



ANNUAL REPORT



2009





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Stoyan Alexandrov
*Chairman
Supervisory Board*



1. ADDRESS OF THE CHAIRMAN OF THE SUPERVISORY BOARD

Dear Ladies and Gentlemen,

Due to its proactive approach throughout Y2009, the performance of D Commerce Bank did not suffer the negative impact of the deteriorating economic environment predicaments.

Our Bank performed successfully, overcoming the challenges of the past year, by further developing its market positions previously gained, and by obtaining good financial results. The Bank reported an increase of its net income by BGN 4 601 Th., or with 52.34% higher than the previous reporting period. By Return on equity (ROE) our Bank ranked among the ten most profitable banks in this country. Unlike its competitors D Commerce Bank did not engage in the aggressive „deposit battle“ and by the end of the reporting period our total assets reached BGN 345 964 Th. Their volume, attained during the previous year, was BGN 294 242 Th., and thus we marked an increase of 17,57%, while the average growth of the whole banking sector was 1,87% only. The Bank also marked a permanent increase of its market share in the corporate banking area, but also in the individual clients segment.

Throughout the past year we maintained an optimum structure of our balance sheet with a very good level of quality and liquidity, which guaranteed reliable client servicing. The efficiency of the financial indicators increased and the Bank reached capital adequacy of 20,03%, which was considerably higher than the average one of 17,04% for the banks in this country.

This solid performance and the obtained results (capital vs. assets, current assets vs. total assets and leverage) ranked our Bank on one of the top positions among the local banks in terms of stability. The good financial results were approved by the Bulgarian Credit Rating Agency and the latter confirmed our long-term credit rating of Y2008 - „BB +“, the short-term one - „B“ and a stable perspective.

The equity of the Bank saw an increase as well, reaching BGN 49 million, which considerably broadened the investment capacity of the institution.

D Commerce Bank will continue to develop as a universal commercial bank with an experience and flexible approach in corporate banking. Our short-term strategic priorities include further strengthening of our clients' focused relations and enhancing the range of products in compliance with the dynamics of the economic environment and our engagement to the individual needs of any business segment and individual clients as well. It is expected the branch network to expand as well, by opening new locations in important regions of this country.

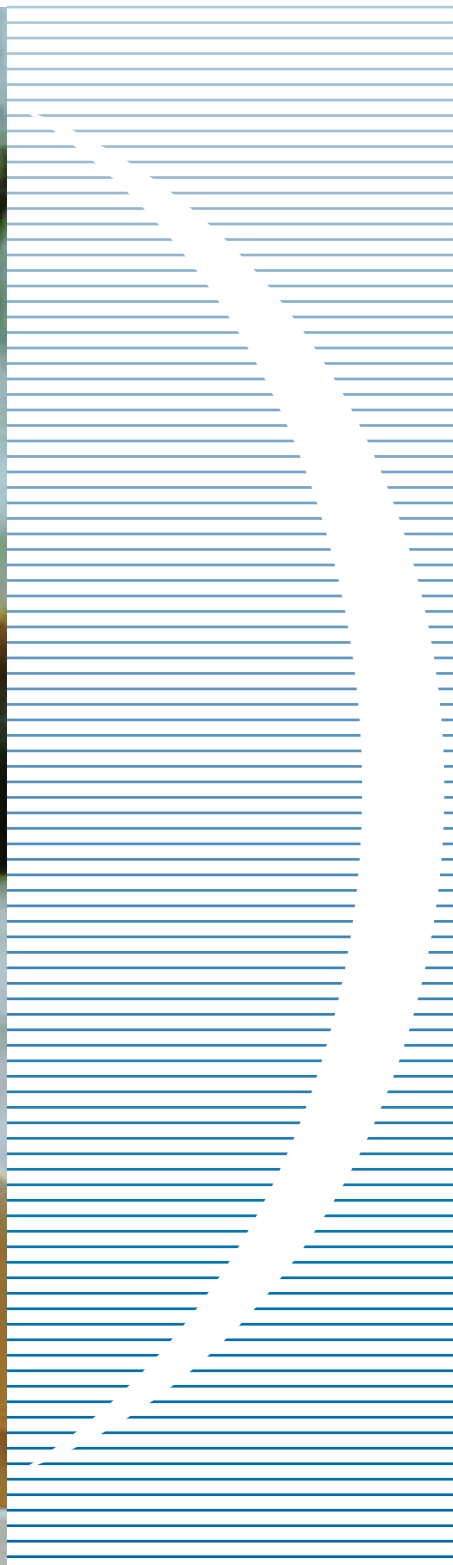
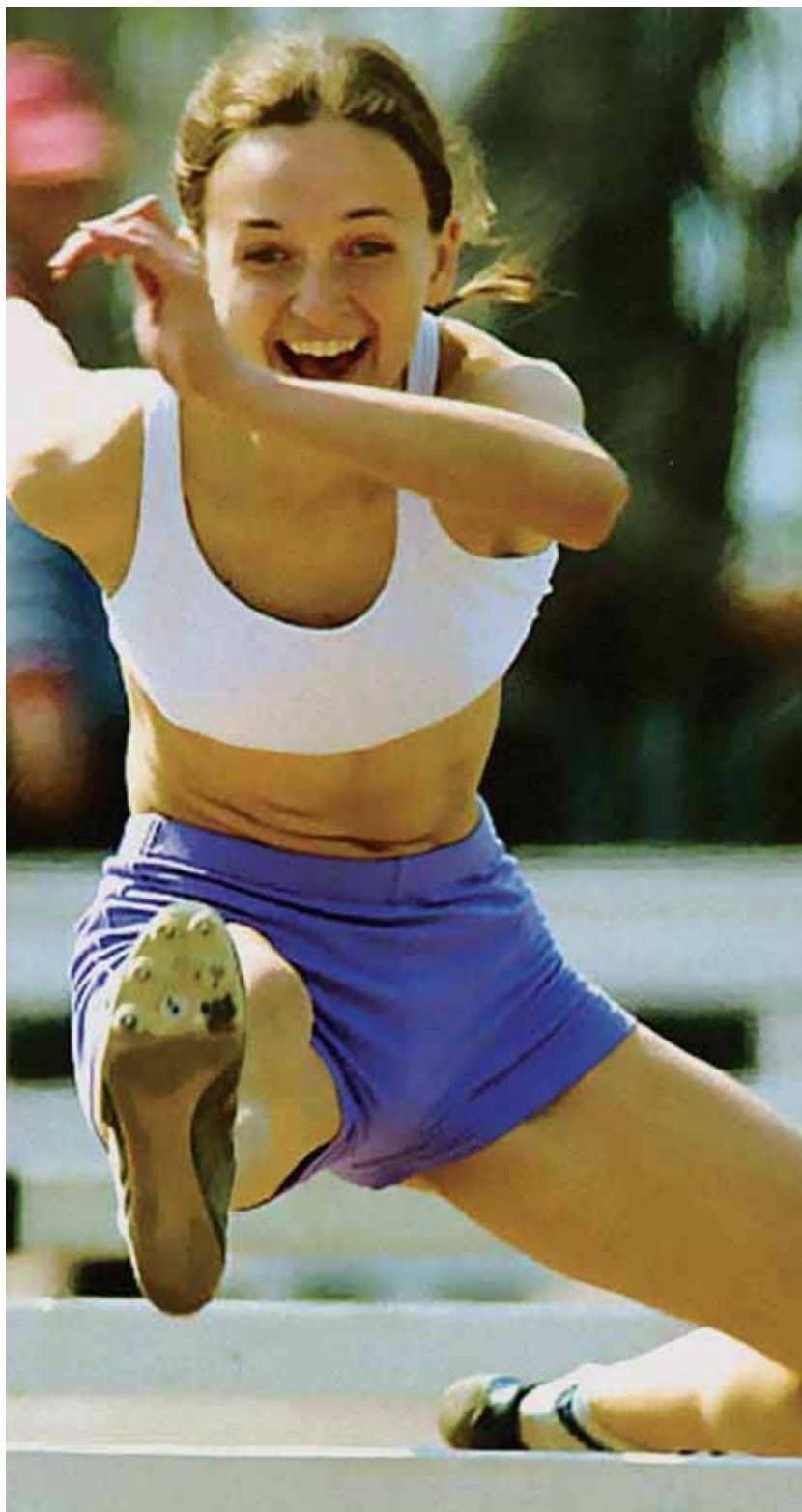
In the lending area our Bank shall follow a steady and prudent policy, strictly keeping the regulatory requirements of the Bulgarian National Bank.

I would like to express my appreciation to all our clients for the business partnership and would like to convey my gratitude for the hard work and dedication to our cause by the team of managers, who contributed for these successful results.

Stoyan Alexandrov
Chairman
Supervisory Board
D Commerce Bank



INFORMATION ABOUT THE BANK



2. INFORMATION ABOUT THE BANK

D Commerce Bank (the Bank) is a universal commercial bank, fully licensed to perform banking activities in this country and abroad.

The main priorities of the business of our Bank are the increase of its market share and rendering complete services both to leading companies, as well as to small and medium enterprises of various business sectors of the national economy, lending to the business under programs of the Bulgarian government, retail banking facilities, operations on the internal and international money and capital markets, assets management, providing assistance for the implementation of projects to operational programs, including lending, complete banking servicing for municipalities, budgetary entities, etc.

The Mission of the Bank is as follows:

- To provide the overall range of banking facilities, based on an efficient implementation of innovative information technologies and high quality services, and
- To ensure confidentiality and protection of the customers interest, while being serviced.

D Commerce Bank AD is a part of the economic group owned by Mr. Fuat Gьven, which has representations in Bulgaria and Turkey.

Our Bank was established on 15th April, 1999 as a shareholding company with its seat and registered address in Bulgaria, Sofia, 8, Tsar Osvoboditel Blvd.

The registered share capital of the Bank, which is fully paid, amounts to BGN 40 000 000 and it consists of 40,000 ordinary, registered voting book-entry shares of BGN 1,000 nominal value each.

The Bank has a two-tier management system, consisting of a Supervisory and a Management Board. The Supervisory Board assigns the Management Board members; it approves the Executive Directors and their remuneration.

