



## INVESTOR COMPENSATION FUND



# ANNUAL REPORT 2008

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***List of Abbreviations:***

ABB – Association of Banks in Bulgaria;

BALII – Bulgarian Association of Licensed Investment Intermediaries;

BNB – Bulgarian National Bank;

BSE – Bulgarian Stock Exchange;

GS – Government Securities;

EC – European Commission;

EU – European Union;

LPOS – Law on Public Offering of Securities;

LMFI – Law on Markets for Financial Instruments;

FSC – Financial Supervision Commission;

ROOICF – Regulation of Organization and Operation of the Investor Compensation Fund;

MB –Management Board;

DIF – Deposit Insurance Fund;

ICF – Investor Compensation Fund;

EFDI – European Forum of Deposit Insurers

## *Introduction*

In 2008 we witnessed the largest financial crisis in the world since the Second World War or even since the Great Depression. The crisis originated from the market of American mortgage bonds and it gradually attained global dimensions.

There were indications of instability on the Bulgarian capital market in the middle of 2008, which were followed by a downturn in the prices of financial instruments. The main indexes at the Bulgarian Stock Exchange (BSE) lost a significant part of their values. The prices of financial instruments collapsed in a couple of months. As a result of this the majority of the foreign investors on the Bulgarian capital market took a stand-by position and stopped trading on BSE. The volumes traded on the BSE also decreased. During the second part of 2008 the crisis also hit the real sector of the economy.

Financial turbulences also touched the Investor Compensation Fund (ICF). The small amounts of traded volumes influenced strongly investment intermediaries, esp. those offering brokerage services. Since September 2008, investment intermediaries have started reporting smaller amounts of clients' assets eligible to compensation, which is due to the fast decrease in the value of these assets. Till the end of 2008 clients' assets, eligible to compensation, lost approximately 30% of their value, as the clients' assets eligible to compensation held by commercial banks lost approximately 50% of their value. As a result of this the basis for calculation of the annual contributions to the Fund for 2009 also decreased.

Despite the global financial crisis in 2008 there were no cases of compensation payments from the Fund.

## 1. Management Board

In 2008 the Management Board (MB) of the Fund consists of four members – the Chairman of the Fund and three members. The members of the MB are elected by the Financial Supervision Commission (FSC), as both of them are proposed by the Bulgarian Association of Licensed Investment Intermediaries (BALII) and the Association of Banks in Bulgaria (ABB) and one member is proposed as a representative of both associations.

The members of the MB as of December, 31<sup>st</sup>, 2008 are as follows:

*Mileti Mladenov* – Chairman of the Management Board;

*Veselin Ralchev* – Member, representative of the BALII;

*Irina Marceva* – Member, representative of the ABB;

*Yavor Dimitrov* – Member, representative both of BALII and ABB;

The Chairman of the MB represents the Fund in the country and abroad, organizes and manages the operation of the Fund, initiates the meetings of the MB, and performs other duties in accordance with the provisions of articles 14 and 15 of the Regulation of Organization and Operation of Investor Compensation Fund (ROOICF). In 2008 the Chairman of the MB participated in meetings, international conferences, working visits and media events, in which he represented the Fund's activity and the role of the Fund for the stability of the capital market in Bulgaria.

During 2008 the Management Board held twelve meetings, discussed 51 issues and took 41 decisions. The topics at these meetings referred to the operation of the Fund, and more precisely: the preparation of the amendments in Ordinance № 23; the creation of an electronic portal for receiving digitally signed documents from investment intermediaries, as well as a database system; the investment activities of the Fund; establishment of cooperation with similar organizations from the EU member-states; participation in the activities of international organizations, etc.

During the reported period the Fund successfully cooperated with different institutions, namely – FSC, Bulgarian National Bank (BNB), the National Audit Office, BSE,

ABB, BALII, Bulgarian Association of Asset Management Companies (BAAMC), as well as with the members of the investor compensation scheme – non investment intermediaries, commercial banks and asset management companies.

At the end of 2008 the MB determined the rate for the annual contributions due for 2009 by the participants in the investor compensation scheme, and it is as follows;

- 0,5 % of the total amount of cash;
- 0,1% of the total amount of other clients' assets eligible to compensation.

## **2. Legal Framework**

The Fund's activities are regulated by the Law on Public Offering of Securities (LPOS), Chapter IV, ROOICF, Ordinance № 23, as well as internal legal acts adopted by the MB and approved by the FSC and other internal rules of the Fund.

The MB of the Fund approved amendments and supplements to the Ordinance №23, which regulates the terms and procedures for evaluation of clients' assets held, administered or managed by the investment intermediaries. The amendments were discussed and approved by the FSC and they entered into force as of June, 28<sup>th</sup>, 2008 – three months after the Ordinance was published in the State Gazette, and thus the investment intermediaries were allowed to carry out their activities in compliance with the amendments. As a result of those amendments the clients' assets eligible to compensation also included government securities (GS), as well as clients' assets traded on the non regulated market. The amendments in the Ordinance included the definition of clearer models for clients' assets evaluation.

It was a challenge for the investment intermediaries to adopt their own rules for evaluation of some particular financial instruments that are traded on the non regulated market, and which subsequently had to be approved by the FSC.

The amendments in the Ordinance also included the possibility for the investment intermediaries to submit automatically to the Fund clients' assets eligible to compensation.

In 2008 the Bulgarian Stock Exchange – Sofia (BSE) initiated the establishment of the Stock Exchange Council working as an advisory body and aiming to provide transparency and better communication between participants on the financial market and the Stock Exchange. At the request of the Stock Exchange, the MB presented a statement on the draft Regulation of the Council's Activity.

The MB also approved some amendments in the internal legal acts that regulate the activity of the Fund.

In 2008 the Fund performed its activities in compliance with the legal requirements.

### **3. Fund's Activities**

The investor compensation schemes are established to contribute to the stability and credibility of the capital markets. Compensating investments in financial instruments, in the cases determined by the law, investor compensation schemes encourage more people to invest their free resources in the capital market. In the middle of the global financial crisis, the role of those schemes contributing to the credibility of the market in financial instruments is considered to be more important than ever.

The mission of the Fund is to contribute through its activity to the development of an effective and stable capital market in Bulgaria. Having started in the summer of 2007, the global financial crisis reached the Bulgarian market in 2008 as well.

