Allianz Bank Bulgaria AD

Annual Report 2008

BOARD OF MANAGEMENT

Dimitar Zhelev
Chairman

Svetoslav Gavriiski
Chief Executive Officer

Galia Dimitrova
Executive Director

Dorcho Ilchev
Executive Director

Christo Babbev

SUPERVISORY BOARD

Maxim Sirakov
Chairman

Emil Gavrilov

Radka Rassina

Georgy Momchilov

Temenuga Nenova

Overview

Dear Ladies and Gentlemen,

2008 was successful and beneficial year for the Bulgarian banking market which is one of the fastest developing sectors of the national economy. Considerable part of the year was marked by significant growth of most macroeconomic indicators. We witnessed increasing incomes of households and companies, steady inflow of foreign investments and positive dynamics in the field of construction. This favorable development was broken by the global financial crisis that started in mid September 2008. It had negative impact on the Bulgarian banking business, which faced deposits outflow and loan portfolio quality worsening.

In 2008 Allianz Bank Bulgaria achieved very good financial results. The bank strengthened again its position as a trustworthy institution offering a wide range of financial services. It reported stable growths in business volume and revenues.

In the middle of Y2009 Fitch Ratings has affirmed the bank's rating at Long-term Issuer Default (IDR) "BBB+", Short-term IDR "F2". Allianz Bank Bulgaria' IDRs and support rating "2" are based on the high likelihood of support from its parent, Allianz SE. It also reflects adequate capitalization, limited refinancing and market risk, and a sound liquidity position.

Our goals

Allianz Bank Bulgaria will continue to be a strong and steady partner in the field of financial intermediation, quickly adapting itself to the new market reality. The Bank shall focus again on bancassurance, aiming to turn the institution to a powerful distribution channel for large range of financial products. Keeping the achieved market position in retail and corporate segments will be another important priority for the Bank, carrying out reasonable, low risk policy. The bank will finance its activities by offering various deposit products and using the possibilities of refinance that many programs concerning SME and Energy Efficiency may give. Further development of projects related to risk measurement, as well as centralized loan approval, strictly observing the internal rules, procedures and limits, are the essential part of bank's strategy, aiming to keep its loan portfolio quality above the market average.

Our customers

The 'Allianz' brand, which is highly reputable all over the world, is a great responsibility for us, especially with regard to customers' satisfaction and best servicing. Being led by this understanding, we provide to clients a wide range of integrated financial products and services, which are highly demanded and competitive. Customers are choosing Allianz Bank Bulgaria because of the individual approach and modern services it provides.

For the last few years the retail segment has become a priority for the Bank. At the end of 2008 the amount of deposits from individuals went up by 18.5% and the total loans granted to retail clients grew with 47.3% yoy. For the same period the resource attracted from companies increased barely with 1.0% while the corporative loans annual growth rate was 40.2%.

New products and services

The strong competition in the retail segment led to a wide variety of attractive products which influenced our product portfolio as well. The Bank introduced successfully two new savings products called respectively "Savings card" and deposit "Bonus 13". In order to make them popular, the Bank organized interesting advertising campaigns through the various communication media channels. Similarly, the sales of many fixed term deposits have been supported by attractive promotions and marketing events. In order to meet the changes in market environment and the increased credit risk, the bank initiated a number of restrictions related to retail loans collateralization and clients' solvency.

Allianz Bank Bulgaria is the first institution for the time being which has accomplished a full technological integration and successfully completed tests with the new payment operator in the country – "System for Electronic Payments Bulgaria" AD. Thus the bank will be able to develop numerous electronic channels for distribution of payment services.

At the end of 2008 the bank signed an agreement with the Bulgarian Development Bank for BGN 20 mio. In 2008 the bank had also developed new credit products designed for agricultural producers and traders of grain crops. These kinds of credits are secured with pledge of future grants inflow from EU funds. In July 2008 a loan for agricultural equipment purchasing has been offered to customers, connected with one of the operative EU programs – "Farming Modernization".

Sustainable and profitable growth

For 2008 Allianz Bank Bulgaria reported steady growth of assets, stable net revenues and good fulfillment of all planned objectives. As of December 31, 2008 the bank held 2.34% of the total assets in the Bulgarian banking system. Reaching BGN 1 627.8 million the bank's assets market growth of 11.1% yoy, which is completely comparable with the average growth rate of its main competitors. The loan portfolio amounts to BGN 1 039.3 million, growing with 43.8% yoy, observing conservative internal rules. Total clients' deposits amounted to BGN 1 362.5 million, which is 8.7% growth yoy.

Profitability

Allianz Bank Bulgaria demonstrated its ability to face market challenges, in spite of deteriorating market conjuncture. The bank reported profit after tax of BGN 20.849 million, which is with 8.2% higher compared to the previous year. That guarantees a return on equity (ROE) of 14.97%.

As at the end of 2008 the net interest income reached BGN 50.2 million, increasing by 29.2% compared to the same period a year ago. The net fee & commission income grew by 27.2% yoy and reached BGN 14.9 million. The total income from banking operations grew by 27.0%, amounting to BGN 71.0 million.

Business centers network

In order to reinforce the sales Allianz Bank Bulgaria continued to enlarge its business unit structure. As a result it established three new business centers – one in Stara Zagora, another one in Gorna Oryahovica and Business Center "Ivan Vazov" in Sofia. Also it founded 11 new smaller sales points with a purpose to gain market share and to popularize our brand "Allianz" across the country.

In order to achieve the optimum sales structure, several sales points were closed. Thus at the end of 2008, the business centers count 44; the financial centers are 57 and the smallest units within banking network structure are 24.

For the year 2008 the bank reported Cost/Income ratio of 63.5%, result from significantly widened business network and the investments in the field of information technologies.

In 2008 Allianz Bank Bulgaria, in compliance with all EU requirements, built successfully a Backup Technical Center for data recovery in case of any emergency with the mainframe center. It completely guarantees the incessancy of business process in the bank.

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 the Allianz Bank Bulgaria for their personal efforts and commitment.

Board of Management

Allianz Bank Bulgaria AD

Financial Statements
For the year ended 31 December 2008
with independent auditor's report thereon

Income statement
For the year ended 31 December 2008

In thousands of BGN	Note	2008	2007
Interest and similar income	8	102,314	73,508
Interest expense and similar charges	8	(52,112)	(34,662)
Net interest income	8	50,202	38,846
Fee and commission income		16,108	12,654
Fee and commission expense		(1,248)	(973)
Net fee and commission income	9	14,860	11,681
Net trading income	10	5,915	5,877
Total income from banking operations		70,977	56,404
Impairment (losses)	18	(3,478)	(3,099)
Personnel expenses		(18,383)	(14,261)
Operating lease expenses		(4,223)	(2,903)
Depreciation and amortisation	19, 20	(4,204)	(3,200)
Other expenses	11	(18,273)	(12,754)
Other income, net	12	704	949
Profit before tax		23,120	21,136
Income tax expense	13	(2,271)	(1,876)
Profit after tax		20,849	19,260

The income statement is to be read in conjunction with the accompanying notes 1 to 35, which are an integral part of these financ ial statements.

Svetoslav Gavriiski
Chief Executive Director

Galja Dimitrova
Executive Director

KPMG Bulgaria OOD

Krassimir Hadjidinev
Registered Auditor,
Authorized Representative

Margarita Goleva
Registered Auditor

Balance sheet
As at 31 December 2008

In thousands of BGN	Note	2008	2007
Assets			
Cash and cash equivalents	14	222,008	354,096
Financial assets held for trading	15	19,737	28,603
Investments	16	159,175	153,170
Loans and advances to banks and other financial institutions	17	145,661	170,020
Loans and advances to customers	18	1,039,302	722,969
Property and equipment	19	19,039	20,862
Intangible assets	20	7,262	2,531
Other assets	22	15,609	12,060
Deferred tax assets	21	3	245
Total assets		1,627,796	1,464,556
Liabilities			
Deposits from banks	23	10,002	-
Deposits from other customers	24	1,362,510	1,253,271
Other borrowings	25	109,393	107,391
Other liabilities	26	6,644	10,247
Total liabilities		1,488,549	1,370,909
Shareholders' equity			
Issued share capital	28	85,303	60,303
Reserves	28	53,944	33,344
Total shareholders' equity		139,247	93,647
		1,464,556	
Total liabilities and shareholders' equity		1,627,796	1,464,556

The balance sheet is to be read in conjunction with the accompanying notes 1 to 35, which are an integral part of these financial statements.

The financial statements were approved by the Executive Directors on 25 January 2009.