➤ **By 31st Dec., 2009 z. the Supervisory Board has the following members:**

- Ass. Prof. Stoyan I. Alexandrov - Chairman,
- Ms. Elenka H. Manova - Member,
- Ms. Emel Gьven - Member,
- Mr. Bahattin Gьrbьz - Member, and
- Mr. Valeri B. Borisov - Member.

➤ **By 31st Dec., 2009 z. the Management Board has the following members:**

- Mr. Plamen I. Petrov - Chairman of the MB and Executive Director,
- Ms. Radka B. Nikodimova - Member of the MB and Executive Director,
- Mr. Roumen D. Petrov - Member, and
- Ms. Gergana Ch. Beremska-Karadjova - Member.

According to the Law on Credit Institutions, the Articles of Association of D Commerce Bank, and its court registration, the Bank is represented by all members of the Management Board on a collective basis or jointly by its two Executive Directors.

The Executive Directors and the Management Board Members have no share in the capital of the Bank.

By 2009 year-end the Bank had twenty nine financial centers, offices and outlets in this country as follows: in Sofia (seven units), Plovdiv (two units), Varna (three units), Bourgas (four units), Haskovo (two units), Svilengrad, Assenovgrad, Rouse, Yambol, Kardzhali, Blagoevgrad, Dobrich, Targovishte, Shoumen, Stara Zagora and Momchilgrad..

The Bank does not possess any subsidiaries or stocks in other companies exceeding 10 per cent.

By 31st Dec., 2009 the number of employees working for the Bank was 248 persons.

The financial result of our Bank for Y2009 was a profit amounting to BGN 4 700 Th.

Clients of our Bank are individuals and legal entities from all sectors of economy.

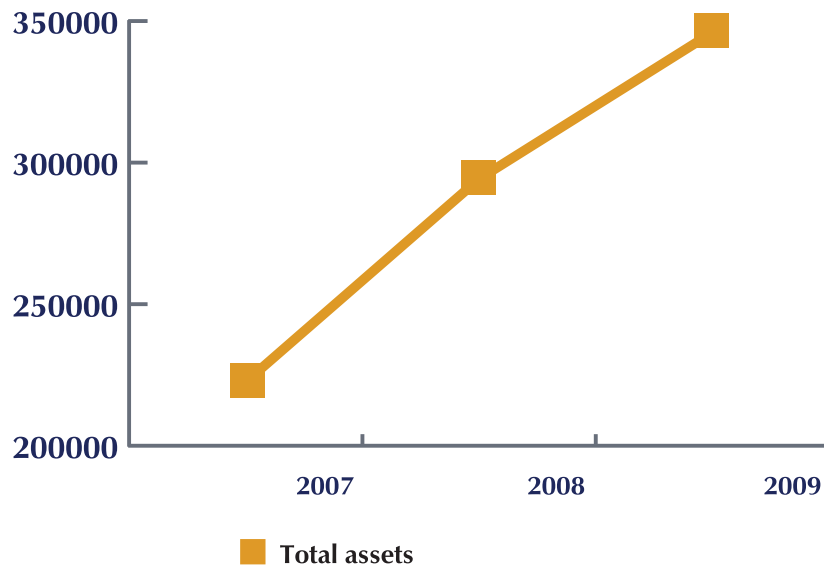
During the past year the relations with companies from the sectors of trade and services, agriculture, industry, construction works, servicing of municipalities, as well as further elaborating of products and facilities for individuals were of substantial importance for the Bank.

As of 31st Dec., 2009 more than 16 thousand accounts were opened with the Bank, whereas 80,1 % of them belonged to individuals. Y2009 saw an increase of the accounts opened with 34,5 % as compared to the previous reporting period.

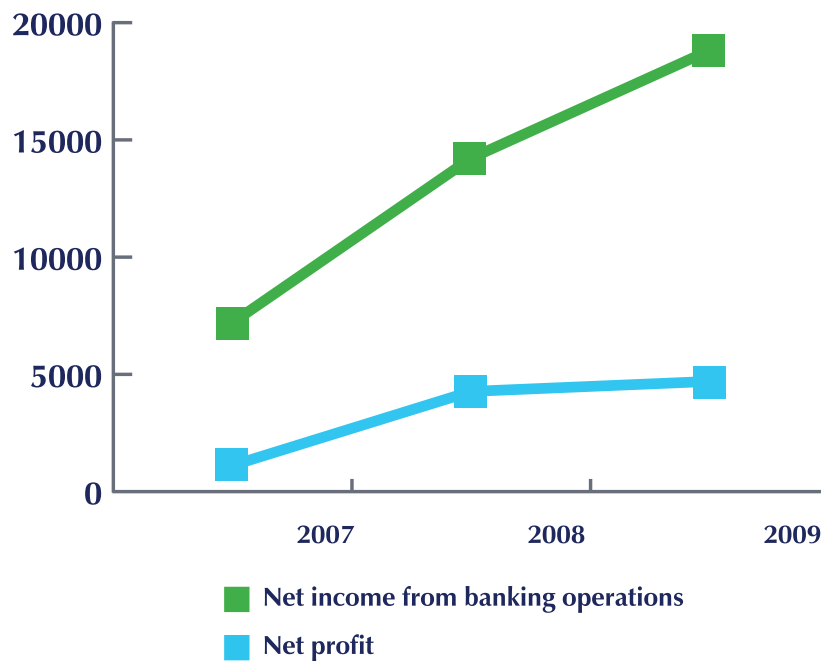
Financial indices of the business of the Bank

Financial Indices	Measure unit	31 Dec., '09	31 Dec., '08	31 Dec., '07
Main indices of the Balance Sheet				
1. Total assets	BGN Th.	345 964	294 242	222 543
2. Shareholder equity	BGN Th.	49 588	44 852	20 645
3. Financial assets	BGN Th.	341 285	291 185	221 260
4. Interest-bearing assets	BGN Th.	327 419	262 661	193 694
5. Liquid assets	BGN Th.	191 805	157 474	141 505
6. Loans and advances to customers	BGN Th.	149 480	133 711	79 509
7. Investments in securities	BGN Th.	97 480	91 276	95 582
8. Deposits	BGN Th.	295 254	248 092	199 235
Results				
1. Net income from banking operations	BGN Th.	18 824	14 223	7 212
2. Net profit	BGN Th.	4 700	4 274	1 121
3. Net interest and other similar income	BGN Th.	16 604	11 114	6 528
4. Fees and commissions net income	BGN Th.	1 595	1 558	1 765
5. Gains less losses from dealing in foreign currencies	BGN Th.	394	1 435	340
6. Other income	BGN Th.	231	116	38
7. Loan impairment losses	BGN Th.	(1 930)	(1 368)	(215)
8. Total operating expenses	BGN Th.	(11 665)	(8 103)	(5 746)
Ratios				
1. Return on assets	%	1,36	1,45	0,52
2. Return on equity	%	9,48	9,53	5,4
3. Level of assets coverage	%	14,33	15,24	9,27
4. Total capital adequacy	%	20,03	23,0	21,95
5. Total liquidity	%	55,44	53,52	63,58
6. Expenses per BGN 100 income	%	93,03	90,69	89,67
7. Interest-bearing assets / Assets	%	94,64	89,27	87,04
8. Regular loans / Loan portfolio	%	79,46	89,5	99,5
9. Gearing	%	16,80	18,1	10,36
Resources				
1. Staff	persons	248	181	116
2. Number of branch offices and outlets	number	29	16	9

Total assets



Alteration of net income and profit



It is expected Y2010 to enhance the problems related with the further development and intensification of the economic crisis in this country, while banks' operations will trend to find alternatives for decreasing this negative impact.

In case the projections for a decrease or insignificant increase of GDP come true, they are expected to aggravate additionally the macroeconomic and price stability in this country, and will have a restrictive impact on the banks' activities.

Being a part of this system, D Commerce Bank will have to develop further and operate in this environment during 2010 and to defend its standing.

As of 31st Dec., 2009 the total assets of the Bank amounted to BGN 345 964 Th.

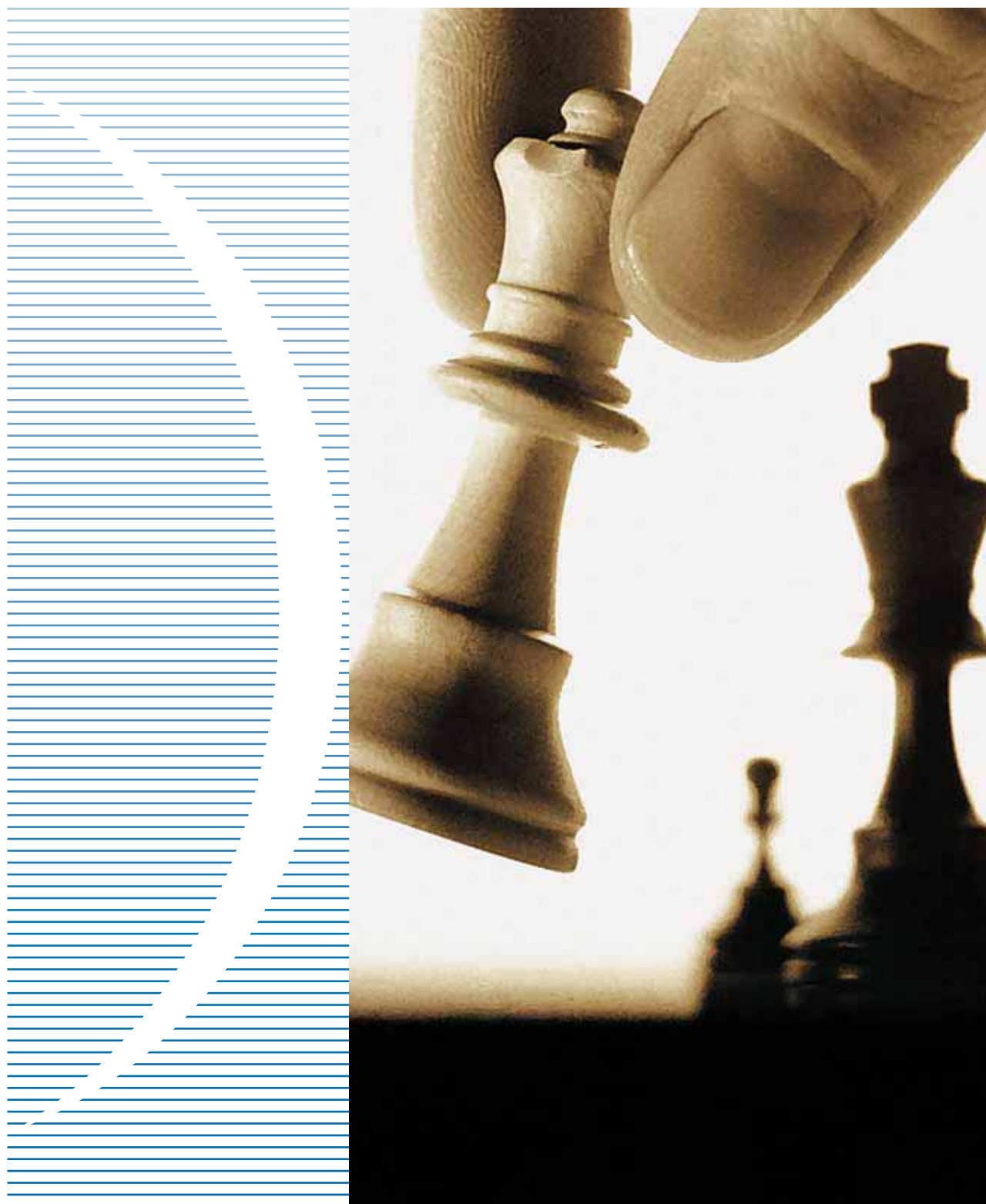
Indices	Measure unit	2009			2008			2007		
		Banking sector*	D Commerce Bank	Relative share %	Banking sector*	D Commerce Bank	Relative share %	Banking sector	D Commerce Bank	Relative share %
1. Total assets	BGN m	70 866	346	0,49	69 560	294	0,42	59 089	223	0,38
2. Due from NFI	BGN m	57 777	149	0,25	55 774	134	0,24	45 875	80	0,17
3. Total deposits	BGN m	61 409	295	0,48	60 884	248	0,41	52 196	199	0,38
4. Return on Assets	%	1,1	1,36	*	1,99	1,45	*	1,94	0,52	*
5. Return on equity	%	8,25	9,48	*	17,48	9,53	*	18,42	5,4	*
6. Liquid assets / deposits	%	17,82	64,96	*	22,34	50,99	*	28,24	59,74	*