One of the main activities of the Fund is to gather initial and annual contributions from the participants in the scheme, which creates resources for compensating the clients of investment intermediaries that, because of their financial state, cannot perform their duties to their clients. The accumulated resources are invested in compliance with the "Investment Policy" of the Fund.

Effective communication with the participants in the investor compensation scheme is a priority for the staff of the Fund. An important new tool in this respect is the creation of an information system for receiving digitally signed documents and their administration in a database.



### 3.1. Participants in the Investor Compensation Scheme

Each investment intermediary that holds, administers or manages money or financial instruments for its clients is obliged to pay contributions to the Fund in accordance with the provisions set in art. 77n, para 1 and 2 of LPOS.

As of December, 31<sup>st</sup>, 2008 the number of the licensed investment intermediaries, members of the Fund, is 126, of which 23 are commercial banks, 64 are non bank investment intermediaries and 39 are asset management companies. In 2008 there were 7 newly licensed non bank investment intermediaries and 9 asset management companies (see *Table № 1*).

*Table. № 1. The newly licensed participants in the investor compensation scheme in Bulgaria in 2008*

| <i>Investment intermediaries</i>   | <i>Asset management companies</i>          |
|------------------------------------|--|
| <i>1) Rock Ridge Investment</i>    | <i>1) Overon Finance</i>                   |
| <i>2) Lider Invest</i>             | <i>2) Municipal Bank Asset Management</i>  |
| <i>3) Astra Investment</i>         | <i>3) Syedinenie Asset Management</i>      |
| <i>4) Global Markets</i>           | <i>4) Bukdev Asset Management</i>          |
| <i>5) Bolkan Securities</i>        | <i>5) Ultima Capital Management</i>        |
| <i>6) Adamant Capital Partners</i> | <i>6) Capital Markets Asset Management</i> |
| <i>7) ABC Finance</i>              | <i>7) Astra Asset Management</i>           |
|                                    | <i>8) Newway Asset Management</i>          |
|                                    | <i>9) Optima Asset Management</i>          |

According to the minimum required capital criterion, the number of non bank investment intermediaries is distributed as follows: /see Table №2/:

*Table. № 2. Distribution of the investment intermediaries according to the minimum required capital*

|                            | <b>1 500 000 BGN</b> | <b>250 000BGN.</b> | <b>100 000 BGN.</b> |
|----------------------------|----------------------|--------------------|---------------------|
| <i>As of December 2007</i> | 24                   | 32                 | -                   |
| <i>As of December 2008</i> | 24                   | 39                 | -                   |

According to the legal acts, the investment intermediaries are obliged to present information on a monthly basis according to art. 77n of LPOS as well as information on the number of clients at every 6 months. Until the middle of 2008, this kind of information was presented both electronically and on paper, which in view of the large volume of paper work caused much inconvenience.

In the summer of 2008 an electronic portal for on-line receiving of digitally signed reports was built, as well as a database IT system. Sending of paper documents to the Fund was ceased. The new system aims to optimize and make the process easier, which is positive not only for the investment intermediaries, but also for the staff of the Fund. By the end of 2008 only one investment intermediary and two asset management companies continued sending the regular information to the Fund on paper.

In 2008 the staff of the Fund responded in due time to all inquiries and raised issues referring to the activity and communication of the Fund with the investment intermediaries and supervisory bodies.

The Fund receives inquiries from the investment intermediaries on different issues, e.g. the level of compensation, clients eligible to compensation, calculation of annual contributions, on-line submission of the regular reports, etc. There were some cases in which the clients of investment intermediaries wanted to know more about the level of a possible compensation, which is an indication that retail investors accept the scheme as a partner.

The staff of the Fund considers as very important the regular and efficient communication with the investment intermediaries as a prerequisite for a reliable exchange of information.

### **3.2 Accumulated Funds and Investments**

One of the main activities of the Fund is the investment of the accumulated resources from the initial and annual contributions. According to art. 77r, para 2 of LPOS the accumulated resources by the Investor Compensation Fund (ICF) can be invested in financial instruments, issued or guaranteed by the Bulgarian government, in short-term deposits in banks, and in deposits in the Bulgarian National Bank(BNB). At the end of 2008, the resources of the Fund were invested in GS and short-term deposits placed in several Bulgarian banks. The share, the amount, the maturity, and the yield are in compliance with the "Investment Policy" approved by the Management Board of the Fund.

As of December, 31<sup>st</sup>, 2008 the resources of the Fund amounted to 4,44 million BGN. Fund's resources are held in cash on a current account, short-term deposits with a maturity up to 6 months and government securities, as the requirements set in the "Investment Policy" for the maximum exposure and maturity structure of the portfolio are kept.

The yield from investments for 2008 was about 210 thousand BGN. According to the approved internal rules, the MB periodically discusses the Fund's investments and in case of necessity it makes changes in the "Investment Policy". In 2008 there were no changes in the "Investment Policy" of the Fund.

### **3.3. Administrative Measures**

The investment intermediaries are obliged to make their annual contributions to the Fund timely and to present regular information on the amount of clients' assets eligible to compensation. When the payment of the annual contributions is not made within the required period according to art. 77n, para 8 of LPOS, investment intermediaries should pay interest, equal to that set by the law for the term of delay on the amount due. The number of the investment intermediaries that have paid their annual contributions with a delay, as well as the amount of the accrued and paid interest, are shown in Table №3.

*Table №3. Interest paid for delays in 2008 by investment intermediaries*

| <b>Contributions</b> | <b>Number of investment intermediaries that have paid annual contributions with a delay</b> | <b>Interest due /BGN/</b> | <b>Interest paid /BGN/</b> |
|----------------------|---|---------------------------|----------------------------|
| <i>First *</i>       | 16  | 158                       | 158                        |
| <i>Second</i>        | 23  | 632                       | 632                        |
| <i>Third</i>         | 6   | 35                        | 35                         |
| <i>Forth</i>         | 26  | 364                       | 364                        |
| <i>Total:</i>        |   | <b>1189</b>               | <b>1189</b>                |

\* *The contribution is paid in January 2008, but according to the provisions of LPOS it is actually the last part of the contribution for 2007.*

Some investment intermediaries paid the due contribution on the last day of the term and it appeared in the Fund's account with a delay of one day, and for this day small amounts of interest are usually accrued. To a certain extent, this is a result of the provisions set in art. 77n, para 3 of LPOS, according to which the contributions should be paid no later than 30 days after the end of each quarter. Some months have a duration of 31 days, which misleads the investment intermediaries and leads to a delay of one day.

