Commercial Bank Allianz Bulgaria

Annual Report 2007

Allianz

BOARD OF MANAGEMENT

Dimitar Zhelev
Chairman

Svetoslav Gavriiski
Chief Executive Officer

Galia Dimitrova
Executive Director

Georgy Momchilov
Executive Director

Christo Babbev

SUPERVISORY BOARD

Maxim Sirakov
Chairman

Emil Gavrilov

Radka Rassina

Sophia Hristova

Temenuga Nenova

Overview

Dear Ladies and Gentlemen,

2007 was another successful and dynamic year for the Bulgarian banking sector, which is the fastest developing segment of the Bulgarian economy. This favorable development is determined by the sustainable economic growth, improved standard of living, better earnings of households and companies, as well as by the increased inflow of foreign capital - result from opened out national economy following Bulgaria's accession to the European Union on 1st January 2007.

In 2007 Commercial Bank Allianz Bulgaria strengthened its position as a trustworthy institution and expanded its market share. The Bank continued to offer a wide range of financial services to its customers and reported stable growth on all key financial indicators.

Fitch Ratings affirmed Commercial Bank Allianz Bulgaria ratings at Long-term Issuer Default (IDR) 'A-', Short-term IDR 'F2'. The IDRs and Support ratings of Commercial Bank Allianz Bulgaria AD are significantly influenced by the extremely high likelihood of support from its parent, Allianz SE ('AA-'/Stable Outlook). That also reflects adequate asset-quality ratio and a sound liquidity position.

During the past 2007 Commercial Bank Allianz Bulgaria gave an emphatic proof to be a strong and steady partner in the field of banking intermediation. At the same time, we are determined to further develop bancassurance, thus turning the bank into a powerful channel for distribution of banking, insurance and pension products. Customer focused projects will be again among our targets in 2008.

Further expansion of the retail business will be essential part of the Bank's strategy in 2008. We could achieve even better results in this customer segment, because we have well-positioned branches and offices, motivated and committed employees, customer oriented distribution organization, and product development capacities combining our expertise in insurance and finance.

Our customers

"Allianz" is a brand that requires great professionalism, dedication and responsibility. Within this context, we provide our clients with a wide range of integrated financial products and services meeting their needs for modern and sophisticated solutions.

As at December 31, 2007 the Bank reported good overall results in the retail segment of its business. The amount of deposits from individuals went up by 55.8% and the total loans granted to retail clients grew by 80.0% yoy. For the same period the resource attracted from companies increased by 62.8% while the annual growth rate of corporative loans reached 75.1%.

In 2007 the Bank's experts developed new attractive products for both retail and corporate customers, at the same time improving the existing ones. Following its strategy, focused on the retail segment, the Bank popularized a great number of products offering credits and deposits for individuals, such as term deposits with attractive interest rates, mortgage, consumer, and car loans. A lot has been done to promote the new products with interesting events and advertising campaigns.

Commercial Bank Allianz Bulgaria makes a lot for its corporate customers and corporate business will be one of the top priorities of the bank in 2008. In the beginning of 2007 we started to work on EBRD projects related to adoption of a credit line for SME clients to the amount of € 5 mio. By the end of the year just a half of this limit has been adopted. A new credit product named "Business Loyalty" targeted to the Bank's highly rated clients was developed in 2007. The maximum amount of a "Business Loyalty" loan is € 15,000 and the procedure of granting such loan is made as simple as possible. In August 2007 the Bank introduced another credit product, designed for financing agricultural producers and secured with pledge on claims from EU funds.

In order to enlarge its distribution channels the Bank came to an agreement with many intermediaries such as real estate agencies, consulting companies, etc.

Sustainable and profitable growth

For 2007 Commercial Bank Allianz Bulgaria reported sustainable growth of assets, stable net revenues and overfulfilment of all planned objectives. As at December 31st, 2007 the Bank's total assets reached BGN 1 464.6 million. This represents growth of 55.0% yoy, which is higher than the average growth rate of its main competitors. In terms of total assets, the Bank slightly increased its market share in the local banking sector.

The loan portfolio amounted to BGN 731.4 million, growing with 77.5% yoy, observing conservative provision rules. Total clients' deposits amounted to BGN 1 253.3 million, which was 59.6% growth yoy.

Profitability

Commercial Bank Allianz Bulgaria has always been ready to face the market challenges, seeking for higher efficiency of its operations. The Bank reported profit after tax of BGN 19.260 million, which was 108.6% increase yoy. ROE was 24.6%, while ROA was 1.6%.

As at the end of 2007 the net interest income reached BGN 40.6 million, increasing by 60.2% compared to the same period of 2006. The net 'fee & commission' increased by 36.6% yoy and reached BGN 11.7 million. Thus, the total income from banking operations grew by 60.3%, amounting to BGN 56.4 million.

Brach network

In order to reinforce sales, Commercial Bank Allianz Bulgaria continued to enlarge its branch network of business and financial centers. Two more business centers were launched during the year - a new business center in Varna and another one in Botevgrad. Also, another 16 new smaller units were established in 2007 for better market coverage. Thus at the end of 2007, the business centers counted 39, financial centers - 51 and the smallest units within banking network structure - 29. According to the plan, in 2008 further enlargement of branch network capacity lies ahead. Thirteen new business units will open doors to serve our clients in 2008.

For the year 2007 the Bank reported Cost/Income ratio of 58.7% against 68.3% yoy, resulting from significantly increased operating revenue volume.

During the second half of 2007, in order to improve our clients' attendance, the Bank implemented a new core banking IT system, which had replaced entirely the existing one. The new software is of modern high technological generation with multiple functionalities.

In our capacity as members of the Board of Management, we would like to take this opportunity to thank all customers, shareholders and employees of Commercial Bank Allianz Bulgaria for their personal efforts and commitment.

Board of Management

CB Allianz Bulgaria AD

Financial Statements
For the year ended 31 December 2007
with independent auditor's report thereon

Income statement
For the year ended 31 December 2007

In thousands of BGN	Note	2007	2006
Interest and similar income	6	75,245	47,691
Interest expense and similar charges	6	(34,662)	(22,353)
Net interest income	6	40,583	25,338
Fee and commission income		12,654	9,596
Fee and commission expense		(973)	(1,044)
Net fee and commission income	7	11,681	8,552
Net trading income	8	4,140	1,290
Total income from banking operations		56,404	35,180
General administrative expenses	9	(33,118)	(24,012)
Impairment (losses)		(3,099)	(669)
Other income, net	10	949	346
Profit before tax		21,136	10,845
Income tax expense	11	(1,876)	(1,612)
Profit after tax		19,260	9,233

The income statement is to be read in conjunction with the accompanying notes 1 to 32, which are an integral part of these financial statements.

KPMG Bulgaria OOD

Krassimir Hadjidinev
Registered Auditor,
Authorized Representative

Margarita Goleva
Registered Auditor

Balance sheet
As at 31 December 2007

In thousands of BGN	Note	2007	2006
Assets			
Cash and cash equivalents	12	354,096	239,739
Financial assets held for trading	13	28,603	34,032
Investments	14	153,170	135,711
Loans and advances to banks and other financial institutions	15	170,020	110,244
Loans and advances to customers	16	722,969	406,486
Property and equipment	17	20,862	13,160
Intangible assets	18	2,531	2,328
Other assets	20	12,060	3,369
Deferred tax assets	19	245	61
Total assets		1,464,556	945,130
Liabilities			
Due to banks	21	-	6,996
Due to other customers	22	1,253,271	785,174
Other borrowings	23	107,391	86,810
Other liabilities	24	10,247	3,322
Total liabilities		1,370,909	882,302
Shareholders' equity			
Issued share capital	26	60,303	47,803
Reserves	26	33,344	15,025
Total shareholders' equity		93,647	62,828
Total liabilities and shareholders' equity	26	1,464,556	945,130

The balance sheet is to be read in conjunction with the accompanying notes 1 to 32, which are an integral part of these financial statements.
The financial statements were approved by the Executive Directors on 25 January 2008.

Svetoslav Gavriiski
Chief Executive Director

Galja Dimitrova
Executive Director

KPMG Bulgaria OOD

Krassimir Hadjidinev
Registered Auditor,
Authorized Representative

Margarita Goleva
Registered Auditor

Cash flow statement
For the year ended 31 December 2007

In thousands of BGN	Note	2007	2006
Net cash flow from operating activities			
Profit after taxation		19,260	9,233
Adjustments for non-cash items			
Increase in impairment allowances	16	3,099	669
Depreciation and amortization	17, 18	3,200	2,435
Loss/(Profit) on disposal of fixed assets		-	37
Tax expense	11	1,876	1,612
		27,435	13,986
Change in operating assets and liabilities			
Decrease in financial instruments held for trading		5,429	17,265
(Increase) in loans and advances to banks		(59,776)	(3,655)
(Increase) in loans to customers		(319,582)	(185,966)
(Increase) in other assets		(8,691)	(1,522)
(Decrease)/increase in deposits from banks		(6,996)	(31,808)
Increase in amounts owed to other depositors		468,097	258,347
Increase/(decrease) in other borrowing evidenced by paper		446	1,499
(Decrease)/increase of other liabilities		6,115	(4,281)
Tax paid		(1,145)	(1,355)
Net cash flow from operating activities		111,332	62,510
Cash flow from investing activities			
Acquisition of property, plant and equipment		(10,138)	(3,953)
Acquisition of intangible assets		(967)	(1,200)
Acquisition of investments		(18,505)	(66,574)
Net cash flow from investing activities		(29,610)	(71,727)
Cash flow from financing activity			
Proceeds from issue of share capital		12,500	12,500
(Increase)/decrease in loan stock		-	(13,932)
Increase in subordinated term debt		20,135	4,918
Net cash flow from financing activity		32,635	3,486
Net increase/(decrease) in cash and cash equivalents		114,357	(5,731)
Cash and cash equivalents at the beginning of period	12	239,739	245,470
Cash and cash equivalents at the end of period	12	354,096	239,739

The cash flow statement is to be read in conjunction with the accompanying notes 1 to 32, which are an integral part of these financial statements.

KPMG Bulgaria OOD

Krassimir Hadjidinev
Registered Auditor,
Authorized Representative

Margarita Goleva
Registered Auditor

Statement of changes in equity
For the year ended 31 December 2007

In thousands of BGN	Share capital	Statutory Reserve	Retained earnings and other reserves	Revaluation Reserve	Total
Balance at 1 January 2006	35,303	5,959	(38)	597	41,821
Share capital increase	12,500	-	-	-	12,500
Net profit for the year	-	-	9,233	-	9,233
Transfer of the profit for year 2005	-	3,693	(3,693)	-	-
Revaluation of available-for-sale investments, net of deffered tax	-	-	-	(726)	(726)
Balance at 31 December 2006	47,803	9,652	5,502	(129)	62,828
Share capital increase	12,500	-	-	-	12,500
Net profit for the year	-	-	19,260	-	19,260
Revaluation of available-for-sale investments, net of deffered tax	-	-	-	(941)	(941)
Balance at 31 December 2007	60,303	9,652	24,762	(1,070)	93,647

The statement of changes in equity is to be read in conjunction with the accompanying notes 1 to 32, which are an integral part of these financial statements.

