UniCredit Bulbank

2007 Annual Report

UniCredit Bulbank 2007 Annual Report

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UniCredit Bulbank

The art experience

2007 was a formative year for the bank's international activities in culture. It was a year that saw intense engagement in all the territories in which we operate.

We believe that culture, when viewed as a strategic resource, can bring tremendous value and foster new ideas. These new ideas are fundamental to innovation and sustainable social and economic growth.

In this year's annual report, we have decided to focus on images of the international events which comprised our work with important partners in art and culture rather than on individual pieces from our collection. Notable among these were events in partnership with the Education Department of the Castello di Rivoli Contemporary Art Museum.

These initiatives involving the broader public in art experiences illustrate the importance UniCredit Group attaches to entertain and promote an active dialogue with the communities in which our group operates. The large gatherings pictured in this report were held in city squares and museums and involved thousands of people. What you see is a single spontaneously generated expression of thousands of hands united together in a joyful and creative concert.

Contact with international artists and leading facilitators of culture, through diverse languages, styles and techniques, shows how art stimulates the development of relational and cognitive skills and the potential of the individual. Art, above all, generates significant positive energy which can connect people, bridge differences and promote dialogue. It offers an extraordinary repertoire for learning, exploring, experimenting and interpreting the present to build the future.

Art brings people together.

Which is why we say: ART TALKS.

2007 Annual Report

Contents

Financial highlights (Unconsolidated)

(Thousands of BGN, unless otherwise stated)

	2007 Normalised[1]	2006 Normalised[1]	Normalised Growth	2007 Actual Audited	2006 Actual Unaudited	Growth
Key figures						
Net profit	250, 494	181, 656	37.9%	255, 174	134, 479	89.8%
Shareholders' equity (eop)	1, 162, 286	971, 982	19.6%	1, 162, 286	971, 982	19.6%
Total assets (eop)	9, 066, 735	7, 489, 756	21.1%	9, 066, 735	7, 489, 756	21.1%
Bank customer deposits (eop)	6, 328, 548	5, 454, 173	16.0%	6, 328, 548	5, 454, 173	16.0%
Bank customer deposits (av.)	5, 891, 361	4, 925, 516	19.6%	5, 891, 361	4, 925, 516	19.6%
Bank customer loans (eop)	5, 201, 499	4, 165, 275	24.9%	5, 201, 499	4, 165, 275	24.9%
Bank customer loans (av.)	4, 683, 387	4, 045, 075	15.8%	4, 683, 387	4, 045, 075	15.8%
Earnings per share (in BGN)	1.05	0.76	37.9%	1.07	0.56	89.8%
Income						
Net interest income	380, 387	322, 776	17.8%	380, 387	322, 776	17.8%
Net fee and commission income	143, 473	118, 402	21.2%	143, 473	118, 402	21.2%
Net trading income	11, 647	18, 184	-35.9%	11, 647	18, 184	-35.9%
Net income from securities	31, 093	14, 177	119.3%	31, 093	14, 177	119.3%
Gross operating income	571, 058	480, 461	18.9%	571, 058	480, 461	18.9%
Net operating Income	333, 684	266, 933	25.0%	333, 684	266, 933	25.0%
Expenses						
Operating expenses	237, 374	213, 528	11.2%	237, 374	213, 528	11.2%
Staff costs	93, 823	81, 708	14.8%	93, 823	81, 708	14.8%
Non-staff costs	118, 118	104, 216	13.3%	118, 118	104, 216	13.3%
Depreciation	25, 433	27, 604	-7.9%	25, 433	27, 604	-7.9%
Impairment losses and provisions	54, 845	49, 981	9.7%	54, 845	49, 981	9.7%
Income tax expense	28, 345	35, 296	-19.7%	28, 865	26, 971	7.0%
Ratios (%)						
Return on average assets (ROA)	3.0	2.2	0.8pp	3.1	1.8	1.2pp
Return on average equity (ROE)	23.5	19.4	4.0pp	23.9	14.4	9.5pp
Capital/Asset ratio (eop)	12.8	13.0	-0.2pp	12.8	13.0	-0.2pp
Total capital ratio (eop)	12.9	17.1	-4.2pp	12.9	17.1	-4.2pp
Tier 1 capital ratio (eop)	10.6	13.7	-3.1pp	10.6	13.7	-3.1pp
Risk weighted assets/Total assets ratio (eop)	80.0	66.5	13.5pp	80.0	66.5	13.5pp
Non-performing loans/Gross loans	2.7	2.9	-0.1pp	2.7	2.9	-0.1pp
Loan/Deposit ratio	82.2	76.4	5.8pp	82.2	76.4	5.8pp
Cost/Income ratio	41.6	44.4	-2.9pp	41.6	44.4	-2.9pp
Net Profit Margin	43.9	37.8	6.1pp	44.7	28.0	16.7pp
Resources (number) - (eop)						
Bank Operating outlets	259	317	-58	259	317	-58
Employees	4. 149	3. 769	380	4. 149	3. 769	380
Foreign exchange rate at period-end (BGN/USD)	*1.3312*	*1.4851*	*-10.4%*	*1.3312*	*1.4851*	*-10.4%*
Average annual exchange rate over the period (USD/BGN)	*1.4290*	*1.5593*	*-8.4%*	*1.4290*	*1.5593*	*-8.4%*

Normalised for Restructuring plan related costs of BGN +5,200 thousands (positive effect) for 2007 and BGN -55,502 thousands for 2006

Financial highlights (Consolidated)

(Thousands of BGN, unless otherwise stated)

	2007 Normalised[1]	2006 Normalised[1]	Normalised Growth	2007 Actual Audited	2006 Actual Unaudited	Growth
Key figures						
Net profit	246, 776	184, 474	33.8%	251, 457	137, 297	83.1%
Shareholders' equity (eop)	1, 166, 342	979, 755	19.0%	1, 166, 342	979, 755	19.0%
Total assets (eop)	9, 080, 914	7, 639, 576	18.9%	9, 080, 914	7, 639, 576	18.9%
Customer deposits (eop)	6, 329, 019	5, 451, 707	16.1%	6, 329, 019	5, 451, 707	16.1%
Customer loans (eop)	5, 202, 029	4, 296, 585	21.1%	5, 202, 029	4, 296, 585	21.1%
Earnings per share (in BGN)	1.03	0.77	33.8%	1.05	0.57	83.1%
Income						
Net interest income	384, 557	328, 941	16.9%	384, 557	328, 941	16.9%
Net fee and commission income	143, 695	118, 444	21.3%	143, 695	118, 444	21.3%
Net trading income	11, 644	18, 170	-35.9%	11, 644	18, 170	-35.9%
Net income from securities	23, 384	12, 356	89.3%	23, 384	12, 356	89.3%
Gross operating income	569, 059	488, 617	16.5%	569, 059	488, 617	16.5%
Net operating Income	330, 032	271, 709	21.5%	330, 032	271, 709	21.5%
Expenses						
Operating expenses	239, 027	216, 908	10.2%	239, 027	216, 908	10.2%
Staff costs	96, 728	85, 443	13.2%	96 728	85, 443	13.2%
Non-staff costs	116, 220	103, 193	12.6%	116, 220	103, 193	12.6%
Depreciation	26, 079	28, 272	-7.8%	26, 079	28, 272	-7.8%
Impairment losses and provisions	54, 474	51, 077	6.7%	54, 474	51, 077	6.7%
Income tax expense	28, 781	36, 158	-20.4%	29, 301	27, 833	5.3%
Ratios (%)						
Return on average assets (ROA)	3.0	2.5	0.5pp	3.0	1.8	1.2pp
Return on average equity (ROE)	23.0	19.6	3.4pp	23.4	14.6	8.8pp
Loan/Deposit ratio	82.2	78.8	3.4pp	82.2	78.8	3.4pp
Cost/Income ratio	42.0	44.4	-2.4pp	42.0	44.4	-2.4pp
Net Profit Margin	43.4	37.8	5.6pp	44.2	28.1	16.1pp

Normalised for Restructuring plan related costs of BGN +5,200 thousands (positive effect) for 2007 and BGN -55,502 thousands for 2006

Letter to Shareholders

> "UniCredit Bulbank exhibited healthy growth in all income components, confirming its strong focus on value creation and prudent risk policy."

Dear Shareholders,

It is our privilege to present our 2007 annual accounts and development plans.

The process of integrating Bulbank, HVB Bank Biochim and Hebros Bank which had started formally in 2006 was successfully completed in July 2007, resulting in the creation of the largest Bulgarian bank. The challenging task of merging three different operational, business and IT models was executed within the ambitious originally set up timeframe while effectively avoiding any disruption that might be expected from a merger of this size. Substantial efforts have been invested in communicating the common business strategies, new applications, redesigned processes and procedures to the staff.

We can proudly state, that despite the extensive efforts dedicated to the smooth integration, UniCredit Bulbank exhibited healthy growth in all income components, confirming its strong focus on value creation and prudent risk policy. UniCredit Bulbank posted BGN 255.2 million unconsolidated net profit in 2007; this would translate into an annual growth of 37.9% after normalisation for the restructuring-related costs in 2006 and 2007. On a consolidated basis, Group net profit was BGN 251.5 million, a normalised growth of 33.8%. Gross operating income of the Bank went up by 18.9% to BGN 571.1 million, including 21.2% growth in fee income. Total assets of the Bank increased by 21.1%, customer deposits by 16.0% and customer loans by 24.9%. UniCredit Bulbank preserved its combination of good profitability, financial strength and cost efficiency. Profitability improved tangibly: on a normalised basis the Bank's Return on average equity went up to 23.5% and Return on average assets to 3.0%. The total capital ratio is 12.9%. In 2007 the Cost/Income ratio improved from 44.4% to 41.6% and the Non-performing loan ratio declined from 2.9% to 2.7%. Standard & Poor's confirmed UniCredit Bulbank long-term credit of BBB+, equal to the sovereign rating of the country.

The Bank was in a position to successfully manage core business development projects, notwithstanding the strong focus on integration related activities. UniCredit Bulbank divested certain non-core subsidiaries (e.g. the cash-in-transit and security company Optima Financial Services formerly owned by Hebros Bank). Furthermore, in the context of the reorganization in UniCredit Group's leasing business, the Bank transferred its controlling interest in Bulbank Leasing AD and Hebros Leasing AD, which now operate as single entity owned directly by the Group. UniCredit Factoring started operations as a stand-alone company in 2007, gradually increasing the awareness about its operations and building up its reputation

The branch network underwent massive optimisation in the course of 2007 by means of relocating and closing branches to ensure optimal branch market share, adequate presence in high-potential locations and realisation of substantial economies of scale. Head Office locations were also optimised in order to efficiently accommodate the new business and operational model. The triple merger enabled significant synergies, improved efficiency and created a more diverse customer base. Furthermore, the redesign and upgrade of the business and operational models, the implementation of a single IT platform and a customer-centric organisational structure along with the introduction of a balanced risk management system will put UniCredit Bulbank in a strong competitive position and allow it to capitalise on the opportunities provided by the increasingly sophisticated and discerning market in 2008.

In conclusion, we would like to thank our customers, partners and shareholders for their trust, loyalty and patience in a year of major transformations for our institution. We are also grateful to our managers and employees, whose dedicated efforts and competence contributed to our business and integration success. And finally, let us thank all Supervisory Board and Management Board members who managed the institution confidently and prudently through this period of change.

Levon Hampartzoumian
Chairman of the Management Board and CEO

Robert Zadrazil
Chairman of the Supervisory Board

27 February 2008
Sofia

Supervisory Board and Management Board[1]

Supervisory Board		Starting date of mandate
Robert Zadrazil	Chairman	23 January 2007
Alberto Devoto	Deputy Chairman	23 January 2007
Heinz Meidlinger	Member	23 January 2007
Tomas Gross	Member	23 January 2007
Elena Patrizia Goitini	Member	23 January 2007
Marco Iannaccone	Member	8 June 2006
Dimitar Zhelev	Member	3 October 2000

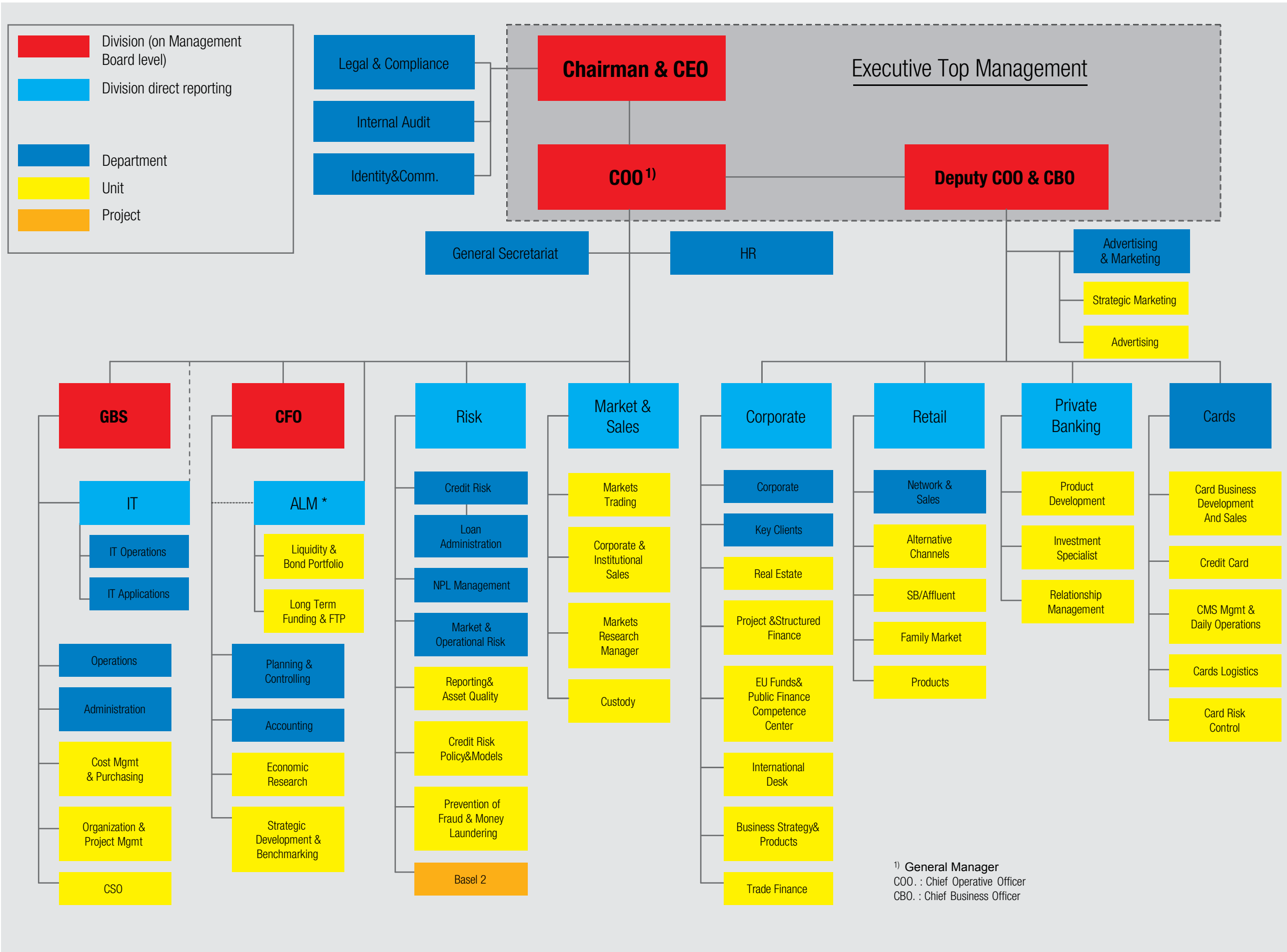
Management Board*		
Levon Hampartzoumian	Chairman and Chief Executive Officer	31 August 2001
Peter Harold	Deputy Chairman and Chief Operative Officer	8 June 2006
Andrea Casini	Member and Chief Business Officer	8 March 2006
Emilya Palibachiiska	Member	27 April 2007

On 31.01.2008 UniCredit Bulbank has filed with the Commercial registry of the Registry Agency the following changes:

- Release of Mr. P. Harold as Deputy-Chairman, Chief Operative Officer and Executive Director of the Bank;
- Election of Mr. Casini as Deputy-Chairman of the MB;
- Election of Ms. Monika Fuernsinn as Member of MB.

[1]As of 31 December 2007

Organisation Chart[1]



[1] As of 31 December 2007

Credit Rating and Awards

Counterparty Credit Rating (Standart & Poors)

Long-term	BBB+[2]
Short-term	A-2
Outlook	Stable

[2]Equal to the S&P sovereign rating of Bulgaria in foreign currency

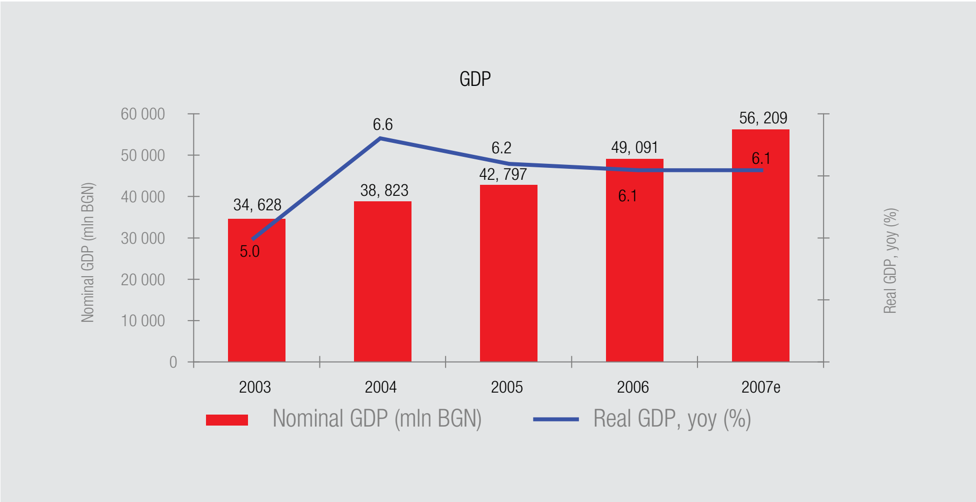
Awards received by UniCredit Bulbank in 2007

The successful handling of the three-way integration and the strong financial performance of UniCredit Bulbank has been widely recognised and acclaimed by the specialised press. In 2007 the Bank and its management received several prestigious awards:

- “Best Bank in Bulgaria” – Euromoney magazine
- “Best Investment Bank in Bulgaria” – Euromoney magazine
- “Bank of the Year in Bulgaria” – The Banker magazine
- “Best Bank in Bulgaria” – Global Finance magazine
- “Best Custody in Bulgaria” – Global Custodian
- “Best Banker in Bulgaria” for the CEO Mr. Levon Hampartzoumian – Banker weekly
- “Best Banker in Bulgaria” for the CEO Mr. Levon Hampartzoumian – Burov Foundation

Overview of Bulgarian Economy and Banking

2007 Overview of Bulgarian economy



GDP growth experienced a sizeable one-off drop in the third quarter of 2007 but is expected to regain momentum in the forth quarter resulting in a full-year growth of 6.1%. Real GDP grew at the disappointing 4.5% year-on-year in the third quarter of 2007, posting its weakest quarterly reading in three years. Slowdown was entirely attributable to the agriculture sector, where unfavourable climatic conditions brought a 43% drop in the real GVA. At the same time GVA growth in manufacturing and services sectors increased in real terms by 12.8% and 11.1% respectively, highlighting the fundamental case for a very rapid pace of economic expansion in the first year after EU accession. On the demand side growth was propelled by booming investments, which including the changes in the reserves of unfinished production reached the impressive 38% of GDP for the first nine months of the year. No significant changes in the GDP growth structure were observed. Growth remains overly reliant on externally-funded investments, which in turn drives the net exports deep into the negative territory. The rapid accumulation of physical capital still fails to bring the desired payoffs in terms of GDP growth acceleration and easing of current account gap as large share of investments seems to be channelled into unproductive areas.

The main areas of vulnerability on the macro side are still associated with the large CA deficit and inflation. CPI according to the national methodology came in at 12.5% year-on-year in December and 8.4% average for the whole year 2007. Almost two-thirds of consumer price increases were attributable to higher food and transportation costs, which were largely driven by factors beyond the control of local policy makers. Excessive wages growth in combination with the rapid increase in money supply and lack of structural reforms aimed at boosting competition in some specific sectors in the economy were also among the causes of the accelerated prices pressure in 2007.

Overview of Bulgarian Economy and Banking (Continued)

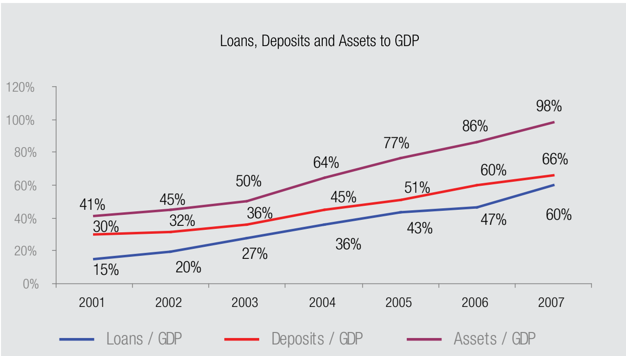
Selected economic indicators	2007	2006	2005	2004	2003	2002	Growth 07/06
Official exchange rate at the end of the period (BGN/USD)	1.33	1.49	1.66	1.44	1.55	1.88	-10.4%
Average Official exchange rate (BGN/USD)	1.43	1.56	1.57	1.57	1.73	2.08	-8.3%
Avg. Basic Interest Rate (%)	3.92	2.68	2.04	2.61	2.68	3.96	1.2
Inflation at the end of the period (%)	12.5	6.5	6.5	4.0	5.6	3.8	6.0
Avarage inflation (%)	8.4	7.3	5.0	6.2	2.4	5.8	1.1
Nominal GDP (EUR million)F	28, 739	25, 100	21, 882	19, 850	17, 705	16, 567	14.5%
Real GDP growth (%)F	6.1	6.1	6.2	6.6	5.0	4.5	0.0
GDP per capita (EUR)F	3, 761	3, 268	2, 835	2, 558	2, 269	2, 112	15.1%
Balance of payments final balance (EUR millions)	3, 164	1, 786	569	1, 400	630	717	77.2%
Current account balance (EUR millions)	-6, 175	-3, 935	-2, 622	-1, 307	-972	-403	56.9%
Foreign trade turnover, FOB (EUR millions)	34, 243	29, 586	23, 342	18, 923	15, 762	14, 004	15.7%
Trade balance, FOB (EUR millions)	-7, 419	-5, 562	-4, 410	-2, 954	-2, 426	-1, 878	33.4%
Foreign direct investments (EUR millions)	5, 687	4, 364	3, 103	2, 736	1, 851	980	30.3%
Gross foreign debt at the end of the period (EUR millions)*	26, 248	20, 111	15, 090	12, 659	10, 641	10, 769	30.5%
Gross foreign debt / GDP (%)F	94.0	80.1	69.0	63.8	60.1	65.0	17.4%
Gross internal public debt at the end of the period (EUR millions)	1, 636	1, 511	1, 453	1, 371	1, 154	1, 080	8.3%
BNB FX reserves (EUR millions)	11, 937	8, 926	7, 370	6, 770	5, 309	4, 575	33.7%
Budget deficit/GDP (%)	3.8	3.6	2.3	1.7	0.0	-0.6	0.2
Unemployment rate at the end of the period (%)	6.9	9.1	10.7	12.2	13.5	16.3	-2.2
Acting commercial banks at the end of the period	29	32	34	34	35	35	-
Source: BNB, NSI and UniCredit Bulbank projections							
F UniCredit Bulbank forecast; * data as of Nov. 2007							

The twelve-month CA deficit widened to 20.2% of anticipated full-year GDP at the end of November. The CA gap increased by 69% for the period January-November 2007 compared with the same period a year earlier; most of the deterioration stems from the balance of goods. Export growth slowed down to 11.5% year-on-year mostly in response to sector-specific transitory factors in the non-ferrous metals, agriculture and vertically integrated foods and beverages manufacturing. The decommissioning of the last two Soviet-era reactors in the nuclear power plant in Kozloduy, also affected negatively the export volumes, although the harm was rather small given the limited relevance of electricity in total merchandise exports. Import grew by 19.3% fuelled by rapid increase in investment spending and buoyant consumption of durable goods by the households sector. Services balance did not change much compared with the previous year. In line with the prevailing expectations income balance deteriorated marginally in reflection of the rapidly growing private sector external indebtedness and increase in the corresponding debt servicing costs.
On the financing side net FDI increased to an all-time record of EUR 4.9 billion but nevertheless failed to provide full coverage to the CA deficit. We remain cautiously optimistic regarding the CA balance outlook for 2008. New production capacities added in the tradable goods sectors and the anticipated recovery in the agriculture and foods and beverages manufacturing should boost export volumes, while also compensating some of the anticipated drop in textile exports following the liberalization of foreign trade between EU and China. Deceleration in domestic demand and more benign crude oil price dynamics will limit the imports growth, which in combination with the improvements in the utilization of EU grants should help the CA deficit to ease marginally to some 19.2% of GDP next year. FDI is estimated to slow down to around 15% of projected GDP, causing also some deterioration in the financing structure of the large CA mismatch.

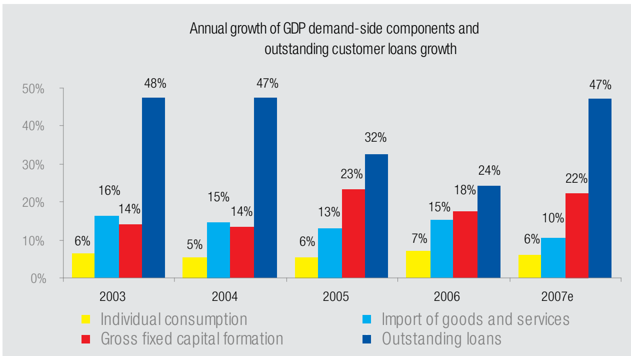
Overview of Bulgarian Economy and Banking (CONTINUED)

2007 Overview of Banking Sector

The fundamentals of Bulgarian banking industry remain strong. Boom in demand for investments following the EU accession made possible a further deepening of credit penetration, particularly in the corporate segment where gross loans posted an impressive increase of 71.5% over the year. Retail loans also reported another year of strong expansion rising by 52.2%. Customer deposits growth was 31.1% and drew support from the combination of improving company financials of companies and acceleration of real incomes in the household sector. The profitability of the banking sector continued to improve in 2007 with ROE after tax rising to 21.6% (up from 20.6% in the previous year). Efficiency measured by the cost-to-income ratio was substantially better at the very comfortable level of 47.3%. Non-performing loans are less than 3% of total gross loans, not least because ofthe dilution effect of the accelerating pace of credit expansion.So far the impact of the global financial crisis on the Bulgarian banking sector was relatively small. There are no signs for tightening of credit standards. In Bulgaria retail lending remains concentrated in the wealthiest 25%-30% of population and credit penetration in the sub-prime segment is still very limited. At the same time it is clear that the crisis affected the availability of liquidity in the economy and particularly the cost of external borrowing. Since the start of the crisis daily volumes of overnight money market deposits are down from an average of approximately BGN 200 million to about BGN 100 million. Likewise, the spread between LEONIA and EONIA money market rates increased from close to zero prior to the crisis inception to around 80-90 basis points at the moment.



Source: BNB and NSI



Source: BNB and NSI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FLAMES

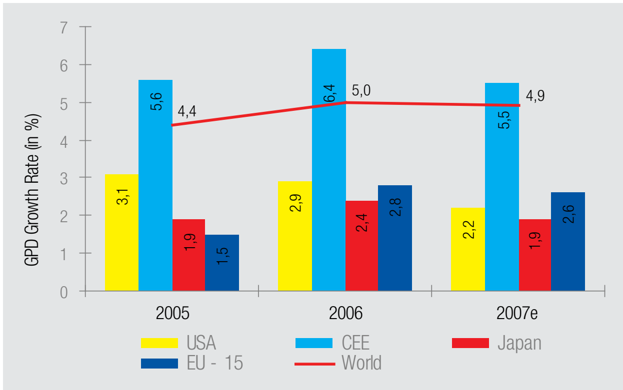
Overview of World Economy

The pace of global economic expansion lost momentum in 2007, rising by an estimated 4.9% yoy. Geographically, economic growth was relatively broadly based, with contribution of China, India and Russia being particularly strong. The US economy slowed down to 2.2% as sub-prime mortgage market crisis negatively affected consumption spending in the household sector. So far European economy demonstrated pretty strong resilience rising by 2.6% yoy, despite increase in the borrowing costs and downside shift in households' sentiments. In Japan first signs of weakening in the GDP growth were noticed in July mainly as a consequence of softening of external demand and somewhat stronger yen. Equity values, exchange rates and commodity prices increased their volatility, while vulnerabilities of countries with large current account deficits or pegged exchange rates become more visible.

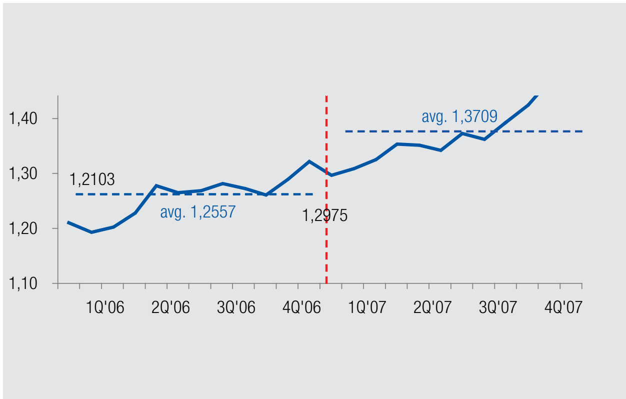
The rising inflation concerns in the course of the year mostly reflected surge in food and other commodities prices. Oil prices, reaching new heights in December, were also a significant contributor to the inflationary pressure. In the developing countries and fast growing emerging markets prices pressure is even more immediate as food costs represent almost 40% of the consumption basket, while monetary policies are not as well established.

Credit market conditions deteriorated sharply since late July as the decline in value of mortgage backed securities was followed by a squeeze in market liquidity also forcing banks and other investors to make big write offs on their credit books. Even the harsh cuts in the federal funds rate failed to ease credit market conditions. Emerging markets have also been affected by these developments mostly with sovereign spreads widening and stock market indexes falling sharply. However, the proportion of the impact was less severe when compared with previous episodes of global financial turbulence observed in the history.

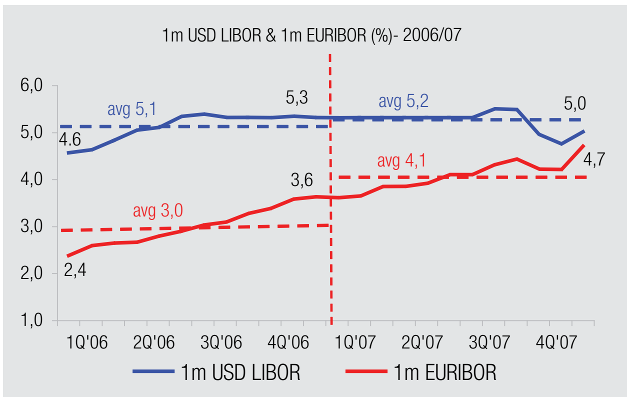
The US dollar followed a strong downward trend against the background of a wide current account deficit, a slowly-growing economy, and the robust cut in the federal funds rate. Moreover, excessive easing of US monetary policy is likely to contribute to further weakening of the US dollar. On the other hand the Euro strength seems mostly a reflection of strongly looking medium-term fundamental factors.



Source: IMF World Economic Outlook- September 2007



Source: Eurostat



Source: UniCredit Bulbank Database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UniCredit Bulbank Activity Review

Financial Results

Unicredit Bulbank reported an unconsolidated net profit of BGN 255.2 million in 2007 (up from BGN 134.5 million in 2006). Total gross operating income was up 18.9% to BGN 571.1 million and net operating income (after operational expenses) increased by 25% reaching BGN 333.7 million.