*The data about the banking system are preliminary.

- Y2009 saw an increase of the Bank's business, which resulted in a growth of the total assets amount with BGN 52 m, or by 17,57 % as compared to the previous reporting period.
- The asset growth obtained by our Bank in 2009, considerably left behind the reported growth of 11,3 % for the local banking system.
- The Bank saw an increase of other major indices regarding its business operations as well.
- The fair profitability on the overall business obtained by the Bank enabled the latter to rank the ten most profitable banking institutions in terms of their return on equity (ROE).
- In spite of the considerable increase of a number of its major indices, the relative share of the Bank was still on minimum level as compared to the local banking system, allotting the institution among the last ones. Under these circumstances of strong and violent competition and economic crisis, the reported minimum market share of D Commerce Bank in the banking sector could be defined as a major problem, which has to be solved in the years to come, following the mid-term strategy for the development of the Bank as approved by its Management.

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BUSINESS RESULTS



3. BUSINESS RESULTS

Taking in consideration the local economic environment, amendments had to be made to the Business strategy of our Bank.

Practical actions for implementing the above mentioned amendments were undertaken during Q1 of the past year. Until the beginning of Q4 of the reported period the Bank gained its major targets, and this precipitated the preconditions, which the Management needed to make adequate decisions in terms of minimizing the impact of the enhancing economic crisis upon the financial position of the Bank.

As a result of the additional measures undertaken throughout the past year, the Bank managed to streamline its business strategy mainly in the following directions;

- Retaining to a maximum degree the qualitative levels of the loan portfolio attained during the previous year,
- Following the trend of Y2008 for transforming the Bank into a stable profit center,
- Further increase of the business volumes and proactive supply of the complete range of banking products and facilities,
- Undertaking concrete actions for further minimizing of the negative impact incurred by the crisis processes over the local economy and hence affecting the stability and prosperity of the Bank,
- Increasing the number of corporate and individual clients and the volume of operations,
- Further increase of quality and efficiency of the rendered bank products and facilities, related with the major banking operations for deposit-taking and offering financing for various clients' projects,
- Optimizing the loan portfolio increase, combined with a change of the Bank's approach towards the economic sectors in time,
- Enhancing of the risk management efficiency,
- Rendering of competitive servicing by means of resourceful information technologies, and
- Optimizing of the branch network development by attaining territorial coverage through the regional centers and towns in this country, taking in consideration the potential of the region, the crisis processes in the country and the Bank's policy.

The concrete measures undertaken resulted in the substantial increase of the qualitative and quantitative indices of D Commerce Bank attained throughout the reported period.

Financial Results

By 31st Dec., 2009 the financial result of the Bank was a profit before taxes amounting to BGN 5 229 Th., which compared to Y2008 generated a growth of BGN 477 Th., or 10,04 %.

The reported profit was mainly due to the formed increase of the net income from operations by BGN 4 601 Th., or by 32,35 %.

This enabled the Bank, after covering its operating costs and loan impairment expenses, to develop net income from operations amounting to BGN 5 160 Th.

The reported higher volume of profit, as compared to the previous year, enabled the Bank to compensate a greater part of its substantially increasing assets, which preconditions also the retaining or the insignificant decrease of the reported levels of main ratios between profit and efficiency reported for Y2009, as compared to the previous period.

Analyses of the results

(BGN '000)

Financial indices	31 Dec., '09	31 Dec., '08	31 Dec., '07
Bank operations			
Interest income from loans and advances to customers	14 543	11 640	6 427
Interest income from placements with banks	1 256	1 659	1 148
Interest income from investments in securities and repo-agreements	5 093	5 391	3 181
Interest income	20 892	18 690	10 756
Interest expenses	(4 288)	(3 745)	(4 228)
Net interest income	16 604	14 945	6 528
Net fees and commissions income	1 595	1 558	1 765
Net income from dealing in foreign currencies	325	490	(1 108)
Other income	231	116	38
Results from main banking operations	18 775	13 278	5,764
Loan impairment losses	(1 930)	(1 368)	(215)
Net income from banking operations	16 825	11 910	5 549
General operating expenses	(11 665)	(8 103)	(5 746)
Net income from banking operations	5 160	3 807	(197)
Profit / Loss from FX depreciation	69	945	1 448
Profit / loss before taxes and dividends	5 229	4 752	1 251
Tax expenses	(529)	(478)	(130)
Net profit	4 700	4 274	1 121

The actions undertaken throughout the past year, for increasing the absolute amount of the interest-bearing assets and liabilities and also for improvement of their structure, allowed an increase of the interest income with BGN 3 146 Th. or 16,83 % to be attained, while the interest expenses grew with BGN 543 Th. or with 14,49 %.

As a result of the increased price competition on deposit operations on the local banking market, which was explicitly strong during the second half of Y2008 and the first nine months of 2009, and also due to the slower increase of price levels on loans, the Bank's Management undertook concrete measures against any preconditions for shrinking the interest spread between loans and deposits. Those measures enabled the Bank to report in 2009 net interest income of 5,34 %, which exceeded the levels of 5,14 % attained in 2008.

The compensatory effect, due to the specifics of the deposit resource in Y2009, is expected to render its supportive function, while forming the price levels of the deposits. Due to this fact the Bank shall be able in Y2010 to accomplish successfully its further restructuring, evading any sharp increase of the expenses for its collection.

Maintaining of a comparatively high liquidity level throughout the past year resulted in generating a lower level of additional interest income, but under a decreased risk for the Bank.

During the reported period the interest income formed a growth due to the positive impact of the income from loan interest and from investment in securities, while retaining the trends from the previous year of internal restructuring of interest income by sources.

The interest income from loans and due from clients grew to the absolute amount of BGN 2 903 Th. or with 24,95 %.

Its share continued to be determinant in the total amount of interest income.

The interest income from securities portfolio management saw an increase of BGN 646 Th. or with 11,98 %.

The increase of interest income from placements with financial institutions in Y2009 reported a decrease with BGN 403 Th., while their share in the overall amount of the interest income diminished as well.

The net fees and commissions income marked an insignificant increase in 2009 of BGN 37 Th. as compared to the previous period, reaching BGN 1 595 Th.

Main contribution for the reported insignificant increase was attributed to the lesser income of BGN 85 Th. generated from non-credit services rendered, as a result of the changes, which occurred in the macroeconomic environment, combined with a less proactive supply of non-interest facilities to clients and still the insufficient volume of these facilities, offered by the Bank.

As far as non-interest operations were concerned, different from non-credit ones, the main share of the overall fees and commissions income volume belonged to the payment operations.

The net income from dealing in foreign currencies and revaluation of available FX stocks retained to the level of the previous reporting period.

The trend for retaining lower levels of the USD/BGN exchange rate preserved throughout the past year and influenced additionally the Bank's net income from dealing in foreign currencies.

Y2009 saw an increase of the operating expenses, which was mainly due to the expenditures on opening new branch units of the Bank, the increased annual payments for the Bulgarian Insurance Deposit Fund and the annual inflation.

The Bank reported an increase of the loan impairment losses in 2009, and that result was influenced by the additionally provisioned expenses in compliance with the Bank's policy for assessment of loan exposures.

Assets

In 2009 the Bank reported a growth of the active banking operations in the areas of corporate banking, retail banking and investment banking by expanding the branch network in Sofia and in the country. At the same time those operations were financed mainly with sufficient deposit funds from clients (companies, individuals and other financial institutions, banks), providing comparatively fair yield due to which the Bank reported for its Y2009 profit.

By 2009 year-end the Bank's total assets reached BGN 345 964 Th., while the reported level for the previous year was BGN 294 242 Th., and thus marking an increase of 17,58 %, which is 55,49 percentage points higher than the average growth of 11,3 % for the local banking sector.

During the reported period the trend of the previous year for the prevalence of FC component of the assets, though insignificantly, marked a decrease, as compared to the previous period, up to 4,4 % or BGN 220 million. An internal restructuring in favor of the BGN component was reported as well.

Although marking a decrease, the FC component retained its predominant share to the level of 63,64 % of the total asset volume.