KPMG Bulgaria OOD

Krassimir Hadjidinev
Registered Auditor,
Authorized Representative

Margarita Goleva
Registered Auditor

1 Basis of preparation

(a) Statute

CB Allanz Bulgaria AD is incorporated in the Republic of Bulgaria and has its registered office in Sofia, 79 Maria Louisa Blvd.

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

(b) Applicable standards

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Commission. The list of applicable standards is disclosed in Note 32.

The financial statements of CB Allianz Bulgaria AD for the previous year as at 31 December 2006 were prepared and presented in accordance with IFRS endorsed to be applied in Bulgaria in their version as at 1 January 2005.

These financial statements are the Bank's first financial statements prepared in accordance with IFRS applicable in the European Union and IFRS 1 – First-time Adoption of International Financial Reporting Standards has been applied.

The significant accounting policies set out below have been consistently applied for all periods that are presented and in the preparation of the opening balance sheet as at 1 January 2006 in accordance with IFRS 1. In preparing its opening IFRS balance sheet the Bank has not made any adjustments on the net assets since there have not been any significant differences between the accounting principles applied as at 31 December 2006 and the IFRS adopted by the European Union.

IAS 8 – Accounting policies, Changes in Accounting Estimates and Errors requires the Company to disclose the fact that the Bank has not applied a standard or an interpretation, which have been issued but are not effective as well as information about the application of the respective standard or interpretation at the time of initial application. The Bank has disclosed the possible impact of the application of the IFRS that have been published but are not yet effective at the balance sheet date (see Note (3(o)).

The financial statements are presented in thousand of Bulgarian Leva (BGN), which is the functional currency of the Bank. The financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held for trading, available-for-sale assets and except those for which a reliable measure of fair value is not available. The recognized assets and liabilities, which are hedged, are stated at their fair value in terms of the hedging risk. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost or historical cost.

2 Significant accounting policies

(a) Income and expenses recognition

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

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

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments.

Since 1997 the exchange of Bulgarian leva (BGN) is pegged to the Euro (EUR) at a rate of BGN 1.95583 / EUR 1.0.

(c) Financial instruments

(i) Classification

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

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

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Bank has the intent and ability to hold to maturity. These include certain purchased loans and advances to banks and customers and certain debt investments.

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

(ii) Recognition

The Bank recognizes financial assets held for trading and available-for-sale assets on settlement date. From this date any gains and losses arising from changes in fair value of the assets are recognized.

Held-to-maturity loans and originated loans and receivables are recognized on settlement date.

(iii) Measurement

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

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

(iv) Fair value measurement principles

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

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

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

(v) Gains and losses on subsequent measurement

Gains and losses arising from the change in the fair value of the financial assets held for trading are recognized in the income statement. Gains and losses arising from the change in fair value of available-for-sale assets are recognized directly in equity.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with the central bank and short-term highly liquid investments that are readily convertible to known amounts of cash with less than three months maturity from the date of acquisition.

(e) Investments

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

(f) Loans and advances to banks and customers

Loans and advances originated by the Bank are classified as originated loans and receivables. Purchased loans that the Bank has the intent and ability to hold to maturity are classified as held-to-maturity assets.

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

(g) Derecognition

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

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

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

(h) Repurchase transactions

The Bank enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognized. The amounts paid are recognized in loans to either banks or customers. The receivables are shown as collateralized by the underlying security. Investments sold under repurchase agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy

for either assets held for trading or available-for-sale as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or customers.
The difference between the sale and repurchase considerations is recognized on an accrual basis over the period of the transaction and is included in interest.

(i) Offsetting

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

(j) Impairment

The carrying amounts of the Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.
An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment losses are recognised in the income statement.

(i) Originated loans and advances

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

Loans and advances are presented net of specific and general allowances for impairment. Specific allowances are made against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and advances to their recoverable amounts. General allowances are maintained to reduce the carrying amount of portfolios of similar loans and advances to their estimated recoverable amounts at the balance sheet date. The expected cash flows for portfolios of similar assets are estimated based on previous experience and considering the credit rating of the underlying customers and late payments of interest or penalties. Increases in the allowance account are recognised in the income statement.
When a loan is identified to be not recoverable, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off directly.
If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through the income statement.

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

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments and purchased loans remeasured to fair value is calculated as the present value of expected future cash flows discounted at the current market rate of interest.
Where an asset remeasured to fair value directly through equity is impaired, and a write down of the asset was previously recognised directly in equity, the write down is transferred to the income statement and recognised as part of the impairment loss. Where an asset measured to fair value directly through equity is impaired, and an increase in the fair value of the asset was previously recognised in equity, the increase in fair value of the asset recognised in equity is reversed to the extent the asset is impaired. Any additional impairment loss is recognised in the income statement.
If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the income statement.

(k) Property, plant and equipment

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

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

Assets	%
Buildings	4
Equipment,	30
Computers	50
Fixtures and fittings	15
Vehicles	25

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

The assets for sale acquired as collateral in respect of bad debts have been presented in the balance sheet as Other assets. Depreciation has not been accrued on these assets in accordance with Bulgarian legislation for a period of two years as at the date of their acquisition.

(l) Intangible assets

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

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

Asset	%
Computer software	50

(m) Provisions

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

(m) Taxation

Tax on the profit for the year comprises current tax and deferred tax. In determining current and deferred tax, the Bank has adopted the accounting basis, described in note 1(b). Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted by the balance sheet date, and any adjustment of tax payable for previous years.

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

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

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

(o) Application of published International Financial

Reporting Standards that are not yet effective and might be relevant to the Bank's activities

- IFRS 8 Operating Segments, which becomes mandatory for the Bank's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Bank's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them.
- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Bank's 2009 financial statements. It is not expected to have any impact on the financial statements.
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Bank's 2008 financial statements, with retrospective application required. The Bank has not yet determined the potential effect of the interpretation.
- IIFRIC 12 Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Bank's 2008 financial statements, is not expected to have any effect on the financial statements.
- IIFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Bank's 2009 financial statements, is not expected to have any impact on the financial statements.
- IIFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Bank's 2008 financial statements and is not expected to have any impact on the financial statements.

3 Financial risk management disclosures

(a) Introduction

CB Allianz Bulgariia is exposed to the following risk from its use of financial instruments:

- Market Risks;
- Liquidity risks;
- Credit Risks;
- Operational risks.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk and the Bank's management of capital.

Risk management framework

The Management board has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Group Asset and Liability (ALCO), Credit and Operational Risk committees, which are responsible for developing and monitoring Bank risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Management board on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Internal Audit Department is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank's Internal Audit Department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Management Board.

(b) Credit risk

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

The Bank's primary exposure to credit risk arises through its loans and advances. In addition the Bank is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued.

The Concentration of Credit risk arises mainly from the business segment and type of clients in relation with bank investments, loans and advances commitments to extend credit and guarantees issued. Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for the Bank of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Management of credit risk

The Management Board has delegated responsibility for the management of credit risk to the Executive Directors of the Bank, Corporate Lending Department, Retail Banking Department and Bank's Credit Committee.

The Management Board of the Bank formulate credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

The Executive Directors nominate the employees, who have the competence to approve credit facilities in the Business/Financial Units, and the Credit Councils, which determine and delegate authorities for approval of credit deals. The Management Board of the Bank establish the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers: The Head of the Business Unit, where the application was submitted (or authorized employee – Sales Manager/Head of Retail Banking), the Credit Councils of the Business Units, Head of Corporate Lending, Executive Directors, Credit Council "Retail Banking" and Credit Council "Corporate Lending" , The Management Board and Supervisory Board. Larger facilities require approval by Management Board or the Supervisory Board as appropriate.

Reviewing and assessing credit risk. The Credit Risk Analysis and Assessment Section from Credit Risk Monitoring Department prepare report in compliance with the Bank's Credit Risk policy for risk assessment of all credit exposures in excess of designated limits, prior to facilities being approved from the competent authorities: Credit Council "Corporate Lending", Credit Council "Retail Banking", Management Board and Supervisory Board. The renewal and review of credit exposures are evaluated and approved by Credit Council of Business Unit/Head of Business Unit/ Head of Financial Unit or Head Office. Larger facilities require approval by Management Board or the Supervisory Board as appropriate.

The risk grading system is determined as a combination of inherent risk grading and collateral risk grading. The current risk grading framework consists of five degrees for assessment of credit risk and three degrees for assessment of the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive/committee as appropriate. Risk grades are subject to regular reviews by Credit Risk Analysis and Assessment.

In the beginning of every year the Management Board of the Bank approves the credit exposure concentration to facilities programs, industries, sectors, counterparties, facility amount, maturity (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities). A review of the credit exposure concentration is made on a six months basis.

Monitoring Department and Doubtful Debts Department are responsible for the management of the credit risk and prepare reports to the Credit Committee of the Bank for:

Review, evaluation and classification of the credit risk exposures according to the delayed payments days (in accordance with the requirements of BNB Regulation No 9) and evaluation of the debtor's financial position and sources for repayment.

The Credit Committee of the Bank classifies the risk exposures according to the degree of credit risk and the requirements of BNB Regulation No 9 and in accordance with the adopted Credit Committee policy in four groups:

“Standard” risk exposures on loans and other claims are those risk exposures which are serviced and information on the debtor’s financial state gives no ground to assume that the debtor will not repay in full his debts.

“Watch” exposures are the risk exposures on loans and other claims where insignificant weaknesses exist with respect to their servicing or there is a possibility of deterioration in the debtor’s financial state, which may question the full repayment of the obligation.

“Substandard” exposures are the risk exposures on loans and other claims where significant weaknesses exist with respect to their servicing, or the available information points to the debtor’s unstable financial state, current and anticipated proceeds are insufficient for the full repayment of his obligations to the bank and to other creditors, as well as where weaknesses have been found with the distinct possibility that the bank will sustain some loss.

“Non-performing” exposures are those risk exposures where grave weaknesses exist with respect to their servicing or as a result of the debtor’s deteriorated financial state his obligations are deemed uncollectable, even though they have partial recovery value that may be realized in the future.

Monitoring Department performs regular review for compliance of the Business/Financial Units with the limits established, including those by products and borrowers. Evaluation of the quality of the local portfolios is performed on a regular basis and reported to the Executive directors of the Bank and Internal Audit Department and appropriate corrective action is taken, if necessary.

Monitoring and Doubtful Debt Departments promote best practice in the management of credit risk to the Business Units of the Bank.

Each business unit is required to implement the credit policies and procedures, with credit approval authorities delegated from the Management Board. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of Business Units and the activity of Credit Committee are undertaken by Internal Audit Department.