Thousands of BGN

Summary unconsolidated operating income statement	2007	2006	Growth (%)	Growth (amount)
Net interest income	380, 387	322, 776	17.8	57, 611
Fees and commissions income	143, 473	118, 402	21.2	25, 071
Net trading income	11, 647	18, 184	-35.9	(6, 537)
Net result from securities	31, 093	14, 177	119.3	16, 916
Other operating income	4, 458	6, 922	-35.6	(2, 464)
GROSS OPERATING INCOME	**571, 058**	**480, 461**	**18.9**	**90, 597**
Operating Expenses	(237, 374)	(213, 528)	11.2	(23, 846)
NET OPERATING INCOME	**333, 684**	**266, 933**	**25.0**	**66, 751**

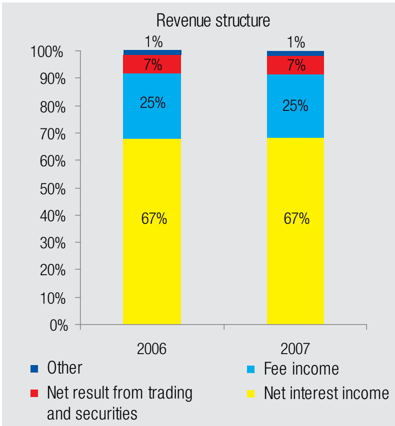
Profitability and efficiency improved further: return on assets was 3.1% (3.0% on a normalised basis), return on average equity 23.9% (23.5% on a normalised basis), earnings per share increased to BGN 1.07 and cost/income ratio was down by 2.9 percentage points to 41.6%, below the average for the banking system.

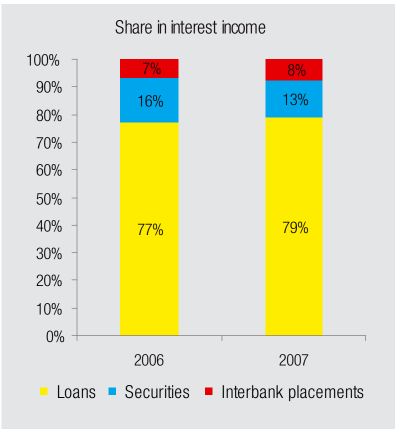
Net interest income was the main earnings contributor with 67% of gross operating income. It grew 17.8% year-on-year to BGN 380.4 million. Lending interest income, representing 79% of total interest income, grew by 22.2%, supported by the 15.8% increase in the Bank's average annual loan portfolio. Interest income from securities accounted for 13% of interest income and increased by 1.7% year-on-year. Interest expense on customer deposits went up by 35.6% due to the increase in both prices and average volumes. Interest income was supported by the increase in the major base rates. Average 1-month USD LIBOR increased slightly from 5.1% to 5.2% and the average 1-month EURIBOR was up from 3.0% to 4.1%. Interest income from inter-bank placements grew by 36.4% and accounted for 8% of total interest income. Net interest margin increased slightly to 4.6%.

Net fee income was up by 21.2% to BGN 143.5 million, accounting for 25% of gross operating income. The growth is mainly attributable to the 196% increase in currency trading fees, 115% increase in fee income from brokerage and securities trading and 18% growth in fees from packages.

Net securities and other trading operations gains were BGN 42.7 million, up by 32.1% year-on-year. Other operating net income was down by 35.6% to BGN 4.5 million.

Operating costs reached BGN 237.4 million. The increase of 11.2% was below the growth of gross operating income and the market,

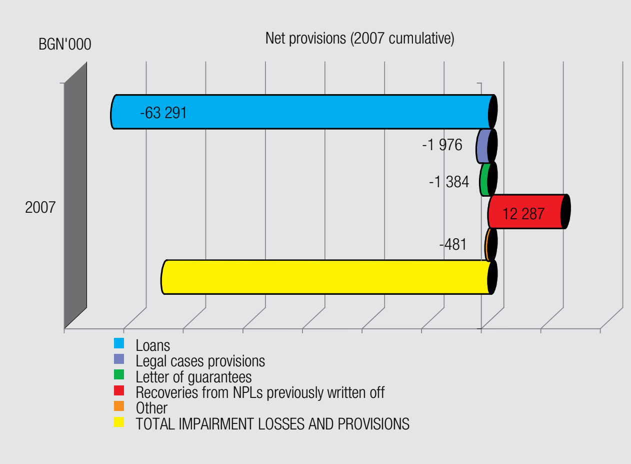




which further demonstrated the ability of the Unicredit Bulbank to conduct its business in an efficient way. Personnel costs grew by 14.8%, reflecting the competitive labour-market environment in the banking sector. Non-personnel costs were up by 13.3% in 2007, mostly as a result of increased deposit insurance premiums and property-related expenses.

Net impairment losses and provisions amounted to BGN 54.8 million compared to BGN 50 million in 2006. A tangible proportion of the impairment was offset by the receipt of BGN 12.3 million from active collection and work-out activity. Bulbank continued to pursue a strict, conservative and prudent risk assessment and provisioning policy, thus properly covering potential risks in the rapidly expanding lending market. As a result, the bank's NPL ratio improved from 2.9% in 2006 to 2.7%.

Income tax was BGN 28.9 million, up by 7% year-on-year.



Balance Sheet

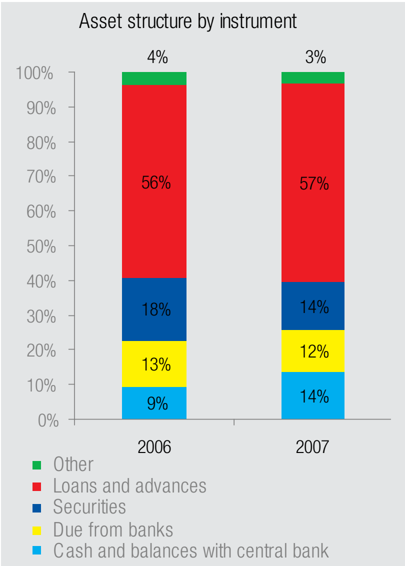
BGN Millions

Summary Unconsolidated Balance Sheet (1)	2007	2006	Growth (%)	Growth (amount)
Assets				
Cash and balances with Central Bank	1, 251	693	80.5	558
Due from Banks	1, 076	1, 000	7.6	76
Securities	1, 255	1, 352	(7.2)	(98)
Loans and Advances to customers(2)	5, 201	4, 165	24.9	1, 036
Property and equipment	193	199	(3.1)	(6)
Other assets, net	90	79	13.6	11
Total assets	9, 067	7, 490	21.1	1, 577
Liabilities and shareholders' equity				
Customer deposits	6, 329	5, 454	16.0	874
Long-term borrowings	263	247	6.4	16
Other liabilities	1, 313	816	60.8	497
Total liabilities	7, 904	6, 518	21.3	1, 387
Shareholders' equity	1, 162	972	19.6	190
Total liabilities and shareholders' equity	9, 067	7, 490	21.1	1, 577

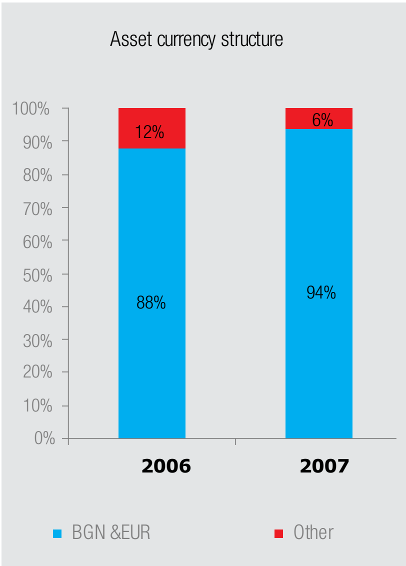
(1) Balance Sheet Structure from the financial statements is adjusted for analytical purpose.

(2) Loans and Advances to customers are net of provisions

The value of the unconsolidated balance sheet reached BGN 9,067 million, up by 21.1% compared with the end of 2006.
The currency structure of assets changed. EUR and BGN denominated assets increased their share from 88% to 94% of total balance sheet.
The gradual shift from treasury components to those related to commercial banking also continued in 2007. The loan portfolio weight rose to 57% of total assets against 56% for the previous year, reaching BGN 5,201 million in net terms (up 24.9% year-on-year). Securities portfolio declined by 7.2% to BGN 1,255 million and its share of total assets decreased from 18% to 14%. Inter-bank placements were up by 7.6% at the end of 2007, but their share of total assets decreased from 13% to 12%. Cash and balances with BNB increased by 80.5% to BGN 1,251 million, as a result of the changes in the minimum required reserves in 2007. Property and equipment declined by 3.1% to BGN 193 million.
The bank continued to finance its operations predominantly through customer deposits and internal funds. Nonetheless, in 2007, external long-term borrowings increased from BGN 247 million to BGN 263 million, mainly from international financing institutions (e.g.



UniCredit Bulbank Activity Review (Continued)



European Investment Bank, Council of Europe, European Bank for Reconstruction and Development). Customer deposits grew by 16%, reaching BGN 6,329 million.
Unconsolidated shareholders' equity amounts to BGN 1,162 million, up by 19.6% for the year (BGN 972 million in 2006). The equity ratio decreased to 12.8%, down from 13.0% in 2006. Total capital adequacy ratio is 12.9% (17.1% in 2006), and Tier 1 ratio is 10.6%, down from 13.7% in 2006. Risk-weighted assets to total assets ratio is up by 13.5 percentage points to 80.0%, reflecting the growth of loan portfolio. This affords complete compliance with BNB Regulation 8 on Capital Adequacy.

Consolidated financial results

UniCredit Bulbank reports a consolidated net profit in 2007 of BGN 251.5 million. Normalising for the restructuring plan related costs incurred in 2006 the year-on-year growth in the bottom line would be 33.8%. Consolidated earnings per share amounted to BGN 1.05. Group net interest income increased by 16.9% to BGN 384.6 million and fee and commission income was up 21.3% to BGN 143.7 million. Gross operating income was BGN 569.1 million and net operating income was up 21.5% to BGN 330 million. The operating expenses of UniCredit Bulbank Group increased less than the revenues, by 10.2% and reached BGN 239 million. The cost category that increased most was staff costs, which grew by 13.2% to BGN 96.7 million; this reflects the intensifying competition for qualified personnel in the banking sector during the year.
Total assets were up 18.9% on a consolidated basis and were BGN 9,081 million at the end of the year. Group's return on average assets improved to 3% in 2007; return on average equity also improved markedly to 23.4%.

Risk Management

In 2007 the highest priority was assigned to the credit area integration process, a project which was part of the integration initiatives. The elaborated and implemented unified credit risk model, structure and procedures guarantee a strong focus on asset quality, follow the Group guidelines and Basel II requirements and at the same time substantially underpin the facilitation of the lending process and coordination between risk and business.

Supported by the strong growth in corporate loans, customer loan portfolio grew by 25.3% reaching 5,432 million. The quality of the of the customer loan portfolio remained comparable to the one of the banking system as a whole; as of 31.12.2007 the non-performing loans ratio (classified exposures in groups 3 and 4 according to BNB Regulation 9) was 2.7%, the share of watch loans stood at 0.9% and the share of standard loans was 96.3% of the total portfolio. The provision coverage was 93.9% for NPL loans, 17.3% for watch loans and 1.6% for standard loans. The higher risk costs and levels of provision coverage versus the system are a result of the more conservative risk exposures evaluation policy of UniCredit Bulbank adopted immediately after the triple merger.

In 2007 the market risk activities were focused in three major directions: establishment of unified rules for risk management and risk control, implementation of Group front office systems solutions for risk management and market risk monitoring and detailed analyses of all business products and banking book items exposed to general market risk loss potential. The assets and liabilities management committee (ALCO) approved a complex limit set for FX, interest rate, liquidity and overall VAR together with the respective reporting lines and escalation procedures.

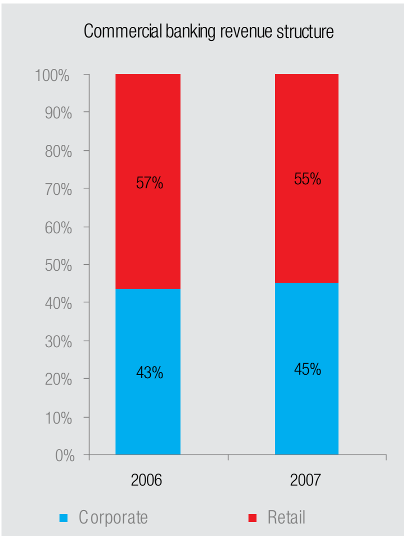
During 2007 the market risk unit successfully completed positioning within the UniCredit Bulbank organisational structures. Compliance with prudent standards is guaranteed by the direct reporting line to a Board Member responsible for risk, the independence from business units and the rights to investigate any kind of activity indicating potential market risk losses. Regular reporting provides both the Management Board and the Group risk management with recent data on limits, exposures and market profiles. Another such activity is the independent daily presentation of results (Instrumental Profit and Loss) of Markets & Investment Banking and ALM operations. In this respect loss-warning level limit was implemented for providing early indication of any accumulation of position losses. Finally, regular stress-oriented simulations of market risks and liquidity have been set up.

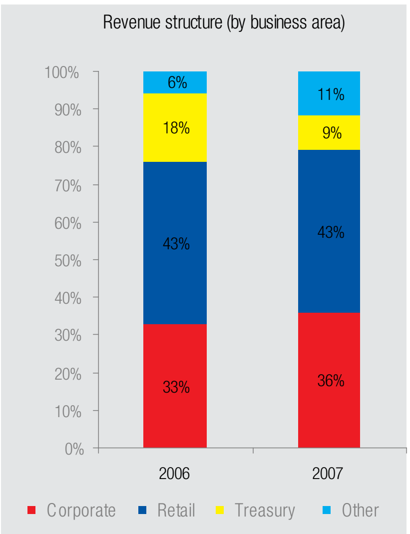
In 2007 the operational risk framework for the merged bank was established by carrying out the process of setting the internal policies and procedures, such as the Operational Risk Control Rulebook and the Internal Regulation aligning the operational risk unit's interaction with all other units. The operational risk management systems of UniCredit Bulbank were rolled out to a common group-wide platform; full data migration from the former Bulbank operational risk system to the one adopted by BA-CA was completed. The main business processes of the integrated bank were mapped and a new decentralized data collection introduced, encompassing all bank units and the branch network. This approach improves risk mitigation by increasing risk awareness and laying grounds for risk assessment in the bank. The management of the bank was regularly informed of any changes in the operational risk exposures and breaches in policies and limits.

UniCredit Bulbank Activity Review (Continued)

Commercial Banking

Commercial banking reinforced its position as the main revenue growth driver. It generated revenues of BGN 452.4 million in 2007, up 23.9% year-on-year. This represents 79% of total gross operating income of the Bank (compared to 76% a year earlier). This growth was achieved through strong focus in loans and deposits, improvement of the product offer and development of the over 1 million clients across all segments.





Gross loan portfolio value increased by 25.3% at the end of the year compared to the end of 2006, bringing the loan to deposit ratio to 85.8%, down by 6.4 percentage points. Loans to individuals increased by 29.7% in 2007. Mortgages grew by 57.1%, loans to private companies were up by 19.7%. In line with the bank's very selective consumer lending policy, consumer loans increased by 10.1%.

Corporate banking

The structured approach in the merger activities, leveraging on the best practices of the three banks, translated into the implementation of an entirely customer-centric and market opportunities' driven business model which allowed the Corporate and International Banking Division to maintain its position on the local market as the strongest corporate brand. The dedicated commercial efforts and the clearly communicated strategy and major accents in the activities for 2007 successfully prevented any integration-related business disruption.

A strong competitive advantage in the adopted new service model is the deployment of product advisory teams, whose expertise in different areas allowed the Division to capture market opportunities and to strive for the biggest deals, thus not only growing the business but proving the capacity of UniCredit Bulbank to provide tailor-made, comprehensive and sophisticated solutions to its customers. In the areas like real estate, project and structured finance, trade finance and cash management, European funds and public finance, the proactive involvement and know-how of dedicated product specialists further built upon our reputation as market leader and first-choice partner for local and international companies in sophisticated and more complex transactions.

The strongest proof of the adequacy of the new service model is the 29.5% annual growth in Corporate Division revenues, which reached 205.1 million. These good results were supported by the excellent net interest income on deposits and the income from FX and documentary transactions. Corporate loan volumes grew by more than 28% while loan portfolio quality remained very good.

Retail banking

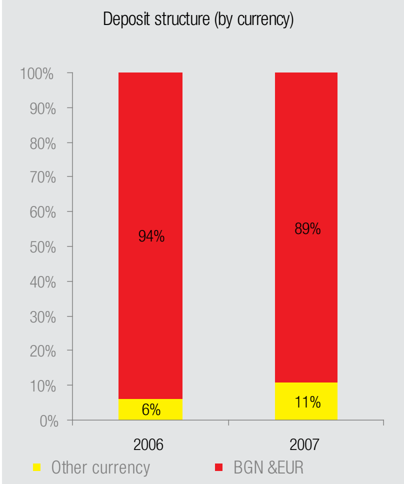
One of the major integration challenges was the implementation of the selected new core IT system replacing the three old ones of Bulbank, HVB Bank Biochim and Hebros Bank. The introduction was successful and now UniCredit Bulbank has a very sophisticated bank information system and common customer database in place, allowing its clients to access their accounts at any branch nationwide.

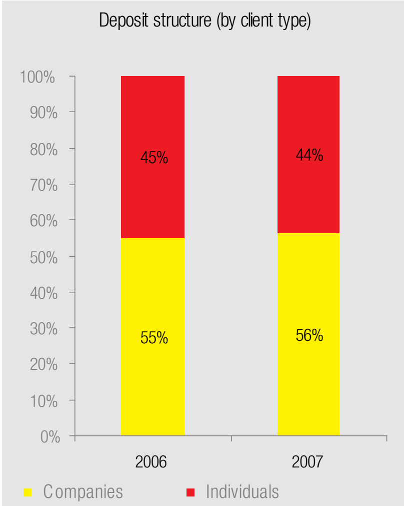
The focus of Retail Banking Division was on the optimisation of the branch network and on the integration of the activities and policies in all commercial areas. The number of branches was optimised

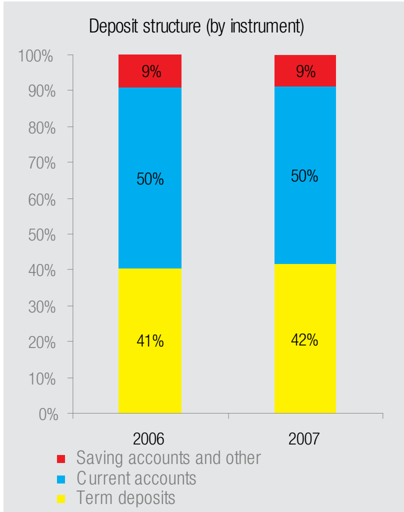
from 317 to 259, divesting from similar locations in small and economically weak regions, at the same time investing in perspective and business aggressive sites. Branch market share is kept at about 10%, considered to be the minimum optimal presence with the strategy of increasing over the course of 2008 and 2009. Maximum advantage has been extracted from the presence of the three joining banks and now UniCredit Bulbank has a fully-operating branch or office everywhere where it considers economically reasonable. Now, with the IT integration and branch network optimisation finalised, the major focus shifts toward client and employee satisfaction. In lending and deposits new products were introduced in 2007, aimed at providing to the clients better return, ease of operation, shorter time to answer and a much improved value proposition.
In 2007 retail banking revenues grew by 19.6% reaching 247.3 million.
Retail deposit (individuals and small business) volumes reached 3,720 million as of 31.12.2007. Retail loans (individuals and small business) grew by 22.7% to 2,211 million.
Despite the lending market boom in 2007, UniCredit Bulbank led a strategically careful lending policy with a focus on quality deals and primarily developing its own client base. As a result, the mortgage portfolio of the bank grew by 57.1% to 890 million. Consumer loans were up by 10.1% reaching 870 million. Portfolio quality remained good with loans to individuals NPL ratio of 4.0%
The small business loan portfolio increased by 26% in 2007 reaching 560 million. The quality of the portfolio did not experience any deterioration, with small business loans NPL ratio virtually unchanged at 3.9%.
Assets under management volumes, invested in Pioneer mutual funds and unit-linked life insurance, went up by 110% and reached EUR 103 million at the end of the year.
As of 31.12.2007 the number of debit cards is over 719 thousands and the number of credit cards is over 33 thousands. The optimised ATM network consists of 451 ATMs and the number of POS terminals has increased by almost 45% to 3,160 units.

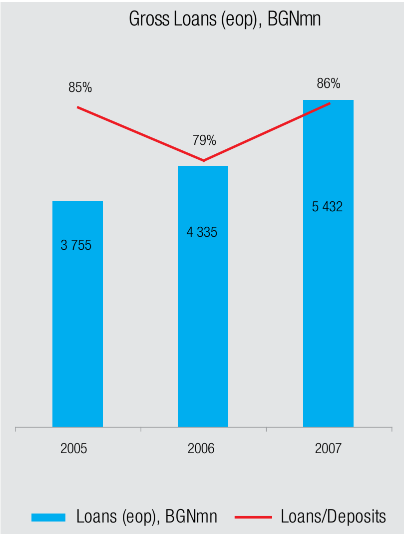
Customer deposits

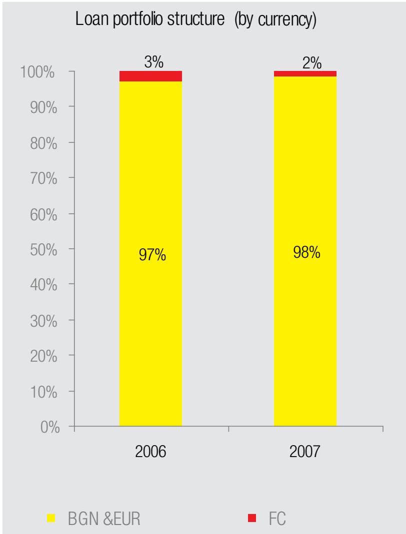
In 2007, customer deposits increased by 16.0% and reached BGN 6,329 million. 89% of all deposits are denominated in Euro and BGN. Company deposits increased to BGN 3,561 million at the end of 2007, 56% of total. Deposits of individuals are up by 13.1% to BGN 2,768 million or 44% of total. Current accounts preserved their 50% share in total customer deposits.

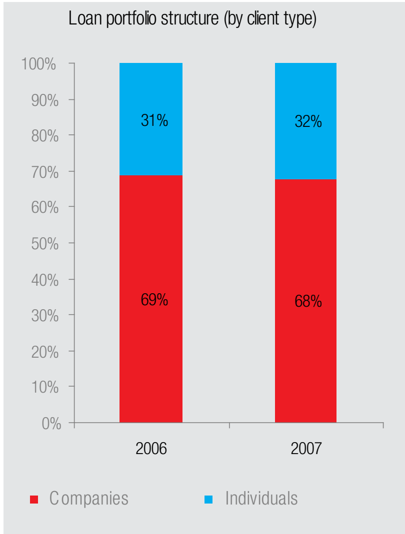










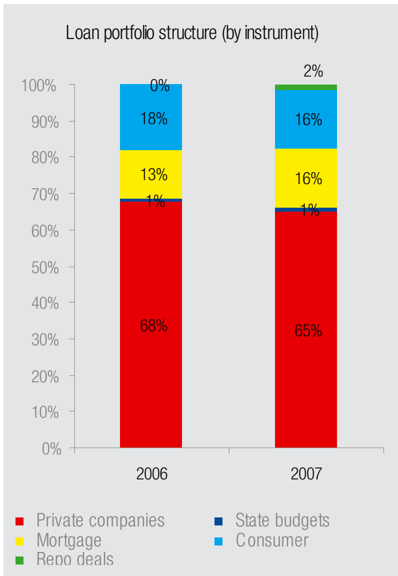


Bank loan portfolio

In 2007, the loan portfolio of the Bank grew by 25.3% to BGN 5,432 million on a gross basis, up from BGN 4,335 million a year earlier. The average annual loan portfolio was BGN 4,683 million in 2007, up 15.8% compared to 2006. The loan-to-deposit ratio increased by 6.4 pp on an annual basis to 86% (compared to 98% for the banking sector). The share of loans in currencies other than EUR and BGN increased from 2 to 3%.

Loans to companies grew by 23.3% to BGN 3,672 million, accounting for 68% of the total portfolio. Loans to individuals grew by 29.7% to BGN 1,760 million, and increased to 32% (31% in 2006) driven by the strong growth in mortgages, which reached a share of 16% (up from 13% in 2006) of total portfolio. Given the booming property market and the strong demand, mortgage lending was again central to the commercial efforts. Despite the high demand, consumer loans had a lower priority for risk considerations. They were nonetheless up by 10.1% to BGN 870 million.

The industry structure changed slightly during the year. The share of manufacturing declined by 1.2 percentage points and that of services declined by 2.2 percentage points. The main areas of concentration as of year-end 2007 were other retail and other industry sectors, manufacturing and commerce, accounting together for 77% of the total.

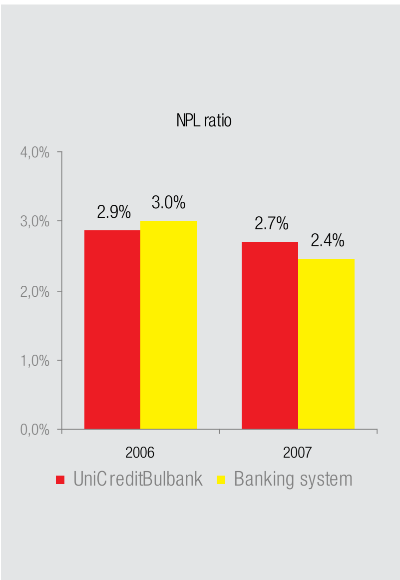


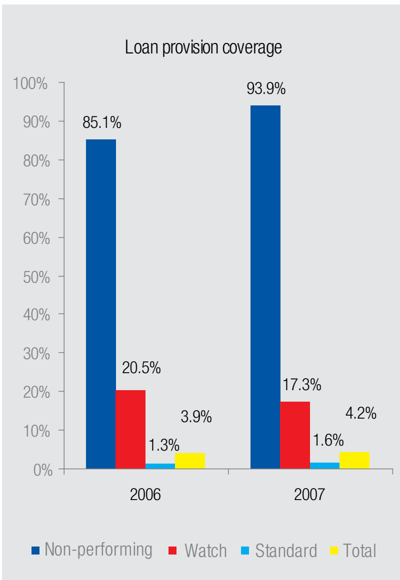
BGN Millions

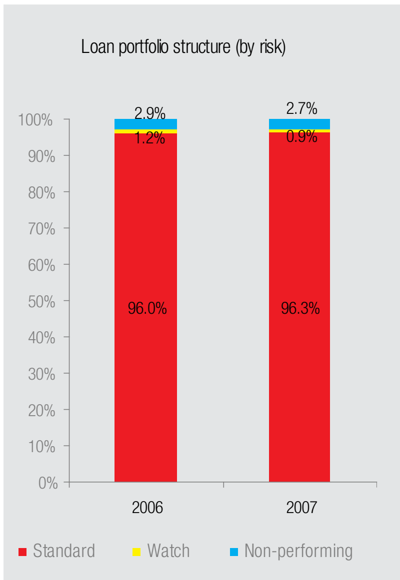
Industry structure	2007		2006	
	Amount	Share	Amount	Share
Sovereign	59	1%	30	1%
Manufacturing	1, 174	22%	991	23%
Commerce	1, 132	21%	938	22%
Construction	264	5%	146	3%
Agriculture and forestry	108	2%	87	2%
Transport and communication	150	3%	115	3%
Services	487	9%	484	11%
Financial services	157	3%	56	1%
Other industry sectors and retail	1, 901	35%	1, 488	34%
	5, 432	100%	4, 335	100%

Loan quality remained good. Non-performing loan ratio(1) improved from 2.9% to 2.7%. The share of standard loans increased to 96.3% of total. The overall amount of write-offs is only BGN 2.3 million.

During the year, the Bank continued its prudent provisioning policy. Total provision coverage as of December 2007 was 4.2%. Watch loans coverage reached 17.3% and NPL coverage was 93.9%.







[1]Non-performing loans to total gross loans. Non-performing are all those loans classified as sub-standard and loss as per ruling BNB Regulation 9 as of 31.12.2007

Money market and Capital market operations

In 2007 UniCredit Bulbank continued its active participation on the international and Bulgarian capital markets. Efforts were focused on achieving the best results in the complex market situation worldwide. In response to the difficult environment the average duration of the most volatile part of the trading portfolio denominated in BGN was reduced to 2.2 years; the portfolio was further optimised through hedging by means of interest rate swaps.

On the money market the local currency portfolio was successfully increased to around BGN 203 million. The bank strengthened its position on the local interbank market as a domestic liquidity storehouse.

Following its policy to provide best quality service to its corporate and institutional clients UniCredit Bulbank further extended its product range by introducing new products. On the Bulgarian Stock Exchange UniCredit Bulbank strengthened its position as a leading equity brokerage house. During 2007 the bank's activities and procedures become MiFID compliant.

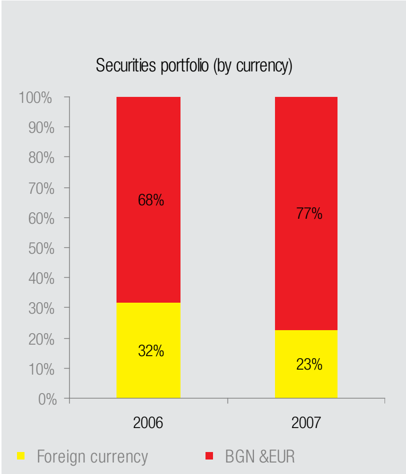
In 2007 the world-renowned magazine "Global Custodian" once again chose UniCredit Bulbank as the best local provider of custody services. The Bank attracted a significant number of new clients thus increasing its assets under custody nearly threefold.

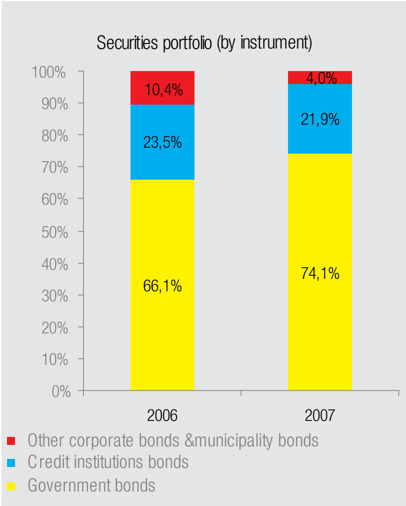
On the origination side the Bank lead-managed five public offerings in 2007, three capital increases of public companies and two initial public offerings. The bank has been awarded the "Best Investment Bank in Bulgaria" by Euromoney Awards for Excellence 2007.

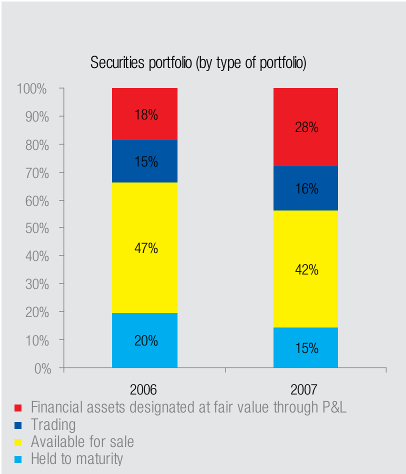
In 2007, UniCredit Bulbank continued to pursue an active and conservative investment policy. The investment security portfolio was in compliance with the liquidity situation of the Bank and taking into consideration the maturity structure of the liabilities. The portfolio was decreased to BGN 1,051 million, supporting the growth of lending activity of business units. Government bonds retained their largest investment portfolio share (74.1% of the total portfolio and 88.5% of securities portfolio). Almost half of the investment portfolio is invested in Bulgarian Government securities. The average risk of the securities is S&P "A-" and the average duration is 2.7 years.

UniCredit Bulbank was active in acquiring alternative mid-term and long-term funding sources. In 2007, intermediated loans from several supranational and international institutions (EIB, EBRD, KfW) - most of them supplemented by EU grants - were utilized and allocated to support investment lending in areas like SMEs, energy efficiency and municipal development.

UniCredit Bulbank owned shares in 25 companies at the end of 2007. The total book value of these investments was BGN 13.7 million. In 2007 UniCredit Bulbank participated in the establishment of Cash Service Company AD and Pirelli Real Estate Bulgaria AD.



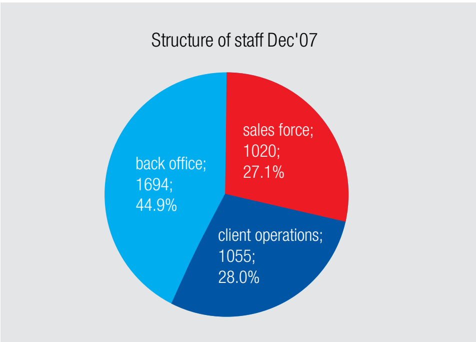


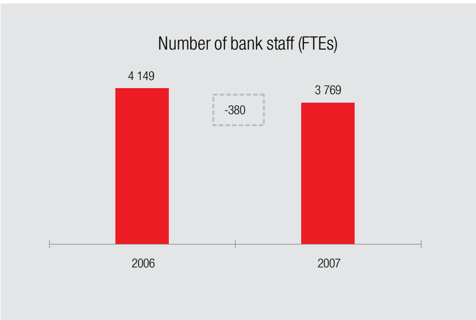


Human recources

Year 2007 was extremely important in terms of human capital management. In the context of the legal merger of the three banks the entire branch network and the head office of the new bank were restructured. Following the information system the implementation of the new commercial model, the employees of the bank took up their new roles. The challenging HR synergy targets (both in terms of costs and number of staff) were successfully met. Being a socially responsible organisation, UniCredit Bulbank followed the approaches most favourable to the employees according to the labour legislation requirements in all cases when FTE targets could not be met solely by means of natural staff dynamics management. Many administration activities were outsourced. At the beginning of the year the factoring business activity of UniCredit in Bulgaria was separated into a new company and UniCredit Factoring started operations.

