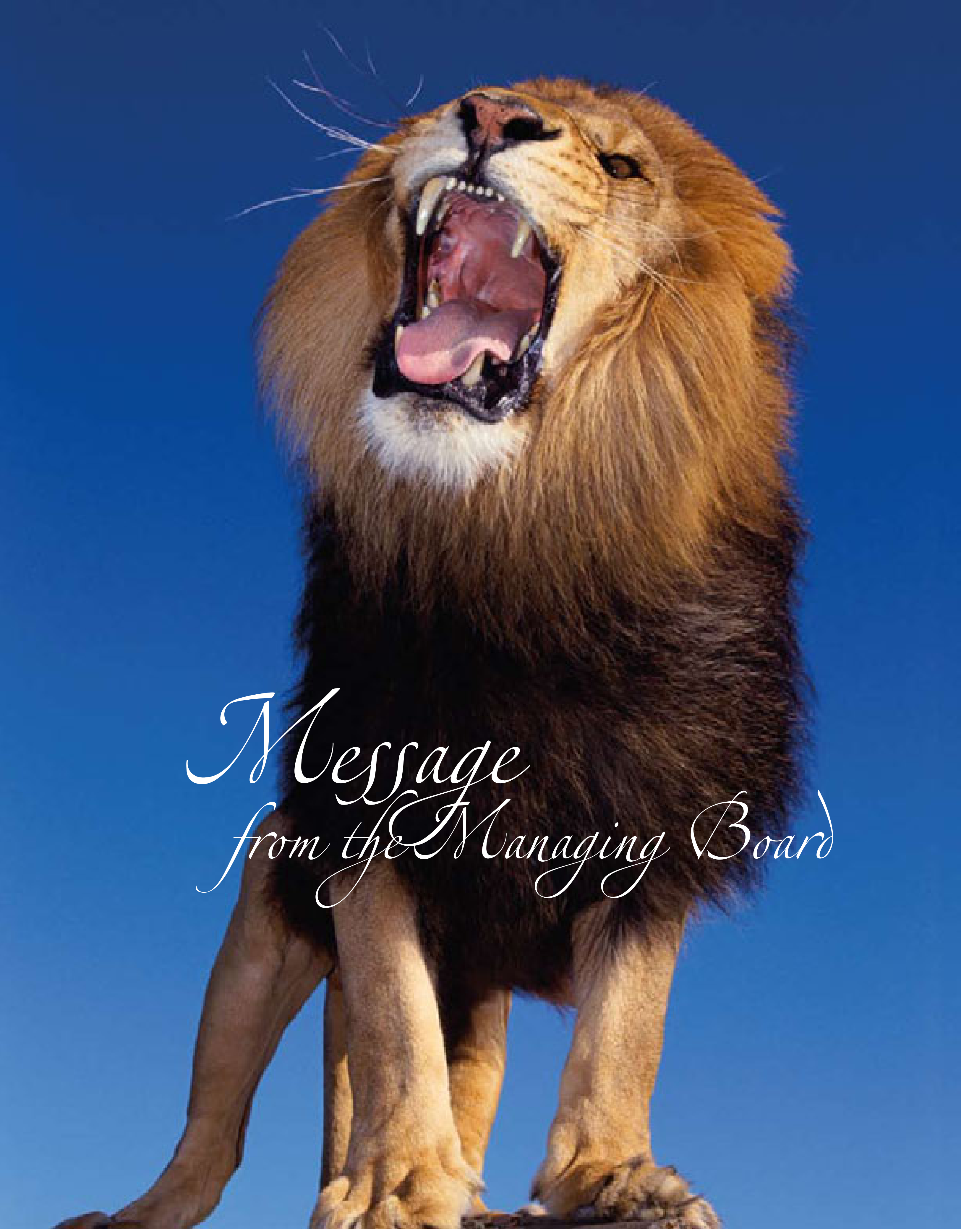


Message from the Managing Board

Dear shareholders, clients and colleagues,

To us 2007 was a year of pivotal projects and major challenges related to the integration of the Bulgarian banking sector into the common European financial market and to the strengthening of First Investment Bank's leading position among Bulgaria's credit institutions. Against the backdrop of banking sector integration and intense competition First Investment Bank achieved excellent financial results, asserted its reputation as a modern and flexible bank and invested energy and resources in new technological projects, thus laying a solid foundation for its future growth.

We are proud that in 2007 First Investment Bank performed the largest initial public offering (IPO) of a bank at the Bulgarian Stock Exchange. The oversubscription was 5.97 times and FIBank raised BGN 107 million of share capital. This confirmed First Investment Bank's excellent reputation and the trust of the investor community. The increased capital base facilitated FIBank's expansion and its opportunities for further development. After the IPO FIBank became a public company with more than 3000 shareholders holding 15% of the Bank's registered capital – free-floating on the Bulgarian Stock Exchange. The capital base is one of the vital pillars for the Bank's future growth. Plans for its increase include the issue of additional hybrid instruments which will be facilitated by our know-how and the extensive experience in international markets built up in recent years.

In 2007 we reported very good financial results and affirmed the Bank's position among the leading banks in Bulgaria. Thanks to excellent customer service, the diverse services we offer and the improved efficiency of banking operations FIBank increased its net profit by 77.4% to BGN 51 million, and moved to 7th in the ranking of the 29 banks operating in Bulgaria. The return on equity (after tax) rose to 20.54% (2006: 19.23%) and the return on assets to 1.50% (2006: 1.12%). As a result of the Bank's policy on effective cost management, the cost/income ratio improved to 54.98 % (2006: 62.58%). Capital adequacy remained high at 12.98% (2006: 15.81%), this despite the Basel II requirements introduced since the beginning of 2007 and the need to set aside provisions for operational risk. Liquidity stands at 29.92% (2006: 34.61%). Interest income continues to dominate total income at 67.94% of total net income from banking operations (2006: 64.53%). Good key performance ratios, together with the expansion of the Bank's business – an increase in the Bank's assets of 33.5% to BGN 4.2 billion (ranking 6th among banks in Bulgaria), an increase in deposits (from private individuals and non-financial institutions) to BGN 2.5 billion (ranking 6th), an expansion of the loan portfolio by BGN 2.8 billion (ranking 5th) – are major indicators of First Investment Bank's growing importance and capacity.

These upward trends in the development of FIBank were taken into account by the international rating agencies: in 2007 Moody's upgraded the Bank's outlook from stable to positive and confirmed the long-term rating of the Bank to Ba1; in December Fitch Ratings confirmed its BB- rating with a positive outlook. Moreover, this upgrade came at times when the ratings of several countries were downgraded due to apprehension that they might be adversely affected by the current global economic crisis. Our foreign partners also confirmed their confidence in FIBank. Regardless of the stagnation in the international financial markets, 23 first-class banks extended to First Investment Bank a syndicated loan under terms and conditions better than in previous years.

The development of the Bank's business in 2007 was accompanied by numerous changes in the legal framework prompted by Bulgaria's accession to the European Union, as well as by measures undertaken by the Bulgarian National Bank with a view to controlling key economic indicators such as the current account deficit and lending growth. FIBank adapted swiftly and successfully to these changes.

In 2007 we implemented numerous strategic projects related to our card business. As one of the leaders in bank card payments and in order to provide further security to our clients, we introduced EMV-compliant chip bank cards and began integrating a new card processing system. To optimise costs we migrated to a new card processing centre. The completion of these important projects will serve as a stable foundation for the future development of our card business.

FIBank has a well-structured network of branches and offices throughout the country. Its expansion continued in 2007 amounting to 120 branches at year-end. The Bank's Tirana Branch was restructured into a subsidiary (First Investment Bank – Albania Sh.a.), opening new opportunities to promote more actively our products and services in Albania. Looking into the future, we will continue to strengthen and expand our presence in the Balkan region.

The future of the Bank is not only in the hands of its management but also in those of its employees. In 2007 we launched the "A Question of Team" project which aims to restructure human capital management within the Bank and to establish a long-term programme for development and professional growth of our employees. This is in line with the growth of the Bank, the new types of financial services and the ever-increasing requirements of our clients.

Bulgaria's accession into the European Union in 2007 opened new opportunities. First Investment Bank was one of the first banks to join the Single Euro Payment Area (SEPA) in January 2008. This enabled its clients to gain access to the common EU payment system. The globalisation of financial services is a serious challenge which we will deal with by further developing our services in compliance with internationally acknowledged standards, by improving electronic transactions and remote banking while preserving the balance between security and efficiency.

FIBank's advantages lie in our in-depth knowledge of the local market, our flexibility and ability to adapt promptly to the dynamic economic environment, in the support of our shareholders, the trust of our clients and investors, our high corporate morale and the responsible attitude of our employees. For all these reasons we have even more ambitious plans for the future of First Investment Bank.

The Managing Board of First Investment Bank AD

Sofia, March 2008

from left to right:
Radoslav Milenkov, Jordan Skortchev, Maya Georgieva, Ivan Ivanov, Matthew Mateev, Maya Oyfalosh, Evgeni Lukanov

Macroeconomic Development

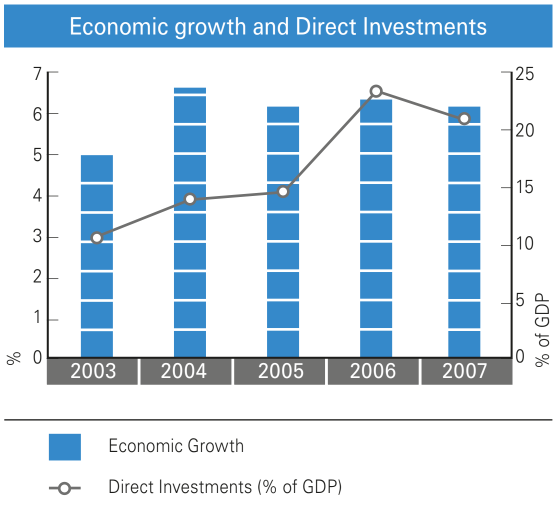
2007 Bulgaria sent its first MPs to the European Parliament. The growth of the economy continued throughout the year sustained by conservative fiscal policies, financial stability and foreign investment.

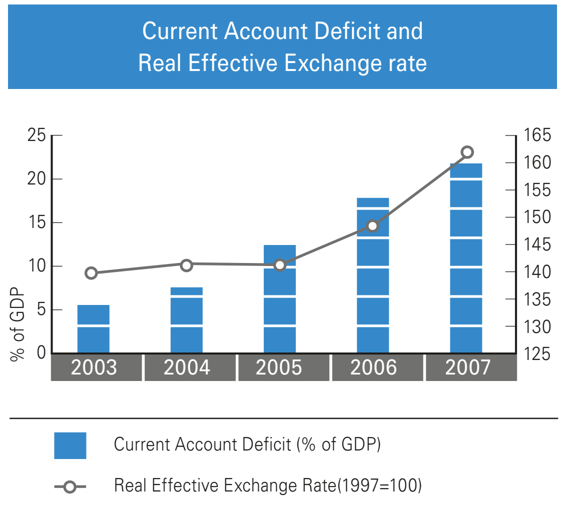
The development of the National Strategic Reference Framework was one of the major financial events of 2007. It will provide access to approximately EUR 7 billion of EU structural funds channelled for cohesion in the spheres of transport, the environment, regional development, the improvement of the competitiveness of the Bulgarian economy, the development of human resources and the improvement of administrative capacity. The first three grant schemes under the Operating Programme "The Improvement of the Competitiveness of the Bulgarian Economy 2007-2013" were launched in October 2007, in effect starting the project development phase and the absorption of EU funds.

Republic of Bulgaria – Main indicators

	2003	2004	2005	2006	2007
Gross Domestic Product, real growth, in %	5.0	6.6	6.2	6.3	6.2
Consumption, real growth, in %	5.9	5.4	5.3	7.3	4.9
Gross fixed capital formation, real growth, in %	13.9	13.5	23.3	14.7	21.7
Inflation at period-end, in %	5.6	4.0	6.5	6.5	12.5
Average annual inflation, in %	2.3	6.1	5.0	7.3	8.4
Unemployment, in %	13.5	12.2	10.7	9.1	6.9
Current account (% of GDP)	(5.5)	(6.6)	(12.4)	(17.9)	(21.8)
Trade balance (% of GDP)	(13.7)	(14.9)	(20.2)	(22.2)	(25.7)
Foreign exchange reserves of BNB, millions of Euro	5,308.6	6,770.4	7,370.3	8,926.4	11,936.6
Foreign direct investment (% of GDP)	10.5	13.8	14.4	23.7	21.4
Gross foreign debt (% of GDP)	60.1	63.8	69.0	80.1	94.6
Public sector foreign debt (% of GDP)	39.8	33.2	23.6	17.9	14.2
Average exchange rate of USD (BGN for USD 1)	1.55	1.44	1.66	1.49	1.33

Sources: Ministry of the Economy, Bulgarian National Bank, National Statistics Institute





Economic growth in Bulgaria remained high in 2007, real GDP growth amounting to 6.2% (2006: 6.3%, 2005: 6.2%). The rate of GDP growth remained higher than average GDP growth in the EU (3%) and the Euro Area (2.5%).

There was a strong growth in gross value added both in production (14.0%) and in services (7.5%). A decrease of 29.7% (BGN 1,224 million) was registered in the value added in the agricultural sector, mainly due to the droughts during the year.

Revenue from international tourism in 2007 was EUR 2,285 million, 10.8% more than in 2006. The number of foreign tourists visiting Bulgaria grew by 3.0%. Those from EU countries increased by 51.1%.

A number of large infrastructure and energy projects were launched last year, including the construction of the Belene Nuclear Power Plant, the Bourgas – Alexandropolis Oil Pipeline, the South Stream Gas Pipeline, and the Trakia Motorway. The construction of a second bridge over the Danube at the city of Vidin (Danube Bridge 2) was also launched.

The unemployment rate fell further to 6.9% in 2007 (2006: 9.1%, 2005: 10.7%, 2004: 12.2%).

There were, however, some worrying macro indicators such as the high current account deficit, increasing inflation and rising gross foreign debt.

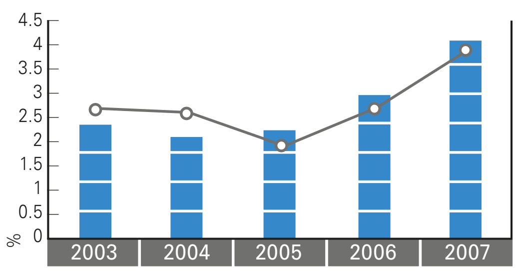
The current account deficit for January-December 2007 reached EUR 6,220 million (21.8% of GDP), increasing by EUR 1,730 million year-on-year as a result of the huge trade deficit of EUR 7,357 million. The negative effects of this trade deficit were mitigated by the strong inflow of foreign investment, which at the end of 2007 amounted to 98.2% of the current account deficit and the foreign exchange reserves held at the Bulgarian National Bank, which stood at EUR 11,936.6 million. In 2007 foreign direct investment increased by EUR 148 million to reach 21.4% of GDP. Most of this was in real estate and business services (EUR 2,151 million), followed by investment in financial intermediation (EUR 1,931 million) and construction (EUR 727 million).

The European Union remained the largest trade partner of Bulgaria accounting for 60.6% of its exports and 58.6% of its imports.

At the end of 2007 gross foreign debt totalled EUR 27,040 million (94.6 of GDP), an increase of 34.5% (EUR 6,929 million) compared to end-2006. The largest area of growth was in loans related to foreign direct investment. On the other hand the repayment of global bonds and the simultaneous early repayment of the entire debt to the IMF cut external public debt by 10.1% to EUR 4,048 million (14.2% of GDP).

The consolidated state budget surplus rose to BGN 2,111 million or 3.7% of GDP. The main contributors to this were bigger VAT revenues which increased by 13.3% (BGN 775), higher excise duties rising by 32.7% (BGN 817 million) and growing tax revenues from corporate profits, up by 39% (BGN 470 million). An important factor was the restructured tax policy. Effective from 1 January 2007 corporate income tax was reduced from 15% to 10% and the dividend tax rate was cut to 5%. A flat income tax rate of 10% was adopted for individuals effective from 1 January 2008. Throughout the year Bulgaria paid its first installment to the EU budget, amounting to BGN 595 million.

BIR and EURIBOR



1-month EURIBOR

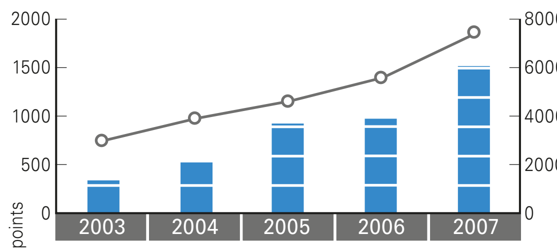
Basic interest rate

The basic interest rate rose to 4.58% as of December 2007, the highest level since 2002. The average annual basic interest rate for 2007 was 3.92%, floating in line with European interbank rates.

Annual inflation rose sharply to 12.5% (2006: 6.5%) reflecting the growth in the real estate market and higher excise duties on fuel, tobacco and alcohol. Average annual inflation in 2007 was 8.4%, influenced by the rise in world petrol as well as energy prices.

The Bulgarian stock market continued to expand throughout 2007. The annual market capitalisation of public companies in Bulgaria increased by 90% to BGN 28 billion (50% of GDP). In 2007 twelve companies launched IPO's at the Bulgarian Stock Exchange in Sofia. The annual turnover of the Exchange exceeded BGN 8 billion, an increase of 150% y/o/y. It was also a strong year for collective investment schemes, the net assets of which grew by 327% to BGN 890 million in the first nine months of 2007.

Stock Exchange Indices



SOFIX (left axis)

DAX (right axis)

At the end of 2007 the credit rating of Bulgaria was: Moody's (Baa3), Standard&Poor's (BBB+), FITCH Ratings (BBB) and Japanese Credit Rating Agency (BBB+). In January 2008 FITCH Ratings downgraded its long-term foreign currency outlook from stable to negative. The downgrade was justified by the soaring current account deficit, which in the context of the global credit crunch in the international markets in 2007 makes Bulgaria more susceptible to external shocks.

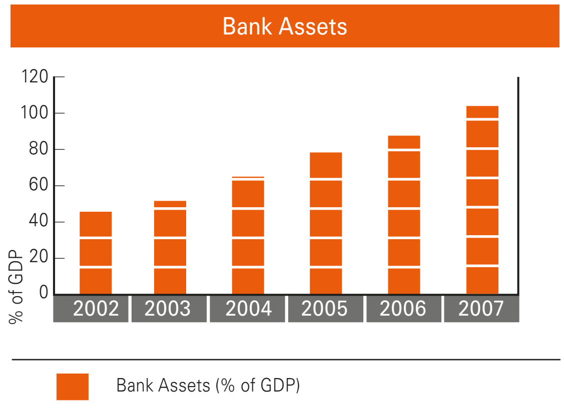
In 2008 further reforms are expected in the spheres of infrastructure, the judiciary, the prevention of corruption, improvements in the competitiveness of the economy, and not least the effective use of EU funds. Bulgaria must prove that it is a worthy member of the EU and an important promoter of stability in the Balkans.

Coordinated by the Bulgarian National Bank and the Association of Banks in Bulgaria, the banking system continued its integration with European financial structures and the harmonisation of regulations and standards with those within the European Union. These developments took place under the conditions of the currency board, a high level of competition and restrictive policies. In 2007, Bulgarian banks successfully adapted their practices to the new legislative requirements transposing European regulations and directives.

On 1 November 2007, the Law on Markets in Financial Instruments and the Law against Market Abuse with Financial Instruments became effective. The requirements of the European Markets in Financial Instruments Directive (MiFID) were introduced. The new regulations have imposed stricter requirements on the transparency of the trade in financial instruments, the prevention of the abuse of insider information and market manipulation and have expanded the range of information required to be presented to investors. Being among the key intermediaries of investment services and operations, banks have readjusted their procedures for their acceptance and execution of the financial instrument orders of clients

Following the withdrawal in 2006 of regulations imposing restrictions on lending, the banks' loan portfolios registered high growth resulting in the re-introduction of restrictive measures by the Central Bank specifically an increase in the obligatory minimal reserves of banks from 8% to 12% of their deposit base. This change became effective as of 1 September 2007.

In 2007 the key banking system trends were preserved. Under conditions of growing competition at the end of 2007, total bank assets and liabilities rose by BGN 16.9 billion (40%), to reach BGN 59.1 billion (2006: BGN 42 billion) or 104.6% of Bulgaria's GDP (85.6% at the end of the previous year).



The largest share of the asset structure is taken up by loans, amounting to BGN 45,876 million or 77.6% of the banking system assets. Loans granted to non-financial institutions showed an increase of over 60% in one year (of BGN 14,672 million), predominantly corporate loans amounting to 53% (BGN 24,305 million) compared to loans to individuals of 28% (BGN 12,972 million).

Banking system in 2007 – loans and deposits

	in BGN million	% of GDP	growth 2006/2007 in %
Loans to corporate clients	24,305	43.0	70.9
Loans to individuals	12,972	23.0	58.8
Customer deposits	38,833	68.7	31.1

Consumer loans continued to dominate the portfolio of loans to individuals – 54.6% (BGN 7,082 million) compared to residential mortgage loans of 45.4% (BGN 5,890 million). However the latter marked a higher rate of growth in 2007 (67.4% compared to consumer loans of 52.2%).

At the end of 2007, the funds deposited in the banking system amounted to BGN 52,196 million. Deposits from non-financial institutions stood at 38.6% and deposits from individuals and households at 36.4%.

Total capital was BGN 6,208 million representing an increase of 41.4% over the previous year. The total capital adequacy ratio of the system was 13.83% and Tier 1 capital adequacy ratio 10.82%.

The profit generated by the banking system amounted to BGN 1,144 million, an increase of 41.66% over 2006.

In 2007 sustained economic growth and the increase in available income boosted the development of the leasing sector. Receivables from financial and operating leases totalled BGN 3,662 million or 6.5% of GDP. Financial leases represented 98.4% of all receivables, 97.8% of which were from non-financial institutions.

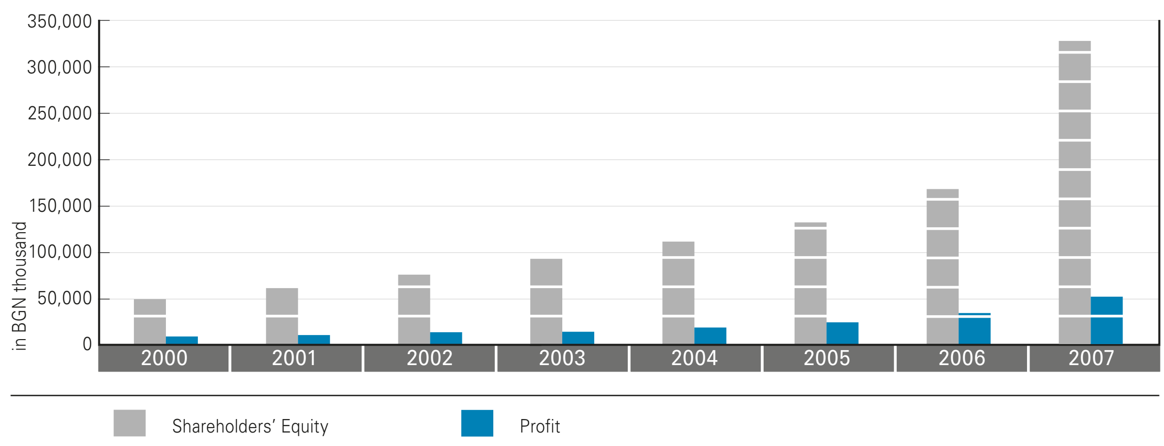
The consolidation processes within the banking system continued as a result of international mergers and the globalisation of financial markets. At the end of 2007, there were 29 banks in Bulgaria compared to 32 at the end of 2006 (2005: 34). Strong competition continues to contribute to the accelerated development of the Bulgarian banking sector and its advanced situation compared to Southeast Europe generally. Nevertheless, the level of financial services penetration is low compared to the Western European market yet there is a high potential for growth.

Mission Statement

First Investment Bank AD aspires to be one of the finest banks in Bulgaria and the Balkan region, recognised as a rapidly growing, innovative, customer-oriented bank, offering outstanding products and services, ensuring excellent careers for its people, and contributing to the community. The Bank aims at developing through sister banks and subsidiaries a regional banking network to service the business needs of the Balkan region.

Among the Best Again!

The major challenges faced by First Investment Bank in 2007 were related to its participation in the process of establishing the Bulgarian financial market as part of the common European financial services market. In the face of strong competition First Investment Bank retained its market share by offering products and services that meet ever-increasing demand, and by excellent customer service in compliance with legal requirements. In 2007 the Bank continued to grow, stabilising and asserting its position in the banking market in Bulgaria and the Balkans. After a successful IPO First Investment Bank became a public company whose shares are traded at the Bulgarian Stock Exchange in Sofia.