3 Financial risk management disclosures, continued

(b) Credit risk, continued

Credit risk exposure In thousands of BGN	Note	2007	2006
Cash and cash equivalents	12	**354,096**	**239,739**
Financial assets held for trading	13	**28,603**	**34,032**
Loans and advances to banks and other financial institutions	15	**170,020**	**110,244**
Investments	14	**153,170**	**135,711**
Loans and advances to customers			
Individually impaired			
Watch		2,723	2,709
Substandard		1,531	768
Non-performing		4,806	2,857
Gross amoun t		9,060	6,334
Allowance for impairment		(4,543)	(3,087)
Carrying amount		4,517	3,247
Collectively impaired			
Loans and advances to Corporate Clients		95,571	95,230
Loans and advances to Individuals		263,039	150,149
Gross amount		358,610	245,379
Allowance for impairment		(3,899)	(2,446)
Carrying amount		354,711	242,933
Not impaired			
Carrying amount		363,741	160,306
Includes accounts with renegotiated terms		-	-
Includes past due up to 30 days		32,108	6,401
Total carrying amount of loans and advances to customers	16	722,969	406,486
Off-balance commitments			
Unused overdrafts and credit lines		97,994	70,800
Bank guarantees and Letters of credit	27	102,712	57,432
Total off balance committments		200,706	128,232

3 Financial risk management disclosures, continued

(b) Credit risk, continued

Impaired loans and securities
Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s).

Past due up to 30 days, but not impaired loans
Loans and securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the information on the debtor's financial state, which gives no ground to assume that the debtor will not repay in full and the delay is justifiable or accidental.

Loans with renegotiated terms
Loans with renegotiated terms are renegotiated or restructured risk exposures of the Bank. An exposure has been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once a corporate loan is restructured it remains in this category independent of satisfactory performance after restructuring, if during the next six months the exposure persistently satisfies all the conditions for the said lower-risk classification. An exposure is considered not be restructured where it is not identified as deteriorated, it is fully secured by a high-liquid security and there is a ground to assume that the bank will collect both the principal and the interest.

Allowances for impairment losses
The Bank's policy for allowances for impairment losses for financial assets is presented in Note 2 (j).

Write-off policy
The Bank writes off a loan / security balance, classified as non-performing and any related allowances for impairment losses, when Management Board determines that the loans / securities are uncollectible, recommended by the Credit Committee and after motivated suggestion by Doubtful Debt Department. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.
The off-balance accounting of exposures is terminated with Management Board decision, after the Credit Committee determine that the loan/security balance is uncollectible due to one of the following reasons:

- The debtor is a legal entity deleted from the Commercial Register or any other public register and has no successor;
- The debtor is a deceased physical entity with no heirs, or the heirs have renounced their inheritance;
- The debtor has lodged a claim on limitation.

Set out below is an analysis of the gross and net (of allowances for impairment losses) amounts of individually impaired assets by classification groups.

Loans and advances to customers

In thousands of BGN	Gross	Net
As at 31 December 2007		
Watch	2,723	2,429
Substandard	1,531	953
Non-performing	4,806	1,135
Total	9,060	4,517
As at 31 December 2006		
Watch	2,709	2,438
Substandard	768	583
Non-performing	2,857	226
Total	6,334	3,247

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

In thousands of BGN	2007	2006
Manufacturing	34,506	11,291
Insurance	-	626
Trade and services	219,486	132,266
Transport and communications	35,786	22,133
Construction	53,199	27,346
Agriculture and forestry	23,065	15,486
Retail loans	365,369	202,871
Less impairment allowances	(8,442)	(5,533)
	722,969	406,486

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

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

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

In thousands of BGN	2007	2006
Cash and cash equivalents	23,648	14,924
Secured by mortgages	297,558	55,764
Other collateral	401,763	335,798
	722,969	406,486

Other collateral includes pledge on current assets and promissory notes.

(c) Liquidity risk

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

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The Liquidity and markets Department receives information from other business units regarding the liquidity profile of financial assets and liabilities and details of other projected cash flows arising from projected future business. Liquidity and markets Department maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Bank. A summary report, including any exceptions and remedial action taken, is submitted periodically to ALCO.

Funds are raised using a broad range of instruments including deposits and current accounts, other liabilities evidenced by paper, and share capital. This enhances funding flexibility by financing the activities of the CB"Allianz Bulgaria"AD, limits dependence on any one source of funds and generally lowers the cost of funds. The

Bank makes its best efforts to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Bank strategy. In addition the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of secondary liquidity, represented by the liquid assets to deposits from customers ratio. For this purpose net liquid assets are considered as including cash and cash equivalents, current accounts and deposits with banks up to 7 days, Bulgarian government securities, gold, and debt securities, issued by international banks for development or international organizations, for which there is an active and liquid market. A similar, but not identical, calculation is used to measure the Banks's compliance with the liquidity ratios, established by BNB. Details of the reported Bank ratio of liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	2007	2006
As at 31 December	43.48%	42.46%
Average for the period	40.85%	37.81%
Maximum for the period	46.09%	42.67%
Minimum for the period	29.16%	25.60%

3 Financial risk management disclosures, continued

(c) Liquidity risk, continued

Remaining contractual maturities of financial liabilities
The table shown below presents the undiscounted cash flows of the Bank's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity.
The Gross nominal inflow / (outflow) is the contractual, undiscounted cash flow on the financial liability or commitment.

In thousands of BGN	Note	Carrying amount	Gross nominal cash inflow /(outflow)	Up to 1 Month
31 December 2007				
Due to other customers	22	1,253,271	(1,285,013)	(682,395)
Bonds issued	23	68,698	(78,142)	-
Subordinated term debt	23	25,053	(33,896)	-
Other borrowings	23	13,640	(14,296)	-
		1,360,662	(1,411,347)	(682,395)
Unrecognised loan commitments		97,994	(97,994)	(586)
		1,458,656	(1,509,341)	(682,981)
31 December 2006				
Due to banks	21	6,996	(7,012)	(7,012)
Due to other customers	22	785,174	(803,032)	(311,689)
Bonds issued	23	68,645	(81,295)	-
Subordinated term debt	23	4,918	(6,034)	-
Other borrowings	23	13,247	(13,639)	-
		878,980	(911,012)	(318,701)
Unrecognised loan commitments		70,800	(70,800)	(1,685)
		949,780	(981,812)	(320,386)

From 1 to 3 Months	From 3 months to 1 year	From 1 to 5 Years	More than 5 years
(97,022)	(289,484)	(207,729)	(8,383)
-	(3,155)	(74,987)	-
-	-	(6,352)	(27,544)
-	(409)	(2,201)	(11,686)
(97,022)	(293,048)	(291,269)	(47,613)
(7,627)	(29,413)	(60,368)	-
(104,649)	(322,461)	(351,637)	(47,613)
-	-	-	-
(75,258)	(350,981)	(65,104)	-
-	(3,154)	(78,141)	-
-	-	(6,034)	-
-	(13,639)	-	-
(75,258)	(367,774)	(149,279)	-
(3,539)	(17,419)	(48,157)	-
(78,797)	(385,193)	(197,436)	-

3 Financial risk management disclosures, continued

(c) Liquidity risk, continued

Maturity analysis of the expected maturity dates of both financial liabilities and financial assets
The Bank's expected cash flows on its financial liabilities vary significantly from the above maturity analysis as the demand deposits from customers are expected to maintain a stable or increasing balance and unrecognised loan commitments are not all expected to be drawn down immediately. Within the next two tables is presented an analysis of maturity ladder of the Bank, based on the expected term to maturity of both assets and liabilities. When projecting cash flows on assets and liabilities, the Bank takes into consideration historic cash flows adjusted as needed to take into account seasonal fluctuations and prevailing economic and market conditions.

Maturity ladder as at 31 December 2007

	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year
Assets			
Cash and cash equivalents	349,384	4,712	-
Financial assets held for trading	28,603	-	-
Investments	4,001	1,920	8,639
Loans and advances to banks and other financial institutions	167,851	1,601	568
Loans and advances to customers	4,226	11,584	67,054
Property and equipment	-	-	-
Intangible assets	-	-	-
Other assets	12,060	-	-
Deferred tax assets	-	-	-
Total assets	566,125	19,817	76,261
Liabilities			
Due to other customers	379,743	97,301	607,715
Other borrowings	-	-	1,980
Other liabilities	10,247	-	-
Total liabilities	389,990	97,301	609,695
Positive/(negative) maturity mismatch	176,135	(77,484)	(533,434)

From 1 to 5 Years	More than 5 years	Maturity not defined	Total
-	-	-	354,096
-	-	-	28,603
49,497	88,717	396	153,170
-	-	-	170,020
187,725	452,380	-	722,969
-	-	20,862	20,862
-	-	2,531	2,531
-	-	-	12,060
-	-	245	245
237,222	541,097	24,034	1,464,556
161,719	6,793	-	1,253,271
85,085	20,326	-	107,391
-	-	-	10,247
246,804	27,119	-	1,370,909
(9,582)	513,978	24,034	93,647

3 Financial risk management disclosures, continued

(c) Liquidity risk, continued

Maturity ladder as at 31 December 2006

	Up to 1 Month	From 1 to 3 Months	From 3 Months to 1 year
Assets			
Cash and cash equivalents	239,739	-	-
Financial assets held for trading	34,032	-	-
Investments	56,190	-	-
Loans and advances to banks and other financial instituions	109,676	-	568
Loans and advances to customers	1,475	9,665	50,244
Property and equipment	-	-	-
Intangible assets	-	-	-
Other assets	3,369	-	-
Deferred tax assets	-	-	-
Total assets	444,481	9,665	50,812
Liabilities			
Due to banks	6,996	-	-
Due to other customers	311,689	75,071	341,355
Other borrowings	-	-	-
Other liablities	3,322	-	-
Total liabilities	322,007	75,071	341,355
Positive/(negative) maturity mismatch	122,474	(65,406)	(290,543

From 1 to 5 Years	More than 5 years	Maturity not defined	Total
-	-	-	239,739
-	-	-	34,032
-	79,206	315	135,711
-	-	-	110,244
159,183	185,919	-	406,486
-	-	13,160	13,160
-	-	2,328	2,328
-	-	-	3,369
-	-	61	61
159,183	265,125	15,864	945,130
-	-	-	6,996
57,059	-	-	785,174
81,892	4,918	-	86,810
-	-	-	3,322
138,951	4,918	-	882,302
20,232	260,207	15,864	62,828

3 Financial risk management disclosures, continued

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices and foreign exchange rates will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

CB Allianz Bulgaria AD has implemented and applies the following policies: Policy for risk management of Allianz SE, Policy for classification of financial instruments by portfolios, Rules for identification, measurement, analysis, management, monitoring and reporting of market risk. Established, there is an independent unit for market risk control, which is preparing reports for the Management, ALCO, Allianz banking, BNB and others.