Svetoslav Gavriiski
Chief Executive Director

Galja Dimitrova
Executive Director

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Registered Auditor,
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Registered Auditor

Statement of cash flows

For the year ended 31 December 2008

In thousands of BGN	Note	2008	2007
Cash flows from operating activities			
Profit for the period		20,849	19,260
Adjustments for non-cash items			
Increase in impairment allowances	18	3,478	3,099
Depreciation and amortization	19, 20	4,204	3,200
Loss/(Profit) on disposal of fixed assets		12	-
Tax expense	13	2,271	1,876
		30,814	27,435
Change in operating assets and liabilities			
Decrease in financial instruments held for trading		8,866	5,429
(Increase)/decrease in loans and advances to banks		24,359	(59,776)
(Increase) in loans to customers		(319,811)	(319,582)
(Increase) in other assets		(3,549)	(8,691)
(Decrease)/increase in deposits from banks		10,002	(6,996)
Increase in deposits from other customers		109,239	468,097
Increase in other borrowings		2,002	446
(Decrease)/increase of other liabilities		(3,454)	6,115
Tax paid		(2,150)	(1,145)
Net cash flow from operating activities		(143,682)	111,332
Cash flows from investing activities			
Acquisition of property, plant and equipment, net		(723)	(10,138)
Acquisition of intangible assets, net		(6,401)	(967)
Acquisition of investments, net		(6,282)	(18,505)
Net cash flows from investing activities		(13,406)	(29,610)
Cash flows from financing activity			
Proceeds from issue of share capital		25,000	12,500
Increase in subordinated liabilities		-	20,135
Net cash flows from financing activity		25,000	32,635
Net increase/(decrease) in cash and cash equivalents		(132,088)	114,357
Cash and cash equivalents at the beginning of period	14	354,096	239,739
Cash and cash equivalents at the end of period	14	222,008	354,096

The statement of cash flows is to be read in conjunction with the accompanying notes 1 to 35, which are an integral part of these financial statements.

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Statement of changes in equity

For the year ended 31 December 2008

In thousands of BGN	Share capital	Statutory Reserve	Retained earnings and other reserves	Revaluation Reserve	Total
Balance at 1 January 2007	47,803	9,652	5,502	(129)	62,828
Increase in share capital	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)
Transfer of the statutory reserve	-	198	(198)	-	-
Balance at 31 December 2007	60,303	9,850	24,564	(1,070)	93,647
Increase in share capital	25,000	-	-	-	25,000
Net profit for the year	-	-	20,849	-	20,849
Revaluation of available-for-sale investments, net of deffered tax	-	-	-	(249)	(249)
Balance at 31 December 2008	85,303	9,850	45,413	(1,319)	139,247

The statement of changes in equity is to be read in conjunction with the accompanying notes 1 to 35, which are an integral part of these financial statements.

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1 Statute

Allianz Bank 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.

2 Basis of preparation

(a) Applicable standards

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), prepared by the International Accounting Standards Board (IASB), and adopted by the European Union Commission. The list of applicable standards is disclosed in Note 35. Where necessary the comparative information is reclassified in a way to be in compliance with the changes that occurred within the particular year.

(b) Basis of measurement

The financial statements are prepared on a historical cost basis, except for the derivative financial instruments, financial assets and liabilities for trading and assets available for sale, which are presented at fair value. The recognized hedged assets and liabilities are presented at fair value in terms of the hedged risk.

(c) Functional and presentation currency

These financial statements are presented in Bulgarian Lev (BGN), which is the Bank's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3 Significant accounting policies

(a) Income and expenses recognition

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The effective interest rate is calculated at the initial recognition of the financial assets or liability and it is not subsequently amended.

The calculation of the effective interest rate includes all fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

The interest income and expense, presented in the income statement include:

- interest on financial assets and liabilities at amortised cost calculated on an effective interest basis
- interest on investments available for sale calculated on an effective interest basis

(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) Fees and commissions

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees and cash transfers, guaranties and letters of credits are recognised as the related services are performed.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(d) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences. Net trading income include foreign exchange differences and dividend income from available for sale investments.

(e) Financial assets and liabilities

(i) Recognition

The Bank initially recognises trading and investment assets, loans and advances, financial liabilities at amortised cost on settlement date. All other financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument. From this date any gains and losses arising from changes in fair value of the assets are recognized.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

See accounting policies 3 (e), (f), (g) and (h).

(iii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions.

In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers in which control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised in its entirety if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

(iv) Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank and counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Bank believes a third-party market participant would take them into account in pricing a transaction.

(vii) Identification and measurement of impairment

At each balance sheet date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The bank considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics. In assessing collective impairment the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised directly in equity to profit or loss. The cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity.

(f) 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

(g) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the balance sheet with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition, except as described below.

Change in accounting policy

In October 2008 the IASB issued Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures). The amendment to IAS 39 permits an entity to reclassify non-derivative financial assets, other than those designated at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss (i.e., trading) category if they are no longer held for the purpose of being sold or repurchased in the near term, as follows:

- If the financial asset would have met the definition of loans and receivables, if the financial asset had not been required to be classified as held for trading at initial recognition, then it may be reclassified if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- If the financial asset would not have met the definition of loans and receivables, then it may be reclassified out of the trading category only in 'rare circumstances'.

The amendment to IFRS 7 introduces additional disclosure requirements if an entity has reclassified financial assets in accordance with the amendment to IAS 39. The amendments are effective retrospectively from 1 July 2008.

Pursuant to these amendments, the Bank reclassified certain non-derivative financial assets out of trading assets and into loans and advances to customers and available-for-sale investment securities. For details on the impact of these reclassifications, see note 15.

(h) Derivatives

Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a "host contract"). The Bank accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. Separated embedded derivatives are accounted for depending on their classification, and are presented in the balance sheet together with the host contract.

(i) Loans and advances to banks and customers

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. They include loans and advances to banks and customers differing from those loans purchased by the Bank at their issuance.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo" or "stock borrowing"), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(j) Investment securities

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

(i) Held-to-maturity

Held-to-maturity investments are assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years.

(ii) Available-for-sale

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised directly in equity until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in equity are recognised in profit or loss.

(k) Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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:

Assets	%
Buildings	4
Equipment,	20-30
Computers	20-50
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) Deposits, debt securities issued and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are the Bank's sources of debt funding.

When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date ("repo" or "stock lending"), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Deposits, debt securities issued and subordinated liabilities are initially measured at fair value plus directly attributable transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(n) Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

(o) 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.

(p) 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.

(q) Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing products or services in the field of investment banking, corporate banking or retail banking.

(o) Application of published International Financial Reporting Standards that are not yet effective and might be relevant to the Bank's activities

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these financial statements:

- Amendment to IFRS 2 *Share-based Payment – vesting and termination conditions* (effective 1 January 2009). The amendments to the Standard clarify the definition of vesting conditions and introduce the concept of non-vesting conditions. Non-vesting conditions are to be reflected in grant-date fair value and failure to meet non-vesting conditions will generally result in treatment as a cancellation. The amendments to IFRS 2 will be effective for financial statements for 2009 and will be adopted retrospectively. Management considers that the amendments to the Standard will not have any impact on the Bank as the Bank does not have any share-based compensation plans.
- IFRS 8 Operating Segments (effective 1 January 2009). The Standard introduces the "management approach" to segment reporting and requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the Group's Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance. The Standard will have no effect on the profit or loss or equity and the management expects the new Standard not to alter significantly the presentation and disclosure of its operating segments in the financial statements.
- Revised IAS 1 Presentation of Financial Statements (effective from 1 January 2009). The revised Standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income (effectively combining the income statement and all non-owner changes in equity in a single statement), or in two separate statements (a separate income statement followed by a statement of comprehensive income).

The Bank is currently evaluating whether to present a single statement of comprehensive income, or two separate statements.

- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalize 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 Company's 2009 financial statements and will constitute a change in accounting policy for the Company. In accordance with the transitional provisions the Company will apply the revised IAS 23 to qualifying assets for which capitalization of borrowing costs commences on or after the effective date.
- IFRIC 13 Customer Loyalty Programs addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programs for their customers. It relates to customer loyalty programs under which the customer can redeem credits for awards such as free or discounted goods or services. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations. IFRIC 13, which becomes mandatory for the Bank's 2009 financial statements, is not expected to have significant impact on the financial statements.

Management believes that it is appropriate to disclose that the following revised standards, new interpretations and amendments to current standards, which are included under the accounting IFRS framework as approved by the International Accounting Standards Board (IASB), but are not yet endorsed for adoption by the European commission, and therefore are not taken into account in preparing these financial statements:

- 35 Improvements to 24 IFRSs and IASs (2008)
- Revised IFRS 3 Business Combinations (2008)
- Revised IFRS 1 First-time adoption of IFRS
- Amendments to IFRS 1 and IAS 27 related to Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate
- Amendments to IAS 32 and IAS 1 related to Puttable financial instruments and obligations arising on liquidation
- Amendments to IAS 39 related to Eligible hedged items; effective date and transition
- IFRIC 12 Service Concession Arrangements
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets to Owners.

As at the date of preparation of these financial statements, management have not completed the process of evaluating the impact that will result from adopting these revised standards, new interpretations and amendments to current standards in future, once they are endorsed by the European commission for adoption by the European Union.