### **3.4. Estimation of Fund's Exposition in Case of Activation of the Scheme**

The Fund provides compensation for 90% of the amount of clients' assets but no more than 30 000 BGN for the year of 2008. Despite the financial crisis and the drastic decrease in the prices of financial instruments, there were no grounds for compensation payments. The experts of the Fund regularly analyze the information provided by the investment intermediaries, and calculated the exposures of the Fund in case of its activation. This analysis is required in order to assess the sufficiency of the accumulated resources and also to determine the amount of the rate for the annual contributions.

Periodically, the Fund prepares analyses in order to determine the possible amount of compensation, which the Fund would pay to the clients of investment intermediaries, unable to perform their obligations. In these analyses the investment intermediaries are divided into three groups – investment intermediaries with a minimum required capital of 250 000 BGN, investment intermediaries with a minimum required capital of 1 500 000 BGN and commercial banks – investment intermediaries. The analyses are made based on the information in the reporting forms on the number of clients as well as the information received on the basis of art. 77n of LPOS. The clients' assets are distributed in 11 groups and for each of them the amount of the possible compensation is calculated.

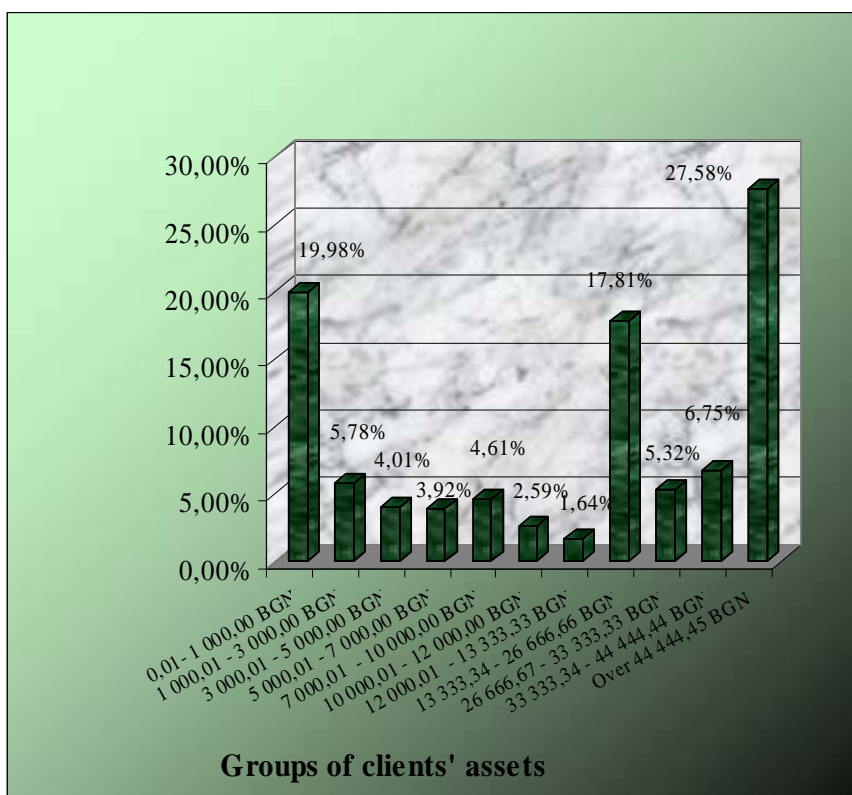
A short analysis on the Fund's exposure based on the received information by the end of 2008, follows below.

Figures № 1, 2 and 3 show the possible amount of compensation, payable by the Fund distributed by groups of clients' assets and types of investment intermediaries. For all investment intermediaries the highest amount of possible compensation paid by the Fund refers to the amount of clients' assets over 44 444 BGN, followed by the range 13 333,33 – 26 666, 66 BGN and the so called "small" clients / up to 1 000 BGN/

The estimations of the amount of compensation, paid by the Fund, is based on the possible maximum amount of compensation for every client group which in fact leads to increased estimations in the amount of compensation.

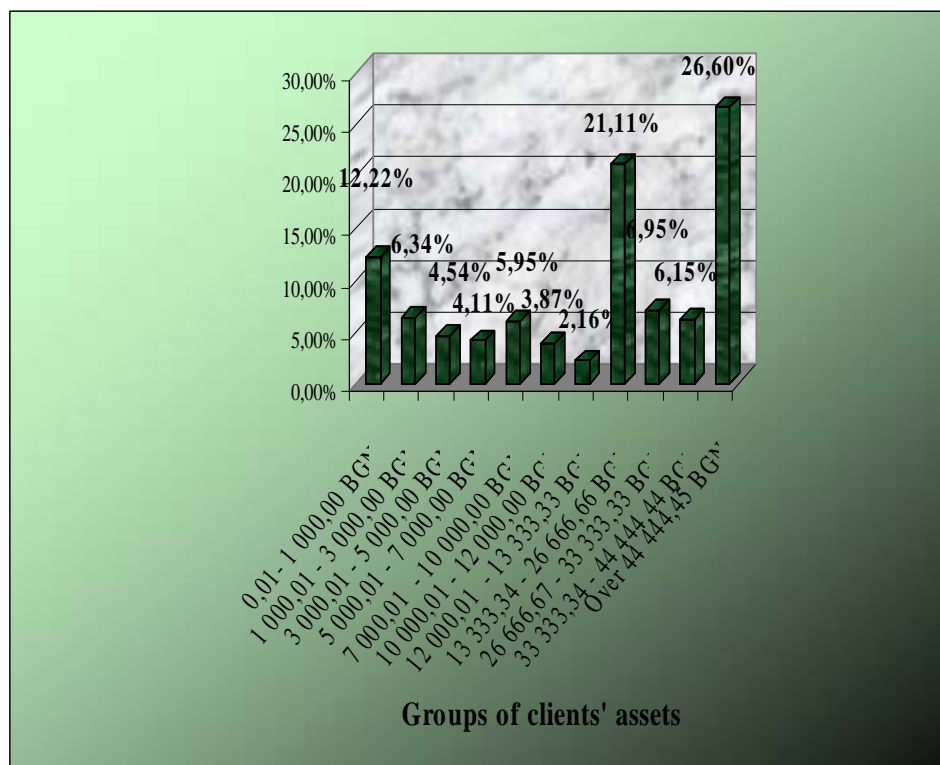
The available resources of the Fund would not be enough for the payment of the eventual compensation to the clients of each of 13 individual investment intermediaries in the event of compensation payments. In that case the Fund will have to gather additional resources in the possible ways envisaged in the provisions of art. 77s of LPOS.