Exposure to market risks – trading portfolios

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

The Bank manages its use of trading instruments in response to changing market conditions. Exposure to market risk is formally managed in accordance with risk limits set by volumes, concentrations by type of instruments and VaR limits.

The tool used to measure and control market risk exposure within the Bank's trading portfolios is Value at Risk (VaR).

The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Bank is based upon a 99 percent confidence level and assumes a 10-day holding period. The VaR model used is based on historical market data from at least 250 days observation period.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 10-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

A summary of the 10-days VaR positions of the Bank's trading portfolios at 31 December 2007 and during the period is as follows:

In thousands of BGN	As at 31.12	Average	Maximum	Minimum
Financial instruments held for trading				
2007				
Currency risk	72.81	75.50	131.38	33.69
Interest rate risk	52.00	71.80	273.08	44.12
Other price risk	36.08	375.61	610.36	30.33
Correlation	(69.46)	(121.74)	(407.98)	(22.15)
Total	91.43	401.17	606.84	85.99

3 Financial risk management disclosures, continued

(d) Market risk, continued

Maturity ladder as at 31 December 2006

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities the Bank is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as the savings rate and six months LIBOR and different types of interest. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the CB Allianz Bulgaria AD's business strategies. Asset-liability risk management activities are conducted in the context of the Bank's sensitivity to interest rate changes. The actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within repricing periods and among currencies.

The table shown below summarizes the Bank's exposure to interest rate risk as at 31 December:

	Floating interest rate instruments	Fixed interest rate instruments	Non interest bearing	Total
2007				
Total assets	265,329	974,887	224,340	1,464,556
Total liabilities	4,890	1,346,595	19,424	1,370,909
Gap	260,439	(371,708)	-	(111,269)
2006				
Total assets	213,654	469,487	261,989	945,130
Total liabilities	-	852,647	29,655	882,302
Gap	213,654	(383,160)	-	(169,506)

Sensitivity analysis for interest rate risk

The management of the interest rate risk against interest rate gap and repricing limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various interest rate scenarios.

The sensitivity analysis is based on scenario of 100 basis point (bp) parallel rise or fall in all yield curves and in all currencies.

In thousands of BGN	100 b. p. parallel increase	100 b. p. parallel decrease
2007		
As at 31 December	(1,113)	1,113
Average for the period	(1,404)	1,404
2006		
As at 31 December	(1,695)	1,695
Average for the period	(993)	993

Currency risk

The Bank is exposed to currency risk through making deals with financial instruments, denominated in foreign currency.

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

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

						2007
In thousands of BGN	BGN	EUR in BGN equivalent	USD in BGN equivalent	CHF in BGN equivalent	Other in BGN equivalent	Total
Assets						
Cash and cash equivalents	115,311	161,201	66,821	695	10,068	354,096
Financial assets held for trading	16,095	9,791	2,717	-	-	28,603
Investments	95,391	44,184	13,595	-	-	153,170
Loans and advances to banks and other financial institutions	42,713	126,862	445	-	-	170,020
Loans and advances to customers	329,988	386,128	6,853	-	-	722,969
Property and equipment	20,861	-	-	-	-	20,861
Intangible assets	2,532	-	-	-	-	2,532
Other assets	11,868	175	17	-	-	12,060
Deferred tax assets	245	-	-	-	-	245
Total assets	635,004	728,341	90,448	695	10,068	1,464,556
Liabilities						
Due to banks	-	-	-	-	-	-
Due to other customers	598,314	557,733	84,972	475	11,777	1,253,271
Other borrowings	15,351	92,040	-	-	-	107,391
Other liabilities	6,404	552	3,244	47	-	10,247
Total liabilities	620,069	650,325	88,216	522	11,777	1,370,909
Net position	14,935	78,016	2,232	173	(1,709)	93,647

The Bank maintains its net open currency exposure below 2% of the own funds (capital base) by entering into transactions for buying and selling foreign currencies at spot rates. The currency forward transactions are usually on behalf of customers and are closed with opposite deals with Dresdner bank.

3 Financial risk management disclosures, continued

(d) Market risk, continued

Currency risk, continued

In thousands of BGN	BGN	EUR in BGN equivalent	USD in BGN equivalent	CHF in BGN equivalent	Other in BGN equivalent	Total
						2006
Assets						
Cash and cash equivalents	24,884	162,667	48,762	339	3,087	239,739
Financial assets held for trading	19,826	10,651	3,555	-	-	34,032
Investments	79,553	40,839	15,319	-	-	135,711
Loans and advances to banks and other financial institutions	31,537	78,307	400	-	-	110,244
Loans and advances to customers	191,583	206,240	8,663	-	-	406,486
Property and equipment	13,160	-	-	-	-	13,160
Intangible assets	2,328	-	-	-	-	2,328
Other assets	3,369	-	-	-	-	3,369
Deferred tax assets	61	-	-	-	-	61
Total assets	366,301	498,704	76,699	339	3,087	945,130
Liabilities						
Due to banks	5,002	1,966	28	-	-	6,996
Due to other customers	355,307	351,336	75,724	255	2,552	785,174
Other borrowings	5,197	81,613	-	-	-	86,810
Other liabilities	2,994	305	23	-	-	3,322
Total liabilities	368,500	435,220	75,775	255	2,552	882,302
Net position	(2,199)	63,484	924	84	535	62,828

3 Financial risk management disclosures, continued

(e) Operational risk

The operational risk is the risk of loss due to inadequate or improperly functioning internal processes, human errors, systems, or by external events. Operational risk includes legal risk as well, but excludes strategic and reputational risk.

The Bank aims at undertaking timely actions for minimizing the operational risk by clearly defining the procedures for managing and monitoring risk, by allocating functions and responsibilities and by building up corporate risk awareness culture, all this based on the experience of Allianz SE.

The major instruments used for measuring and reporting the risk are:

- A Loss Event Database, which is envisaged to become automated through the use of specialized software for operational risk
- Self-assessment of the size and the probabilities for potential loss events occurrence;
- Key risk indicators;
- Disaster recovery and contingency plans.
- Business continuity plan.

The minimum standards for risk measuring are as follows:

- Requirements for appropriate organisation and segregation of duties
- Documenting the process of measuring, monitoring and management of risk
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Timely reporting

Risk mitigation, including insurance where this is effective. The Bank has underwritten a Insurance policy for special bankers risk (Bankers Blanket Bond).

The adherence to the Bank's standards is underpinned by recurring reviews undertaken by the Internal audit function and periodic reporting to Allianz Banking.

The responsibility for the identification and management of operational risk is assigned to business lines managers, as well as to the senior management. This responsibility is supported by the development of Internal rules for operational risk management, by the implementation of separate unit for measuring, monitoring and reporting risk and by the Operational risk Commission.

(f) Compliance with the capital adequacy requirements

Every three months the Bank prepares statutory reports, in accordance with the requirements of Regulation №8 of Bulgarian National Bank (BNB) on Capital Adequacy of the Banks and BASEL II accord. The Bank applies the standardised approach for credit and market risks and the Basic Indicator Approach for operational risk since 1 of January 2007.

According to Regulation №8 of BNB, the minimum requirements for the capital adequacy's ratios of Tier I capital and Total capital adequacy are respectively 6% and 12%.

As at 31 December 2007 the Bank has fulfilled these statutory requirements, as follows:

In thousands of BGN	2007
Equity (capital base)	
Authorized fully paid shares	44,000
Reserves	31,456
Total share capital and reserves	75,456
Reductions from the equity	
Revaluation reserves included in Tier – one capital	(1,069)
Intangible assets	(2,531)
	(3,600)
Tier – one capital	71,856
Subordinated term debt	22,492
Tier – two capital	22,492
Total own funds (capital base)	94,348

3 Financial risk management disclosures, continued

(f) Compliance with the capital adequacy requirements, continued

	2007
Capital requirements	
Capital requirements for credit risk, counterparty risk, dilution risk and settlement risk	
Central Governments and Central Banks	639
Regional Governments or local authorities	133
Institutions	241
Corporates	26,847
Retail	8,566
Exposures secured on real estate property	11,902
Short-term exposures to institutions and corporates	5,110
Other exposures	2,745
Total capital requirements for credit risk, counterparty risk and settlement risk	56,183
Total capital requirements for foreign exchange risk and commodity risk	698
Capital requirements for operational risk	3,934
Additional capital requirements imposed by BNB	30,408
Total capital requirements	91,223
Free equity (own funds)	3,125
Total capital adequacy ratio (%)	12.41%
Tier I ratio (%)	9.45%

As of December 31, 2007, the Bank has contracted loans under the terms of subordinated debt with ZPAD Allianz Bulgaria, Energy Insurance Company and "Allianz Bulgaria Life" Insurance Company totaling EUR 12,500 thousand, allocated as follows:

- EUR 2,500 thousand for five years, starting from 30.11.2006. As at 31.12.2007 the amount of this particular subordinated loan agreement is amortised by 40%.
- EUR 5,000 thousand for six years, starting from 30.09.2007. As at 31.12.2007 the amount of the loan is included in full within the own funds (capital base) of the Bank
- EUR 5,000,000 thousand for six year, starting from 21.12.2007. As at 31.12.2007 г. the amount of the loan is included in full within the own funds (capital base) of the Bank

The total risk component of the balance and off-balance sheets positions of the Bank amounts to BGN 760,188 thousand. With the inclusion of the audited annual profit for 2007 (amounting to BGN 19,260 thousand) the capital adequacy would reach 14.81%.

4 Fair value presentation of financial instruments

In thousands of BGN	Held for trading	Held to maturity	Loans and advances
31 December 2007			
Cash and cash equivalents	-	-	354,096
Financial assets held for trading	28,603	-	-
Investments	-	87,499	-
Loans and advances to banks and other financial institutions	-	-	170,020
Loans and advances to customers	-	-	722,969
	28,603	87,499	1,247,085
Due to banks	-	-	-
Due to other customers	-	-	-
Other borrowings	-	-	-
	-	-	-
31 December 2006			
Cash and cash equivalents	-	-	239,739
Financial assets held for trading	34,032	-	-
Investments	-	79,521	-
Loans and advances to banks and other financial institutions	-	-	110,244
Loans and advances to customers	-	-	406,486
	34,032	79,521	756,469
Due to banks	-	-	-
Due to other customers	-	-	-
Other borrowings	-	-	-
	-	-	-

Available-for- sale	Others at amortised cost	Total carrying amount	Fair value
-	-	354,096	354,096
-	-	28,603	28,603
65,671	-	153,170	154,196
-	-	170,020	170,020
-	-	722,969	731,105
65,671	-	1,428,858	1,438,020
-			
-	1,253,271	1,253,271	1,253,271
-	107,391	107,391	107,592
-	1,360,662	1,360,662	1,360,863
-	-	239,739	239,739
-	-	34,032	34,032
56,190	-	135,711	138,811
-	-	110,244	110,244
-	-	406,486	406,486
56,190	-	926,212	929,312
-	6,996	6,996	6,996
-	785,174	785,174	785,174
-	86,810	86,810	86,810
-	878,980	878,980	878,980

5 Use of estimates and judgements

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

Key sources of estimation uncertainty

(i) Impairment losses on loans and advances

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3 (j) above.