* Deposits from NCI – Deposit from non-credit institutions (i.e. from other customers)

Bank Profile

Corporate Status

First Investment Bank is a joint-stock company, registered at the Sofia City Court pursuant to a ruling dated 8 October 1993.

First Investment Bank is a public company registered in the Commercial Register at Sofia City Court with a decision dated 4 June 2007 and in the register of public companies and other issuers, held by the Financial Supervision Commission with a decision dated 13 June 2007.

The Bank owns a universal banking license for domestic and international operations.

First Investment Bank is a licensed primary dealer in government securities and a registered investment intermediary.

Participations and Memberships

- Association of Banks in Bulgaria;
- Bulgarian Stock Exchange – Sofia AD;
- Central Depository AD;
- Bank Organisation for Servicing Payments by Bank Cards (BORICA);
- Bankservice AD;
- Real-Time Gross Settlement System (RINGS);
- MasterCard International;
- VISA International;
- S.W.I.F.T.;
- SEPA – indirect participant as of 28 January 2008;
- MoneyGram Agent;
- Express-M (domestic money transfers) Agent;
- EasyPay (domestic money transfers) Agent.

Subsidiaries

First Investment Bank owns three subsidiaries:

First Investment Finance B.V. (Netherlands)

First Investment Finance B.V. is created for a special investment purpose – to provide additional financing for the Bank in the form of bonds and other debt instruments.

The company has a registered seat in the Netherlands and complies with the local corporate governance practices. The entity's issued and paid up share capital is EUR 90 thousand divided into 900 ordinary shares, each with nominal value of EUR 100. 180 shares have been issued and paid up. First Investment Bank is the sole owner and shareholder of First Investment Finance B.V.

Diners Club Bulgaria AD

Diners Club Bulgaria AD is a company registered in Bulgaria as an issuer of credit cards and a processor of payments. In May 2005 First Investment Bank became the majority shareholder in Diners Club Bulgaria AD by acquiring 80% of the company's share capital. After the increase of the company's capital, as of the end of 2007 First Investment Bank holds 85.02% of the capital of Diners Club Bulgaria AD.

First Investment Bank – Albania Sh.a. (Albania)

The company was incorporated in April 2006. In June 2007 First Investment Bank – Albania Sh.a. was granted a full banking license by the Central Bank of Albania. On 1 September 2007 the new bank took over all assets and liabilities of the pre-existing Tirana Branch of First Investment Bank. The company has a registered capital of ALL 1 billion, 99.998% of which is owned by First Investment Bank AD.

Market Position

- Among the leading banks in international settlements and trade financing
- Among the leading banks in the cards business
- Sixth in assets
- Fifth in lending
- Sixth in deposits
- Seventh in profit
- Seventh in shareholders' equity

Market Share

- 11.37% (sent) and 11,58% (received) of cross-border transactions and instruments for trade financing (international letters of credit, guarantees, collections)
- 7.1% of banks' assets in Bulgaria
- 7.6% of loans in the country
  - 5.1% of consumer lending
  - 6.6% of mortgage lending
  - 8.6% of corporate lending
- 8.4% of deposits in Bulgaria
  - 7.6% of deposits from private individuals
  - 9.2% of deposits from companies
- 11.6% of VISA credit cards
- 7.2 % of MasterCard credit cards
- 20.7% of POS terminals

Note: The market positions and shares are based on data by BNB, BORICA and SWIFT.

Correspondent Relations

FIBank maintains correspondent relationships with over 550 banks all over the world. It is one of the leading banks in terms of international payments and trade financing.

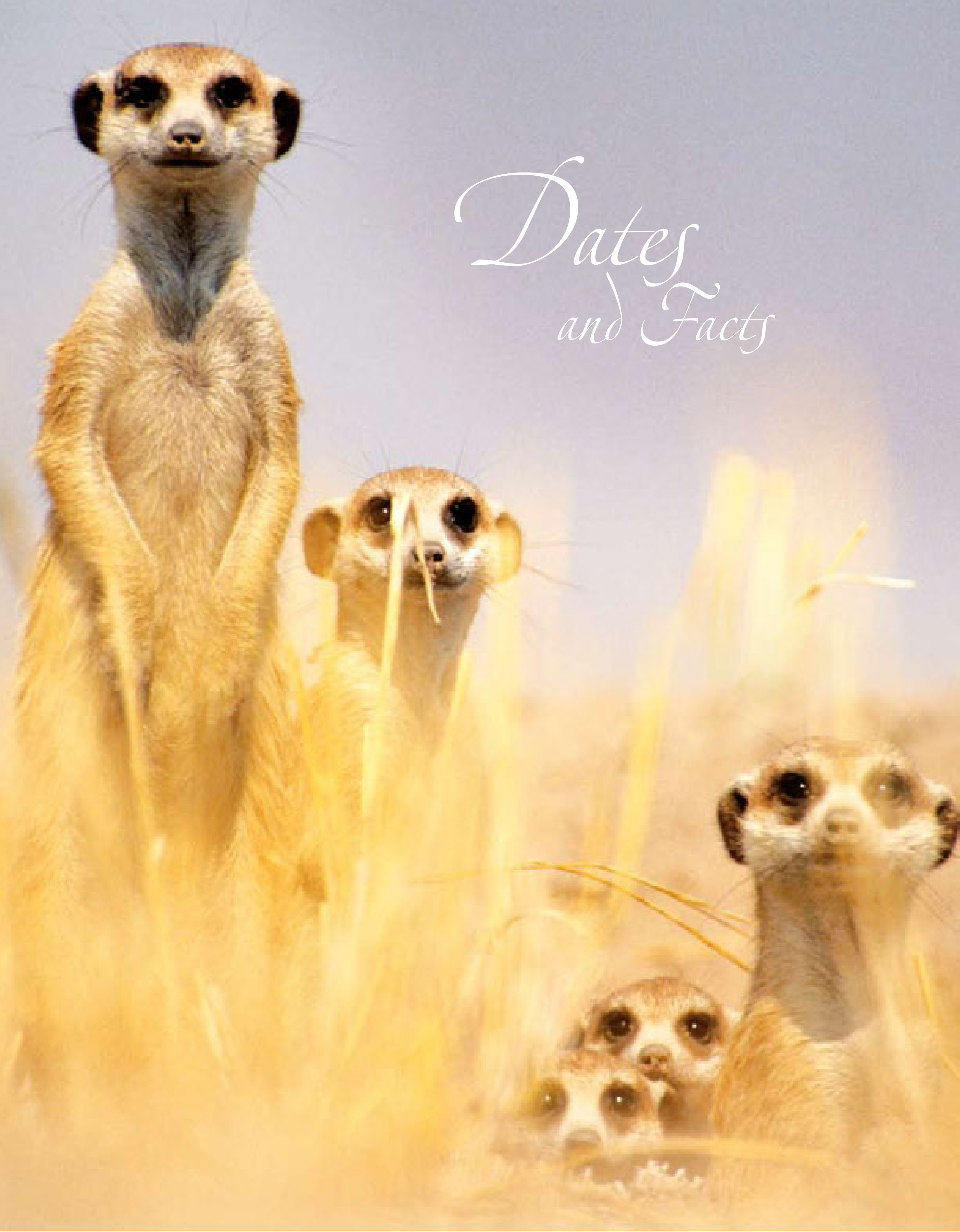
Branch Network

As at 31 December 2007 FIBank had a total of 120 branches and offices: The Head Office, 119 branches and offices throughout the country as well as one branch in Cyprus.

Awards 2007

For the third time First Investment Bank won the prestigious award "Bank of the Client" in the annual competition of 'Pari' ('Money') daily.

First Investment Bank was awarded Second Runner-Up at the Third Annual Donor Conference of the Bulgarian Donor Forum.


Dates
and Facts

First Investment Bank: Dates and Facts

1993	First Investment Bank was established on 8 October 1993 in Sofia. It was granted a full banking licence for carrying out operations in Bulgaria and abroad.
1994/95	The Bank developed and specialised in servicing corporate clients.
1996	FIBank was the first in Bulgaria to offer services enabling banking from home or from the office. FIBank was the first bank to receive a 5-year loan from the European Bank for Reconstruction and Development for financing small and medium-sized enterprises in Bulgaria.
1997	The Bank started issuing Cirrus/Maestro debit cards, Eurocard/Mastercard credit cards and the American Express card. FIBank was the first Bulgarian bank to offer debit cards with international access. Thompson Bankwatch awarded FIBank its first credit rating. The Bank opened its first branch abroad, in Cyprus.
1998	FIBank obtained its first syndicated loan from foreign banks. The Bank negotiated financing for the import investment goods from Austria, Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Portugal, Spain, Sweden and Switzerland, guaranteed by export insurance agencies.
2000	First Investment Bank started developing its business in the field of retail banking. Deposits from private individuals grew 2.3 times.
2001	First Investment Bank launched the first virtual bank branch in Bulgaria allowing customers to bank via the Internet. The Bank was awarded the prize "Bank of the Year" by 'Pari' ('Money') daily. Maya Georgieva, Executive Director of FIBank, received the prize "Banker of the Year" from 'The Banker' weekly.
2002	FIBank was named "Bank of the Client" in the annual rating of 'Pari' daily.
2003	Products and services to individuals became the focus of the Bank's activities. Loans to individuals increased over five times during the year. FIBank was named "Bank of the Client" for the second time in the annual rating of 'Pari' daily.
2004	The Bank expanded its infrastructure. The branch network expanded by 27 new branches and offices, the ATM network more than doubled. The Bank was awarded the prize "Financial Product of the Year" for its Mortgage Overdraft product.
2005	FIBank acquired 80% of the capital of Diners Club Bulgaria AD. The Bank issued Eurobonds at the amount of EUR 200 million on the Luxemburg Stock Exchange. FIBank was also the first Bulgarian bank to issue perpetual subordinated bonds. Matthew Mateev, Deputy Chief Executive Director of FIBank, was awarded the prize "Banker of the Year" by 'The Banker' weekly.
2006	FIBank negotiated financing for SMEs, at the amount of USD 10 million for a 5-year term, covered by OPIC. Share capital was increased from BGN 10 million to BGN 20 million through the issuance of 1 million shares. FIBank received a syndicated loan, at the amount of EUR 185 million, organised by Bayerische Landesbank in which 33 banks participated. FIBank introduced a system for Customer Relationship Management (CRM).

2007 Highlights

January

The Bank offered for the fist time structured deposits based on Dow Jones Eurostoxx50 and SOFIX stock exchange indexes, and on the USD/EUR exchange rate listed by the European Central Bank, and on the price of gold on the London Gold Market. First Investment Bank was one of the first institutions offering structured deposits in the Bulgarian banking market.

February

First Investment Bank signed a five-year Term Loan Facility with LRP Landesbank Rheinland-Pfalz (LRP Bank) for EUR 20 million.

First Investment Bank's clients in the agricultural sector gained access to special programmes for subsidies from the EU funds.

March

First Investment Bank offered new co-branded Diners Club International First Lady credit cards, which became very popular among the female population.

The Bank focused on micro-lending by introducing new programmes for financing diary farms.

April

The Bank launched FIBank Mobile, the first mobile banking portal offering useful financial information to our clients.

Moody's upgraded First Investment Bank's rating from D- to D.

May

First Investment Bank realized the biggest banking IPO in Bulgaria.

A Question of Team – a joint project of First Investment Bank and Deloitte for strategic development of HR in accordance with new standards and the economic environment.

June

FIBank increased its issued capital by BGN 10,000 thousand and became a public company.

The Central Bank of Albania granted a full banking license to First Investment Bank – Albania Sh.a.

The Bank started to issue chip debit and credit cards – FIBank was one of the first institutions to implement chip technology in the card business in Bulgaria.

Card processing was transferred to the new CaSys International processing centre in Macedonia.

July

First Investment Bank introduced short-term deposits (48-hour, one-week and two-week deposits) which were welcomed by corporate clients.

In order to improve the security of distance banking First Investment Bank encourages its clients to use electronic signatures. Infonotary EAD's electronic signatures can be obtained free of charge in all branches of the Bank.

August

The Bank launched its new Atlantis ERP (Enterprise Resource Planning) system for centralised management of operating expenses and long-term fixed and intangible assets.

The Bank celebrated the first issue of its information bulletin A Question of Team, which presents the aspirations, success and personality of FIBank's employees.

September

First Investment Bank organized several seminars for its clients in Sofia and around the country under the first grant schemes of the 'Improving the Competitiveness of the Bulgarian Economy Operating Program 2007-2013'.

The Bank organized a meeting with its correspondent banks in Sunny Beach.

First Investment Bank's team won the first interbank sporting tournament.

October

First Investment Bank received a syndicated loan of EUR 185 million organized by ABN AMRO N.V. and Bayerische Landesbank.

The Bank started the development of a new business credit card with a grace period and revolving credit limit in accordance with the needs and requirements of its clients.

The Bank offered the OPTIMA current account to individuals plus Maestro or VISA Electron debit card with chip and 3% annual interest rate.

First Investment Bank prepared for the introduction of the new standards and requirements for financial instruments investment services in accordance with MiFID.

November

First Investment Bank became the official dealer for Bulgaria and the Balkans of the New Zealand Mint and started to offer limited collections of silver coins at its offices.

All branches of First Investment Bank started to accept orders for subscription/redemption of units of three mutual funds: FIB Garant Mutual Fund, FIB Classic Mutual Fund and FIB Avangard Mutual Fund, which are established and managed by First Financial Brokerage House Asset Management AD.

The Bank launched One Hell of a Deposit, a three-month deposit with introductory annual interest of 6.66% for the first quarter.

December

Vivatel and FIBank developed a co-branded credit card with chip for loyal clients of Vivatel.

FIBank prepared to join SEPA (Single Euro Payment Area) in January 2008.

The Bank developed an exclusive black co-branded credit card Diners Club Privé for celebrities and wealthy people.

First Investment Bank developed structured financing, including bridge financing and long term investment loans to companies which are recipients of funding under the EU structural funds.

Corporate Development

The Bank increased its shareholders' equity by 94% (BGN 157.5 million); its profit by 77% (BGN 22 million); its assets by 33% (BGN 1.1 billion) and its deposit base by 46% (BGN 783 million). This is just part of the achievements of the Bank in 2007 in the face of strong competition and a changing economic and legislative environment –

A Question of Team.

Key performance indicators

	2007	2006	2005	June 2007	June 2006
Financial results (in BGN thousand)					
Net interest income	132,609	85,302	65,483	58,674	38,514
Net fee and commission income	50,962	38,824	22,188	22,864	17,311
Net trading income	11,827	8,139	13,323	4,687	3,168
Total income from banking operations	195,197	132,192	101,090	85,875	59,057
Administrative expenses	(107,325)	(82,720)	(63,849)	(47,265)	(36,958)
Impairment losses	(26,958)	(12,826)	(9,786)	(14,289)	(6,306)
Net profit (after tax)	51,113	28,817	21,136	19,239	12,033
Balance sheet indicators (in BGN thousand)					
Assets	4,201,377	3,147,766	2,521,264	3,465,541	2,610,141
Loans and advances to customers (less allowances for impairment)	2,778,123	1,709,773	1,338,091	2,217,996	1,419,303
Loans and advances to banks and other financial institutions	189,575	42,032	39,393	41,942	35,947
Deposits from other customers (NCI*)	2,475,139	1,692,197	1,214,184	1,869,678	1 279,930
Liabilities evidenced by paper	1,238,113	1,123,218	1,045,002	1,142,122	1,000,584
Total shareholders' equity	325,979	168,393	129,902	294,586	141,827
Key ratios %					
Solvency ratio (Capital adequacy)	12.98	15.81	15.88	15.34	17.86
Liquidity ratio	29.92	34.61	35.50	26.33	35.49
Loan provisioning ratio	2.62	2.67	2.47	2.67	2.79
Net interest income/income from banking operations	67.94	64.53	64.78	68.33	65.21
ROE (after tax)	20.54	19.23	17.63	19.98	17.78
ROA (after tax)	1.50	1.12	1.03	1.26	1.01
Operating expenses / Income from banking operations	54.98	62.58	63.16	55.04	62.58
Resources (number)					
Branches and offices	120	107	93	116	96
Staff	2,289	1,598	1,269	1,761	1,445

* Non-credit institutions

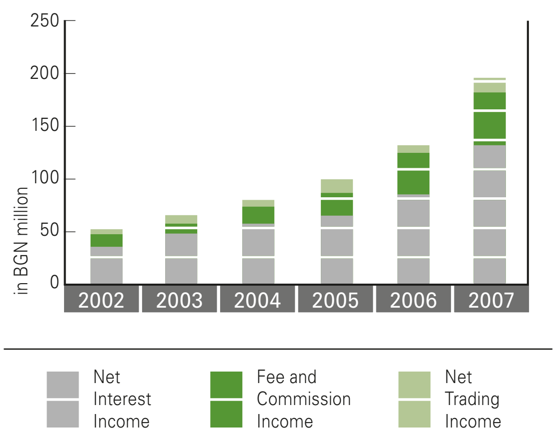
Ratings

		2007	2006	2005
Moody's	Long Term Rating	Ba1	Ba3	Ba3
	Financial Stability Rating	D	D-	D-
	Outlook	positive	positive	positive
Fitch Ratings	Long Term Rating	BB-	BB-	BB-
	Short Term Rating	B	B	B
	Outlook	positive	positive	stable

Financial Results

First Investment Bank realized a net profit for 2007 of BGN 51,113 thousand, a 77% increase compared to 2006. The primary drivers of this increase in profitability were the increase in net interest income for the period of 55.5% (BGN 47,307 thousand), the increase of the net income from fees and commissions of 31.3% (BGN 12,138 thousand) as well as the reduction of corporate income tax effected from 1 January 2007. The Bank improved its market position from 10th to 7th in terms of annual net profit and improved its market share from 3.6% to 4.4%.

Total Income from Banking Operations

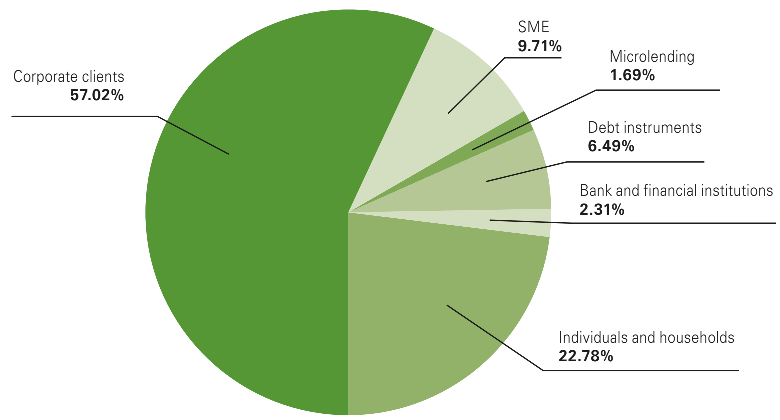


In 2007 net interest income was BGN 132,609 thousand and represented the major source of income for the Bank. Net interest income was 67.9% of the total income from banking operations compared to 64.5% in 2006. Interest income rose by 38.9% to BGN 270,045 thousand. This substantial increase was the result of the growth of the loan portfolio of the Bank. Corporate loans continued to dominate interest income at BGN 153,974 thousand. The interest income on loans to SMEs increased by 66.9% (BGN 26,227 thousand), in line with the Bank's policy to prioritize the expansion of its operations in this market segment. In 2007 interest expenses increased by 25.9% to BGN 137,436 thousand. This increase reflected the growth in the Bank's deposit base and rising market interest rates in the second half of the year.

Net income from fees and commissions increased by 31.3% for the year to BGN 50,962 thousand (2006: BGN 38,824 thousand). This was due to the larger volume of services provided to card users, the issue of LCs and bank guarantees, and the maintenance of clients accounts with the Bank.

The primary share of net income from fees and commissions came from documentary services (LCs and bank guarantees). The Bank managed to solidify its strong position in this segment. The income from LCs and bank guarantees increased by 13.5% in 2007 to BGN 12,091 thousand. At the same time the expenses for letters of credit and bank guarantees fell down to 627 thousand (2006: BGN 994 thousand). As a result fees and commissions for LCs and bank guarantees formed 22.5% of the total net income from fees and commissions. The income from fees and commissions related to the card business of the Bank increased by 29.8% to BGN 14,558 thousand comprising 17.3% of total net income from fees and commissions.

Interest income 2007



Net income from trade transactions was BGN 11,827 thousand, a 45.3% increase on 2006. Their share in the total income from banking operations continued to be relatively small at 6.1%.

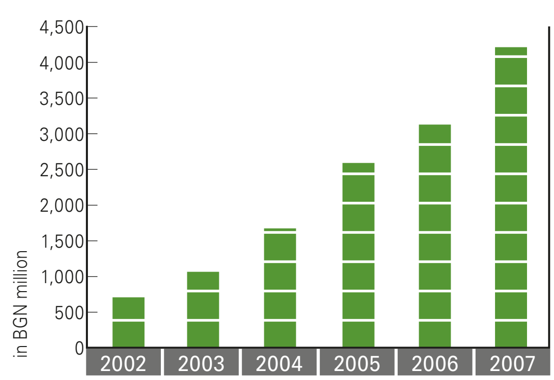
Administrative expenses increased by 29.7% to BGN 107,325 thousand reflecting the expansion of the branch network and the increase in the number of employees of the bank. A substantial part of operating expenses is spent on rent, administrative and marketing expenses due to the overall expansion of the business of First Investment Bank. The ratio of administrative expenses to total income from banking operations (the Cost/Income ratio) has improved to 54.98% in 2007 (2006: 62.58%, 2005: 63.16%).

Impairment losses amounted to BGN 26,958 thousand, an increase of 110.2% (BGN 14,132 thousand). This increase was due to the expansion of the loan portfolio by 62.5% and the anticipated risk of losses in particular high-risk positions. The overall quality of the loan portfolio remains very good. Non-performing loans are only 1.7% of the loan portfolio (2006: 1.9%, 2005: 1.6%).

Balance Sheet

First Investment Bank ranks 6th in the Bulgarian banking market in terms of assets. As of the end of 2007 the total assets of the Bank were valued at BGN 4,201,377 thousand, an increase of 33.5% over the year (2006: BGN 3,147,766 thousand.) The largest share is receivables from clients at 66.1% (2006: 54.3%), followed by cash and receivables from central banks at 14.5% (2006: 22.5%) and the financial instruments portfolio at 11.8% (2006: 18.8%.) The balance sheet structure is relatively unchanged from the previous year.

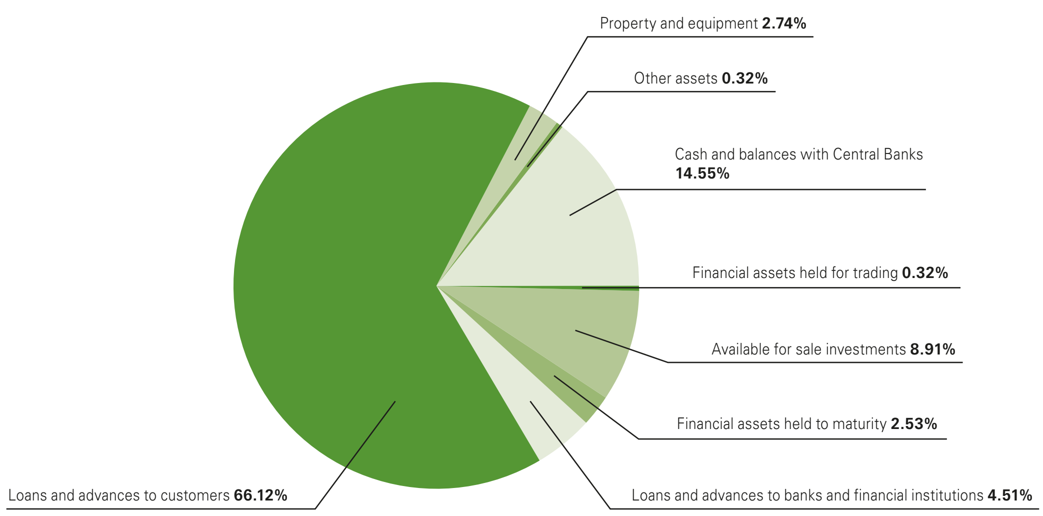
Total Assets



Cash and balances with central banks fell by 13.7% to BGN 611,262 thousand. Funds in current accounts and receivables from foreign banks decreased by BGN 307,085 thousand to BGN 64,545 thousand; a large part of this decrease was due to the growth of the receivables of the Bank from other financial institutions of BGN 143,543 thousand to BGN 189,587 thousand, as a result of the restructuring of First Investment Bank's positions in other banks from current account to short term deposits at higher interest rates. The balances with central banks increased by 73.7% to BGN 414,068 thousand as a result of the increase in the minimum reserves required by the Bulgarian National Bank from 8% to 12% in Q4 of 2007.