**Fig. № 1. Compensation payments calculated on the basis of the number of clients – investment intermediaries with a minimum required capital of 250 000 BGN**



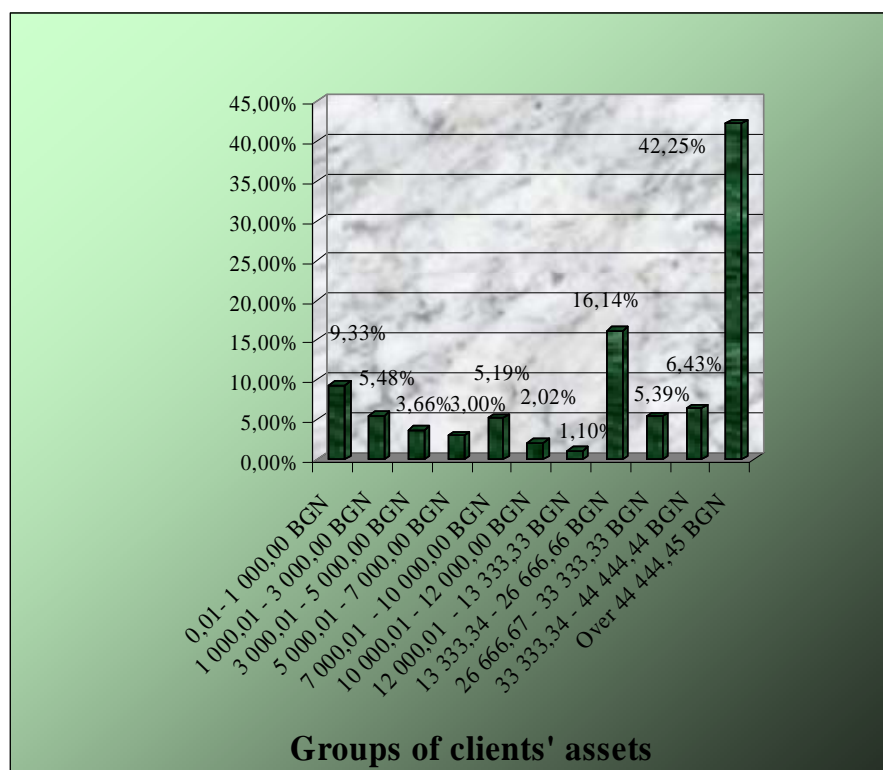
For the investment intermediaries with a minimum required capital of 250 000 BGN, the compensation that would be paid by the Fund, varies from 2 230 BGN to 4,44 million BGN. The available resources of the Fund as of December, 31<sup>st</sup>, 2008, would be sufficient for paying compensation to the clients of each individual investment intermediary in this group.

*Fig. № 2 Compensation payments calculated on the basis of the number of clients – investment intermediaries with a minimum required capital of 1 500 000 BGN*



In the group of investment intermediaries with a minimum required capital of 1,5 million BGN, the share of the possible amount of client assets eligible to compensation over 44 445 BGN decreased from 33,28% to 26,60% which indicates a trend of decreasing of the number of clients in the “highest group” holding large amounts of assets. A possible explanation for the decrease in the investors’ portfolios is the influence of the financial crisis.

**Fig. № 3 Compensation payments calculated on the basis of the number of clients of banks- investment intermediaries**



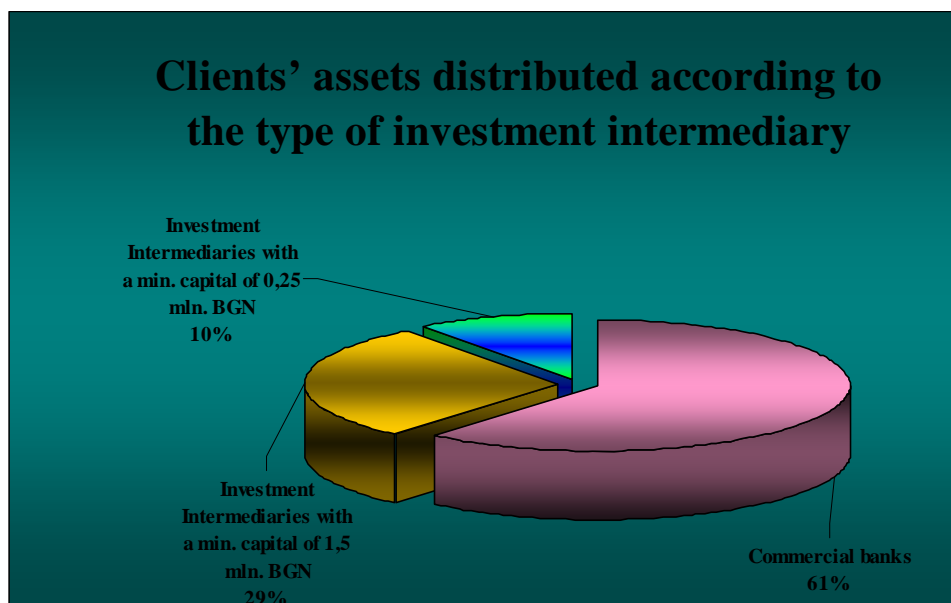
Regarding commercial banks it is observed in 2008 an increase in the clients' assets, eligible for compensation over 44 445 BGN. This fact gives grounds for the assumption that either the number of investors, holding smaller amounts of assets, has decreased or there are new clients of the investment intermediaries, holding assets of greater amounts. Having in mind the period of the global financial crisis, the first assumption is more probable.