The specific allowances for impairment, applied to loans and receivables evaluated individually for impairment, are based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the estimate of cash flows considered recoverable is independently approved by the Credit Committee of the Bank.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified.

In assessing the need for collective loan loss allowances, management considers factors such as type of credits, type of collaterals, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

Determining fair values of financial instrueumnts

For the majority of the Bank's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example unquoted securities are fair valued using valuation techniques, including reference to the current fair values of other instruments that are substantially the same (subject to the appropriate adjustments).

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement (e.g., interest rates, volatility, estimated cash flows etc.) and therefore, cannot be determined with precision.

6 Net interest income

In thousands of BGN	2007	2006
Net interest income		
Interest and similar income		
Interest and similar income arise from:		
loans and advances to banks	10,818	5,606
loans and advances to customers	56,277	31,571
financial assets held for trading	1,737	4,746
investments	6,413	5,768
	75,245	47,691
Interest expense and similar charges		
Interest expense and similar charges arise from:		
deposits from banks	(38)	(235)
deposits from other customers and other borrowings	(34,624)	(22,118)
	(34,662)	(22,353)
Net interest income	40,583	25,338

Included within interest income from loans and advances to customers is a total of BGN 117 thousand (2006: BGN 26 thousand) accrued on individually impaired financial assets.

7 Net fee and commission income

In thousands of BGN	2007	2006
Fee and commission income		
Cash operations and payment orders	5,843	4,439
Guarantees and letters of credit	1,046	498
Other	5,765	4,659
	12,654	9,596
Fee and commission expense		
Servicing of bank current accounts	(60)	(68)
Other	(913)	(976)
	(973)	(1,044)
Net fee and commission income	11,681	8,552

8 Net trading income

In thousands of BGN	2007	2006
Net trading income arises from:		
debt instruments and related derivatives	975	712
foreign exchange rate fluctuations	3,165	578
	4,140	1,290

9 General administrative expenses

In thousands of BGN	2007	2006
General and administrative expenses		
Personnel cost	14,261	10,315
Materials, rent and services	10,407	7,391
Depreciation and amortization	3,200	2,435
Administration, marketing and other costs	5,250	3,871
	33,118	24,012

Personnel costs include salaries and social benefits paid to employees as well as all related social security. The number of employees of the Bank is 869 for 2007 (2006: 733).

10 Other non interest income, net

In thousands of BGN	2007	2006
Rental income	97	92
Other income, net	852	254
	949	346

11 Tax expense

In thousands of BGN	2007	2006
Current tax	1,955	1,621
	1,955	1,621
Deferred tax		
Due to change in the temporary differences	(79)	(14)
Due to change in the tax rate (from 15% to 10%)	-	5
	(79)	(9)
Income tax recognised in the Income statement	1,876	1,612

In thousands of BGN	2007	2006
Profit before tax	21,136	10,845
Nominal tax rate	10.00%	15.00%
	2,114	1,627
Tax effect from taxable permanent differences	2	436
Tax effect from deductible permanent differences	(161)	(442)
Current tax	1,955	1,621
Deferred tax	(79)	(9)
	1,876	1,612
Effective tax rate	8.88%	14.86%

The deferred tax expense results from the change of carrying amounts of deferred tax assets and deferred tax liabilities.

12 Cash and cash equivalents

In thousands of BGN	2007	2006
Cash on hand		
In Bulgarian Leva	20,020	16,914
In foreign currencies	17,121	11,025
Balances with the Central Bank (ref. note 15)	-	138,911
Current accounts and amounts with local banks with original maturity less than 3 months		
In Bulgarian Leva	95,920	8,115
In foreign currencies	143,199	35,279
Current accounts and amounts with foreign banks with original maturity less than 3 months	78,466	29,495
	354,096	239,739

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

13 Financial assets held for trading

In thousands of BGN	2007	2006
Financial assets held for trading:		
Government securities – Republic of Bulgaria		
Short and long-term denominated in Bulgarian Leva	9,195	9,436
Long-term denominated in foreign currencies	10,864	10,728
Debt instruments issued by other issuers:		
Debt instruments denominated in Bulgarian Leva	5,464	4,970
Debt instruments denominated in foreign currencies	1,645	3,478
Shares issued by local entities	425	5,144
Shares in investment funds	1,008	273
Compensatory notes	2	3
	28,603	34,032

14 Investments

In thousands of BGN	2007	2006
Investments available- for- sale		
Government securities – Republic of Bulgaria	59,258	42,673
Equity instruments and other non-fixed income instruments	396	315
Debt instruments	6,017	13,202
Investments held-to-maturity		
Government securities –Republic of Bulgaria	86,468	77,443
Debt instruments issued by other issuers	1,031	2,078
	153,170	135,711

15 Loans and advances to banks and other financial institutions

(a) Analysis by type

In thousands of BGN	2007	2006
Loans and advances to banks (incl. BNB) and other financial institutions	151,784	70,357
Recievables under repurchase agreements	18,236	39,887
	170,020	110,244

Loans and advances to banks include the obligatory reserve placed with the Central Bank to the amount of BGN 149,671 thousand at 31 December 2007 as at 31 December 2006 theirs amount is BGN 69,390 thousand.

As at 31 December 2007 recievables under repurchase agreements comprise deals denominated in BGN, EUR concluded with commercial banks and other financial institutions. The loans denominated in BGN earn interest at 5.30%, and those denominated in EUR earn interest in the range between 4.24% and 4.95%.

(b) Geographical analysis

In thousands of BGN	2007	2006
Local banks and other financial institutions	168,475	109,845
Foreign banks and other financial institutions	1,545	399
	170,020	110,244

16 Loans and advances to customers

(a) Analysis by type of borrower

In thousands of BGN	2007	2006
Individuals		
In Bulgarian Leva	166,505	82,783
In foreign currencies	198,864	120,159
Private companies		
In Bulgarian Leva	185,900	112,213
In foreign currencies	178,410	95,981
State owned companies		
In Bulgarian Leva	72	883
In foreign currencies	1,660	-
Less impairment allowances	(8,442)	(5,533)
	722,969	406,486

16 Loans and advances to customers (continued)

(b) Analysis by sector of economy

In thousands of BGN	2007	2006
Individuals		
Trade loans	276	882
Consumer loans	53,980	37,448
Mortgage loans	293,750	163,099
Agriculture loans	1,528	297
Credit cards	15,650	227
Other loans	185	991
Legal entities		
Trade loans	74,850	82,714
Mortgage loans	45,906	365
Agriculture loans	7,979	8,849
Loans to state budget	1,660	-
Credit cards	2,766	265
Other loans	232,881	116,882
Less impairment allowances	(8,442)	(5,533)
	722,969	406,486

(c) Impairment allowance of loans and advances to customers

In thousands of BGN	2007	2006
Balance at 1 January	5,533	4,963
Additional allowances/(recoveries)	3,099	669
Write-offs	(190)	(99)
Balance at the end of the period	8,442	5,533

17 Property and equipment

In thousands of BGN	Land and buildings	Machines and equipment	Fixtures and fittings	Motor Vehicles	Assets under Construction	Total
Cost						
At 1 January 2007	6,655	8,013	4,421	1,280	2,519	22,888
Additions	-	-	576	183	10,102	10,861
Transfers	39	1,331	462	68	(2,543)	(643)
Disposals	-	(1,777)	(281)	(150)	-	(2,208)
At 31 December 2007	6,694	7,567	5,178	1,381	10,078	30,898
Depreciation						
At 1 January 2007	(904)	(5,824)	(2,232)	(768)	-	(9,728)
Charge for the year	(210)	(1,398)	(624)	(204)	-	(2,436)
Disposals	-	1,777	280	71	-	2,128
At 31 December 2007	(1,114)	(5,445)	(2,576)	(901)	-	(10,036)
Net book value 31 December 2007	5,580	2,122	2,602	480	10,078	20,862
Net book value At 1 January 2007	5,751	2,189	2,189	512	2,519	13,160

18 Intangible assets

In thousands of BGN	Total
Cost	
At 1 January 2007	4,673
Additions	324
Disposals	(117)
Transfers from assets under construction	643
At 31 December 2007	5,523
Depreciation	
At 1 January 2007	(2,345)
Charge for the year	(764)
Disposals	117
At 31 December 2007	(2,992)
Net book value 31 December 2007	2,531
Net book value At 1 January 2007	2,328

19 Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 10% for 2007 (2006: 10%).

Deferred income tax balances are attributable to the following items:

In thousands of BGN	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
Financial assets available for sale	(105)	(14)	-	-	(119)	(14)
Other liabilities	(107)	(47)	28	-	(126)	(47)
Net tax (assets)/liabilities	(212)	(61)	28	-	(245)	(61)

Movement in temporary differences during the year arises from:

In thousands of BGN	Balance	Recognised during year in the		Balance
	2006	Income statement	Equity	2007
Financial assets available for sale	(14)	-	(105)	(119)
Other liabilities	(47)	(79)	-	(126)
Net deferred taxes (assets)/liabilities	(61)	(79)	(105)	(245)

20 Other assets

In thousands of BGN	2007	2006
Assets for resale	397	22
Deferred expense	1,421	813
Other assets	10,242	2,534
	12,060	3,369

21 Due to banks

In thousands of BGN	2007	2006
Deposits from banks		
Term deposits	-	6,958
Current accounts	-	38
	-	6,996

22 Due to other customers

In thousands of BGN	2007	2006
Individuals		
in Bulgarian Leva	170,358	106,019
in foreign currencies	382,577	248,957
Private companies		
in Bulgarian Leva	400,741	215,072
in foreign currencies	264,990	171,002
State owned companies		
in Bulgarian Leva	27,215	23,752
in foreign currencies	7,390	20,372
	1,253,271	785,174

23 Other borrowings

In thousands of BGN	2007	2006
Bonds issued	68,698	68,645
Payable to State Agricultural Fund	5,354	5,196
Payable to banks on credit line's refinancing	8,286	8,051
Subordinated term debt	25,053	4,918
	107,391	86, 810

As at 31 December 2007 the bonds issued represent financing obtained by the Bank through two issues of mortgage bonds. The first issue has nominal value EUR 15,000 thousand and maturity 27 October 2009. The bonds carry interest 5.75% which is paid semi-annually. The second issue is with nominal value EUR 20,000 thousand and maturity 23 December 2010. The interest is 3.75%, which is paid semi-annually. The financing is secured by first pledge upon first rank mortgages of the bank up to 115 % of the amount of the issues. As at 31 December 2007 the amount of the debt is EUR 35,125 thousand of which EUR 180 thousand is interest payable. When presenting it, the debt is reduced by EUR 55 thousand – expenses for issuing the mortgage bonds.