4 Financial risk management disclosures

(a) Introduction

Allianz Bank Bulgaria is exposed to the following risk from its use of financial instruments:

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

The Bank operates in the condition of a dynamically developing global financial and economic crisis. Its further development might result in negative implications on the financial and liquidity position of the Bank.

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

Allianz Bank 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 and Project Financing Department, Sales Management Department, Retail Banking Department, Sales and Products 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, after statement of valuation by Monitoring Department from Credit Risk and Monitoring Division.
- 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).

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, art. 8-11) 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.

Credit risk exposure

In thousands of BGN	Note	2008	2007
Cash and cash equivalents	14	222,008	354,096
Financial assets held for trading	15	19,737	28,603
Loans and advances to banks and other financial institutions	17	145,661	170,020
Investments	16	159,175	153,170
Loans and advances to customers			
Individually impaired			
Watch		5,734	2,723
Substandard		1,699	1,531
Non-performing		9,441	4,806
Gross amount		16,874	9,060
Allowance for impairment		(8,006)	(4,543)
Carrying amount		8,868	4,517
Collectively impaired			
Loans and advances to Corporate Clients		113,716	95,571
Loans and advances to Individuals		93,685	263,039
Gross amount		207,401	358,610
Allowance for impairment		(3,883)	(3,899)
Carrying amount		203,518	354,711
Not impaired			
Carrying amount		826,916	363,741
Includes accounts with renegotiated terms		-	-
Includes past due up to 30 days		-	32,108
Total carrying amount of loans and advances to customers	18	1,039,302	722,969
Off-balance commitments			
Unused overdrafts and credit lines		121,206	97,994
Bank guarantees and Letters of credit	29	127,931	102,712
Total off balance committments		249,137	200,706

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, collectively impaired loans

Loans and securities, which are collectively impaired, where contractual interest or principal payments are past due but the Bank believes that individual 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 twelve 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 3 (e).

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 2008		
Watch	5,734	5,381
Substandard	1,699	1,281
Non-performing	9,441	2,206
Total	16,874	8,868
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

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

In thousands of BGN	2008	2007
Manufacturing	84,307	34,506
Trade and services	299,050	219,486
Transport and communications	37,189	35,786
Construction	52,212	53,199
Agriculture and forestry	40,374	23,065
Retail loans	538,059	365,369
Less impairment allowances	(11,889)	(8,442)
	1,039,302	722,969

The Allianz Bank 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. In the risk taking process the bank require the collateral to be secured from the moment of acceptance until the end of the risk exposure or realization of the collateral.

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	2008	2007
Cash and cash equivalents	42,722	23,648
Secured by mortgages	494,667	297,558
Other collateral	501,913	401,763
	1,039,302	722,969

Other collateral includes pledge on current assets and promissory notes.

The Bank held trading assets, including derivative assets held for risk management purposes but excluding equity securities, of BGN 19,659 thousand at 31 December 2008 (2007: BGN 28,192 thousand).

An analysis of the credit quality of the maximum credit exposure, based on rating agencies Fitch, S&P or Moody's ratings, is as follows:

In thousands of BGN	2008	2007
Governments bonds		
Rating BBB- to BBB+	14,065	20,059
Corporate bonds,		
Rating AAA	1,041	-
Rating A- to A+	1,496	2,302
Rating BBB- to BBB+	1,521	1,500
Without rating	1,535	3,708
Asset backed securities		
Rating B- to BB+	-	608
Derivatives		
Corporate counterparty	-	15
	19,659	28,192

(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 "Allianz Bank 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:

	2008	2007
As at 31 December	31.66%	43.48%
Average for the period	39.26%	40.85%
Maximum for the period	46.09%	46.09%
Minimum for the period	26.32%	29.16%

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	Carrying amount	Gross nominal cash inflow / (outflow)	Up to 1 Month
31 December 2008			
Deposits from banks	10,002	(10,002)	(10,002)
Deposits from other customers	1,362,510	(1,391,333)	(425,411)
Bonds issued	68,745	(73,033)	-
Subordinated term debt	26,642	(33,687)	-
Other borrowings	14,006	(15,944)	-
	1,481,905	(1,523,999)	(435,413)
Unrecognised loan commitments	121,206	(121,206)	(5,573)
	1,603,111	(1,645,205)	(440,986)
31 December 2007			
Deposits from other customers	1,253,271	(1,285,013)	(682,395)
Bonds issued	68,698	(78,142)	-
Subordinated term debt	25,053	(33,896)	-
Other borrowings	13,640	(14,296)	-
	1,360,662	(1,411,347)	(682,395)
Unrecognised loan commitmen ts	97,994	(97,994)	(586)
	1,458,656	(1,509,341)	(682,981)

From 1 to 3 Months	From 3 months to 1 year	From 1 to 5 Years	More than 5 years
			-
(214,496)	(551,839)	(198,171)	(1,416)
-	(32,482)	(40,551)	-
-	-	(33,687)	-
-	(730)	(14,858)	(356)
(214,496)	(585,051)	(287,267)	(1,772)
(5,585)	(36,728)	(73,320)	-
(220,081)	(621,779)	(360,587)	(1,772)
(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)

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 2008

	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year
Assets			
Cash and cash equivalents	210,617	11,391	-
Financial assets held for trading	19,737	-	-
Investments	1,707	3,532	22,301
Loans and advances to banks and other financial institutions	144,771	-	890
Loans and advances to customers	8,687	31,021	117,591
Property and equipment	-	-	-
Intangible assets		-	-
Other assets	15,609	-	-
Deferred tax assets	-	-	-
Total assets	401,128	45,944	140,782
Liabilities			
Deposits from banks	10,002	-	-
Deposits from other customers	424,160	212,614	532,972
Other borrowings	-	-	30,341
Other liabilities	6,644	-	-
Total liabilities	440,806	212,614	563,313
Positive/(negative) maturity mismatch	(39,678)	(166,670)	(422,531)

From 1 to 5 Years	More than 5 years	Maturity not defined	Total
-	-	-	222,008
-	-	-	19,737
78,058	53,143	434	159,175
-	-	-	145,661
469,236	412,767	-	1,039,302
-	-	19,039	19,039
-	-	7,262	7,262
-	-	-	15,609
-	-	3	3
547,294	465,910	26,738	1,627,796
	-	-	10,002
191,396	1,368	-	1,362,510
78,734	318	-	109,393
-	-	-	6,644
270,130	1,686	-	1,488,549
277,164	464,224	26,738	139,247

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 instituions	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			
Deposits from other customers	379,743	97,301	607,715
Other borrowings	-	-	1,980
Other liablities	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

(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

Allianz Bank 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 rep orts 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 2008 and during the period is as follows:

In thousands of BGN	As at 31.12	Average	Maximum	Minimum
Financial instruments held for trading				
2008				
Currency risk	116.19	85.31	129.61	67.14
Interest rate risk	68.82	68.34	118.27	53.61
Other price risk	10.62	43.13	60.13	10.62
Correlation	(64.82)	(80.91)	(156.45)	(40.54)
Total	130.82	115.87	151.56	90.83

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

A summary of the 10-days VaR positions of the Bank's trading portfolios at 31 December 2008 and during the period is as follows:

Interest rate risk

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities the Bank is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as the savings rate and six months LIBOR and different types of interest. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Allianz Bank 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
2008				
Total assets	449.953	920,079	257,764	1,627,796
Total liabilities	-	1,471,241	17,308	1,488,549
Gap	449,953	(551,162)	240,456	139,247
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)	204,916	(93,647)

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
2008		
As at 31 December	(575)	575
Average for the period	700	(700)
2007		
As at 31 December	(1,113)	1,113
Average for the period	(1,404)	1,404

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:

						2008
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	50,302	106,045	62,517	558	2,586	222,008
Financial assets held for trading	9,311	8,227	2,199	-	-	19,737
Investments	100,344	43,384	15,447	-	-	159,175
Loans and advances to banks and other financial institutions	1,286	126,684	17,691	-	-	145,661
Loans and advances to customers	448,641	573,497	16,916	248	-	1,039,302
Property and equipment	19,039	-	-	-	-	19,039
Intangible assets	7,262	-	-	-	-	7,262
Other assets	15,266	294	42	1	6	15,609
Deferred tax assets	3	-	-	-	-	3
Total assets	651,454	858,131	114,812	807	2,592	1,627,796
Liabilities						
Deposits from banks	10,002	-	-	-	-	10,002
Deposits from other customers	501,995	743,106	115,043	429	1,937	1,362,510
Other borrowings	14,178	95,215	-	-	-	109,393
Other liabilities	5,027	1,490	103	-	24	6,644
Total liabilities	531,202	839,811	115,146	429	1,961	1,488,549
Net position	120,252	18,320	(334)	378	631	139,247

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.