Considering the data in Annex №1, the Fund would pay the highest compensation to the clients of the investment intermediaries with a minimum required capital of 1,5 million BGN, followed by the commercial banks and the investment intermediaries with a minimum required capital of 250 000 BGN. Compensation payments presented in Annex №1 are the maximum amounts that could be paid by the Fund but the assumption for compensation payments to the whole group of investment intermediaries is theoretic, and it aims to illustrate the distribution of the clients' assets, eligible to compensation. The distribution of the clients of investment intermediaries depending on the amount of their assets is shown in Annex № 1. In each of the three groups is observed a predominance of the so called "small



investors” holding assets up to 1000 BGN which means that the majority of clients hold small amounts of assets.

Fig. № 4.



Figures № 4 and № 5 show the distribution of the client's assets, eligible to compensation, and the annual payments to the Fund according to the group of the investment intermediaries. The commercial banks pay the highest contributions to the Fund, followed by the investment intermediaries with a minimum required capital of 1,5 million BGN. It should be also taken into consideration that the clients' assets eligible to compensation held by commercial banks do not include clients' money in contrast to the non bank investment intermediaries. This is due to the fact that clients' money, eligible to compensation is guaranteed by the Deposit Insurance Fund (DIF).

Fig. № 5.

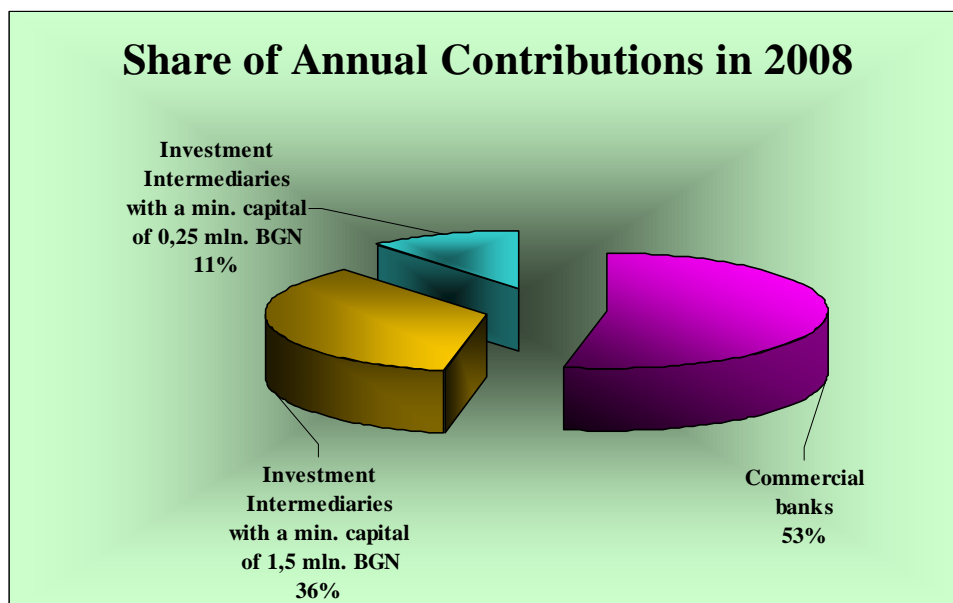


Fig. № 6.

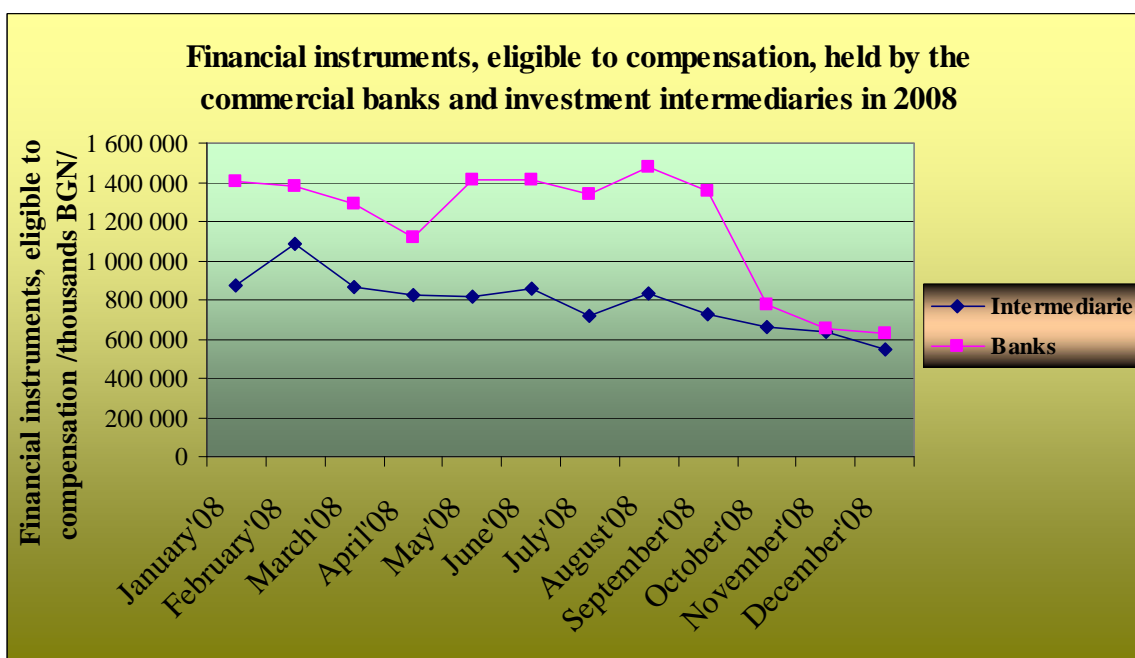


Figure № 6 shows the amounts of the financial instruments, eligible for compensation, separately for the banks and for the investment intermediaries. Since September 2008 a significant fall in the amounts of financial instruments held by commercial banks was observed. The amount of the clients' assets is the basis for calculation of the annual contribution paid by the intermediaries to the Fund for the next year.

It can be concluded that the share of the financial instruments, eligible for compensation is low in comparison with the total amount of assets held by the investment intermediaries and it varies between 9% and 15% of the stock exchange capitalization / see Annex 2/. The share of the financial instruments, eligible for compensation is higher for the period July – December of 2008. A possible explanation to this is the fact that since July 2008 more types of financial instruments have been included in the scope of the scheme due to the amendments in Ordinance № 23. The relatively small share of clients' assets, eligible to compensation can be explained with the fact that the bigger clients of the investment intermediaries and banks are in the group of the exclusions of compensation.