The Euro assets amounted to BGN 190 945 Th.

Y2009 maintained the tendency of the previous reporting period, when the BGN component of the of the US currency increased, while its share in the Bank's assets decreased. Two factors influenced the trend, which has affirmed throughout the recent years. One them was the reported slow-down of the comparatively low exchange rate of the US dollar during the period. The second main factor was the meager activity of USD operations on the market. The situation with the US currency has a negative impact on the growth of the Bank's total assets.

The past year strengthened the tendency, while the mass of the high-yield assets being increased, their share within the total volume of yield assets to be retained or decreased. The restructuring made was aimed at achieving a greater high yield mass within the limits of the reasonable liquidity maintained.

The loan portfolio grew with BGN 15 769 Th. or with 11,79 %, amounting to BGN 149 480 Th.

The securities portfolio marked a growth of BGN 6 204 Th. (from BGN 91 276 Th. to 97 480 Th.), or with 6,8 %, as compared to the previous year.

The inner restructuring of the Bank's assets during the past year resulted in an increase of its interest-bearing assets with BGN 64 758 Th., or with 24,65 %. The reported increase in 2009 preconditioned a higher interest yield to be attained throughout the year and in the time to come.

As of 31st Dec., 2009 the receivables from banks amounted to BGN 58 670 Th., or 16,96 % of the Bank's total assets, which was both an increase in absolute amount and as a relative share compared to Y2008.

Bearing in mind the potential of the Bank and its opportunities for routine liquidity management with suitable instruments for minimizing the liquidity risk, we would expect that the intra-banking deposits could be in a comparatively stable position in 2010 as well, while following a clear tendency to an absolute and relative decrease of their levels in the overall volume of the Bank's assets as compared to Y2009.

The balance sheet value of the securities, held to maturity by 31st Dec., 2009, with the discount and premium included thereof, amounted to BGN 86 640 Th., reporting an increase of BGN 6 168 Th., or with 7.67 %, as compared to the previous year.

The financial assets, held in the portfolio at disposal and for trading as of 31st Dec., 2009, amounted to BGN 10 804 Th., retaining the level of the previous reporting period, while their relative share in the total assets volume decreased.

The average yield of EUR denominated bonds was 6,86 %, while for the BGN ones it was up to 4,26 %.

By 2009 year-end the loans and advances to clients amounted to BGN 149 480 Th. Their share in the increased asset volume grew to 43,21 %, while their level during the previous year was 45,44 %.

Bearing in mind the economic environment in this country in 2009, the Bank followed a policy of prudent sufficiency in the lending business, emphasizing on loans to corporate clients.

A number of specially designed products and solutions, offered to customers, increased the volume of the loans granted to private companies by offering a variety of lending facilities, credit lines, guarantee and letters of credit lines, investment loans, and multipurpose loan facilities for meeting the concrete requirements of the customers.

At the same time throughout 2009 our Bank continued to follow with priority the credit risk management, based on the improved model of identifying, monitoring and control over the risk exposures. The lending risk was under control by implementing a thorough preliminary analysis of any investment project, by demanding high quality collaterals, while the loan repayment was monitored on a current basis, following any single stage of the project, financed by the Bank.

The sector analyses indicate that in 2009 the Bank commenced withdrawing from the so called „risky“ sectors of the national economy and launched its lending facilities to profit business areas, which guaranteed for the regular loan repayment and maintained the competitive level of the Bank.

The quality of the loans and advances granted could be assessed as comparatively fair one, bearing in mind the economic environment in this country. The conservative policy followed by the Bank in terms of the credit risk management, allowed the financial institution by 2009 year-end to obtain a loan portfolio provisioned against losses and depreciation of 2,57 %, while the level for 2008 was 1,46 % in spite of the considerable increase of the loan portfolio.

Capital and liabilities

The basic financing source of the Bank appeared to be the funds attracted from companies, individuals and banks. The absolute increase secured a growth for the past year to the volume of 19,0 %.

The share of companies' and individuals' time deposits in the total amount of attracted funds grew from 18,17 % by 2008 year-end to 21,96 % until 2009 year-end.

Retaining the trend from Y2008, the demand deposits continued throughout 2009 to play a leading role among the total mass of attracted funds as well. This permitted the achieved attracted funds price to be preserved at comparatively low levels of 1,89 % by 2009 yearend, as compared to 1,47 % in 2008, which is expected to positively influence the future anticipated increase of the funds price in 2010.

By 31 December 2009 the Bank reported its equity amounting to BGN 49 588 Th., while in 2008 it amounted to BGN 44 852 Th., marking a growth of 10,56 %. The rise was mainly due to the profit, gained before taxes of 4 700 Th.

The equity increase had positively influenced the capital adequacy ratios. The reported capital adequacy for the year of 20,03 % was considerably higher than the minimum required by the Bulgarian National Bank (BNB).

The assets coverage level (capital at assets of BGN 100) retained the level of 14,33 %. Another index reported also for retaining the previous year level - gearing, indicating the stability of the Bank, which reached 16,80 % by 2009 yearend.

Liquidity

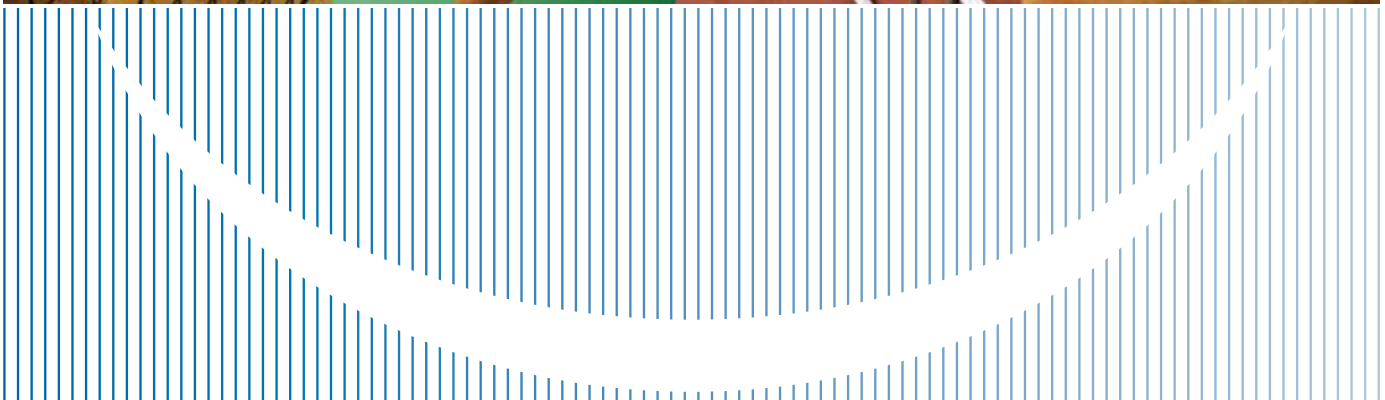
The Bank continued to maintain a very good liquidity throughout the past year. The reported liquidity was formed as follows:

- The formed securities portfolio volume amounting to 28,18 % from the total assets of the Bank;
- The net receivables from financial institutions reaching 16,96 % from the total assets of the Bank;
- Cash, reaching 10,31 % from the total assets of the Bank.

As a whole, the liquidity assets reached a balanced structure in total and split by separate types.

As of 31.12.2009 the Bank had observed all regulatory requirements of BNB and the Bulgarian legislation.

RISK MANAGEMENT



4. RISK MANAGEMENT

In the course of its common business the Bank is disposed to different financial risks, the most important of which being the market risk (including currency risk, risk of change in the fair value and price risk), the credit risk, the liquidity risk and the risk of the interest-bound cash flows.

The general risk management is focused on the difficulties in making prognoses of the financial markets and on achieving of minimized potential negative effects, that could affect the financial results and status of the Bank. The financial risks are currently identified, measured and monitored using various controlling mechanisms introduced for determining of adequate prices of the bank facilities, the types of products and the funds attracted from customers, as well as for an adequate market circumstances assessment in view of the investments made by the Bank and the forms of maintaining of free liquid funds without allowing an unreasonable concentration of a certain risk. The Bank manages its trade operations depending on the type of risk and on the basis of the different categories of trade instruments possessed by it.

The Bank Management has approved different internal rules and methods for risk measurement and they are based on statistic models or on historical experience.

The risk control and management are basically structured on the grounds of limits under types of operations. These limits are reflected in the Bank strategy and its market position as well as in the level of the particular risk that the institution defines as acceptable for its operations.

Reports for the particular types of risks are being prepared periodically so that subsequent analysis and possible correction of the already defined limits under separate types of operations and deals are made.

Credit risk

Credit risk is related with the inability of the customers/counterparties to fully repay the amounts due to the Bank within the period scheduled.

The management of the specific credit risk is executed by the Provisions Committee of the Bank and is monitored by the Management Board. The function regarding credit risk management secures the application of a suitable policy and the correspondence of this policy to the related procedures and control activities for current monitoring of every credit exposure type.

The credit portfolio risk exposure is managed by a regular analysis of the capability of the borrowers to observe their obligations regarding payment of the principals and interests due and by mechanisms for determining of suitable credit limitations. Credit risk also decreases partially by receiving of different types of collaterals.

The basic aim of the instruments in the form of letters of guarantee and letters of credit is funds of the customer to be secured according to the appearance of necessity for them. Letters of guarantee and letters of credit, representing irrevocable payment engagement on behalf of the Bank, in case a customer cannot fulfil his obligations to a third party, bear the same credit risk as loans themselves. The documentary and commercial letters of credit, representing an undertaking in writing of the obligations of the Bank on behalf of a customer, authorise a third person to receive funds up to a certain amount, while observing certain conditions. They are covered by a certain quantity of goods and because of this they are with lower risk as compared to directly granting a loan.

The funds under approved loan agreements in the form of credits, letters of guarantee or letters of credit represent engagements of the Bank. With respect to the credit risk the institution is potentially exposed to loss to the amount of the total sum of the unutilized loans. But the probable loss size is lower than all undrawn funds as most of this type of engagements presume requirements for maintaining of certain credit standards on behalf of the customer. The Bank currently monitors the drawdown schedules of the loans as the longer-term liabilities are usually with a higher level of credit risk than the short-term ones.