Payables to the State Agricultural Fund (SAF) represent a refinancing facility under which the Bank extends mid-term investment loans to agricultural producers. The line is secured by promissory notes issued by the Bank in favour of SAF to the amount of each separate project financed.

As at 31.12.2007, proceeds for the financing the small and mid-sized business development are received under loan agreements with Kreditanstalt fur Wiederaufbau, Frankfurt on Main (KfW) - EUR 1,000 thousand, EBRD - EUR 2,500 thousand, and Encouragement bank PLC - EUR 750 thousand. The accrued interests amount to EUR 33 thousand. The loan due to EBRD is presented net of the front end loan disbursement fees.

In November 2006, the bank has signed five year loan contract with "Allianz Bulgaria Life" Insurance Company under the terms of subordinated debt. The amount of the loan is EUR 2,500 thousand and the interest is 6.5%, payable at maturity. During 2007 new, six years termed, contracts for subordinated debt were agreed with Allianz Bulgaria Life Insurance Company, amounting to EUR 1,250 thousand, Energy Insurance Company amounting to EUR 2,500 thousand and BGN 9,779 thousand and ZPAD Allianz Bulgaria, amounting to EUR 1,250 thousand. The subordinated term debt can be presented as follows:

In thousand BGN

Creditor	Principal	Original term	Remaining term	Amortised value as at 31 December 2007
Allianz Bulgaria Life Insurance company	4,890	60 months	48 months	5,236
Energy Insurance Company	9,779	72 months	68 months	9,988
Energy Insurance Company	4,890	72 months	71 months	4,912
Allianz Bulgaria Life Insurance company	2,445	72 months	71 months	2,458
ZPAD Allianz Bulgaria	2,445	72 months	71 months	2,459

The bank has received permission from BNB to include the funds from the subordinated term debt in its tier-two capital and to increase its capital base, under the requirements set out in BNB Regulation № 8. All payments on the subordinated term debt before maturity are subject to prior written approval of the Bulgarian National Bank..

24 Other liabilities

In thousands of BGN	2007	2006
Liabilities to personnel	1,160	899
Current tax liability	1,093	434
Other payables	7,994	1,989
	10,247	3,322

25 Repurchase and resale agreements

The Bank borrows funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate. Repurchase agreements are commonly used as a tool for short-term financing of interest-bearing assets, depending on the prevailing interest rates.

At 31 December 2007 the bank did not have assets sold under repurchase agreements.

The Bank also purchases financial instruments under agreements to resell them at future dates (“reverse repurchase agreements”). The seller commits to repurchase the same or similar instruments at an agreed future date. Reverse repurchases are entered into as a facility to provide funds to customers.

In thousands of BGN	Carrying amount of receivable	Fair value of assets held as collateral	Repurchase dates
Bulgarian government securities	16,787	17,223	2 January 2008
Bulgarian government securities	689	706	4 January 2008
Bulgarian government securities	380	378	7 January 2008
Bulgarian government securities	380	378	8 January 2008
Total	18,236	18,685	

26 Capital and reserves

(a) Share capital

As at 31 December 2007, the share capital of the Bank amounts to BGN 60,303 thousand (2006: 47,803 thousand), which comprise the authoried issued capital amounting to BGN 44,000 thousand and hyperinflatonary restatements amounting to BGN 16,303 thousand. The authorized share capital comprises 44,000,000 fully paid shares with a par value BGN 1.

The ownership structure of the registered ordinary share capital of the Bank is as follows:

Shareholder	2007 % of ownership	2006 % of ownership
Allianz Bulgaria Holding	79.836	79.76
Energy Insurance Company	9.997	9.999
ZPAD Allianz Bulgaria	9.997	9.999
Other	0.170	0.242
	100.000	100.000

(b) Retained earnings and reserves

As of 31 December 2007, the retained earnings and other reserves comprise retained earnings amounting to BGN 21,607 thousand (2006 – BGN 12,374 thousand), hyperinflatonary adjustments amounting to BGN (16,303) thousand (2006 – BGN(16,303) thousand), reserves from previous years amounting to BGN 198 thousand, as well as BGN 19,260 thousand net profit for the current period.

(c) Statutory reserves

Statutory reserves set aside in accordance with the requirements of the banking legislation as of 31 December 2007 amounted to BGN 9,652 thousand (2006: BGN 9,652 thousand).

(d) Revaluation reserve

The revaluation reserves include the revaluation reserve of available for sale assets.

27 Contingent liabilities

(a) Memorandum items

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

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

27 Contingent liabilities, continued

(a) Memorandum items, continued

In thousands of BGN	2007	2006
Bank guarantees and letters of credit		
- in Bulgarian Leva	38.048	29,093
- in foreign currencies	64.664	28,339
	102,712	57,432

These commitments and contingent liabilities have off balance-sheet credit risk because only fees and accruals for probable losses are recognized in the balance sheet until the commitments are fulfilled or expire. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows. At 31 December 2007 the extent of collateral held for guarantees and letters of credit is 100 percent.

(b) Other contingencies

CB "Allianz Bulgaria" AD is defending a lawsuit from a local commercial bank from November 2000. Claims for the same amount and on the same grounds have been also filed with the court against other commercial banks.

The claim against CB Allianz Bulgaria AD is for late transfer of amounts from the current accounts of a company, which had a payable to the commercial bank. The initial claim of the plaintiff amounts to USD 6,000 but the contingent liability might amount to USD 1,250 thousand although the management and legal advisors of the Bank consider the possibility of the lawsuit being successful for the plaintiff as remote. As the ultimate outcome of the matter cannot be reliably determined currently, no provision for any liability that may results has been made in the financial statements.

28 Assets pledged as securities

As at 31 December 2007 the Bank has pledged Government securities with nominal value BGN 23,610 thousand and market value BGN 19,960 thousand as security for borrowed funds from the State Budget, Government securities with nominal value BGN 10,000 thousand and market value - BGN 10,008 thousand as security for the second loan stock, issued by CB Allianz Bulgaria AD, Government securities with nominal value BGN 10,000 thousand as security for loan received by "Allianz leasing and services" AD from third party, and Government securities with nominal value BGN 10,100 thousand and market value BGN 9,761 thousand as security under bond loan, issued by Allianz Bulgaria Financiere.

29 Trust activities

The Bank provides trust services to the companies in the Allianz Bulgaria Group (the Group), whereby it holds and manages Bulgarian government securities at the direction of the Group. The Bank receives fee income for providing these services. Trust assets are not assets of the Bank and are not recognised in the Bank's balance sheet. The Bank is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

At 31 December 2007 the total assets' face value held by the Bank on behalf of the companies in the Allianz Bulgaria Group is BGN 90 million (2006: BGN 64 million).

30 Related party transactions

(a) Transactions and balances

Related party In thousands of BGN	Nature of the related party relationship	Type of transaction	Amount
Allianz Bulgaria Holding	Controls directly or indirectly the business of the bank	Demand accounts	301
		Deposits	1,221
		Interest expenses	452
		Fee and commission income	2
Allianz Bulgaria Insurance & Re-insurance company	Controls directly or indirectly the business of the bank	Demand accounts	3,242
		Deposits	30,211
		Subordinated term debt	2,445
		Interest expenses	864
		Fee and commission income	105
		Other expenses	255
		Other incomes	50
Energy Insurance company	Controls directly or indirectly the business of the bank	Demand accounts	377
		Deposits	13,722
		Subordinated term debt	14,669
		Interest expenses	451
		Fee and commission income	17
		Other expenses	41
Allianz Bulgaria Life Insurance company	Both parties are under the control of Allianz Bulgaria Holding	Demand accounts	2,334
		Deposits	25,549
		Subordinated term debt	7,335
		Interest expenses	1,243
		Fee and commission income	39
		Other expenses	164
		Other incomes	25
Allianz Bulgaria Pension Fund	Both parties are under the control of Allianz Bulgaria Holding	Demand accounts	4,528
		Deposits	5,230
		Interest expenses	281
		Fee and commission income	19
		Other expenses	27
		Other incomes	25
Bulgaria Net	Both parties are under the control of Allianz Bulgaria Holding	Demand accounts	583
		Interest expenses	1
		Fee and commission income	1
		Other incomes	35
		Other expenses	525
Allianz Bulgaria Financier	Both parties are under the control of Allianz Bulgaria Holding	Demand accounts	2,187
		Interest expenses	23
		Fee and commission incomes	71
Allianz Leasing and Servicies	Both parties are under the control of Allianz Bulgaria Holding	Demand accounts	84
		Trade loan	3.955
		Interest income	76
		Interest expenses	9
		Fee and commission incomes	1

30 Related party transactions

(b) Other related parties

In thousands of BGN

Related party	Type of transaction	Amount
Employees	Loans extended	6,757
Directors	Remuneration	740

31 Post balance sheet events

There are no events, subsequent to the balance sheet date, of such a nature that they would require additional disclosures or adjustments to the financial statements.

32 Applicable accounting standards

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 4	Insurance Contracts
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Cash Flow Statements
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date
IAS 11	Construction Contracts
IAS 12	Income Taxes
IAS 14	Segment Reporting
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 26	Accounting and Reporting by Retirement Benefit Plans
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INDEPENDENT AUDITOR'S REPORT
To the shareholders of Commercial Bank Allianz Bulgaria AD

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards, applicable in 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 misstatement, 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 ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from 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 the auditor's 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, the auditor considers 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 policies 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 audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of CB Allianz Bulgaria AD as at December 31, 2007, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, applicable in the European Union.

Report on Other Legal and Regulatory Requirements

Annual report ofthe activities ofthe Bank according to article 33 ofthe Accountancy Act As required under the Accountancy Act, we also report that the historical financial information prepared by Management and presented in the annual report of the activities of the Bank, as required under article 33 of the Accountancy Act, is consistent, in all material aspects with the financial infonnation disclosed in the ImlUlcial statements of the Bank as at and for the year ended 31 December 2007. Management is responsible for the preparation of the annual report of the activities of the Bank which was approved by the Management Board of the Bank on 25 January 2008.