In thousands of BGN	BGN	EUR in BGN equivalent	USD in BGN equivalent	CHF in BGN equivalent	Other in BGN equivalent	Total
						2007
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						
Deposits from 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

(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, including legal 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 2008 the Bank has fulfilled these statutory requirements, as follows:

In thousands of BGN	2008
Equity (capital base)	128,738
Authorized fully paid shares	69,000
Reserves	50,716
Total share capital and reserves	119,716
Reductions from the equity	
Revaluation reserves included in Tier – one capital	(1,318)
Intangible assets	(7,262)
	(8,580)
Tier – one capital	111,136
Subordinated term debt	17,602
Tier – two capital	17,602
Total own funds (capital base)	128,738

	2008
Capital requirements	
Capital requirements for credit risk, counterparty risk, dilution risk and settlement risk	
Central Governments and Central Banks	615
Regional Governments or local authorities	201
Institutions	1,516
Corporates	39,824
Retail	6,707
Exposures secured on real estate property	22,135
Short-term exposures to institutions and corporates	1,762
Other exposures	3,479
Total capital requirements for credit risk, counterparty risk and settlement risk	76,239
Total capital requirements for foreign exchange risk and commodity risk	364
Capital requirements for operational risk	5,625
Additional capital requirements imposed by BNB	41,114
Total capital requirements	123,342
Free equity (own funds)	
Total capital adequacy ratio (%)	5.396
Tier I ratio (%)	12.52%
	10.81%

As of December 31, 2008, 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 31.12.2008 the amount of this particular subordinated loan agreement is amortised by 60%.
- EUR 5,000 thousand for six years, starting from 30.09.2007. As at 31.12.2008 the amount of this particular subordinated loan agreement is amortised by 20%.
- EUR 5,000 thousand for six year, starting from 21.12.2007. As at 31.12.2008 the amount of this particular subordinated loan agreement is amortised by 20%.

The total risk component of the balance and off-balance sheets positions of the Bank amounts to BGN 1,028 thousand. With the inclusion of the audited annual profit for 2008 (amounting to BGN 20.849 thousand) the capital adequacy would reach 14.55%.

5 Use of estimates and judgements

Management discusses with the Bank's Audit Committee the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management.

Key sources of estimation uncertainty

Allowances for credit losses

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

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is 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 a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances and held-to-maturity investment securities with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired loans and advances and held-to-maturity investment securities, but the individual impaired items cannot yet be identified. In assessing the need for collective loss allowances, management considers factors such as credit quality, 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 the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3(e)(vi). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. See also "Valuation of financial instruments" below.

Critical accounting judgements in applying the Bank's accounting policies

Critical accounting judgements made in applying the Bank's accounting policies include:

Valuation of financial instruments

The Bank's accounting policy on fair value measurements is discussed under note 3(e)(vi).

The Bank measures fair values using the following hierarchy of methods:

- Quoted market price in an active market for an identical instrument.

Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Fair values of financial assets and financial liabilities that are traded on active markets are based on "BID" market prices for the respective day, quoted by International Security Market Association (ISMA) on market closing ("ISMA closing") published by Reuters or quoted BID prices published by Bloomberg or other independent market information provider. The valuation of government bonds issued in BGN is made using BGN theoretical interest curve based on BID and Offer quotations, correspondingly yield to maturity BID YTM and Offer YTM, quoted as of 16.00 h on the last working day in the respective month by Reuters or other independent market information provider. For every type of benchmark, an average yield to maturity is calculated "MID YTM", based on the average BID YTM and average Offer YTM. The resulting values determine the basic points of the yield curve, which are linear interpolated and used for discounting the expected cash flows. After that the YTM for the respective bond is compared to YTM of the deals record in BGN register for the respective month and published by Fiscal Services Department on the BNB website. If the calculated theoretical yield differ from the yield of the deals actually made within the range of more than +/- 10 bp, the Bank is using the theoretical price for revaluation.

For revaluation of bonds issued in foreign currency the Bank used the average of BID and Offer price quoted by the primary dealers as of 16.00h on the last working day of the respective month published by Reuters or other independent market information provider. If a quotation deviates from the remaining quatations by 2 standard deviations from the average, it is excluded of the calculation. The proprietary quotations are also excluded.

The assessment of valuation of corporate bond traded on the Bulgarian Stock Exchange is based on the weighted average prices for the previous month. In case there are no prices available, quotations are taken from active and independent market participants. The assessment of valuation of capital instruments traded on the Bulgarian Stock Exchange is based on the weighted average price of the deals for the previous month if it deals meet the criteria for the minimum daily trade volume average.

Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For all other financial instruments the BAnk determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length. The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation.

The Bank has an established control framework1 with respect to the measurement of fair values. This framework includes a Product Market Risk Management, which is independent of Liquidity and Markets Department and reports to the Bank's management, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include: verification of observable pricing inputs and reperformance of model valuations; a review and approval process for new models and changes to models involving both Product Control and Group Market Risk; calibration and back testing of models against observed market transactions; analysis and investigation of significant daily valuation movements; review of significant unobservable inputs and valuation adjustments by a committee of senior Product Control and Group Market Risk personnel; and reporting of significant valuation issues to the Group Audit Committee.

In thousands of BGN	Reported market price on active markets	Evaluation methods using market data	Total
31 December 2008			
Financial assets held for trading	19,716	21	19,737
Investments available- for- sale *	43,266	343	43,609
	62,982	364	63,346
31 December 2007			
Financial assets held for trading	28,312	276	28,588
Derivatives	15	-	15
Investments available- for- sale *	63,726	1,854	65,580
	92,053	2,130	94,183

* The equity investments in associated companies for the amount of BGN 91 thousands for 2008 are carried at cost and are excluded from the table above.

* The equity investments in associated companies for the amount of BGN 91 thousands for 2008 are carried at cost and are excluded from the table above.

6 Fair value presentation of financial instruments

In thousands of BGN	Held for trading	Held to maturity	Loans and advances
31 December 2008			
Cash and cash equivalents	-	-	222,008
Financial assets held for trading	19,737		
Investments		115,475	
Loans and advances to banks and other financial institutions			145,661
Loans and advances to customers			1,039,302
	19,737	115,475	1,406,971
Deposits from banks	-	-	
Deposits from other customers	-	-	
Other borrowings	-	-	
	-	-	
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
Deposits from banks	-	-	-
Deposits from other customers	-	-	-
Other borrowings	-	-	-
	-	-	-

Available-for- sale	Others at amortised cost	Total carrying amount	Fair value
		222,008	222,008
		19,737	19,737
43,700		159,175	150,724
		145,661	145,661
		1,039,302	1,039,302
43,700		1,585,883	1,577,432
	10,002	10,002	10,002
	1,362,510	1,362,510	1,362,510
	109,393	109,393	107,867
	1,481,905	1,481,905	1,480,379
-	-	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

7 Segment reporting

Segment information is presented in respect of the Bank's business segments. The primary format, business segments, is based on the Bank's management and internal reporting structure. Business segments pay to and receive interest from the Central Treasury on an arm's length basis to reflect the allocation of capital and funding costs.

The Bank comprises the following main business segments:

- Investment Banking - Includes the Banks's trading and corporate finance activities;
- Corporate Banking - Includes loans, deposits and other transactions and balances with corporate customers;
- Retail Banking - Includes loans, deposits and other transactions and balances with retail customers;
- The Group also has a central Shared Services operation that manages the Bank's premises and certain corporate costs. Cost-sharing agreements are used to allocate central costs to business segments on a reasonable basis.

					2008
In thousands of BGN	Investment banking	Corporate banking	Retail banking	General services	Total
Income					
Net interest income	7,314	25,664	17,225	-	50,203
Net fee and commission income	51	9,932	4,876	-	14,859
Net trading income	5,915	-	-	-	5,915
Other income from operations, net	-	-	-	704	704
Total income from segment	13,280	35,596	22,101	704	71,681
Impairment (losses)	-	(1,306)	(2,171)	-	(3,478)
General administrative expenses	(8,352)	(22,388)	(13,900)	(443)	(45,083)
Results of segment	4,928	11,902	6,030	261	23,120
Income tax expense	(484)	(1,169)	(592)	(26)	(2,271)
Net result	4,444	10,733	5,438	235	20,849
Assets					
Segment assets	546,581	507,735	531,567	-	1,585,883
Undistributed assets	-	-	-	41,913	41,913
Total assets	546,581	507,735	531,567	41,913	1,627,796
Liabilities					
Segment liabilities	284,149	542,644	655,112	-	1,481,905
Undistributed liabilities	-	-	-	6,644	6,644
Total liabilities	284,149	542,644	655,112	6,644	1,488,549

8 Net interest income

In thousands of BGN	2008	2007
Net interest income		
Interest and similar income		
Interest and similar income arise from:		
loans and advances to banks	11,454	10,818
loans and advances to customers	84,075	56,277
Investments	6,785	6,413
	102,314	73,508
Interest expense and similar charges		
Interest expense and similar charges arise from:		
deposits from banks	(18)	(38)
deposits from other customers and other borrowings	(52,094)	(34,624)
	(52,112)	(34,662)
Net interest income	50,202	38,846

Included within interest income from loans and advances to customers is a total of BGN 1,125 thousand BGN accrued on individually impaired financial assets.