Maximum credit risk exposure

The exposure to the credit risk resulting from financial assets recognized in the balance-sheet is as follows:

(BGN '000)

Financial asset	2009	2008	2007
Cash in cash-desk and under current account with the Central Bank	35,655	28,524	27,320
Receivables from banks	58,670	37,674	18,603
Receivables under repo-agreements	-	-	2,364
Securities held for trading	-	-	82,048
Loans and advance to clients	149,480	133,711	79,509
Securities at disposal for sale	10,804	10,804	11,170
Securities held to maturity	86,640	80,472	-
	341,285	291,185	221,014

The exposure to credit risk resulting from conditional engagements reported off-balance sheet is as follows:

(BGN '000)

Bank guarantees and letters of credit	15,807	22,845	35,739
Unutilized amount of permitted credits	14,565	15,158	14,682
	30,372	38,003	50,421
Maximum credit risk	371,657	329,188	271,435

Credit risk - concentration

The Bank Management currently monitors the credit risk resulting from the concentration of the financial assets under economic sectors as well as under separate counterparties on the basis of approved limits.

The limit for maximum exposures to one person or economically related persons is determined regarding the credit exposures of customers, which are nonfinancial institutions in accordance with art. 44, para 2 of the Law on Credit Institutions.

The regulatory limits and the intra-bank limits for maximum exposures to a single person or economically related persons including counterparty banks are periodically evaluated and analysed.

The general credit exposure to a separate economic branch as a rate from the general credit portfolio is periodically tracked down and is examined by the Management Board of the Bank.

(BGN '000)

Sectors/branches	31.12.2009	31.12.2008	31.12.2007
Receivables from Governments	95,351	89,101	93,212
Trade and services	51,693	44,153	34,886
Cash with the Central Bank	35,655	28,524	27,320
Construction	52,639	60,227	26,892
Financial activity/services	60,798	39,849	20,569
Production	24,721	16,221	10,151
Loans and other receivables from individuals	9,782	6,878	4,845
Transport and communications	2,226	873	3,520
Agriculture and forestry	12,257	7,205	193
Insurance, leasing activity	-	101	5
	345 122	293,132	221,593
Provisions	(3,837)	(1,947)	(579)
	341,285	291,185	221,014

Y2008 tendency in the structure of the risk exposures under economic sectors - the share of the financial instruments, representing receivables under loans granted to customers and investments in government securities to exceed the share of receivables from other banks - was being preserved during 2009.

Market risk

Market risk originates from the negative movement of the interest rates, of the FC rates between the different currencies and of the securities and the other financial instruments market price. These movements influence the bank yield capacity.

The Bank manages the owned by it financial instruments rendering an account of the changing market conditions. The exposure regarding market risk is managed in compliance with the risk limits defined by the Bank Managing Body by means of financial instruments purchasing and sales or by means of opening a compensation position for risk hedging.

Interest rate risk

The Bank's business is related to a continuous maintenance of positions, which are sensitive to the movement of the market interest rates, and this influences its financial status and the cash flows dynamics. Interest rate risk is the probability for potential change of the net income from interests or the net interest margin (the difference between gross interest income and gross interest cost) and the market value of the equity, because of change of the general market interest rate levels.

The interest rates for BGN denominated assets and liabilities are usually determined on the basis of the basic interest rate movement defined by the Central Bank (BNB). The interest rates for EUR denominated assets and liabilities are based on the quotations of the European Central Bank.

In the cases of assets and liabilities with floating interest rates the Bank is exposed to the risk of changes in the basic interest points serving to define the interest rates that are determined as a difference between the characteristics of the variable interest rate indexes, as for example the basic interest rate, six months LIBOR or different interest rates. The Risk Management Policy aims optimizing the net income from interests and achieving of market interest levels in compliance with the strategy of the bank.

The procedures for interest rate risk management are connected with the current maintenance of a reasonable interest rate margin between the applicable interest rates for attracted funds and to the asset bank operations and they are applied from the point of view of the Bank's sensitivity to changes of the interest rate levels.

For defining the interest rate levels under loans and receivable from non-financial institutions the Bank has introduced rules for its customers - basic interest rate determined by means of approved internal methods.

The Bank continuously monitors the movements of the foreign currencies, the discrepancies in the interest rate levels and in the maturity structure of its assets and liabilities. At the same time it currently monitors the changes in prices and profitability of the traded government securities. The interest rate risk is actively monitored by the analysis, risk management and liquidity departments so that a compliance with the market risk limitations be secured. The Assets and Liabilities Committee currently monitors the interest rate risk that the Bank is exposed to and makes decisions on changing of the interest rate levels.

Currency risk

Currency risk is the risk from the influence of fluctuations in the predominating FX rates on the financial status and the cash flows of the Bank as a result of open currency positions.

The Bank is exposed to currency risk, when executing deals with financial instruments denominated in a foreign currency. After introducing of Currency Board in Bulgaria the Bulgarian national currency, the Lev, was pegged to the EURO and as a result of this no open currency risk connected with it exists. The movements in the exchange rate of BGN to the currencies outside the Euro zone influence the indexes in the reports.

Currency risk is the risk from a negative influence of the fluctuations in the predominating FX rates on the financial status and the cash flows of the Bank. Policy of the institution is the basic part of the assets and liabilities to be

denominated in EURO or BGN. In addition, the Bank does not execute substantial deals and does not maintain open FX positions of large volume in currencies different from EURO.

The assets and liabilities management within the framework of the defined limits has the task to provide for achieving the set aims and indexes for investments return. The size of the Bank open FX position (under different currencies) is monitored on a daily base and the necessary activities for minimizing the possible effects for the Bank from changes in the FX rates are being undertaken. The analyses show that the Bank is exposed to a minimum currency risk as it maintains every day limited open positions under the different types of currencies different from EURO that is with a fixed rate to BGN.

Liquidity risk

Liquidity risk is related to the inability of the Bank to meet its current and potential liabilities regarding payments due, without bearing unacceptable losses.

The business of Bank requires a stable cash flow to substitute the existing deposits when their maturity expires as well as to meet the customers' demand for additional loans. When managing liquidity, the Bank also takes into consideration the engagements connected with the undrawn part of the loans granted and the level of all conditional engagements.

The compliance and the controlled non-compliance with the assets and liabilities maturity terms and interest rates is a basic question of the Bank's liquidity managing. The full compliance is not customary for banks. The non compliance in the maturity structure increases potentially the earnings capacity, but it also increases the loss risk. The assets and liabilities maturity terms as well as the replacement capacity at an acceptable price of the interest liabilities on their maturity date are important factors when estimating the Bank's liquidity and the influence of the changes in the interest rates and the FX rates on it. In order to manage the risk the Bank maintains at any moment high liquidity assets in different currencies. The control and monitoring of the general liquidity are currently executed by the Assets and Liabilities Committee in the Bank on the basis of ratios determined as a regulation in Ordinance No 11 of BNB. In addition maturity tables are being maintained for scenarios „Working enterprise“ and „Liquidity Crisis“ for specifying of the net cash flows under periods.

The models for measurement and control of the risk liquidity exposure of the Bank include analysis of: the financial insufficiency, the liquidity maturity disruption, the basic liquidity surplus/insufficiency of the short-term assets/liabilities, the medium-term liquidity index, etc.

The Bank is obliged to maintain minimum reserves to the amount of 10 % of the attracted funds, in accordance with the requirements of BNB. The managing and control on the reserves is executed by Financial Markets and Investments Department on a daily base on the grounds of the attracted funds data. Part of the minimum reserves can be set aside in EURO under a separate account with BNB. The currency structure of the minimum reserves is defined on the basis of interest rates levels at the money markets and the incoming and outgoing cash flows of the Bank in BGN and EURO as far as the accounts for reserves set aside are interest-free.

The Bank maintains at any time a relatively constant portfolio of liquidity assets as a part of the established internal system for liquidity risk management.

The requirements to the liquidity for meeting payments under letters of guarantee and letters of credit are substantially lower than the amount of the engagement as the Bank usually does not expect a third party to claim payment of amounts upon the agreement.