Krassimir Hadjidinev
Authorized Representative

Margarita Goleva
Registered auditor

0202 Маргарита Голева
Регистриран одитор

Sofia, 26 January 2008
KPMG Bulgaria OOD
37 Fridtjof Nanssen Str.
1142 Sofia
Bulgaria

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

AUSTRIA
Bank Austria AG
BAWAG P.S.K.(formerly Bank Fuer Arbeit und Wirtschaft AG)
Bank Austria Creditanstalt AG
Raiffeisen Centrobank AG
Erste Bank der Oesterreichischen Sparkassen AG
Kaerntner Sparkasse AG
Raiffeisen Zentralbank Oesterreich AG

BELGUIM
Artesia BC S.A./N.V.
ING Belguim NV/SA (formerly Bank Brussels Lambert SA), Brussels
Deutsche Bank SA/NV Brussels, Belguim
Deutsche Bank AG
Fortis Banque S.A./N.V (formerly Generale de Banque S.A.), Brussels
Dexia Bank SA
KBC Bank NV

BULGARIA
Unicredit Bulbank AD, Sofia
Bulgarian-American Credit Bank
Emporiki Bank-Bulgaria EAD
Bulgarian National Bank
Bulgarian Post Bank
Economic and Investment Bank AD
CB MKB Unionbank LTD.
Central Cooperative Bank LTD.
Citibank N.A.
Tokuda Bank AD
D Commerce Bank AD
First Investment Bank LTD.
International Asset Bank AD
ING Bank N.V.
Investbank PLC
Corporate Commercial Bank LTD.
Encouragement Bank AD, Sofia
Piraeus Bank Bulgaria
Procredit Bank
DZI Bank
Raiffeisenbank (Bulgaria) EAD
Municipal Bank PLC
OTP DSK Bank (formerly State Savings Bank)
T.C. Ziraat Bankasi-Sofia Branch
Teximbank AD
SG Expressbank
United Bulgarian Bank
NLB West East Bank
Alpha Bank
BNP Paribas (Bulgaria) EAD, Sofia Branch

CHINA
Rizhao City Commercial Bank
Wenzhou City Commercial Bank

CROATIA
Raiffeisenbank Austria D.D. Zagreb
Zagrebacka Banka DD

CYPRUS
Barclays Bank PLC, International Banking Unit
Bank of Cyprus LTD.

CZECH REPUBLIC
Ceskoslovenska Obchodni Banka, A.S.
Komercni Banka A.S.

DENMARK
Danske Bank A/S, Copenhagen

ESTONIA
AS Hansapank

FINLAND
Skandinaviska Enskilda Banken, Helsinki
Nordea Bank Finland PLC
Sampo Bank PLC

FRANCE
BNP-Paribas SA (formerly Banque Nationale de Paris
Bank Polska Kasa Opieki S.A. Succursale De Paris

GERMANY
Anglo-Romanian Bank Limited, Zweigniederlassung, Frankfurt am Main
KBC Bank Deutschland AG
Berliner Bank, Niederlassung der Bankgesellschaft Berlin AG
Joh. Berenberg, Gossler Und Co.
BHF-Bank Aktiengesellschaft
J.P. Morgan AG
Commerzbank AG
Deutsche Bank AG
Dresdner Bank AG
DZ Bank AG Deutsche Zentral Genossenschaftsbank
HSH Nordbank AG(formerly Hamburgishe Landesbank-Girozental)
Bayerische Hypo-und Vereinsbank AG- Hypovereinsbank
ING Bank Deutschland AG
LHB Internationale Handelsbank AG
Yapi Ve Kredi Bankasi A.S.

GREECE
Black Sea Trade and Development Bank
Citibank International PLC-Greece Branch
Alpha Bank AE
EFG Eurobank Ergasias S.A.
National Bank of Greece S.A.

HUNGARY
Citibank N.A.
MKB Bank NYRT (formerly Magyar Kulkereskedelmi Bank RT.)

IRELAND
AIB Bank
Anglo Irish Bank Corporation PLC
Citibank N.A.

ISRAEL
Bank Leumi Le Israel B.M.

ITALY
Banca Delle Marche SPA
Banca Intesa SPA (formerly Intesabci-Banca Commerciale Italiana)
Banca Lombarda E Piemontese S.P.A.
Banca Nazionale Del Lavoro S.P.A.
Banca Popolare Dell'Emilia Romagna
Banca Popolare Friuladria SPA
Banca Di Cividale S.P.A.
Sanpaolo IMI S.P.A.
Banca Popolare Di Novara SPA
Unicredito Italiano SPA

JAPAN
The Bank of Tokyo-Mitsubishi LTD.

KOREA(REPUBLIC OF)
Woori Bank, Seoul

LATVIA
Parex Bank, Latvia

LITHUANIA
AB Sampo Bankas
Ukio Bankas

LUXEMBOURG
ING Luxembourg S.A.

MACEDONIA
Export and Credit Bank Inc.
Stopanska Banka AD Bitola
Stopanska Banka A.D.
Tutunska Banka AD
Universal Investment Bank AD Skopje (Unibank)

MALTA
FIM Bank PLC
HSBC Bank Malta P.L.C.

MEXICO
Banko Del Bajio, S.A.

MOLDOVA(REPUBLIC OF)
JSCB Eximbank

NETHERLANDS
ABN Amro Bank N.V.
Fortis Bank (Nederland) N.V.
Hollandsche Bank-Unie N.V.
ING Bank N.V

NORWAY
DNB NOR Bank ASA (formerly Den Norske Bank ASA)
Fokus Bank A/S, Trondheim

POLAND
BPH S.A.
Citibank N.A.
Bank Polska Kasa Opieki -Bank Pekao S.A.
Fortis Bank Polska S.A.

PORTUGAL
Banco Comercial Portugues
Banco Espirito Santo S.A.

ROMANIA
OTP Bank Romania S.A.
BRD-Groupe Societe Generale S.A.
Citibank N.A.
Romanian Commercial Bank
Raiffeisen Bank S.A.

RUSSIAN FEDERATION
Absolut Bank
Eurotrust CB ZAO
Rosevrobank JSCB
Dresdner Bank ZAO
Euraxis Bank Joint Stock Commercial Bank
The Bank of Moscow
Sberbank

SERBIA AND MONTENEGRO
A Banka A.D.

SLOVENIA
Gorenjska Banka D.D., Kranj
Nova Ljubljanska Banka D.D.
SKB Banka D.D.
Dezelna Banka Slovenje D.D.
43 List of Correspondent

SPAIN
Banco Bilbao Vizcaya Argentaria S.A.
Banco Cooperativo Espanol S.A.
Caixa D'Estalvis I Pensions De Barcelona (La Caixa)
Caixanova (Caixavigo,Ourense e Pontevedra)

Cajamar-Caja Rural Intermediterranea S.C.C.
Banco de Valencia S.A.

SWEDEN
Citibank N.A.
Skandinavska Enskilda Banken
Svenska Handelsbanken
Danske Bank A/S, Stockholm

SWITZERLAND
Credit Agricole (Suisse) SA
Neue Aargauer Bank
Banca del Gottardo
BNP Paribas (Suisse) SA
Bank Cial (Switzerland) LTD.
Citibank N.A.
Credit Suisse
Finansbank(Suisse) S.A.
UBS AG
UEB (Switzerland)
Zuercher Kantonalbank

TURKEY
Citibank N.A.
Turkiye IS Bankasi A.S.
KOC Bank A.S.
OYAK Bank A.S.
Turk Ekonomi Bankasi A.S.
Turkiye Garanti Bankasi A.S.

UKRAINE
Privatbank

UNITED ARAB EMIRATES
The Bank of Sharjah
UNITED KINGDOM
JPMorgan Chase Bank, N.A.
Citibank N.A.
Clydesdale Bank PLC
Travelex Global and Financial Services LTD.
Deutsche Bank AG
Bayerische Hypo und Vereinsbank
Lloyds TSB Bank PLC.
National Westminster Bank PLC
Royal Bank of Scotland PLC
Travelex PLC
Unicredito Italiano SPA-London Branch

UNITED STATES OF AMERICA
ABN AMRO Bank N.V.
American Express Bank LTD.
Deutsche Bank Trust Company Americas
Bank of America N.A.
Union Bank of California N.A.
JPMorgan Chase Bank N.A.
Citibank N.A.
Calyon
Fleet National Bank
Habib American Bank
Bank of New York
Wachovia Bank N.A.
Standard Chartered Bank
UBS AG

UZBEKISTAN(REPUBLIC OF)
PAKHTA Bank

List of Nostro Correspondent Accounts of Allianz Bulgaria

Currency	Bank	BIC	Account №
CHF	UBS AG, Zurich	UBSWCHZH80A	58067.05X
DKK	Danske Bank A/S, Copenhagen	DABADKKK	3996065197
NOK	Fokus Bank, Trondheim	DABANO22	86011803824
SEK	Danske Bank AS, Stockholm	DABASESX	12460103387
JPY	Dresdner Bank AG, Frankfurt/Main	DRESDEFF	499/08021715/00/732
EUR	Dresdner Bank AG, Frankfurt/Main	DRESDEFF	499/08021715/00/888
EUR	Commerzbank AG, Frankfurt/Main	COBADEFF	400 8719072 00
EUR	ING Belgium NV/SA, Brussels	BBRUBEBB010	301-0102528-80
EUR	Deutsche Bank AG, Frankfurt/Main	DEUTDEFF	10092331150000
EUR	Unicredito Italiano SPA , Milano	UNCRITMM	0099500002739
GBP	National Westminster Bank PLC, London	NWBKGB2L	440/00/04598415
USD	Citibank NA, New York	CITIUS33	36144313
USD	Wachovia Bank International Branch, New York	PNBPUS3NNYC	2000193001969
USD	American Express Bank LTD., New York	AEIBUS33	750299

Business and Financial Centres of CB Allianz Bulgaria AD

- Business centre of CB Allianz Bulgaria - BC
- Financial centre of CB Allianz Bulgaria - FC
- Small financial centre - SFC