9 Net fee and commission income

In thousands of BGN	2008	2007
Fee and commission income		
Cash operations and payment orders	9,664	5,843
Guarantees and letters of credit	1,396	1,046
Other	5,048	5,765
	16,108	12,654
Fee and commission expense		
Servicing of bank current accounts		
Other	(55)	(60)
	(1,193)	(913)
	(1,248)	(973)
Net fee and commission income	14,860	11,681

10 Net trading income

In thousands of BGN	2008	2007
Net trading income arises from:		
debt instruments and related derivatives	1,179	1,664
foreign exchange rate fluctuations	4,736	4,213
	5,915	5,877

11 General administrative expenses

In thousands of BGN	2008	2007
General and administrative expenses		
Materials, audit and services	9,978	7,504
Administration, marketing and other expenses	4,150	2,520
Other expenses	4,145	2,730
	18,273	12,754

Personnel expenses include salaries and social benefits paid to employees as well as all related social security. The number of employees of the Bank is 938 for 2008(2007 :869)

12 Other non interest income, net

In thousands of BGN	2008	2007
Rental income	100	97
Other income, net	604	852
	704	949

13 Tax expense

In thousands of BGN	2008	2007
Current tax	2,002	1,955
	2,002	1,955
Deferred tax	269	
Due to change in the temporary differences	269	(79)
	269	(79)
Income tax recognised in the Income statement	2,271	1,876

In thousands of BGN	2008	2007
Profit before tax	23,120	21,136
Nominal tax rate	10.00%	10.00%
	2,312	2,114
Tax effect from taxable permanent differences	508	2
Tax effect from deductible permanent differences	(818)	(161)
Current tax	2,002	1,955
Deferred tax	269	(79)
	2,271	1,876
Effective tax rate	9.82	8.88%

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

14 Cash and cash equivalents

In thousands of BGN	2008	2007
Cash on hand		
In Bulgarian Leva	29,021	20,020
In foreign currencies	17,230	17,121
Balances with the Central Bank (ref. note 16)	65,467	-
Current accounts and amounts with local banks with original maturity less than 3 months		
In Bulgarian Leva	6,433	95,290
In foreign currencies	52,342	143,199
Current accounts and amounts with foreign banks with original maturity less than 3 months	51,515	78,466
	222,008	354,096

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

15 Financial assets held for trading

In thousands of BGN	2008	2007
Financial assets held for trading:		
Government securities – Republic of Bulgaria		
Short and long-term denominated in Bulgarian Leva	4,137	9,195
Long-term denominated in foreign currencies	9,435	10,864
Debt instruments issued by other issuers:		
Debt instruments denominated in Bulgarian Leva	5,097	5,464
Debt instruments denominated in foreign currencies	990	1,645
Shares issued by local entities	77	425
Shares in investment funds	-	1,008
Compensatory notes	1	2
	19,737	28,603

	At 30 June 2008		At 31 December 2008	
In thousands of BGN	Book value	Fair value	Book value	Fair value
Financial assets held for trading reclassified as investments held to maturity	3,237	3,237	–	–
	3,237	3,237	–	–

The table below presents profit or loss in the 2008 Income statement in terms of financial assets reclassified as held-to-maturity investments from financial assets held for trading.

In thousands of BGN	Profit or loss	Shareholders equity
Before reclassification		
Financial assets held for trading reclassified as investments held to maturity		
Interest income	99	–
Market revaluation	(47)	–
Foreign exchange rate fluctuations	(8)	–
	44	–

In thousands of BGN	Profit or loss	Shareholders equity
After classification		
Financial assets held for trading reclassified as investments held to maturity		
Interest income	102	–
Amortization premium/discount	(8)	–
Foreign exchange rate fluctuations	13	–
	107	–

16 Investments

In thousands of BGN	2008	2007
Investments available- for- sale		
Government securities – Republic of Bulgaria	18,081	59,258
Equity instruments and other non-fixed income instruments	434	396
Debt instruments	25,185	6,017
Investments held-to-maturity		
Government securities –Republic of Bulgaria	107,481	86,468
Debt instruments issued by other issuers	7,994	1,031
	159,175	153,170

17 Loans and advances to banks and other financial institutions

(a) Analysis by type

In thousands of BGN	2008	2007
Loans and advances to banks (incl. BNB) and other financial institutions	119,407	151,784
Recievables under repurchase agreements	26,254	18,236
	145,661	170,020

Loans and advances to banks include the obligatory reserve placed with the Central Bank to the amount of BGN 116,022 thousand at 31 December 2008 as at 31 December 2007 theirs amount is BGN 149,671 thousand.

As at 31 December 2008 recievables under repurchase agreements comprise deals denominated in BGN, EUR concluded with commercial banks and other financial institutions. The loans denominated in USD earn interest at 0.20%, and those denominated in EUR earn interest at 2.04% .

(b) Geographical analysis

In thousands of BGN	2008	2007
Local banks and other financial institutions	143,166	168,475
Foreign banks and other financial institutions	2,495	1,545
	145,661	170,020

18 Loans and advances to customers
(a) Analysis by type of borrower

In thousands of BGN	2008	2007
Individuals		
In Bulgarian Leva	230,831	166,505
In foreign currencies	307,228	198,864
Private companies		
In Bulgarian Leva	226,011	185,900
In foreign currencies	284,521	178,410
State owned companies		
In Bulgarian Leva	257	72
In foreign currencies	2,343	1,660
Less impairment allowances	(11,889)	(8,442)
	1,039,302	722,969

(b) Analysis by sector of economy

In thousands of BGN	2008	2007
Individuals		
Trade loans	739	276
Consumer loans	80,090	53,980
Mortgage loans	433,276	293,750
Agriculture loans	3,319	1,528
Credit cards	20,215	15,650
Other loans	420	185
Legal entities		
Trade loans	93,597	74,850
Mortgage loans	79,167	45,906
Agriculture loans	37,137	7,979
Loans to state budget	2,523	1,660
Credit cards	4,326	2,766
Other loans	296,382	232,881
Less impairment allowances	(11,889)	(8,442)
	1,039,302	722,969

(c) Impairment allowance of loans and advances to customers

In thousands of BGN	2008	2007
Balance at 1 January	8,442	5,533
Additional allowances/(recoveries)	3,478	3,099
Write-offs	(31)	(190)
Balance at 31 December	11,889	8,442

19 Property and equipment

In thousands of BGN	Land and building	Machines and equipment	Fixtures and fittings	Motor Vehicles	Assets under Construction	Total
Cost						
At 1 January 2008	6,694	7,567	5,178	1,381	10,078	30,898
Additions	-	1,301	99	338	5,380	7,118
Transfers	461	2,162	1,274	25	(10,317)	(6,395)
Disposals	-	(589)	(116)	(51)	-	(756)
At 31 December 2008	7,155	10,441	6,435	1,693	5,141	30,865
Depreciation						
At 1 January 2008	(1,114)	(5,445)	(2,576)	(901)	-	(10,036)
Charge for the year	(210)	(1,268)	(789)	(268)	-	(2,535)
Disposals	-	582	113	50	-	745
At 31 December 2008	(1,324)	(6,131)	(3,252)	(1,119)	-	(11,826)
Net book value						
31 December 2008	5,831	4,130	3,183	574	5,141	19,039
Net book value						
At 1 January 2008	5,580	2,122	2,602	480	10,078	20,862

20 Intangible assets

In thousands of BGN	Total
Cost	
At 1 January 2008	5,523
Additions	6
Disposals	(1,103)
Transfers from assets under construction	6,395
At 31 December 2008	10,821
Depreciation	
At 1 January 2008	(2,992)
Charge for the year	(1,669)
Disposals	1,102
At 31 December 2008	(3,559)
Net book value	
31 December 2008	7,262
Net book value	
At 1 January 2008	2,531

21 Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 10% for 2008 (2007: 10%).