Equity management

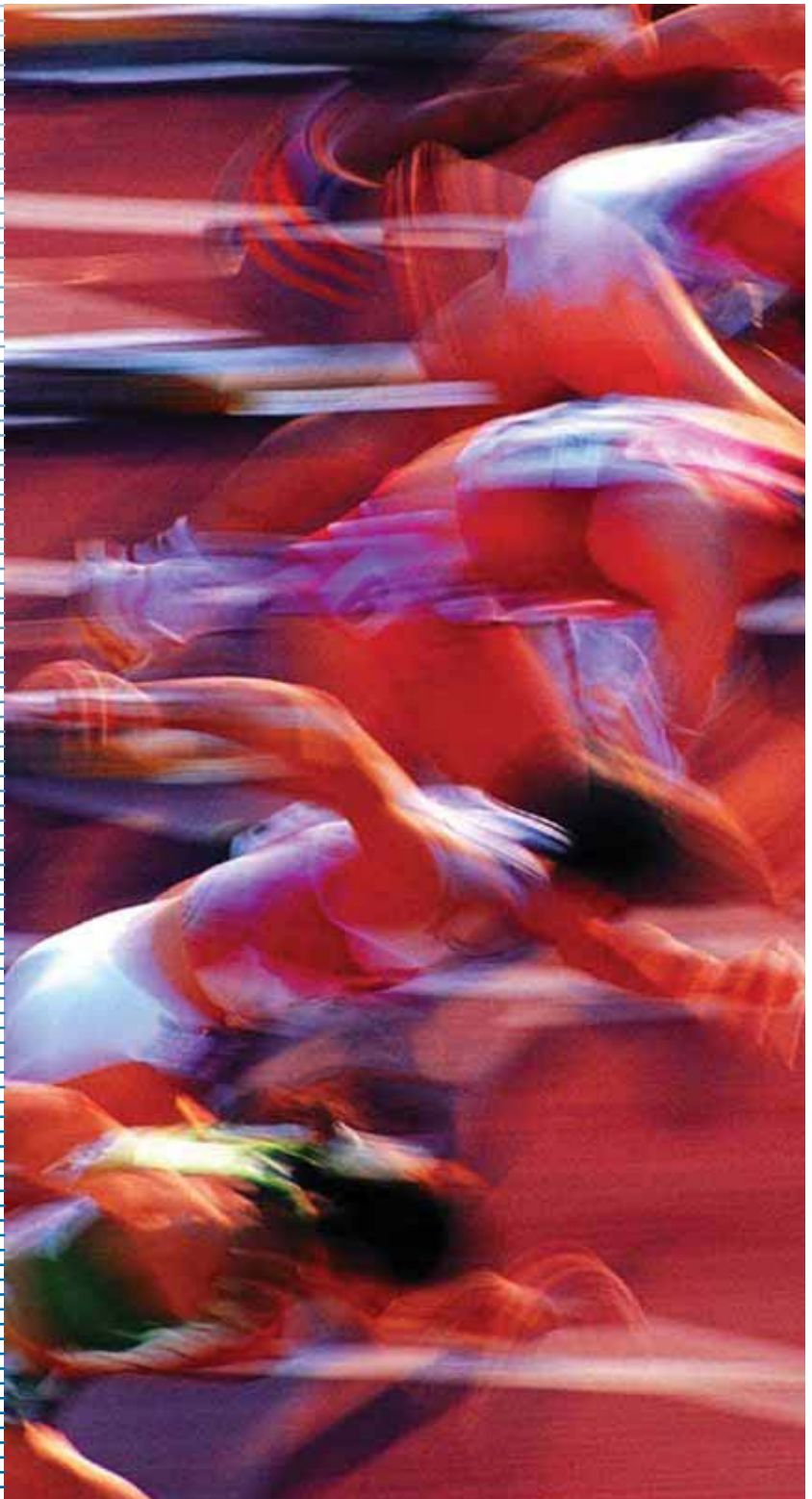
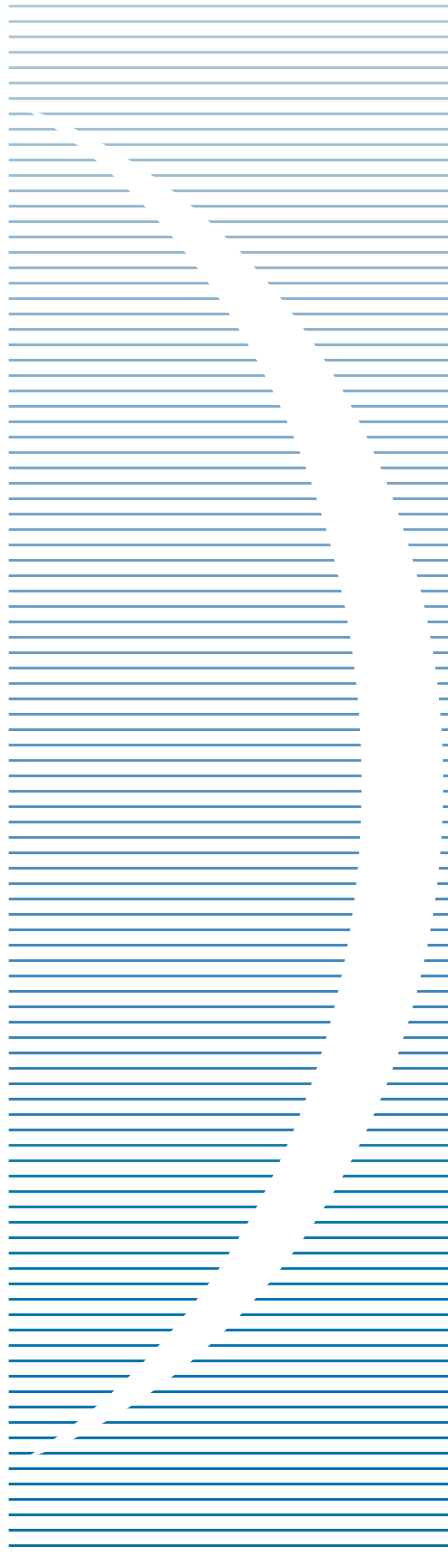
As far as equity management is concerned, the main aims of the Bank is to maintain the equity to a size sufficient for developing the activity and for securing the respective return of the owner's invested funds and the economic benefits for the other persons and participants concerned in his business as well as to maintain optimum capital structure in order that expenses for capital be reduced.

The Bank should observe the regulations requirements for capital adequacy in its activity, as well as to continue to function as a going concern.

The main equity components according to the regulatory requirements and ratios that the Bank has achieved are announced in the Annual Financial Report.

In 2009 the Bank maintained general capital adequacy and capital adequacy of the first row, above the minimum required size according to the requirements of the Central Bank.

OPERATING ACTIVITY



5. OPERATING ACTIVITY

The practice from previous years for establishing long-term relations with corporate customers showing reliable results and having good development perspectives was elaborated in 2009.

In addition, the undertaken policy for a „particularized approach“ to the corporate customers, taking into consideration the specific characteristics for each sector of the national economy, influenced positively the financial stability of the Bank.

The simultaneous applying of these two approaches influenced positively the financial stability of our Bank under the conditions of enhancing economic crisis and turned them into a basic task to be achieved when working with corporate customers for 2009 and the years to come.

The previous year tendency for granting loans by the Bank mainly for financing of companies' working capital with periods basically up to three years was preserved throughout the year. At the same time an insubstantial increase of loans with a maturity between three and five years resulting from the particular terms under the individual credit deals was reported.

During the whole year our Bank aimed at attracting corporate customers by applying high quality servicing, flexible products according to the customer's need and short terms examining process of the received documents, projects' analysis and decision making. This practice will be further applied and preserved in the next years making it usual approach for our Bank.

The orientation of the Bank allows it to dispose of a competible advantage in servicing trade operations and investment projects between Bulgaria and Turkey. The predominating number of customers of the Bank are entirely Bulgarian companies with business activity in Bulgaria but the Bank also services projects of big Turkish corporations in Bulgaria.

In 2009 the activity of D Commerce bank in the corporate banking area continued to be carried on under the conditions of an increasing economic crisis influencing both the managing of the granted loans and the size of the attracted funds from these customers.

The strong competition between banks for increasing the attracted funds volume resulted in a growth of funds acquisition price and thus impacted the increase of the granted loans' price reported throughout the year.

The decrease of the inter-bank interest rate throughout the year, at equal other conditions, should have resulted in holding the trend for loans price increase, especially for loans agreed upon at floating interest rate on inter-bank market base. This did not happen and as a result of this, though in a slower way, the trend for increase of the granted loans price and of the attracted funds remained unchanged throughout the bigger part of 2009.

A certain retention and at particular loans an insubstantial decrease of their price was achieved in Q4 of the past year that did not allow to gain the desired effect for a stable trend towards decrease in the price of granted loans. There are expectations that this trend will be sustained throughout the whole Y2010 and that is why the appearance of substantial changes in the activity conditions should not be expected.

The economic crisis expansion affected negatively the stability of the majority of the companies in this country and the servicing banks respectively. Being a part of the local bank sector this problem influenced D Commerce Bank as well. As a result of the duly undertaken measures from the very beginning of 2009 our Bank was prevented from fully experiencing this effect.

The share of the granted loans in the increased size of the assets reached 41,49 % at a reported level of 43,2 % for the past year.

At the same time the yield of corporate loans based on average values of granted funds for the reported period

reached 9,51 % at a reported level of 9,28 % by 2008 year-end.

The interest rates income from corporate loans formed 67,9 % of the total income from the Bank in 2009.

The priority in Retail Banking business in 2009 was the product range extending and respectively the development of a system of rules for the products offered to individuals.

In spite of the aggressive competitive environment the undertaken activities ensured the sales of 1 597 pieces of deposit products for the year and this led to an absolute and relative growth of the mass of funds attracted from individuals and of their share in the total amount of the attracted by the Bank funds.

During the reported Y2009 our Bank continued to successfully offer products designed by it. The volume of the granted consumer loans both for employees of companies that receive their salaries under accounts with the Bank and for new customers increased. The total size of the granted loans increased as compared to the previous year by 41,8 %.

During the reporting period an accent was put on the brand distinguishing and validating, the offered new product range and the creative vision of the Bank among the target customer groups and in the public environment as a whole.

Efforts were directed towards developing of suitable advertising and electronic channels and PR media coverage. As a priority every day press editions with national and partially regional coverage, periodical Internet advertisement including the wholly renewed web-site (www.Dbank.bg) were used. The purpose of the activity executed was mainly targeted at announcing the new products and facilities offered by the Bank with a main accent on their beneficial and high quality parameters and their compliance to the particular needs of customers as well as strengthening the image of the institution as an upright and flexible business partner. PR events were also organized mainly connected with opening of new offices of our Bank in the country.

Further development of this activity is being planned by enlarging the already existing and introducing new channels for advertising and PR communications with the purpose of validating the positive image of the Bank and its product range.

The Bank's assets and liabilities management followed three major directions: money market, FX trade and securities trade. The existence of a large counterparties network, local and international banks, ensures market FX rates and prices for all deals. The Bank mainly trades the following currencies: BGN, EURO, USD, CHF, GBP, and TRY.

Securing of the Bank's liquidity was a priority. Due to the good management of the cash flows and the increased volume of deposits from individuals and companies the institution had not experienced a need of funds in 2009. In addition, limits with other banks were agreed upon and in case of necessity funds could be borrowed from the inter-bank money market. The liquidity management was also connected with keeping of the minimum obligatory reserves in compliance with the regulatory requirements. D Commerce Bank AD had maintained its minimum obligatory reserves within the frameworks of the required size during the past year.

Another important activity in this direction was government securities and euro bonds trade. As of July 2002 to June 30, 2008 D Commerce Bank AD was a government securities primary dealer. During these years the primary dealership criteria were strictly observed.

Following a decision of the Bank's Management, D Commerce Bank ceased being a government securities primary dealer as of July 1st, 2008.

Upon change in the market conditions and after estimating advisability the Bank is capable to apply again for acquiring the right of being a government securities primary dealer.

The government securities portfolio is at the root of different products oriented towards the customers such as repo-agreements, etc.

The government securities, possessed by the Bank by 2009 year-end were of the amount of BGN 97 480 Th., while 88,9 % of them were held to maturity.

D Commerce Bank AD has offered its customers online banking since August, 2003 and it continuously improves the quality of the service, meeting the growing needs of its customers. This facility provides international access to the bank products and improves the flexibility of the other bank products. The customers have at their availability broader and more up-to-date information in spite of their location. As of the present moment the level of security of the service has increased as well as the connection capacity of the Bank to Internet for obtaining a quicker and of higher quality servicing.