The financial instruments portfolio of the Bank is valued at BGN 493,816 thousand, dominated by available-for-sale investments of BGN 374,203 thousand or 75.8% of the portfolio (2006: BGN 508,006 thousand or 85.9%) followed by financial assets held to maturity at BGN 106,084 thousand or 21.5% (2006: BGN 70,221 thousand or 11.9%); and financial assets held for trading at BGN 13,529 thousand or 2.7% (2006: BGN 13,239 thousand or 2.2%). The portfolio includes financial instruments issued by both domestic issuers (such as the Bulgarian Government, Bulgarian banks and companies) and international issuers (the US Treasury, EU governments, etc.)

Assets structure 2007



The operations of the Bank in Albania and Cyprus represent a small share of the total at BGN 170,425 thousand or 4.1% of the Bank's total assets. However in 2007 they increased significantly (by 132.8% or BGN 97,214 thousand) in comparison with 2006. Expectations are that after the restructuring in 2007 of the Tirana Branch into a subsidiary bank its business will expand, and the relative share of the banking operations of First Investment Bank abroad will increase, which will be reflected in the consolidated financial statements.

Since the beginning of 2007 and in accordance with the recommendations in Basel II and the requirements of the applicable law (Ordinance No.8 of the Bulgarian National Bank) the Bank includes operational risk in the evaluation of the risk profile of its assets. This new aspect together with the increase of the relative share of the loan portfolio by 34.7% and the changes in legal requirements concerning the calculation of the weighted risk for certain types of assets has led to an increase in risk-weighted assets by 36% up to 63.5% (BGN 3,116,968 thousand); and the ratio of risk-weighted to total assets is 74.2%.

Loan Portfolio

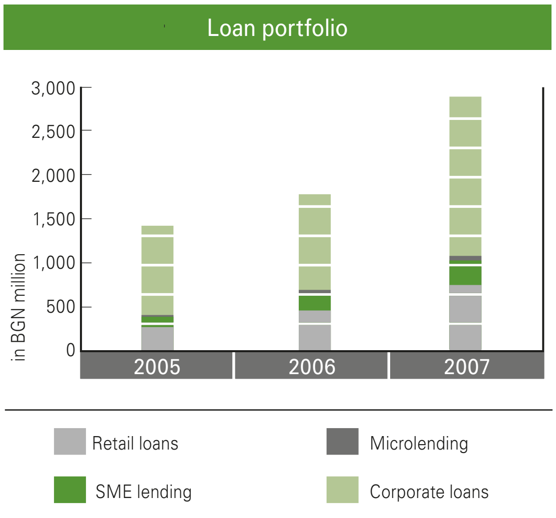
Loans

As at 31 December 2007 the loan portfolio of First Investment Bank amounted to BGN 2,848 million before allowances, an increase of BGN 1,093 million or 62.3% over 2006, which was 34.3% higher than in the period 2005-2006 (28%). The growth of the portfolio is attributable to sustained economic growth, the increase in demand for corporate loans, the increase in consumption and the expansion of the real estate market. Growth was facilitated by the fact that the Bulgarian Central Bank relaxed certain banking restrictions and abandoned the requirement for the maintenance of additional minimum required reserves held with the Central Bank and was further accelerated by the equity boost as a result of the successful IPO of First Investment Bank. Regardless of strong competition First Investment Bank affirmed its leading position in the lending market and is ranked the 5th largest lending bank in the Bulgarian banking market with a market share of 7.6%.

(in BGN thousand / % of the total)

	2007	%	2006	%	2005	%
Loans to individuals	756,767	26.6	453,881	25.9	281,595	20.5
Loans to SMEs	270,565	9.5	162,997	9.3	94,742	6.9
Microlending	43,476	1.5	23,461	1.3	9,383	0.7
Loans to corporate clients	1,777,624	62.4	1,114,642	63.5	985,170	71.9
Loan portfolio	**2,848,432**	**100.0**	**1,754,981**	**100.0**	**1,370,890**	**100.0**
Specific allowances for impairment losses	(70,309)		(45,208)		(32,799)	
Loan portfolio	**2,778,123**		**1,709,773**		**1,338,091**	

Corporate lending (loans to large corporate clients, loans to SME's and microlending) continued to have the largest weight in the loan portfolio of the Bank. As of the end of 2007 the relative share of corporate loans was 62.4% of the total loan portfolio of the Bank (2006: 63.5%, 2005: 71.9%). The relative shares of loans to SMEs (2007: 9.5%, 2006: 9.3%, 2005: 6.9%) and microlending (2007: 1.5%, 2006: 1.3%, 2005: 0.7%) continued to increase through 2007 in line with the strategy of the Bank to diversify its corporate loan portfolio.



First Investment Bank has continued to expand step by step into the retail banking market in line with the upward trend in retail lending. Retail loans increased by 66.7% in 2006-2007, 5.5% higher than the increase for the period 2005-2006. Retail loans increased from merely 2.7% in 2002 of all loans to 26.6% in 2007.

The loans extended by First Investment Bank abroad (in Cyprus and Albania) amounted to BGN 148,673 thousand, a 159.5% increase from 2006 (BGN 57,292 thousand). The loans extended in Cyprus amounted to BGN 140,128 thousand (2006: BGN 53,986 thousand) and BGN 8,545 thousand (2006: BGN 3,306 thousand) in Albania.

The policy of the Bank with respect to the evaluation and classification of risk exposures and the allocation of allowances to cover impairment losses is in compliance with the applicable legislation and represents a well-balanced approach for the evaluation of potential risks. The allowances set aside for loans classified as Standard exposures is 32.9% of total allowances. Although the loan portfolio grew, its total allowances actually fell to 2.47% of the portfolio (2006: 2.58%) as a result of the reduction of "watch" and "substandard" loans.

(in BGN thousand / % of the total)

	2007			2006		
Class of exposure	**Gross amount of loans and advances to customers**	**%**	**Allowance for impairment**	**Gross amount of loans and advances to customers**	**%**	**Allowance for impairment**
Standard	2,776,759	97.5	(23,130)	1,679,274	95.7	(15,750)
Watch	15,363	0.5	(835)	22,083	1.3	(1,661)
Substandard	7,602	0.3	(1,234)	20,679	1.1	(2,691)
Nonperforming	48,708	1.7	(45,110)	32,945	1.9	(25,106)
Total	**2,848,432**	**100.0**	**(70,309)**	**1,754,981**	**100.0**	**(45,208)**

The decrease of "watch" loans was partially due to the amendment in 2007 of Ordinance 9 of the Bulgarian National Bank, which provided an opportunity, if risk factors are eliminated, to reclassify loans to individuals to lower-risk groups, without persistently satisfying all the conditions for the said lower-risk classification for a period of not less than 6 months.

First Investment Bank requires collateral for risk exposures. It accepts all types of collaterals permitted by law and applies discount rates depending on the expected realizable net value of the respective collateral. As of the end of 2007 the collateral with the largest share in the portfolio were mortgages with 53.8%, followed by pledges of commercial enterprise at 10.4% and pledges of receivables at 9.4% – the latter includes receivables from bank accounts with FIBank.

(% of the total)

	2007	2006	2005
Mortgage	53.8	55.0	54.9
Pledges of receivables	9.4	18.4	8.8
Pledges of commercial enterprise	10.4	7.2	7.7
Securities	5.1	4.3	4.7
Guarantee	0.7	3.5	3.3
Pledges of goods	3.3	3.0	3.5
Pledges of machines	5.3	2.3	11.9
Money deposits	4.1	1.9	1.5
Stake in capital	1.5	1.3	1.6
Gold	0.0	0.0	0.0
Other collateral	6.3	2.8	1.8
Unsecured	0.2	0.4	0.3
Loan portfolio	**100.0**	**100.0**	**100.0**

Related Party Transactions

A number of banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on market terms and conditions.

(in BGN thousand)

Type of Relationship	2007	2006	2005
Loans to enterprises under common control	8,110	4,351	3,660
Off-balance sheet commitments to enterprises under common control	2,108	1,117	130
Loans to Directors	2,474	1,876	1,554

The Bank may extend mortgage or consumer loans in BGN, EUR or USD to its employees on market terms and conditions, and in particular with an interest rate not lower than loans extended to other clients. The internal rules and regulations of the Bank with respect to such loans are in compliance with the requirements set in the Law on Credit Institutions.

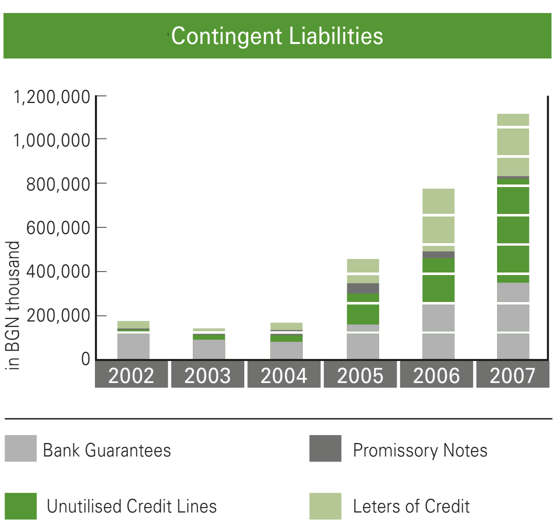
Commitments and contingent liabilities

FIBank continues to develop actively its instruments for servicing the cross-border settlement of corporate clients by means of contingent liabilities, thus increasing the share of fee and commission income from lower-risk operations. Contingent liabilities undertaken by FIBank were dominated by credit lines, bank guarantees, letters of credit in foreign currencies, and promissory notes. These were issued in compliance with the general loan policy of the Bank on risk assessment and collateral sufficiency.

(in BGN thousand / % of the total)

	2007	%	2006	%	2005	%
Guarantees	367,812	32.9	244,550	31.1	155,491	34.4
Unused credit lines	457,669	41.1	211,228	26.8	140,474	31.0
Promissory notes	21,034	1.9	17,097	2.2	39,602	8.8
Letters of credit in foreign currency	268,562	24.1	313,722	39.9	116,461	25.8
Contingent liabilities (total)	**1,115,077**	**100.0**	**786,597**	**100.0**	**452,028**	**100.0**

As of the end of 2007 First Investment Bank increased its contingent liabilities by 41.8% (BGN 328,480 thousand). The contingent liabilities are dominated by unused credit lines at 41.1%, followed by bank guarantees at 32.9% and letters of credit in foreign currencies at 24.1%. The annual increase was highest in credit lines at 116.7% (BGN 246,441 thousand); this reflects agreed but still unused credit lines as of the date of the report. Bank guarantees increased by 50.4% (BGN 123,262 thousand) and promissory notes by 23% (BGN 3,937 thousand). The Bank guarantees are reported as bank guarantees denominated in BGN (BGN 186,268 thousand) and in foreign currency (BGN 181,544). Bank guarantees denominated in national and foreign currency have almost identical shares of 50.6% and 49.4% respectively in the portfolio.



Contingent liabilities such as guarantees, LCs and promissory notes are recorded off balance sheet and inherently bear lower credit risk; therefore they are the preferred trade financing instruments by institutions. These products are used primarily by clients of the Bank operating on the international market, because they facilitate payments with international partners and reduce the cost of financing as compared to direct financing and immediate payment.

Although this is a very competitive segment, First Investment Bank managed to expand its international payments and trade financing operations in the form of bank guarantees and letters of credits using as leverage the high level of trust among its clients and contragents, its reputation for reliability and excellence , as well as its good reputation among foreign banks and companies.

Attracted funds

The main source of financing for the Bank continued to be deposits from clients, which as of 31 December 2007 amounted to BGN 2,475,139 thousand. The changes implemented in 2007 to the Law on Credit Institutions and the reclassification of banks into credit institutions required deposits from clients to include the deposits of financial institutions which are not banks. Deposits increased by 46.3% (BGN 782,942 thousand), compared to the previous year. Their share in the Bank's liabilities rose to 63.9% as compared to 56.8% at the end of 2006.

Deposits from individuals and households comprised the predominant share of 58.8% of the total deposits from customers.

Deposit base by type of currency (in BGN thousand / % of total)

	2007	%	2006	%	2005	%
Deposits from individuals	**1,454,745**	**58.8**	**1,013,721**	**59.9**	**731,002**	**60.2**
in BGN	571,535	23.1	419,857	24.8	301,583	24.8
in other currencies	883,210	35.7	593,864	35.2	429,419	35.4
Deposits from corporate clients	**1,020,394**	**41.2**	**678,476**	**40.1**	**483,182**	**39.8**
in BGN	633,158	25.6	364,745	21.6	233,486	19.2
in other currencies	387,236	15.6	311,731	18.4	249,696	20.6
Total deposits from non-credit institutions	**2,475,139**	**100.0**	**1,692,197**	**100.0**	**1,214,184**	**100.0**

First Investment Bank regularly sets aside the required annual premiums in accordance with the Bank Deposit Guarantee Act. In 2007 the Bank set aside BGN 6,212 thousand. This added additional security for clients-depositors of the Bank, as according to the amendments in the Act (effective of 1 January 2007) the amount guaranteed by the Fund reached BGN 40,000 per client.

Using its extensive experience in raising additional funding on the international financial markets and its good reputation among the international financial community, First Investment Bank continued to use this source of funding for raising additional financial resources.

As of 31 December 2007 liabilities evidenced by paper increased by 10.2% to reach BGN 1,238,113 thousand. Acceptances under letters of credit comprise the predominant share (25.2%) of the liabilities evidenced by paper, increasing to BGN 311,491 thousand (2006: BGN 1,634 thousand). As of 31 December 2007 the Bank had no liabilities under repurchase agreements. The outstanding amount of mortgage bonds issued by the Bank totalled BGN 29,743 thousand, as those issued in 2003 with a face value of EUR 5,000 will mature in 2008.

In February 2007 First Investment Bank negotiated a loan agreement with LRP Landesbank Rheinland-Pfalz (LRP Bank) for EUR 20 million (BGN 39 million). The loan facility was for general purpose financing and had a term of 5 years.

In October 2007 First Investment Finance B.V., a wholly owned subsidiary of First Investment Bank negotiated a syndicated loan for EUR 185 million guaranteed by the Bank. The loan had a term of 364 days and will be used for trade financing and refinancing of an existing loan. The consortium extending the loan included 23 banks from 10 countries.

During the same month the Bank paid off a syndicated loan of EUR 185 million arranged by Bayerische Landesbank.

On 31 January 2008 the Group repaid on maturity a principal of EUR 200 million and interest of EUR 15 million on a long term bond issued by First Investment Finance B.V. and guaranteed by the Bank.

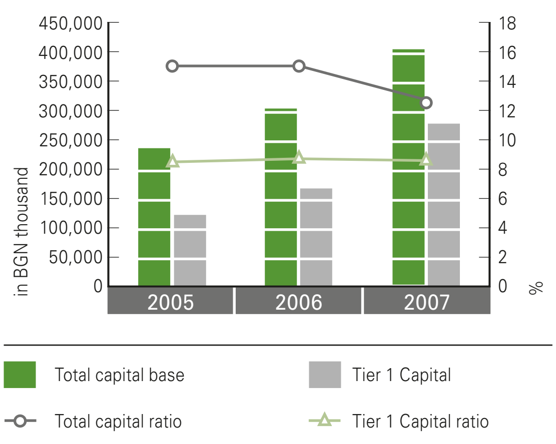
Capital

As at 31 December 2007, the total capital base of FIBank amounted to BGN 404,614 thousand. This was an increase of BGN 103,322 thousand (34.3%) over the previous year. Tier I capital amounted to BGN 273,573 thousand, an increase of 62.3% in 2007. The equity of the Bank reached BGN 325,854 thousand by year end. This was BGN 157,291 thousand (93.3%) higher than 2006.

(in BGN thousand / % of risk-weighted assets)

	2007	%	2006	%	2005	%
Tier 1 Capital	273,573	8.78	168,554	8.84	129,938	8.69
BIS Capital base	404,614	12.98	301,292	15.81	237,375	15.88
Risk weighted assets	**3,116,968**		**1,905,826**		**1,494,727**	

Capital adequacy



Since 1 January 2007 First Investment Bank has applied the provisions of Basel II as formulated in the applicable EC directives and Ordinance No.8 of the Bulgarian National Bank, and sets aside additional provisions for operational risk. First Investment Bank applies the standardised approach and systematically develops internal rating systems in order to prepare the Bank for the implementation of the Foundation Internal Rating Based Approach.

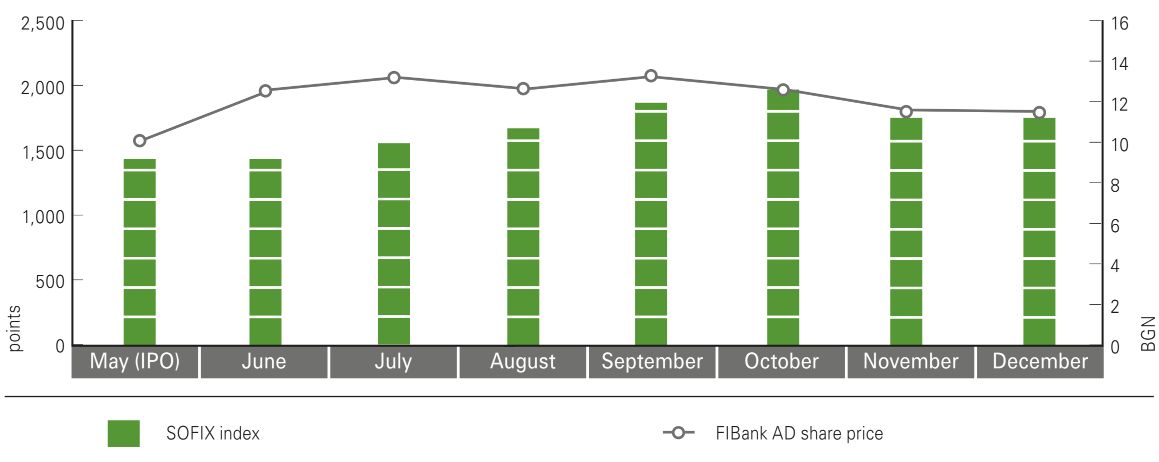
The issued share capital of the Bank as of December 2007 was BGN 110,000 thousand divided into 110,000 thousand ordinary dematerialised shares with voting rights of BGN 1 par value each.

During the reporting year the Bank implemented the decisions of the General Meeting of Shareholders to become a publicly traded company and to increase its issued share capital by initial public offering of 10,000 new dematerialised shares. During the preparation of the IPO in March 2007 the Bank split its shares by replacing each share with a face value of BGN 10 with 10 dematerialised shares with par value of BGN 1.

In May 2007 First Investment Bank successfully conducted the largest bank IPO in Bulgaria and increased its share capital by BGN 10,000 thousand (from BGN 100,000 thousand to BGN 110,000 thousand); 6,500 existing shares held by First Financial Brokerage House OOD were sold together with the new shares. The placement of orders for the acquisition of shares in the book building auction totalled BGN 1,317, 898 thousand, oversubscribed 5.97 times (based on the BGN 10.70 offer price). The IPO grossed BGN 176,550 thousand, and the financing raised by the Bank amounted to BGN 107,000 thousand. The Bank became a publicly traded company in June 2007; 16,500,000 shares (15% of the issued share capital of First Investment Bank) were registered and are currently traded on the Bulgarian Stock Exchange – Sofia AD (ISIN code: BG1100106050).

The capital raised was used to finance the strategic expansion of the Bank by sustaining the growth of the loan portfolio including loans to corporate clients, loans to SMEs and retail lending, while maintaining a stable level of capital adequacy.

FIBank AD Share Price in 2007



The market capitalisation of the Bank as of 31 December 2007 was BGN 1,398,100 thousand, an increase of 18.8% since the IPO in May 2007 (BGN 1,177,000 thousand).

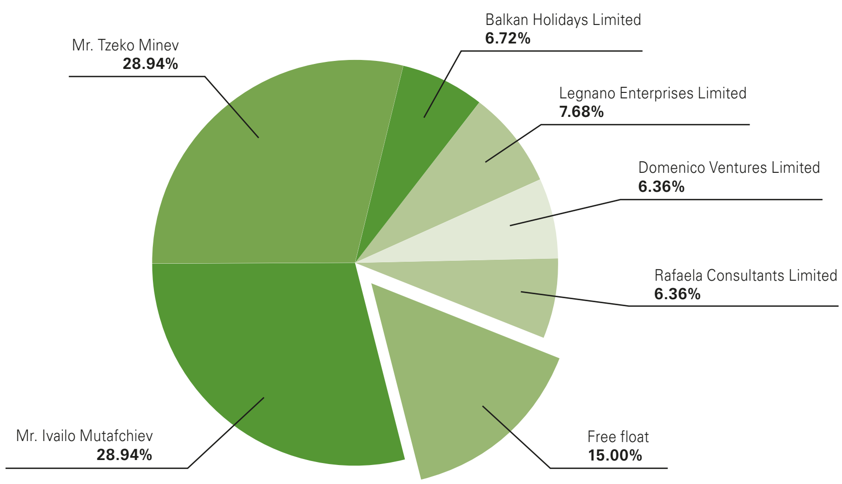
(amount / % change y/o/y)

	31.12.2007	%	30.09.2007	%	30.06.2007	%
Net Profit (in BGN thousand)	51,113	77.4	34,210	271.1	19,239	59.9
Earnings per Share (in BGN)	**0.48**	**65.5**	**0.33**	**266.7**	**0.19**	**58.3**

By the end of 2007 the Bank had more than 3,100 shareholders. As a result of the IPO First Financial Brokerage House OOD reduced its shareholdings in the Bank from 13.89% to 6.72%. Later, in December 2007, First Financial Brokerage House OOD sold its remaining 7,390,000 shares to Balkan Holidays Limited (UK) by a block transaction registered on the Bulgarian Stock Exchange – Sofia AD.

Balkan Holidays Limited is a leading tourist operator in the UK offering tourist and vacation packages to the Balkans, Central and Eastern Europe and primarily for Bulgaria. The company has an issued share capital of GBP 687,000 (EUR 926,750) divided into 687,000 ordinary shares with a face value of GBP 1. Balkan Holidays Limited was incorporated in 1966 as a state owned enterprise. It was privatized in 1999. The majority shareholder in the company is Dotbern Investments Limited, a company registered in Jersey, Channel Island. Balkan Holidays' operations have been growing rapidly in the past 8 years, increasing substantially its client base and the number of serviced/transported tourists. The company offers tourist packages and specialised services via a wide network of sales representatives throughout the UK. The registered seat of the company is at: 19 Conduit Street, London W1S 2BH.

Shareholding Structure as at 31.12.2007



As of 31 December 2007 the shareholders of the Bank were Mr. Tzeko Minev (28.94%), Mr. Ivailo Mutafchiev (28.94%), Balkan Holidays Limited (6.72%), Legnano Enterprises Limited (7.68%), Domenico Ventures Limited (6.36%), Rafaela Consultants Limited (6.36%) and 15% of free floating capital.

In the reporting year the Bank continued to use hybrid instruments and subordinated term debt to increase its Tier 2 capital. In the last quarter of 2007 the Bank repaid before maturity a subordinated term debt with face value of BGN 1,956 thousand. As a consequence the Bank entered into seven separate subordinated loan agreements with four different lenders for a total principal value of BGN 37,161 thousand, and signed two perpetual subordinated bonds for the total principal amount of BGN 93,880 thousand.

The Bank will continue its policy of retaining profits as an additional stream for increasing its equity.

Risk Management Disclosures

Risk management is carried out on the basis of written rules and policies, observing the principles of the double control of each transaction, centralised management, transparency and the prevention of conflicts of interest.

A system of clearly defined levels of competence and powers operates in the Bank.

The Managing Board of FIBank administers the general risk profile of the Bank so as to achieve an efficient balance of risk, return and capital.

Collective risk management bodies

For the purpose of managing various types of risks, observing the regulatory requirements of the Bulgarian National Bank, the Basel Committee recommendations and internationally recognised standards, the following collective management bodies operate at the Head Office of FIBank: Credit Council, Liquidity Council, and Credit Committee.

The Credit Council administers the credit risk undertaken by the Bank by issuing opinions on loan transactions in accordance with the level of competence assigned thereto. The Credit Council consists of seven members (of which at least five must attend its meetings) elected by the Managing Board. The Credit Council is chaired by the executive director responsible for the Risk Management Department, while the other members include the directors of the Legal, Corporate Banking, SME Lending and Branch Network departments.