The Fund would pay compensation to the clients of investment intermediaries holding two types of assets – money and financial instruments. Due to the fact that the real “loss” of financial instruments is more implausible compared to that of clients' money, the compensation payments for the clients' money is more probable. Compensation is paid by the Fund only for the clients' money held by the clients of the non bank investment intermediaries as the clients' money held by the commercial banks are guaranteed by the DIF. Clients' money, eligible to compensation, held by all investment intermediaries are approximately 20% of the total amount of the potential compensation paid by the Fund.

### **3.5. Human Resources**

The obligations of the employees working in the Fund are specified in the Internal Rules for the organization and activity of the Fund, jobs' descriptions and other internal legal acts.

The Management Board and the Chairman who is the executive director of the Fund pay attention to the importance of the human potential for the development and the operation of the Fund and because of that they aim at encouraging the professional development of the staff as far as possible.

In 2008 the employees of the Fund participated in seminars, courses, conferences and trainings in the field of finance, accounting, foreign languages, etc.

During the reported period there was higher stability in the staff structure which is in correspondence with the situation on the labor market.

By the end of 2008 there were 4 people employed by the Fund on working contracts. The employment relations are in compliance with the Labor Code.

### **3.6. International Cooperation**

In 2008 the Fund established relations with the Romanian Investor Compensation Scheme. There were two working visits in both countries during which issues related to the legal framework, calculation of the annual contributions, the internal organization and others were discussed. A bilateral agreement between both schemes was discussed and signed.

In 2008 the bilateral agreement with the Hungarian Investor Protection Scheme was finalized and signed as well. At the end of the year a project of a bilateral agreement with the Polish Investor Compensation Scheme was discussed and approved and it was signed in the beginning of 2009.

The ICF has been an associate member of EFDI since May, 2006. In 2008 the Fund participated actively in the information exchange with the investor compensation schemes, members of EFDI.

A contact with the Canadian Investor Compensation Scheme was established because of the initiation of a project for the creation of an international (global) organization for investor compensation schemes. That project was initiated due to the lack of a specialized structure dealing specifically with the investor compensation schemes. This issue is going to be discussed in 2009.

The ICF is an organization with a specific activity and because of that it is unique in Bulgaria. The development of the Fund's international activity is of particular importance because the exchange of experience and information helps the Fund reach its goals as an adequate social structure, responding to the international standards.

## **4. Fund's Activities in 2009**

2008 is going to remain in the world history with the sharp crisis on the capital markets. A strong drop in prices of financial instruments is also observed in Bulgaria. The

main index of BSE has lost more than 70% of its value. In 2008, significant amendments were made in the scope of financial instruments eligible to compensation. Financial instruments traded on non regulated markets, as well as government securities were included in the scope of the scheme. Despite of this the enlarged scope of the instruments eligible to compensation was neutralized by the financial crisis and investment intermediaries even declared smaller amounts of clients' assets.

In 2009 the priorities of the Fund will be as follows:

- ✓ maintaining the stability and confidence in the capital market by leading adequate management policy and harmonized activities together with the financial and supervisory authorities;

- ✓ working on some amendments in the legal acts, aiming at creating comprehensive and effective legal framework, which is going to set strict and clear rules in the relations between the participants in the investor compensation scheme;

- ✓ full harmonization of the electronic system containing database with the Fund activities and the investment intermediaries ones;

- ✓ performing periodic analyses of the Fund's exposure in cases of eventual activation of the scheme;

- ✓ maintaining the established international cooperation and establishing new contacts;

- ✓ optimizing and modernizing the operation of the Fund and its communication with the investment intermediaries.

## Amount of clients' assets eligible to compensation calculated on the basis of the number of clients

as of 31.12.2008

/in thousands BGN. /

| Client assets                              | Number of clients – investment intermediaries with a minimum required capital of 250 000 BGN. |                | Amount of assets eligible to compensation- investment intermediaries with a minimum required capital of 250 000 BGN. |                | Number of clients - investment intermediaries with a minimum required capital of 1 500 000 BGN. |                | Amount of assets eligible to compensation – investment intermediaries with a minimum required capital of 1500 000 BGN. |                | Number of clients – commercial banks operating as investment intermediaries |                | Amount of assets eligible to compensation – commercial banks operating as investment intermediaries |                | Total sum of clients' assets eligible to compensation |                |
|--|---|----------------|--|----------------|---|----------------|--|----------------|---|----------------|---|----------------|---|----------------|
|  |   |                |  |                |   |                |  |                |   |                |   |                |   |                |
| <i>From 0,01 BGN to 1000,00 BGN.</i>       | 10 247  | 76,91%         | 9 222  | 19,75%         | 18 245  | 65,21%         | 16 421   | 12,58%         | 7 155   | 60,92%         | 6 440   | 9,34%          | 32 082  | 13,04%         |
| <i>From 1000,01 BGN to 3000,00BGN</i>      | 990   | 7,43%          | 2 673  | 5,73%          | 3 126   | 11,17%         | 8 440  | 6,47%          | 1 400   | 11,92%         | 3 780   | 5,48%          | 14 893  | 6,05%          |
| <i>From 3000,01 BGN to 5000,00 BGN</i>     | 412   | 3,09%          | 1 854  | 3,97%          | 1 374   | 4,91%          | 6 183  | 4,74%          | 562   | 4,79%          | 2 529   | 3,67%          | 10 566  | 4,29%          |
| <i>From 5000,01 BGN to 7000,00 BGN</i>     | 290   | 2,18%          | 1 827  | 3,91%          | 898   | 3,21%          | 5 657  | 4,34%          | 329   | 2,80%          | 2 073   | 3,01%          | 9 557   | 3,88%          |
| <i>From 7000,01 BGN to 10000,00 BGN</i>    | 239   | 1,79%          | 2 151  | 4,61%          | 842   | 3,01%          | 7 578  | 5,81%          | 398   | 3,39%          | 3 582   | 5,20%          | 13 311  | 5,41%          |
| <i>From 10000,01 BGN to 12000,00 BGN</i>   | 113   | 0,85%          | 1 220  | 2,61%          | 411   | 1,47%          | 4 439  | 3,40%          | 129   | 1,10%          | 1 393   | 2,02%          | 7 052   | 2,87%          |
| <i>From 12000,01 BGN to 13333,33 BGN.</i>  | 63  | 0,47%          | 754  | 1,62%          | 218   | 0,78%          | 2 609  | 2,00%          | 63  | 0,54%          | 754   | 1,09%          | 4 118   | 1,67%          |
| <i>From 13333,34 BGN to 26 666,66 BGN</i>  | 346   | 2,60%          | 8 283  | 17,74%         | 1 116   | 3,99%          | 26 717   | 20,47%         | 464   | 3,95%          | 11 108  | 16,11%         | 46 108  | 18,73%         |
| <i>From 26 666,67 BGN to 33 333,33 BGN</i> | 82  | 0,62%          | 2 458  | 5,26%          | 314   | 1,12%          | 9 411  | 7,21%          | 124   | 1,06%          | 3 716   | 5,39%          | 15 584  | 6,33%          |
| <i>From 33 333,34 BGN to 44 444,44 BGN</i> | 105   | 0,79%          | 3 147  | 6,74%          | 268   | 0,96%          | 8 032  | 6,16%          | 148   | 1,26%          | 4 436   | 6,43%          | 15 614  | 6,34%          |
| <i>Over 44 444,45 BGN</i>                  | 437   | 3,28%          | 13 097   | 28,05%         | 1 168   | 4,17%          | 35 005   | 26,83%         | 972   | 8,28%          | 29 131  | 42,25%         | 77 233  | 31,38%         |
| <b>Total</b>                               | <b>13 324</b>   | <b>100,00%</b> | <b>46 686</b>  | <b>100,00%</b> | <b>27 980</b>   | <b>100,00%</b> | <b>130 492</b>   | <b>100,00%</b> | <b>11 744</b>   | <b>100,00%</b> | <b>68 941</b>   | <b>100,00%</b> | <b>246 120</b>  | <b>100,00%</b> |