The overall number of active staff (FTE) at the end of the year is 3,769, a decrease by 380 (just over 9%) compared to the total for the three banks at the end of 2006. The overall number of all bank





employees (including the ones in long-term absence) at the end of 2007 is 3,984. Sales force numbers 1,020 (27% of the total active personnel). The overall number of employees in the retail branch network is 2,129; the one in the corporate network is 119. Administrative personnel consist of 52 employees, a mere 1.4% of the active staff. There are 1,521 employees in the Head Office units of UniCredit Bulbank, another 2,248 are employed in the branch network.

In the first half of 2007 the HR Development actively supported the Bank's integration, while in the second half of the year the focus was on improving the quality of human capital and employees' satisfaction. Several important training campaigns were delivered by the internal trainers pool, among them roll-out trainings related to the new IT system implementation and commercial training for the sales force related to the new business model. In the soft skills field the Bank utilised the services of external companies. Almost all units in the Head Office took part in the specially designed team building events thus assuring better integration of the new teams. The already traditional events "Corporate Day", "Small Business Day" and "Affluent Day" were held again, also with the participation of employees from the banks' network. The focus was on the presentation and discussion of the Bank's strategy.

Special attention was paid on key people and talents management. New Executive Development and Talent Management Programs were launched at UniCredit Group level in which 24 key people from the bank took part. Another five were involved in "UniQuest", the group's program for young employees showing high potential. A new HR Segmentation and Talent Management programme was designed and implemented locally enabling management, development and retention of human resources and ensuring a competitive advantage of UniCredit Bulbank in the market. The Assessment Centre of the bank was involved in the selection process of the middle management team for UniCredit Bulbank and supported actively the career planning process through assessment for development.

In 2007 a new Performance Evaluation system was developed incorporating also the behaviours related to our corporate values – Fairness, Respect, Freedom, Transparency, Reciprocity and Trust - and thus emphasizing their importance as one of the pillars of UniCredit Group's corporate culture. A Second Integrity Charter Day was held explaining how to apply the corporate values in the relationship with our customers and local communities. The compensation policy was further enhanced in line with the Group standards and the Management by Objectives System (MbO) was introduced in the merged bank; it now covers more than 1,500 employees, or over 40% of the total bank staff. All sales force employees and many of the managers received their personal quantitative and qualitative goals; the accomplishment of these goals will be evaluated and the respective bonus amounts defined. Thus the principles of individual target allocation, team solidarity goal definition and performance-related bonus range were cascaded throughout the bank. Team bonus was applied for all employees who are not part of the MbO system.

UniCredit Bulbank Activity Review (Continued)

Integration

After starting the process of integrating Bulbank with HVB Bank Biochim and Hebros Bank formally in 2006 the merger was successfully completed in July 2007, resulting in the creation of the largest Bulgarian bank. The complex task of merging three different operational, business and IT models was executed within a remarkably short timeframe in order to minimize the overall disruption typically expected from a merger of this magnitude. Enormous efforts have been made before and after the merger to communicate to the staff the common business strategies and to provide adequate information and training on the new applications, redesigned processes and procedures.

The careful redesign and upgrade of the business and operational models, the implementation of a single IT platform and a customer-centric organisational structure and the introduction of a balanced risk management system enabled our bank to solidify its business potential and to address the challenges of the market as a homogeneous and powerful unified entity. In November 2007 UniCredit Bulbank managed to meet the regulatory imposed requirement for MiFID compliancy, becoming only the second investment intermediary in Bulgaria to achieve this at the time.

The branch network underwent massive optimisation in the course of 2007 by means of relocating and closing branches to ensure optimal branch market share, adequate presence in high-potential locations and realisation of substantial economies of scale. Additionally, the Head Office locations were also optimised in order to efficiently accommodate the new business and operational model. This resulted not only in improved floor space utilisation but also in enhanced work efficiency of individual units and across different structures.

Immediately after the merger all branch network and Head Office buildings as well as indoor ATMs were re-branded by changing the external signs to UniCredit Bulbank. During the second half of 2007 more than 40 branches and several Head Office locations underwent significant structural redesign to meet clients' as well as staff expectations in order to support the new business model. The investment program will continue throughout the years 2008 and 2009.

The triple merger enabled significant synergies, improved efficiency and created a more diverse customer base. The expected economies of scale were surpassed by the further centralization and consolidation of the Back Office activities supported by the single IT platform. The success of the integration process made UniCredit Bulbank prepared to meet the challenges of the fast moving and competitive market environment creating tangible value for its customers, shareholders and employees.

Corporate social responsibility

As leading Bulgarian bank UniCredit Bulbank plays an active role in the economic and social life of the local communities all over Bulgaria. UniCredit Bulbank believes that social responsibility translates above all into a commitment to make a business prosper while respecting the expectations of all stakeholders and conducting ourselves in a transparent fashion. In 2007 the bank traditionally continued to support quality charity programmes and initiatives. After the merger UniCredit Bulbank made the necessary steps to expand in 2008 the unique gift-matching programme run together with Unidea UniCredit Foundation.

Following the Group policy UniCredit Bulbank focuses its sponsorship activities to projects, supporting young talents and their further development in the areas of fine arts, culture and sports. In 2007 the Bank supported the major reconstruction of the Bulgarian National Opera and Ballet Theatre, sponsored the youth orchestra of the American University in Bulgaria and financed the presentation of the prestigious Italian Farmesina collection in Bulgaria. During the year UniCredit Bulbank sponsored several sailing and equestrian sports events in Bulgaria.

A number of other carefully selected projects were also backed by the Group.

Unconsolidated Financial Statements

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF UNICREDIT BULBANK AD

15 February 2008

Introduction

We have audited the accompanying unconsolidated financial statements of Unicredit Bulbank AD ("the Bank"), which comprise the unconsolidated balance sheet as at 31 December 2007, and the unconsolidated income statement, the unconsolidated changes in equity and the unconsolidated cash flows for the year then ended, and a summery 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 unconsolidated financial statements in accordance with International Financial Reporting Standards adopted by European Commission. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Unconsolidated Financial Statements

(Continued)

Opinion

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

We draw attention to the fact that we have not audited the accompanying unconsolidated balance sheet of the Bank as at 31 December 2006, and the unconsolidated income statement, unconsolidated statement of changes in equity and unconsolidated cash flow statement for the year ended 31 December 2006, or any of the related notes and accordingly, we do not express an opinion or other form of assurance on them.

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 unconsolidated 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 unconsolidated financial statements of the Bank as of and for the year ended 31 December 2007. Management is responsible for the preparation of the annual report of the activities of the Bank which was approved by the Management Board of the Bank on 13 February 2008.

Krassimir Hadjidinev
Registered auditor
Authorised representative

KPMG Bulgaria OOD
37 Fridtjof Nansen Str.
1142 Sofia
Bulgaria

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

Margarita Goleva
Registered auditor

0202 Маргарита Голева
Регистриран одитор

Income Statement

In thousands of BGN

	Notes	2007	2006 (unaudited)
Interest income		498,384	415,737
Interest expense		(117,997)	(92,961)
Net interest income	6	**380,387**	**322,776**
Fee and commission income		152,199	126,899
Fee and commission expense		(8,726)	(8,497)
Net fee and commission income	7	**143,473**	**118,402**
Net trading income	8	11,647	18,184
Net income from financial instruments at fair value through profit or loss	9	(16,767)	(6,948)
Net income from investment assets	10	47,860	21,125
Other operating income, net	11	4,458	6,922
Total operating income		**571,058**	**480,461**
General administrative expenses	12	(237,374)	(213,528)
Impairment losses	13	(51,004)	(47,744)
Provisions for risk and charges	14	(3,841)	(2,237)
Restructuring plan related costs	15	5,200	(55,502)
Profit before tax		**284,039**	**161,450**
Income taxes	16	(28,865)	(26,971)
Net profit for the period		**255,174**	**134,479**

The accompanying Notes 1 to 43 are an integral part of these financial statements

Balance Sheet

In thousands of BGN

	Notes	2007	2006 (unaudited)
Assets			
Cash and balances with Central Bank	17	1,250,846	693,103
Trading assets	18	203,464	209,191
Derivatives	19	13,323	27,294
Financial assets designated at fair value through profit or loss	20	347,812	248,903
Loans and advances to banks	21	1,076,389	1,000,486
Loans and advances to customers	22	5,201,499	4,165,275
Available for sale investments	23	524,663	636,570
Held to maturity investments	24	182,483	265,211
Investments in subsidiaries and associates	25	10,192	5,969
Property and equipment	26	193,333	199,418
Intangible assets	27	38,145	21,349
Deferred tax assets	28	10,680	7,043
Other assets	29	13,906	9,944
Total assets		**9,066,735**	**7,489,756**
Liabilities			
Trading liabilities	30	15,762	17,712
Deposits from banks	31	1,043,489	544,136
Deposits from customers	32	6,328,548	5,454,173
Provisions	33	78,593	93,954
Long term borrowed funds	34	263,210	247,428
Subordinated liabilities	35	105,209	100,038
Deferred tax liabilities	28	13,321	12,615
Other liabilities	36	56,317	47,718
Total liabilities		**7,904,449**	**6,517,774**
Shareholders' equity			
Share capital		239,256	239,256
Retained earnings		589,014	504,593
Revaluation reserves		78,842	93,654
Net profit for the period		255,174	134,479
Total shareholders' equity	37	**1,162,286**	**971,982**
Total etiquity and liabilities		**9,066,735**	**7,489,756**

Statement of Changes in Shareholders' equity

In thousands of BGN

	Share capital	Statutory reserve	Retained earnings	Property revaluation reserve	Available for sale investment revaluation reserve	Total
Balance as of 1 January 2006 **(unaudited)**	239,256	51,155	518,271	88,510	(1,178)	**896,014**
Fair value changes of available-for-sale investments	-	-	-	-	3,076	**3,076**
Deferred tax related to available for sale investment revaluation reserve	-	-	-	-	(377)	**(377)**
Transfer of revaluation reserve on non current assets disposed of	-	-	1,184	(1,184)	-	**-**
Impairment of non-current assets	-	-	-	(161)	-	**(161)**
Deferred tax related to revaluation of non-current assets	-	-	-	4,968	-	**4,968**
Net profit for the year	-	-	134,479	-	-	**134,479**
Dividend distribution	-	-	(65,550)	-	-	**(65,550)**
Other distribution	-	-	(467)	-	-	**(467)**
Balance as of December 31, 2006 (unaudited, see Note 37)	**239,256**	**51,155**	**587,917**	**92,133**	**1,521**	971,982
Fair value changes of available-for-sale investments	-	-	-	-	(13,088)	**(13,088)**
Deferred tax related to available for sale investment revaluation reserve	-	-	-	-	1,309	**1,309**
Transfer of revaluation reserve on non current assets disposed of	--	-	3,033	(3,033)	-	**-**
Net profit for the year	-	-	255,174	-	-	255,174
Dividend distribution	-	-	(52,642)	-	-	**(52,642)**
Other distribution	-	-	(449)	-	-	(449)
Balance as of December 31, 2007	**239,256**	**51,155**	**793,033**	**89,100**	**(10,258)**	**1,162,286**

The accompanying Notes 1 to 43 are an integral part of these financial statements

Cash Flow Statement

In thousands of BGN

	Notes	2007	2006 (unaudited)
Net cash flow from operating activities			
Profit before taxation		284,039	161,450
Adjustments for non-cash items			
Increase in impairment allowances	13	63,291	51,125
Increase (decrease) in provisions,net	33	(40)	18,560
Increase in other accruals		32,846	21,379
Depreciation and impairment of long-term assets	12, 26, 27	25,433	62,369
Unrealized (gain)/loss related to trading activity		6,625	(83)
		412,194	**314,800**
Change in operating assets			
Decrease (increase) in financial instruments at fair value through profit or loss		(87,786)	28,070
Decrease (increase) in placements with and loans to banks		(8,730)	197,068
Increase in loans to customers		(1,099,515)	(606,051)
Decrease (increase) in other assets		(2,910)	8,595
Change in operating liabilities			
Increase (decrease) in deposits from banks		499,352	(306,020)
Increase in amounts owed to customers		874,374	922,278
Decrease in other borrowings		20,953	101,451
Decrease in other liabilities and provision utilization		(71,105)	(60,071)
Net cash flow from operating activities		**536,827**	**600,120**
Cash flow from investing activities			
Purchase (disposal) of investment bonds and securities		177,324	21,909
Purchase of long term assets		(36,144)	(30,508)
Net cash flow from investing activities		**141,180**	**(8,599)**
Cash flow from financial activities			
Dividends payment		(52,642)	(65,550)
Other movements in reserves		(449)	(467)
Net cash flow from financial activities		**(53,091)**	**(66,017)**
Net increase in cash and cash equivalents		**624,916**	**525,504**
Cash and cash equivalents at the beginning of period	41	1,589,144	1,063,640
Cash and cash equivalents at the end of period	41	2,214,060	1,589,144

Notes to Unconsolidated Financial Statements

1. Reporting entity

UniCredit Bulbank AD (the Bank) is a universal Bulgarian Bank established upon triple legal merger of Bulbank AD, HVB Bank Biochim AD and Hebros Bank AD.
In October 2006 the Management Boards of the three Bulgarian banks namely, Bulbank AD, HVB Bank Biochim AD and Hebros Bank AD approved Merger Agreement on the basis of which HVB Bank Biochim AD and Hebros Bank AD were to be merged into Bulbank AD through share-exchange transaction. The Merger Agreement together with the applicable share-exchange ratios were endorsed by the Shareholders of the involved banks. The merger was legally completed on April 27th, 2007 with retroactive effect commencing January 1st, 2007. Upon merger completion the combined bank was renamed to UniCredit Bulbank AD.
UniCredit Bulbank AD possessed a full-scope banking licence for performing commercial banking activities. It is domiciled in the Republic of Bulgaria, with registered address Sofia, 7 “Sveta Nedelya” sq.

2. Basic of preparation

(a) Statement of compliance

These unconsolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by European Commission.
These financial statements have been prepared on unconsolidated basis. The consolidated financial statements have been prepared by the Bank in accordance with the Accountancy Act. These unconsolidated financial statements should be read in conjunction with the consolidated financial statements.
The Financial Statements are approved by the Management Board of UniCredit Bulbank AD on February 13th, 2008.

(b) Basis of measurement

These unconsolidated financial statements have been prepared on historical cost basis except for:

- derivative financial instruments measured at fair value;
- trading instruments and other instruments designated at fair value through profit or loss measured at fair value, where such can be reliably determined;
- available for sale financial instruments measured at fair value, where such can be reliably determined;
- investments in property measured at revalued amount based on independent appraiser’s valuation.

(c) Functional and presentation currency

These unconsolidated financial statements are presented in Bulgarian Lev (BGN) rounded to the nearest thousand. Bulgarian Lev is the functional and reporting currency of UniCredit Bulbank AD

(d) Comparative information

Year 2007 is the first full financial year UniCredit Bulbank AD acts as a single entity following the triple legal merger described in Note 1. In order to achieve clearer presentation, the comparative information, where appropriate, is presented on a combined basis assuming that UniCredit Bulbank AD has acted as a single entity since the beginning of the last presented financial period (January 1, 2006) and applying the accounting policies of the acquiring bank – Bulbank AD as of December 31, 2006. For these purposes the information for 2006 comparative period has been reclassified, accordingly. The reclassifications did not impact the net assets of Bulbank AD, HVB Bank Biochim AD and Hebros Bank AD as of December 31, 2006.

3. Significant accounting policies

The accounting policies set below have been applied consistently to all periods presented in these financial statements.

(a) Income recognition

Interest income and expense is recognized in the Income Statement following the accruing principle, taking into account the effective yield of the asset/liability in all material aspects. Interest income and expense includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.
Fee and commission income arises on financial services provided is recognized upon rendering the corresponding service.
Net trading income includes gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading as well as trading income in dealing with foreign currencies.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency at the official Bulgarian National Bank foreign exchange rate ruling at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated at the closing foreign exchange rate being the official rate of the Bulgarian National Bank. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rates ruling at the dates that the values were determined. As of each balance sheet date, all foreign currencies denominated monetary assets and liabilities are revaluated on net basis using Bulgarian National Bank closing exchange rates. Any gain/loss is recognized in the Income Statement.

(c) Financial instruments

(I) Classification

Financial instruments at fair value through profit or loss include trading instruments (including all derivatives) and other instruments initially designated at fair value through profit or loss.
Trading instruments are those that the Bank holds for the purpose of short-term profit making. These include investments and derivative contracts that are not designated as effective hedging instruments, and liabilities from short sales of financial instruments. All trading derivatives in a net receivable position (positive fair value) and purchased options are reported separately as Derivatives. All trading derivatives in a net payable position (negative fair value) and written options are reported as Trading Liabilities.
Financial instruments that are not held for trading but which are part of a group of financial assets which performance is evaluated on a fair value basis are initially designated and subsequently reported as Assets at fair value through profit or loss.
Loans and receivables are instruments where the Bank provides money to a debtor other than those created with the intention of short-term profit taking. Loans and receivables comprise Loans and advances to banks and customers as well as short term balances presented as other assets.
Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that UniCredit Bulbank AD has the intent and ability to hold to maturity.
Available-for-sale financial assets are those non derivative instruments which are designated as available for sale and are not carried at fair value through profit or loss.

(II) Reclassification

Bank does not reclassify financial instruments in or out of any classification category after initial recognition.

(III) Recognition

The Bank recognizes financial instruments on trade date.

(IV) Measurement

Financial instruments are measured initially at fair value, including transaction costs, for all financial instruments that are not classified as instruments at fair value through profit or loss.
Subsequent to initial recognition all instruments at fair value through profit or loss and all available-for-sale assets are measured at fair value, except for any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured, in which case such an instrument is stated at cost.
All non-trading financial liabilities, loans and receivables and held-to-maturity investments are measured at amortised cost less impairment losses where appropriate. Amortised cost is calculated based on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument, where material, and amortised based on the effective interest rate of the instrument.

(V) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.
Where discounted cash flow techniques are used, estimated future cash flows are based on Management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.
The fair value of derivatives that are not exchange-traded is estimated on the basis of pricing models giving best estimate of the amount that the Bank would receive or pay if terminates the contract at the balance sheet date on an arms' length transaction.

(VI) Disclosure of fair value

According to IAS 32 the Bank disclose fair value information on assets or liabilities for which published market information is readily available and where the fair value is materially different from their recorded amounts.

In thousands of BGN

	Fair value through profit or loss	Held-to-maturity	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair value
Assets							
Cash and balances with the Central Bank	-	-	-	-	1,250,846	1,250,846	1,250,846
Trading assets	203,464	-	-	-	-	203,464	203,464
Derivative assets	13,323	-	-	-	-	13,323	13,323
Financial assets designated at fair value through profit or loss	347,812	-	-	-	-	347,812	347,812
Available-for-sale-investments	-	-	-	524,663	-	524,663	524,663
Financial assets held-to maturity	-	182,483	-	-	-	182,483	182,468
Loans and advances to banks	-	-	1,076,389	-	-	1,076,389	1,076,389
Loans and advances to customers	-	-	5,201,499	-	-	5,201,499	5,201,499
	564,599	**182,483**	**6,277,888**	**524,663**	**1,250,846**	**8,800,479**	**8,800,464**
Liabilities							
Trading liabilities	15,762	-	-	-	-	15,762	15,762
Deposits from banks	-	-	-	-	1,043,489	1,043,489	1,043,489
Deposits from customers	-	-	-	-	6,328,548	6,328,548	6,328,548
Long term borrowed funds	-	-	-	-	263,210	263,210	263,210
Subordinated liabilities	-	-	-	-	105,209	105,209	105,209
	15,762	**-**	**-**	**-**	**7,740,456**	**7,756,218**	**7,756,218**

(VI) Disclosure of fair value, continued

The fair value of cash and cash equivalents, deposits and other current receivables and liabilities is approximately equal to the book value given, because of their short-term maturity.

The fair value of held-to-maturity investments is based on quoted market price.

Loans and advances to banks and customers is approximately equal to their carrying value due to fact that main part of the loan portfolio carries floating interest rates which reflect the changes in the market conditions.

(VII) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of assets at fair value through profit or loss are recognized in the Income Statement.

(d) Investments in subsidiaries and associates

Investments in subsidiaries comprise of equity participations in entities where the Bank exercises control through owning more than half of the voting power of such entities or through virtue of an agreement with other investors to exercise more than half of the voting rights.

Investments in associates comprise of equity participations in entities where the Bank does not exercises control but have significant influence in governing the investees' activities through owing more than 20% of the voting power of such entities.

In the unconsolidated financial statements Bank has adopted the policy of carrying all investments in subsidiaries and associates at cost in accordance with IAS 27 "Consolidated and Separate Financial Statements".

(e) Minority equity investments

Minority equity investments are investments in entities where the Bank has neither control nor exercises significant influence. All such are classified as available-for-sale financial assets. The fair value of these assets can not be reliably measured therefore they are carried at cost. All such investments are regularly assessed for impairment.

(f) Loans and advances to banks and customers
Loans and advances originated by UniCredit Bulbank AD are classified as loans and receivables and presented as Loans and advances to banks, customers or Other assets.
Loans and advances are reported net of impairment allowances to reflect the estimated recoverable amounts.

(g) Derecognition
A financial asset is derecognised on the date after the Bank loses control over the contractual rights that comprise that asset. This occurs when the rights are realized, expire or otherwise transferred. A financial liability is derecognized when it is extinguished or otherwise expires.

(h) Repurchase agreements
UniCredit Bulbank AD enters into purchases (sales) of financial instruments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Instruments purchased subject to commitments to resell them at future dates are not recognized. The amounts paid are recognized in loans to either banks or customers. Financial instruments sold under repurchase agreements continue to be recognized in the balance sheet and measured in accordance with the accounting policy. The proceeds from the sale of the investments are reported in the balance sheet under deposits from customers or banks respectively. The difference between the sale and repurchase considerations is recognised on an accrual basis over agreed term of the deal and is included in net interest income.

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

(j) Impairment
The carrying amounts of Bank's assets are regularly reviewed to determine whether there is any objective evidence of impairment as follows:
- for financial assets – by the end of each month for the purposes of preparing interim financial statements reported to the Bulgarian National Bank and Management;
- for non-monetary assets – by the end of each year for the purposes of preparing annual financial statements.

If any impairment indicators exist, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

(k) Loans and receivables
Loans and advances are assessed for impairment indicators on a monthly basis for the purposes of preparing monthly financial statements of the Bank. Review is performed and decisions are taken by Bank's Provisioning and Restructuring Committee which is a specialized internal body for monitoring, valuation and classification of risk exposures. Loans and receivables are presented net of allocated allowances for impairment. Impairment allowances are made against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of outstanding balances. Impairment allowances on portfolio basis are maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the balance sheet date. The expected cash flows for portfolios of similar assets are estimated based on previous experience, late payments of interest, principals or penalties. Increases in the allowance account are recognized in the Income Statement. When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is directly written off.

(k) Loans and receivables, continued
If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down or allowance is reversed through the Income Statement thus increasing the amortized cost to the amount that never exceeds the amortised cost had the loan never been impaired.

(l) Financial assets remeasured to fair value directly through equity
Financial assets remeasured to fair value directly through equity are those classified as available-for-sale financial instruments.
Where an asset remeasured to fair value directly through equity is impaired, and a write down of the asset was previously recognized directly in equity, the write-down is transferred to the Income Statement and recognized as part of the impairment loss. Where an asset measured to fair value directly through equity is impaired, and an increase in the fair value of the asset was previously recognized in equity, the increase in fair value of the asset recognized in equity is reversed to the extent the asset is impaired. Any additional impairment loss is recognized in the Income Statement.
If in subsequent periods the amount of impairment loss decreases

and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the Income Statement.

(m) Property, plant and equipment

The Bank has adopted a policy to carry its items of property at revalued amount under the allowed alternative approach in IAS 16 "Property, Plant and Equipment".

Items of property are stated at fair value determined periodically by an independent registered appraiser. When the property is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset. When the carrying amount of assets is increased as a result of revaluation, the increase is credited directly to equity as revaluation surplus. When the carrying amount of assets is decreased as a result of revaluation, the decrease is recognized in equity to the extent that it reverses previously recognized surpluses and the remaining part is recognized as expense in the Income Statement.

Plant and equipment are carried at historical cost less any accumulated depreciation or impairment losses.

Depreciation is provided on a straight-line basis at rates designed to write down the cost or valuation of fixed assets over their expected useful lives.

(m) Property, plant and equipment, continued

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

The applicable annual depreciation rates based on expected useful life on major assets categories are as follows:

	Annual depreciation rates (%)	Equivalent expected useful life (years)
Buildings	2	50
Computer hardware	20	5
Fixtures and fittings	15	6-7
Vehicles	25	4

(n) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any impairment losses. As of December 31, 2007 the entire intangible assets includes only investments in software and related licenses.

Amortisation is calculated on a straight-line basis over the expected useful life of the asset. The average estimated useful life of intangible assets controlled by the Bank is estimated to 5 years, which is an equivalent of approximately 20% annual amortization rate.

(o) Provisions

A provision is recognized 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 resources embodying 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. As of December 31, 2007 Management has reviewed Bank's legal and constructive obligation and to the extent they meet the requirement for recognition, provision is recorded, respectively.

(p) Employees' benefits

(I) Short-term employee's benefits

Short-term employees' benefits comprise of amounts due to personnel on the basis of unused paid leave accounted for each and single employee as of the reporting date as well as expected additional bonus payments for achieved results during the current financial year.

The amount of the unused paid-leave obligation includes the overall undiscounted amount of the obligation the Bank has to settle should the employment contract is terminated as of the balance sheet date. Short-term employees' benefits are presented as other liabilities and disclosed separately in the Notes.

(II) Defined benefit obligation

Defined benefit obligations are those agreed in the Collective Labor Agreement described in details in Note 33.

The present value of the obligation as of the balance sheet date is determined by independent appraisers on the basis of actuary techniques. The current service costs and interest costs related to the defined benefit obligation for the current financial year are presented under General and Administrative expenses.

The amount of the present value of the defined benefit obligation is presented separately and disclosed in Provisions.

(III) UniCredit Group Medium and Long-Term incentive plans

UniCredit Group Medium and Long-Term incentive plans compose of Stock Options and Performance share granted by the ultimate parent UniCredito Italiano. They are allocated to selected group of Top and Senior Managers of UniCredit Bulbank AD.

Whenever the vesting period of the Stock options or Performance shares is ended, UniCredit Bulbank is required to settle the monetary amount, corresponding to the economic value of the services rendered by the beneficiary employees.
The valuation of Stock Options and Performance Shares is as outlined below.

- Stock Options valuation

The Hul and White Evaluation Model has been adopted to measure the economic value of the stock options. This model is based on trinominal tree price distribution using the Boyle's algorithm and estimates the early exercise probability on the basis of deterministic model connected to:
- Reaching Market Share Value equals to an exercise price;
- Probability beneficiaries' early exit after the end of the vesting period.

- Performance shares

The economic value of Performance Shares is measured considering the share-market price at the grant date less present value of future dividends related to the period from the grant date to the share settlement date.
As of December 31, 2007 December 31, 2006 the UniCredit Bulbank presents the economic value of the Stock Options and Performance shares as payroll costs under Administrative expenses in the Income Statements and the corresponding obligation for payment as other liability.

(q) Share capital and reserves

(I) Share capital

As described in Note 1, HVB Bank Biochim and Hebros Bank merged into Bulbank AD legally as of April 27th, 2007 with retroactive effect for accounting purposes since January 1st, 2007. At the time of the merger the three merging entities were under direct control of Bank Austria Creditanstalt AG and ultimately under control of UniCredit Italiano S.p.A. The merger represents a share-exchange transaction, where share-exchange ratios based on fair valuation of the net assets of the three Banks, certified by independent auditor, as required by the Bulgarian Commercial Act, were applied. The share capital of UniCredit Bulbank AD includes the share capital of Bulbank AD before the merger increased by the newly issued ordinary shares exchanged for the ordinary shares of the merging Banks HVB Bank Biochim AD and Hebros Bank AD (for more details see also Note 37).

(II) Reserves

Reserves consist of statutory reserves and retained earnings held within the Bank as well as revaluation reserves on property and available-for-sale financial instruments.

(r) Taxation

Tax on the profit for the year comprises current tax and the change in deferred tax. Income tax is recognized in the Income Statement except to the extent that it relates to items recognized directly to equity, in which case it is recognised in equity. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at 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 for the periods when the asset is realized 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 recognized 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 utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(s) New standards and interpretations not yet adopted

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

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

certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Bank's 2008 financial statements, is not expected to have any effect on the financial statements.

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

4. Financial Risk Management

(a) General Framework

UniCredit Bulbank AD is exposed to the following risks from its use of financial instruments

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

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

Different types of risks are managed by specialized departments and bodies within the Bank's structure. The applicable policies entirely correspond to the requirements of Risk Management Group Standards as well as all respective requirements set by Bulgarian banking legislation. Bank manages risk positions on aggregate basis, focusing in reaching optimal risk/return ratio.
Assets and Liabilities Committee (ALCO) is a specialized body established in the Bank for the purposes of market and operational risk and structural liquidity management.

As part of the internal management, UniCredit Bulbank has, approved by the Management, Financial Instruments Management Policy, where all deals and exposures in financial instruments, excluding originating loans, are defined.

Credit risk in the Bank is specifically monitored through Provisioning and Restructuring Committee (PRC). It is a specialized body responsible for credit risk assessment, classification of credit risk exposures and impairment losses estimation. Assessment of the credit risk is in accordance with the Group standards and for regulatory purposes in accordance with BNB Regulation 9.

Management of the Bank has approved certain limits aiming to mitigate the risk impact on the Bank's result. These limits are within the overall risk limits of the banking group. The limits of the credit risk depend on size of exposure. Management Board approves the big exposure – 10 % of the capital of the Bank (requirement of Law on Credit Institutions). There is an effective procedure established in the Bank for limits monitoring, including early warning in case of limits breaches.

Additionally a system for operational risk management, approved by the Management Board, is introduced in the Bank.

(b) Market Risks, continued

Market Risk department is a specialized department where all market risk generating positions of the Bank are monitored. Its activities are independent from the trading and sales activities. Market risk limits are explicitly defined in Market Risk Rule Book and International Markets Rule Book, reviewed at least annually.

Market risk management in UniCredit Bulbank encompasses all activities in connection with Markets and Investment Banking operations and management of the balance sheet structure. Risk positions are aggregated at least daily, analyzed by the independent Market risk management unit and compared with the risk limits set by the Management Board, ALCO and Head Office designated Risk management bodies. Market risk control in UniCredit Bulbank also includes ongoing monitoring and reporting of the risk positions, limit utilisation, and the daily presentation of results of Markets & Investment Banking and ALM operations.
UniCredit Bulbank applies uniform Group risk management procedures. These procedures make available the major risk parameters for the various trading operations at least once a day.

Besides Value at Risk, other factors of equal importance are stress-oriented volume and position limits. Additional element is the loss-warning level limit, providing early indication of any accumulation of position losses.

For internal risk management and Group compliant risk measurement, the Bank uses Bank Austria Creditanstalt's internal model NoRISK. It is based on historical and Monte Carlo simulation of returns and accounts for risk reducing effects between the risk categories interest, credit spread, foreign exchange, equity, volatilities, and commodities. The simulation results, supplemented with distribution metrics and limit utilization are reported on a daily basis. In addition to the risk model results, income data from market risk activities are also determined and communicated on a daily basis. Reporting covers the components reflected in IFRS-based profit and the marking to market of all investment positions regardless of their recognition in the IFRS-based financial statements ("total return").

The results of the internal model based on VaR (1 day, confidence interval of 99 %) for 2007 (post-merger July-Dec 2007) moved in a range between EUR 1.2 Mio and EUR 3.6 Mio, averaging EUR 1.9 Mio. Interest rate risk continued to account for most of the total risk of the UniCredit Bulbank.