Deferred income tax balances are attributable to the following items:

	Assets		Liabilities		Net	
In thousands of BGN	2008	2007	2008	2007	2008	2007
Financial assets available for sale	(146)	(105)	-	-	(146)	(119)
Property and equipment	-	-	224	-	224	-
Other liabilities	(81)	(107)	-	28	(81)	(126)
Net tax (assets)/liabilities	(227)	(212)	224	28	(3)	(245)

Movement in temporary differences during the year arises from:

In thousands of BGN	Balance	Recognised during year in the		Balance
	2007	Income statement	Equity	2008
Financial assets available for sale	(119)	-	(27)	(146)
Other liabilities	(126)	269	–	143
Net deferred taxes (assets)/liabilities	(245)	269	(27)	3

22 Other assets

In thousands of BGN	2008	2007
Assets for resale	390	397
Deferred expense	1,855	1,421
Other assets	13,364	10,242
	15,609	12,060

23 Deposits from banks

In thousands of BGN	2008	2007
Deposits from banks		
Term deposits	10,002	-
	10,002	-

24 Deposits from other customers

In thousands of BGN	2008	2007
Individuals		
in Bulgarian Leva	204,349	170,358
in foreign currencies	450,763	382,577
Private companies		
in Bulgarian Leva	262,627	400,741
in foreign currencies	406,888	264,990
State owned companies		
in Bulgarian Leva	35,018	27,215
in foreign currencies	2,865	7,390
	1,362,510	1,253,271

25 Other borrowings

In thousands of BGN	2008	2007
Bonds issued	68,745	68,698
Payable to State Agricultural Fund	3,555	5,354
Payable to banks on credit line's refinancing	10,451	8,286
Subordinated term debt	26,642	25,053
	109,393	107,391

As at 31 December 2008 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 2008 the amount of the debt is EUR 35,149 thousand of which EUR 183 thousand is interest payable. When presenting it, the debt is reduced by EUR 34 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 31.12.2008, proceeds for the financing the small and mid-sized business development are received under loan agreements with EBRD - EUR 4,321 thousand, and Encouragement bank PLC - EUR 1,023 thousand. The accrued interests amount to EUR 69 thousand. The loan due to EBRD is presented net of the front end loan disbursement fees EUR 33 thousand.

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	36 months	5,554
Energy Insurance Company	9,779	72 months	56 months	10,623
Energy Insurance Company	4,890	72 months	59 months	5,230
Allianz Bulgaria Life Insurance company	2,445	72 months	59 months	2,617
ZPAD Allianz Bulgaria	2,445	72 months	59 months	2,618
Total:	24,449			26,642

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.

26 Other liabilities

In thousands of BGN	2008	2007
Liabilities to personnel	716	1,160
Current tax liability	2,030	1,093
Other payables	3,898	7,994
	6,644	10,247

27 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 2008 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.

At 31 December 2008 assets purchased subject to agreements to resell them were as follows:

In thousands of BGN	Carrying amount of receivable	Fair value of assets held as collateral	Repurchase dates
Bulgarian government securities	26,254	28,707	6 January 2009
Total	26,254	28,707	

28 Capital and reserves

(a) Share capital

As at 31 December 2008, the share capital of the Bank amounts to BGN 85,303 thousand (2007: 60,303 thousand), which comprise the authoried issued capital amounting to BGN 69,000 thousand and hyperinflatonary restatements amounting to BGN 16,303 thousand. The authorized share capital comprises 69,000,000 fully paid shares with a par value BGN 1.

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

	2007	2007
Shareholder	% of ownership	% of ownership
Allianz Bulgaria Holding	79.895	79.836
Energy Insurance Company	9.998	9.997
ZPAD Allianz Bulgaria	9.998	9.997
Other	0.109	0.170
	100.000	100.000

(b) Retained earnings and reserves

As of 31 December 2008, the retained earnings and other reserves comprise retained earnings amounting to BGN 40,866 thousand (2007 – BGN 21,607 thousand), hyperinflatonary adjustments amounting to BGN (16,303) thousand (2007 – BGN(16,303) thousand), as well as BGN 20,849 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 2008 amounted to BGN 9,652 thousand (2007: BGN 9,652 thousand).

(d) Revaluation reserve

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

29 Contingent liabilities

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.

In thousands of BGN	2008	2007
Bank guarantees and letters of credit		
– in Bulgarian Leva	50,803	38,048
– in foreign currencies	77,128	64,664
	127,931	102,712

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 2008 the extent of collateral held for guarantees and letters of credit is 100 percent.

30 Assets pledged as securities

As at 31 December 2008 the Bank has pledged Government securities with nominal value BGN 30,761 thousand and market value BGN 30,002 thousand as security for borrowed funds from the State Budget, Government securities with nominal value BGN 10,000 thousand and market value - BGN 10,022 thousand as security for the second loan stock, issued by Allianz Bank Bulgaria AD, Government securities with nominal value BGN 10,000 thousand and market value BGN 8,951 thousand as security for loan received by “Allianz leasing and services” AD .

31 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 2008 the total assets’ face value held by the Bank on behalf of the companies in the Allianz Bulgaria Group is BGN 105 million (2007: BGN 90 million).

32 Related party transactions

(a) Transactions and balances

Related party	Nature of the related party relationship	Type of transaction	Amount
In thousands of BGN			
Allianz Bulgaria Holding	Controls directly or indirectly the business of the bank	Demand accounts	971
		Deposits	222
		Interest expenses	357
		Fee and commission income	3
Allianz Bulgaria Insurance & Re-insurance company	Controls directly or indirectly the business of the bank	Demand accounts	3,619
		Interest on deposits	172
		Deposits	28,212
		Subordinated term debt	2,445
		Interest on sub term debt	173
		Interest expenses	1,178
		Fee and commission income	120
		Insurance expenses	501
		Other incomes	206
Energy Insurance company	Controls directly or indirectly the business of the bank	Demand accounts	746
		Deposits	19,334
		Interest accrued on deposits	108
		Subordinated term debt	14,669
		Interest accrued on subordinated term debt	1,184
		Interest expenses	1,492
		Fee and commission income	16
		Other expenses	46
Allianz Bulgaria Life Insurance company	Both parties are under the control of Allianz Bulgaria Holding	Demand accounts	1,451
		Deposits	35,543
		Interest accrued on deposits	330
		Subordinated term debt	7,335
		Interest accrued on subordinated term debt	837
		Bonds	3,032
		Interest accrued on bonds	3
		Interest expenses	1,570
		Fee and commission income	58
		Other expenses	1,059
		Other incomes	39
Allianz Bulgaria Pension Fund	Both parties are under the control of Allianz Bulgaria Holding	Demand accounts	729
		Deposits	12,485
		Interest accrued on deposits	56
		Interest expenses	338
		Fee and commission income	19
		Other expenses	11
		Other incomes	22

Related party	Nature of the related party relationship	Type of transaction	Amount
In thousands of BGN			
Bulgaria Net	Both parties are under the control of Allianz Bulgaria Holding	Demand accounts	386
		Fee and commission income	3
		Other incomes	14
		Other expenses	755
Allianz Bulgaria Financier	Both parties are under the control of Allianz Bulgaria Holding	Demand accounts	63
		Deposits	919
		Interest expenses	514
		Fee and commission incomes	15
Allianz Leasing and Servicies	Both parties are under the control of Allianz Bulgaria Holding	Demand accounts	83
		Trade loan	8,135
		Interest income	658
		Interest expenses	38
		Fee and commission incomes	2

(b) Other related parties

In thousands of BGN

Related party	Type of transaction	Amount
Employees	Loans extended	26,254
Directors	Remuneration	1,110

33 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.

34 Capital commitments

Agreements for purchase of property, plants and equipment are at the amount of BGN 699,493 as at 31 December 2008.

35 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	Statement of Cash Flows
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date
IAS 11	Construction Contracts
IAS 12	Income Taxes
IAS 14	Segment Reporting
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs
IAS 24	Related Party Disclosures
IAS 26	Accounting and Reporting by Retirement Benefit Plans
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 31	Interests in Joint Ventures
IAS 32	Financial Instruments: Presentation
IAS 33	Earnings per Share
IAS 34	Interim Financial Reporting
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
IAS 41	Agriculture

IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation
IFRIC 6	Liabilities arising from Participating in a Specific market- Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement approach under IAS 29
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	Group and Treasury Share Transactions
SIC–7	Introduction of the Euro
SIC–10	Government Assistance – No Specific Relation to Operating Activities
SIC–12	Consolidation – Special Purpose Entities
SIC–13	Jointly Controlled Entities – Non-Monetary Contributions by Ventures
SIC–15	Operating Leases — Incentives
SIC–21	Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC–25	Income Taxes – Changes in the Tax Currently effective version of an Entity or its Shareholders
SIC–27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
SIC–29	Disclosure – Service Concession Arrangements
SIC–31	Revenue – Barter Transactions Involving Advertising Services
SIC 32	Intangible Assets – Web Site Costs

KPMG

INDEPENDENT AUDITOR'S REPORT
To the shareholders of Allianz Bank Bulgaria AD

Introduction

We have audited the accompanying financial statements of Allianz Bank Bulgaria AD ("the Bank"), which comprise the balance sheet as at 31 December 2008, and the income statement, the changes in equity and cash flow 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 International Financial Reporting Standards adopted by European Commission. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 relevant 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we 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, financial statements give a true and fair view of the financial position of Allianz Bank Bulgaria AD as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with t International Financial Reporting Standards, applicable in the European Commission.

Report on Other Legal and Regulatory Requirements

Annual report of the activities of the Bank according to article 33 of the 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 information disclosed in the financial statements of the Bank as of and for the year ended 31 December 2008. 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 2009.