**Stock exchange capitalization and financial instruments, eligible to compensation  
as of 31.12.2008**

*/ in thousands BGN/*

| <i>Year</i>  | I.2008     | II.2008    | III.2008   | IV.2008    | V.2008     | VI.2008    | VII.2008   | VIII.2008  | IX.2008    | X.2008     | XI.2008    | XII.2008   |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <i>Total stock exchange capitalization</i>   | 24 212 741 | 25 516 866 | 23 249 191 | 22 310 710 | 22 447 399 | 19 133 111 | 16 902 449 | 17 095 998 | 13 623 807 | 11 321 994 | 10 848 466 | 10 791 086 |
| <i>Financial instruments, eligible to compensation /investment intermediaries with a minimum required capital of 1,5 mln. BGN/</i>     | 659 127    | 841 708    | 631 419    | 598 797    | 585 918    | 620 586    | 509 195    | 604 139    | 528 353    | 502 297    | 504 418    | 401 194    |
|  | 2,72%      | 3,30%      | 2,72%      | 2,68%      | 2,61%      | 3,24%      | 3,01%      | 3,53%      | 3,88%      | 4,44%      | 4,65%      | 3,72%      |
| <i>Financial instruments, eligible to compensation /investment intermediaries with a minimum required capital of 250 thousand BGN/</i> | 171 143    | 202 442    | 199 048    | 186 257    | 189 396    | 208 994    | 181 012    | 195 394    | 166 431    | 136 133    | 108 822    | 129 037    |
|  | 0,71%      | 0,79%      | 0,86%      | 0,83%      | 0,84%      | 1,09%      | 1,07%      | 1,14%      | 1,22%      | 1,20%      | 1,00%      | 1,20%      |
| <i>Financial instruments, eligible to compensation /commercial banks/</i>  | 1 408 152  | 1 377 268  | 1 292 932  | 1 240 735  | 1 412 362  | 1 411 716  | 1 341 621  | 1 480 856  | 1 354 727  | 823 180    | 656 454    | 628 272    |
|  | 5,82%      | 5,40%      | 5,56%      | 5,56%      | 6,29%      | 7,38%      | 7,94%      | 8,66%      | 9,94%      | 7,27%      | 6,05%      | 5,82%      |
| <i>Financial instruments, eligible to compensation /total/</i>   | 2 238 422  | 2 421 418  | 2 123 399  | 2 025 789  | 2 187 676  | 2 241 296  | 2 031 828  | 2 280 389  | 2 049 511  | 1 461 610  | 1 269 694  | 1 158 503  |
|  | 9,24%      | 9,49%      | 9,13%      | 9,08%      | 9,75%      | 11,71%     | 12,02%     | 13,34%     | 15,04%     | 12,91%     | 11,70%     | 10,74%     |

**INVESTMENT INTERMEDIARIES AND COMMERCIAL BANKS MEMBERS OF  
THE INVESTOR COMPENSATION FUND AS OF DECEMBER 31<sup>ST</sup>, 2008**

|    |                              |
|----|------------------------------|
| 1  | ABV - INVESTMENTS LTD        |
| 2  | AVAL IN AD                   |
| 3  | ABC FINANCE EAD              |
| 4  | ADAMANT CAPITAL PARTNERS AD  |
| 5  | ARGO - INVEST AD             |
| 6  | ASTRA INVESTMENT AD          |
| 7  | BALKAN INVESTMENT COMPANY AD |
| 8  | BALKAN CONSULTING COMPANY AD |
| 9  | DSK BANK EAD                 |
| 10 | PIRAEUS BANK BULGARIA AD     |
| 11 | BBG SIMEX - BULGARIA LTD     |
| 12 | BG PROINVEST AD              |
| 13 | BENCHMARK FINANCE AD         |
| 14 | BETA CORP AD                 |
| 15 | BORA INVEST AD               |
| 16 | BOLKAN SECURITIES AD         |
| 17 | BUL TREND BROKERAGE LTD      |
| 18 | BULBROKERS AD                |
| 19 | BULEX INVEST AD              |