VaR of UniCredit Bulbank by risk category in EUR million

RISK CATEGORY	MINIMUM	MAXIMUM	AVERAGE	YEAR-END
Interest rate risk	1.3	3.4	1.8	3.2
Credit spread	0.5	1.4	0.8	1.2
Exchange risk	0.0	0.1	0.1	0.1
Total	**1.3**	**3.6**	**1.9**	**3.3**

UniCredit Bulbank AD is also exposed to currency risk through transactions in foreign currencies.
As a result of the currency Board in place in Bulgaria, the Bulgarian currency is pegged to the Euro. As the currency in which UniCredit Bulbank AD presents its financial statements is the Bulgarian Lev, UniCredit Bulbank AD's financial statements are affected by movements in the exchange rates between the currencies other than Euro and Lev.
Net FX open positions are monitored on a daily basis by Market Risk department. It includes all trading and banking book positions and is limited by positional overnight limits.

As of December 31, 2007 the FX balance sheet of UniCredit Bulbank is as outlined in the table below:

In thousands of BGN

	EUR and BGN	Other currencies	Total
Assets			
Cash and balances with the Central Bank	1,236,637	14,209	1,250,846
Trading assets	163,864	39,600	203,464
Derivative assets	10,640	2,683	13,323
Financial assets designated at fair value through profit or loss	246,771	101,041	347,812
Loans and advances to banks	899,308	177,081	1,076,389
Loans and advances to customers	5,118,703	82,796	5,201,499
Available for sale investments	507,987	16,676	524,663
Held to maturity investments	56,819	125,664	182,483
Investments in subsidiaries and associates	10,192	-	10,192
Property and equipment	193,333	-	193,333
Intangible assets	38,145	-	38,145
Deferred tax assets	10,680	-	10,680
Other assets	11,731	2,175	13,906
Total Assets	**8,504,810**	**561,925**	**9,066,735**
Liabilities			
Trading liabilities	12,096	3,666	15,762
Deposits from banks	979,299	64,190	1,043,489
Deposits from customers	5,635,724	692,824	6,328,548
Provisions	44,640	33,953	78,593
Long term borrowed funds	263,210	-	263,210
Subordinated debt	105,209		105,209
Deferred tax liability	13,321	-	13,321
Other liabilities	54,087	2,230	56,317
Total liabilities	**7,107,586**	**796,863**	**7,904,449**
Shareholders' equity	1,162,286		1,162,286
Net off-balance sheet spot position	(212,489)	210,825	(1,664)
Net position	**22,449**	**(24,113)**	**(1,664)**

Unconsolidated Financial Statements

(Continued)

As of December 31, 2007 the FX balance sheet of UniCredit Bulbank is as outlined in the table below:

In thousands of BGN

	EUR and BGN	Other currencies	Total
Assets			
Cash and balances with the Central Bank	677,583	15,520	693,103
Trading assets	166,247	42,944	209,191
Derivative assets	21,501	5,793	27,294
Financial assets designated at fair value through profit or loss	177,072	71,831	248,903
Loans and advances to banks	647,697	352,789	1,000,486
Loans and advances to customers	4,048,830	116,445	4,165,275
Available for sale investments	496,188	140,382	636,570
Held to maturity investments	91,949	173,262	265,211
Investments in subsidiaries and associates	5,969	-	5,969
Property and equipment	199,418	-	199,418
Intangible assets	21,349	-	21,349
Deferred tax assets	7,043	-	7,043
Other assets	9,915	29	9,944
Total Assets	6,570,761	918,995	7,489,756
Liabilities			
Trading liabilities	10,731	6,981	17,712
Deposits from banks	479,518	64,618	544,136
Deposits from customers	5,117,138	337,035	5,454,173
Provisions	56,024	37,930	93,954
Long term borrowed funds	247,428	-	247,428
Subordinated debt	100,038	-	100,038
Deferred tax liability	12,615	-	12,615
Other liabilities	47,241	477	47,718
Total liabilities	6,070,733	447,041	6,517,774
Shareholders' equity	971,982		971,982
Net off-balance sheet spot position	(22,911)	28,110	5,199
Net position	**(494,865)**	**500,064**	**5,199**

(c) Liquidity risks

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

The collective Bank's body for liquidity management is ALCO (Assets and Liabilities Committee). Bank has an approved Liquidity Management Policy.

The liquidity is operationally managed through Markets and Sales Division and the structural liquidity through Assets and Liabilities Division. According to the Liquidity Policy, Assets and Liabilities Division monitors on a daily basis short term liquidity arising form Treasury activities with a time horizon up to one month. The structural liquidity is monitored on a weekly basis prepared under three scenarios – going concern, liquidity crisis and original maturity scenario. For the purposes of liquidity management, depending on the primary funds, short tem limits are applied.

The following tables provides an analysis of the financial assets and liabilities of the Bank into relevant maturity groupings based on the remaining contractual periods to repayment for items with fixed maturity and historical pattern and Managements' expectations for items with no fixed maturity.

Maturity table as at 31 December 2007

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Maturity not defined	Total
ASSETS							
Cash and balances with the Central Bank	1,250,846	-	-	-	-	-	**1,250,846**
Trading assets	203,464	-	-	-	-	-	**203,464**
Derivative assets	13,323	-	-	-	-	-	**13,323**
Financial assets designated at fair value through profit or loss	347,812	-	-	-	-	-	**347,812**
Loans and advances to banks	1,013,848	-	61,920	-	-	621	**1,076,389**
Loans and advances to customers	652,642	455,700	1,408,892	1,215,690	1,468,575	-	**5,201,499**
Available for sale investments	17,983	11,875	28,308	351,635	111,352	3,510	**524,663**
Held to maturity investments	7,974	4,043	46,271	99,919	24,276	-	**182,483**
Investments in subsidiaries and associates	-	-	-	-	-	10,192	**10,192**
Property and equipment	-	-	-	-	-	193,333	**193,333**
Intangible assets	-	-	-	-	-	38,145	**38,145**
Deferred tax assets	-	-	-	10,680	-	-	**10,680**
Other assets	13,906	-	-	-	-	-	**13,906**
Total assets	**3,521,798**	**471,618**	**1,545,391**	**1,677,924**	**1,604,203**	**245,801**	**9,066,735**
Liabilities							
Trading liabilities	15,762	-	-	-	-	-	**15,762**
Deposits from banks	940,577	2,240	-	100,672	-	-	**1,043,489**
Deposits from customers	2,510,861	376,152	430,493	3,011,042	-	-	**6,328,548**
Provisions			35,207	43,386	-	-	**78,593**
Long term borrowed funds	33	26	1,293	186,634	75,224	-	**263,210**
Subordinated debt					105,209	-	**105,209**
Deferred tax liability				13,321	-	-	**13,321**
Other liabilities	12,540	12,540	27,237	4,000	-	-	**56,317**
Totoal liabilities	**3,479,773**	**390,958**	**494,230**	**3,359,055**	**180,443**	**-**	**7,904,449**
Net liquidity gap	**42,025**	**80,660**	**1,051,161**	**(1,681,131)**	**1,423,770**	**245,801**	**1,162,286**
Cumulative	**42,025**	**122,685**	**1,173,846**	**(507,285)**	**916,485**	**1,162,286**	

Maturity table as at 31 December 2007

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Maturity not defined	Total
Assets							
Cash and balances with the Central Bank	693,103	-	-	-	-	-	**693,103**
Trading assets	209,191	-	-	-	-	-	**209,191**
Derivative assets	27,294	-	-	-	-	-	**27,294**
Financial assets designated at fair value through profit or loss	248,903	-	-	-	-	-	**248,903**
Loans and advances to banks	919,838	34,473	45,881	-	-	294	**1,000,486**
Loans and advances to customers	335,353	276,820	1,363,135	1,147,590	1,042,377	-	**4,165,275**
Available for sale investments	67,248	6,908	62,284	373,739	118,952	7,439	**636,570**
Held to maturity investments	1,035	38,551	28,322	159,484	37,819	-	**265,211**
Investments in subsidiaries and associates	-	-	-	-	-	5,969	**5,969**
Property and equipment	-	-	-	-	-	199,418	**199,418**
Intangible assets	-	-	-	-	-	21,349	**21,349**
Deferred tax assets	-	-	--	7,043	-	-	**7,043**
Other assets	8,968	-	976	-	-	-	**9,944**
Total assets	**2,510,933**	**356,752**	**1,500,598**	**1,687,856**	**1,199,148**	**234,469**	**7,489,756**
Liabilities							
Trading liabilities	17,712	-	-	-	-	-	**17,712**
Deposits from banks	398,206	44,250	284	100,861	-	535	**544,136**
Deposits from customers	2,150,702	367,106	467,479	2,462,467	6,419	-	**5,454,173**
Provisions	-	-	62,408	31,546	-	-	**93,954**
Long term borrowed funds	246	115	4,155	173,288	69,624	-	**247,428**
Subordinated debt	-	-	-	-	100,038	-	**100,038**
Deferred tax liability	-	-	-	12,615	-	-	**12,615**
Other liabilities	12,708	12,097	22,913	-	-	-	**47,718**
Total liabilities	**2,579,574**	**423,568**	**557,239**	**2,780,777**	**176,081**	**535**	**6,517,774**
Net liquidity gap	**(68,641)**	**(66,816)**	**943,359**	**(1,092,921)**	**1,023,067**	**233,934**	**971,982**
Cumulative	**(68,641)**	**(135,457)**	**807,902**	**(285,019)**	**738,048**	**971,982**	

The expected cash outflow from the financial liabilities for the periods after December 31, 2007 including estimation of the contractual interest in the respective time buckets is as outlined below:

	Gross in (out) flow	Up to 1 month	From1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Non derivative instruments						
Trading liabilities						
Deposits from banks	(1,053,634)	(940,721)	(2,251)		(110,662)	
Deposits from customers	(6,344,003)	(3,781,535)	(1,118,324)	(854,497)	(589,623)	(24)
Long term borrowed funds	(328,785)	(33)	(26)	(1,322)	(219,684)	(107,720)
Subordinated debt	(149,016)					(149,016)
Total non-derivative instruments	**(7,875,438)**	**(4,722,289)**	**(1,120,601)**	**(855,819)**	**(919,969)**	**(256,760)**
Derivatives						
Outflow	(800,353)	(403,159)	(104,765)	(206,034)	(66,976)	(19,419)
Inflow	802,748	402,782	105,445	205,953	69,744	18,824
Total derivatives	**2,395**	**(377)**	**680**	**(81)**	**2,768**	**(595)**
Unutilized credit lines	(1,635,642)	149,600	-	(12)	(1,785,230)	-
Total financial liabilities	**(9,508,685)**	**(4,573,066)**	**(1,119,921)**	**(855,912)**	**(2,702,431)**	**(257,355)**

(d) Credit risk

Credit risk is defined as potential losses arising from not fulfilment of any contractual obligation with regard to issued or originated financial instrument.

Bank effectively manages credit risk inherent to its trading and banking book

Bank applies different approach and has established different departments with regard to monitoring the credit risk related to corporate clients, small and middle enterprises and individuals.

(I) Credit risk in the trading book

For the purposes of mitigating the counter party risk and settlement risk with regard to the deals in the trading book, Bank concludes deals with high ranking clients with string creditworthiness. For many such clients Bank has approved credit limits.

(II) Credit risk in the banking book

Credit risk, inherent in the banking book, is managed as the creditworthiness of Bank's clients is assessed for the whole life of the loan, from the date initial loan application till the date of final repayment. Issued Letters of Guarantees, Letters of Credit and all other irrevocable credit commitments fell also within the scope of Bank's credit risk monitoring. As a credit risk mitigation policy, Bank accepts different types of collaterals depending on the product and client. As a rule collaterals are registered on behalf of the Bank prior to the effective disbursal of the loans

The competent body for assessing impairment allowances is the Provisioning and Restructuring Committee. Risk exposures are classified in three major classes:

- Regular exposures;
- Watch exposures;
- Irregular exposures;
- Non-performing exposures.

Risk assessment is done at least once per month. Credit risk methodology adopted by the Bank is explicitly defined in the Policy for evaluation of risk exposures.

The practice adopted in the Bank is to prepare internal rules for all credit products, especially in the Retail banking, setting the loan parameters, acceptable collaterals and the documentation required from the clients for credit risk assessment.

Credit risk monitoring is also focused in fulfillment of statutory lending limits set in Law on Credit Institutions. Exposure to one client or group of related clients exceeding 10% of the capital base are treated as big exposures and it has to be approved by the Management Board. Maximum amount of an exposure to one client or group of related clients must not exceed 25% of the capital base of the bank and in addition the total of all big exposures must not exceed 800% capital base.

As of December 31, 2007 Bank has fulfilled all statutory lending limits.

The breakdown of impairment allowances for the years ended December 31, 2007 and December 31, 2006 is as follows:

In thousands of BGN

	Carrying amount before impairment		Impairment allowance		Carrying amount	
	2007	2006 (unaudited)	2007	2006 (unaudited)	2007	2006 (unaudited)
Individually impaired						
Watch	51,593	51,162	8,935	10,503	42,658	40,659
Irregular	23,574	35,956	15,556	19,765	8,018	16,191
Non-performing	123,630	87,749	122,610	85,540	1,020	2,209
	198,797	174,867	147,101	115,808	51,696	59,059
Collectively impaired	**3,337,688**	**2,356,197**	**83,432**	**53,747**	**3,254,256**	**2,302,450**
Unimpaired	**1,895,547**	**1,803,766**	**-**	**-**	**1,895,547**	**1,803,766**
there of past due loans	140,341	106,006	107,106	86,200	33,235	19,806
from 31 to 60 days	39,693	18,392	9,976	6,687	29,717	11,705
from 61 to 90 days	12,782	17,994	9,700	10,912	3,082	7,082
over 91 days	87,866	69,620	87,430	68,601	436	1,019
Total	**5,432,032**	**4,334,830**	**230,533**	**169,555**	**5,201,499**	**4,165,275**

(d) Credit risk, continued

The breakdown of the exposures depending on the type of collateral is as follows:

Type of collateral	Individually impaired		Collectively impaired		Unimpaired	
	2007	2006 (unaudited)	2007	2006 (unaudited)	2007	2006 (unaudited)
Secured by mortgages	84,238	86,812	1,624,037	1,318,388	445,760	642,990
Cash collateral	1,969	1,582	51	1,370	23,473	29,853
Other collateral	90,961	50,020	1,494,817	557,406	779,049	861,576
Unsecured	21,629	36,453	218,783	479,033	647,265	269,347
	198,797	174,867	3,337,688	2,356,197	1,895,547	1,803,766
Impairment allowances	(147,101)	(115,808)	(83,432)	(53,747)	-	-
	51,696	**59,059**	**3,254,256**	**2,302,450**	**1,895,547**	**1,803,766**

The concentration of risk exposures in different sectors of the economy as well as geographical spread out as is as outlined in table below:

In thousands of BGN

	Loans and advances to customers		Loans and advances to banks		Investment securities	
	2007	2006 (unaudited)	2007	2006 (unaudited)	2007	2006 (unaudited)
Concentration by sectors						
Sovereign	59,131	30,334			581,359	617,473
Manufacturing	1,174,099	990,722				
Commerce	1,131,645	938,164				
Construction	264,121	146,486				
Agriculture and forestry	107,941	86,665				
Transport and communication	150,488	114,541				
Services	486,577	483,908				
Financial services	156,880	55,672	1,076,389	1,000,486	135,979	290,277
Other industry sectors and retail	1,901,150	1,488,338				
	5,432,032	**4,334,830**	**1,076,389**	**1,000,486**	**717,338**	**907,750**
Impairment allowances	(230,533)	(169,555)				
Total	**5,201,499**	**4,165,275**	**1,076,389**	**1,000,486**	**717,338**	**907,750**

(d) Credit risk, continued

	Loans and advances to customers		Loans and advances to banks		Investment securities	
	2007	2006 (unaudited)	2007	2006 (unaudited)	2007	2006 (unaudited)
Concentration by geographic location						
Europe	5,432,016	4,334,830	1,069,769	989,639	687,876	755,287
North America	2		6,528	945	28,076	150,959
Asia	14		92	9,902	1,386	1,504
	5,432,032	**4,334,830**	**1,076,389**	**1,000,486**	**717,338**	**907,750**
Impairment allowances	(230,533)	(169,555)				
Total	**5,201,499**	**4,165,275**	**1,076,389**	**1,000,486**	**717,338**	**907,750**

(e) Operational Risk

The bank defines as operational the risk of loss due to errors, infringements, interruptions, damages caused by internal processes or personnel or systems or caused by external events. Operational risk includes legal risk, resulting from violations or non compliance with laws, rules, regulations, agreements, prescribed practices or ethical standards.
The bank has a system for operational risk management with clearly defined responsibilities, including second level of control over the accounting operations; the policies and procedures implemented on bank level regulate and control the requirements for accounting operations reconciliation.
The Operational risk unit in the bank, reporting to the Chief Risk Officer, is an independent unit in charge of regular operational risk monitoring and control. The unit's activity is regulated in the approved by the Management Board "Operational risk control rulebook", in compliance with UniCredit Group and the national regulatory framework (Ordinance 8 on the Capital Adequacy of Credit Institutions). The operational risk data in the bank is collected in the UniCredit Group database.
The Operational risk unit is responsible for carrying out the following activities: verifies operational loss data is regularly collected in the UniCredit Group database; monitors and analyses the bank's operational risks exposure; verifies that risk limits are respected and reports breaches to the Operational Risk Committee; cooperates in analyzing the operational risk impact of new product introduction, which could lead to significant changes in business or the bank's organizational structure; other activities in compliance with the requirements of Basel 2 and Ordinance 8 of the Bulgarian National Bank
The Assets and Liabilities Committee performs the function of an Operational risk committee. The Management Board of the bank participates in operational risk management and receives timely information from the Operational risk unit regarding changes in operational risk exposures, breaches in policies and limits, etc.

(f) Basel II disclosure

Since January 1st, 2007 Bulgarian banks apply BASEL II requirements for measurement of the capital adequacy.

Under the regulatory framework, Bank allocates capital for covering three major types of risk, namely credit risk, market risk and operational risk. For the year 2007 UniCredit Bulbank applies allowing standardised approach for credit and market risks and the Basic Indicator Approach for operational risk.

Statutory limits exposed to Banks require Bank to maintain total capital adequacy ratio not less than 12% and Tier I ratio not less than 6%.

(i) Capital Base (Own funds)

Capital Base (Own Funds) eligible for regulatory purposes include Tier I and Tier II capital as defined by Bulgarian National Bank.

As of December 31, 2007 the unconsolidated Capital base of UniCredit Bulbank comprises as follows:

Share capital	239,256
Statutory reserve	51,155
Retained earnings	533,469
Total capital and reserves	**823,880**
Deductions	
Unrealized loss on available-for-sale instruments	(12,622)
Intangible assets	(38,145)
Total deductions	**(50,767)**
Total Tier I capital	**773,113**
Revaluation reserve on real estate occupied by the Bank	81,581
Subordinated long-term debt	93,879
Total Tier II capital	**175,460**
Additional deductions from Tier I and Tier II capital	(13,135)
Total Capital base (Own funds)	**935,438**

The additional deductions from the Capital base relates to Bank's participation in unconsolidated entities which represent 10% or more than 10% of the registered capital of such entities. For regulatory purposes the deduction is split equally between Tier I and Tier II capital.

Subordinated long-term debt represents four loan provided by Bank Austria Creditanstalt AG for initial principal amount of EUR 48 million (see also Note 35).

(II) Capital requirements

As of December 31, 2007 the capital requirements for credit, market and operational risks are as follows:

In thousands of BGN

	Capital requirement
Capital requirements for credit risk	
Exposures to:	
Central Governments and Central Banks	8,570
Regional Governments or local authorities	1,837
Administrative bodies and non-commercial undertakings	46
Institutions	20,993
Corporates	203,939
Retail	62,550
Exposures secured on real estate property	173,727
High risk exposures	68
Short-term exposures to institutions and corporates	15,349
Other exposures	16,929
Total capital requirements for credit risk	**504,008**
Capital requirements for market risk	**14,969**
Capital requirements for operational risk	**61,300**
Total capital requirements for credit risk, market risk and operational risk	**580,277**
Additional capital requirements subject to National Discretions from the Regulator	**290,139**
Total regulatory capital requirements	**870,416**
Capital Base (Own funds)	935,438
there of Tier I	766,546
Free equity (own funds)	65,022
Total capital adequacy ratio	**12.90%**
Tier I ratio	**10.57%**

Capital requirements for credit risk cover credit risk and dilution risk in the banking book, counterparty risk in the overall business and settlement risk in the trading book.

Capital requirements for market risk cover market risk in the trading book, foreign-exchange and commodity risks in the overall business.

Operational risk is calculated on applying the Basic Indicator Approach and represents 15% of the Bank's average annual gross income for the last three years (2006, 2005 and 2004).

The additional capital requirements, presented above, are subject to National Discretion of Bulgarian National Bank. They are calculated as 50% of the total capital requirements for credit risk, market risk and operational risk.

5. Use of estimates and judgment

For the purposes of preparation of these Financial Statements Management has used certain estimates and judgment in order to provide fair and through presentation of the financial position of the Bank. These estimates and judgment require Management to get used all information available in order to assess and where possible to quantify potential impact in the Bank's financial position as a result of some uncertain events.
In general the estimates and judgment are widely used in assessing:

- Impairment of financial instruments, especially loans;
- Quantification of the provisions for constructive and/or legal obligations

(a) Impairment of financial instruments

In estimating the impairment on financial instruments carried at amortised costs, Management makes judgments about the present value of the net cash flow to be received. By doing that counter party's financial position as well as realizable value of the underlying collateral is considered.

Collectively assessed impairment loses cover credit losses inherent in portfolios of loans bearing similar economic characteristics when there is an objective evidence to suggest that they contain impaired loans. In such assessments factors that are mostly considered include credit quality, portfolio size, concentration and economic factors.

The accuracy of the allowances depends on how well these estimate future cash flows for specific counter party impairment and the model assumptions and parameters used in determining collective impairment.

(b) Provisions

Estimating the provision Management used estimates provided by specialist in certain areas such as legal and regulatory advisors as well as credit risk specialists. Usually more conservative approach is followed in order to protect the Bank in case of adverse development of uncertain events.

6. Net interest income

In thousands of BGN

	2007	2006 (unaudited)
Interest income		
Trading assets	10,987	11,434
Derivative instruments	2,185	142
Financial assets designated at fair value through profit or loss	16,715	13,816
Loans and advances to banks	38,407	28,156
Loans and advances to customers	392,830	321,526
Available for sale investments	28,185	28,074
Held to maturity investments	9,075	12,589
	498,384	**415,737**
Interest expense		
Deposits from banks	(19,738)	(19,433)
Deposits from customers	(85,489)	(63,057)
Long term borrowed funds	(7,599)	(6,551)
Subordinated liabilities	(5,171)	(3,920)
	(117,997)	**(92,961)**
Net interest income	**380,387**	**322,776**

For the financial years ended December 31, 2007 and December 31, 2006 the interest income recognized on individually impaired financial instruments (loans and advances to customers) is in the amount of BGN 18,292 thousand and BGN 12,505 thousand, respectively.

7. Net fee and commission income

In thousands of BGN

	2007	2006 (unaudited)
Fee and commission income		
Collection and payment services	62,505	62,220
Lending business	18,147	17,890
Account services	12,822	15,899
Currency trading	27,135	9,157
Management, brokerage and securities trading	14,101	6,565
Documentary business	7,212	6,247
Package accounts	4,797	4,072
Other	5,480	4,849
	152,199	**126,899**
Fee and commission expense		
Collection and payment services	(4,942)	(5,993)
Management, brokerage and consultancy services	(2,751)	(610)
Other	(1,033)	(1,894)
	(8,726)	**(8,497)**
Net fee and commission income	**143,473**	**118,402**

8. Net trading income

In thousands of BGN

	2007	2006 (unaudited)
FX trading income	16,541	20,284
Net income from debt instruments	(8,382)	(2,848)
Net income from equity instruments	6,762	-
Net income from derivative instruments	(3,274)	748
Net trading income	**11,647**	**18,184**

9. Net income from financial instruments at fair value through profit or loss

Bank designates as financial instruments at fair value through profit or loss only marketable debt securities which fair value can be reliably measured. Net income recorded on financial instruments at fair through profit or loss includes realized gains and losses on such instruments as well as unrealized due to fair value change. The amounts for the years ended December 31, 2007 and December 31, 2006 are BGN (16,767) thousand and BGN (6,948) thousand, respectively

10. Net income from investment assets

In thousands of BGN

	2007	2006 (unaudited)
Net income on disposal of available for sale investments	13,318	1,839
Net income on disposal of held to maturity investments	(2)	-
Net gain on disposal of controlling interest in subsidiaries	34,544	16,832
Reversal of previously recognized impairment	-	2,454
Net income from investment securities	**47,860**	**21,125**

In July 2007 and February 2006, following ongoing reorganization in UniCredit Group leasing business, Bank transferred its controlling interest in Bulbank Leasing AD and Hebros Leasing AD, while retaining significant influence over the entities.

In October 2007 Bank concluded Share Purchase Agreement, divesting its entire interest in local Optima Financial Services EOOD.

For the years ended December 31, 2007 and December 31, 2006 Bank presents under net gain on disposal of controlling interest in subsidiaries the profit realized out of the sale of respective interest, described above, net of amounts retained by the buyers, subject to release upon fulfillment of certain escrow clauses.

11. Other operating income, net

In thousands of BGN

	2007	2006 (unaudited)
Other operating income		
Income from disposal of property, plant and equipment	1,970	158
Income from transfer of assets	-	943
Income from non-financial services	931	1,139
Other income	2,223	5,186
	5,124	**7,426**
Other operating expenses		
Other operating expenses	(666)	(504)
	(666)	**(504)**
Other operating income net	**4,458**	**6,922**

12. General administrative expenses

In thousands of BGN

	2007	2006 (unaudited)
Personnel expenses	(93,823)	(81,708)
Equity settled share-based payments	(179)	(325)
Deposit guarantee fund annual contribution	(20,776)	(17,737)
Depreciation	(25,433)	(27,604)
Fees paid to external professionals	(1,624)	(3,717)
Insurance	(973)	(1,782)
Advertising	(8,014)	(7,667)
Premises surveillance and cash transportation:	(7,444)	(7,285)
Supply and miscellaneous services rendered by third parties	(13,156)	(11,287)
Property related expenses	(23,929)	(14,206)
Maintenance and lease rentals for furniture, machinery and equipment	(2,561)	(2,368)
Postage, telephone and ICT expenses	(30,909)	(28,376)
Rentals and other travel expenses	(3,569)	(4,069)
Credit information and searches	(296)	(104)
Other costs	(4,688)	(5,293)
	(237,374)	**(213,528)**

As of December 31, 2007 the total number of employees is 3,769 (December 31, 2006: 4,149).

13. Impairment loss on financial assets

In thousands of BGN

	2007	2006 (unaudited)
Balance 1 January		
Loans and advances to customers	169,555	147,060
Loans and advances to banks	-	15
	169,555	**147,075**
Increase		
Loans and advances to customers	147,745	121,106
Loans and advances to banks	-	-
	147,745	**121,106**
Decrease		
Loans and advances to customers	(84,454)	(69,981)
Loans and advances to banks	-	-
Recoveries from non-performing loans previously written off	(12,287)	(3,381)
	(96,741)	**(73,362)**
Net impairment loss	**51,004**	**47,744**
Written-off		
Loans and advances to customers	(2,313)	(28,630)
Loans and advances to banks	-	(15)
	(2,313)	**(28,645)**
Balance 31 December		
Loans and advances to customers	230,533	169,555
Loans and advances to banks	-	-
	230,533	**169,555**

14. Provisions for risk and charges

In thousands of BGN

	2007	2006 (unaudited)
Additions of provisions		
Provisions on letters of guarantee	(3,857)	(53)
Legal cases provisions	(6,812)	(9,299)
Provisions on constructive obligations	(2,543)	(6,444)
Other provisions	(168)	-
	(13,380)	(15,796)
Reversals of provisions		
Provisions on letters of guarantee	2,473	11,284
Legal cases provisions	4,836	2,275
Provisions on constructive obligations	2,230	-
	9,539	13,559
Net provision charge	(3,841)	(2,237)

Provisions are allocated whenever based on Management best estimates Bank has present obligation (legal or constructive) arising from past events for the settlement of which outflow of resources embodying economic benefits will be required. Whenever based on new circumstances and evidences it is not anymore likely the outflow of resources to occur the previously allocated provisions are reversed (for more details see also Note 33).

15. Restructuring plan related costs

The decision for performing triple legal merger of Bulbank AD, HVB Bank Biochim AD and Hebros Bank AD was taken on May 29th, 2006. Based on this decision formal detailed restructuring plan was established, where all restructuring related direct costs were identified.

In thousands of BGN

	2007	2006 (unaudited)
Restructuring provision related to legal merger	5,200	(20,880)
Impairment loss of long-term assets	-	(34,622)
Total restructuring plan related cost	**5,200**	**(55,502)**

In 2006 the restructuring plan related costs comprises of direct costs associated with the ongoing integration that qualify for recognition in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, as well as impairment of long-term tangible and intangible assets which operation is planed to be discontinued due to the upcoming merger.

By the end of 2007, Management performed assessment of the restructuring plan completion, remaining activities and their accompanying costs till June 2008 when the Restructuring plan is about to finish. As a result of this assessment activities, performed at lower costs than initially planed, were identified and respective provision in the amount of BGN 5,200 thousand released.

16. Income taxes

Taxation is payable at a statutory rate of 10 % on adjusted profits under the annual tax return prepared under the Bulgarian Corporate Income Tax law. Deferred tax is calculated using a tax rate of 10 %, applicable for 2008.

The breakdown of tax charges in the Income Statement is as follows:

In thousands of BGN

	2007	2006 (unaudited)
Current taxes	(30,256)	(30,683)
Deferred tax income (expense) related to origination and reversal of temporary differences	1,622	6,087
Deferred tax expense resulting from reduction in the tax rate	-	(2,235)
Underprovided prior year income tax	(231)	(140)
Income tax expense	**(28,865)**	**(26,971)**

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

In thousands of BGN

	2007	2006 (unaudited)
Accounting profit before taxation	284,039	161,450
Corporate tax at applicable tax rate (10% for 2007 and 15% for 2006)	(28,404)	(24,218)
Tax effect of permanent tax differences	(16)	(380)
Tax effect of reversal of temporary differences	(214)	2
Tax effect of reduction of applicable tax rate	-	(2,235)
Underprovided prior year income tax	(231)	(140)
Income tax expense	**(28,865)**	**(26,971)**
Effective tax rate	**10.16%**	**16.71%**

17. Cash and balances with Central Bank

In thousands of BGN

	2007	2006 (unaudited)
Cash in hand	204,499	133,395
Current account with the Central Bank	1,046,347	559,708
Total cash and balance with the Central bank	1,250,846	693,103

The increase of cash and balances with the Central Bank in 2007 is mainly due to the more restrictive monetary policy performed by Bulgarian National Bank, whereas the minimum required reserves were increased from 8% in 2006 to 12% in 2007. All the accounts at the Central Bank are non-interest bearing assets.

18. Trading assets

In thousands of BGN

	2007	2006 (unaudited)
Government bonds	140,548	149,081
Bonds of Credit Institutions	51,602	41,535
Corporate bonds	11,313	18,574
Equities	1	1
Total trading assets	**203,464**	**209,191**

Trading assets comprise of bonds and equities that Bank holds for the purpose of short-term profit taking by selling or repurchasing then in the near future.

As of December 31, 2007 and December 31, 2006 trading assets in the amount of BGN 135,534 thousand and BGN 62,583 thousand, respectively, are pledged either on open repo-deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note 39).

19. Derivatives

In thousands of BGN

	2007	2006 (unaudited)
FX forward contracts	1,105	842
Interest rate swap	6,917	14,958
Equity options	3,811	9,377
FX options	899	618
Other options	274	566
FX swaps	89	-
Credit default swaps	228	769
Futures	-	164
Total trading derivatives	**13,323**	**27,294**

Derivatives comprise of trading instruments that have positive market value as of December 31, 2007 and December 31, 2006. They are traded for Bank's own purposes, including off-setting some FX, interest rate or credit risk in banking and trading book as well as covering Bank's customers' business positions.

20. Financial assets designated at fair value through profit or loss

In thousands of BGN

	2007	2006 (unaudited)
Government bonds	208,497	129,556
Bonds of Credit Institutions	124,734	116,292
Municipality bonds	3,026	3,055
Corporate bonds	11,555	-
Total financial assets designated at fair value through profit or loss	**347,812**	**248,903**

Financial assets designated at fair value through profit or loss are non-trading assets with determinable market price that form a portfolio which performance is managed by the Bank on a fair value basis. Part of embedded interest rate risk in that portfolio is mitigated with derivatives like interest rate swaps, thus the off-setting of risk are effectively achieved in the Income Statement.