Krassimir Hadjidinev Authorized Representative Registered auditor	Margarita Goleva Registered auditor

Sofia, 28 January 2009
KPMG Bulgaria OOD
37 Fridtjof Nansen Str.
1142 Sofia
Bulgaria

ARMENIA
ACBA-CREDIT AGRICOLE BANK CJSC-YEREVAN

AUSTRIA
Unicredit Bank Austria AG
BAWAG P.S.K.(formerly Bank Fuer Arbeit und Wirtschaft AG)
Raiffeisen Centrobank AG
Erste Group Bank AG
Kaerntner Sparkasse AG
Raiffeisen Zentralbank Oesterreich AG

BELGUIM
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
Bank of America NA, Antwerp
Commerzbank AG, Brussels Branch

BOSNA AND HERZEGOVINA
NOVA LJUBLJANSKA BANKA D.D.
UNION BANKA D.D. SARAJEVO
UNICREDIT BANK - MOSTAR
NOVA BANKA AD BANJALUKA - BIJELJINA /BOSNIA AND HERZEGOVINA/

BULGARIA
UniCredit Bulbank AD
Bulgarian – American Credit Bank AD
Emporiki Bank – Bulgaria EAD
Bulgarian National Bank
Eurobank EFG Bulgaria AD (former Bulgarian Post Bank)
CIBANK PLC. (former Economic and Investment Bank)
MKB Unionbank AD
Central Cooperative Bank AD
Citibank N.A. – Sofia Branch
Tokuda Bank AD
D Commerce Bank AD
First Investment Bank AD
International Asset Bank AD
ING Bank N.V. – Sofia Branch
Investbank AD
Corporate Commercial Bank AD
Bulgarian Development Bank AD
Piraeus Bank Bulgaria AD
ProCredit Bank (Bulgaria) AD
Raiffeisenbank (Bulgaria) EAD
Municipal Bank AD – Sofia Brach
DSK Bank EAD (former State Saving Bank)
T.C. Ziraat Bankasi – Sofia Branch
Texim Private Entrepreneurial Bank AD
Societe Generale Expressbank AD
United Bulgarian Bank AD
NLB West East Bank AD
Alpha Bank S.A. – Bulgaria Branch
BNP Paribas S.A. – Sofia Branch

CANADA
Bank of America, National Association, Canada Branch

CHINA
Rizhao City Commercial Bank
Wenzhou City Commercial Bank
ZHEJIANG NANXUN RURUAL COOPERATIVE BANK - HUZHOU / CHINA/
Wells Fargo and Company (formerly Wachovia Bank NA)
BANK OF SHANGHAI

CROATIA
Raiffeisenbank Austria D.D. Zagreb
Zagrebacka Banka DD
SOCIETE GENERALE-SPLITSKA BANKA DD

CYPRUS
Barclays Bank PLC, International Banking Unit
Bank of Cyprus LTD.
CO-OPERATIVE CENTRAL BANK LTD.
CENTRAL COOPERATIVE BANK OF BULGARIA PLC
MARFIN POPULAR BANK PUBLIC CO LTD - NICOSIA (LEFKOSIA)

CZECH REPUBLIC
Ceskoslovenska Obchodni Banka, A.S.
Komercni Banka A.S.
CESKA SPORITELNA A.S.
UNICREDIT BANK CZECH REPUBLIC,A.S.
LBBW BANK CZ A.S.

DENMARK
Danske Bank A/S, Copenhagen
NORDEA BANK DENMARK A/S - COPENHAGEN
SKJERN BANK

EGYPT
NATIONAL BANK OF EGYPT - CAIRO

ESTONIA
AS Hansapank

FINLAND
Skandinaviska Enskilda Banken, Helsinki
Nordea Bank Finland PLC

FRANCE
BNP-Paribas SA (formerly Banque Nationale de Paris
Bank Polska Kasa Opieki S.A. Succursale De Paris
SOCIETE GENERALE – PARIS
ATTIJARIWAFA BANK (FORMERLY BANQUE COMMERCIALE DU MAROC)

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
Commerzbank AG (formerly 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.
OYAK ANKER BANK GMBH - FRANKFURT AM MAIN
THE BANK OF NEW YORK MELLON, FRANKFURT BRANCH
STANDARD CHARTERED BANK (GERMANY) GMBH - FRANKFURT AM MAIN

GREECE
Citibank International PLC-Greece Branch
Alpha Bank AE
EFG Eurobank Ergasias S.A.
National Bank of Greece S.A.
BNP PARIBAS GRECE
BANK OF CYPRUS PUBLIC COMPANY LIMITED

HUNGARY
MKB Bank NYRT (formerly Magyar Kulkereskedelmi Bank RT.)
ALLIANZ BANK ZRT.
ERSTE BANK HUNGARY NYRT

IRELAND
AIB Bank
Anglo Irish Bank Corporation PLC
Citibank N.A.
BANK OF AMERICA, N.A. DUBLIN

ISRAEL
Bank Leumi Le Israel B.M.

ITALY
Banca Delle Marche SPA
Intesa Sanpaolo SPA (formerly Banca Intesa SPA)
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.
Banca Popolare Di Novara SPA
Unicredito Italiano SPA
BANCO POPOLARE SOC. COOP.
BANCA MONTE PARMA S.P.A.
BANCO DI NAPOLI SPA
TERCAS-CASSA DI RISPARMIO DELLA PROVINCIA DI TERAMO S.P.A.

JAPAN
WELLS FARGO AND COMPANY (Formerly WACHOVIA BANK, NA – TOKYO)
THE BANK OF NEW YORK MELLON, TOKYO BRANCH

KOREA(REPUBLIC OF)
Woori Bank, Seoul
KOREA EXCHANGE BANK - SEOUL
WELLS FARGO AND COMPANY (Formerly WACHOVIA BANK, NA – SEOUL)
INDUSTRIAL BANK OF KOREA-SEOUL
THE BANK OF NEW YORK MELLON, SEOUL BRANCH

LATVIA
Parex Bank, Latvia
NORVIK BANKA, JSC - RIGA
AS HANSABANKA - RIGA

LITHUANIA
AB Sampo Bankas
Ukio Bankas
AB HANSABANKAS - VILNIUS
BANK SNORAS - VILNIUS

LUXEMBOURG
ING Luxembourg S.A.
DANSKE BANK INTERNATIONAL S.A., LUXEMBOURG
NORDEA BANK S.A. LUXEMBOURG

MACEDONIA
Export and Credit Bank Inc.
Stopanska Banka AD Bitola
Stopanska Banka A.D.
Tutunska Banka AD
Universal Investment Bank AD Skopje(Unibank)
TTK BANKA AD SKOPJE
CENTRAL COOPERATIVE BANK AD SKOPJE
KOMERCIJALNA BANKA A.D.

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

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.
BANK OF AMERICA, N.A. AMSTERDAM
COMMERZBANK AG KANTOOR AMSTERDAM

NORWAY
DNB NOR Bank ASA (formerly Den Norske Bank ASA)
Fokus Bank A/S (Part of Danske Bank Group)
NORDEA BANK NORGE ASA - OSLO

POLAND
BPH S.A.
Bank Polska Kasa Opieki -Bank Pekao S.A.
Fortis Bank Polska S.A.
BANK HANDLOWY W WARSZAWIE SA
BNP PARIBAS S.A. BRANCH IN POLAND
BANK MILLENNIUM S.A.
LA CAIXA, ODDZIAL W POLSCE

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.
LA CAIXA, SUCURSALA ROMANIA
BANK OF CYPRUS PCL NICOSIA, ROMANIAN BRANCH
UNICREDIT TIRIAC BANK SA

RUSSIAN FEDERATION
Absolut Bank
Eurotrust CB ZAO
Rosevrobank JSCB
Commerzbank AG (formerly Dresdner Bank ZAO)
Euraxis Bank Joint Stock Commercial Bank
The Bank of Moscow
Sberbank

SERBIA
A Banka A.D.
UNICREDIT BANK SRBIJA A.D.

SLOVAKIA
UNIBANKA, A.S.,(UNICREDITO ITALIANO GROUP)

SLOVENIA
Gorenjska Banka D.D., Kranj
Nova Ljubljanska Banka D.D.
SKB Banka D.D.
Dezelna Banka Slovenje D.D.
UNICREDIT BANKA SLOVENIJA D.D.
ABANKA VIPA D.D.