8500 Aytos
FC Aytos
3, Svoboda Str.
Tel.: +359 558 2 20 33

1320 Bankya
FC Bankya
2-A, Tzar Simeon Str.
Tel. +359 2 997 72 01

3200 Byala Slatina
SFC Byala Slatina
73, Han Krum Str.
Tel.: +359 915 8 34 05

9600 Balchik
FC Balchik
29, Cherno more Str.
Tel.: +359 579 7 67 67

2670 Bobov Dol
SFC Bobov Dol
TEC Bobov dol
Tel.: +359 701 5 10 71

2700 Blagoevgrad BC
8, St. St. Cyril i Metodii Str.
Tel.: +359 73 889 46 18

2700 Blagoevgrad
FC Macedonia
33, T. Alexandrov Str.
Tel.: +359 73 871518

2140 Botevgrad BC
14, Osvobojdenie Sq.
Tel.: +359 723 69061

8000 Burgas BC
20, Geo Milev Str.
Tel.: +359 56 87 54 21

8000 Burgas
SFC Autocenter
Pobeda district, Southern Industrial Zone
Tel.: +359 56 84 57 34

8000 Burgas
SFC BSU
62, San Stefano Blvd.
Tel.: +359 56 81 32 70

8000 Burgas
SFC Okeanski ribolov
3,Industrialna Str.
Tel.: +359 56 84 25 07

8000 Burgas
FC Stefan Stambolov
52, Stefan Stambolov Blvd.
Tel.: +359 56 83 01 13

8000 Burgas
FC Slaveikov
Slaveikov district, bl. 1A
Tel.: +359 56 58 35 05

8000 Burgas
FC Meden Rudnik
Meden rudnik district
Zone A, BTC Building
Tel.: +359 56 851 680

6400 Dimitrovgrad BC
4-A, Kazintzbartzika Str.
Tel.: +359 391 604 56

9300 Dobrich BC
10, Bulgaria Str.
Tel.: +359 58 65 56 67

2600 Dupnitza BC
3, Hristo Botev Str.
Tel.: +359 701 59 830

5300 Gabrovo BC
18, Vasil Aprilov Str.
Tel.: +359 66 81 02 35

6280 Galabovo
FC Galabovo
St. Stambolov Str., bl. 1A
Tel.: +359 418 65 071

6151 Gorno Sahrane
SFC Gabrovnitza
Tel.: +359 431 66 180

2900 Gotse Delchev
FC Gotse Delchev
1, Kavala Str.
Tel.: +359 751 69471

5439 Gradnitza
SFC Vidima 2
Tel.: +359 673 62 03

6300 Haskovo BC
7, San Stefano Str.
Tel.: +359 38 60 32 52

9650 Kavarna
FC Kavarna
59, Bulgaria Str.
Tel.: +359 570 82 589

6100 Kazanlak BC
1,Y. Statelov Str.
Tel.: +359 431 68 760

6600 Kardjali BC
58, Bulgaria Blvd.
Tel.:+359 361 60 781

3321 Kozlodui
SFC Kozlodui
APP
Tel.: +359 973 8 68 64

9649 Kranevo
FC Kranevo
28, Cherno more Str.
Tel.: +359 579 6 60 71

7300 Kubrat
SFC Kubrat
8, Tzar Osvoboditel Str.
Tel.: +359 838 76 561

2500 Kyustendil BC
24, Bulgaria Blvd.
Tel.: +359 78 550 882

5500 Lovech BC
2A, Bulgaria Blvd.
Tel.: +359 68651256

3400 Montana BC
8, Stefan Karadja Str.
Tel.: +359 96 30 08 11

8900 Nova Zagora
FC Nova Zagora
40, V. Levski Str.
Tel.: +359 457 6 20 95

9900 Novi Pazar
FC Novi Pazar
4, Rakovski Str.
Tel.: +359 537 2 24 20

8230 Nesebar
FC Nesebar
1, Morska Str.
Tel.: +359 554 44 833

7900 Omurtag
FC Omurtag
1, 28th January Str.
Tel.: +359 605 40 08

4400 Pazardjik BC
5, Tzar Ivan Shishman Str.
Tel.: +359 34 40 39 51

2850 Petrich
FC Petrich
4, Vazrajdane Sq.
Tel.: +359 745 69 782

7800 Popovo
SFC Popovo
49, Bulgaria Blvd.
Tel.: +359 608 25 990

8200 Pomorie
SFC Pomorie
Balneohotel Pomorie
Tel.: +359 596 28 017

5800 Pleven BC
16, Tz.Tzerkovski Str.
Tel.: +359 64 89 07 62

5800 Pleven
SFC UMBAL D-r G. Stranski
8 A, Georgi Kochev Str.
Tel.: +359 64 88 64 10

5800 Pleven
FC Osvobojdenie
13, Danail Popov Str.
Tel.: +359 64 88 26 10

4000 Plovdiv
FC Ivan Vazov
11, Ivan Vazov Str.
Tel.: +359 32 64 68 00

4000 Plovdiv
FC Gladston
10, Gladston Str.
Tel.: +359 32 65 69 10

4000 Plovdiv
Prestij BC
1, Polkovnik Bonev Str.
Tel.: +359 32 90 52 81

4000 Plovdiv
FC Evmolpia
42, Petko D. Petkov Str.
Tel.: +359 32 60 78 50

4000 Plovdiv BC
11, Ivan Vazov Str.
Tel.: +359 32 64 68 05

4000 Plovdiv
FC Dunav
76, Dunav Str.
Tel.: +359 32 96 29 82

7200 Razgrad BC
18, Iskar Str.
Tel.: +359 84 69 04 11

7000 Russe BC
33, Alexandrovska Str.
Tel.: +359 82. 83 58 87

7000 Russe
FC Borisova
54, Borisova Str.
Tel.: +359 82 81 12 61

7000 Russe
FC Evas
14, Olimpi Panov Str.
Tel.: +359 82 83 45 25

7000 Russe
FC Drujba
Drujba 3, Building Romantica
Tel.: +359 82 86 17 39

7000 Russe
FC Yantra
7, Studentska Str.
Tel.: +359 82 84 38 95

8540 Ruen
SFC Ruen
18, Parvi mai Str.
Tel.: +359 5944 6230

6260 Radnevo
FC Radnevo
2, Mityo Stanev Str.
Tel.: +359 417 81180

2800 Sandanski
FC Sandanski
2, Bulgaria Sq.
Tel.: +359 746 34 401

5250 Svishtov
FC Svishtov
2, D. A. Tzenov Str.
Tel.: +359 631 60 486

5400 Sevlievo BC
5, Mara Belcheva Str.
Tel.: +359 675 39 690

6000 Silistra BC
8, Dobrudja Str.
Tel.: +359 86 82 38 21

8800 Sliven BC
25, Tzar Simeon Str.
Tel.: +359 44 62 23 33

4700 Smolyan BC
69, Bulgaria Blvd.
Tel.: +359 301 6 0784

1202 Sofia
Maria Louisa BC
79, Maria Louisa Blvd.
Tel.: +359 2 92 15 495

1164 Sofia
Journalist BC
45, Elin Pelin Str.
Tel.: +359 2 969 19 82

1463 Sofia
FC Christo Botev
6, Christo Botev Blvd.
Tel.: +359 2 851 90 07

1421 Sofia
Evropa BC
71, James Boucher Blvd.
Tel.: +359 2 969 17 15

1404 Sofia
FC Gotze Delchev
117, Gotze Delchev Blvd.
Tel.: +359 2 958 11 43

1172 Sofia
SFC Avtomobilno zastrahovane
2, Prof. Milko Bichev Str.
Tel.: +359 2 930 25 53

1680 Sofia
FC Bulgaria
60, Bulgaria Blvd.
Tel.: +359 2 958 94 30

1606 Sofia
FC Damyan Gruev
42, Damyan Gruev Str.
Tel.: +359 2 980 16 00

1113 Sofia
FC Universiada
21, Shipchenski prohod Blvd.
Tel.: +359 2 971 33 57

1336 Sofia
FC Lyulin
Building Troya, Lyulin District
Tel.:+359 2 81 01 264

1612 Sofia
BC Krasno selo
7, Gotze Delchev Blvd.
Tel.: +359 2 81 83 610

1715 Sofia
FC Business Park
Mladost 4, Business Park, bl. 4
Tel.: +359 2 489 95 77

1000 Sofia
FC Graf Ignatiev
45, Graf Ignatiev Str.
Tel.: +359 2 810 28 50

1408 Sofia
FC Vitosha
115-117, Vitosha Blvd.
Tel.: +359 2 915 48 74

1309 Sofia
FC Tzar Simeon
Tzar Simeon Str., bl. 311
Tel.: +359 2 81 26 990

1000 Sofia
FC Mladejki Teatar
8-10, Dondukov Blvd.
Tel.: +359 2 81 17 200

1330 Sofia
Krasna Polyana BC
Pchinya Str., bl. 31
Tel.: +359 2 81 29 601

1000 Sofia
SFC NDK
1, Bulgaria Sq
Tel.: +359 2 981 61 27

1712 Sofia
FC Mladost
Mladost 3 District, bl. 301
Tel.: +359 2 9753478

1202 Sofia
FC Klokotnitsa
134, Hristo Botev Blvd.
Tel.: +359 2 8321107

1618 Sofia
FC Pavlovo
5, A. Pushkin Str.
Tel.: +359 2 9559051

1113 Sofia
Pliska BC
14, Tsarigradsko shosse Blvd.
Tel.: +359 2 80 76 900

8130 Sozopol
FC Sozopol
1, Parvi mai Str.
Tel.: +359 550 2 20 91

6000 Stara Zagora BC
121, Gen. Stoletov Str.
Tel.: +359 42 60 19 66

6000 Stara Zagora
FC Tzar Simeon Veliki
60, Tzar Simeon Veliki Str.
Tel.: +359 42 610 883

6000 Stara Zagora 2 BC
83, Patriarh Evtimii Blvd.
Tel.: +359 42 693656

6000 Stara Zagora
FC Jeleznik
25 Mladost Str.
Tel.: + 359 42 615 500

8240 Slantchev Briag
SFC Slantchev Briag
Office Center Elit Tour-Neck-erman
Tel.: +359 554 2 88 40

9700 Shumen BC
18, Hristo Botev Str.
Tel.: +359 54 85 08 71

8256 Sveti Vlas
SFC SV.Vlas
Marina Dinevi
Tel.: +359 554 64 036

7700 Targovishte BC
32, Vassil Levski Str.
Tel.: +359 601 61 618

5600 Troyan BC
3, Vassil Levski Str.
Tel.: +359 670 6 88 11

9000 Varna BC
10, Preslav Str.
Tel.: +359 52 68 93 00

9000 Varna
FC Osmi Primorski Polk
84, Osmi Primorski Polk Blvd.
Tel.: +359 52 689 385

9000 Varna
FC Center
9, Maria Louisa Blvd.
Tel.: +359 52 68 93 99

9000 Varna
SFC VSU
Chayka resort
Tel.: +359 52 35 70 69

9000 Varna
FC Chayka
Chayka district, bl.180
Tel.: +359 52 30 09 77

9000 Varna
Vladislav BC
68, Bratia Miladinovi Str.
Tel.: +359 52 66 8700

9000 Varna
FC Bulyard
South Idustrial Zone
Tel.: +359 52 680645

9000 Varna
FC Vladislav
106, Vl. Varnenchik Blvd.
Tel.: +359 52 68 93 60

9000 Varna
FC General Kolev
85, General Kolev Blvd.
Tel.: +359 52 38 37 20

9000 Varna
FC Tsar Osvoboditel
263, Tsar Osvoboditel Str.
Tel.: +359 52 73 03 52

9000 Varna 3 BC
69, Vasil Drumev Str.
Tel.: +359 52 720360

9000 Varna
FC Pirot
20, Pirot Str.
Tel.: +359 52 69 91 97

9000 Varna
FC Benkovski
16, Benkovski Str.
Tel.: +359 52 664 540

9000 Varna
ARM Bulgarski poshti
42, Saborni Str.
Tel.: + 359 52 600 486

5000 Veliko Tarnovo BC
2, Marno Pole Str.
Tel.: +359 62 61 80 14

5000 Veliko Tarnovo
SFC VTU "St. St. Cyril and Metodi
2, Center Sq. Building 5
Tel.: +359 62 601 173

3700 Vidin BC
8, Bdin Str.
Tel.: +359 94 60 11 22

3000 Vratza BC
10, Lukashov Str.
Tel.: +359 92 68 78 64

8600 Yambol BC
1A, Rakovski Str.
Tel.: +359 46 662 153