As of December 31, 2007 and December 31, 2006 trading assets in the amount of BGN 155,018 thousand and BGN 86,114 thousand, respectively, are pledged either on open repo-deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note 39).

21. Loans and advances to banks

In thousands of BGN

	2007	2006 (unaudited)
Receivables under repurchase agreement	-	63,564
Loans and advances to banks	1,033,638	921,504
Current accounts with banks	42,118	15,162
Restricted accounts in foreign currency	633	256
Total loans and advances to banks	**1,076,389**	**1,000,486**

22. Loans and advances to customers

In thousands of BGN

	2007	2006 (unaudited)
Receivables under repurchase agreements	83,305	-
Private companies	3,529,880	2,948,243
Individuals		
Mortgage lending	889,516	566,174
Consumer loans	870,200	790,079
Central and local governments	59,131	30,334
	5,432,032	4,334,830
Less impairment allowances (see also Note 13)	(230,533)	(169,555)
Total loans and advances to customers	**5,201,499**	**4,165,275**

23. Available-for-sale investments

In thousands of BGN

	2007	2006 (unaudited)
Government bonds	476,521	462,207
Bonds of Credit Institutions	43,248	78,882
Corporate bonds	1,384	88,042
Equities	3,510	7,439
Total available for sale investments	**524,663**	**636,570**

Government and corporate bonds classified as available for sale investments are held by the bank for the purposes of maintaining middle and long-term liquidity, coverage of interest rate risk and State Budget funds within the Bank. They have determinable fair value.
Equities presented as available-for-sale investments comprise of minority participation of the Bank in companies where neither control nor significant influence is exercised. These investments are generally carried at cost as their fair value can not be reliably measured.

As of December 31, 2007 and December 31, 2006 all available for sale investments are assessed for impairment. As a result of this assessment no impairment has been recognized for the years.
As of December 31, 2007 and December 31, 2006 trading assets in the amount of BGN 416,394 thousand and BGN 335,442 thousand, respectively, are pledged either on open repo-deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note 39).

24. Held to maturity investments

In thousands of BGN

	2007	2006 (unaudited)
Government bonds	104,838	153,329
Bonds of Credit Institutions	52,189	80,516
Corporate bonds	25,456	31,366
Total held to maturity investments	**182,483**	**265,211**

Held to maturity investments comprise only of first class government and corporate bonds with determinable payments that the Bank has the intention and ability to hold to maturity.

No additions in this portfolio are done throughout the year. The reduction is due to redemptions of previously hold positions as well as decrease in reporting currency equivalent of USD denominated bonds due to the devaluation of USD/BGN rate by the end of 2007.

25. Investments in subsidiaries and associates

As described in Note 3, investments in subsidiaries and associates comprise of equity participations in entity where Bank exercise either control or significant influence.

The breakdown by entities as of December 31, 2007 is as outlined below:

In thousands of BGN

Entity	Entity's major activity	Participation of equity (%)	Balance in thousands of BGN
UniCredit Factoring EAD	Factoring activities		153,329
	100%	1,000	80,516
Hypovereins Immobilien EOOD	Transport services and real estate lending activities	100%	654
UniCredit Consumer Finance AD	Consumer lending and other similar activities in line with the applicable laws and regulations	49.9%	4,142
UniCredit Leasing AD	Leasing activities	49%	983
Bulbank Leasing AD	Leasing activities	49%	788
Cash Service Company AD	Accepting, processing, safe-keeping and delivering of valuable consignments with banknotes and coins to the banks	25%	2,500
Pirelli Real Estate Bulgaria AD	Management of Real Estate Portfolios	25%	125
		Total	**10,192**

All investments in subsidiaries and associates are accounted for in the separate financial statements of UniCredit Bulbank at cost as allowed by IAS 27 "Consolidated and Separate Financial Statements". In conjunction with the same standard Bank also prepares Consolidated Financial Statements where all entities in which the Bank has more than 50% of the participation in equity are fully consolidated and the rest below 50% where the Bank exercise significant influence are consolidated under equity method.

26. Property, plant and equipment

In thousands of BGN

	Lands	Buildings	Furniture	Electronic equipments	Other	Total
Cost or revalued amount						
As of December 31, 2006	7,361	163,766	6,343	60,630	41,711	279,811
Additions	1,583	2,269	941	6,244	2,685	13,722
Write offs	-	-	(1)	(624)	(103)	(728)
Disposals	(410)	(1,403)	(24)	(70)	(1,426)	(3,333)
As of December 31, 2007	**8,534**	**164,632**	**7,259**	**66,180**	**42,867**	**289,472**
Depreciation						
As of December 31, 2006	-	19,704	4,528	38,737	17,424	80,393
Depreciation charge	-	3,770	540	8,471	2,365	15,146
Impairment charge	-	311	1,269	592	314	2,486
Write offs			(1)	(606)	(103)	(710)
On disposals	-	(37)	(14)	(61)	(1,064)	(1,176)
As of December 31, 2007	**-**	**23,748**	**6,322**	**47,133**	**18,936**	**96,139**
Net book value as of December 31, 2007	**8,534**	**140,884**	**937**	**19,047**	**23,931**	**193,333**
Net book value as of December 31, 2006	**7,361**	**144,062**	**1,815**	**21,893**	**24,287**	**199,418**

During the annual impairment assessment, assets with carrying amount of BGN 2,486 thousand were identified than no-longer will be used in the normal business activity of the Bank. Most of these assets represent old furniture and electronic equipment which could be hardly sold for a material consideration. Based on that as of December 31, 2007 the entire amount of the above mentioned assets was impaired.

27. Intangible assets

In thousands of BGN

Cost	
As of December 31, 2006	57,604
Additions	24,597
As of December 31, 2007	**82,201**
Depreciation	
As of December 31, 2006	36,255
Depreciation charge for the period	7,801
As of December 31, 2007	**44,056**
Net book value as of December 31, 2007	**38,145**
Net book value as of December 31, 2006	**21,349**

28. Deferred tax

The origination breakdown of the deferred tax assets and liabilities as of December 31, 2007 and December 31, 2006 is as outlined below:

In thousands of BGN

	Assets		Liabilities		Net	
	2007	2006 (unaudited)	2007	2006 (unaudited)	2007	2006 (unaudited)
Property, equipment and intangible assets	(93)	(152)	12,231	12,446	12,138	12,294
Available for sale investments	(1,140)	-	1,090	169	(50)	169
Provisions	(3,118)	(2,713)	-	-	(3,118)	(2,713)
Restructuring provisions	(1,807)	(3,308)	-	-	(1,807)	(3,308)
Other liabilities	(4,522)	(870)	-	-	(4,522)	(870)
Net tax (assets) liabilities	**(10,680)**	**(7,043)**	**13,321**	**12,615**	**2,641**	**5,572**

The movements of deferred tax assets and liabilities throughout 2007 are as outlined below:

29. Deferred tax, continued

In thousands of BGN

	Balance 2006 (unaudited)	Recognised during the period Loss/(Profit)	Recognised in equity	Balance 2007
Property, equipment and intangible assets	12,294	(156)	-	12,138
Available for sale investments	169	1,090	(1,309)	(50)
Provisions	(2,713)	(405)	-	(3,118)
Restructuring provisions	(3,308)	1,501	-	(1,807)
Other liabilities	(870)	(3,652)	-	(4,522)
Net tax (assets) liabilities	5,572	(1,622)	(1,309)	2,641

29. Other assets

In thousands of BGN

	2007	2006 (unaudited)
Receivables and prepayments	11,276	7,374
Receivable from the State Budget	2	1,305
Materials, spare parts and consumables	652	678
Other assets	1,976	587
Total other assets	**13,906**	**9,944**

30. Trading liabilities

In thousands of BGN

	2007	2006 (unaudited)
Interest rate swaps	7,292	6,803
FX forward contracts	4,524	348
Equity options	3,611	9,377
Other options	214	566
FX options	**32**	**618**
FX swaps	**89**	**-**
Total trading liabilities	**15,762**	**17,712**

31. Deposits from banks

In thousands of BGN

	2007	2006 (unaudited)
Current accounts		
Local banks	2,255	6,510
Foreign banks	13,087	185,967
	15,342	192,477
Placements		
Local banks	298,767	45,447
Foreign banks	705,567	181,403
	1,004,334	226,850
Liabilities under repurchase agreements	**16,787**	**120,767**
Other	**7,026**	**4,042**
Total deposits from banks	**1,043,489**	**544,136**

32. Deposits from customers

In thousands of BGN

	2007	2006 (unaudited)
Current accounts		
Individuals	651,706	545,486
Corporate	2,208,735	1,998,777
Budget and State companies	275,642	201,315
	3,136,083	**2,745,578**
Term deposits		
Individuals	1,617,357	1,462,635
Corporate	618,297	462,622
Budget and State companies	401,210	287,939
	2,636,864	**2,213,196**
Saving accounts	**498,629**	**439,302**
Transfers in execution process	**56,972**	**56,097**
Total deposits from customers	**6,328,548**	**5,454,173**

Deposits form customers comprise of outstanding balances on clients' current accounts, term deposits and saving accounts as well as accrued interest not due on them.

As of December 31, 2007 and December 31, 2006 there are transfers in execution that has not left the Bank's patrimony effectively. These temporary balances are presented as deposits from customers under transfers in execution and process.

33. Provisions

Balances of provisions as of December 31, 2007 and December 31, 2006 are as follows:

	Letter of guarantees	Legal cases	Retirement benefit	Constructive obligations	Restructuring	Other	Total
	(a)	(b)	(c)	(d)	(e)	(f)	
Balance as of December 31, 2006 (unaudited)	**23,847**	**27,839**	**1,503**	**7,689**	**33,076**	**-**	**93,954**
Additions	3,857	6,812	1,319	2,543	-	168	14,699
Releases	(2,473)	(4,836)	-	(2,230)	(5,200)	-	(14,739)
Utilization	**(1,037)**	**(3,957)**	**(168)**	**(350)**	**(9,809)**	**-**	**(15,321)**
Balance as of December 31, 2007	**24,194**	**25,858**	**2,654**	**7,652**	**18,067**	**168**	**78,593**

(a) Provisions on letters of guarantees

Provisions on letters of guarantees represent inherent credit risk losses embedded in undertaken by the Bank contingent liabilities, whereas based on performed risk assessment by the respective bodies of the Bank it is more likely than not that Bank would have to settle the obligation upon fulfillment of some uncertain events.

As of December 31, 2007 Bank assessed its entire portfolio of issued letters of guarantee and quantified provisions in the amount of BGN 24,194 thousand on 28 single exposures.

(b) Provisions on legal cases

Provisions on legal cases are recognized when based on legal expertise the Bank would most likely than not have to settle the obligation in the near future.

As of December 31, 2007 Bank has assessed its position in legal cases against it and provision in the amount of BGN 25,858 thousand has been recognized on 47 single cases.

(c) Retirement benefit provision

Retirement benefit provision represents undertaken liability by the Bank to its employees as defined in the Collective Labor Agreement. These are:

- Upon retirement – 2 monthly salaries, plus 0.4, monthly salaries per completed service year, with a maximum of 6 monthly salaries;
- Upon disability – 2.4 monthly salaries (if more than 5 years of service);
- Upon death – 4 monthly salaries.

As of December 31, 2007 the defined benefit obligation is calculated as present value of accumulated rights at evaluation date including future compensation and benefits increases.

Major assumptions underlying in 2007 Defined benefit obligation are as follows:

- Discount rate – 6.1%;
- Salary increase – 5% p.a.;
- Retirement age:
  - Men – 63;
  - Women:
    - in 2007 – 59;
    - in 2008 – 59.5;
    - from 2009 – 60

The movement of the defined benefit obligation for year ended 2007 and expected services cost and interest costs for the following year are outlined in the table below:

In thousands of BGN

Defined benefit obligation as of December 31, 2006	**1,503**
Current service costs for 2007	1,225
Interest cost for 2007	94
Benefits paid	(168)
Present value of obligation as of December 31, 2007	**2,654**
Interest rate Beginning of the Year	6.5%
Interest rate End of the Year	6.1%
Future increase of salaries	5.0%
Expected 2008 service costs	248
Expected 2008 interest costs	156
Expected 2008 benefit payments	379

Current service and interest costs for 2007 are included under Personnel expenses in General administrative expenses (See Note 12).

(d) Provisions on constructive obligation

In the course of regular business Bank has to follow certain rules as defined by specific Banking legislation prevailing in Bulgaria.
The breakdown of provisions on constructive obligation is outlined in the table below:

In thousands of BGN

Provisions on constructive obligation	2007	2006 (unaudited)
Implementation of new IBAN account numbers	-	2,580
Provisions in accordance with BNB Regulation 18	2,300	2,300
Provisions in accordance with Instruction I-171 of BNB and Ministry of Internal Affairs	2,809	2,809
Provisions related to IT migration	2,543	-
	7,652	**7,689**

According to local regulation each Bank has to notify its clients whenever IBAN account numbers are changed. For that reason provision in the amount of the expected notification costs were allocated in 2006. Upon completing the triple legal merger, UniCredit Bulbank has duly notified the clients for the changed accounts. The unutilized provision on IBAN accounts notification was released in 2007.

In conjunction with BNB and Ministry of Internal Affairs regulations, Bank has to bear certain costs related to clearance of cash in circulation and security requirements. Due to the integration process in 2007 these activities are about to be finished in 2008 therefore the provision recognized in 2006 remained unchanged in 2007.

The legal triple merger in 2007 was accompanied by sophisticated IT migration where all the data of the three merging banks was transferred into a new IT platform. The business continuity was provided to the highest possible level with maximum data quality. However, due to the magnitude of the performed transformation, it is possible Bank to have to meet in the near future obligations related to not timely discovered data discrepancies originating from the post migration period. As of December 31, 2007 Management has assessed the potential of such obligations and has conservatively estimated that the possible cap of them amounts to BGN 2,543 thousand, for which amount provisions has been allocated.

(e) Restructuring provisions

Restructuring provision relates to implementation of the detailed integration plan adopted by the Bank in 2006. As of December 31, 2007 Management has assessed the completion of the plan and the unutilized provisions, related to already performed activities, amounting to BGN 5,200 thousand were released.

(f) Other provision

Other provisions in the amount of BGN 168 thousand relates to coverage of claims related to credit cars business as well as tax claims.

34. Long-term borrowed funds

In thousands of BGN

	2007	2006 (unaudited)
Liabilities to foreign banks	252,796	195,722
Liabilities to foreign other financial institutions	-	41,453
Long-term loans from the state budget	8,363	7,500
Obligations under lease contracts	2,051	2,753
Total long-term borrowed funds	**263,210**	**247,428**

Long-term borrowed funds to banks and other financial institutions represent credit lines utilized for lending funding. They all bear floating interest rate linked to EURIBOR.
Long-tern loans from the state budget represent liabilities to the State Agricultural Fund used for financing loans to agricultural companies and proprietors. It bears flat interest rate at 2%.

35. Subordinated liabilities

In thousands of BGN

Start date	Term to maturity	Amount of the original principal	Outstanding amount as of December 31, 2007
November 26, 2004	10 years	19,558	22,235
December 20, 2004	10 years	19,558	22,192
February 3, 2005	10 years	25,426	28,490
August 2, 2005	10 years	29,337	32,292
Total		**93,879**	**105,209**

As of December 31, 2007, and December 31, 2006 the total amount of BGN 105,209 thousand and BGN 100,038 thousand, represents respectively the outstanding debt on four loan facilities provided by Bank Austria Creditanstalt AG as outlined in the table above. All of them meet the requirements of Bulgarian National Bank for Tier II inclusion for which Bank has received written approval. No principal or interest repayments are envisaged prior to final maturity of the loans unless explicitly approved by Bulgarian National Bank.

36. Other liabilities

In thousands of BGN

	2007	2006 (unaudited)
Liabilities to the state budget	3,074	1,939
Liabilities to personnel	18,859	13,715
Liabilities for unused paid leave	4,752	4,195
Dividends	179	286
Incentive plan liabilities	327	325
Current tax liabilities	7,300	4,936
Other liabilities	21,826	22,322
Total other liabilities	**56,317**	**47,718**

Liabilities to the State Budget include current liabilities related to different tax positions of the Bank, including current tax liability.

Liability to personnel includes accrued not paid liability to employees with regard to additional 2007 performance payments. The amounts represent Management best estimate for the goals achieved throughout 2007 in accordance with the defined target settings.

Liabilities for unused paid leave represent quantification of Bank's current liability due to employees for unutilized current and prior years leave. The amount is equal to the compensation Bank has to pay should the labor contracts with the employees had been terminated as of December 31, 2007 and December 31, 2006, respectively.

As described in 2 p) selected group of Top and Senior Managers are given UniCredito Italiano stock options and performance shares as part of their remuneration packages. The economic value of the options and shares is presented as other liability as upon expiring of the vesting period respective amounts have to be settled in cash.

36. Other liabilities, continued

The breakdown of incentive plan liability as of December 31, 2007 is as follows:

	Available at December 31, 2007	Estimated vested amount	Economic value at December 31, 2006	Settled in 2007	2007 Cost	Economic value at December 31, 2007
Stock Options 09 2004	36,000	35,099	38		19	57
Stock Options 11 2005	138,700	128,954	76		62	138
Stock Options 06 2006	112,100	101,937	34		62	96
Stock Options 06 2007	128,430	112,431	-		36	36
Total Stock options			**148**		**179**	**327**
Performance Shares 09 2004	24,000	24,000	177	(177)	-	-
Performance Shares 11 2005	60,000	49,800	-	-	-	-
Performance Shares 06 2006	48,200	40,006	-	-	-	-
Performance Shares 06 2007	41,051	34,072	-	-	-	-
Total Performance share	**-**	**-**	**177**	**(177)**	**-**	**-**
Total Options and Shares	**-**	**-**	**325**	**(177)**	**179**	**327**

The granting dates and vesting period start and end dates are outlined in the table below:

	Granting date	Vesting period start date	Vesting period end date
Stock Options 09 2004	7/22/2004	8/31/2004	8/31/2008
Stock Options 11 2005	11/18/2005	11/30/2005	11/30/2009
Stock Options 06 2006	6/13/2006	6/30/2006	6/30/2010
Stock Options 06 2007	6/12/2007	6/30/2007	6/30/2011
Performance Shares 11 2005	11/18/2005	12/31/2007	12/31/2008
Performance Shares 06 2006	6/13/2006	12/31/2008	12/31/2009
Performance Shares 06 2007	6/12/2007	12/31/2009	12/31/2010

37. Shareholders' Equity

a) As described in Note 1, in 2007 HVB Bank Biochim AD and Hebros Bank Ad merged into Bulbank AD, whereas after the merged Bank was renamed to UniCredit Bulbank AD. The transaction was a share-exchange type where based on market valuation of the net assets of the three merging banks, share-exchange ratio was calculated converting old HVB Bank Biochim AD and Hebros Bank AD shares into shares of UniCredit Bulbank AD. The share exchange ratios and market valuation of the three banks was certified by independent auditor as required by Bulgarian Commercial Act and accepted by the shareholders of the three banks. The conversion was performed as outlined in the table below

Merging Banks	Ordinary shares before merger	Share-exchange ratio	Allocation of UniCredit Bulbank new shares
HVB Bank Biochim AD	36,842,360	1.42998	52,683,482
Hebros Bank AD	13,701,120	1.47448	20,201,882
Total new shares			**72,885,364**

The share-exchange ratio is rounded to the fifth digit and the conversion into new UniCredit Bulbank shares is done on single shareholder basis where the new shares are rounded down to the nearest integer. The movement of the share capital of UniCredit

Bulbank as a result of the merger is as follows:

UniCredit Bulbank	Number of ordinary shares
Number of ordinary shares before merger	166,370,160
Ordinary share increase due to merger	72,885,364
Ordinary shares after the merger	**239,255,524**

The difference in the amount of the converted shares of the merging banks into shares of UniCredit Bulbank AD and the amount of shares actually provided, originates due to the fact that only integer number of shares can be provided. This difference is considered to be compensated in cash. The total amount of expected cash contribution amounts to BGN 6.

For presentation purposes the equity of UniCredit Bulbank as of December 31, 2006 is presented on a combined basis as follows:

In thousands of BGN

	Share capital	Statutory reserve	Retained earnings	Property revaluation reserve	Available for sale investment revaluation reserve	Total
Bulbank December 31, 2006	166,370	51,155	341,832	64,240	1,895	**625,492**
HVB Bank Biochim 31, 2006	36,842	-	184,610	17,399	(202)	**238,649**
Hebros Bank December 31, 2006	41,103	-	56,422	10,494	(172)	**107,847**
Appropriation of share capital of HVB Bank Biochim	(36,842)	-	36,842	-	-	**-**
Appropriation of share capital of Hebros Bank	(41,103)	-	41,103	-	-	**-**
New UniCredit Bulbank shares exchanged for HVB Bank Biochim shares	52,684	-	(52,684)	-	-	**-**
New UniCredit Bulbank shares exchanged for Hebros bank shares	20,202		(20,202)		-	**-**
Cash settlement	-	-	(6)	-	-	**(6)**
Total UniCredit Bulbank equity as of December 31, 2006	**239,256**	**51,155**	**587,917**	**92,133**	**1,521**	**971,982**

b) Statutory reserves

Statutory reserves represent allocated profits after taxation into Reserve Fund in accordance with requirements of the Bulgarian Commercial Act and former Law on Banks.
The amounts in that fund is not distributable unless prior consent of Bulgarian National Bank.

c) Retained earnings

Under Retained earnings Bank shows the excess of all reserves, formed out of non-net profit in prior years over statutory reserves amount.

d) Revaluation reserves

Revaluation reserves include such on property as per the allowed fair value model under IAS 16 “Property, Plant and Equipment” and reserve out of the fair value change of financial assets classified as available for sale in accordance with IAS 39 “Financial Instruments, Recognition and Measurement”

38.Contingent liabilities

In thousands of BGN

	2007	2006 (unaudited)
Bank guarantees and letter of credit	636,173	507,251
Credit commitments	1,635,642	1,033,882
Total contingent liabilities	**2,271,815**	**1,541,133**

a) Memorandum items

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.
The contractual amounts of financial guarantees and letters of credit are set out in the above 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 recognized at the balance sheet date if counterparties failed completely to perform as contracted.
These commitments and contingent liabilities have off balance-sheet credit risk and only fees and accruals for probable losses are recognized in the balance sheet until the commitments are fulfilled or expire. Most of the contingent liabilities and commitments will expire without being advanced in whole or in part.
As of December 31, 2007 and December 31, 2006 the Bank has made assessment in compliance with IAS 37 "Provisions, Contingent liabilities and Contingent assets". Due to abnormal credit risk related to certain clients' exposures, Bank's Management has evaluated the risk, where it is more probable that any issued Bank guarantee could lead to an outflow of resources from the Bank (see also Note 33).

b) Litigation

As of December 31, 2007 there are open litigation proceedings against the Bank. There is significant uncertainty as to the timing and outcome of such proceedings. Since the ultimate outcome of the claims against the Bank cannot presently be determined with sufficient reliability, provisions have been accrued only on cases where sufficient degree of certainty exists. Total of litigation claims provided for in the financial statements as of December 31, 2007 is in the amount of BGN 25,858 thousand.

c) Credit commitments

During the course of normal lending activity the Bank has negotiated with clients different types of credit facilities including credit lines, overdraft facilities and revolving loans. Contractually the Bank has committed itself for a certain amount which is at clients' disposal. As of December 31, 2007 and December 31, 2006 the Bank presents committed but unutilized credit facilities as part of its off-balance sheet positions.

39. Assets pledged as collateral

In thousands of BGN

	2007	2006 (unaudited)
Securities pledged for budget holders' account service	719,392	507,341
Securities pledged on REPO deals	17,379	94,822
Blocked deposit for credit cards issuance	621	250
	737,392	602,413
Pledged securities include:		
Trading assets	135,534	62,583
Assets designated at fair value through profit or loss	155,018	86,114
Available for sale assets	416,394	335,442
Assets held to maturity	29,825	118,024
	736,771	602,163

40. Related parties

UniCredit Bulbank AD has a controlling related party relationship with its parent company. Additionally the Bank has relativeness with members of the Managing bodies.
UniCredit Bulbank AD has a related party relationship with its other parent company subsidiaries and with its directors and executive officers.
The related parties' transactions in terms of balance sheet items as of December 31, 2007 and Income Statement items for the year ended thereafter are as follows:

In thousands of BGN

	Assets	Liabilities
Financial assets held for trading	10,152	-
Available for sale investments	2,932	-
Current accounts and deposits placed	745,436	-
Extended loans	100,546	-
Long term assets	1,872	-
Other assets	617	-
Financial liabilities held for trading	-	8,966
Current accounts and deposits taken	-	849,983
Other liabilities	-	3,336
Subordinated loans	-	105,209
	861,555	**967,494**

In thousands of BGN

	Income (Expense)
Interest income	18,326
Interest expenses	(13,210)
Net fee income	263
Net trading income (expense)	970
Other operating income	-
Administrative expenses	(5,910)
	439

As of December 31, 2007 the loans extended to key management personnel amount to BGN 9,704 thousand. For the twelve months ended December 31, 2007 the payroll costs of key management personnel included in position administrative expenses amount to BGN 1,677 thousand.

41. Cash and cash equivalents

In thousands of BGN

	2007	2006 (unaudited)
Cash in hand	204,499	133,395
Current account with the Central Bank	1,046,346	559,708
Current accounts with banks	42,118	15,162
Receivables under repurchase agreement	1,369	63,564
Placements with banks with original maturity less than 3 months	919,728	817,315
Total cash and cash equivalents	**2,214,060**	**1,589,144**

Cash and cash equivalent include cash in hand as well as current accounts with Central Bank and other banks and placement with original maturity up to 3 months.

42. Group entities

The direct parent company of UniCredit Bulbank AD is Bank Austria Creditanstalt AG. As of December 31, 2007 and December 31, 2006 the ultimate parent company is UniCredito Italiano S.p.A.

43. Applicable accounting standards for 2007

IFRS 1First-time Adoption of International Financial Reporting Standards	IAS 33 Earnings per Share
IFRS 2 Share-based Payment	IAS 34 Interim Financial Reporting
IFRS 3 Business Combinations	IAS 36 Impairment of Assets
IFRS 4 Insurance Contracts	IAS 37 Provisions, Contingent Liabilities and Contingent Assets
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	IAS 38 Intangible Assets
IFRS 6 Exploration for and Evaluation of Mineral Resources	IAS 39 Financial Instruments: Recognition and Measurement
IFRS 7 Financial Instruments: Disclosures	IAS 40 Investment Property
IAS 1 Presentation of Financial Statements	IAS 41 Agriculture
IAS 2 Inventories	IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
AS 7 Cash Flow Statements	IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	IFRIC 4 Determining whether an Arrangement contains a Lease
IAS 10 Events after the Balance Sheet Date	IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation
IAS 11 Construction Contracts	IFRIC 6 Liabilities arising from Participating in a Specific market Waste Electrical and Electronic Equipment
IAS 12 Income Taxes	IFRIC 7 Applying the Restatement approach under IAS 29
IAS 14 Segment Reporting	IFRIC 8 Scope of IFRS 2
IAS 16 Property, Plant and Equipment	IFRIC 9 Reassessment of Embedded Derivatives
IAS 17 Leases	IFRIC 10 Interim Financial Reporting and Impairment
IAS 18 Revenue	SIC–7 Introduction of the Euro
IAS 19 Employee Benefits	SIC–10 Government Assistance – No Specific Relation to Operating Activities
IAS 20 Accounting for Government Grants and Disclosure of Government Assistance	SIC–12 Consolidation – Special Purpose Entities
IAS 21 The Effects of Changes in Foreign Exchange Rates	SIC–13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures
IAS 23 Borrowing Costs	SIC–15 Operating Leases — Incentives
IAS 24 Related Party Disclosures	SIC–21 Income Taxes – Recovery of Revalued Non-Depreciable Assets
IAS 26 Accounting and Reporting by Retirement Benefit Plans	SIC–25 Income Taxes – Changes in the Tax Currently effective version of an Entity or its Shareholders
IAS 27 Consolidated and Separate Financial Statements	SIC–27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IAS 28 Investments in Associates	SIC–29 Disclosure – Service Concession Arrangements
IAS 29 Financial Reporting in Hyperinflationary Economies	SIC–31 Revenue – Barter Transactions Involving Advertising Services
IAS 31 Interests in Joint Ventures	SIC 32 Intangible Assets – Web Site Costs
IAS 32 Financial Instruments: Presentation	


BABY

Consolidated Financial Statements

Independent Auditors Report

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF UNICREDIT BULBANK AD

15 February 2008

Introduction

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

We draw attention to the fact that we have not audited the accompanying consolidated balance sheet of the Bank as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year ended 31 December 2006, or any of the related notes and accordingly, we do not express an opinion or other form of assurance on them.

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 consolidated 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 consolidated financial statements of the Bank as of and for the year ended 31 December 2007. Management is responsible for the preparation of the annual report of the activities of the Bank which was approved by the Management Board of the Bank on 13 February 2008.

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

Krassimir Hadjidinev
Registered auditor
Authorised representative

Margarita Goleva
Registered auditor

0202

KPMG Bulgaria OOD
37 Fridtjof Nansen Str.
1142 Sofia
Bulgaria

Income Statement

In thousands of BGN

	Notes	2007	2006 (unaudited)
Interest income		506,724	421,671
Interest expense		(122,167)	(92,730)
Net interest income	6	**384,557**	**328,941**
Fee and commission income		152,402	126,269
Fee and commission expense		(8,707)	(7,825)
Net fee and commission income	7	**143,695**	**118,444**
Net trading income	8	11,644	18,170
Net income from financial instruments at fair value through profit or loss	9	(16,767)	(6,948)
Net income from investment assets	10	40,151	19,304
Other operating income, net	11	5,779	10,706
Total operating income		**569,059**	**488,617**
General administrative expenses	12	(239,027)	(216,908)
Impairment losses	13	(50,633)	(48,840)
Provisions for risk and charges	14	(3,841)	(2,237)
Restructuring plan related costs	15	5,200	(55,502)
Profit before tax		**280,758**	**165,130**
Income taxes	16	(29,301)	(27,833)
Net profit for the period		**251,457**	**134,479**

The accompanying Notes 1 to 43 are an integral part of these financial statements

Balance Sheet

In thousands of BGN

	Notes	2007	2006 (unaudited)
Assets			
Cash and balances with Central Bank	17	1,250,847	693,111
Trading assets	18	203,464	209,191
Derivatives	19	13,323	27,294
Financial assets designated at fair value through profit or loss	20	347,812	248,903
Loans and advances to banks	21	1,076,389	1,000,486
Loans and advances to customers	22	5,202,029	4,296,585
Available for sale investments	23	524,663	636,570
Held to maturity investments	24	182,483	265,211
Investments in subsidiaries and associates	25	14,169	4,874
Property and equipment	26	202,711	209,773
Intangible assets	27	38,215	21,368
Goodwill		-	416
Deferred tax assets	28	10,737	7,129
Other assets	29	14,072	18,665
Total assets		**9,080,914**	**7,639,576**
Liabilities			
Trading liabilities	30	15,762	17,712
Deposits from banks	31	1,043,496	544,136
Deposits from customers	32	6,329,019	5,451,707
Provisions	33	78,593	93,954
Long term borrowed funds	34	272,754	386,307
Subordinated liabilities	35	105,209	100,038
Deferred tax liabilities	28	13,324	12,636
Other liabilities	36	56,415	53,331
TOTAL LIABILITIES		7,914,572	6,659,821
Shareholders' equity			
Share capital		239,256	239,256
Retained earnings		596,787	509,548
Revaluation reserves		78,842	93,654
Net profit for the period		251,457	137,297
Total shareholders' equity	**37**	**1,166,342**	**979,755**
Total equity and liabilities		**9,080,914**	**7,639,576**

Statement of Changes in Shareholders' Equity

In thousands of BGN

	Share capital	Statutory reserve	Retained earnings	Property revaluation reserve	Available for sale investment revaluation reserve	Total
Balance as of 1 January 2006 (unaudited)	239,256	51,155	523,227	88,510	(1,178)	**900,970**
Fair value changes of available-for-sale investments	-	-	-	-	3,076	**3,076**
Deferred tax related to available for sale investment revaluation reserve	-	-	-	-	(377)	**(377)**
Transfer of revaluation reserve on non current assets disposed of	-	-	1,184	(1,184)	-	**-**
Impairment of non-current assets	-	-	-	(161)	-	**(161)**
Deferred tax related to revaluation of non-current assets	-	-	-	4,968	-	**4,968**
Net profit for the year	-	-	137,297	-	-	**137,297**
Dividend distribution	-	-	(65,550)	-	-	**(65,550)**
Other distribution	-	-	(468)	-	-	**(468)**
Balance as of December 31, 2006 (unaudited)	**239,256**	**51,155**	**595,690**	**92,133**	**1,521**	**979,755**
Fair value changes of available-for-sale investments	-	-	-	-	(13,088)	**(13,088)**
Deferred tax related to available for sale investment revaluation reserve	-	-	-	-	1,309	**1,309**
Transfer of revaluation reserve on non current assets disposed of	-	-	3,033	(3,033)	-	**-**
Net profit for the year	-	-	251,457	-	-	251,457
Dividend distribution	-	-	(52,642)	-	-	**(52,642)**
Other distribution	-	-	(449)	-	-	(449)
Balance as of December 31, 2007	**239,256**	**51,155**	**797,089**	**89,100**	**(10,258)**	**1,166,342**

The accompanying Notes 1 to 43 are an integral part of these financial statements

Cash Flow Statement

In thousands of BGN

Cash flow statement	Notes	2007	2006 (unaudited)
Net cash flow from operating activities			
Profit before taxation		280,758	165,130
Adjustments for non-cash items			
Increase in impairment allowances	13	63,662	52,221
Increase (decrease) in provisions,net	33	(40)	18,560
Increase in other accruals		32,846	21,379
Depreciation and impairment of long-term assets	12, 26, 27	26,079	62,656
Unrealized (gain)/loss related to trading activity		6,625	(83)
		409,930	**319,863**
Change in operating assets			
Decrease (increase) in financial instruments at fair value through profit or loss		(87,786)	28,070
Decrease (increase) in placements with and loans to banks		(11,092)	210,055
Increase in loans to customers		(1,100,356)	(717,371)
Decrease (increase) in other assets		(3,898)	4,990
Change in operating liabilities			
Increase (decrease) in deposits from banks		515,888	(315,628)
Increase in amounts owed to customers		875,704	920,950
Decrease in other borrowings		1,977	206,100
Decrease in other liabilities and provision utilization		(66,273)	(58,812)
Net cash flow from operating activities		**534,094**	**598,217**
Cash flow from investing activities			
Purchase (disposal) of investment bonds and securities		181,511	23,446
Purchase of long term assets		(37,605)	(30,134)
Net cash flow from investing activities		**143,906**	**(6,688)**
Cash flow from financial activities			
Dividends payment		(52,642)	(65,550)
Other movements in reserves		(449)	(467)
Net cash flow from financial activities		**(53,091)**	**(66,017)**
Net increase in cash and cash equivalents		**624,909**	**525,512**
Cash and cash equivalents at the beginning of period	41	**1,589,152**	**1,063,640**
Cash and cash equivalents at the end of period	41	**2,214,061**	**1,589,152**

Notes to Consolidated Financial Statements

1. Reporting entity

UniCredit Bulbank AD is a universal Bulgarian Bank established upon triple legal merger of Bulbank AD, HVB Bank Biochim AD and Hebros Bank AD. These consolidated financial statements as of and for the year ended December 31, 2007 comprise UniCredit Bulbank AD and its subsidiaries (together referred to us the "Bank").