Following its business the Bank has always tried to master the possibility for optimizing the connections between the separate branch units and its Head Office. The final result of this purposeful activity resulted in improvement of communications, but also of securing better servicing of the Bank's customers, minimizing the influence of the geographical location of its separate branch offices.

The Bank has passed to a new software product satisfying its grown necessities since December, 2008.

Several projects with MasterCard connected with issuing of the following cards: Maestro, MC Standard and MC Business with magnetic band for accepting them at ATMs and POS-terminals in offices of the Bank were successfully finalised during the past year. The design elaboration for MasterCard, MC Standard and MC Business ended during the past year as well as the ordering, production and delivery of plastics_for them. The Credit Card Product was successfully introduced during Q1 of the year. This allowed a substantial expansion of the card facilities offered by the Bank.

The total number of ATMs of the Bank is planned to reach 40 in 2010.

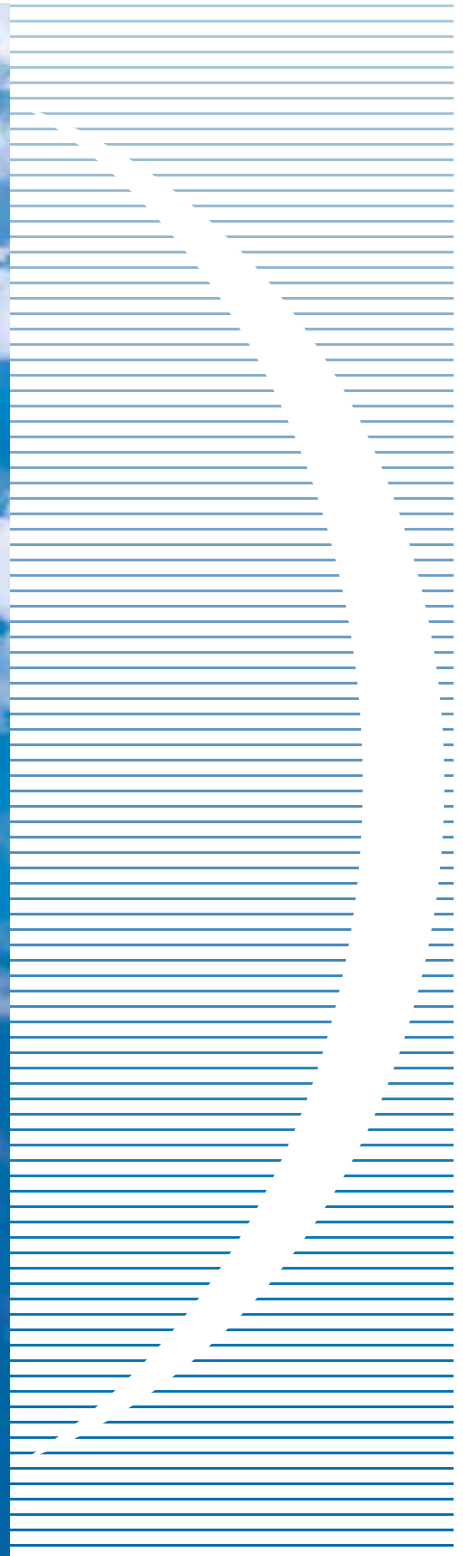
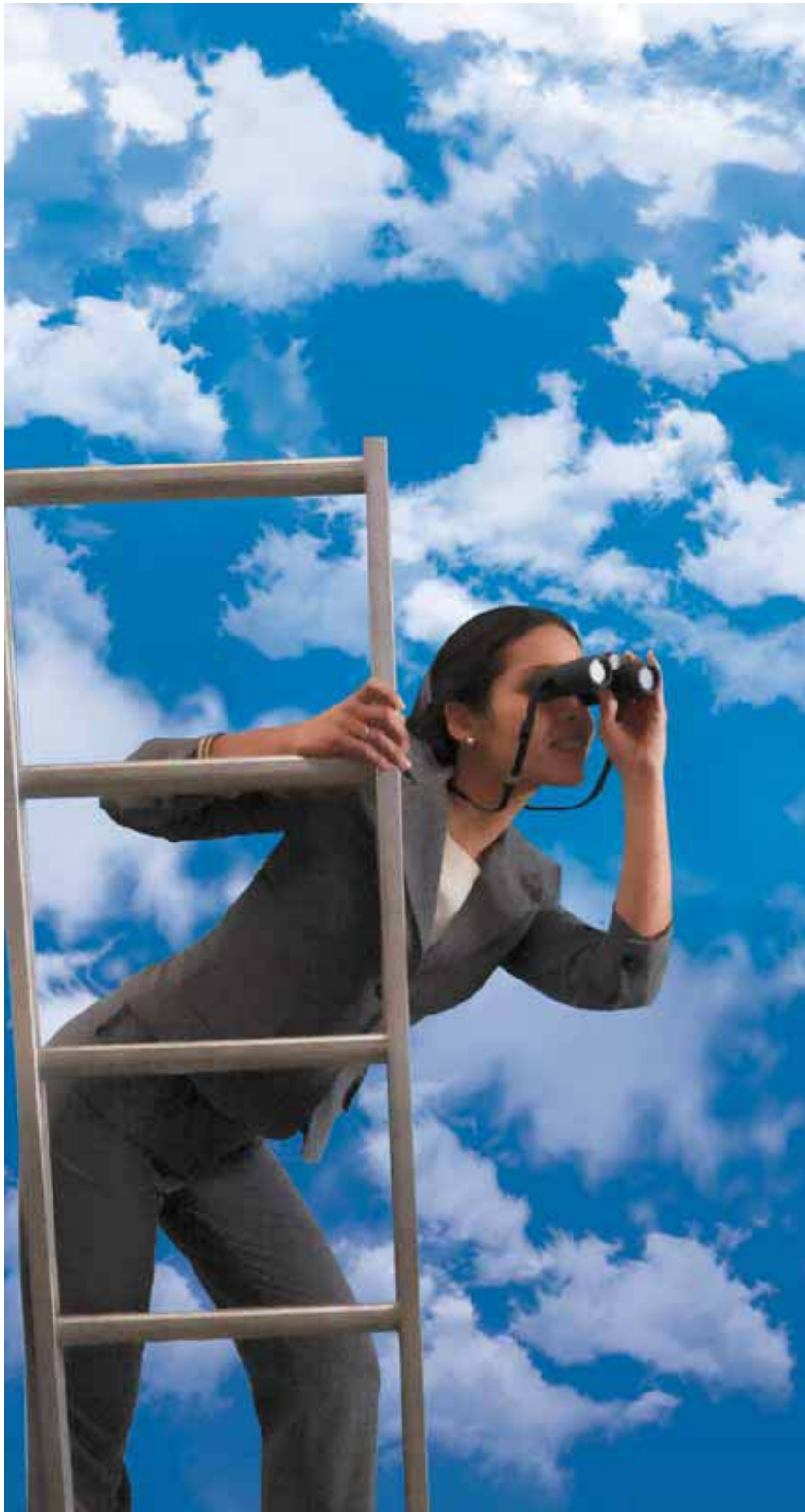
The official web-site of the Bank secures connection with the informational system.

The Bank offers POS-terminals, which provide our customers the opportunity for an easier directing of cash flows straight to their bank account. Terminals in all branch units of the Bank and at some of the main customers were installed in 2009.

The Bank executes transfers in all basic foreign currencies including TRY, the transfers in TRY being directly done through the respective correspondent banks in Turkey.

The correspondence network of D Commerce Bank AD covers 80 local and international banks. The Bank has opened FX NOSTRO accounts.

PLANS FOR DEVELOPMENT



6. PLANS FOR DEVELOPMENT

In Y2010 D Commerce Bank AD will further its activity towards defining a group of customers to be provided with the full range of bank facilities they need, delivered by means of a rapid and effective servicing.

The corporate sector of Bulgarian and foreign customers, offered a full range of bank services, remains a priority for the Bank.

The deposit base of our Bank, taking into consideration the economic situation in the country and the expected further development of the crisis processes during the year, is expected to grow as compared to 2009 within the range of 28,3 % on average base.

A further reasonable growth of the rate of lending as well as of the investment banking is foreseen in the set aims. The purpose is a parity to be reached with the rates of deposit base growth at a further optimization of the assets structure and achieving of a higher positive financial result.

Lending is expected to continue to be a basic part of the Bank's business. Upon reaching of a good and reliable portfolio the benefits for the Bank will be reflected in the indexes not only for 2010, but also during the years to come. The aim is by 2010 year-end a portfolio of BGN 210 million to be obtained, while the share of corporate banking to be 90 %.

Attaining the above mentioned result is an inseparable part of the Strategy for Development of our Bank in the next five years (up to 2014).

According to this programme the branch network will develop to 42 units with a staff of 320 employees until 2010 year-end. An amount up BGN 1 million investment expenses will be spent for setting up of the new structural units, while up to BGN 1,2 million incremental costs for making the necessary reconstruction works and adapting of the hired premises will be invested as well.

Investment expenses to the amount of BGN 5,5 million are expected to be made during 2010. The expenses by separate types are planned to reach BGN 15 million by 2010 year-end.

For setting up successfully of new branch units and maintaining the staff's professional level resources for training are provided aimed at a continuous increase of the employees' qualification, that will allow to creating conditions for increasing the efficiency of the Bank activity as a whole.

The advertising expenses for the year to come will allow further promoting the Bank's new competitive services and their quicker transmitting to the final user - our customer.

It is expected that during the next year the number of the newly attracted customers, both companies and individuals, will continue growing.

The target is by 2010 year-end the Bank to function as an unified structural mechanism and to prove itself as a stable profit centre.

The approved strategy for development of the Bank by 2014 is based on the increase of the borrowed capital, the elaboration and introduction of new products securing the demanded intensive development, making organisation and structural changes, enlarging the joint activity with other companies and organisations, expanding the regional presence of the Bank in this country, etc.

The targets, that we have to reach in the future years, are well specified. The segment to which the business of the Bank should be directed and the share to be reached are defined as well. The organisation made will permit the Bank

to pass this way into a new stage of development by introducing contemporary bank technologies and a high quality servicing, that is expected to help in the future to attract new customers and to increase its income.