The Liquidity Council performs the day-to-day management of the Bank's assets, liabilities and liquidity. It conducts systemic analyses of the interest and maturity structure of assets, liabilities, and liquidity indicators with a view to their optimisation. As at the end of 2007 it comprised three members of the Managing Board, the head of the Liquidity Department and the Head Dealer.

The Credit Committee is a specialised body for monitoring loans with indicators for impairment. It has five members elected by the Managing Board – representatives of the Legal, Corporate Banking, Risk Management, Finance and Accounting, and Impaired Assets and Provisioning departments. The Credit Committee members are employees of the Bank who are not directly involved in decision-making on the extension of loans. The Committee monitors and analyses asset impairment and allowances both in general (by portfolios) and in terms of specific, individually significant exposures.

In addition to the collective management bodies, FIBank employs a specialised unit – the Risk Management Department. This department exercises secondary control over risk exposures, monitors and assesses the Bank's risk profile, and is responsible for the implementation of new requirements related to risk assessment and capital adequacy.

First Investment Bank applies a centralised risk management approach in strict observance of the predefined limits and levels of competence. The primary mechanisms and tools for risk management for the respective types of risk are defined below:

Credit Risk

Credit risk is the primary risk factor in the banking sector and its efficient measurement and management is determinant to the successful operations of the credit institutions. FIBank applies detailed and clear internal rules and procedures to ensure timely identification, analysis and minimisation of potential and existing credit risks.

The Bank has defined limits for all exposures involving credit risk, including limits for individual clients, groups of clients, types of instruments, sectors in the industry, etc. In 2007 FIBank continued to optimise its scoring models (for retail lending) and rating models (for corporate lending) and is in the process of developing an integrated risk measurement rating framework in accordance with Basel II.

All credit risk exposures are currently controlled. FIBank requires collateral for all exposures that bear credit risk, including contingent liabilities.

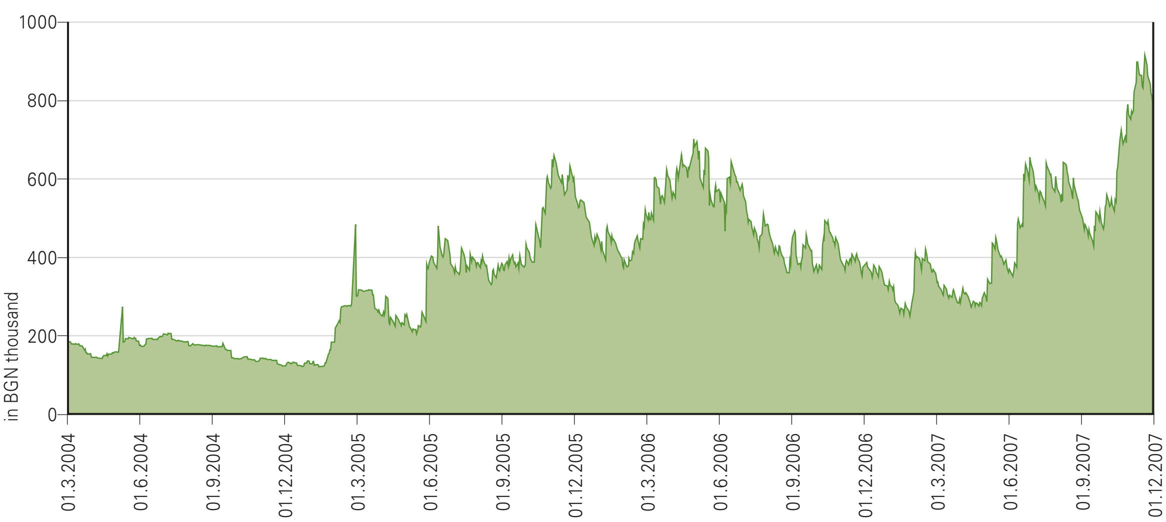
In 2008 FIBank will continue to develop its infrastructure for the introduction of Foundation Internal Rating Based Approach in accordance with Basel II – to further develop FIBank's rating models and statistical approach for the evaluation of potential risks; and to improve the centralised management of credit risk, while maintaining the Bank's flexibility to accommodate market demand.

Interest Rate Risk

Market risk is the risk of loss as a result of changes in interest rates, foreign currency rates and the market price of financial instruments.

The interest rate risk is currently monitored by applying VaR (see the graph below), duration analyses and standardized interest shocks. Interest rate risk is managed by an internal assessment system, which tracks the changes in interest rates and their effect on interest costs/income, on the value and profitability of the Bank's portfolio; performs currently analysis and management of the interest rates by groups of assets and liabilities.

1-day 99% VaR



Using scenarios for analysing the interest rate risk by type of assets and liabilities, and carrying out the levels of interest rates as of 31 December 2007 the system calculated that a standardised shock of +100 base points will decrease the market value of the Bank by BGN 3,447 thousand.

Currency Risk

Currency risk is the risk of loss as a result of interest rate fluctuations. FIBank controls this type of risk by applying internal rules and limits for each open foreign currency positions by type of currency and as a whole for the Bank; by using stop-loss and take-profit limits on open positions; and by managing exchange rate positions on a daily basis.

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 cover a particular payment at appropriate maturity and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame to meet the liability obligations.

Liquidity risk is managed by an internal system for liquidity monitoring and management on a daily basis, by maintaining a sufficient amount of available cash in accordance with the maturity and currency structure of the assets and liabilities of the Bank, by indicating monthly gap liquidity analyses, by maintaining a portfolio of low-risk assets to meet pending liabilities and by performing operations on the interbank market. However, the global credit crunch at the end of 2007 made the use of the European financial markets more difficult as a source of external funding and increased the importance of internal reserves, the local markets and the countries not affected by the crisis.

Operational Risk

According to the International Convergence of Capital Measurement and Capital Standards, known as Basel II, operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. In order to minimize operational risks FIBank has implemented written policies, rules and procedures based on the best banking practices and the requirements set by applicable Bulgarian and European law. The Methodology Department is the specialised unit within the Bank responsible for the development, distribution and maintenance of internal rules and procedures.

Effective from 1 January 2007, Basel II requires all banking institutions to set aside capital for operational risks. FIBank applies the basic indicator approach to evaluate operational risk and is in the process of developing more advanced methods of measurement. In the past year the Risk Management Department took actions to identify FIBank's systemic risks with the aim of developing a system of defined measures to manage and minimize operational risk. Efforts in 2008 will focus on setting up a database with historical data on losses.

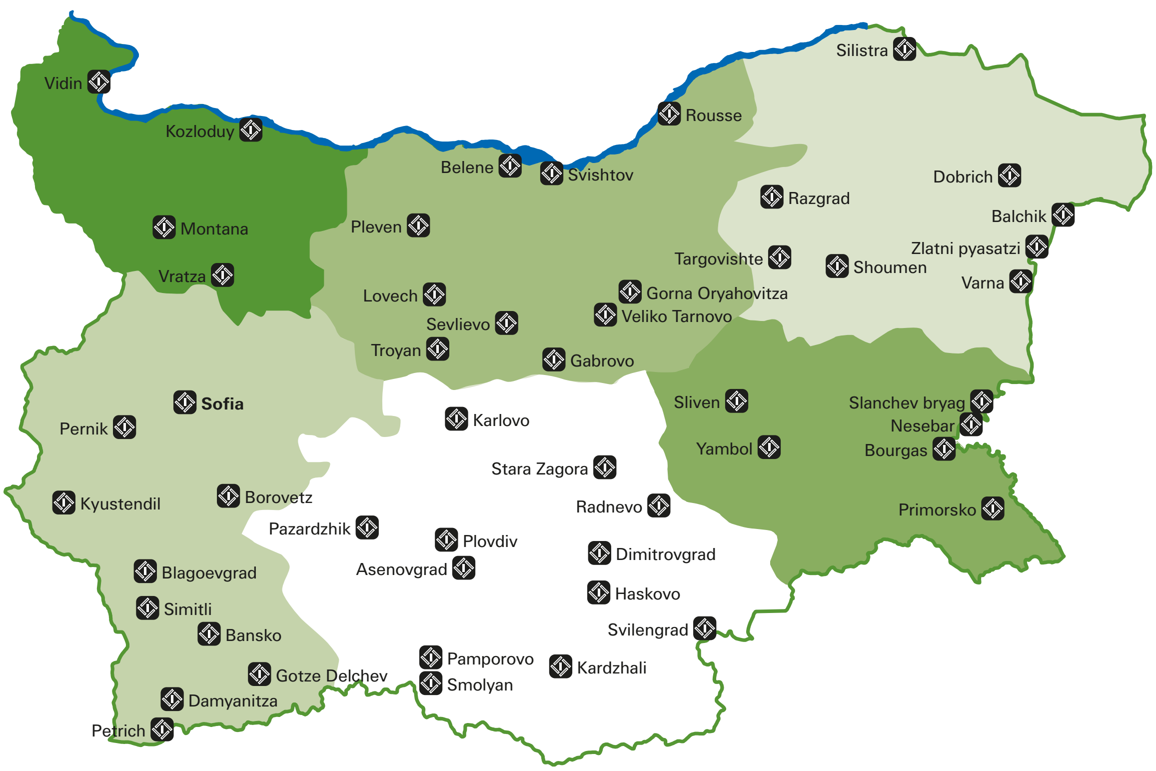
Information technology standards in relation to both maintaining databases and introducing new technological modules and systems for risk management lay among the top priorities of FIBank during 2008.

Distribution Channels

One of the most important of FIBank`s market advantages is its well developed distribution channels. The balance between the branch network, ATM and POS terminals and online banking ensure a solid foundation for the Bank's growth and cost optimisation.

Branch Network

The expansion of the branch network is a basic tool for the Bank`s penetration in the most developed and populated areas in Bulgaria. At the end of 2007 the branch network of FIBank consisted of 120 branches and offices (2006: 107; 2005: 93), from which 30 branches in Sofia and 89 branches in the rest of the country. The Bank opened 21 new offices and closed 5 offices through the year.



FIBank has a branch in Cyprus and a subsidiary in Albania, which has a full banking licence.

At the end of 2007 First Investment Bank – Albania Sh.a. comprised a head office and 2 offices in Tirana, as well as 4 branches in Durrës, Elbasan, Vlorë and Fier. The objectives of the new bank are to develop its card payments by offering EMV compliant chip debit and credit cards by the new CaSys International processing centre, and to develop its services to individuals and to small and medium-sized enterprises.

From 15 October 2007 the CEO of FIBank – Albania has been Mr. Bojidar Todorov. Mr. Todorov has extensive professional experience in the banking sector including several top-level management positions in FIBank related to corporate asset management.

The Call Centre – 0800 11 011

FIBank`s Call Centre was established in 2006 as an alternative channel for the sale of banking products and as a customer service centre. Since the beginning of 2007 it has been operating in full capacity as an active channel for sales. The operations of the Call Centre include: taking incoming calls and conducting regular phone interviews for the purposes of marketing and primary research with current and potential clients; assisting clients by providing information about the Bank's products and services; and accepting applications for bank cards.

In 2007 the Call Centre provided great support in the process of replacing all circulating bank cards with a magnetic strip with more secure chip cards.

Among the Call Centre's strategic objectives for 2008 are: maintaining compliance with the 80/20 international standard for call centres (80% of the incoming calls must be answered within 20 seconds); improving the efficiency of ongoing campaigns (collection of overdue loans within 5 days, direct telemarketing, promotional and information campaigns); and expanding the scope of business of the Call Centre by servicing active bank operations.

Sales

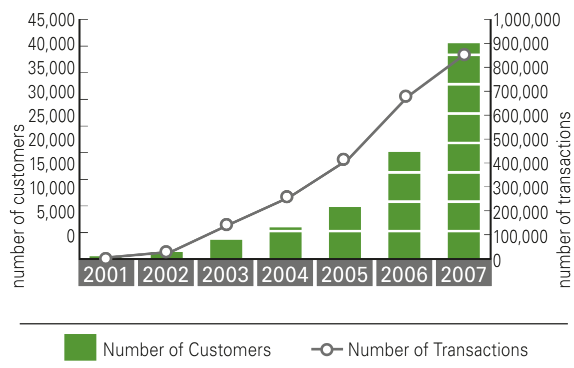
The Sales Department was set up in 2006 and manages direct sales of banking products and the development of comprehensive offers for institutional and corporate clients. In 2007 the Department's employees – young and creative professionals, introduced a new customer-centred approach – delivering FIBank`s products and services to the client's office and created a distribution network of agents throughout the country. Their activity contributes to the winning of new customers and to establishing a long-term relations with key clients.

Virtual Branch

The first virtual banking branch in Bulgaria has been in operation for 11 years now, successfully offering a wide range of services to clients – from a full information on account balance, information on received payments and payment orders, opening deposit and current accounts in BGN and foreign currency, to initiating requests for direct debit currency exchange, domestic and international transfers, and tax payments. Because the Internet banking offers swift, easy and secure services it is favoured by the Bank's clients. The growing popularity of the Virtual Banking Branch is due to free registration, lower fees, charges and commissions, and the client's ability to operate with its accounts in real time. The Virtual Banking Branch` clients are both companies and individuals with existing accounts in some of Bank's branches, and new customers as well.

To ensure the security of the funds managed through the Virtual Banking Branch and FIBank's online services in 2007 the Bank offered its clients the opportunity to receive a universal electronic signature free of charge.

Number of Customers and Number of Transactions through the Virtual Banking Branch



In 2007 the number of registered accounts at the Virtual Banking Branch increased by 63.3% to number over 66,000, which is 8.4% of all accounts. The number of registered clients doubled to exceed 40,000. The clients of the Virtual Banking Branch are among the most active clients of the Bank and generate 34.6% of the BGN and 25.7% of the foreign currency FIBank transfers. With the launch of the Single Euro Payment Area (SEPA) in January 2008 banking through the Internet is expected to enter into a new phase, which will open new opportunities to introduce electronic invoices, full automation of transfers and other supplementary services.

Information Technologies

The development of information technology is one of the main priorities of the activity of First Investment Bank. This is due to the necessity of providing higher security level when performing bank operations, as well as the desire for first-class client service. The offering of more complex bank products and services requires constant development of the information systems of the Bank.

In the past 2007 First Investment Bank successfully implemented (smart) cards with EMV chip. These cards have an integrated chip (microprocessor) encoding data and preventing unauthorized access. Smart cards transactions are much faster. All First Investment Bank's ATMs and POS terminals have been converted to smart cards with EMV chips.

In 2007 First Investment Bank successfully implemented Atlantis ERP (Enterprise Resource Planning) – an integrated software information system which facilitates the planning and management of the material resources in the Bank. The main purpose of Atlantis ERP is to include all units and business processes; and by the end of 2007 it covered FIBank's long term tangible assets, the Bank's vaults and the sale-trade of precious metal articles.

The Bank is finishing its most extensive project in the Information technology area, the implementation of the new bank information system FLEXCUBE. The system is supplied by I-flex Solutions, a company owned by Oracle Global (Mauritius) Ltd. It features Workflow – an integrated module used for the advancing and approval of loan applications, the acceptance and registration of foreign currency transfers, and the acceptance and authorisation of bank checks.

The introducing of the new information system will provide thorough optimisation of business processes, reduction of the time necessary to perform banking operations and a reduction of operational risk.

Preparation for the implementation of i-Flex Reveleus module continues and it will contribute to the standardisation and automation of the application of the international framework for capital adequacy (Basel II). This module will provide the possibility for the better management of credit, market and operational risks.

At the end of the reporting year First Investment Bank converted to a new card system supplied by TietoEnator (Latvia), a company specialised in card systems development. This is an important step towards the improvement of the processing of a large number of cards.

Human Capital

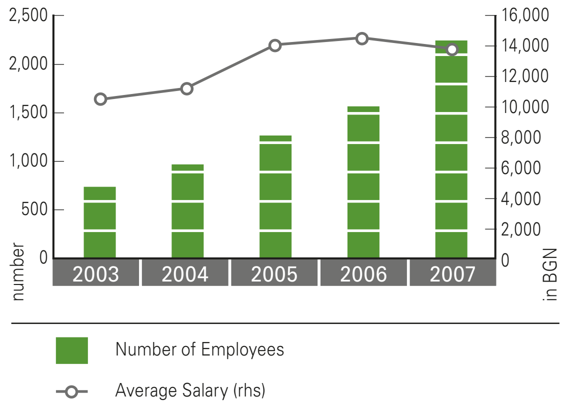
"A Question of Team" for FIBank's employees is:

- a joint project with Deloitte launched in 2007 to improve the Bank's staff management and professional development and thus to ensure the achievement of FIBank's strategic objectives.
- an internal Bank bulletin launched in 2007 which present personalities, families, hobbies, pets, goals, and the dreams and achievements of the Bank's employees.
- the philosophy of success.

The number of FIBank`s employees reached 2,289 in 2007 (2006: 1,598; 2005: 1,269, 2004: 968), an increase of 43.2% over 2006 and in line with the extensive increase of the Bank.

The policy of FIBank to offer a competitive salary is in line with the Bank's strategy to attract outstanding professionals, to carry out the different levels of responsibility, to remain adequately flexible and so to respond quickly to market volatilities, and at the same time to motivate its employees and to reward excellent results. The Bank applies various reward schemes to stimulate performance: a bonus system aimed at sales stimulation, and evaluation forms to measure the performance of all employees according to standard criteria.

Human Capital



The employees' training, orientation and team building are among the priorities of the Bank's HR management. FIBank pays special attention to the development of each employee and offers opportunities for growth within the Bank. Various forms of training are offered: interbank seminars with leading internal and external experts, including foreign specialists, and participation in seminars, conferences and forums in Bulgaria and abroad.

In 2007 the Bank restructured its Human Capital Management Department with a focus on the centralised management of human resources in line with its operating needs, strategic development and goals.

Charity

In accordance with FIBank's corporate values for transparency, social responsibility and involvement, in 2007 the Bank took part in a large number of charitable events. Its contribution was recognised at the Third Annual Donors' Conference of the Bulgarian Donors' Forum and the Bank was awarded second prize.

Yet again FIBank proved its social involvement by providing support in resolving socially important issues:

- For the third consecutive year the Bank and its long-term partner, the "Workshop for Civil Initiatives" Foundation set up a Day of Open Doors in 9 cities in Bulgaria;
- The Bank's "Library for Bulgarian Schools" Fund financed a library with more than 4,000 books in the village of Valchedrum on Nation's Enlighteners Day;
- FIBank and Pfizer conducted a charity fund-raiser for the purchase of breast cancer treatment medications;
- The Bank continued its charity campaign of issuing debit and credit cards 'FIBank – Bulgarian Red Cross' in support of the "Partnership Network for Charity";
- The Bank supported several hospitals: The Bulgarian Dental Association; The Medical Department, The General Hospital, The Specialised Pediatrics Hospital; and the Specialised Pediatrics Oncohematology Hospital;
- The Bank organized an exhibition of Christmas cards made by disadvantaged children;
- The Bank made a donation to the "Operosa" Foundation for the promotion of opera and the development of opera artists;

FIBank's charitable programme demonstrates commitment and compassion, as well as willingness to participate in the resolution of significant social issues.

Corporate Governance

To First Investment Bank good corporate governance means reaching its strategic goals and attaining long-term sustainable results on behalf of its shareholders, lenders, employees, clients and the public in general.

FIBank's governance has been set up on the basis of internationally recognised corporate governance standards effective in the European Union and the National Corporate Governance Code, in compliance with the changes introduced in the regulatory and economic environment, and in line with the increased capacity and significance of FIBank in the country's financial market.

Being a public company and issuer of financial instruments, First Investment Bank complies with the principles of transparency, equality, accountability, and objectivity which constitute key elements of its Programme for the Implementation of Internationally Recognised Good Corporate Governance Standards. They are also at the heart of its business practice and facilitate the establishment and functioning of effective controls and risk management, timely compliance with legislative changes and the disclosure of information to the market. There are written rules and procedures for preventing conflicts of interests and the use of internal information, for preserving banking and commercial confidentiality, preventing money laundering, the financing of terrorism and financial malpractice.

FIBank's corporate governance is a system with clearly defined functions, rights and responsibilities at all levels: the Supervisory Board, the Managing Board, structures at the Head Office and the branches.

First Investment Bank has a two-tier management system, comprising the Supervisory Board and the Managing Board.

The Supervisory Board does not participate directly in the Bank's management. The Supervisory Board elects and discharges members of the Managing Board, and approves the major strategic decisions of the Bank. In 2007 the Supervisory Board had 20 meetings.

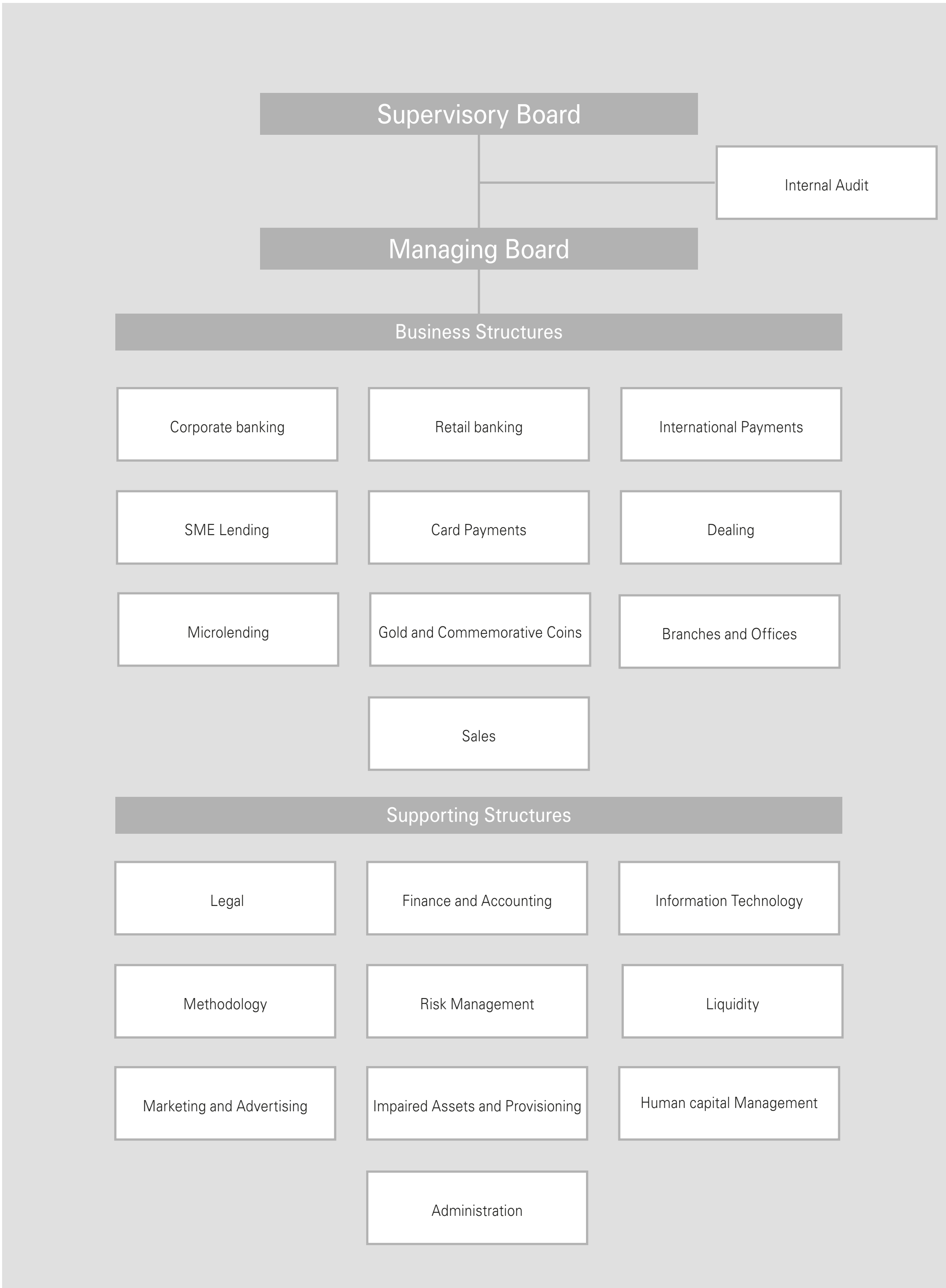
The Managing Board carries out the management of the Bank by resolving all issues within its line of business, except those within the exclusive competence of the General Meeting of Shareholders or the Supervisory Board. The Managing Board of FIBank holds sessions every week.

The specialised internal audit service (SIAS) audits all the activities of the Bank on a regular basis. It has the power to report directly to the Supervisory Board in the event of established significant irregularities. SIAS exercises control as to whether the effective regulatory provisions and internal banking requirements are observed in order to assist the managing bodies in their decision-making.