In October 2006 the Management Boards of the three Bulgarian banks namely, Bulbank AD, HVB Bank Biochim AD and Hebros Bank AD approved Merger Agreement on the basis of which HVB Bank Biochim AD and Hebros Bank AD were to be merged into Bulbank AD through share-exchange transaction. The Merger Agreement together with the applicable share-exchange ratios were endorsed by the Shareholders of the involved banks. The merger was legally completed on April 27th, 2007 with retroactive effect commencing January 1st, 2007. Upon merger completion the combined bank was renamed to UniCredit Bulbank AD.

UniCredit Bulbank AD possessed a full-scope banking licence for performing commercial banking activities. It is domiciled in the Republic of Bulgaria, with registered address Sofia, 7 "Sveta Nedelya" sq.

2. Basic of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by European Commission.

The Financial Statements are approved by the Management Board of UniCredit Bulbank AD on February 13, 2008.

(b) Basis of measurement

These consolidated financial statements have been prepared on historical cost basis except for:

- derivative financial instruments measured at fair value;
- trading instruments and other instruments designated at fair value through profit or loss measured at fair value, where such can be reliably determined;
- available for sale financial instruments measured at fair value, where such can be reliably determined;
- investments in property measured at revalued amount based on independent appraiser's valuation.

(c) Functional and presentation currency

These consolidated financial statements are presented in Bulgarian Lev (BGN) rounded to the nearest thousand. Bulgarian Lev is the functional and reporting currency of the Bank.

(d) Comparative information

Year 2007 is the first full financial year UniCredit Bulbank AD acts as a combined entity following the triple legal merger described in Note 1. In order to achieve clearer presentation the comparative information, where appropriate, is presented on a combined basis assuming that UniCredit Bulbank AD has acted as a combined entity since the beginning of the last presented financial period (1 January 2006) and applying the accounting policies of the acquiring bank – Bulbank AD as of December 31, 2006. For these purposes the information for 2006 comparative period has been reclassified, accordingly. The reclassifications did not impact the consolidated net assets of Bulbank AD, HVB Bank Biochim AD and Hebros Bank AD groups as of December 31, 2006.

3. Significant accounting policies

The accounting policies set below have been applied consistently to all periods presented in these financial statements.

(a) Method of consolidation

These consolidated financial statements are prepared in accordance with IAS 27 "Separate and Consolidated Financial Statements" whereas all participations in single entities where UniCredit Bulbank AD exercise control by holding more than 50% of the voting rights in the investees are consolidated applying full consolidation method and all participations in single entities where UniCredit Bulbank AD exercise significant influence by holding more than 20% of the voting rights in the investees are consolidated applying equity method.

The summary of the consolidation is outlined in the table below:

	Participation in equity December 31, 2007	Participation in equity December 31, 2006	Consolidation method 2007	Consolidation method 2006
UniCredit Factoring EAD	100%	100%	Full consolidation	Full consolidation
Hypovereins Immobilien EOOD	100%	100%	Full consolidation	Full consolidation
Optima Financial Services EOOD	-	100%	-	Full consolidation
UniCredit Consumer Finance AD	49.9%	49.9%	Equity method	Equity method
UniCredit Leasing AD	49%	49%	Equity method	Equity method
Bulbank Leasing AD	49%	100%	Equity method	Full consolidation
Cash Service Company AD	25%	-	Equity method	-
Pirelli Real Estate Bulgaria AD	25%	-	Equity method	-

(b) Income recognition

Interest income and expense is recognized in the Income Statement following the accruing principle, taking into account the effective yield of the asset/liability in all material aspects. Interest income and expense includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.
Fee and commission income arises on financial services provided is recognized upon rendering the corresponding service.
Net trading income includes gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading as well as trading income in dealing with foreign currencies.

(c) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency at the official Bulgarian National Bank foreign exchange rate ruling at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated at the closing foreign exchange rate being the official rate of the Bulgarian National Bank. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rates ruling at the dates that the values were determined. As of each balance sheet date, all foreign currencies denominated monetary assets and liabilities are revaluated on net basis using Bulgarian National Bank closing exchange rates. Any gain/loss is recognized in the Income Statement.

(d) Financial instruments

(I) Classification

Financial instruments at fair value through profit or loss include trading instruments (including all derivatives) and other instruments initially designated at fair value through profit or loss.
Trading instruments are those that the Bank holds for the purpose of short-term profit making. These include investments and derivative contracts that are not designated as effective hedging instruments, and liabilities from short sales of financial instruments. All trading derivatives in a net receivable position (positive fair value) and purchased options are reported separately as Derivatives. All trading derivatives in a net payable position (negative fair value) and written options are reported as Trading Liabilities.
Financial instruments that are not held for trading but which are part of a group of financial assets which performance is evaluated on a fair value basis are initially designated and subsequently reported as Assets at fair value through profit or loss.
Loans and receivables are instruments where Bank provides money to a debtor other than those created with the intention of short-term

profit taking. Loans and receivables comprise Loans and advances to banks and customers as well as short term balances presented as Other assets and Other liabilities.
Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Bank has the intent and ability to hold to maturity.
Available-for-sale financial assets are those non derivative instruments which are designated as available for sale and are not carried at fair value through profit or loss.

(II) Reclassification
The Bank does not reclassify financial instruments in or out of any classification category after initial recognition.

(III) Recognition
The Bank recognizes financial instruments on trade date.

(IV) Measurement
Financial instruments are measured initially at fair value, including transaction costs, for all financial instruments that are not classified as instruments at fair value through profit or loss.
Subsequent to initial recognition all instruments at fair value through profit or loss and all available-for-sale assets are measured at fair value, except for any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured, in which case such an instrument is stated at cost.
All non-trading financial liabilities, loans and receivables and held-to-maturity investments are measured at amortised cost less impairment losses where appropriate. Amortised cost is calculated based on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument, where material, and amortised based on the effective interest rate of the instrument.

(V) Fair value measurement principles
The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.
Where discounted cash flow techniques are used, estimated future cash flows are based on Management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.
The fair value of derivatives that are not exchange-traded is estimated on the basis of pricing models giving best estimate of the amount that the Bank would receive or pay if terminates the contract at the balance sheet date on an arms' length transaction.

(VI) Disclosure of fair value

According to IAS 32 the Bank disclose fair value information on assets or liabilities for which published market information is readily available and where the fair value is materially different from their recorded amounts.

In thousands of BGN

	Fair value through profit or loss	Held-to-maturity	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair value
Assets							
Cash and balances with the Central Bank	-	-	-	-	1,250,847	1,250,847	1,250,847
Trading assets	203,464	-	-	-	-	203,464	203,464
Derivative assets	13,323	-	-	-	-	13,323	13,323
Financial assets designated at fair value through profit or loss	347,812	-	-	-	-	347,812	347,812
Available for sale investments	-	-	-	524,663	-	524,663	524,663
Financial assets held to maturity	-	182,483	-	-	-	182,483	182,468
Loans and advances to banks	-	-	1,076,389	-	-	1,076,389	1,076,389
Loans and advances to customers	-	-	5,202,029	-	-	5,202,029	5,202,029
	564,599	182,483	6,278,418	524,663	1,250,847	8,801,010	8,800,995
Liabilities							
Trading liabilities	15,762	-	-	-	-	15,762	15,762
Deposits from banks	-	-	-	-	1,043,496	1,043,496	1,043,496
Deposits from customers	-	-	-	-	6,329,019	6,329,019	6,329,019
Long term borrowed funds	-	-	-	-	272,754	272,754	272,754
Subordinated liabilities	-	-	-	-	105,209	105,209	105,209
	15,762	**-**	**-**	**-**	**7,750,478**	**7,766,240**	**7,766,240**

The fair value of cash and cash equivalents, deposits and other current receivables and liabilities is approximately equal to the book value given, because of their short-term maturity.
The fair value of held to maturity investments is based on quoted market price.
Loans and advances to banks and customers is approximately equal to their carrying value due to fact that main part of the loan portfolio carries floating interest rates which reflect the changes in the market conditions.

(VII) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of assets at fair value through profit or loss are recognized in the Income Statement.

(e) Investments in associates

Investments in associates comprise of equity participations in entities where the Bank does not exercises control but have significant influence in governing the investees' activities through owing more than 20% of the voting power of such entities.
In these Consolidated Financial Statements Bank has presented all investments in associates a applying equity method.

(f) Minority equity investments

Minority equity investments are investments in entities where the Bank has neither control nor exercises significant influence. All such are classified as available-for-sale financial assets. The fair value of these assets can not be reliably measured therefore they are carried at cost. All such investments are regularly assessed for impairment.

(g) Loans and advances to banks and customers
Loans and advances originated by the Bank are classified as loans and receivables and presented as Loans and advances to banks, customers or Other assets
Loans and advances are reported net of impairment allowances to reflect the estimated recoverable amounts.

(h) Derecognition
A financial asset is derecognised on the date after the Bank loses control over the contractual rights that comprise that asset. This occurs when the rights are realized, expire or otherwise transferred. A financial liability is derecognized when it is extinguished or otherwise expires.

(i) Repurchase agreements
The Bank enters into purchases (sales) of financial instruments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Instruments purchased subject to commitments to resell them at future dates are not recognized. The amounts paid are recognized in loans to either banks or customers. Financial instruments sold under repurchase agreements continue to be recognized in the balance sheet and measured in accordance with the accounting policy. The proceeds from the sale of the investments are reported in the balance sheet under due to customers or banks respectively.

The difference between the sale and repurchase considerations is recognised on an accrual basis over agreed term of the deal and is included in net interest income.

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

(k) Impairment
The carrying amounts of Bank's assets are regularly reviewed to determine whether there is any objective evidence of impairment as follows:
- for financial assets – by the end of each month for the purposes of preparing interim financial statements reported to the Bulgarian National Bank and Management;
- for non-monetary assets – by the end of each year for the purposes of preparing annual financial statements.

If any impairment indicators exist, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

(l) Loans and receivables
Loans and advances are assessed for impairment indicators on a monthly basis for the purposes of preparing monthly financial statements of the Bank. Review is performed and decisions are taken by Bank's Provisioning and Restructuring Committee which is a specialized internal body for monitoring, valuation and classification of risk exposures. Loans and receivables are presented net of allocated allowances for impairment. Impairment allowances are made against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of outstanding balances. Impairment allowances on portfolio basis are maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the balance sheet date. The expected cash flows for portfolios of similar assets are estimated based on previous experience, late payments of interest, principals or penalties. Increases in the allowance account are recognized in the Income Statement. When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is directly written off.
If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through the Income Statement thus increasing the amortized cost to the amount that never exceeds the amortised cost had the loan never been impaired.

(m) Financial assets remeasured to fair value directly through equity
Financial assets remeasured to fair value directly through equity are those classified as available-for-sale financial instruments.
Where an asset remeasured to fair value directly through equity is impaired, and a write-down of the asset was previously recognized directly in equity, the write down is transferred to the Income Statement and recognized as part of the impairment loss.
Where an asset measured to fair value directly through equity is impaired, and an increase in the fair value of the asset was previously recognized in equity, the increase in fair value of the asset recognized in equity is reversed to the extent the asset is impaired. Any additional impairment loss is recognized in the Income Statement.

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

(n) Property, plant and equipment
The Bank has adopted a policy to carry its items of property at revalued amount under the allowed alternative approach in IAS 16 "Property, Plant and Equipment".
Items of property are stated at fair value determined periodically by an independent registered appraiser. When the property is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset. When the carrying amount of assets is increased as a result of revaluation, the increase is credited directly to equity as revaluation surplus. When the carrying amount of assets is decreased as a result of revaluation, the decrease is recognized in equity to the extent that it reverses previously recognized surpluses and the remaining part is recognized as expense in the Income Statement.
Plant and equipment are carried at historical cost less any accumulated depreciation or impairment losses.
Depreciation is provided on a straight-line basis at rates designed to write down the cost or valuation of fixed assets over their expected useful lives.

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

The applicable annual depreciation rates based on expected useful life on major assets categories are as follows:

	Annual depreciation rates (%)	Equivalent expected useful life (years)
Buildings	2	50
Computer hardware	20	5
Fixtures and fittings	15	6-7
Vehicles	25	4

(o) Intangible assets
Intangible assets are stated at cost less accumulated amortisation and any impairment losses. As of December 31, 2007 the entire intangible assets includes only investments in software and related licenses.

Amortisation is calculated on a straight-line basis over the expected useful life of the asset. The average estimated useful life of intangible assets controlled by the Bank is estimated to 5 years, which is an equivalent of approximately 20% annual amortization rate.

(p) Provisions
A provision is recognized 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 resources embodying 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. As of December 31, 2007 Management has reviewed Bank's legal and constructive obligation and to the extent they meet the requirement for recognition, provision is recorded, respectively.

(q) Employees' benefits

(I) Short-term employee's benefits
Short-term employees' benefits comprise of amounts due to personnel on the basis of unused paid leave accounted for each and single employee as of the reporting date as well as expected additional bonus payments for achieved results during the current financial year.
The amount of the unused paid-leave obligation includes the overall undiscounted amount of the obligation the Bank has to settle should the employment contract is terminated as of the balance sheet date. Short-term employees' benefits are presented as other liability and disclosed separately in the Notes.

(II) Defined benefit obligation
Defined benefit obligations are those agreed in the Collective Labor Agreement described in details in Note 33.
The present value of the obligation as of the balance sheet date is determined by independent appraisers on the basis of actuary techniques. The current service costs and interest costs related to the defined benefit obligation for the current financial year are presented under General and Administrative expenses.
The amount of the present value of the defined benefit obligation is presented separately and disclosed in Provisions.

(III) UniCredit Group Medium and Long-Term incentive plans
UniCredit Group Medium and Long-Term incentive plans compose of Stock Options and Performance share granted by the ultimate parent UniCredito Italiano. They are allocated to selected group of Top and Senior Managers of UniCredit Bulbank AD.
Whenever the vesting period of the Stock options or Performance shares is ended, UniCredit Bulbank is required to settle the monetary

amount, corresponding to the economic value of the services rendered by the beneficiary employees.
The valuation of Stock Options and Performance Shares is as outlined below.

• Stock Options valuation
The Hul and White Evaluation Model has been adopted to measure the economic value of the stock options. This model is based on trinominal tree price distribution using the Boyle's algorithm and estimates the early exercise probability on the basis of deterministic model connected to:

- Reaching Market Share Value equals to an exercise price;
- Probability beneficiaries' early exit after the end of the vesting period.

• Performance shares
The economic value of Performance Shares is measured considering the share-market price at the grant date less present value of future dividends related to the period from the grant date to the share settlement date.

As of December 31, 2007 December 31, 2006 the UniCredit Bulbank presents the economic value of the Stock Options and Performance shares as payroll costs under Administrative expenses in the Income Statements and the corresponding obligation for payment as other liability.

(r) Share capital and reserves

(a) Share capital
As described in Note 1, HVB Bank Biochim and Hebros Bank merged into Bulbank AD legally as of April 27th, 2007 with retroactive effect for accounting purposes since January 1st, 2007. At the time of the merger the three merging entities were under direct control of Bank Austria Creditanstalt AG and ultimately under control of UniCredit Italiano S.p.A. The merger represents a share-exchange transaction, where share-exchange ratios based on fair valuation of the net assets of the three Banks, certified by independent auditor, as required by the Bulgarian Commercial Act, were applied. The share capital of UniCredit Bulbank AD includes the share capital of Bulbank AD before the merger increased by the newly issued ordinary shares exchanged for the ordinary shares of the merging Banks HVB Bank Biochim AD and Hebros Bank AD. (for more details see also Note 37)

(b) Reserves
Reserves consist of statutory reserves and retained earnings held within the Bank as well as revaluation reserves on property and available-for-sale financial instruments.

(s) Taxation
Tax on the profit for the year comprises current tax and the change in deferred tax. Income tax is recognized in the Income Statement except to the extent that it relates to items recognized directly to equity, in which case it is recognised in equity. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at 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 for the periods when the asset is realized 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 recognized 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 utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

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

(t) New standards and interpretations not yet adopted, continued

- IFRIC 12 Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Bank's 2008 financial statements, is not expected to have any effect on the financial statements.
- IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Bank's 2009 financial statements, is not expected to have any impact on the financial statements.
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Bank's 2008 financial statements and is not expected to have any impact on the financial statements.

4. Financial Risk Management

(a) General Framework

The Bank is exposed to the following risks from its use of financial instruments:

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

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

Different types of risks are managed by specialized departments and bodies within the Bank's structure. The applicable policies entirely correspond to the requirements of Risk Management Group Standards as well as all respective requirements set by Bulgarian banking legislation. Bank manages risk positions on aggregate basis, focusing in reaching optimal risk/return ratio.
Assets and Liabilities Committee (ALCO) is a specialized body established in the Bank for the purposes of market and operational risk and structural liquidity management.

As part of the internal management, the Bank has, approved by the Management, Financial Instruments Management Policy, where all deals and exposures in financial instruments, excluding originating loans, are defined.

Credit risks in the Bank are monitored through Provisioning and Restructuring Committee (PRC). It is a specialized body responsible for credit risk assessment, classification of credit risk exposures and impairment losses estimation. Assessment of the credit risk is in accordance with the Group standards and for regulatory purposes in accordance with BNB Regulation 9.

Management of the Bank has approved certain limits aiming to mitigate the risk impact on the Bank's result. These limits are within the overall risk limits of the banking group. The limits of the credit risk depend on size of exposure. Management Board approves the big exposure – 10 % of the capital of the Bank (requirement of Law on Credit Institutions). There is an effective procedure established in the Bank for limits monitoring, including early warning in case of limits breaches.

Additionally a system for operational risk management, approved by the Management Board, is introduced in the Bank.

(b) Market Risks

Market Risk department is a specialized department where all market risk generating positions of the Bank are monitored. Its activities are independent from the trading and sales activities. Market risk limits are explicitly defined in Market Risk Rule Book and International Markets Rule Book, reviewed at least annually.

Market risk management in the Bank encompasses all activities in connection with Markets and Investment Banking operations and management of the balance sheet structure. Risk positions are aggregated at least daily, analyzed by the independent Market risk management unit and compared with the risk limits set by the Management Board, ALCO and Head Office designated Risk management bodies. Market risk control in the Bank also includes ongoing monitoring and reporting of the risk positions, limit utilisation, and the daily presentation of results of Markets & Investment Banking and ALM operations.

The Bank applies uniform Group risk management procedures. These procedures make available the major risk parameters for the various trading operations at least once a day. Besides Value at

Risk, other factors of equal importance are stress-oriented volume and position limits. Additional element is the loss-warning level limit, providing early indication of any accumulation of position losses.

For internal risk management and Group compliant risk measurement, the Bank uses Bank Austria Creditanstalt's internal model NoRISK. It is based on historical and Monte Carlo simulation of returns and accounts for risk reducing effects between the risk categories interest, credit spread, foreign exchange, equity, volatilities, and commodities. The simulation results, supplemented with distribution metrics and limit utilization are reported on a daily basis. In addition to the risk model results, income data from market risk activities are also determined and communicated on a daily basis. Reporting covers the components reflected in IFRS-based profit and the marking to market of all investment positions regardless of their recognition in the IFRS-based financial statements ("total return").

The results of the internal model based on VaR (1 day, confidence interval of 99 %) for 2007 (post-merger July-Dec 2007) moved in a range between EUR 1.2 Mio and EUR 3.6 Mio, averaging EUR 1.9 Mio. Interest rate risk continued to account for most of the total risk of the Bank.

VaR of the Bank by risk category in EUR million

Risk category	Minimum	Maximum	Average	Year-end
Interest rate risk	1.3	3.4	1.8	3.2
Credit spread	0.5	1.4	0.8	1.2
Exchange risk	0.0	0.1	0.1	0.1
Total	**1.3**	**3.6**	**1.9**	**3.3**

(b) Market Risks, continued

Apart from VaR figures, daily reporting includes details of volume-oriented sensitivities that are compared with the respective limits. The most important detailed presentations include: basis point results (interest rate /spread changes of 0.01 %) by maturity band and FX sensitivities). In the interest rate sector, basis point limits per currency and maturity band, basis point totals per currency and/or per maturity segment (total of absolute basis point values) are used for risk management.

As at 31 December 2007, the entire interest rate position of the Bank (trading and investment) per currency was composed as follows (amounts in EUR):

CCY	0-3M	3M-1Y	1Y-3Y	3Y-10Y	10Y-	Sum
BGN	753	(3,429)	(20,395)	(44,775)	(1,951)	(69,798)
CHF	(21)	34	(17)	(266)	(70)	(340)
EUR	3,714	5,741	(11,737)	(18,671)	(8,749)	(29,702)
GBP	57	(755)	4	-	-	(693)
JPY	(6)	-	-	-	-	(6)
NOK	1	-	-	-	-	1
USD	283	(74)	(6,437)	(24,867)	(51)	(31,147)
TOTAL	**4,836**	**10,033**	**38,591**	**88,579**	**10,821**	**131,688**

The Bank is also exposed to currency risk through transactions in foreign currencies.

As a result of the currency Board in place in Bulgaria, the Bulgarian currency is pegged to the Euro. As the currency in which the Bank presents its financial statements is the Bulgarian Lev, the Bank's financial statements are affected by movements in the exchange rates between the currencies other than Euro and Lev.

Net FX open positions are monitored on a daily basis by Market Risk department. It includes all trading and banking book positions and is limited by positional overnight limits.

As of December 31, 2007 the FX balance sheet of the Bank is as outlined in the table below:

In thousands of BGN

Risk category	Minimum	Maximum	Year-end
Assets			
Cash and balances with the Central Bank	1,236,638	14,209	1,250,847
Trading assets	163,864	39,600	203,464
Derivative assets	10,640	2,683	13,323
Financial assets designated at fair value through profit or loss	246,771	101,041	347,812
Loans and advances to banks	899,308	177,081	1,076,389
Loans and advances to customers	5,119,233	82,796	5,202,029
Available for sale investments	507,987	16,676	524,663
Held to maturity investments	56,819	125,664	182,483
Investments in subsidiaries and associates	14,169	-	14,169
Property and equipment	202,711	-	202,711
Intangible assets	38,215	-	38,215
Deferred tax assets	10,737	-	10,737
Other assets	11,897	2,175	14,072
Total Assets	**8,518,989**	**561,925**	**9,080,914**
Liabilities			
Trading liabilities	12,096	3,666	15,762
Deposits from banks	979,306	64,190	1,043,496
Deposits from customers	5,636,195	692,824	6,329,019
Provisions	44,640	33,953	78,593
Long term borrowed funds	272,754	-	272,754
Subordinated debt	105,209	-	105,209
Deferred tax liability	13,324	-	13,324
Other liabilities	54,185	2,230	56,415
Total liabilities	**7,117,709**	**796,863**	**7,914,572**
Shareholders' equity	1,166,342	-	1,166,342
Net off-balance sheet spot position	(212,489)	210,825	(1,664)
Net position	**22,449**	**(24,113)**	**(1,664)**

As of December 31, 2006 the FX balance sheet of the Bank is as outlined in the table below:

In thousands of BGN

Risk category	Minimum	Maximum	Year-end
Assets			
Cash and balances with the Central Bank	677,591	15,520	693,111
Trading assets	166,247	42,944	209,191
Derivative assets	21,501	5,793	27,294
Financial assets designated at fair value through profit or loss	177,072	71,831	248,903
Loans and advances to banks	647,697	352,789	1,000,486
Loans and advances to customers	4,180,140	116,445	4,296,585
Available for sale investments	496,188	140,382	636,570
Held to maturity investments	91,949	173,262	265,211
Investments in subsidiaries and associates	4,874	-	4,874
Property and equipment	209,773	-	209,773
Intangible assets	21,368	-	21,368
Goodwill	416	-	416
Deferred tax assets	7,129	-	7,129
Other assets	18,636	29	18,665
Total Assets	**6,720,581**	**918,995**	**7,639,576**
Liabilities			
Trading liabilities	10,731	6,981	17,712
Deposits from banks	479,518	64,618	544,136
Deposits from customers	5,114,672	337,035	5,451,707
Provisions	56,024	37,930	93,954
Long term borrowed funds	386,307	-	386,307
Subordinated debt	100,038	-	100,038
Deferred tax liability	12,636	-	12,636
Other liabilities	52,854	477	53,331
Total liabilities	6,212,780	447,041	6,659,821
Shareholders' equity	979,755	-	979,755
Net off-balance sheet spot position	(22,911)	28,110	5,199
Net position	**(494,865)**	**500,064**	**5,199**

(c) Liquidity risks

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

The collective Bank's body for liquidity management is ALCO (Assets and Liabilities Committee). Bank has an approved Liquidity Management Policy.
The liquidity is operationally managed through Markets and Sales Division and the structural liquidity through Assets and Liabilities Division. According to the Liquidity Policy, Assets and Liabilities Division monitors on a daily basis short term liquidity arising form Treasury activities with a time horizon up to one month. The structural liquidity is monitored on a weekly basis prepared under three scenarios – going concern, liquidity crisis and original maturity scenario. For the purposes of liquidity management, depending on the primary funds, short tem limits are applied.

The following tables provides an analysis of the financial assets and liabilities of the Bank into relevant maturity groupings based on the remaining contractual periods to repayment for items with fixed maturity and historical pattern and Managements' expectations for items with no fixed maturity.

Maturity table as at 31 December 2007

	Up to 1 month	From1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Maturity not defined	Total
Assets							
Cash and balances with the Central Bank	1,250,847	-	-	-	-	-	1,250,847
Trading assets	203,464	-	-	-	-	-	203,464
Derivative assets	13,323	-	-	-	-	-	13,323
Financial assets designated at fair value through profit or loss	347,812	-	-	-	-	-	347,812
Loans and advances to banks	1,013,848	-	61,920	-	-	621	1,076,389
Loans and advances to customers	664,692	456,549	1,396,671	1,215,542	1,468,575	-	5,202,029
Available for sale investments	17,983	11,875	28,308	351,635	111,352	3,510	524,663
Held to maturity investments	7,974	4,043	46,271	99,919	24,276	-	182,483
Investments in subsidiaries and associates	-	-	-	-	-	14,169	14,169
Property and equipment	-	-	-	-	-	202,711	202,711
Intangible assets	-	-	-	-	-	38,215	38,215
Deferred tax assets	-	-	-	10,737	-	-	10,737
Other assets	14,072	-	-	-	-	-	14,072
Total assets	**3,534,015**	**472,467**	**1,533,170**	**1,677,833**	**1,604,203**	**259,226**	**9,080,914**
Liabilities							
Trading liabilities	15,762	-	-	-	-	-	15,762
Deposits from banks	940,584	2,240	-	100,672	-	-	1,043,496
Deposits from customers	2,511,332	376,152	430,493	3,011,042	-	-	6,329,019
Provisions	-	-	35,207	43,386	-	-	78,593
Long term borrowed funds	33	26	1,293	186,634	84,768	-	272,754
Subordinated debt	-	-	-	-	105,209	-	105,209
Deferred tax liability	-	-	-	13,324	-	-	13,324
Other liabilities	12,637	19,840	19,938	4,000	-	-	56,415
Total liabilities	**3,480,348**	**398,258**	**486,931**	**3,359,058**	**189,977**	**-**	**7,914,572**
Net liquidity gap	**53,667**	**74,209**	**1,046,239**	**(1,681,225)**	**1,414,226**	**259,226**	**1,166,342**
Cumulative	**53,667**	**127,876**	**1,174,115**	**(507,110)**	**907,116**	**1,166,342**	

Maturity table as at 31 December 2006

	Up to 1 month	From1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Maturity not defined	Total
Assets							
Cash and balances with the Central Bank	693,111	-	-	-	-	-	693,111
Trading assets	209,191	-	-	-	-		209,191
Derivative assets	27,294	-	-	-	-	-	27,294
Financial assets designated at fair value through profit or loss	248,903	-	-	-	-	-	248,903
Loans and advances to banks	919,838	34,473	45,881	-	-	294	1,000,486
Loans and advances to customers	338,634	284,055	1,407,405	1,224,114	1,042,377	-	4,296,585
Available for sale investments	67,248	6,908	62,284	373,739	118,952	7,439	636,570
Held to maturity investments	1,035	38,551	28,322	159,484	37,819	-	265,211
Investments in subsidiaries and associates	-	-	-	-	-	4,874	4,874
Property and equipment	-	-	-	-	-	209,773	209,773
Goodwill	-	-	-	-	-	21,368	21,368
Intangible assets	-	-	-	-	-	416	416
Deferred tax assets	-	-	-	7,129	-	-	7,129
Other assets	8,968	8,721	976	-	-	-	18,665
Total assets	**2,514,222**	**372,708**	**1,544,868**	**1,764,466**	**1,199,148**	**244,164**	**7,639,576**
Liabilities							
Trading liabilities	17,712	-	-	-	-	-	17,712
Deposits from banks	398,206	44,250	284	100,861	-	535	544,136
Deposits from customers	2,150,702	367,106	467,479	2,460,001	6,419	-	5,451,707
Provisions	-	-	62,408	31,546	-	-	93,954
Long term borrowed funds	246	115	31,166	285,156	69,624	-	386,307
Subordinated debt	-	-	-	-	100,038	-	100,038
Deferred tax liability	-	-	-	12,636	-	-	12,636
Other liabilities	13,033	14,956	25,342	-	-	-	53,331
Total liabilities	**2,579,899**	**426,427**	**586,679**	**2,890,200**	**176,081**	**535**	**6,659,821**
Net liquidity gap	**(65,677)**	**(53,719)**	**958,189**	**(1,125,734)**	**1,023,067**	**243,629**	**979,755**
Cumulative	**(65,677)**	**(119,396)**	**838,793**	**(286,941)**	**736,126**	**979,755**	

The expected cash outflow from the financial liabilities for the periods after December 31, 2007, including estimation of the contractual interest in the respective time buckets is as outlined below:

	Gross in (out) flow	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Non derivative instruments						
Deposits from banks	(1,053,641)	(940,728)	(2,251)	-	(110,662)	-
Deposits from customers	(6,344,474)	(3,782,006)	(1,118,324)	(854,497)	(589,623)	(24)
Long term borrowed funds	(343,992)	(247)	(660)	(1,522)	(223,469)	(118,094)
Subordinated debt	(149,016)	-	-	-	-	(149,016)
Total non-derivative instruments	**(7,891,123)**	**(4,722,981)**	**(1,121,235)**	**(856,019)**	**(923,754)**	**(267,134)**
Derivatives						
Outflow	(800,353)	(403,159)	(104,765)	(206,034)	(66,976)	(19,419)
Inflow	802,748	402,782	105,445	205,953	69,744	18,824
Total derivatives	**2,395**	**(377)**	**680**	**(81)**	**2,768**	**(595)**
Unutilized credit lines	(1,627,725)	151,183	-	(12)	(1,778,896)	-
Total financial liabilities	**(9,516,453)**	**(4,572,175)**	**(1,120,555)**	**(856,112)**	**(2,699,882)**	**(267,729)**

(d) Credit risk

Credit risk is defined as potential losses arising from not fulfilment of any contractual obligation with regard to issued or originated financial instrument.