Taking into consideration the situation in this country, the Bank Managers will strive to increase the efficiency of liabilities management, which combined with the optimization of the assets structure and quality, will allow the practical implementation of the strategy for efficient management of the Bank during the present year.

The activity of D Commerce Bank AD will improve in the future in compliance with the changes of the particular economic conditions in the country with the purpose of reaching the planned indexes and tasks.

This report is prepared in compliance with the requirements of art. 33 from the Accountancy Act. It is approved and signed by the members of the Management Board of D Commerce Bank AD on March 19th, 2010.

Plamen Petrov



Chairman of the MB and
Executive Director

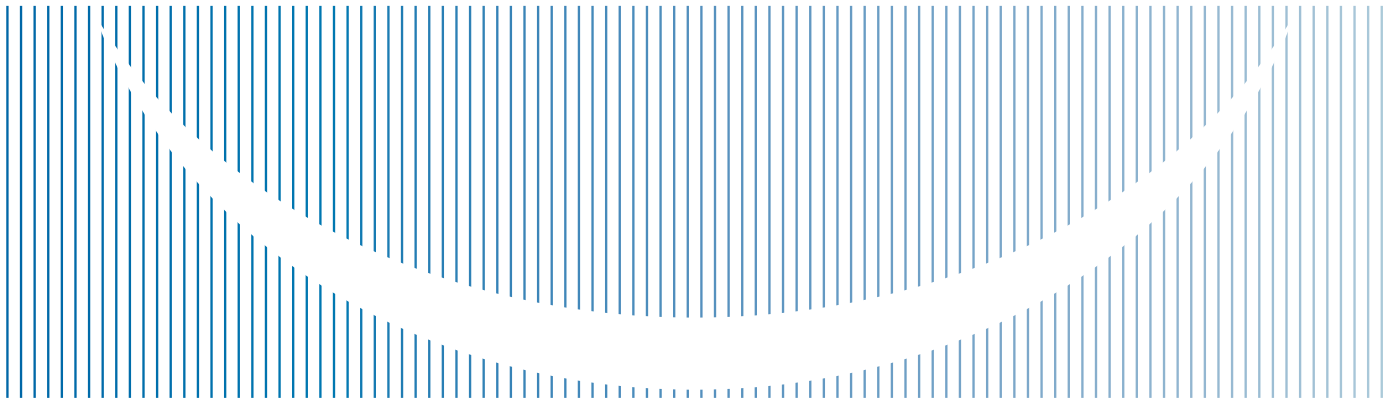
Radka Nikodimova



Member of the MB and
Executive Director

**D COMMERCE BANK AD
FINANCIAL STATEMENTS FOR THE YEAR
ENDED DECEMBER 2009
IN ACCORDANCE WITH INTERNATIONAL
FIANANCIAL REPORTING STANDARDS
WITH INDEPENDENT AUDITOR'S REPORT THEREON**

INDEPENDENT AUDITORS' REPORT





INDEPENDENT AUDITORS' REPORT

To the shareholder of
D Commerce Bank AD

Report on the Financial Statements

We have audited the accompanying financial statements of D Commerce Bank AD („the Bank“), which comprise the statement of financial position as at 31 December 2009, the statements of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. 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 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 financial statements give a true and fair view of the financial position of the Bank as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Krassimir Hadjidinev
Authorised representati

Sofia, 31 March 2010

KPMG Bulgaria
45/A Bulgaria Boulevard
Sofia 1404
Bulgaria



Margarita Goleva
Registered auditor



D COMMERCE BANK AD
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

In thousands of BGN	Note	2009	2008
Interest income		20,892	14,859
Interest expense		(4,288)	(3,745)
Net interest income	7	16,604	11,114
Fee and commission income		1,774	1,719
Fee and commission expense		(179)	(161)
Net fee and commission income	8	1,595	1,558
Net trading income	9	394	1,435
Other operating income	10	231	116
Operating income		18,824	14,223
Impairment loss on loans and advances	11	(1,930)	(1,368)
Personnel expenses	12	(5,423)	(3,844)
Depreciation and amortization	12	(769)	(477)
Other expenses	12	(5,473)	(3,782)
Profit before Income tax		5,229	4,752
Income tax expense	13	(529)	(478)
Profit for the period		4,700	4,274
Other comprehensive income			
Change in fair value of financial assets available for sale		36	(65)
Deferred tax		-	(2)
Total comprehensive income		4,736	4,207

The notes on pages 6 to 61 are an integral part of these financial statements.

Plamen Petrov
Chairman of MB,
Executive Director

Radka Nikodimova
Executive Director

Petar Blagoev
„Economic policy“

Krassimir Hadjidinev
Authorised representative
KPMG Bulgaria OOD

Margarita Goleva
Registered auditor



D COMMERCE BANK AD
STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

<i>In thousands of BGN</i>	Note	2009	2008
ASSETS			
Cash and balances with the Central Bank	14	35,655	28,524
Loans and advances to banks	15	58,670	37,674
Loans and advances to customers	16	149,480	133,711
Held-to-maturity investments	18	86,640	80,472
Available-for-sale financial assets	17	10,840	10,804
Property and equipment	19	4,060	2,604
Intangible assets	20	96	152
Deferred tax assets	21	-	1
Other assets	22	523	300
Total assets		345,964	294,242
LIABILITIES			
Deposits from banks	24	48,270	7,152
Deposits from customers	23	246,984	240,940
Current tax liabilities		27	345
Other liabilities	25	1,095	953
Total liabilities		296,376	249,390
Equity			
Share capital	26	40,000	40,000
Reserves	26	9,588	4,852
Total equity		49,588	44,852
Total liabilities and equity		345,964	294,242

The notes on pages 6 to 61 are an integral part of these financial statements.

The financial statements have been approved for issue by the Bank's Management Board on 31 March 2010 and

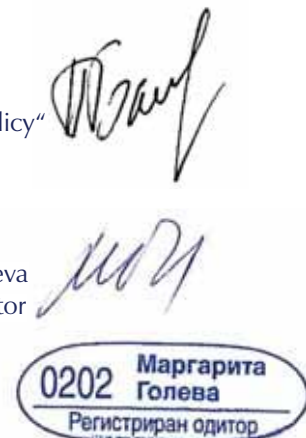
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Krassimir Hadjidinev
Authorised representative
KPMG Bulgaria OOD

Margarita Goleva
Registered auditor



signed on its behalf by: погнисан от негово име от:

D COMMERCE BANK AD
STATEMENT OF CASH FLOWS
For the year ended 31 December 2009

In thousands of BGN	Note	2009	2008
Cash flows from operating activities			
Profit for the period		4,700	4,274
Adjustment for non cash items			
Revaluation of securities held for trading		-	2,802
Impairment losses	11	1,930	1,368
Depreciation and amortization	12	769	477
Income tax expense	13	529	478
Carrying value of written off assets		122	7
Change in operating assets			
(Increase) in financial instruments held for trading		-	(167)
Decrease in financial assets available-for-sale		-	301
(Increase) / decrease in loans and advances to banks		(21,162)	2,902
(Increase) in loans to customers		(17,699)	(55,570)
(Increase) in other assets		(241)	(54)
Change in operating liabilities			
Increase/(decrease) in deposits from banks		41,118	(2,658)
Increase in deposits from customers		6,044	61,540
Increase in other liabilities		(208)	(1,602)
Income tax paid		(478)	(233)
Net cash used in operating activities		15,424	13,865
Cash flows from investing activities			
Purchase of property and equipment		(2,248)	(1,841)
Purchase of intangible assets		(43)	(127)
Increase of held-to-maturity investments		(6,168)	(1,059)
Net cash used in investing activities		(8,459)	(3,027)
Cash flows from financing activities			
Decrease in subordinated debt		-	(10,025)
Cash proceeds from issue of shares		-	20,000
Net cash from financing activities		-	9,975
Net increase in cash and cash equivalents		6,965	20,813
Cash and cash equivalents at the beginning of period		44,900	24,087
Cash and cash equivalents at the end of period		51,865	44,900

The notes on pages 6 to 61 are an integral part of these financial statements.

Plamen Petrov
Chairman of MB,
Executive DirectorRadka Nikodimova
Executive DirectorPetar Blagoev
„Economic policy“Krassimir Hadjidinev
Authorised representative
KPMG Bulgaria OODMargarita Goleva
Registered auditor

D COMMERCE BANK AD
STATEMENT OF CHANGES IN EQUITY
As at 31 December 2009

In thousands of BGN	Note	Share capital	Satutory reserve	Revaluation reserve - FA	Retained earnings	Total
Balance at 1 January 2008		20,000	88	(287)	844	20,645
Total comprehensive income for the period						
Net profit for the period		-	-	-	4,274	4,274
Other comprehensive income						
Change in fair value of financial assets available-for-sale		-	-	(65)	-	(65)
Deferred tax		-	-	(2)	-	(2)
Total other comprehensive income		-	-	(67)	-	(67)
Total comprehensive income for the period		-	-	(67)	4,274	4,207
Contributions by and distributions to owners						
Increase in share capital		20,000	-	-	-	20,000
Transfer to statutory reserve		-	844	-	(844)	-
Balance at 31 December 2008	26	40,000	932	(354)	4,274	44,852

D COMMERCE BANK AD
STATEMENT OF CHANGES IN EQUITY
As at 31 December 2009

In thousands of BGN	Note	Share capital	Satutory reserve	Revaluation reserve - FA	Retained earnings	Total
Balance at 1 January 2009		40,000	932	(354)	4,274	44,852
Total comprehensive income for the period						
Net profit for the period		-	-	-	4,700	4,700
Other comprehensive income						
Deferred tax		-	-	36	-	36
Total other comprehensive income		-	-	36	-	36
Total comprehensive income for the period		-	-	36	4,700	4,736
Contributions by and distributions to owners						
Transfer to statutory reserves		-	4,274	-	(4,274)	-
Balance at 31 December 2009	26	40,000	5,206	(318)	4,700	49,588

The notes on pages 6 to 61 are an integral part of these financial statements.

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Executive Director

Radka Nikodimova
Executive Director

Petar Blagoev
„Economic policy“

Krassimir Hadjidinev
Authorised representative
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Margarita Goleva
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