The Bank is managed in accordance with current local legislation and the Bank's statutes, which provide for the shareholders' rights, ownership registration, share transfer, as well as the regular preparation and presentation of information regarding the Bank's financial position and corporate status. Being a bank operating in an EU member state, FIBank complies in its activities with the requirements of European Union legislation.

The annual and semi-annual financial statements of FIBank are audited by an independent auditor, and in order to ensure transparency and to enable all interested parties to familiarize themselves with the results of FIBank, the reports of the Bank are available free of charge in both English and Bulgarian on its website: www.fibank.bg.

Business Structure



Supervisory Board

Georgi Dimitrov Mutafchiev
Chairman of the Supervisory Board

Radka Vesselinova Mineva
Member of the Supervisory Board

Todor Ludmilov Breshkov
Member of the Supervisory Board

Nedelcho Vassilev Nedelchev
Member of the Supervisory Board

Kaloyan Yonchev Ninov
Member of the Supervisory Board

As at 31 December 2007 the members of the Supervisory Board held a total of 92,759 FIBank shares and none of them owned more than 1% of the registered capital.

The business address of
all Supervisory Board members is
37, Dragan Tsankov Blvd., 1797 Sofia.

Managing Board

Matthew Alexandrov Mateev
Executive Director, Chairman of the Managing Board

Maya Lubenova Georgieva
Executive Director

Jordan Velichkov Skortchev
Executive Director

Evgeni Krastev Lukanov
Executive Director

Maya Ivanova Oyfalosh
Director “Corporate Banking”

Radoslav Todorov Milenkov
Chief Financial Officer

Ivan Stefanov Ivanov
Regional Director “Northeast Bulgaria”

There were no changes in the Managing Board in 2007.

As at 31 December 2007 the members of the Managing Board held a total of 172,762 FIBank shares and none of them owned more than 1% of the registered capital.

In 2007 the key management personnel of the Bank received remuneration amounting to BGN 1,966 thousand.

The business address of
all Managing Board members is
37, Dragan Tsankov Blvd., 1797 Sofia.

Investor Relations Director

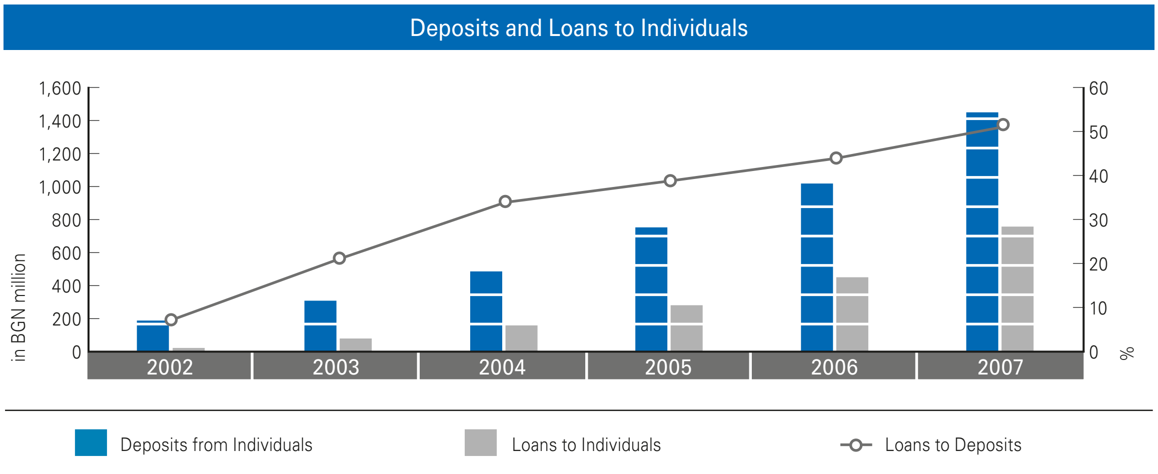
Vassilka Stamatova
Address: First Investment Bank AD
37, Dragan Tsankov Blvd., 1797 Sofia
Tel.: +359 2/81 71 430
E-mail: vstamatova@fibank.bg

Business Overview

Retail Banking

Deposits

Deposits from individuals as of the end of December 2007 amounted to BGN 1,454,745 thousand which is a 43.5% annual increase over last year (441,024 thousand). This growth is attributed to the variety of deposit products, and current accounts offered by the Bank including newly developed products. These take into consideration the needs of a large number of depositors.



"Optima" is a current account introduced by FIBank in October 2007 which provides clients with flexibility and functionality. In November 2007 the Bank introduced One Hell of a Deposit, a three-month term deposit with a start interest rate of 6.66%.

The structure of deposits from individuals is still dominated by term deposits, which total BGN 989,124 thousand (or 68% of deposits from individuals). At the end of 2006 they amounted to BGN 666,225 thousand (65.7%).

Funds in current accounts of individuals as of the end of 2007 were BGN 465,621 thousand, compared to BGN 347,496 thousand at the end of the previous year. This increase was due to the growing number of debit and credit cards and the supplementary services offered by FIBank such as the automatic settlement of payables, payments for utility services, and SMS notifications.

As of the end of December 2007 FIBank ranked as the fifth largest bank by deposits from individuals and households. It is among the leading banks in the country with a market share of 7.6%.

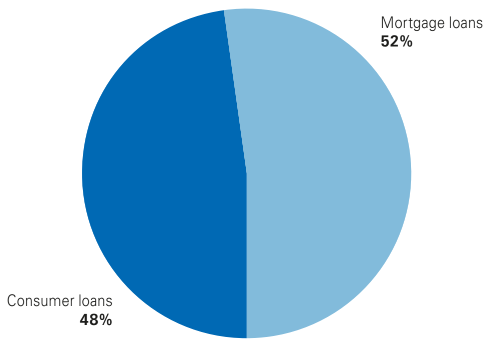
Loans

In 2007 First Investment Bank continued to expand actively its retail lending operations and strengthened its positions in this market segment. The Bank has a retail loan portfolio of BGN 756,767 thousand, which ranks it among the market leaders.

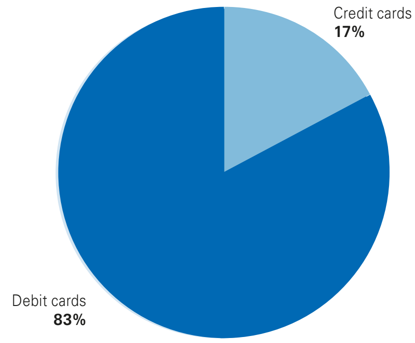
Consumer loans increased by 67.3% (BGN 147,372 thousand) over the previous year to reach BGN 366,511 thousand. This is a result of the developed flexible loan programmes offered by the Bank and improved customer service. In the last year FIBank launched a new retail credit product, combining an overdraft and consumer loan up to BGN 30,000 with a maturity of up to 7 years. Despite stronger competition the Bank managed to increase its market share from 4.7% in 2006 to 5.1% as of the end of 2007, and moved one place up, from 8th to 7th, in the banking system on this criterion.

Mortgage loans increased by 66.2% compared to 2006 or BGN 155,514 thousand to total BGN 390,256 thousand. This growth is due to the boom in the construction sector and the development of the real estate market in the country. The Bank managed to strengthen its market positions in the mortgage loans segment, and by the end of 2007 was ranked 5th largest in the banking system on this criterion with a market share of 6.6% (2006: 6.7%).

Loans to individuals



Bank cards



Flexible lending programmes and quick risk evaluation, a result of the automated scoring systems applied by FIBank, contribute to an improved quality of service and to attracting new clients. FIBank continued to improve and optimise the parameters of its existing retail loan products in accordance with its long term development policy in this market segment. In 2007 the development of the online acceptance of requests for bank cards via the Bank's internet site, front office and call centre was launched. Virtual banking in Bulgaria is still an undeveloped market niche and First Investment Bank approaches it in accordance with the applicable security standards and subject to calculated risk.

Card Payments

In 2007 First Investment Bank strengthened its position as one of the leading banks in Bulgaria in the field of card payments. The Bank offers its clients VISA Electron and Maestro debit cards, and VISA, MasterCard, Diners Club and American Express credit cards.

Over the past year a conversion of the ATM's in the Bank network was carried out so as to operate with the new bank cards with an EMV chip. The issuing of debit and credit Visa and Master Cards with an EMV chip was initiated concurrently. FIBank also completed the certification of all POS models working with EMV chips through the new card system and with the new authorisation centre CaSys International.

In September 2007 FIBank started installing EMV compliant POS terminals for its clients. The POS terminals connect to the CaSys International authorisation centre. It also started the replacement of already installed POS terminals.

Over the past year the number of VISA credit cards issued by the Bank increased by 240%, while the number of MasterCard credit cards increased by 180%. As of the end of December 2007 credit cards represented 17% of all cards issued by FIBank.

The number of Maestro and VISA Electron debit cards increased by 12% and stands at 83% of all cards.

In 2007 the number of FIBank's POS terminals increased by 78.3% to exceed 5,800. This rapid growth of the Bank's ATM and POS networks is due to the attractive terms offered, as well as to the increasing number of cards issued by the Bank.

The Bank administers the second largest ATM network in Bulgaria, reaching 569 terminals at the end of the year (2006: 537).

Concurrent with the technological development of the Bank's card business FIBank invested in the development of the products offered. In 2007 new and improved versions of business credit cards were developed and introduced to the market, as well as a co-branded Diners Club International First Lady – a specialised card which was approved quickly by the ladies in the country. FIBank organised discounts in over 300 shops in Sofia and across the country for payment with Diners Club International

First Lady, which were announced in a special luxurious catalogue. Another successful co-branded card was the Vivatel-FIBank card for loyal clients of Vivatel.

The changes made in 2007 strengthened First Investment Bank's position as a leading bank in the card business with the potential for development and modernising in compliance with current technologies and requirements.

Gold and Commemorative Coins

In 2001 First Investment Bank started offering its clients articles of gold and precious metals – bars, gold coins, silver coins, medals, and medallion-shaped bars. At the end of 2007 articles of precious metals have been offered in the offices of the Bank all over the country. With the increase in price and demand for gold in the international markets in the second half of 2007 the number of investments in gold in Bulgaria also increased. Over 100 large transactions were performed. The total amount of silver traded by the Bank is over 1 ton, and of gold over half a ton.

Gold and silver medallion-shaped bars of the highest purity and with an engraving of St. George, offered for the first time on the Bulgarian market, proved to be an extremely popular item. Traditionally, they are co-designed by the Bank's experts and the designers of Produits Artistiques de Métaux Précieux (PAMP), the world famous Swiss mint.

In 2007 the Bank became the official representative of the New Zealand Mint for Bulgaria and the Balkans. Unique collections of silver coins with colourful engravings were introduced on the Bulgarian market. FIBank's cooperation with the Spink auction house of Great Britain, an official dealer of numismatic and other valuable articles of the British Royal Family since 1666, remains beneficial.

Transactions in gold and precious metal articles are subject to strict observance by the Bank of the quality criteria of the London Metal Exchange and international ethical trading standards.

EGO Club

For several years now, First Investment Bank has been successfully developing private banking by offering professional services at the Bank's branches and assistance at clients' offices or over the telephone.

EGO Club clients are both individuals and corporate clients. They are holders of platinum, gold or silver EGO cards issued by FIBank.

EGO Club clients receive banking services under non-standard schemes depending on their specific needs: EGO CARD for preferential servicing, telephone banking, special conditions for use of all products of the Bank (bank cards, payments, account management, foreign currency transactions, cheques, loans, investments in gold), special conditions for the use of non-banking services – arrangements for business and tourist trips (reservations, visas, airplane tickets), preferential conditions for purchases from the list of EGO Club traders, and trade intermediation.

Corporate Banking

Deposits

As of the end of 2007 the deposits of corporate client with the Bank amounted to BGN 1,020,394 thousand, an increase of 50.4% (BGN 341,918 thousand) over the year.

Term deposits from legal entities increased their share as a percentage of corporate deposits by 14.2 percentage points up to 38.7% (2006: 24.5%). At the end of 2007 they were BGN 395,372 thousand (2006: BGN 166,281 thousand).

In August 2007 FIBank introduced new short-term 48-hours, 7-days and 14-day deposits. These new deposits are targeted mainly at corporate clients with cash available on current account for a short period.

The percentage of current accounts among the liabilities to clients-legal entities decreased to 61.3% by the end of December 2007. (2006: 75.5%). The Bank continues to develop its flexible corporate deposit products maintaining the trust won among business representatives.

Loans

Corporate Lending

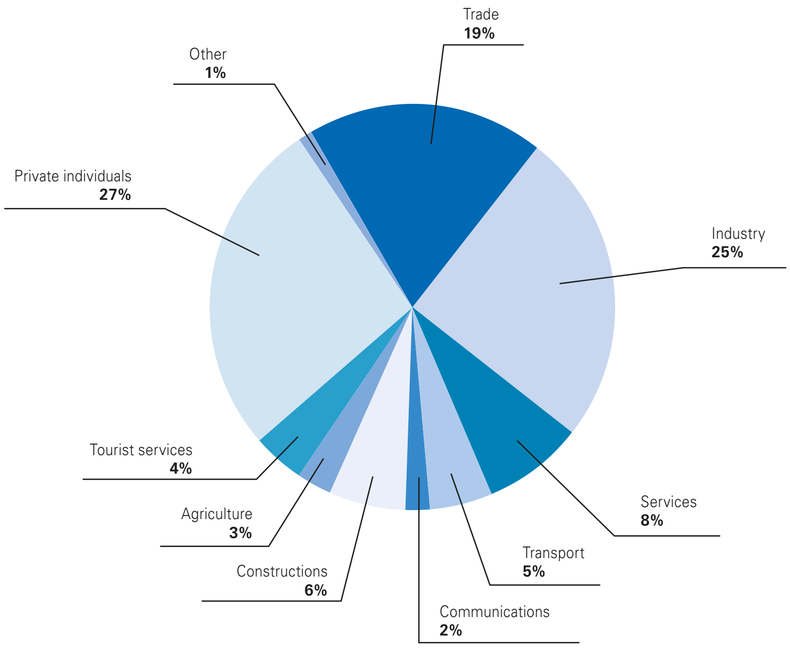
In the face of strong competition First Investment Bank improved on its traditionally strong position in Corporate lending in 2007 and was ranked 4th among Bulgarian banks with a market share of 8.6%.

(in BGN thousand / % of the total)

	2007	%	2006	%	2005	%
Corporate	1,777,624	85.0	1,114,642	85.7	985,170	90.4
SME	270,565	12.9	162,997	12.5	94,742	8.7
Microlending	43,476	2.1	23,461	1.8	9,383	0.9
Total loans to corporate clients	**2 091,665**	**100.0**	**1,301,100**	**100.0**	**1,089,295**	**100.0**

The share of loans to large corporate clients amounted to 85.0% at the end of 2007, thus continuing to dominate the structure of the corporate loan portfolio. The share of loans to small and medium enterprises was 12.9% at the end of the reporting period (2006: 12.5%), and the share of loans for microlending was 2.1% (2006: 1.8%). FIBank continues to diversify its specialised lending programmes according to the needs and requirements of its business clients, and at the same time to ensure efficient risk management.

Loan portfolio as of 31.12.2007



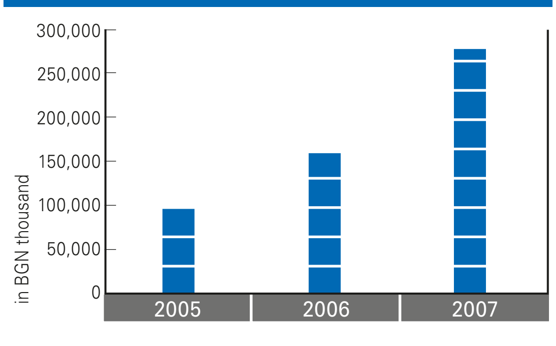
The quality of the corporate loan portfolio continued to be balanced, to some extent due to the corporate development and stabilisation of the business environment in the country.

Loans to industry (25%) have the largest share in the loan portfolio structure which increased by 54.2% in 2007 to a total of BGN 709,289 thousand. The percentage of loans for trading increased from 17% in 2006 to 19% in 2007 in the Bank's gross portfolio. As at the end of December 2007 these loans accounted for BGN 532,339 thousand marking a 78.3% annual increase. This increase was due to the traditionally large volume of international transfers and financing by the Bank, as well as the outstanding quality of its services. Lending to companies in the telecommunication sector increased 7-times and reached BGN 45,445 thousand. After the rapid increase in the construction sector in 2006, some loans during the past year were redirected to the transportation sector as a result of infrastructure projects begun in the country in 2007. Lending to the transportation sector more than doubled to reach BGN 154,311 thousand, a share of 5% of the gross lending portfolio.

SME Lending

First Investment Bank continued to actively develop specialised lending to small and medium-size businesses throughout 2007. The SME loan portfolio increased from BGN 162,997 thousand in 2006 to BGN 270,565 thousand by the end of December 2007 registering a stable growth of 66.0%. This was due to the introduction of new bank products created for this segment of clients, which are adjusted to the new business environment for Bulgarian business after accession into the EU and connected to the application procedures for granting free financial aid under the post-accession EU structural funds.

Loan Portfolio – SME's



In the past year FIBank was the first to offer preferential conditions for lending to farmers – recipients of subsidies from EU structural funds based on the Single areas payment scheme. The Bank developed a new product which is a credit-overdraft allowing farmers to utilise in advance up to 100% of the subsidy they are entitled to for the land they cultivated in 2007.

FIBank continued supporting SMEs in their investments for increasing the competitiveness by offering them suitably structured investment loans with maturity of up to 15 years.

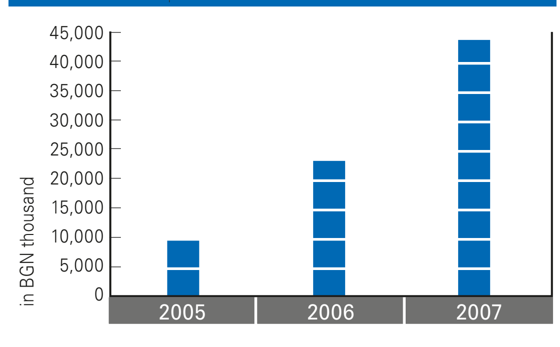
Yet again the Bank proved to its corporate clients that it is ready not only to provide a proper financing but also to support them with updated and exact information by organising seven regional seminars in the country relating to the "Competitiveness of the Bulgarian Economy" Operating Programme, which is one of the seven operating programmes financed by EU structural funds.

Microlending

First Investment Bank's microlending programme continued to satisfy the finance needs of small business in 2007, including producers, traders, farmers and freelancers.

The Bank offers a wide array of loan products such as investment loans, working capital, overdrafts, bank guarantees and company credit cards. FIBank constantly optimises the technology of the lending process to the specifics of this market segment, which may include companies with little market experience, as well start-up companies. The Bank elaborated further its micro-lending products including medical business loans, loans and guarantees to dairy farms and subpurchasers, POS overdrafts, loan facilities for farmers against subsidy pledge and two types of credit cards.

Loan Portfolio – Microlending



The balance-sheet value of the micro-lending portfolio of the Bank stood at BGN 43,476 thousand at the end of 2007, an 85.3% increase (BGN 20,015 thousand) compared to the previous year. The fast growth of the micro-lending portfolio is an indicator of the bright prospects for FIBank's Micro-Lending Programme.

International Payments

As an experienced participant in international payments and trade finance in 2007 First Investment Bank again strengthened its position as a reliable and reputable partner which is evidenced by the reported results. The Bank expanded its network of correspondent banks to 550. Significant growth was achieved in credit lines granted for confirmation of letters of credit and bank guarantees without cash collateral to total around EUR 120 million. First Investment Bank remains an active participant in the forfeiting market.

The market share of the Bank is 11.58% for incoming trade finance operations and 11.37% for outgoing trade finance operations.

In 2007 the share of First Investment Bank was 6.93% for incoming foreign currency transfers and 6.71% for outgoing foreign currency transfers.

First Investment Bank was prepared to join the Single Euro Payment Area (SEPA) on 28 January 2008 along with the first banks from the European Economic Area (EEA). Being an indirect participant in SEPA First Investment Bank will provide its clients with the opportunity to initiate and receive credit transfers in Euro within the EEA and Switzerland. As one of the leaders in cross-border payments and trade finance area, FIBank has the necessary experience and team of specialists to offer its clients access to the newest pan-European payment systems and instruments.

Capital Markets

First Investment Banks offers transactions in financial instruments on the domestic and the international stock exchanges and over-the-counter markets. The financial instruments offered by First Investment Bank include transactions in government securities, shares, corporate and municipal bonds, compensatory instruments, derivatives on interest rate and on currency swaps as well as other instruments on the money market. The Bank offers depository and custodian services to individuals and legal entities, including institutional investors: the maintaining of registers of investment intermediaries, of accounts of securities, income payment and servicing payments under transactions in financial instruments.

First Investment Bank is a registered investment intermediary and a licensed primary dealer of government securities.

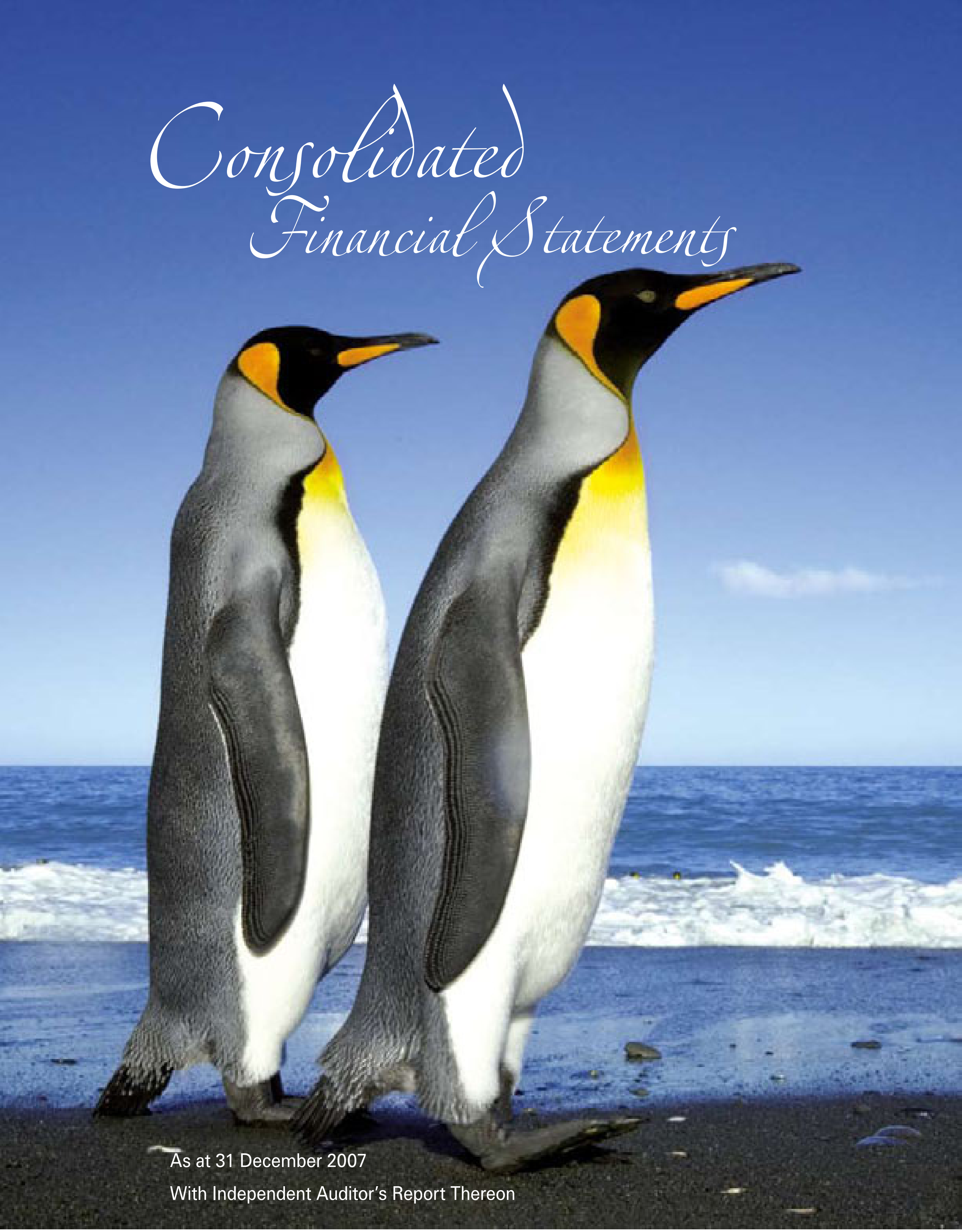
During 2007 the Bank successfully implemented the new provisions of the Markets in Financial Instruments Act and Ordinance No.38 of the Financial Supervision Commission on the requirements for transparency of the activities and services of financial intermediaries and stimulating competition in the financial sector within the EU.