Bank effectively manages credit risk inherent to its trading and banking book

Bank applies different approach and has established different departments with regard to monitoring the credit risk related to corporate clients, small and middle enterprises and individuals.

(I) Credit risk in the trading book

For the purposes of mitigating the counter party risk and settlement risk with regard to the deals in the trading book, Bank concludes deals with high ranking clients with string creditworthiness. For many such clients Bank has approved credit limits.

(II) Credit risk in the banking book

Credit risk, inherent in the banking book, is managed as the creditworthiness of Bank's clients is assessed for the whole life of the loan, from the date initial loan application till the date of final repayment. Issued Letters of Guarantees, Letters of Credit and all other irrevocable credit commitments fell also within the scope of Bank's credit risk monitoring. As a credit risk mitigation policy, Bank accepts different types of collaterals depending on the product and client. As a rule collaterals are registered on behalf of the Bank prior to the effective disbursal of the loans.

(II) Credit risk in the banking book, continued

The competent body for assessing impairment allowances is the Provisioning and Restructuring Committee. Risk exposures are classified in three major classes:

- Regular exposures;
- Watch exposures;
- Irregular exposures;
- Non-performing exposures.

Risk assessment is done at least once per month. Credit risk methodology adopted by the Bank is explicitly defined in the Policy for evaluation of risk exposures.

The practice adopted in the Bank is to prepare internal rules for all credit products, especially in the Retail banking, setting the loan parameters, acceptable collaterals and the documentation required from the clients for credit risk assessment.

Credit risk monitoring is also focused in fulfillment of statutory lending limits set in Law on Credit Institutions. Exposure to one client or group of related clients exceeding 10% of the capital base are treated as big exposures and it has to be approved by the Management Board. Maximum amount of an exposure to one client of group of related clients must not exceed 25% of the capital base of the bank and in addition the total of all big exposures must not exceed 800% capital base.

As of December 31, 2007 Bank has fulfilled all statutory lending limits.

The breakdown of impairment allowances for the years ended December 31, 2007 and December 31, 2006 is as follows:

	Carrying amount before impairment		Impairment allowance		Carrying amount	
	2007	2006 (unaudited)	2007	2006 (unaudited)	2007	2006 (unaudited)
Individually impaired						
Watch	51,593	51,162	8,935	10,503	42,658	40,659
Irregular	23,574	35,956	15,556	19,765	8,018	16,191
Non-performing	123,630	89,639	122,610	87,430	1,020	2,209
	198,797	**176,757**	**147,101**	**117,698**	**51,696**	**59,059**
Collectively impaired	**3,337,688**	**2,356,197**	**83,432**	**53,747**	**3,254,256**	**2,302,450**
Unimpaired	**1,896,077**	**1,935,076**	**-**	**-**	**1,896,077**	**1,935,076**
there of past due loans	140,341	106,006	107,106	86,200	33,235	19,806
from 31 to 60 days	39,693	18,392	9,976	6,687	29,717	11,705
from 61 to 90 days	12,782	17,994	9,700	10,912	3,082	7,082
over 91 days	87,866	69,620	87,430	68,601	436	1,019
Total	5,432,562	4,468,030	230,533	171,445	5,202,029	4,296,585

The breakdown of the exposures depending on the type of collateral is as follows:

Type of collateral	Individually impaired		Collectively impaired		Unimpaired	
	2007	2006 (unaudited)	2007	2006 (unaudited)	2007	2006 (unaudited)
Secured by mortgages	**84,238**	**86,812**	**1,624,037**	**1,318,388**	**445,760**	**642,990**
Cash collateral	1,969	1,582	51	1,370	23,473	29,853
Other collateral	90,961	50,020	1,494,817	557,406	779,049	861,576
Unsecured	21,629	38,343	218,783	479,033	647,795	400,657
	198,797	176,757	3,337,688	2,356,197	1,896,077	1,935,076
Impairment allowances	(147,101)	(117,698)	(83,432)	(53,747)	-	-
	51,696	59,059	3,254,256	2,302,450	1,896,077	1,935,076

The concentration of risk exposures in different sectors of the economy as well as geographical spread out as is as outlined in table below:

In thousands of BGN

	Loans and advances to customers		Loans and advances to banks		Investment securities	
	2007	2006	2007	2006	2007	2006
Concentration by sectors						
Sovereign	59,131	30,334	-	-	581,359	617,473
Manufacturing	1,174,099	1,035,137	-	-	-	-
Commerce	1,131,645	983,651	-	-	-	-
Construction	**264,121**	**169,163**	**-**	**-**	**-**	**-**
Agriculture and forestry	107,941	81,973	-	-	-	-
Transport and communication	150,488	139,854	-	-	-	-
Services	486,577	505,526	-	-	-	-
Financial services	134,737	34,054	1,076,389	1,000,486	139,956	289,182
Other industry sectors and retail	1,923,823	1,488,338	-	-	-	-
	5,432,562	**4,468,030**	**1,076,389**	**1,000,486**	**721,315**	**906,655**
Impairment allowances	(230,533)	(171,445)	-	-	-	-
	5,202,029	4,296,585	1,076,389	1,000,486	721,315	906,655
Concentration by geographic location						
Europe	5,432,546	4,468,030	1,069,769	989,639	691,853	754,192
North America	2	-	6,528	945	28,076	150,959
Asia	14	-	92	9,902	1,386	1,504
	5,432,562	**4,468,030**	**1,076,389**	**1,000,486**	**721,315**	**906,655**
Impairment allowances	(230,533)	(171,445)	-	-	-	-
	5,202,029	**4,296,585**	**1,076,389**	**1,000,486**	**721,315**	**906,655**

(e) Operational Risk

The bank defines as operational the risk of loss due to errors, infringements, interruptions, damages caused by internal processes or personnel or systems or caused by external events. Operational risk includes legal risk, resulting from violations or non compliance with laws, rules, regulations, agreements, prescribed practices or ethical standards.

The bank has a system for operational risk management with clearly defined responsibilities, including second level of control over the accounting operations; the policies and procedures implemented on bank level regulate and control the requirements for accounting operations reconciliation.

The Operational risk unit in the bank, reporting to the Chief Risk Officer, is an independent unit in charge of regular operational risk monitoring and control. The unit's activity is regulated in the approved by the Management Board "Operational risk control rulebook", in compliance with UniCredit Group and the national regulatory framework (Ordinance 8 on the Capital Adequacy of Credit Institutions). The operational risk data in the bank is collected in the UniCredit Group database.

The Operational risk unit is responsible for carrying out the following activities: verifies operational loss data is regularly collected in the UniCredit Group database; monitors and analyses the bank's operational risks exposure; verifies that risk limits are respected and reports breaches to the Operational Risk Committee; cooperates in analyzing the operational risk impact of new product introduction, which could lead to significant changes in business or the bank's organizational structure; other activities in compliance with the requirements of Basel 2 and Ordinance 8 of the Bulgarian National Bank

The Assets and Liabilities Committee performs the function of an Operational risk committee. The Management Board of the bank participates in operational risk management and receives timely information from the Operational risk unit regarding changes in operational risk exposures, breaches in policies and limits, etc.

(f) Basel II disclosure

Since January 1st, 2007 Bulgarian banks apply BASEL II requirements for measurement of the capital adequacy.

Under the regulatory framework, Bank allocates capital for covering three major types of risk, namely credit risk, market risk and operational risk. For the year 2007 the Bank applies allowing standardised approach for credit and market risks and the Basic Indicator Approach for operational risk.

Statutory limits exposed to Banks require Bank to maintain total capital adequacy ratio not less than 12% and Tier I ratio not less than 6%.

(I) Capital Base (Own funds)

Capital Base (Own Funds) eligible for regulatory purposes include Tier I and Tier II capital as defined by Bulgarian National Bank

As of December 31, 2007 the consolidated Capital base of the Bank comprises as follows:

In thousands of BGN

Share capital	239,256
Statutory reserve	51,155
Retained earnings	541,438
Total capital and reserves	**831,849**
Deductions	
Unrealized loss on available-for-sale instruments	**(12,622)**
Intangible assets	**(38,215)**
Total deductions	**(50,837)**
Total Tier I capital	**781,012**
Revaluation reserve on real estate occupied by the Bank	**81,581**
Subordinated long-term debt	**93,879**
Total Tier II capital	**175,460**
Additional deductions from Tier I and Tier II capital	**(17,695)**
Total capital base (Own funds)	**938,777**

The additional deductions from the Capital base relates to Bank's participations in not fully consolidated entities which represent 10% or more than 10% of the registered capital of such entities. For regulatory purposes the deduction is split equally between Tier I and Tier II capital.

Subordinated long-term debt represents four loan provided by Bank Austria Creditanstalt AG for initial principal amount of EUR 48 million (see also Note 35).

(II) Capital requirements

As of December 31, 2007 the capital requirements for credit, market and operational risks are as follows:

In thousands of BGN

	Capital requirement
Capital requirements for credit risk	
Exposures to:	
Central Governments and Central Banks	8,570
Regional Governments or local authorities	1,837
Administrative bodies and non-commercial undertakings	46
Institutions	20,993
Corporates	203,677
Retail	62,550
Exposures secured on real estate property	173,727
High risk exposures	68
Short-term exposures to institutions and corporates	15,349
Other exposures	16,950
Total capital requirements for credit risk	**503,767**
Capital requirements for market risk	**14,969**
Capital requirements for operational risk	**62,404**
Total capital requirements for credit risk, market risk and operational risk	**581,140**
Additional capital requirements subject to National Discretions from the Regulator	**290,570**
Total regulatory capital requirements	**871,710**
Capital base (Own funds)	938,777
there of Tier I	772,165
Free equity (own funds)	67,068
Total capital adequacy ratio	**12.92%**
Tier I ratio	**10.63%**

(II) Capital requirements, continued
Capital requirements for credit risk cover credit risk and dilution risk in the banking book, counterparty risk in the overall business and settlement risk in the trading book.

Capital requirements for market risk cover market risk in the trading book, foreign-exchange and commodity risks in the overall business.

Operational risk is calculated on applying the Basic Indicator Approach and represents 15% of the Bank's average annual gross income for the last three years (2006, 2005 and 2004).

The additional capital requirements, presented above, are subject to National Discretion of Bulgarian National Bank. They are calculated as 50% of the total capital requirements for credit risk, market risk and operational risk.

5. Use of estimates and judgment

For the purposes of preparation of these consolidated Financial Statements Management has used certain estimates and judgment in order to provide fair and through presentation of the financial position of the Bank. These estimates and judgment require Management to get used all information available in order to assess and where possible to quantify potential impact in the Bank's financial position as a result of some uncertain events.

In general the estimates and judgment are widely used in assessing:

- Impairment of financial instruments, especially loans;
- Quantification of the provisions for constructive and/or legal obligations

(a) Impairment of financial instruments
In estimating the impairment on financial instruments carried at amortised costs, Management makes judgments about the present value of the net cash flow to be received. By doing that counter party's financial position as well as realizable value of the underlying collateral is considered.

Collectively assessed impairment loses cover credit losses inherent in portfolios of loans bearing similar economic characteristics when there is an objective evidence to suggest that they contain impaired loans. In such assessments factors that are mostly considered include credit quality, portfolio size, concentration and economic factors.

The accuracy of the allowances depends on how well these estimate future cash flows for specific counter party impairment and the model assumptions and parameters used in determining collective impairment.

(b) Provisions
Estimating the provision Management used estimates provided by specialist in certain areas such as legal and regulatory advisors as well as credit risk specialists. Usually more conservative approach is followed in order to protect the Bank in case of adverse development of uncertain events.

6. Net interest income

In thousands of BGN

	2007	2006 (unaudited)
Interest income		
Trading assets	10,987	7,754
Derivative assets	2,185	142
Financial assets designated at fair value through profit or loss	**16,715**	**13,816**
Loans and advances to banks	**38,407**	**28,156**
Loans and advances to customers	**401,170**	**331,140**
Available for sale investments	**28,185**	**28,074**
Held to maturity investments	**9,075**	**12,589**
	506,724	**421,671**
Interest expense		
Deposits from banks	(23,908)	**(19,202)**
Deposits from customers	(85,489)	**(63,057)**
Long term borrowed funds	(7,599)	**(6,551)**
Subordinated debt	(5,171)	**(3,920)**
	(122,167)	**(92,730)**
Net interest income	384,557	**328,941**

For the financial years ended December 31, 2007 and December 31, 2006 the interest income recognized on impaired financial instruments (loans and advances to customers) is in the amount of BGN 18,292 thousand and BGN 12,505 thousands, respectively.

7. Net fee and commission income

In thousands of BGN

	2007	2006 (unaudited)
Fee and commission income		
Collection and payment services	62,505	61,590
Lending business	18,147	17,890
Account services	13,025	15,899
Currency trading	27,135	9,157
Management, brokerage and securities trading	14,101	6,565
Documentary business	7,212	6,247
Package accounts	4,797	4,072
Other	5,480	4,849
	152,402	**126,269**
Fee and commission expense		
Collection and payment services	(4,942)	(5,321)
Management, brokerage and consultancy services	(2,751)	(610)
Other	(1,014)	(1,894)
	(8,707)	**(7,825)**
Net fee and commission income	**143,695**	**118,444**

8. Net trading income

In thousands of BGN

	2007	2006 (unaudited)
FX trading income	16,538	20,270
Net income from debt instruments	(8,382)	(2,848)
Net income from equity instruments	6,762	-
Net income from derivative instruments	(3,274)	748
Net trading income	**11,644**	**18,170**

9. Net income from financial instruments at fair value through profit or loss

Bank designates as financial instruments at fair value through profit or loss only marketable debt securities which fair value can be reliably measured. Net income recorded on financial instruments at fair through profit or loss includes realized gains and losses on such instruments as well as unrealized due to fair value change. The amounts for the years ended December 31, 2007 and December 31, 2006 are BGN (16,767) thousand and BGN (6,948) thousand, respectively.

10. Net income from investment assets

In thousands of BGN

	2007	2006 (unaudited)
Net income on disposal of available for sale investments	13,318	1,841
Net income on disposal of held to maturity investments	(2)	-
Net gain on disposal of a subsidiary	27,892	15,011
Reversal of previously recognized impairment	-	2,454
Effect of equity method consolidation on associates	(1,057)	(2)
Net income from investment securities	**40,151**	**19,304**

In July 2007 and February 2006, following ongoing reorganization in UniCredit Group leasing business, Bank transferred its controlling interest in Bulbank Leasing AD and Hebros Leasing AD, while retaining significant influence over the entities.

In October 2007 Bank concluded Share Purchase Agreement, divesting its entire interest in local Optima Financial Services EOOD.

For the years ended December 31, 2007 and December 31, 2006 Bank presents under net gain on disposal of controlling interest in subsidiaries the profit realized out of the sale of respective interest, described above, net of amounts retained by the buyers, subject to release upon fulfillment of certain escrow clauses.

11. Other operating income, net

In thousands of BGN

	2007	2006 (unaudited)
Other operating income		
Income from disposal of property, plant and equipment	1,970	158
Income from transfer of assets	-	943
Income from non-financial services	2,252	4,923
Other income	2,223	5,186
	6,445	**11,210**
Other operating expenses		
Other operating expenses	(666)	(504)
	(666)	**(504)**
Other operating income net	**5,779**	**10,706**

12. General administrative expenses

In thousands of BGN

	2007	2006 (unaudited)
Personnel expenses	(96,728)	(85,443)
Equity settled share-based payments	(179)	(325)
Deposit guarantee fund annual contribution	(20,776)	(17,737)
Depreciation	(26,079)	(28,272)
Fees paid to external professionals	(1,631)	(3,617)
Insurance	(1,042)	(1,924)
Advertising	(8,044)	(7,667)
Premises surveillance and cash transportation:	(5,554)	(5,600)
Supply and miscellaneous services rendered by third parties	(14,215)	(11,913)
Property related expenses	(22,753)	(13,423)
Maintenance and lease rentals for furniture, machinery and equipment	(2,561)	(2,368)
Postage, telephone and ICT expenses	(30,942)	(28,600)
Rentals and other travel expenses	(3,301)	(4,622)
Credit information and searches	(296)	(104)
Other costs	(4,926)	(5,293)
	(239,027)	(216,908)

As of December 31, 2007 the total number of employees is 3,794 (December 31, 2006: 4,708).

13. Impairment loss on financial assets

In thousands of BGN

	2007	2006 (unaudited)
Balance 1 January		
Loans and advances to customers	171,445	147,854
Loans and advances to banks	-	15
	171,445	**147,869**
Increase		
Loans and advances to customers	147,745	122,202
Loans and advances to banks	-	-
	147,745	**122,202**
Decrease		
Loans and advances to customers	(84,825)	(69,981)
Loans and advances to banks	-	-
Recoveries from non-performing loans previously written off	(12,287)	(3,381)
	(97,112)	**(73,362)**
Net impairment loss	**50,633**	**48,840**
Written-off		
Loans and advances to customers	(2,313)	(28,630)
Loans and advances to banks	-	(15)
	(2,313)	**(28,645)**
Other changes	(1,519)	-
Balance 31 December		
Loans and advances to customers	**230,533**	**171,445**
	230,533	**171,445**

14. Provisions for risk and charges

In thousands of BGN

	2007	2006 (unaudited)
Additions of provisions		
Provisions on letters of guarantee	(3,857)	(53)
Legal cases provisions	(6,812)	(9,299)
Provisions on constructive obligations	(2,543)	(6,444)
Other provisions	(168)	-
	(13,380)	**(15,796)**
Reversals of provisions		
Provisions on letters of guarantee	2,473	11,284
Legal cases provisions	4,836	2,275
Provisions on constructive obligations	2,230	-
	9,539	**13,559**
Net provision charge	**(3,841)**	**(2,237)**

Provisions are allocated whenever based on Management best estimates Bank has present obligation (legal or constructive) arising from past events for the settlement of which outflow of resources embodying economic benefits will be required. Whenever based on new circumstances and evidences it is not anymore likely the outflow of resources to occur the previously allocated provisions are reversed (for more details see also Note 33).

15. Restructuring plan related costs

The decision for performing triple legal merger of Bulbank AD, HVB Bank Biochim AD and Hebros Bank AD was taken on May 29th, 2006. Based on this decision formal detailed restructuring plan was established, where all restructuring related direct costs were identified.

In thousands of BGN

	2007	2006 (unaudited)
Restructuring provision related to legal merger	5,200	(20,880)
Impairment loss of long-term assets	-	(34,622)
Total restructuring plan related cost	**5,200**	**(55,502)**

In 2006 the restructuring plan related costs comprises of direct costs associated with the ongoing integration that qualify for recognition in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as well as impairment of long-term tangible and intangible assets which operation is planed to be discontinued due to the upcoming merger.

By the end of 2007, Management performed assessment of the restructuring plan completion, remaining activities and their accompanying costs till June 2008 when the Restructuring plan is about to finish. As a result of this assessment activities, performed at lower costs than initially planed, were identified and respective provision in the amount of BGN 5,200 thousand released.

16. Income taxes

Taxation is payable at a statutory rate of 10 % on adjusted profits under the annual tax return prepared under the Bulgarian Corporate Income Tax law. Deferred tax is calculated using a tax rate of 10 %, applicable for 2008.

The breakdown of tax charges in the Income Statement is as follows:

In thousands of BGN

	2007	2006 (unaudited)
Current taxes	(30,681)	(31,496)
Deferred tax income (expense) related to origination and reversal of temporary differences	1,611	6,038
Deferred tax expense resulting from reduction in the tax rate	-	(2,235)
Underprovided prior year income tax	(231)	(140)
Income tax expense	**(29,301)**	**(27,833)**

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

In thousands of BGN

	2007	2006 (unaudited)
Accounting profit before taxation	**280,758**	**165,130**
Corporate tax at applicable tax rate (10% for 2007 and 15% for 2006)	(28,076)	(24,770)
Tax effect of permanent tax differences	(782)	(690)
Tax effect of reversal of temporary differences	(212)	2
Tax effect of reduction of applicable tax rate	-	(2,235)
Underprovided prior year income tax	(231)	(140)
Income tax expense	**(29,301)**	**(27,833)**
Effective tax rate	**10.44%**	**16.86%**

17. Cash and balances with Central Bank

In thousands of BGN

	2007	2006 (unaudited)
Cash in hand	204,500	133,403
Current account with the Central Bank	1,046,347	559,708
Total cash and balance with the Central bank	**1,250,847**	**693,111**

The increase of cash and balances with the Central Bank in 2007 is mainly due to the more restrictive monetary policy performed by Bulgarian National Bank, whereas the minimum required reserves were increased from 8% in 2006 to 12% in 2007. All the accounts at the Central Bank are non-interest bearing assets.

18. Trading assets

In thousands of BGN

	2007	2006 (unaudited)
Government bonds	140,548	149,081
Bonds of Credit Institutions	51,602	41,535
Corporate bonds	11,313	18,574
Equities	1	1
Total trading assets	**203,464**	**209,191**

Trading assets comprise of bonds and equities that Bank holds for the purpose of short-term profit taking by selling or repurchasing then in the near future.

As of December 31, 2007 and December 31, 2006 trading assets in the amount of BGN 135,534 thousand and BGN 62,583 thousand, respectively, are pledged either on open repo-deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note 39).

19. Derivatives

In thousands of BGN

	2007	2006 (unaudited)
Interest rate swaps	6,917	14,958
Equity options	3,811	9,377
FX forward contracts	1,105	842
FX options	899	618
Other options	274	566
Credit default swaps	228	769
FX swaps	89	-
Futures	-	164
Total trading derivatives	**13,323**	**27,294**

Derivatives comprise of trading instruments that have positive market value as of December 31, 2007 and December 31, 2006. They are traded for Bank's own purposes, including off-setting some FX, interest rate or credit risk in banking and trading book as well as covering Bank's customers' business positions.

20. Financial assets designated at fair value through profit or loss

In thousands of BGN

	2007	2006 (unaudited)
Government bonds	208,497	129,556
Bonds of Credit Institutions	124,734	116,292
Municipality bonds	3,026	3,055
Corporate bonds	11,555	-
Total financial assets designated at fair value through profit or loss	**347,812**	**248,903**

Financial assets designated at fair value through profit or loss are non-trading assets with determinable market price that form a portfolio which performance is managed by the Bank on a fair value basis. Part of embedded interest rate risk in that portfolio is mitigated with derivatives like interest rate swaps, thus the off-setting of risk are effectively achieved in the Income Statement.

As of December 31, 2007 and December 31, 2006 trading assets in the amount of BGN 155,018 thousand and BGN 86,114 thousand, respectively, are pledged either on open repo-deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note 39).

21. Loans and advances to banks

In thousands of BGN

	2007	2006 (unaudited)
Receivables under repurchase agreement	-	63,564
Loans and advances to banks	1,033,638	921,504
Current accounts with banks	42,118	15,162
Restricted accounts in foreign currency	633	256
Total loans and advances to banks	**1,076,389**	**1,000,486**

22. Loans to customers

In thousands of BGN

	2007	2006 (unaudited)
Receivables under repurchase agreements	83,305	-
Private companies	3,530,410	3,074,207
Individuals		
Mortgage lending	889,516	566,174
Consumer loans	870,200	797,315
Central and local governments	59,131	30,334
	5,432,562	**4,468,030**
Less impairment allowances (see also Note 13)	(230,533)	(171,445)
Total loans and advances to customers	**5,202,029**	**4,296,585**

23. Available-for-sale investments

In thousands of BGN

	2007	2006 (unaudited)
Government bonds	476,521	462,207
Bonds of Credit Institutions	43,248	78,882
Corporate bonds	1,384	88,042
Equities	3,510	7,439
Total available for sale investments	**524,663**	**636,570**

Government and corporate bonds classified as available for sale investments are held by the bank for the purposes of maintaining middle and long-term liquidity, coverage of interest rate risk and State Budget funds within the Bank. They have determinable fair value.

Equities presented as available for sale investments comprise of minority participation of the Bank in companies where neither control nor significant influence is exercised. These investments are generally carried at cost as their fair value can not be reliably measured.

As of December 31, 2007 and December 31, 2006 all available for sale investments are assessed for impairment. As a result of this assessment no impairment has been recognized for the years.

As of December 31, 2007 and December 31, 2006 trading assets in the amount of BGN 416,394 thousand and BGN 335,442 thousand, respectively, are pledged either on open repo-deals or under regulatory requirement to pledge government bonds as collateral for servicing State Budget accounts (see also Note 39).

24. Held to maturity investments

In thousands of BGN

	2007	2006 (unaudited)
Government bonds	104,838	153,329
Bonds of Credit Institutions	52,189	80,516
Corporate bonds	25,456	31,366
Total held to maturity investments	**182,483**	**265,211**

Held to maturity investments comprise only of first class government and corporate bonds with determinable payments that the Bank has the intention and ability to hold to maturity.
No additions in this portfolio are done throughout the year. The reduction is due to redemptions of previously hold positions as well as decrease in reporting currency equivalent of USD denominated bonds due to the devaluation of USD/BGN rate by the end of 2007.

25. Investments in associates

As described in Note 3, investments in associates comprise of equity participations in entity where Bank exercise significant influence. The breakdown by entities as of December 31, 2007 is as outlined below:

Entity	Entity's major activity	Participation of equity (%)	Balance in thousands of BGN
UniCredit Consumer Finance AD	Consumer lending and other similar activities in line with the applicable laws and regulations	49.9%	771
UniCredit Leasing AD	Leasing activities	49%	3,945
Bulbank Leasing AD	Leasing activities	49%	6,828
Cash Service Company AD	Accepting, processing, safe-keeping and delivering of valuable consignments with banknotes and coins to the banks	25%	2,500
Pirelli Real Estate Bulgaria AD	Management of Real Estate Portfolios	25%	125
		Total	**14,169**

26. Property, plant and equipment

In thousands of BGN

	Lands	Buildings	Furniture	Electronic equipments	Other	Total
Cost or revalued amount						
As of December 31, 2006	**8,411**	**171,489**	**6,554**	**60,656**	**44,290**	**291,400**
Additions	1,583	2,269	941	6,262	3,931	14,986
Write offs	-	-	(1)	(624)	(103)	(728)
Disposals	(410)	(1,403)	(24)	(79)	(4,191)	(6,107)
As of December 31, 2007	**9,584**	**172,355**	**7,470**	**66,215**	**43,927**	**299,551**
Depreciation						
As of December 31, 2006	**-**	**20,009**	**4,591**	**38,738**	**18,289**	**81,627**
Depreciation charge	-	3,924	572	8,515	2,761	15,772
Impairment charge	-	311	1,269	592	314	2,486
Write offs	-	-	(1)	(606)	(103)	(710)
On disposals	-	(37)	(14)	(95)	(2,189)	(2,335)
As of December 31, 2007	**-**	**24,207**	**6,417**	**47,144**	**19,072**	**96,840**
Net book value as of December 31, 2007	**9,584**	**148,148**	**1,053**	**19,071**	**24,855**	**202,711**
Net book value as of December 31, 2006	**8,411**	**151,480**	**1,963**	**21,918**	**26,001**	**209,773**

During the annual impairment assessment, assets with carrying amount of BGN 2,486 thousand were identified than no-longer will be used in the normal business activity of the Bank. Most of these assets represent old furniture and electronic equipment which could be hardly sold for a material consideration. Based on that as of December 31, 2007 the entire amount of the above mentioned assets was impaired.

27. Intangible assets

In thousands of BGN

Cost	
As of December 31, 2006	57,625
Additions	24,683
Disposals	(21)
As of December 31, 2007	82,287
Depreciation	
As of December 31, 2006	36,257
Depreciation charge for the period	7,821
Disposals	(6)
As of December 31, 2007	44,072
Net book value as of December 31, 2007	38,215
Net book value as of December 31, 2006	21,368

28. Deferred tax

The origination breakdown of the deferred tax assets and liabilities as of December 31, 2007 and December 31, 2006 is as outlined below:

	Assets		Liabilities		Net	
	2007	2006 (unaudited)	2007	2006 (unaudited)	2007	2006 (unaudited)
Property, equipment and intangible assets	(93)	(152)	12,234	12,467	12,141	12,315
Available for sale investments	(1,140)	-	1,090	169	(50)	169
Provisions	(3,118)	(2,713)	-	-	(3,118)	(2,713)
Restructuring provisions	(1,807)	(3,308)	-	-	(1,807)	(3,308)
Other liabilities	(4,526)	(901)	-	-	(4,526)	(901)
Losses carried forward	(53)	(55)	-	-	(53)	(55)
Net tax (assets) liabilities	**(10,737)**	**(7,129)**	**13,324**	**12,636**	**2,587**	**5,507**

The movements of deferred tax assets and liabilities throughout 2007 are as outlined below:

28. Deferred tax, continued

In thousands of BGN

	Balance 2006 (unaudited)	Recognized during the period Loss/ (Profit	Recognized in equity	Balance 2007
Property, equipment and intangible assets	12,315	(174)	-	12,141
Available for sale investments	169	1,090	(1,309)	(50)
Provisions	(2,713)	(405)	-	(3,118)
Restructuring provisions	(3,308)	1,501	-	(1,807)
Other liabilities	(901)	(3,625)	-	(4,526)
Losses carried forward	(55)	2	-	(53)
Net tax (assets) liabilities	**5,507**	**(1,611)**	**(1,309)**	**2,587**

29. Other assets

In thousands of BGN

	2007	2006 (unaudited)
Receivables and prepayments	11,276	10,530
Receivable from the State Budget	2	3,905
Materials, spare parts and consumables	652	3,501
Other assets	2,142	729
Total other assets	**14,072**	**18,665**

30. Trading liabilities

In thousands of BGN

	2007	2006 (unaudited)
Interest rate swaps	7,292	6,803
FX forward contracts	4,524	348
Equity options	3,611	9,377
Other options	214	566
FX swaps	89	-
FX options	32	618
Total trading liabilities	**15,762**	**17,712**

31. Deposits from banks

In thousands of BGN

	2007	2006 (unaudited)
Current accounts		
Local banks	2,255	6,510
Foreign banks	13,087	185,967
	15,342	192,477
Placements		
Local banks	298,774	45,447
Foreign banks	705,567	181,403
	1,004,341	**226,850**
Liabilities under repurchase agreements	**16,787**	**120,767**
Other	**7,026**	**4,042**
Total deposits from banks	**1,043,496**	**544,136**

32. Deposits from customers

In thousands of BGN

	2007	2006 (unaudited)
Current accounts		
Individuals	651,706	545,486
Corporate	2,208,735	1,996,311
Budget and State companies	275,642	201,315
	3,136,083	2,743,112
Term deposits		
Individuals	1,617,357	1,462,635
Corporate	618,297	462,622
Budget and State companies	401,210	287,939
	2,636,864	**2,213,196**
Saving accounts	**498,629**	**439,302**
Transfers in execution process	**57,443**	**56,097**
Total deposits from customers	**6,329,019**	**5,451,707**

Deposits form customers comprise of outstanding balances on clients' current accounts, term deposits and saving accounts as well as accrued interest not due on them.
As of December 31, 2007 and December 31, 2006 there are transfers in execution that has not left the Bank's patrimony effectively. These temporary balances are presented as deposits from customers under transfers in execution and process.