SPAIN
Banco Bilbao Vizcaya Argentaria S.A.
Banco Cooperativo Espanol S.A.
Caixa D'Estalvis I Pensions De Barcelona(La Caixa)
Cajamar-Caja Rural Intermediterranea S.C.C.
Banco de Valencia S.A.
BANCO DE SABADELL, S.A.
BANKINTER, S.A.
COMMERZBANK AG, MADRID

SWEDEN
Citibank N.A.
Skandinavska Enskilda Banken
Svenska Handelsbanken
Danske Bank A/S, Stockholm
NORDEA BANK AB (PUBL) - STOCKHOLM

SWITZERLAND
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
Zuercher Kantonalbank

TURKEY
Citibank N.A.
Turkiye IS Bankasi A.S.
ING Bank AS (formerly 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
BANK OF AMERICA, N.A. LONDON
ALLIED IRISH BANK (GB) (AIB GROUP (UK) P.L.C. T/A)
BANK OF CYPRUS UK
BANCO DE SABADELL S.A.
NORTHERN BANK (PART OF DANSKE BANK GROUP), BELFAST
STANDARD CHARTERED BANK (ALL U.K. OFFICES) LONDON
MARFIN POPULAR BANK PUBLIC CO LTD - LONDON

UNITED STATES OF AMERICA

ABN AMRO Bank N.V.
Deutsche Bank Trust Company Americas
Bank of America N.A.
JPMorgan Chase Bank N.A.
Citibank N.A.
Calyon
Bank of New York
Wachovia Bank N.A.
Standard Chartered Bank
UBS AG
INDUSTRIAL BANK OF KOREA, NEW YORK BRANCH
BNP PARIBAS U.S.A - NEW YORK BRANCH
INTESA SANPAOLO SPA (FORMERLY BANCA INTESA SPA NEW YORK)

UZBEKISTAN(REPUBLIC OF)

PAKHTA Bank

List of Nostro Correspondent Accounts of Allianz Bulgaria

Currency	Bank name	BIC	Account number
CHF	UBS AG, Zurich	UBSWCHZH80A	58067.05X
DKK	Danske Bank A/S, Copenhagen	DABADKKK	3996065197
NOK	Fokus Bank (part of Danske Bank Group), Trondheim	DABANO22	86011803824
SEK	Danske Bank AS, Stockholm	DABASESX	12460103387
JPY	Commerzbank AG, Frankfurt/Main (formerly Dresdner Bank AG)	DRESDEFF	499/08021715/00/732
EUR	Commerzbank AG, Frankfurt/Main (formerly Dresdner Bank AG)	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	Unicredit SPA	UNCRITMM	0099500002739
GBP	National Westminster Bank PLC, London	NWBKGB2L	440/00/04598415
USD	Citibank NA, New York	CITIUS33	36144313
USD	Wachovia Bank, New York International Branch	PNBPUS3NNYC	2000193001969
USD	Standard Chartered Bank, New York	SCBLUS33	3582023704001

Business and Financial Centres of Allianz Bank Bulgaria AD

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

8500 Aytos
FC Aytos
3, Svoboda Str.
Tel.: +359 558 2 95 50

1320 Bankya
FC Bankya
2-A, Tzar Simeon Str.
Tel. +359 2 812 17 15

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

2700 Blagoevgrad BC
8, St. St. Cyril i Metodii Str.
Tel.: +359 73 889 46 14

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

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 80 82 16

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 80 82 06

8000 Burgas
FC Slaveikov
Slaveikov district, bl. 1A
Tel.: +359 56 80 82 13

6400 Dimitrovgrad BC
5, D. Blagoev Str.
Tel.: +359 391 681 44

9300 Dobrich BC
10, Bulgaria Str.
Tel.: +359 58 65 56 85

2600 Dupnitza BC
3, Hristo Botev Str.
Tel.: +359 701 59 831

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 68 768

2900 Gotse Delchev
FC Gotse Delchev
1, Kavala Str.
Tel.: +359 751 69473

5439 Gradnitza
SFC Vidima 2
Tel.: +359 675 39 691

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

9650 Kavarna
FC Kavarna
49, 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 60 784

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 78 556 260

5500 Lovech BC
2A, Bulgaria Blvd.
Tel.: +359 686 512 66

3400 Montana BC
8, Stefan Karadja Str.
Tel.: +359 96 38 83 62

8900 Nova Zagora
FC Nova Zagora
40, V. Levski Str.
Tel.: +359 457 6 10 42

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
FC Pomorie
47, Knyaz Boris I Str.
Tel.: +359 596 22 417

5800 Pleven BC
16, Tz.Tzerkovski Str.
Tel.: +359 64 89 07 78

5800 Pleven
SFC UMBAL D-r G. Stranski
8 A, Georgi Kochev Str.
Tel.: +359 64 88 64 78

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

4000 Plovdiv BC
11, Ivan Vazov Str.
Tel.: +359 32 64 68 12

4000 Plovdiv
FC Gladston
10, Gladston Str.
Tel.: +359 32 65 69 11

4000 Plovdiv
Prestij BC
1, Polkovnik Bonev Str.
Tel.: +359 32 90 52 75

4000 Plovdiv
FC Evmolpia
42, Petko D. Petkov Str.
Tel.: +359 32 90 52 65

4000 Plovdiv
FC Vassil Aprilov
98, Vassil Aprilov Str.
Tel.: +359 32 646814

4000 Plovdiv
FC Dunav
76, Dunav Str.
Tel.: +359 32 924004

7200 Razgrad BC
18, Iskar Str.
Tel.: +359 84 631018

7000 Russe BC
33, Alexandrovska Str.
Tel.: +359 82. 88 81 63

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

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 34 412

5250 Svishtov
FC Svishtov
2, D. A. Tzenov Str.
Tel.: +359 631 61 090

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 61 60 43

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

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

1164 Sofia
Journalist BC
45, Elin Pelin Str.
Tel.: +359 2 921 56 29

1463 Sofia
FC Christo Botev
6, Christo Botev Blvd.
Tel.: +359 2 921 67 89

1421 Sofia
Evropa BC
71, James Boucher Blvd.
Tel.: +359 2 921 67 10

1172 Sofia
SFC Avtomobilno zastrahovane
2, Prof. Milko Bichev Str.
Tel.: +359 2 921 54 55

1606 Sofia
FC Damyan Gruev
42, Damyan Gruev Str.
Tel.: +359 2 921 67 70

1113 Sofia
FC Universiada
21, Shipchenski prohod Blvd.
Tel.: +359 2 921 67 92

1336 Sofia
FC Lyulin
Building Troya, Lyulin District
Tel.:+359 2 921 67 45

1612 Sofia
BC Krasno selo
7, Gotze Delchev Blvd.
Tel.: +359 2 921 67 58

1715 Sofia
FC Business Park
Mladost 4, Business Park, bl. 4
Tel.: +359 2 921 55 66

1000 Sofia
FC Graf Ignatiev
45, Graf Ignatiev Str.
Tel.: +359 2 921 67 83

1309 Sofia
FC Tzar Simeon
Tzar Simeon Str., bl. 311
Tel.: +359 2 921 67 53

1000 Sofia
FC Mladejki Teatar
8-10, Dondukov Blvd.
Tel.: +359 2 921 67 34

1330 Sofia
Krasna Polyana BC
Pchinya Str., bl. 31
Tel.: +359 2 921 67 46

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

1712 Sofia
FC Mladost
Mladost 3 District, bl. 301
Tel.: +359 2 921 67 56

1202 Sofia
FC Klokotnitsa
134, Hristo Botev Blvd.
Tel.: +359 2 921 67 09

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

1113 Sofia
Pliska BC
14, Tsarigradsko shosse Blvd.
Tel.: +359 2 921 67 92

Sofia
FC Dianabad
38, G. M. Dimitrov Blvd.
Tel.: +359 2 921 55 61

Sofia
Ivan Vazov BC
20, P. Y. Todorov Blvd.
Tel.: +359 2 921 56 38

Sofia
FC Iskar
31, Iskar Str.
Tel.: +359 2 921 55 37

Sofia
SFC Knyaz Dondukov
123, Knyaz Dondukov Blvd.
Tel.: +359 2 921 55 41

Sofia
SFC Tsar Boris III
19B, Tsar Boris III Blvd.
Tel.: +359 2 921 56 13

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 42 693 052

6000 Stara Zagora 2 BC
83, Patriarh Evtimii Blvd.
Tel.: +359 42 693 052

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 73

7700 Targovishte BC
32, Vassil Levski Str.
Tel.: +359 601 61 976

5600 Troyan BC
3, Vassil Levski Str.
Tel.: +359 670 6 88 16

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

9000 Varna
FC Osmi Primorski Polk
70, Osmi Primorski Polk Blvd.
Tel.: +359 52 689 356

9000 Varna
FC Center
9, Maria Louisa Blvd.
Tel.: +359 52 68 93 90

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

9000 Varna
FC Chayka
Chayka district, bl.180
Tel.: +359 52 689 968

9000 Varna
Vladislav BC
68, Bratia Miladinovi Str.
Tel.: +359 52 66 8701

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

9000 Varna
FC Vladislav
106, Vl. Varnenchik Blvd.
Tel.: +359 52 68 93 58

9000 Varna
FC General Kolev
85, General Kolev Blvd.
Tel.: +359 52 68 93 73

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

9000 Varna
FC Sport Hall
69, Vasil Drumev Str.
Tel.: +359 52 785 917

9000 Varna
FC Benkovski
16, Benkovski Str.
Tel.: +359 52 689 331

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 69 07 14

3000 Vratza BC
10, Lukashov Str.
Tel.: +359 92 68 78 61

8600 Yambol BC
1A, Rakovski Str.
Tel.: +359 46 682 342