In November 2007 First Investment Bank started to accept orders for the subscription and redemption of units in three mutual funds (FIB Garant Mutual Fund, FIB Classic Mutual Fund and FIB Avangard Mutual Fund), which are organised and managed by the Management Company FFBH Asset Management AD.

First Investment Bank successfully manages its own portfolio of financial instruments by taking into account risks undertaken, the need for maintaining liquidity, the expected yield, and statutory and internal banking regulations concerning investments in financial instruments.

At the end of 2007 the Bank's portfolio of financial instruments amounted to BGN 493,816 thousand including BGN 374,203 thousand of investments available for sale and BGN 106,084 of held to maturity investments, as well as BGN 13,529 thousand of assets held for trading.

Consolidated Financial Statements



As at 31 December 2007

With Independent Auditor's Report Thereon

KPMG

Report of the Independent Auditor to the Shareholders of First Investment Bank AD

Sofia, 28 February 2008

Report on the consolidated financial statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards adopted by European Commission. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of First Investment Bank AD as at 31 December 2007, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by European Commission.

Krassimir Hadjidinev

Registered auditor
Authorised representative

Margarita Goleva

Registered auditor

KPMG Bulgaria OOD

37 Fridtjof Nansen Str.
1142 Sofia
Bulgaria

Consolidated income statement for the year ended 31 December 2007

In thousands of BGN

	Note	2007	2006
Interest income		270,045	194,442
Interest expense		(137,436)	(109,140)
Net interest income	**6**	**132,609**	**85,302**
Fee and commission income		60,799	44,804
Fee and commission expense		(9,837)	(5,980)
Net fee and commission income	**7**	**50,962**	**38,824**
Net trading income	**8**	**11,827**	**8,139**
Other operating expenses	**9**	**(201)**	**(73)**
TOTAL INCOME FROM BANKING OPERATIONS		**195,197**	**132,192**
General administrative expenses	10	(107,325)	(82,720)
Impairment losses	11	(26,958)	(12,826)
Other expenses, net		(4,261)	(3,378)
PROFIT BEFORE TAX		**56,653**	**33,268**
Income tax expense	12	(5,640)	(4,582)
GROUP PROFIT AFTER TAX		**51,013**	**28,686**
Minority interests		100	131
NET PROFIT		**51,113**	**28,817**
Basic and diluted earnings per share (in BGN)	**13**	**0.48**	**0.29**

The income statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 58 to 99.

Специализирано одиторско предприятие
София
Рег. №045
"КПМГ - България" ООД

Krassimir Hadjidinev

Registered auditor

Authorised representative

KPMG Bulgaria OOD

Margarita Goleva

Registered auditor

0202 Маргарита Голева
Регистриран одитор

Consolidated balance sheet as at 31 December 2007

In thousands of BGN

	Note	2007	2006
ASSETS			
Cash and balances with Central Banks	14	611,262	708,038
Financial assets held for trading	15	13,529	13,239
Available for sale investments	16	374,203	508,006
Financial assets held to maturity	17	106,084	70,221
Loans and advances to banks and financial institutions	18	189,575	42,032
Loans and advances to customers	19	2,778,123	1,709,773
Property and equipment	20	115,010	80,753
Intangible assets	21	848	840
Other assets	23	12,743	14,864
TOTAL ASSETS		**4,201,377**	**3,147,766**
LIABILITIES AND CAPITAL			
Due to credit institutions	24	3,195	10,436
Due to other customers	25	2,475,139	1,692,197
Liabilities evidenced by paper	26	1,238,113	1,123,218
Subordinated term debt	27	51,005	48,299
Perpetual debt	28	98,386	98,141
Deferred tax liability	22	1,417	1,169
Other liabilities	29	8,143	5,913
TOTAL LIABILITIES		**3,875,398**	**2,979,373**
Issued share capital	30	110,000	100,000
Share premium	30	97,000	–
Statutory reserve	30	39,861	39,861
Revaluation reserve on available for sale investments	30	(350)	(258)
Reserve from translation of foreign operations	30	(515)	–
Retained earnings	30	79,858	28,960
SHAREHOLDERS' EQUITY		**325,854**	**168,563**
Minority interests	30	125,	(170)
TOTAL GROUP EQUITY		**325,979**	**168,393**
TOTAL LIABILITIES AND GROUP EQUITY		**4,201,377**	**3,147,766**

The balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 58 to 99.

Krassimir Hadjidinev
Registered auditor
Authorised representative
KPMG Bulgaria OOD

Специализирано одиторско предприятие
София
Рег. №045
"КПМГ - България" ООД

Margarita Goleva
Registered auditor

0202 Маргарита Голева
Регистриран одитор

Consolidated statement of cash flows for the year ended 31 December 2007

In thousands of BGN

	2007	2006
Net cash flow from operating activities		
Net profit	51,113	28,817
Adjustment for non-cash items		
Impairment losses	26,958	12,826
Depreciation and amortisation	11,668	9,118
Income tax expense	5,640	4,582
	95,379	**55,343**
Change in operating assets		
(Increase) in financial instruments held for trading	(290)	(6,088)
(Increase)/decrease in available for sale investments	133,711	(75,787)
(Increase)/decrease in loans and advances to banks	19,087	(19,068)
(Increase) in loans to customers	(1,095,308)	(384,508)
(Increase)/decrease in other assets	2,121	(5,669)
	(940,679)	**(491,120)**
Change in operating liabilities		
Increase/(decrease) in deposits from banks	(7,241)	4,963
Increase in amounts owed to other depositors	782,942	478,013
Net increase/(decrease) in other liabilities	1,455	(1,872)
	777,156	**481,104**
Income tax paid	(5,232)	(4,492)
NET CASH FLOW FROM OPERATING ACTIVITIES	**(73,376)**	**40,835**
Cash flow from investing activities		
(Purchase) of tangible and intangible fixed assets	(45,933)	(28,641)
(Acquisition)/decrease of investments	(35,863)	27,751
NET CASH FLOW FROM INVESTING ACTIVITIES	**(81,796)**	**(890)**
Financing activities		
Increase of shareholders's equity, fully paid-up	10,000	10,000
Increase of share premium	97,000	–
Capital increase of subsidiary	180	–
Increase in borrowings	117,846	106,817
NET CASH FLOW FROM FINANCING ACTIVITIES	**225,026**	**116,817**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**69,854**	**156,762**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**730,811**	**574,049**
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD(see note 32)	**800,665**	**730,811**

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 58 to 99.

Krassimir Hadjidinev

Registered auditor

Authorised representative

KPMG Bulgaria OOD

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

Margarita Goleva

Registered auditor

0202 Маргарита Голева Регистриран одитор

Consolidated statement of shareholders' equity for the year ended 31 December 2007

In thousands of BGN

	Share capital	Share pre-mium	Retai-ned ear-nings	Reva-luation reserve on available for sale invest-ments	Reserve from transla-tion of foreign opera-tions	Statu-tory re-serve	Mino-rity inte-rests	Total
Balance as at 1 January 2006	**64,726**	**1,304**	**41,265**	**(137)**	**–**	**22,709**	**35**	**129,902**
Transfer to statutory reserves	–	–	(17,152)	–	–	17,152	–	–
Revaluation reserve on available for sale investments, net	–	–	–	(118)	–	–	–	(118)
Increase of shareholders' equity, fully paid-up	10,000	–	–	–	–	–	–	10,000
Increase of shareholders' equity, transfer of retained earnings	25,274	(1,304)	(23,970)	–	–	–	–	–
Disposal of subsidiary investment	–	–	–	(3)	–	–	(74)	(77)
Net profit for the year ended 31 December 2006	–	–	28,817	–	–	–	(131)	28,686
Balance as at 31 December 2006	**100,000**	**–**	**28,960**	**(258)**	**–**	**39,861**	**(170)**	**168,393**
Increase of shareholders' equity, fully paid-up	10,000	97,000	–	–	–	–	–	107,000
Revaluation reserve on available for sale investments, net	–	–	–	(92)	–	–		(92)
Capital increase of subsidiary	–	–	–	–	–	–	180	180
Movement related to the changes in minority interest's shareholding	–	–	(215)	–	–	–	215	–
Reserve from translation of foreign operations	–	–	–	–	(515)	–	–	(515)
Net profit for the year ended 31 December 2007	–	–	51,113	–	–	–	(100)	51,013
Balance as at 31 December 2007	**110,000**	**97,000**	**79,858**	**(350)**	**(515)**	**39,861**	**125**	**325,979**

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 58 to 99.

The financial statements have been approved by the Managing Board on 28 February 2008 and signed on its behalf by:

Matthew Mateev
Chairman of the Managing Board
Executive Director

Maya Georgieva
Executive Director

Jordan Skortchev
Executive Director

Radoslav Milenkov
Chief Financial Officer

Krassimir Hadjidinev
Registered auditor,
Authorised representative KPMG Bulgaria OOD

Margarita Goleva
Registered auditor

1. Basis of preparation

(a) Statute

First Investment Bank AD (the Bank) is incorporated in the Republic of Bulgaria and has its registered office in Sofia, at 37 Dragan Tzankov Blvd.

The Bank has a general banking license issued by the Bulgarian National Bank (BNB) according to which it is allowed to conduct all banking transactions permitted by the Bulgarian legislation.

The Bank has foreign operatios in Cyprus and Albania.

As a result of a successful initial public offering (IPO) of new shares on the Bulgarian Stock Exchange – Sofia the Bank is registered as a public company at the Register of the Financial Supervision Commission in accordance with the provisions of the Bulgarian Public Offering of Securities Act on 13 June 2007.

The consolidated financial statements of the Bank as at and for the year ended 31 December 2007 comprise the Bank and its subsidiaries (see note 35), together referred to as the "Group".

(b) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Conmmission.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2 (p).

In preparing these consolidated financial statements, the Group has adopted IFRS 7 "Financial Instruments: Disclosures". The adoption of IFRS 7 impacted the type and amount of disclosures made in these financial statements, but had no impact on the reported profit or financial position of the Group. In accordance with the transitional requirements of the standards, the Group has provided full comparative information.

(c) Basis of preparation

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

The Group has made certain reclassifications to the financial statements as of 31 December 2006 in order to provide more clear and precise comparison figures.

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. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost convention and restated for the effects of hyperinflation where necessary. Prior to 1998 the Bulgarian economy experienced severe hyperinflation and the Bank's 1997 financial statements have been restated in accordance with IAS 29, Financial Reporting in Hyperinflationary Economies. Those financial statements have been restated for the changes in the general purchasing power of the Bulgarian Lev, and as a result, are stated in terms of the measuring unit current at 31 December, 1997.

2. 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 include 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 Group 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) Basis of consolidation of subsidiaries

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Special purpose entities are consolidated when the substance of the relationship between the Group and the special purpose entity indicates that the special purpose entity is controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(c) Foreign currency transactions

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Bulgarian Leva, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the exchange rates at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items are included in the fair value reserve in equity.

(iii) Foreign operations

The assets and liabilities of foreign operations are translated to Bulgarian leva at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Bulgarian leva at exchange rates at the dates of the transactions. Foreign currency differences are recognised directly in equity. The functional currency of the foreign operations in Cyprus is determined by the management to be the Euro. The functional currency of the foreign operations in Albania is determined by the management to be the Albanian Lek.

(d) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

(iv) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(v) Recognition

Purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on the date of the actual delivery of the assets. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Group has transferred substantially all risks and rewards of ownership.

(vi) Measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss.

Interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

(vii) Fair value measurement principles

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

(e) 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 maturity of three months or less.

(f) Investments

Investments that the Group holds for the purpose of short-term profit taking are classified as trading instruments. Debt investments that the Group 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.

(g) Securities borrowing and lending business and repurchase transactions

(i) Securities borrowing and lending

Investments lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy for assets held for trading or available-for-sale as appropriate. Cash collateral received in respect of securities lent is recognised as liabilities to either banks or customers. Investments borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense.

(ii) Repurchase agreements

The Group 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 purchase (sale) and resell (repurchase) considerations is recognised on an accrual basis over the period of the transaction and is included in interest income (expenses).

(h) Borrowings

Borrowings are recognised initially at 'cost', being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective yield method.

If the Group purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of a liability and the consideration paid is included in net trading income.

(i) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Group 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 the Group'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. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Loans and advances

The recoverable amount of loans and advances and purchased loans is calculated as the present value of the expected future cash flows, discounted at the instrument's original effective interest rate. If a loan has a variable interest rate, the discount rate is the current effective interest rate determined under the contract. Short-term balances are not discounted.

Loans and advances are presented net of specific and general allowances for impairment. 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 identified to be not recoverable, 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 an impairment loss 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.

(ii) Financial assets remeasured to fair value directly through equity

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments and purchased loans remeasured to fair value is calculated as the present value of expected future cash flows discounted at the current market rate of interest.

Where an asset remeasured to fair value directly through equity is impaired, and a write down of the asset was previously recognised directly in equity, the write down is transferred to the income statement and recognised as part of the impairment loss. Where an asset measured to fair value directly through equity is impaired, and an increase in the fair value of the asset was previously recognised in equity, the increase in fair value of the asset recognised in equity is reversed to the extent the asset is impaired. Any additional impairment loss is recognised in the income statement.

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

(k) Property, plant and equipment

Items of property, plant and equipment are stated in the balance sheet at their acquisition cost less accumulated depreciation restated for the effects of hyperinflation.

Depreciation is calculated on a straight line basis at prescribed rates designed to decrease the cost or valuation of fixed assets over their expected useful lives. The following are approximations of the annual rates used:

Assets	**%**
• Buildings	3 – 4
• Equipment	10 – 20
• Fixtures and fittings	10 – 20
• Vehicles	10 – 20
• Leasehold improvements	2 – 33

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

Intangible assets, which are acquired by the Group, 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:

Assets	**%**
• Licences	10 – 20
• Computer software	10 – 20

(m) Provisions

A provision is recognised in the balance sheet when the Group 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) Acceptances

An acceptance is created when the Group agrees to pay, at a stipulated future date, a draft drawn on it for a specified amount. The Group's acceptances primarily arise from documentary credits stipulating payment for the goods to be made a certain number of days after receipt of required documents. The Group negotiates most acceptances to be settled at a later date following the reimbursement from the customers. Acceptances are accounted for as liabilities evidenced by paper.

(o) 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.

(p) Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options.

(r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these consolidated financial statements:

- *IFRS 8 Operating Segments*, which becomes mandatory for the Group's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Bank's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them.
- *Revised IAS 23 Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 financial statements. It is not expected to have any impact on the financial statements.
- *IFRIC 11 IFRS 2 – Group and Treasury Share Transactions* requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Group's 2008 financial statements and, is not expected to have any impact on the financial statements.
- *IFRIC 12 Service Concession Arrangements* provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Group's 2008 financial statements, is not expected to have any effect on the financial statements.

- *IFRIC 13 Customer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group's 2009 financial statements, is not expected to have any impact on the financial statements.
- *IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Group's 2008 financial statements and is not expected to have any impact on the financial statements.

3. Risk management disclosures

A. Trading activities

The Group maintains active trading positions in a limited number of non-derivative financial instruments. Most of the Group's trading activities are customer driven. In anticipation of customer demand, the Group carries an inventory of money market instruments and maintains access to market liquidity by trading with other market makers. These activities constitute the proprietary trading business and enable the Group to provide customers with money market products at competitive prices.

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

(i) Credit risk

Default risk is the risk that counterparts to financial instruments might default on their obligations. Default risk is monitored on an ongoing basis subject to Group's internal risk management procedures and is controlled through minimum thresholds for the credit quality of the counterpart and setting limits on exposure amount. Exposures arising from trading activities are subject to total exposure limits and are authorised by the appropriate person or body as set out in credit risk management procedures.

Settlement risk is the risk of loss due to counterpart failing to deliver value (cash, securities or other assets) under contractually agreed terms. When trades are not cleared through clearing agent settlement risk is limited through simultaneous commencement of the payment and delivery legs.

(ii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group assumes market risk when taking positions in debt instruments, equities, derivatives and foreign exchange transactions. These risks are managed by enforcing limits on positions taken and their risk sensitivities as measured by value-at-risk, duration or other measures appropriate for particular position in view of its sensitivity to risk factors. The major risk factors that affect Group's trading activities are changes of interest rates (interest rate risk), changes of exchange rates (foreign exchange risk) and changes of equity prices (equity price risk).

Exposure to market risk is formally managed in accordance with risk limits set by senior management by buying or selling instruments.

All marked-to-market instruments are recognised and measured at fair value, and all changes in market conditions directly affect net trading income (through trading instruments) or equity value (through available for sale instruments). In a developing capital market, the prices with which transactions are realised can be different from quoted prices. While management has used available market information in estimating fair value, it may not be fully reflective of the value that could be realised under the current circumstances.

The quantitative measurement of interest rate risk is performed by applying VaR (Value at Risk) approach. The Value at Risk estimates the maximum loss that could occur over specified horizon, under normal market conditions, due to adverse changes in market rates if the positions remain unchanged for the specified time interval. Value at risk is calculated using one day horizon and 99 per cent confidence level, meaning that there is 1% probability that a portfolio will incur a loss in one day greater than its VaR. Parameters of the VaR model are estimated on the basis of exponentially weighted historical price changes of risk factors.

The Value at Risk is calculated and monitored on a daily basis as part of the Group's ongoing risk management. The following table summarises the range of VaR for all positions carried at fair value that was experienced in 2007:

in thousands of BGN	31 December 2007	2007 average	2007 low	2007 high	31 December 2006
VaR	796	468	251	916	363

B. Non-trading activities

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

(i) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturity and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame to meet the liability obligations.

Funds are raised using a broad range of instruments including deposits, 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 Group makes its best efforts to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturity. The Group continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Group strategy.

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

Maturity table as at 31 December 2007

in thousands of BGN	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	Over 1 year	Maturity not defined	Total
Assets						
Cash and balances with Central Banks	611,262	–	–	–	–	**611,262**
Financial assets held for trading	13,529	–	–	–	–	**13,529**
Available for sale investments	20,019	38,729	191,131	123,247	1,077	**374,203**
Financial assets held to maturity	–	15,562	10,660	79,862	–	**106,084**
Loans and advances to banks and financial institutions	185,483	3,920	–	–	172	**189,575**
Loans and advances to customers	177,971	211,217	541,472	1,847,463		**2,778,123**
Property and equipment	–	–	–	–	115,010	**115,010**
Intangible assets	–	–	–	–	848	**848**
Other assets	12,743	–	–	–	–	**12,743**
Total assets	**1,021,007**	**269,428**	**743,263**	**2,050,572**	**117,107**	**4,201,377**
Liabilities						
Due to credit institutions	3,195	–	–	–	–	**3,195**
Due to other customers	1,612,663	431,992	337,719	92,765	–	**2,475,139**
Liabilities evidenced by paper	418,135	39	722,046	97,893	–	**1,238,113**
Subordinated term debt	–	–	–	51,005	–	**51,005**
Perpetual debt	–	–	–	–	98,386	**98,386**
Deferred tax liability	–	–	–	–	1,417	**1,417**
Other liabilities	7,871	–	–	272	–	**8,143**
Total liabilities	**2,041,864**	**432,031**	**1,059,765**	**241,935**	**99,803**	**3,875,398**
Net liquidity gap	**(1,020,857)**	**(162,603)**	**(316,502)**	**1,808,637**	**17,304**	**325,979**

Maturity table as at 31 December 2006

in thousands of BGN	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	Over 1 year	Maturity not defined	Total
Assets						
Cash and balances with Central Banks	708,038	–	–	–	–	**708,038**
Financial assets held for trading	13,239	–	–	–	–	**13,239**
Available for sale investments	78,994	130,014	138,868	159,159	971	**508,006**
Financial assets held to maturity	–	15,681	8,430	46,110	–	**70,221**
Loans and advances to banks and financial institutions	37,916	3,942	–	–	174	**42,032**
Loans and advances to customers	66,715	126,785	405,482	1,110,791	–	**1,709,773**
Property and equipment	–	–	–	–	80,753	**80,753**
Intangible assets	–	–	–	–	840	**840**
Other assets	14,864	–	–	–	–	**14,864**
Total assets	**919,766**	**276,422**	**552,780**	**1,316,060**	**82,738**	**3,147,766**
Liabilities						
Due to credit institutions	10,436	–	–	–	–	**10,436**
Due to other customers	1,250,089	168,226	218,003	55,879	–	**1,692,197**
Liabilities evidenced by paper	225,842	446	364,086	532,844	–	**1,123,218**
Subordinated term debt	–	–	–	48,299	–	**48,299**
Perpetual debt	–	–	–	–	98,141	**98,141**
Deferred tax liability	–	–	–	–	1,169	**1,169**
Other liabilities	5,606	–	6	301	–	**5,913**
Total liabilities	**1,491,973**	**168,672**	**582,095**	**637,323**	**99,310**	**2,979,373**
Net liquidity gap	**(572,207)**	**107,750**	**(29,315)**	**678,737**	**(16,572)**	**168,393**

As at 31 December 2007 the thirty largest non-bank depositors represent 16.61% of total deposits from other customers (2006: 16.94%).

The following table provides a remaining maturities analysis of the financial liabilities of the Group as at 31 December 2007 based on the contractual undiscounted cash flows.

in thousands of BGN	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	Over 1 year	Maturity not defined	Total
Due to credit institutions	3,199	–	–	–	–	**3,199**
Due to other customers	1,613,945	432,462	340,596	107,938	–	**2,494,941**
Liabilities evidenced by paper	420,503	41	740,907	90,053	–	**1,251,504**
Subordinated term debt	–	–	–	99,116	–	**99,116**
Perpetual debt	–	4,775	6,601	102,380	93,880	**207,636**
Total financial liabilities	**2,037,647**	**437,278**	**1,088,104**	**399,487**	**93,880**	**4,056,396**

(ii) Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities the Group are also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as the Bulgarian Basic Interest Rate, the LIBOR and EURIBOR, although these indices tend to move in high correlation. In addition, the actual effect will depend on a number of other 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.

In order to quantify the interest rate risk of its non-trading activities, the Group measures the impact of a change in the market rates both on net interest income and on the Group's economic value defined as the difference between fair value of assets and fair value of liabilities. The interest rate risk on the economic value of the Group following a standardised shock of +100bp/-100bp as at 31 December 2007 is BGN -3.5/+3.5 Mio. The interest rate risk on the Group's net interest income one year forward following a standardised shock of +100bp/-100bp as at 31 December 2007 is BGN -2.3/+2.3 Mio.

An analysis of the Group's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

	100 bp parallel increase	50 bp increase after 1 year
Minimum of the period	(3,449)	(2,330)
Maximum of the period	1,556	666
Average of the period	(864)	(1,505)

The following table indicates the effective interest rates at 31 December 2007 and the periods in which financial liabilities and assets reprice.

in thousands of BGN	Total	Weighted average effective interest rate	Floating rate instru-ments	Fixed rate instruments: Less than 1 month	Fixed rate instruments: Between 1 month and 3 months	Fixed rate instruments: Between 3 months and 1 year	Fixed rate instruments: More than 1 year
Assets							
Cash and balances with Central Banks	66,503	3.21%	34,391	33,116	–	–	–
Financial assets held for trading	2,074	4.38%	68		–	–	2,006
Available for sale investments	370,154	3.96%	87,666	19,549	38,729	191,131	33,079
Financial assets held to maturity	104,904	3.06%	35,994		8,679	1,377	58,854
Loans and advances to banks and financial institutions	165,613	4.48%		161,701	3,912	–	–
Loans and advances to customers	2,757,035	10.71%	2,512,597	41,795	19,981	51,752	130,910
Non-interest earning assets	734,090	–	–	–	–	–	–
Total assets	**4,201,377**		**2,670,716**	**256,161**	**71,301**	**244,260**	**224,849**
Liabilities							
Due to credit institutions	3,071	2.25%	1,406	1,665	–	–	–
Due to other customers	2,388,689	3.31%	2,328,192	34,984	4,972	17,525	3,016
Liabilities evidenced by paper	1,221,044	6.51%	449,596	391,206	–	350,651	29,591
Subordinated term debt	47,507	13.25%	–	–	–	–	47,507
Perpetual debt	93,880	12.56%	–	–	–	–	93,880
Non-interest bearing liabilities	121,207	–	–	–	–	–	–
Total liabilities	**3,875,398**		**2,779,194**	**427,855**	**4,972**	**368,176**	**173,994**

The following table indicates the effective interest rates at 31 December 2006 and the periods in which financial liabilities and assets reprice.

in thousands of BGN	Total	Weighted average effective interest rate	Floating rate instru-ments	Fixed rate instruments: Less than 1 month	Fixed rate instruments: Between 1 month and 3 months	Fixed rate instruments: Between 3 months and 1 year	Fixed rate instruments: More than 1 year
Assets							
Cash and balances with Central Banks	375,044	3.67%	22,416	352,628	–	–	–
Financial assets held for trading	8,627	3.66%	73	–	7,417	–	1,137
Available for sale investments	502,114	3.98%	72,096	78,545	126,808	137,911	86,754
Financial assets held to maturity	69,265	3.50%	36,763	–	21,458	2,134	8,910
Loans and advances to banks and financial institutions	37,152	3.66%	258	32,982	3,912	–	–
Loans and advances to customers	1,678,388	11.13%	1,490,522	10,922	13,812	18,023	145,109
Non-interest earning assets	477,176	–	–	–	–	–	–
Total assets	**3,147,766**		**1,622,128**	**475,077**	**173,407**	**158,068**	**241,910**
Liabilities							
Due to credit institutions	10,175	4.66%	2,978	7,197	–	–	–
Due to other customers	1,638,884	2.39%	1,581,020	27,557	7,311	22,574	422
Liabilities evidenced by paper	1,095,682	6.11%	419,286	225,188	443	1,023	449,742
Subordinated term debt	45,312	13.30%	–	–	–	–	45,312
Perpetual debt	93,880	12.56%	–	–	–	–	93,880
Non-interest bearing liabilities	95,440	–	–	–	–	–	–
Total liabilities	**2,979,373**		**2,003,284**	**259,942**	**7,754**	**23,597**	**589,356**

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk through transactions in foreign currencies and on financial instruments that are denominated in a foreign currency.