33. Provisions

Balances of provisions as of December 31, 2007 and December 31, 2006 are as follows:

In thousands of BGN

	Letters of guarantee (a)	Legal cases (b)	Retirement benefit (c)	Constructive obligations (d)	Restructuring (e)	Other (f)	Total
Balance as of December 31, 2006 (unaudited)	**23,847**	**27,839**	**1,503**	**7,689**	**33,076**	**-**	**93,954**
Additions	3,857	6,812	1,319	2,543	-	168	14,699
Releases	(2,473)	(4,836)	-	(2,230)	(5,200)	-	(14,739)
Utilization	(1,037)	(3,957)	(168)	(350)	(9,809)	-	(15,321)
Balance as of December 31, 2007	**24,194**	**25,858**	**2,654**	**7,652**	**18,067**	**168**	**78,593**

(a) Provisions on letters of guarantees
Provisions on letters of guarantees represent inherent credit risk losses embedded in undertaken by the Bank contingent liabilities, whereas based on performed risk assessment by the respective bodies of the Bank it is more likely than not that Bank would have to settle the obligation upon fulfillment of some uncertain events.

As of December 31, 2007 Bank assessed its entire portfolio of issued letters of guarantee and quantified provisions in the amount of BGN 24,194 thousand on 28 single exposures.

(b) Provisions on legal cases
Provisions on legal cases are recognized when based on legal expertise the Bank would most likely than not have to settle the obligation in the near future.

As of December 31, 2007 Bank has assessed its position in legal cases against it and provision in the amount of BGN 25,858 thousand has been recognized on 47 single cases.

(c) Retirement benefit provision
Retirement benefit provision represents undertaken liability by the Bank to its employees as defined in the Collective Labor Agreement. These are:
• Upon retirement – 2 monthly salaries, plus 0.4, monthly salaries per completed service year, with a maximum of 6 monthly salaries;
• Upon disability – 2.4 monthly salaries (if more than 5 years of service);
• Upon death – 4 monthly salaries.

As of December 31, 2007 the defined benefit obligation is calculated as present value of accumulated rights at evaluation date including future compensation and benefits increases.

Major assumptions underlying in 2007 Defined benefit obligation are as follows:
• Discount rate – 6.1%;
• Salary increase – 5% p.a.;
• Retirement age:
  - Men – 63;
  - Women:
  • in 2007 – 59;
  • in 2008 – 59.5;
  • from 2009 – 60.

The movement of the defined benefit obligation for year ended 2007 and expected services cost and interest costs for the following year are outlined in the table below:

In thousands of BGN

Defined benefit obligation as of December 31, 2006	**1,503**
Current service costs for 2007	1,225
Interest cost for 2007	94
Benefits paid	(168)
Present value of obligation as of December 31, 2007	**2,654**
Interest rate Beginning of the Year	6.5%
Interest rate End of the Year	6.1%
Future increase of salaries	5.0%
Expected 2008 service costs	248
Expected 2008 interest costs	156
Expected 2008 benefit payments	379

Current service and interest costs for 2007 are included under Personnel expenses in General administrative expenses (See Note 12)

(d) Provisions on constructive obligation
In the course of regular business Bank has to follow certain rules as defined by specific Banking legislation prevailing in Bulgaria.

The breakdown of provisions on constructive obligation is outlined in the table below:

In thousands of BGN

Provisions on constructive obligation	2007	2006 (unaudited)
Implementation of new IBAN account numbers	-	2,580
Provisions in accordance with BNB Regulation 18	2,300	2,300
Provisions in accordance with Instruction I-171 of BNB and Ministry of Internal Affairs	2,809	2,809
Provisions related to IT migration	2,543	-
	7,652	**7,689**

(d) Provisions on constructive obligation, continued
According to local regulation each bank has to notify its clients whenever IBAN account numbers are changed. For that reason provision in the amount of the expected notification costs were allocated in 2006. Upon completing the triple legal merger, UniCredit Bulbank has duly notified the clients for the changed accounts. The

unutilized provision on IBAN accounts notification was released in 2007.

In conjunction with BNB and Ministry of Internal Affairs regulations, Bank has to bear certain costs related to clearance of cash in circulation and security requirements. Due to the integration process in 2007 these activities are about to be finished in 2008 therefore the provision recognized in 2006 remained unchanged in 2007.

The legal triple merger in 2007 was accompanied by sophisticated IT migration where all the data of the three merging banks was transferred into a new IT platform. The business continuity was provided to the highest possible level with maximum data quality. However, due to the magnitude of the performed transformation, it is possible Bank to have to meet in the near future obligations related to not timely discovered data discrepancies originating from the post migration period. As of December 31, 2007 Management has assessed the potential of such obligations and has conservatively estimated that the possible cap of them amounts to BGN 2,543 thousand, for which amount provisions has been allocated.

(e) Restructuring provisions
Restructuring provision relates to implementation of the detailed integration plan adopted by the Bank in 2006. As of December 31, 2007 Management has assessed the completion of the plan and the unutilized provisions, related to already performed activities, amounting to BGN 5,200 thousand were released.

(f) Other provision
Other provisions in the amount of BGN 168 thousand relates to coverage of claims related to credit cars business as well as tax claims.

34. Long-term borrowed funds

In thousands of BGN

	2007	2006 (unaudited)
Liabilities to foreign banks	262,340	331,590
Liabilities to foreign other financial institutions	-	41,453
Long-term loans from the state budget	8,363	7,500
Obligations under lease contracts	2,051	5,764
Total long-term borrowed funds	**272,754**	**386,307**

Long-term borrowed funds to banks and other financial institutions represent credit lines utilized for lending funding. They all bear floating interest rate linked to EURIBOR.

Long-tern loans from the state budget represent liabilities to the State Agricultural Fund used for financing loans to agricultural companies and proprietors. It bears flat interest rate at 2%

35. Subordinated liabilities

In thousands of BGN

Start date	Term to maturity	Amount of the original principal	Outstanding amount as of December 31, 2007
November 26, 2004	10 years	19,558	22,235
December 20, 2004	10 years	19,558	22,192
February 3, 2005	10 years	25,426	28,490
August 2, 2005	10 years	29,337	32,292
Total		**93,879**	**105,209**

As of December 31, 2007, and December 31, 2006 the total amount of BGN 105,209 thousand and BGN 100,038 thousand, represents respectively the outstanding debt on four loan facilities provided by Bank Austria Creditanstalt AG as outlined in the table above. All of them meet the requirements of Bulgarian National Bank for Tier II inclusion for which Bank has received written approval. No principal or interest repayments are envisaged prior to final maturity of the loans unless explicitly approved by Bulgarian National Bank.

In thousands of BGN

	2007	2006 (unaudited)
Liabilities to the state budget	3,072	1,939
Liabilities to personnel	18,859	13,715
Liabilities for unused paid leave	4,752	4,195
Dividends	179	286
Incentive plan liabilities	327	325
Current tax liabilities	7,300	4,936
Other liabilities	21,926	27,935
Total other liabilities	**56,415**	**53,331**

Liabilities to the State Budget include current liabilities related to different tax positions of the Bank, including current tax liability.

Liability to personnel includes accrued not paid liability to employees with regard to additional 2007 performance payments. The amounts represent Management best estimate for the goals achieved throughout 2007 in accordance with the defined target settings.

Liabilities for unused paid leave represent quantification of Bank's current liability due to employees for unutilized current and prior years leave. The amount is equal to the compensation Bank has to pay should the labor contracts with the employees had been terminated as of December 31, 2007 and December 31, 2006, respectively.

As described in 2 p) selected group of Top and Senior Managers are given UniCredito Italiano stock options and performance shares as part of their remuneration packages. The economic value of the options and shares is presented as other liability as upon expiring of the vesting period respective amounts have to be settled in cash

The breakdown of incentive plan liability as of December 31, 2007 is as follows:

	Available at December 31, 2007	Estimated vested amount	Economic value at December 31, 2006	Settled in 2007	2007 Cost	Economic value at December 31, 2007
Stock Options 09 2004	36,000	35,099	38		19	57
Stock Options 11 2005	138,700	128,954	76		62	138
Stock Options 06 2006	112,100	101,937	34		62	96
Stock Options 06 2007	128,430	112,431	-		36	36
Total Stock options			**148**		**179**	**327**
Performance Shares 09 2004	24,000	24,000	177	(177)	-	-
Performance Shares 11 2005	60,000	49,800	-	-	-	-
Performance Shares 06 2006	48,200	40,006	-	-	-	-
Performance Shares 06 2007	41,051	34,072	-	-	-	-
Total Performance share	**-**	**-**	**177**	**(177)**	**-**	**-**
Total Options and Shares	**-**	**-**	**325**	**(177)**	**179**	**327**

The granting dates and vesting period start and end dates are outlined in the table below:

	Granting date	Vesting period start date	Vesting period end date
Stock Options 09 2004	7/22/2004	8/31/2004	8/31/2008
Stock Options 11 2005	11/18/2005	11/30/2005	11/30/2009
Stock Options 06 2006	6/13/2006	6/30/2006	6/30/2010
Stock Options 06 2007	6/12/2007	6/30/2007	6/30/2011
Performance Shares 11 2005	11/18/2005	12/31/2007	12/31/2008
Performance Shares 06 2006	6/13/2006	12/31/2008	12/31/2009
Performance Shares 06 2007	6/12/2007	12/31/2009	12/31/2010

37. Shareholders' Equity

a) As described in Note 1, in 2007 HVB Bank Biochim AD and Hebros Bank Ad merged into Bulbank AD, whereas after the merged Bank was renamed to UniCredit Bulbank AD. The transaction was a share-exchange type where based on market valuation of the net assets of the three merging banks, share-exchange ratio was calculated converting old HVB Bank Biochim AD and Hebros Bank AD shares into shares of UniCredit Bulbank AD. The share exchange ratios and market valuation of the three banks was certified by independent auditor as required by Bulgarian Commercial Act and accepted by the shareholders of the three banks. The conversion was performed as outlined in the table below:

Merging Banks	Ordinary shares before merger	Share-exchange ratio	Allocation of UniCredit Bulbank new shares
HVB Bank Biochim AD	36,842,360	1.42998	52,683,482
Hebros Bank AD	13,701,120	1.47448	20,201,882
Total new shares			**72,885,364**

The share-exchange ratio is rounded to the fifth digit and the conversion into new UniCredit Bulbank shares is done on single shareholder basis where the new shares are rounded down to the nearest integer.

The movement of the share capital of UniCredit Bulbank as a result of the merger is as follows:

UniCredit Bulbank	Number of ordinary shares
Number of ordinary shares before merger	166,370,160
Ordinary share increase due to merger	72,885,364
Ordinary shares after the merger	**239,255,524**

The difference in the amount of the converted shares of the merging banks into shares of UniCredit Bulbank AD and the amount of shares actually provided, originates due to the fact that only integer number of shares can be provided. This difference is considered to be compensated in cash. The total amount of expected cash contribution amounts to BGN 6.

For presentation purposes the equity of UniCredit Bulbank as of December 31, 2006 is presented on a combined basis as follows:

	Share capital	Statutory reserve	Retained earnings	Property revaluation reserve	Available for sale investment revaluation reserve	Total
Bulbank December 31, 2006	166,370	51,155	346,830	64,240	1,895	**630,490**
HVB Bank Biochim December 31, 2006	36,842	-	183,314	17,399	(202)	**237,353**
Hebros Bank December 31, 2006	41,103	-	60,493	10,494	(172)	**111,918**
Appropriation of share capital of HVB Bank Biochim	(36,842)	-	36,842	-	-	**-**
Appropriation of share capital of Hebros Bank	(41,103)	-	41,103	-	-	**-**
New UniCredit Bulbank shares exchanged for HVB Bank Biochim shares	52,684	-	(52,684)	-	-	**-**
New UniCredit Bulbank shares exchanged for Hebros bank shares	20,202		(20,202)	-	-	**-**
Cash settlement	-	-	(6)	-	-	**(6)**
Total UniCredit Bulbank equity as of December 31, 2006	**239,256**	**51,155**	**595,690**	**92,133**	**1,521**	**979,755**

b) Statutory reserves
Statutory reserves represent allocated profits after taxation into Reserve Fund in accordance with requirements of the Bulgarian Commercial Act and former Law on Banks.

The amounts in that fund is not distributable unless prior consent of Bulgarian National Bank.

c) Retained earnings
Under Retained earnings Bank shows the excess of all reserves, formed out of non-net profit in prior years over statutory reserves amount.

d) Revaluation reserves
Revaluation reserves include such on property as per the allowed fair value model under IAS 16 “Property, plant and equipment” and reserve out of the fair value change of financial assets classified as available for sale in accordance with IAS 39 “Financial instruments, Recognition and Measurement”

38. Contingent liabilities

In thousands of BGN

	2007	2006 (unaudited)
Bank guarantees and letters of credit	636,173	507,251
Credit commitments	1,627,725	1,033,882
Total contingent liabilities	**2,263,898**	**1,541,133**

a) Memorandum items

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

The contractual amounts of financial guarantees and letters of credit are set out in the above 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 recognized at the balance sheet date if counterparties failed completely to perform as contracted.

These commitments and contingent liabilities have off balance-sheet credit risk and only fees and accruals for probable losses are recognized in the balance sheet until the commitments are fulfilled or expire. Most of the contingent liabilities and commitments will expire without being advanced in whole or in part.

As of December 31, 2007 and December 31, 2006 the Bank has made assessment in compliance with IAS 37 Provisions, Contingent liabilities and Contingent assets. Due to abnormal credit risk related to certain clients' exposures, Bank's Management has evaluated the risk, where it is more probable that any issued Bank guarantee could lead to an outflow of resources from the Bank (see also Note 33).

b) Litigation

As of December 31, 2007 there are open litigation proceedings against the Bank. There is significant uncertainty as to the timing and outcome of such proceedings. Since the ultimate outcome of the claims against the Bank cannot presently be determined with sufficient reliability, provisions have been accrued only on cases where sufficient degree of certainty exists. Total of litigation claims provided for in the financial statements as of December 31, 2007 is in the amount of BGN 25,858 thousand.

c) Credit commitments

During the course of normal lending activity the Bank has negotiated with clients different types of credit facilities including credit lines, overdraft facilities and revolving loans. Contractually the Bank has committed itself for a certain amount which is at clients' disposal. As of December 31, 2007 and December 31, 2006 the Bank presents committed but unutilized credit facilities as part of its off-balance sheet positions.

39. Assets pledged as collateral

In thousands of BGN

	2007	2006 (unaudited)
Securities pledged for budget holders' account service	719,392	507,341
Securities pledged on REPO deals	17,379	94,822
Blocked deposit for credit cards issuance	621	250
	737,392	**602,413**
Pledged securities include:		
Trading assets	135,534	62,583
Assets designated at fair value through profit or loss	155,018	86,114
Available for sale assets	416,394	335,442
Assets held to maturity	29,825	118,024
	736,771	**602,163**

40. Related parties

UniCredit Bulbank AD has a controlling related party relationship with its parent company. Additionally the Bank has relativeness with members of the Managing bodies.
UniCredit Bulbank AD has a related party relationship with its other parent company subsidiaries and with its directors and executive officers.

The related parties' transactions in terms of balance sheet items as of December 31, 2006 and Income Statement items for the year ended thereafter are as follows:

In thousands of BGN

	Assets	Liabilities
Financial assets held for trading	10,152	-
Available for sale investments	2,932	-
Current accounts and deposits placed	745,436	-
Extended loans	78,255	-
Long term assets	1,872	-
Other assets	617	-
Financial liabilities held for trading	-	8,966
Current accounts and deposits taken	-	849,827
Other liabilities	-	3,336
Subordinated loans	-	105,209
	839,264	**967,338**

In thousands of BGN

	Income (Expense)
Interest income	18,209
Interest expenses	(13,653)
Net fee income	260
Net trading income (expense)	970
Other operating income	-
Administrative expenses	(4,529)
	1,257

As of December 31, 2007 the loans extended to key management personnel amount to BGN 10,179 thousand. For the twelve months ended December 31, 2007 the payroll costs of key management personnel included in position administrative expenses amount to BGN 1,677 thousand.

41. Cash and cash equivalents

In thousands of BGN

	2007	2006 (unaudited)
Cash in hand	204,500	133,403
Current account with the Central Bank	1,046,346	559,708
Current accounts with banks	42,118	15,162
Receivables under repurchase agreement	1,369	63,564
Placements with banks with original maturity less than 3 months	919,728	817,315
Total cash and cash equivalents	**2,214,061**	**1,589,152**

Cash and cash equivalent include cash in hand as well as current accounts with Central Bank and other banks and placement with original maturity up to 3 months.

42. Group entities

The direct parent company of UniCredit Bulbank AD is Bank Austria Creditanstalt AG. As of December 31, 2007 and December 31, 2006 the ultimate parent company is UniCredito Italiano S.p.A.

43. Applicable accounting standards for 2007

IFRS 1First-time Adoption of International Financial Reporting Standards	IAS 33 Earnings per Share
IFRS 2 Share-based Payment	IAS 34 Interim Financial Reporting
IFRS 3 Business Combinations	IAS 36 Impairment of Assets
IFRS 4 Insurance Contracts	IAS 37 Provisions, Contingent Liabilities and Contingent Assets
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	IAS 38 Intangible Assets
IFRS 6 Exploration for and Evaluation of Mineral Resources	IAS 39 Financial Instruments: Recognition and Measurement
IFRS 7 Financial Instruments: Disclosures	IAS 40 Investment Property
IAS 1 Presentation of Financial Statements	IAS 41 Agriculture
IAS 2 Inventories	IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
IAS 7 Cash Flow Statements	IFRIC 2 Members' Shares in Co-operative Entities and Similar Instruments
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	IFRIC 4 Determining whether an Arrangement contains a Lease
IAS 10 Events after the Balance Sheet Date	IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation
IAS 11 Construction Contracts	IFRIC 6 Liabilities arising from Participating in a Specific market-Waste Electrical and Electronic Equipment
IAS 12 Income Taxes	IFRIC 7 Applying the Restatement approach under IAS 29
IAS 14 Segment Reporting	IFRIC 8 Scope of IFRS 2
IAS 16 Property, Plant and Equipment	IFRIC 9 Reassessment of Embedded Derivatives
IAS 17 Leases	IFRIC 10 Interim Financial Reporting and Impairment
IAS 18 Revenue	SIC–7 Introduction of the Euro
IAS 19 Employee Benefits	SIC–10 Government Assistance – No Specific Relation to Operating Activities
IAS 20 Accounting for Government Grants and Disclosure of Government Assistance	SIC–12 Consolidation – Special Purpose Entities
IAS 21 The Effects of Changes in Foreign Exchange Rates	SIC–13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures
IAS 23 Borrowing Costs	SIC–15 Operating Leases — Incentives
IAS 24 Related Party Disclosures	SIC–21 Income Taxes – Recovery of Revalued Non-Depreciable Assets
IAS 26 Accounting and Reporting by Retirement Benefit Plans	SIC–25 Income Taxes – Changes in the Tax Currently effective version of an Entity or its Shareholders
IAS 27 Consolidated and Separate Financial Statements	SIC–27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IAS 28 Investments in Associates	SIC–29 Disclosure – Service Concession Arrangements
IAS 29 Financial Reporting in Hyperinflationary Economies	SIC–31 Revenue – Barter Transactions Involving Advertising Services
IAS 31 Interests in Joint Ventures	SIC 32 Intangible Assets – Web Site Costs
IAS 32 Financial Instruments: Presentation	

Bank Network

Burgas

22, Alexandrovska str.	056/877262
68-70 Hristo Botev	056/806 811
Lukoil Neftohim	056/ 89 80 36
126, Stefan Stambolov	056/816424
Burgas Airport	056/870357
Burgas Airport	056/877237
22, Alexandrovska str.	056/877104
4-6, P. Yavorov str.	056/ 874137
Slaveikov complex, Hemus Mark Factory	056/ 88 00 32

Aitos

27, Stancionna str.	0558/22109

Karnobat

14, Bulgaria blvd Karnobat	0559/28821

Nessebar

19, Messembria	0554/ 219 20
10, Zedelvais	0554/44082

Malko Tarnovo

2, Malkoturnovska Komuna str.	05952/2214
M. Turnovo Border Police	05952/4235

Primorsko

9, Cherno More str.	0550/32051

Slanchev Briag

Slanchev briag Complex	0554/22554

Sozopol

2, Parvi May Str.	0550/22436

Sungurlare

15, Hristo Smirnenski str.	05571/2493

Tzarevo

20, Kraimorska str.	0590/52045

Yambol

56, Targovska str.	046/ 68 51 21
3, Gorg Papazov str.	046/663201
19, Targovska str.	046/661641

Varna

1, P. Karavelov str.	052/662125
Business park building 1	052/730125
43, Kniaz Boris str.	052/664020
93, Osmi Primorski polk	052/689816
74-76 Kniaz Boris I	052/654405
36-38 Vladislav Varnenchik str.	052/687932
39 Maria Luiza str.	052/600025
2, Gabrovo str.	052/ 663127
2, Patleina str	052/ 63 33 35
13, Treti Mart str.	05131/ 24 07

Albena

Albena Complex	0579/ 62 607

Devnia

Devnia in the building of Solvei Sodi	0519/ 97110

Dobrich

3, Bulgaria str	058/ 65 57 28
7, Nezavisimost str.	058/651412
4, Petko Balgaranov str.	05743/ 3011 /Internal 20/

Balchik

34A Cherno more str	0579/76306
3, Ivan Vazov str.	0579/71122

General Toshevo

5, Treti Mart str.	05731/ 21 37

Zlatni Piasatzi

Zlatni Piasaci Complex	052/355843

Kavarna

25, Dobrotica str.	0570/ 85064

Bank Network (Continued)

Novi Pazar

4, Rakovski str.	0537 / 23 880

Silistra

4, Rakovski str.	086/820-745

Dulovo

21, Vasil Levski str.	0855/2 23-56

Targovishte

1, Vasil Levski str.	0601 / 61210

Tervel

10, Sv. Sv Kiril I Metodii str.	05751/4147/Internal 10/

Shumen

64, Slavianski blvd.	054/800599
8, Slavianski blvd	054/858133

Russe

5, Sveta Troica square	082/ 818 240
75, Alexnadrovska str	082/ 825768
55, Alexandrovska str.	082/818223
55, Alexandrovska str.	082/ 818 350

Veliko Tarnovo

13. Vasil Levskli Str	062/ 611 005
4, Rafail Mihailov str.	062/ 614 820
2B, Marno Pole str.	062/ 610 234

Gabrovo

13, Radecki str.	066/ 814 224
6, Parvi Mai 1876 str.	066/819030
14, Stancionna str.	066/ 807432

Gorna Orjahovitsa

1A, M. Todorv str.	0618/60159
2, Partriarch Evtimii str.	0618/ 61822

Elena

1, Chr. Momchilov str.	06151/ 2113

Pavlikeni

20, Svoboda sq.	0610/ 526 86

Polski Trumbesh

55, Turgovska str.	06141/ 3062

Razgrad

1, Ivan Vazov str.	084/ 660 763
1, Momina Cheshma sq.	084/ 660 866

Svishtov

16, Tzar Osvoboditel str.	0631/ 61127
2, Em. Chakurov str.	0631/ 60 056
10, Dunav str.	0631/ 60 062

Sevlievo

21, Svoboda sq.	0675/ 349 98

Pleven

1, Kosta Hadjipakev str.	064/ 880 226
60, Chataldja str.	064/ 80 03 25
11, Tzar Simeon str.	064/890345
13 Danail Popov str; block Volga	064/89 21 63
121 Vasil Levski str.	064/840188

Belene

1, Dechev Ferdinand str.	0658/24852

Berkovitsa

1, Slaveikov blvd.	0953/8-84-84
100, Nikolaevska str.	0953/8-86-86

Vidin

3 Tzar Simeon Veliki str.	094/690214
68A, Tzar Simeon Veliki str.	094/ 605812
102A Wharehouse base VITREID	094/601298
North Industrial Zone	094/602022
37 Tzar Simeon Veliki str.	094/6947574

Bank Network (Continued)

Vratsa

10, Lukashov str.	092/668852
6, St. Kyaluchev	092/668234

Knezha

71, Marin Boev str.	09132/2394

Kozlodui

Kozlodui Nuclear Plant	0973/80235
14, St Kiril and Metodius str.	0973/ 80 004

Levski

57, Al. Stambolijski str.	0650/83167

Lovech

22A D. Pushkov str.	068/689941
24, Turgovska str.	068/601758
2, Stephan Karadja str.	

Lom

14, Dunavska str.	0971/66720

Mezdra

1, Georgi Dimitrov str.	0910/92078

Montana

72, Treti Mart blvd	096/391950
51 Treti Mart blvd.	096/303-061

Troyan

1, Gen. Karzov str.	0670/6-20-17
Velchevski Complex	0670/ 688 64

Sofia

7, Sveta Nedelya Square	9232111
1, Christofor Columb blvd	9268391
1, Christofor Columb blvd	9268390
84, Veslec str.	8105921
18, Parva Bulgarska Armiya blvd	9311846
16, Iliensko Shose	9360986
16, Alexander Malinov blvd, 1st floor, MLADOST	8174921
147, Tsarigradsko Shosse blvd	9 767 864.00
Nishava str. Block 12	02/ 8188760
9, Julio Kiuri str.	02/ 8173729
Business park Sofia, 2nd building	02/9769448
6, Vitosha blvd	02/ 8102926
Hotel Trivia, Botunec	02/ 994 54 42
Iliyanci	02/ 917 74 59
85, Evropa blvd, Bojuriste	07112/ 30 15
57A, Cherni Vruh blvd	02/ 81 640 76
444 A, Slivnica blvd	02/ 827 91 72;
41, Tzar Boris III blvd	02/9264848
134, Tzar Boris III blvd	02/9-264-847
58, Alabin Str	02/ 939 78 14
14, Todor Alexandrov blvd	02/9377071
22, Zlaten rog, str.	02/9264849
3, Kaloyan str	9268425
7, Sveta Nedelya Square	9232186
28, Hristo Smirnenski blvd	02/9-630-988
2, Lomsko shosse	9360439
46, Liubliana str.	02/9-264-867
1, Yanko Sakazov blvd	02/9-887-131
143 Al. Stambolijski blvd	02/ 8102622
12, Al. Batenberg str.	02/ 9357841
Liulin 5, block 549 B	02/ 827 31 81
133, G.S. Rakovski str.	02/9530309
2 Kniaginia Maria Luiza blvd	02/9-264-873
18, Dondukov str.	02/ 9218964
SFA Liulin 10, Dobrinova Skala Blvd	02/ 9250981
SFA Tsarigradsko shosse blvd	02/ 960 11 99
SFA 459, Botevgradsko shosse blvd	
1, P.U. Todorov block 1	02/ 8186720
3, Akad St. Mladenov blvd	
8, Aksakov, str.	9233410
12, Anton Naidenov, str.	9681997
40, Vasil Levski str.	02/9-504-650
75, Vitosha blvd	02/9-264-861
17 Hristo Botev blvd	02/9-264-860
1, Tzar Samuil str.	9173040

Bank Network (Continued)

1 Ivan Vazov str.	02/92 69 319
133, G.S. Rakovski str.	02/92-64-876
54 Cherni Vruh blvd	9690025
102, Bulgaria blvd	
63, Shipchenski prohod str.	02/ 817 29 17
71, Geo Milev str.	02/ 982 52 96
7th km, Tsarigradsko Shosse	02/8178029
27, Tvardishki prohod	8182722
1, Madrid blvd	02/ 948 09 71
88 Yanko Sakazov blvd	
2, Ivan Asen lind str	02/ 9423024
16, Al Malinov blvd, MLADOST	8174926
140, Rakovski str.	815 70 24
640 Slivnica blvd.	

Samokov

3, Prof V. Zahariev str. — 0722/ 68814

Borovets — 0750/32204

Dragoman

26, Zahari Stoyanov str. — 07172/ 21 08

3, N. Vapcarov str. — 07172/2241

Kalotina

Border Police kalotina — 07174/2252

Godech

2, Svoboda square — 0729/ 2322

Botevgrad

24 Saransk sq. — 0723/66872

Elin Pelin

5, Nezavisimost square — 0725/ 68814

Gorna Malina

Municipality G. Malina — 07152/ 222

Etropole

22, M. Gavrailova str. — 0720/7222

Pirdop

Todor Vlaikov square, block 2 — 07181/54-06

Zlatitsa

1, Sofiisko shosse blovd — 0728/6-60-38

Slivnitsa

1, Saedinenie square — 0727/ 42272

Svoge

21, Tsar Simeon str. — 0726/ 2349

Ihtiman

9, Polk. B. Drangov str. — 0724/ 2091

Kostinbrod

13, Ohrid str — 0721/681-30

Kostenets

2, Belmeken str — 07142/ 23 00

Blagoevgrad

1, Macedonia sq. — 073/ 867028

22, Ivan Shishman str. — 073/828633

18, St. Kiril and Metodius blvd. — 073/ 828718

57, Vasil Levski blvd — 073/ 885 065

Bansko

3, Pirin str. — 0749/88125

54 Tsar Simeon str. — 0749/ 8 83 87

Yakoruda

40, Kiril and Metodius str. — 07442/23-88

Gotse Delchev

11, Byalo More — 0751/69620

Satovcha

Satovcha Municipality — 0751/6-01-24

Bank Network (Continued)

Kyustendil

39, Democracy str.	078/ 5596 11

Dupnitza

1 Hristo Botev str.	0701/ 59914

Sapareva bania

6, Germaneya str.	0707/ 2228

Pernik

14, K. Pernishki sq.	076/603201
2, Chereshovo topche str.	076/604690

Petrich

48, Rokfeler str.	0745/ 695 28
12B, ul. Goce Delchev	0745/69260
17, Tsar Boris III	0745/695 18

Sandanski

52, Macedonia str.	0746/34852

Razlog

1, Eksarh Iosif str.	0747/8-00-22

Rila

3, Avrekii Popstoyanov	07054/2178

Simitli

2, Vasil Levski str.	0748/7-29-56

Stara Zagora

126 Simeon Veliki blvd	042/696243
62, Tzar Simeon Veliki blvd	042/ 692116
Rudnik Troyanovo Sever	0417/ 82 402
115, Tsar Simeon Veliki blvd.	042/615-129
126, Simeon Veliki str.	042/696 253

Galabovo

8, dr. Jekov str.	0418/62224

Dimitrovgrad

4B, Bulgaria blvd	0391/6-46-72
3, D. Blagoev blvd	0391/61455
Dimitrovgrad Police	0391/61454

Kazanlak

4 Rozova Dolina str.	0431/ 681 42
16, Paisii Hilendarski str.	0431/ 63 486

Kardjali

51, Bulgaria blvd	0361/ 670 20

Radnevo

10A, G. Dimitrov	0417/81011

Sliven

11 Hadji Dimitar blvd	044/613127
19, Gen Stolipin	044/61 31 34
23 Rakovski str.	044/622446

Svilengrad

60, Bulgaria blvd	0379/70728

Nova Zagora

49 Vasil Levski str.	0457/23906
60, M. Balkanski str	0457/ 22 203

Harmanli

1, Vazrajdane sq.	0373/2688

Haskovo

4, Han Kubrat str.	038/607721
12-14 Stefan Karadja str.	038/ 602724
Haskovo RDVR	038/662439
Haskovo KAT	038/662447

Chirpan

2, Yavorov str.	0416/45 51

Bank Network (Continued)

Plovdiv

4, Ivan Vazov blvd	032/601615
32A Kuklensko shosse blvd	032/673602
3, Osvobojdenie blvd	032/ 681914
1, Asenovgradsko Shosse str.	032/623746
8, Karlovsko shosse str.	032/ 946335
31, Ivan Vazov str.	032/905831
1A Raiko Daskalov str.	032/646953
1 Bankova str.	032/ 656035
82, Hristo Botev blvd	032/ 63 26 00
2, Betoven str.	032/622030
13, Kniaz Alexander Ist str.	032/905-812
15A Vasil Aprilove blvd.	032/905-837
66, Pestersko shosse str.	032/905-841
24, Tsar Assen str.	032/905-844
167 A, 6ti septemvri blvd	032/905-840
4, Vasil Levski str.	032/ 945466
37 Tzar Osvoboditel blvd (Maritza)	032/905-865

Peshtera

16, Dimitar Gorov str.	0350/2107

Asenovgrad

8, Radi Ovcharov str.	0331/6-26- 55

Dolni Voden

21, Iordan Iovkov str.	0331/2-63-17

Velingrad

99, Suedinenie sq.	0359/5-05-85

Karlovo

2, Vodopad str.	0335/ 90525
4, Dimitur Subev str.	0335/ 93 171

Pazardjik

6, Bulgaria blvd	034/444-482
5, Esperanto str.	034/405717
Pazardjik RDVR	034/440993
Pazardjik KAT	034/441290
3, Han krum str.	034/ 444886

Panagiurishte

24, G. Benkovski str.	0357/4087

Parvomai

1, Hristo Botev str.	0336/20-54

Rakovski

23, Moskva str.	03151/50-12

Smolyan

59, Kolio Shishmanov str.	0301/63198

Stamboliiski

3, Osmi Mart str.	0339/41-64

Chepelare

1, Han Asparuh str.	03051/20-35

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