|    |  |
|----|--|
| 20 | BULFIN INVEST AD                       |
| 21 | BULGARIAN AMERICAN CREDIT BANK         |
| 22 | VARNA INVESTMENT INTERMEDIARY AD       |
| 23 | VARCHEV FINANCE LTD                    |
| 24 | GLOBAL MARKETS LTD                     |
| 25 | D.I.S.L. SECURITIES AD                 |
| 26 | DELTA STOCK INVESTMENT INTERMEDIARY AD |
| 27 | DZI - INVEST AD                        |
| 28 | DEALING FINANCIAL COMPANY AD           |
| 29 | EURO - FINANCE AD                      |
| 30 | EURO GARANT AD                         |
| 31 | EURODEALING AD                         |
| 32 | ELANA TRADING AD                       |
| 33 | EFG SECURITIES BULGARIA AD             |
| 34 | EMPORIKI BANK BULGARIA EAD             |
| 35 | ZAGORA FINACORP AD                     |
| 36 | ZLATEN LEV BROKERAGE LTD               |
| 37 | INTERNATIONAL ASSET BANK               |
| 38 | INTERCAPITAL MARKETS AD                |
| 39 | MAKKAP BROKERS AD                      |
| 40 | FAVORIT AD                             |
| 41 | CAPITAL ENGINEER PROJECT LTD           |
| 42 | CAPITAL FINANCE LTD                    |

|    |                                      |
|----|--------------------------------------|
| 43 | KAPMAN AD                            |
| 44 | KD SECURITIES EAD                    |
| 45 | KBC SECURITIES N.V - BULGARIA BRANCH |
| 46 | CAPITAL MARKETS AD                   |
| 47 | KM INVEST EAD                        |
| 48 | CORPORATE COMMERCIAL BANK AD         |
| 49 | LEADER INVEST AD                     |
| 50 | MAKLER - 2002 AD                     |
| 51 | METRIK AD                            |
| 52 | NABA INVEST AD                       |
| 53 | BULGARIAN DEVELOPMENT BANK AD        |
| 54 | UNITED BULGARIAN BANK AD             |
| 55 | MUNICIPAL BANK PLC                   |
| 56 | POZITIVA AD                          |
| 57 | POPULYARNA CASA - 95 AD              |
| 58 | FIRST FINANCIAL BROKERAGE HOUSE LTD  |
| 59 | FIRST INVESTMENT BANK AD             |
| 60 | RAIFFEISENBANK (BULGARIA) AD         |
| 61 | REAL FINANCE AD                      |
| 62 | ROCK RIDGE INVESTMENT EAD            |
| 63 | SOCIETE GENERALE EXPRESSBANK         |
| 64 | SII SECURITIES AD                    |
| 65 | CITIBANK N.A. - SOFIA BRANCH         |

|    |                                       |
|----|---------------------------------------|
| 66 | SOMONY FINANCIAL BROKERAGE LTD        |
| 67 | SOFIA INVEST BROKERAGE AD             |
| 68 | SOFIA INTERNATIONAL SECURITIES AD     |
| 69 | STANDARD INVESTMENT AD                |
| 70 | STATUS INVEST AD                      |
| 71 | CIBANK AD                             |
| 72 | ALLIANZ BANKBULGARIA AD               |
| 73 | INVESTBANK AD                         |
| 74 | MKB UNIONBANK AD                      |
| 75 | TBI INVEST LTD                        |
| 76 | TOKUDA BANK AD                        |
| 77 | D COMMERCE BANK AD                    |
| 78 | UNICREDIT BULBANK AD                  |
| 79 | FACTORY AD                            |
| 80 | FIKO INVEST LTD                       |
| 81 | FK EVER AD                            |
| 82 | FK KAROLL AD                          |
| 83 | FK FINA - S AD                        |
| 84 | CENTRAL COOPERATIVE BANK AD           |
| 85 | TEXIM PRIVATE ENTREPRENEURIAL BANK AD |
| 86 | UG MARKET                             |
| 87 | EUROBANK EFG BULGARIA AD              |

Annex № 4

**ASSET MANAGEMENT COMPANIES MEMBERS OF THE INVESTOR  
COMPENSATION FUND AS OF DECEMBER 31<sup>ST</sup>, 2008**

|    |                                  |
|----|----------------------------------|
| 1  | AVRORA CAPITAL                   |
| 2  | ALPHA ASSET MANAGEMENT COMPANY   |
| 3  | AKTIVA ASSET MANAGEMENT          |
| 4  | ASTRA ASSET MANAGEMENT           |
| 5  | BENCHMARK ASSET MANAGEMENT       |
| 6  | BALKAN CAPITAL MANAGEMENT        |
| 7  | BULDEV MANAGING COMPANY          |
| 8  | VARCHEV MANAGING COMPANY         |
| 9  | DSK ASSET MANAGEMENT             |
| 10 | EKSPAT ASSET MANAGEMENT          |
| 11 | ELANA FUND MANAGEMENT            |
| 12 | EVER ASSET MANAGEMENT            |
| 13 | ZAGORA FINACORP ASSET MANAGEMENT |
| 14 | INVEST FUND MANAGEMENT           |
| 15 | CAPMAN ASSET MANAGEMENT          |
| 16 | KAROL CAPITAL MANAGEMENT         |
| 17 | KD INVESTMENTS                   |
| 18 | CAPITAL MARKETS ASSET MANAGEMENT |
| 19 | KTB ASSET MANAGEMENT             |
| 20 | NEW WAY ASSET MANAGEMENT         |
| 21 | UBB ASSET MANAGEMENT             |

|    |  |
|----|--|
| 22 | MUNICIPAL BANK ASSET MANAGEMENT                  |
| 23 | OVERON FINANCE AD                                |
| 24 | FIRST FINANCIAL BROKERAGE HOUSE ASSET MANAGEMENT |
| 25 | RAIFFEIZEN ASSET MANAGEMENT                      |
| 26 | REAL FINANCE ASSET MANAGEMENT                    |
| 27 | SENTINEL ASSET MANAGEMENT                        |
| 28 | SINERGON ASSET MANAGEMENT                        |
| 29 | SOMONY ASSET MANAGEMENT                          |
| 30 | STANDART ASSET MANAGEMENT                        |
| 31 | STATUS CAPITAL                                   |
| 32 | SYEDINENIE ASSET MANAGEMENT                      |
| 33 | TITAN ASSET MANAGEMENT                           |
| 34 | TBI ASSET MANAGEMENT                             |
| 35 | ZLATEN LEV CAPITAL                               |
| 36 | OPTIMA ASSET MANAGEMENT                          |
| 37 | ULTIMA CAPITAL MANAGEMENT                        |
| 38 | CCB ASSET MANAGEMENT                             |
| 39 | UG MARKET FUND MANAGEMENT                        |