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 Group presents it financial statements is the Bulgarian lev, the Group's financial statements are effected by movements in the exchange rates between the Bulgarian lev and currencies other than the Euro.

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

in thousands of BGN	2007	2006
Monetary assets		
Euro	2,567,522	1,791,518
US dollar	345,274	307,381
Other	60,394	67,226
Gold	4,761	3,134
Monetary liabilities		
Euro	2,624,214	1,944,038
US dollar	345,841	308,620
Други валути	60,236	67,308
Gold	–	–
Net position		
Euro	(56,692)	(152,520)
US dollar	(567)	(1,239)
Other	158	(82)
Gold	4,761	3,134

In respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Group manages foreign currency risk in line with policy that sets limits on currency positions and dealer limits.

(iii) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group is subject to credit risk through its lending activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues contingent liabilities. The management of the credit risk exposures to borrowers is conducted through regular analysis of the borrowers' credit worthiness and the assignment of a rating grade. Exposure to credit risk is also managed in part by obtaining collateral and guarantees.

The Group'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. These exposures are as follows:

31 December 2007 In thousands of BGN

Class of exposure	Gross amount of loans and advances to customers	Allowance for impairment	Carrying amount of loans and advances to customers
Collectively impaired			
Standard	2,776,759	(23,130)	2,753,629
Individually impaired			
Watch	15,363	(835)	14,528
Substandard	7,602	(1,234)	6,368
Nonperforming	48,708	(45,110)	3,598
Total	**2,848,432**	**(70,309)**	**2,778,123**

31 December 2006 In thousands of BGN

Class of exposure	Gross amount of loans and advances to customers	Allowance for impairment	Carrying amount of loans and advances to customers
Collectively impaired			
Standard	1,679,274	(15,750)	1,663,524
Individually impaired			
Watch	22,083	(1,661)	20,422
Substandard	20,679	(2,691)	17,988
Nonperforming	32,945	(25,106)	7,839
Total	**1,754,981**	**(45,208)**	**1,709,773**

In addition, the Group is exposed to off-balance sheet credit risk through commitments to extend credit and issue contingent liabilities (see note 31).

Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for 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 Group's investments, loans and advances and off-balance sheet commitments.

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

in thousands of BGN	2007	2006
Trade	532,339	298,586
Industry	709,289	460,032
Services	224,226	128,129
Finance	2,030	1,620
Transport, logistics	154,311	47,870
Communications	45,445	5,646
Construction	181,769	160,910
Agriculture	89,340	62,760
Tourist services	115,713	119,488
Private individuals	756,767	453,881
Other	37,203	16,059
Less allowance for impairment	(70,309)	(45,208)
	2,778,123	**1,709,773**

The Group has extended loans to enterprises involved in different types of activities but within the same economic sector – industry. As such the exposures share a similar industry risk. There are three such groups of enterprises at 31 December 2007 with total exposures amounting to BGN 14,628 thousand (2006: BGN 11,102 thousand) – ferrous metals, BGN 22,400 thousand (2006: BGN 25,705 thousand) – cable and electrics and BGN 118,539 thousand (2006: BGN 69,938 thousand) – power engineering.

The Group has extended loans, confirmed letters of credit and granted guarantees to 15 individual clients or groups (2006: 10) with each individual exposure exceeding 10% of the capital base of the Group and based on the book value of the corresponding credit facility. The total amount of these exposures is BGN 872,776 thousand which represents 215.71% of the Group's capital base (2006: BGN 463,399 thousand which represented 153.80% of capital base) of which BGN 632,521 thousand (2006: BGN 298,812 thousand) represent loans and BGN 240,255 thousand (2006: BGN 164,587 thousand) represent guarantees, letters of credit and other commitments. Exposures secured by cash have been excluded from the calculation of the large exposures.

The loans extended in Cyprus amount to BGN 140,128 thousand (2006: BGN 53,986 thousand) (gross carrying amount before any allowances) and in Albania – BGN 8,545 thousand (2006: BGN 3,306 thousand).

The amounts reflected in the tables represent the maximum accounting loss that would be recognised at the balance sheet date if counterparts 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 impairment.

The Group's policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans. Guarantees and letters of credit are also subject to strict credit assessments before being provided. The agreements specify monetary limits to the Group's obligations. The extent of collateral held for guarantees and letters of credit is 100 percent.

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

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

in thousands of BGN	2007	2006
Mortgage	1,532,707	964,955
Pledge of receivables	267,251	322,465
Pledge of commercial enterprise	296,050	127,113
Securities	144,558	74,726
Guarantee	19,006	61,306
Pledge of goods	93,672	53,379
Pledge of machines	150,918	39,559
Money deposit	115,390	32,564
Stake in capital	41,661	23,425
Gold	32	32
Other collateral	180,764	49,038
Unsecured	6,423	6,419
Less allowances for impairment	(70,309)	(45,208)
Total	**2,778,123**	**1,709,773**

C. Capital adequacy

The Group's lead regulator, the Bulgarian National Bank (BNB) sets and monitors capital requirements both on consolidated and stand-alone basis. Individual banking operations are directly supervised by their local regulators. BNB issued new Ordinance 8 on Capital Adequacy of Credit Institutions effective from 1 January 2007 that is the Bulgarian supervisory implementation of the International Convergence of Capital Measurement and Capital Standards (Revised Framework), known as Basel II and complies with EU Directives 2006/48/EC and 2006/49/EC. In implementing current capital requirements the Group is required to maintain a minimum prescribed ratio of 12% of total capital to total risk-weighted assets. Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group calculates requirements for credit risk for its exposures in banking and trading portfolios based on standardised approach defined by the BNB. Exposures are taken into account using their balance sheet amount. Off-balance-sheet credit related commitments are taken into account by applying different categories of conversion factors, designed to convert these items into balance sheet equivalents. The resulting equivalent amounts are then weighted for risk using different percentages (0%, 20%, 50%, 100%) depending on the class of exposure and its credit rating assessment. Various credit risk mitigation techniques are used, for example collateralised transactions and guarantees. Forwards and options based derivative instruments are weighted for counterparty credit risk.

In addition, the Group is required to hold capital for operational risk. The basic indicator approach is used. Required capital is equal to the average gross annual income over the previous three years multiplied by a fixed percentage (15%). Respective risk weighted assets are calculated by further multiplication by 12.5.

The Group's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, statutory reserve, other general reserves, retained earnings from past years, translation reserve and minority interests after deductions for goodwill and other intangible assets and unrealised loss from available for sale investments.
- Tier 2 capital, which includes qualifying subordinated liabilities, namely perpetual debt and subordinated term debt.

Following limits are applied to elements of the capital base. Qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital.

The Group has complied with all capital requirements.

Capital adequacy level was as follows:

	Balance sheet/notional amount		Risk weight amount	
in thousands of BGN	2007	2006	2007	2006
Risk weighted assets for credit risk				
Balance sheet assets				
Cash and balances with Central Banks	611,262	708,038	16,407	74,759
Financial assets held for trading	13,529	13,239	11,413	4,523
Available for sale investments	374,203	508,006	34,318	14,361
Financial assets held to maturity	106,084	70,221	15,221	9,222
Loans and advances to banks and financial institutions	189,575	42,032	37,926	4,589
Loans and advances to customers	2,778,123	1,709,773	2,460,403	1,507,485
Property and equipment	115,010	80,753	115,010	80,753
Intangible assets	848	840	–	743
Other assets	12,743	14,864	11,920	14,864
Total Assets	**4,201,377**	**3,147,766**	**2,702,618**	**1,711,299**
Off-balance sheet positions				
Credit related commitments	1,115,077	786,597	219,651	188,575
Forward and option derivative instruments	124,969	52,745	707	818
Total risk-weighted assets for credit risk			**2,922,976**	**1,900,692**
Risk-weighted assets for market risk			**3,341**	**5,134**
Risk-weighted assets for operational risk			**190,651**	**–**
Total risk-weighted assets			**3,116,968**	**1,905,826**

	Capital (in thousands of BGN)		Capital ratios %	
Capital adequacy ratios	2007	2006	2007	2006
Tier 1 Capital	**273,573**	**168,554**	**8.78%**	**8.84%**
Total capital base	**404,614**	**301,292**	**12.98%**	**15.81%**

4. Segment Reporting

Segment information is presented in respect of the Group's geographical segments. The primary format is based on the Group's management and internal reporting structure.

Measurement of segment assets and liabilities and segment revenues and results is based on the accounting policies set out in the accounting policy notes.

Transactions between segments are conducted on an arm's length basis.

The Group operates principally in Bulgaria, but also has operations in Cyprus and Albania.

In presenting information on the basis of geographical segments, income and expenses are allocated based on the location of the Group branch that generates them. Segment assets and liabilities are allocated based on their geographical location.

	Bulgarian operations		Foreign operations		Total	
in thousands of BGN	2007	2006	2007	2006	2007	2006
Interest income	260,660	187,528	9,385	6,914	270,045	194,442
Interest expense	(136,331)	(108,126)	(1,105)	(1,014)	(137,436)	(109,140)
Net interest income	**124,329**	**79,402**	**8,280**	**5,900**	**132,609**	**85,302**
Fee and commission income	59,855	44,192	944	612	60,799	44,804
Fee and commission expense	(9,797)	(5,950)	(40)	(30)	(9,837)	(5,980)
Net fee and commission income	**50,058**	**38,242**	**904**	**582**	**50,962**	**38,824**
Net trading income	**10,187**	**8,037**	**1,640**	**29**	**11,827**	**8,066**
General administrative expenses	**(102,449)**	**(79,549)**	**(4,876)**	**(3,171)**	**(107,325)**	**(82,720)**
Segment assets	**4,030,952**	**3,074,555**	**170,425**	**73,211**	**4,201,377**	**3,147,766**
Segment liabilities	**3,835,372**	**2,850,566**	**40,026**	**128,807**	**3,875,398**	**2,979,373**

5. Financial assets and liabilities Accounting classification and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values as at 31 December 2007.

in thousands of BGN	Trading	Held-to-maturity	Loans and receiva-bles	Available for sale	Other amortised cost	Other	Carrying amount	Fair value
ASSETS								
Cash and balances with Central Banks	–	–	611,262	–	–	–	611,262	611,262
Financial assets held for trading	13,529	–	–	–	–	–	13,529	13,529
Available for sale investments	–	–	–	374,203	–	–	374,203	374,203
Financial assets held to maturity	–	106,084	–	–	–	–	106,084	104,878
Loans and advances to banks and financial institutions	–	–	189,575	–	–	–	189,575	189,575
Loans and advances to customers	–	–	2,778,123	–	–	–	2,778,123	2,778,123
Other financial assets	–	–	–	–	–	823	823	823
	13,529	**106,084**	**3,578,960**	**374,203**	**–**	**823**	**4,073,599**	**4,072,393**
LIABILITIES								
Due to credit institutions	–	–	–	–	3,195	–	3,195	3,195
Due to other customers	–	–	–	–	2,475,139	–	2,475,139	2,475,139
Liabilities evidenced by paper	–	–	–	–	1,238,113	–	1,238,113	1,211,375
Subordinated term debt	–	–	–	–	51,005	–	51,005	51,005
Perpetual debt	–	–	–	–	98,386	–	98,386	99,450
Other financial liabilities	1,924	–	–	–	–	–	1,924	1,924
	1,924	**–**	**–**	**–**	**3,865,838**	**–**	**3,867,762,**	**3,842,088**

The fair value of cash, cash equivalents, demand and term deposits is approximately equal to the carrying value given, because of their short-term maturity. The fair value of loans and advances to customers is approximately equal to their carrying value due to the fact that main part of the loan portfolio carry floating interest rates which reflect the changes in the market conditions.

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values as at 31 December 2006.

in thousands of BGN	Trading	Held-to-maturity	Loans and receivables	Available for sale	Other amortised cost	Carrying amount	Fair value
ASSETS							
Cash and balances with Central Banks	–	–	708,038	–	–	708,038	708,038
Financial assets held for trading	13,239	–	–	–	–	13,239	13,239
Available for sale investments	–	–	–	508,006	–	508,006	508,006
Financial assets held to maturity	–	70,221	–	–	–	70,221	70,194
Loans and advances to banks and financial institutions	–	–	42,032	–	–	42,032	42,032
Loans and advances to customers	–	–	1,709,773	–	–	1,709,773	1,709,773
Other financial assets	111	–	–	–	–	111	111
	13,350	**70,221**	**2,459,843**	**508,006**	**–**	**3,051,420**	**3,051,393**
LIABILITIES							
Due to credit institutions	–	–	–	–	10,436	10,436	10,436
Due to other customers	–	–	–	–	1,692,197	1,692,197	1,692,197
Liabilities evidenced by paper	–	–	–	–	1,123,218	1,123,218	1,124,603
Subordinated term debt	–	–	–	–	48,299	48,299	48,299
Perpetual debt	–	–	–	–	98,141	98,141	105,423
	–	**–**	**–**	**–**	**2,972,291**	**2,972,291**	**2,980,958**

6. Net interest income

in thousands of BGN	2007	2006
Interest income		
Interest income arises from:		
Accounts with and placements to banks and financial institutions	6,251	4,535
Loans to individuals and households	61,508	37,185
Loans to corporate clients	153,974	114,810
Loans to SME	26,227	15,712
Microlending	4,554	2,196
Debt instruments	17,531	20,004
	270,045	**194,442**
Interest expense		
Interest expense arise from:		
Deposits from banks	(297)	(497)
Deposits from other customers	(51,173)	(33,146)
Liabilities evidenced by paper	(68,073)	(57,695)
Subordinated term debt	(6,212)	(7,213)
Perpetual debt	(11,616)	(10,429)
Lease agreement and other	(65)	(160)
	(137,436)	**(109,140)**
Net interest income	**132,609**	**85,302**

For the financial years ended 31 December 2007 and 31 December 2006 the recognised interest income on individually impaired financial assets (loans and advamces to customers) amounts to BGN 9,692 thousand and BGN 21,121 thousand respectively.

7. Net fee and commission income

in thousands of BGN	2007	2006
Fee and commission income		
Letters of credit and guarantees	12,091	10,656
Payments transactions	8,419	6,076
Customer accounts	8,371	6,203
Cards business	14,558	11,215
Other	17,360	10,654
	60,799	**44,804**
Fee and commission expense		
Letters of credit and guarantees	(627)	(994)
Correspondent accounts	(953)	(879)
Cards business	(5,767)	(3,960)
Other	(2,490)	(147)
	(9,837)	**(5,980)**
Net fee and commission income	**50,962**	**38,824**

8. Net trading income

in thousands of BGN	2007	2006
Net trading income arises from:		
Debt instruments	517	38
Equities	2,245	1,398
Foreign exchange	9,065	6,703
Net trading income	**11,827**	**8,139**

9. Other operating expneses

Other operating expneses represent losses from disposal of available for sale investments.

in thousands of BGN	2007	2006
Other operating income arises from:		
Debt instruments	(201)	(73)
Other operating income	**(201)**	**(73)**

10. General administrative expenses

in thousands of BGN	2007	2006
General and administrative expenses comprise:		
Personnel cost	31,993	23,484
Depreciation and amortisation	11,668	9,118
Advertising	11,046	9,338
Building rent expense	11,291	8,637
Telecommunication, software and other computer maintenance	8,909	5,909
Unclaimable VAT	6,607	4,953
Administration, consultancy and other costs	25,811	21,281
General administrative expenses	**107,325**	**82,720**

Personnel costs include salaries, social and health security contributions under the provisions of the local legislation. At 31 December 2007 the total number of employees is 2,289 (2006: 1,598).

11. Impairment losses

in thousands of BGN	2007	2006
Write-downs		
Loans and advances to customers	(42,995)	(30,485)
Reversal of write-downs		
Loans and advances to customers	16,037	17,659
Net impairment losses	**(26,958)**	**(12,826)**

12. Income tax expense

in thousands of BGN	2007	2006
Current taxes	(5,392)	(4,933)
Deferred taxes (see note 22)	(248)	351
Income tax expense	**(5,640)**	**(4,582)**

Reconciliation between tax expense and the accounting profit is as follows:

in thousands of BGN	2007	2006
Accounting profit before taxation	**56,653**	**33,268**
Corporate tax at applicable tax rate (10% for 2007 and 15% for 2006)	5,665	4,990
Effect of tax rates of foreign subsidiaries and branches	131	198
Tax effect of permanent tax differences	(404)	(255)
Tax effect of reversals of temporary differences	248	156
Tax effect of tax rate decrease	–	(507)
Income tax expense	**5,640**	**4,582**
Effective tax rate	9.96%	13.77%

13. Earnings per share

in thousands of BGN	2007	2006
Net profit attributable to shareholders (in thousands of BGN)	51,113	28,817
Weighted average number of ordinary shares (in thousands)	106,137	99,183
Earnings per share (in BGN)	**0.48**	**0.29**

The basic earnings per share, calculated in accordance with IAS 33, are based on the profit attributable to ordinary equity holders of the Bank. In 2007 as in the previous year, no conversion or option rights were outstanding. The diluted earnings per share, therefore, correspond to the basic earnings per share.

14. Cash and balances with Central Banks

in thousands of BGN	2007	2006
Cash on hand		
– In Bulgarian Leva	89,814	61,550
– In foreign currencies	38,007	32,245
Gold bullion	4,761	3,134
Balances with Central Banks	414,068	238,337
Current accounts and amounts with local banks	67	1,142
Current accounts and amounts with foreign banks	64,545	371,630
Total	**611,262**	**708,038**

15. Financial assets held for trading

in thousands of BGN	2007	2006
Bonds, notes and other instruments issued by:		
Bulgarian Government		
– denominated in Bulgarian Leva	2,046	–
– denominated in foreign currencies	70	1,245
Foreign governments	–	7,471
Other issuers	11,413	4,523
Total	**13,529**	**13,239**

16. Available for sale investments

in thousands of BGN	2007	2006
Bonds, notes and other instruments issued by:		
Bulgarian Government		
– denominated in Bulgarian Leva	29,765	83,958
– denominated in foreign currencies	6,323	7,651
Foreign governments		
– short term	229,860	194,453
– long term	20,019	143,963
Foreign banks	87,159	66,950
Other issuers	1,077	11,031
Total	**374,203**	**508,006**

17. Financial assets held to maturity

Long-term securities held to maturity represent debt investments that the Group has the intent and ability to hold to maturity.

in thousands of BGN	2007	2006
Securities held to maturity issued by:		
Bulgarian government	60,492	6,296
Foreign governments	1,378	17,816
Foreign banks	44,214	46,109
	106,084	**70,221**

18. Loans and advances to banks and financial institutions

(a) Analysis by type

in thousands of BGN	2007	2006
Placements with banks	165,954	18,007
Receivables under repurchase agreements	–	19,085
Other	23,621	4,940
Total	**189,575**	**42,032**

(b) Geographical analysis

in thousands of BGN	2007	2006
Domestic banks and financial institutions	24,902	30,204
Foreign banks and financial institutions	164,673	11,828
Total	**189,575**	**42,032**

19. Loans and advances to customers

in thousands of BGN	2007	2006
Retail customers		
– Consumer loans	366,511	219,139
– Mortgage loans	390,256	234,742
Small and medium enterprises	270,565	162,997
Microlending	43,476	23,461
Corporate customers		
– Public sector customers	33,972	21,362
– Private sector customers	1,743,652	1,093,280
Less allowance for impairment	(70,309)	(45,208)
	2,778,123	**1,709,773**

(a) Movement in impairment allowances

in thousands of BGN	
Balance at 1 January 2007	**45,208**
Additional allowances	42,995
Amounts released	(16,037)
Write – offs	(1,857)
Balance at 31 December 2007	**70,309**

All impaired loans have been written down to their recoverable amounts.

20. Property and equipment

in thousands of BGN	Land and buildings	Fixtures and fittings	Motor vehicles	Assets under construction	Leasehold improve-ments	Total
Cost						
At 1 January 2007	9,055	56,098	5,139	25,555,	21,832	117,679
Additions	361	1,451	299	46,409,	1,274	49,794
Disposals	–	(2,435)	(924)	(902)	(1,365)	(5,626)
Transfers	2,951	12,572	1,312	(21,948)	4,882	(231)
At 31 December 2007	12,367	67,686	5,826	49,114,	26,623	161,616
Depreciation						
At 1 January 2007	2,825	27,076	2,491	–	4,534	36,926
Charge for the period	361	7,698	983	–	2,399	11,441
On disposals	–	(897)	(595)	–	(269)	(1,761)
At 31 December 2007	3,186	33,877	2,879	–	6,664	46,606
Net book value						
At 31 December 2007	**9,181**	**33,809**	**2,947**	**49,114**	**19,959**	**115,010**
At 1 January 2007	**6,230**	**29,022**	**2,648**	**25,555**	**17,298**	**80,753**

21. Intangible assets

in thousands of BGN	Software and licences	Goodwill	Total
Cost			
At 1 January 2007	2,496	97	2,593
Additions	423	10	433
Disposals	(543)	–	(543)
Transfers	231	–	231
At 31 December 2007	2,607	107	2,714
Amortisation			
At 1 January 2007	1,753	–	1,753
Charge for the year	227	–	227
On disposals	(114)	–	(114)
At 31 December 2007	1,866	–	1,866
Net book value			
At 31 December 2007	**741**	**107**	**848**
At 1 January 2007	**743**	**97**	**840**

22. Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 10%.

Deferred income tax balances are attributable to the following items:

	Assets		Liabilities		Net	
in thousands of BGN	2007	2006	2007	2006	2007	2006
Property, equipment and intangibles	–	–	1,549	1,279	1,549	1,279
Other items	(181)	(110)	49	–	(132)	(110)
Net tax (assets)/liabilities	**(181)**	**(110)**	**1,598**	**1,279**	**1,417**	**1,169**

Movements in temporary differences during the year at the amount of BGN 248 thousand are recognised in the income statement.

23. Other assets

in thousands of BGN	2007	2006
Deferred expense	3,858	3,314
Other assets	8,885	11,550
Total	**12,743**	**14,864**

24. Due to credit institutions

in thousands of BGN	2007	2006
Term deposits	1,567	9,247
Payable on demand	1,628	1,189
Total	**3,195**	**10,436**

25. Due to other customers

in thousands of BGN	2007	2006
Retail customers		
– payable on demand	465,621	347,496
– term deposits	989,124	666,225
Corporate customers		
– payable on demand	625,022	512,195
– term deposits	395,372	166,281
Total	**2,475,139**	**1,692,197**

26. Liabilities evidenced by paper

in thousands of BGN	2007	2006
Bonds and notes issued	459,884	457,330
Acceptances under letters of credit	311,491	1,634
Liabilities under repurchase agreements	–	225,366
Syndicated loan	363,464	362,758
Other term liabilities	103,274	76,130
Total	**1,238,113**	**1,123,218**

Other term liabilities comprise mainly financing obtained from financial institutions through extension of loan facilities.

Bonds and notes issued comprise of the following:

in thousands of BGN	2007	2006
Long term bonds payable		
EUR 6,000,000, 8.5%, due 2008	12,256	12,007
EUR 200,000,000, 7.5%, due 2008	417,885	415,651
Total bonds payable	**430,141**	**427,658**
Mortgage bonds		
EUR 5,000,000, 7%, due 2008	9,855	9,832
EUR 10,000,000, 7%, due 2009	19,888	19,840
Total mortgage bonds	**29,743**	**29,672**
Total bonds and notes issued	**459,884**	**457,330**

The bonds and notes are payable to third parties in the years listed above. The long term bonds payable have been issued by First Investment Finance B.V., The Netherlands, guaranteed by the Bank and are listed on the Luxemburg stock exchange. The mortgage bonds have been listed on the Bulgarian stock exchange.

27. Subordinated term debt

As at 31 December 2007 the Bank has entered into seven separate subordinated Loan Agreements with four different lenders. All these subordinated Loan Agreements are governed by English Law and the funds raised outside the Republic of Bulgaria.

Subordinated liabilities can be analysed as follows:

in thousands of BGN **Lender**	**Principal amount**	**Maturity**	**Amortised cost as at 31 December 2007**
Growth Management Limited	1,956	10 years	3,001
Growth Management Limited	5,867	10 years	8,553
Growth Management Limited	3,912	10 years	5,344
Hillside Apex Fund Limited	9,779	10 years	13,297
Growth Management Limited	1,956	10 years	2,613
Standard Bank	9,779	10 years	13,012
Hypo-Alpe-Adria Bank	3,912	10 years	5,185
	37,161		**51,005**

Interest is capitalised annually and is payable at maturity. The treatment of these liabilities for capital adequacy purposes as tier 2 capital is in accordance with the requirements of the local legislation. Any prepayment of subordinated debt prior to its final maturity is subject to written approval from the Bulgarian National Bank.

28. Perpetual debt

in thousands of BGN	Principal amount	Amortised cost as at 31 December 2007
Step-up Guaranteed Perpetual Subordinated Bonds EUR 27 mio	52,807	54,368
Step-up Guaranteed Perpetual Subordinated Bonds EUR 21 mio	41,073	44,018
Total	**93,880**	**98,386**

The issue of the Step-Up Subordinated Bonds by First Investment Finance B.V., a limited liability company registered under the laws of the Netherlands and 100% owned by the Bank was fully guaranteed by the Bank. The terms and conditions of the Subordinated Bonds fully comply with Ordinance 8 on Capital Adequacy of Credit Institutions issued by BNB. The amounts received for the perpetual subordinated bonds are included in tier 2 capital after respective Permissions by Bulgarian National Bank.

29. Other liabilities

in thousands of BGN	2007	2006
Liabilities to personnel	1,564	918
Current tax liability	2,484	2,329
Other payables	4,095	2,666
	8,143	**5,913**

30. Capital and reserves

(a) Number and face value of registered shares as at 31 December 2007

As at 31 December 2007 the registered share capital of the Bank is BGN 110,000,000 divided into 110,000,000 ordinary dematerialized shares with voting rights of BGN 1 par value each. All the shares have been fully paid-up.

The share capital of the Bank was increased from BGN 100,000,000 to BGN 110,000,000 as a result of the successful IPO of new 10,000,000 dematerialized shares through the Bulgarian Stock Exchange – Sofia and was registered at the Commercial Register of Sofia City Court on 4 June 2007. In order to facilitate the IPO and prior to its launching the par value of the Bank's shares was reduced from BGN 10 to BGN 1 by a decision of the General Meeting of the Shareholders without affecting the aggregate amount of the share capital and the individual shareholdings.

(b) Shareholders

On 13 February 2007 Growth Management Limited, Channel Islands and Hillside Apex Fund Ltd., Cayman Islands transferred their entire 20% shareholding in the Bank to the offshore companies Domenico Ventures Limited, British Virgin Islands – 7%; Rafaela Consultants Limited, British Virgin Islands – 7%; and Legnano Enterprise Limited Cyprus – 6% respectively. As a result Legnano Enterprises Ltd. increased its aggregate shareholding to 7.68%.

Furthermore, as provided under the terms and conditions of the IPO First Financial Brokerage House Ltd. sold 6,500,000 of the existing shares of the Bank that it holds to new investors, thereby effectively reducing its shareholding from 13.89 % to 6.72%. Subsequently on 20 December 2007 First Financial Brokerage House Ltd. transferred its remaining 6.72% shareholding to Balkan Holidays Limited, UK.

The table below shows those shareholders of the Bank holding shares as at 31 December 2007 together with the number and percentage of total issued shares.

	Number of Shares	% of issued share capital
Mr. Ivailo Dimitrov Mutafchiev	31,830,000	28.94
Mr. Tzeko Todorov Minev	31,830,000	28.94
Balkan Holidays Limited, UK	7,390,000	6.72
Legnano Enterprise Limited Cyprus	8,450,000	7.68
Domenico Ventures Limited, British Virgin Islands	7,000,000	6.36
Rafaela Consultants Limited, British Virgin Islands	7,000,000	6.36
Other shareholders (shareholders holding shares subject to free trade on the Bulgarian Stock Exchange – Sofia)	16,500,000	15.00
Total	**110,000,000**	**100.00**

Currently all newly issued shares plus the part of the existing shares held by First Financial Brokerage House Ltd. sold to new investors under the IPO (a total of 16,500,000 shares) are freely traded on the floor of Bulgarian Stock Exchange – Sofia.

In accordance with a Placement Agreement concluded between the Bank and the existing shareholders (Mr. Ivailo Mutafchiev, Mr. Tzeko Minev, First Financial Brokerage House Ltd,.Sofia, Legnano Enterprise Limited Cyprus, Domenico Ventures Limited, British Virgin Islands, and Rafaela Consultants Limited, British Virgin Islands) as part of the IPO, the existing shareholders agreed to a lock-up arrangement whereby they shall not, except for any shares sold as part of the IPO, for a period of 180 days as of 21 March 2007, and without the prior written consent of First Financial Brokerage House Ltd. as Lead Manager of the issue, directly or indirectly (A) offer, pledge, sell, sell any option or contract to purchase, purchase any option, directly or indirectly, or contract to sell, grant any option, right or warrant to purchase, deposit into any depositary receipt facility or otherwise transfer or dispose of any shares or any securities convertible into or exercisable or exchangeable for shares, and not file any registration statement under the US Securities Act of 1933 with respect to any of the foregoing; or (B) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic risk of ownership of the Shares, whether any such swap or transaction described in (A) or (B) above is to be settled by delivery of shares or such other securities, in cash or otherwise.

On its part the Bank agreed to a similar lock-up arrangements in the Placement Agreement for a period of 360 days as of 21 March 2007, with the exception that the Bank also agreed not to allot, issue or contract to issue any shares or other securities, specified in item (A) above.

(c) Statutory reserve

Statutory reserves comprise amounts appropriated for purposes defined by the local legislation. Under Bulgarian law, the Bank is required to allocate 1/10 of its annual profit as statutory reserves until their aggregate amount reaches 1/10 of the Banks' share capital.

(d) Share price

As at 31 December 2007 the last price of the shares of the Bank traded on the Bulgarian Stock Exchange – Sofia is BGN 11.60.

31. Commitments and contingent liabilities

(a) Memorandum items

The Group 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 by category. The amounts reflected in the table represent the maximum accounting loss that would be recognised at the balance sheet date if counterparts failed completely to perform as contracted.

in thousands of BGN	2007	2006
Bank guarantees		
– in BGN	186,268	136,458
– in foreign currency	181,544	108,092
Total guarantees	**367,812**	**244,550**
Unused credit lines	457,669	211,228
Promissory notes	21,034	17,097
Letters of credit in foreign currency	268,562	313,722
	1,115,077	**786,597**

These commitments and contingent liabilities have off balance-sheet credit risk because only organization 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.

As at the balance sheet date there are no significant commitments and contingencies which require additional dosclosure.

At 31 December 2007 the extent of collateral held for guarantees and letters of credit is 100 percent.

32. Cash and cash equivalents

For the purposes of the cash flows statement, cash and cash equivalents comprises the following balances with less than 90 days original maturity:

in thousands of BGN	2007	2006
Cash and balances with Central Banks	611,262	708,038
Loans and advances to banks with maturity less than 90 days	189,403	22,773
	800,665	**730,811**

33. Average balances

The average carrying amounts of financial assets and liabilities are set out in the table below. The amounts are calculated by using a simple average of monthly balances for all instruments.

in thousands of BGN	2007	2006
FINANCIAL ASSETS		
Cash and balances with Central Banks	523,059	400,142
Financial assets held for trading	14,758	18,459
Available for sale investments	339,188	480,218
Financial assets held to maturity	101,753	80,333
Loans and advances to banks and financial institutions	38,479	26,691
Loans and advances to customers	2,298,340	1,459,229
FINANCIAL LIABILITIES		
Due to credit institutions	7,006	12,459
Due to other customers	1,929,610	1,337,938
Liabilities evidenced by paper	1,082,630	911,499
Subordinated term debt	51,131	55,170
Perpetual debt	97,702	90,065

34. Related party transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party on making financial or operational decisions, or the parties are under common control.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and other transactions. These transactions were carried out on commercial terms and at market rates. The volume of these transactions and outstanding balances at the end of respective years are as follows:

Type of related party	Parties that control or manage the Bank		Enterprises under common control	
in thousands of BGN	2007	2006	2007	2006
Loans:				
Loans outstanding at beginning of the year	1,876	1,554	4,351	3,660
Loans issued during the year	598	322	3,759	691
Loans outstanding at end of the year	2,474	1,876	8,110	4,351
Deposits received:				
Deposits at beginning of the year	547	273	2,825	1,975
Deposits received during the year	515	274	624	850
Deposits at end of the period	1,062	547	3,449	2,825
Deposits placed				
Deposits at beginning of the year	–	–	7,823	7,823
Deposits placed during the year	–	–	3,912	–
Deposits at end of the period	–	–	11,735	7,823
Off-balance sheet commitments issued by the Group				
At beginning of the year	–	–	1,117	130
Granted	387	–	991	987
At the end of the year	387	–	2,108	1,117

The key management personnel of the Bank received remuneration of BGN 1,966 thousand for 2007 (2006: BGN 2,079 thousand).

35. Subsidiary undertakings

(a) First Investment Finance B.V.

In April 2003 the Bank created a special purpose entity, incorporated in the Netherlands, First Investment Finance B.V., which is wholly owned by the Bank. Its purpose is to accomplish a narrow and well-defined objective of receiving loans from foreign financial institutions and attracting investors by issuing bonds and other financial instruments, guaranteed by the Bank, the proceeds from which are used to finance the operations of the Bank. The authorised share capital of the company amounts to EUR 90 thousand, divided into 900 common shares of EUR 100 each. Issued and paid up are 180 shares. The Bank consolidates its investment in this company.

(b) Diners Club Bulgaria AD

In May 2005 the Bank acquired 80% of the share capital of Diners Club Bulgaria AD. The share capital of the company is BGN 5,000 thousand. As at 31 December 2007 the Bank holds 85.52% of the share capital of Diners Club Bulgaria AD. The company was incorporated in 1996 as a franchise and processing agent of Diners Club International. The Bank consolidates its investment in this company.

(c) First Investment Bank – Albania Sh.a.

In April 2006 the Bank founded First Investment Bank – Albania Sh.a. with a 99.9998% shareholding. The authorised share capital of the new entity is ALL 1,000,000 thousand, which is fully paid-up. On 27 June 2007 First Investment Bank – Albania was granted a full banking licence by the Bank of Albania, and on 1 September 2007 effectively took over the activities of the former FIB-Tirana Branch by assuming all its rights and obligations, assets and liabilities. The Bank consolidates its investment in this company.

36. Post balance sheet events

On 31 January 2008 the Group repaid on maturity principal of EUR 200 million and interest of EUR 15 million of a long term bond, issued by First Investment Finance B.V. and guaranteed by the Bank.

37. Applicable standards

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 4	Insurance Contracts
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations

IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Cash Flow Statements
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date
IAS 11	Construction Contracts
IAS 12	Income Taxes
IAS 14	Segment Reporting
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 26	Accounting and Reporting by Retirement Benefit Plans
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 31	Interests in Joint Ventures
IAS 32	Financial Instruments: Presentation
IAS 33	Earnings per Share
IAS 34	Interim Financial Reporting
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement

IAS 40	Investment Property
IAS 41	Agriculture
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation
IFRIC 6	Liabilities arising from Participating in a Specific market- Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement approach under IAS 29
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
SIC–7	Introduction of the Euro
SIC–10	Government Assistance – No Specific Relation to Operating Activities
SIC–12	Consolidation – Special Purpose Entities
SIC–13	Jointly Controlled Entities – Non-Monetary Contributions by Ventures
SIC–15	Operating Leases — Incentives
SIC–21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC–25	Income Taxes – Changes in the Tax Currently effective version of an Entity or its Shareholders
SIC–27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
SIC–29	Disclosure – Service Concession Arrangements
SIC–31	Revenue – Barter Transactions Involving Advertising Services
SIC–32	Intangible Assets – Web Site Costs

Post balance-sheet events

- On 31 January 2008 the Group repaid EUR 200 million of principal and EUR 15 million of interest on a matured long-term debt issued by First Investment Finance B.V. and guaranteed by the Bank.
- Since 28 January 2008 FIBank has been an indirect participant in the Single Euro Payment Area (SEPA) and performs SEPA credit transfers on behalf of its clients.

Strategic Goals for 2008

- Be the fifth or sixth largest bank in Bulgaria in terms of assets and market share of 8%.
- Continue developing as a universal bank offering various credit and deposit products both to corporate clients and to private individuals.
- Retain and expand its position as leader among the banks in Bulgaria in the area of international transactions and trade finance.
- Be amongst the top five banks in the country servicing the SME sector.
- Continue diversifying its loan portfolio by increasing the share of loans to SMEs and micro-enterprises.
- Develop and introduce new products based on fee and commission income
- Continue being a model bank in terms of customer service with an emphasis on key customers – further development of the Ego Club, both for private individuals and for corporate clients.
- Develop an active approach to sales in all branches by emphasising cross-sales.
- Expand the branch network in Bulgaria.

Corporate Banking

- Continue promoting a more pro-active culture of sales in corporate banking.
- Continue determining relations with customers on the basis of total profitability for the Bank.
- Refine and expand investment services and activities related to the market of financial instruments.

International operations

- Increase the number, volume and type of operations related to trade financing, documentary transactions, forfeiting, etc.
- Provide further opportunities to FIBank customers to use specialised credit lines by way of international financing from FIBank correspondent banks.
- Increase market share in terms of payments with an emphasis on cross-border transactions, including by promoting payments in EUR via SEPA.
- Expand the network of correspondent banks with a view to further satisfying client needs and expanding banking operations to new market niches.

Small and medium-sized enterprises and micro-enterprises

- Develop special packages for the SME sector.
- Direct efforts towards developing specialised programmes facilitating the use of European Union funds.

Retail banking

- Give priority to developing retail banking, particularly by emphasising retail lending.
- Introduce a loyalty programme for private customers.
- Introduce innovative mortgage loan products.
- Develop card payments towards standardising processes in accordance with the requirements of the Single Euro Payment Area – SEPA.
- Double the number of chip-based credit cards.
- Expand the ATM and POS terminal networks and improve the use of the existing networks.
- Develop and introduce new co-branded payment cards.

Financing activities

- Develop new deposit products suitable both for corporate clients and for private individuals.
- Organise new international financing.

Other Information

Members of the Supervisory Board

Georgi Mutafchiev

Chairman of the Supervisory Board

In 1991, he joined BNB as Foreign Currency Reserve Manager. In 1997, he was appointed as Executive Director of Flavia AD. He is a graduate of Sofia University and has a Master's Degree in Law. He also attended the Sorbonne, Paris from where he has a PhD in Business Law. He also has an MBA in Business Administration from Schiller University, Paris.

Besides his position on the Supervisory Board of First Investment Bank, Mr. Mutafchiev is also a Chairman of the Board of Directors of Flavia AD and Executive Director of Flavin AD.

Todor Breshkov

Member of the Supervisory Board

In 1999 Mr Todor Breshkov started work at First Financial Brokerage House OOD in the ''Corporate Finance and Analyses'' department, and since 2001 he has been the General Manager of FFBH.

Mr. Breshkov graduated with a degree in Business Administration from Sofia University ''St. Kliment Ohridski'. Besides his position on the Supervisory Board and as a General Manager of First Financial Brokerage House OOD, Mr. Breshkov is also a Member of the Board of Directors of Bulgarian Stock Exchange – Sofia AD; a Member of the Board of Directors of First Insurance Brokerage Company AD; and a Member of the Board of Directors of Bulgarian Real Estate Fund REIT – a special purpose vehicle for investment in real estate. Mr. Breshkov holds more than 25% of the capital of Breshkov and Sons OOD.

Radka Mineva

Member of the Supervisory Board

Since 1999 Mrs. Mineva has been a Manager of Balkan Holidays Company. She is a graduate of the University of National and World Economy in Sofia, Bulgaria with a degree in trade and tourism.

Apart from her position on the Supervisory Board, Mrs. Mineva is also a General Manager of Balkan Holidays Services OOD and a General Manager and a shareholder of Balkan Holidays Partners OOD.

Nedelcho Nedelchev

Member of the Supervisory Board

Mr. Nedelcho Nedelchev was appointed member of the Supervisory Board in February 2007. From 1997 he worked as a financial analyst in First Financial Brokerage House, and in 2001 became one of its managers and a partner. In 2003 he assumed the duties of Deputy Minister of Transportation and Communications. Nedelcho Nedelchev was advisor to the Minister of State Administration from September 2005 till July 2006.

Mr. Nedelchev graduated with a Master's degree in International Economic Relations from the University of National and World Economy. Nedelcho Nedelchev was awarded a certificate from the Wholesale Markets Brokers' Association (London) for working at the international financial and commodities markets in 2000.

Besides his position in the Supervisory Board of Bank, Nedelcho Nedelchev is a Managing Partner in Project Synergy OOD, an Executive Director of Expat Capital AD, Bulgarian Alternative Energy Company AD and Expat Asset Management EAD, a member of the Board of Directors of Bianor Holding AD, a Chairman of the Board of Directors of Expat Alpha AD. In 2003-2005 he was a member of the Managing Board of the Bulgarian Telecommunication Company AD.

Kaloyan Ninov

Member of the Supervisory Board

Mr. Kaloyan Ninov was appointed member of the Supervisory Board in February 2007. Mr. Ninov had previously worked as an investment manager and a member of the Managing Board in the National Privatisation Fund "Nadezhda" (Bulgaria). In 1993 he joined First Financial Brokerage House OOD as securities broker and was subsequently promoted to Head of the Securities Department and manager. Mr. Ninov has sat as a member of the Managing Board of the Bulgarian Association of Licenced Investment Intermediaries and in 2000-2001 was president of the Association. In 2001 he was appointed Deputy Minister of Economy. From 2004 to 2006 he was a manager of Balkan Holidays Services OOD.

In addition to his position in the Supervisory Board, Mr. Ninov is a Managing Partner of Sofia Asset Management and MNI OOD.

Members of the Managing Board

Matthew Mateev

Chairman of the Managing Board and Executive Director

Mr. Matthew Mateev joined the Bank in 1993. In 1998 he was appointed member of the Managing Board and Executive Director. In 2006 he was appointed the Chairman of the Managing Board. His previous experience is in corporate banking. He holds a degree in accounting and financial control and a Master's in International Economic Relations from the University of National and World Economy in Sofia, Bulgaria. In 2006, he was named ''Banker of the Year'' by the Bulgarian financial weekly "The Banker".

In the Bank he is responsible for corporate banking, microlending, the Legal Department, impaired assets and provisioning and Loan Administration.

Besides his position in the Bank, Matthew Mateev is also a member of the Managing Board of UNIBank, Skopje and a Chairman of First Investment Bank – Albania, Tirana.

Maya Georgieva

Executive Director

Ms. Maya Georgieva joined the Bank in 1995 as a director of the International Department. In 1998 she was appointed Executive Director of the Bank. Before joining the Bank Ms. Georgieva was a Deputy General Director responsible for money markets in the Bank for Agricultural Credit. Previously she spent 19 years of her career at BNB and has considerable experience in international banking. Her last appointment at BNB was as the Head of the "Balance of Payments" Division. She holds a Master's in Macroeconomics from the Higher Institute of Economics (now the University of National and World Economy), Sofia. She has a specialisation in international payments at the International Monetary Fund and a post-graduate specialisation with the Bulgarian Scientific-Technical Union. In 2001, she was named ''Banker of the Year'' by the Bulgarian financial weekly "The Banker".

In the Bank she is responsible for international payments, marketing and advertising, SME lending, sales, HR management and administration.

Besides her position in the Bank, Ms. Georgieva also chairs the Supervisory Board of CaSys International, Skopje, the Board of Directors of Diners Club Bulgaria AD and a member of the Managing Board of First Investment Bank – Albania, Tirana.

Jordan Skortchev

Executive Director

Mr. Jordan Skortchev joined the Bank in 1996 and has been Executive Director since 2000. Mr Skortchev's career started as an assistant manager in the Central and Latin America Department of the foreign trade organisation "Intercommerce" in Bulgaria. In 1990, he joined First Private Bank, Sofia as Head of the Treasury Division. He is a graduate of the University of National and World Economy, Bulgaria with a degree in International Economic Relations. He has specialised in banking in Luxembourg, swap deals at Euromoney, and futures and options at the Chicago Stock Exchange.

In the Bank he is responsible for card payments, information technologies, dealing, gold and commemorative coins, security and the vault.

Besides his position in the Bank, Mr. Skortchev is also a chairman of the Supervisory Board of UNIBank, Skopje; a member of the Board of Directors of Bankservice AD; a member of the Supervisory Board of CaSys International, Macedonia; and a member of the Board of Directors of Diners Club Bulgaria AD.

In the past five years Mr. Skorchev was a member of the Board of Directors of First Insurance Brokerage House AD

Evgeni Lukanov

Executive Director

Mr. Evgeni Lukanov joined the Bank in 1998 first as Deputy Director, then as Director and General Manager of the Tirana Branch, Albania. From 2001 to 2003 he was a Director of the Bank's Vitosha Branch (Sofia). From 2003 to 2007 he was a Director of the Risk Management Department, and since 2004 he has been an Executive Director and a member of the Managing Board. Previously, Mr Lukanov worked as a currency dealer in FFBH. He holds a Master's in Economics from the University of National and World Economy, Sofia.

In the Bank he is responsible for risk management, methodology, retail banking, and liquidity; jointly with Mr. Mateev he is also responsible for impaired assets and provisioning and the loan administration.

Besides his position in the Bank, Mr. Lukanov also chairs the Board of Directors of FFBH Asset Management AD.

Maya Oyfalosh

Member of the Managing Board and Director of the Corporate Banking Department

Ms. Maya Oyfalosh joined the Bank in 1993 as a credit specialist. Later she was promoted to a Director of ''Analysis of Corporate Loans'' and elected as a member of the Credit Council of the Bank. Previously, Ms. Oyfalosh had worked as a department director at First West Finance House and as a credit specialist at First Private Bank. In 2004, Ms. Oyfalosh was appointed Director of Corporate Banking Department and a member of the Managing Board.

Ms. Oyfalosh does not hold outside professional positions.

Radoslav Milenkov

Member of the Managing Board and Chief Financial Officer

Mr. Radoslav Milenkov has been the Chief Financial Officer and a member of the Managing Board since 2005. He joined the Bank in 2003 as a head of the Internal Audit Department. Previously, Mr. Milenkov had worked as an external auditor in Deloitte&Touche. He holds a Master's in Finance from the University of National and World Economy, Bulgaria.

Besides his position in the Bank, Mr. Milenkov is also a member of the Supervisory Board of CaSys International, Skopje, a member of the Supervisory Board of UniBank, Skopje and a member of the Audit Committee of First Investment Bank – Albania.

Ivan Ivanov

Member of the Managing Board and Regional Director for North-Eastern Bulgaria

Mr. Ivan Ivanov has been a member of the Managing Board since 2003. From 2003 to 2004 he was Director of the Branch Network Department, and since 2004 he has been the Regional Director for North-Eastern Bulgaria. He joined the Bank in 1999 as a Director of the Varna Branch. Previously, Ivan Ivanov was a Director at First Private Bank. He holds a degree in Economics and a Master's degree in Construction Economics from the Higher Institute for National Economy (now the University of Economics), Varna.

Besides his position in the Bank, Mr. Ivanov is also an owner of ICON 54 EOOD and holds 50% of the capital of Dives plus OOD and Bratya VG OOD.

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